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If calling please ask for  
**Louise Adamson**  
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Date: 28 February 2018

Dear Sir/Madam

You are invited to the following meeting:

**Shetland Islands Council  
Council Chamber, Town Hall, Lerwick  
Wednesday 7 March 2018 at 2pm**

Apologies for absence should be notified to Louise Adamson 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	SIC Overall Management Accounts 2017/18 Projected Outturn at Quarter 3 <i>F-022</i>
2	Annual Investment and Treasury Strategy for 2018/19 <i>F-025</i>
3	Asset Investment Plan - Progress Report <i>CPS-02</i>
4	Local Development Plan Supplementary Guidance North Staney Hill Masterplan <i>DV-10</i>
5	<i>Review of Textile Facilitation Unit and Charging Proposal</i> <i>F-31</i>
6	Insurance Project <i>GL-07</i>
6a	Shetland Islands Council Response to the consultation on Shetland's Partnership Plan – Consultative Draft December 2017 (Report to follow) <i>DV-13</i>
<b>The following items contain Exempt Information</b>	
7	Hjaltland Housing Association – Bridging Finance <i>DV-11</i>



# Shetland Islands Council

Agenda Item

**1**

<b>Meeting(s):</b>	Policy & Resources Committee Shetland Islands Council	6 March 2018 7 March 2018
<b>Report Title:</b>	SIC Overall Management Accounts 2017/18 Projected Outturn at Quarter 3	
<b>Reference Number:</b>	F-022-F	
<b>Author / Job Title:</b>	Jonathan Belford Executive Manager - Finance	

## **1.0 Decisions / Action required:**

- 1.1 The Policy & Resources Committee RECOMMENDS that the Council RESOLVE:
- 1.1.1 To review the Management Accounts showing the overall projected outturn position at Quarter 3.
  - 1.1.2 To note the actions proposed set out in the report, and approve the increase in the payment for 2017/18 to the Community Health and Social Care Partnership Integration Joint Board of £0.932m, recognising the transfer of Cost Pressure and Contingency budget held by the Council and miscellaneous budget changes. This will increase the payment for 2017/18 to £20.783m.

## **2.0 High Level Summary:**

- 2.1 The report sets out the overall Council projected financial position as at quarter 3.
- 2.2 On 15 February 2017 (SIC Min Ref: 7/17) the Council approved the 2017/18 revenue and capital budgets for the Council (including the General Fund, Harbour Account, Housing Revenue Account and Spend to Save) requiring a draw from reserves of £12.252m. It is vital to the economic wellbeing of the Council that the financial resources are managed effectively and expenditure and income is delivered in line with the budget, as any overspends will result in a further draw on reserves and would be evidence that the Council is living beyond its means.
- 2.3 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 and allows corrective action to be taken where necessary.
- 2.4 Since the approval of the 2017/18 budget, revisions to the budget have been incorporated for the Council's budget carry-forward scheme and spend to save, this amounts to £5.633m for both revenue and capital. Therefore this report refers to the revised budget that is now in place for each of the services.

## **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 Medium Term Financial Plan also includes a stated objective to achieve financial sustainability over the lifetime of the Council.
<b>4.0 Key Issues:</b>	
4.1	At quarter 3 the revenue projections suggest that for the Council the revenue outturn position for the combined General Fund (including Spend to Save), Harbour Account and Housing Revenue Account is projected to be under budget by £4.774m (Appendix 1).
4.2	The capital outturn position for the combined General Fund (including Spend to Save), Harbour Account and Housing Revenue Account is projected to be under budget by £6.098m, however £5.907m has been identified as being required in future years to complete projects (Appendix 2).
4.3	From the cost pressures and contingency items budget, £3.387m has been applied to meet cost pressures and contingency items in directorates, this has been mainly on pay pressures (Appendix 3).
4.4	The projected draw from reserves for both revenue and capital expenditure is under the revised budgeted draw by £7.378, at £10.507m. This is lower than the original budget of £12.252m (Appendix 4).
4.5	This includes the increase in the payment for 2017/18 to the Community Health and Social Care Partnership Integration Joint Board of £0.932m. This increases the payment for 2017/18 to £20.783m (detailed in para 4.2 of the Management Accounts for Community Health and Social 2017/18 – Projected Outturn at Quarter 3 report on today's agenda).
4.5	Appendices 1-4 set out this information in detail. Analysis of the variances have been included in Service Committee reports.
4.6	However, circumstances may change between now and the year end which may adversely or favourably alter the outturn position. The risks are set out in Section 6.9 below.
<b>5.0 Exempt and/or confidential information:</b>	
5.1	None.
<b>6.0 Implications :</b>	
<b>6.1 Service Users, Patients and Communities:</b>	There are no implications arising from this report.

<b>6.2 Human Resources and Organisational Development:</b>	There are no implications arising from this report.
<b>6.3 Equality, Diversity and Human Rights:</b>	There are no implications arising from this report.
<b>6.4 Legal:</b>	There are no implications arising from this report.
<b>6.5 Finance:</b>	<p>Overall the Council is projected to be under the 2017/18 revised budget, on revenue by £4.774m and capital by £6.098m. Included in this underspend is capital slippage of £5.907m which will be required in 2018/19.</p> <p>The overall draw on reserves at quarter 3 is projected to be sustainable with a draw of £10.507m. This is £7.378m less than the revised budgeted draw of £17.885m. The projected draw equates to a daily draw on reserves of £29k.</p> <p>This includes the increase in the payment for 2017/18 to the Community Health and Social Care Partnership Integration Joint Board of £0.932m to a total of £20.783m.</p> <p>The Director of Children's Services is to continue to monitor the budget position with her Executive Managers. The Director of Infrastructure will take remedial action for any losses on the harbour operations into future years' budgets.</p>
<b>6.6 Assets and Property:</b>	There are no implications arising from this report.
<b>6.7 ICT and new technologies:</b>	There are no implications arising from this report.
<b>6.8 Environmental:</b>	There are no implications arising from this report.
<b>6.9 Risk Management:</b>	<p>There are numerous risks involved in the delivery of services and the awareness of these risks is critical to successful financial management.</p> <p>From a financial perspective, risks are an integral part of planning for the future, as assumptions are required to be made. These assumptions can be affected by many internal and external factors, such as supply and demand, which may have a detrimental financial impact.</p>

	<p>The main variable assumptions are around anticipated income levels, returns on investments and cost pressures and demands.</p> <p>This report is part of the framework that provides assurance, or recognition of any deviation from the budget that may place the Council in a financially challenging position and requires remedial action.</p> <p>The Council makes provision within its budget for cost pressures that may arise. This approach provides additional confidence for the Council to be able to mitigate any adverse financial circumstances.</p>	
<b>6.10 Policy and Delegated Authority:</b>	<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 2016/17 financial year.</p> <p>The Policy &amp; 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.</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>	
<b>6.11 Previously considered by:</b>	n/a	n/a

#### **Contact Details:**

Hazel Tait, Team Leader Accountancy, [Hazel.Tait@Shetland.gov.uk](mailto:Hazel.Tait@Shetland.gov.uk), 12 February 2017

#### **Appendices:**

Appendix 1 - Overall SIC Projected Revenue Outturn Position for 2017/18

Appendix 2 - Overall SIC Projected Capital Outturn Position for 2017/18

Appendix 3 - Contingency and Cost Pressure Budget 2017/18

Appendix 4 - Use of Reserves 2017/18

#### **Background Documents:**

SIC Budget Book 2017/18, SIC 15 February 2017

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

## 1. Revenue - Projected Outturn Position for 2017/18

2017/18 Projected Variance Qtr 2 £000	General/Support/Recharged	2017/18 Revised Budget Qtr 3 £000	2017/18 Projected Outturn Qtr 3 £000	2017/18 Projected Variance Qtr 3 £000
(2)	Chief Executive	1,790	1,716	75
(456)	Children's Services	40,197	40,601	(404)
(723)	Community Care	19,374	19,368	6
28	Corporate Services	7,288	6,941	347
505	Development	14,465	14,035	430
88	Infrastructure	18,860	18,335	526
39	Fund Managers Fees	895	825	70
(5)	Energy	2,463	2,497	(34)
1	Water	322	330	(8)
62	Building Maintenance	2,217	2,202	15
0	Grass Cutting	146	146	0
37	Fleet Management Unit	725	680	45
0	Insurance	946	946	0
	Training	574	574	0
0	Office Building Charge	2,013	2,013	0
1,142	Contingencies & Cost Pressures	3,379	2,451	929
154	Economic Development Investment Income	(900)	(1,258)	358
0	Interest on Revenue Balances	(27)	(27)	0
0	Spend to Save (Unallocated)	123	0	123
9	Net Recharges to Other Fund	(1,991)	(2,000)	9
<b>881</b>	<b>Total Net Expenditure/(Income)</b>	<b>112,861</b>	<b>110,376</b>	<b>2,485</b>
	<i>Funded by:</i>			
0	Government Grants	(79,941)	(80,262)	321
0	Council Tax	(9,003)	(9,003)	0
0	Spend to Save	(250)	0	(250)
(881)	Contribution from General Fund Reserve	(23,667)	(21,111)	(2,556)
<b>(881)</b>	<b>Total Funding/Contribution</b>	<b>(112,861)</b>	<b>(110,376)</b>	<b>(2,485)</b>
<b>0</b>	<b>Balanced Budget</b>	<b>0</b>	<b>0</b>	<b>0</b>

## 1. Revenue - Projected Outturn Position for 2017/18

2017/18 Projected Variance Qtr 2 £000	Harbour Account	2017/18 Revised Budget Qtr 3 £000	2017/18 Projected Outturn Qtr 3 £000	2017/18 Projected Variance Qtr 3 £000
(190)	Sullom Voe	(7,796)	(7,538)	(258)
332	Scalloway	272	(73)	345
155	Other Piers	118	(114)	232
260	Terminals	(1,419)	(1,793)	374
<b>556</b>	<b>Total Ports &amp; Harbours Net Expenditure/(Income)</b>	<b>(8,826)</b>	<b>(9,518)</b>	<b>692</b>
28	Shetland Gas Plant	(550)	(790)	240
<b>28</b>	<b>Other Income</b>	<b>(550)</b>	<b>(790)</b>	<b>240</b>
(585)	Contribution to Reserve Fund	9,376	10,308	(933)
<b>(585)</b>	<b>Total Contribution</b>	<b>9,376</b>	<b>10,308</b>	<b>(933)</b>
<b>0</b>	<b>Balanced Budget</b>	<b>0</b>	<b>0</b>	<b>0</b>

2017/18 Projected Variance Qtr 2 £000	Housing Revenue Account	2017/18 Revised Budget Qtr 3 £000	2017/18 Projected Outturn Qtr 3 £000	2017/18 Projected Variance Qtr 3 £000
888	Expenditure	7,299	5,962	1,337
31	Income	(6,815)	(6,835)	19
<b>919</b>	<b>Total Net Expenditure/(Income)</b>	<b>484</b>	<b>(872)</b>	<b>1,356</b>
(919)	Contribution from HRA Reserve	(484)	872	(1,356)
<b>(919)</b>	<b>Total Contribution</b>	<b>(484)</b>	<b>872</b>	<b>(1,356)</b>
<b>0</b>	<b>Balanced Budget</b>	<b>0</b>	<b>0</b>	<b>0</b>

GF/HARBOUR/HRA REVENUE COMBINED NET SPEND TOTAL

103,969	99,195	4,774
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## 2. Capital - Projected Outturn Position for 2017/18

Overall Projected Outturn Variance Qtr 2 £000	Service Area	2017/18 Revised Budget Qtr 3 £000	2017/18 Projected Outturn Qtr 3 £000	2017/18 Projected Variance Qtr 3 £000	Slippage Required in 2018/19 £000	Overall Projected Outturn Variance Qtr 3 £000
0	Children's Services	7,136	6,389	747	747	0
(12)	Community Care	2,765	2,748	18	53	(36)
0	Corporate Services	2,305	1,727	578	578	0
(30)	Development (GF)	161	223	(62)	0	(62)
39	Development (HRA)	2,913	2,874	39	0	39
(45)	Infrastructure (GF)	6,639	4,649	1,990	1,747	243
(45)	Infrastructure (Harbour Account)	12,989	10,201	2,788	2,781	7
<b>(48)</b>	<b>Total Costs</b>	<b>34,909</b>	<b>28,811</b>	<b>6,098</b>	<b>5,907</b>	<b>191</b>
	<b>Funded by:</b>					
0	General Capital Grant	(7,177)	(7,177)	0	0	0
0	Capital Grants Unapplied (General Fund)	(46)	(46)	0	0	0
10	External Grants	(783)	(583)	(200)	0	(200)
	External Borrowing	(7,807)	(7,168)	(639)	0	(639)
72	Spend to Save Reserve	(491)	(298)	(193)	0	(193)
30	Council Tax Second Homes Reserve	(161)	(223)	62	0	62
2,746	Capital Fund Reserve	(2,126)	0	(2,126)	(5,907)	3,781
	Capital Receipts (General Fund)	(379)	(231)	(148)	0	(148)
(34)	CFCR (General Fund)	(36)	(9)	(27)	0	(27)
910	Capital Receipts (HRA)	(221)	(1,549)	1,328	0	1,328
(949)	CFCR (HRA)	(2,692)	(1,325)	(1,367)	0	(1,367)
(1,343)	CFCR (Harbour Account)	(3,424)	(2,081)	(1,343)	0	(1,343)
(714)	Harbour Account Other Govt Grants	(985)	(271)	(714)	0	(714)
(680)	Harbour Account External Borrowing	(8,580)	(7,849)	(731)	0	(731)
<b>48</b>	<b>Total Funding &amp; Financing</b>	<b>(34,909)</b>	<b>(28,811)</b>	<b>(6,098)</b>	<b>(5,907)</b>	<b>(191)</b>
<b>0</b>	<b>Balanced Budget</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>



## 3. Cost Pressure and Contingency Budget for 2017/18

Service Area	2017/18 Budget inc Cfwd 2017/18 £000	2017/18 Budget Allocated 2017/18 Qtr 3 £000	2017/18 Revised Budget 2017/18 Qtr 3 £000
<b>Cost Pressures:</b>			
Pay Award	1,000	984	16
Holiday Pay/Sleepovers/Living Wage	739	726	13
Superannuation Increase	478	470	8
Pension Auto Enrolment	800	0	800
Apprenticeship Levy	474	0	474
AHS Maintenance/Lifecycle Costs	350	338	12
Capital Financing Charge	1427	0	1,427
Funding for Change	848	305	543
<b>TOTAL COST PRESSURES:</b>	<b>6,116</b>	<b>2823</b>	<b>3,293</b>
<b>Contingency:</b>			
General Contingency	1,579	564	1,015
<b>Reduction based on risk of events occurring (67%)</b>	<b>(929)</b>	<b>0</b>	<b>(929)</b>
<b>TOTAL CONTINGENCIES:</b>	<b>650</b>	<b>564</b>	<b>86</b>
<b>OVERALL TOTAL</b>	<b>6,766</b>	<b>3,387</b>	<b>3,379</b>



4. Use of Reserves for 2017/18  
(included General Fund/Harbour Account/Housing Revenue Account/Spend to Save reserves)

Draw on Reserves	2017/18 Original Budgeted  £000	2017/18 Carry Forwards from 2016/17  £000	2017/18 Revised Budgeted Qtr 3  £000	2017/18 Projected Outturn Qtr 3  £000	2017/18 Projected Variance Qtr 3  £000
Revenue Draw on Reserves	12,222	2,803	15,025	9,930	5,095
Capital Draw on Reserves	30	2,830	2,860	577	2,283
Total Budgeted Draw on Reserves	12,252	5,633	17,885	10,507	7,378





<b>Meeting(s):</b>	<b>Policy and Resources Committee Shetland Islands Council</b>	<b>6 March 2018 7 March 2018</b>
<b>Report Title:</b>	<b>Annual Investment and Treasury Strategy for 2018/19</b>	
<b>Reference Number:</b>	<b>F-025-F</b>	
<b>Author / Job Title:</b>	<b>Report Presented by Executive Manager - Finance</b>	

### 1.0 Decisions / Action required:

#### 1.1 That the Policy and Resources Committee RESOLVE to:

- a) Review the Borrowing Policy to be followed for the financial year 2018/19, as set out in Appendix 1, section 4.
- b) Review the four clauses within the CIPFA Code of Practice as set out in Appendix 1, section 6.
- c) Review the Treasury Management Policy Statement as set out in Appendix 1 section 7, and
- d) Review the Statement of Treasury Management Practices as set out in Appendix 1 section 8.

#### 1.2 That the Policy and Resources RECOMMEND that the Council RESOLVES to:

- a) Approve the Annual Investment Strategy Statement to be followed for the financial year 2018/19, as set out in Appendix 1, section 2.
- b) Approve the Treasury Management Strategy to be followed for the financial year 2018/19, as set out in Appendix 1, section 3.
- c) Approve the Treasury Management Prudential Indicators for 2017/18 to 2020/21, as set out in Appendix 1, section 5.

### 2.0 High Level Summary:

2.1 The purpose of this report is to propose an Annual Investment and Treasury Strategy for the Council for the financial year 2018/19.

2.2 This report will address the requirements of the Scottish Minister's consent and the CIPFA Code of Practice for Treasury Management in the Public Services 2017. There are various requirements attached to the Scottish Ministers' consent, with the production of an Annual Investment Strategy duly approved by the Council each year, being central to the consent.

2.3 One of the reporting requirements of the consent is to produce an Annual Investment Strategy Statement. The annual investment strategy is designed to give an integrated local authority strategy within which both its borrowing and

investments are considered. As such the Scottish Ministers recommended that there be a single strategy covering capital, treasury management, the setting of prudential indicators and the requirements of the investment regulations and consent. This strategy is in Appendix 1 at sections 2, 3, 4 and 5.

- 2.4 Other requirements of the consent involve the CIPFA Code. The CIPFA Code is intended to provide guidance on the best practice for treasury management. It defines treasury management as “The management of the organisation’s borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”
- 2.5 A key principle of the CIPFA Code is that “Public service organisations should put in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective management and control of their treasury management activities.”
- 2.6 In line with this principle, the CIPFA Code recommends the adoption of the CIPFA Code itself, adopted by the Council on 21 March 2012 (Min Ref 25/12), along with:
- an annual review of the four clauses within the CIPFA Code, that are seen as essential for the effective management and control of treasury management activities
  - a Treasury Management Policy Statement, which defines the policies and objectives of the treasury management function, and
  - a Treasury Management Practices Statement, which covers twelve specific areas that are relevant to the scope and powers of treasury management activities. They define and set out the general approach to be followed in treasury management.
- 2.7 The schedules complying with the clauses and the statements are covered in Appendix 1 to this report at sections 6, 7 and 8.

### **3.0 Corporate Priorities and Joint Working:**

- 3.1 The Council’s overall investment strategy is important to the Council’s Investments, which play 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 includes at Appendix 1 the Annual Investment and Treasury Strategy for the Shetland Islands Council to be followed for the financial year 2018/19.
- 4.2 This investment strategy meets the requirements of the minister’s consent and complies with CIPFA’s Code of Practice for Treasury Management in the Public Services 2017.
- 4.3 The CIPFA Code also suggests that the Council should review its approved clauses, its Treasury Management Policy Statement and its Treasury Management Practices Statement which are included in Appendix 1.



4.4 There are no changes to the Borrowing Policy at section 4 in Appendix 1, but the Prudential Indicators at section 5 in Appendix 1 have been updated to reflect the revised Prudential Code (2017) and the 2018-2023 Council asset investment plan. This provides the framework for the internal control and self-management of capital finance in line with the Prudential Code, and in turn the key items of expenditure that will normally govern the bulk of the authority's potential need to borrow. Reviewing and revising the prudential indicators to take account of additional borrowing requirements allows the Council to be assured that the decisions they have made or are about to take are affordable.

## **5.0 Exempt and/or confidential information:**

5.1 *None*

## **6.0 Implications :**

### **6.1 Service Users, Patients and Communities:**

*None*

### **6.2 Human Resources and Organisational Development:**

*None*

### **6.3 Equality, Diversity and Human Rights:**

*None*

### **6.4 Legal:**

As required by the consent issued by the Scottish Ministers under the Local Government Investments (Scotland) Regulations 2010 the investment strategy should be approved by the local authority (i.e. full Council or Board).

### **6.5 Finance:**

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 objectives.

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>The updating of the Prudential Indicators itself does not have an immediate financial impact on the Council however it provides the framework for complying with proper practices in managing capital expenditure and treasury management. The Executive Manager - Finance is able to respond to the financial circumstances that the Council faces and can take decisions based on this.</p>
<b>6.6 Assets and Property:</b>	<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>
<b>6.7 ICT and new technologies:</b>	<p><i>None</i></p>
<b>6.8 Environmental:</b>	<p>Whilst the fund managers have delegated powers for the acquisition and realisation of investments, fund managers will be 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</p>

	decision-making and ownership practices, and so better align their objectives with those of society at large.	
<b>6.9 Risk Management:</b>	<p>The annual investment strategy employed by the Council will impact on the long-term projected investment returns of the Council's reserves, and have consequences for the daily operating cash capabilities of the Council.</p> <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.</p>	
<b>6.10 Policy and Delegated Authority:</b>	<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 Annual Investment Strategy is a specific plan contained within the Council's Policy Framework set out in the Council's constitution (Part A – 3(2)) to be prepared and performance managed by the Policy and Resources Committee. Approving, adapting or amending any plan within the policy framework is reserved to the Council (Part A – 3(1)), taking advice from the Policy and Resources Committee, in accordance with Section 2.2.1 of the Council's Scheme of Administration and Delegations.</p>	
<b>6.11 Previously considered by:</b>	None	

**Contact Details:**

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*E-mail colin.bain@shetland.gov.uk*

**Appendices:**

*Appendix 1 - Annual Investment and Treasury Strategy for 2018/19*

**Background Documents:**

*None*



# Shetland Islands Council



## Annual Investment & Treasury Strategy 2018-19

*Securing the best for Shetland*

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## Introduction

### Regulatory requirements

- 1.01 This report addresses the requirements of the Scottish Minister's consent and the CIPFA Code of Practice for Treasury Management. There are various requirements attached to the Scottish Ministers' consent, with the production of an Annual Investment Strategy which requires approval by the Council each year, being central to the consent.
- 1.02 Other requirements of the consent involve the CIPFA Treasury Management Code of Practice. A key principle of the CIPFA Code is that "Public service organisations should put in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective management and control of their treasury management activities."
- 1.03 In line with this principle the CIPFA Code recommends the adoption of the code itself, which was adopted by the Council on 21 March 2012 (Min Ref 25/12), along with an annual review of the four clauses within the code, a Treasury Management Policy Statement and a Treasury Management Practices Statement. All of these requirements are covered by this report.

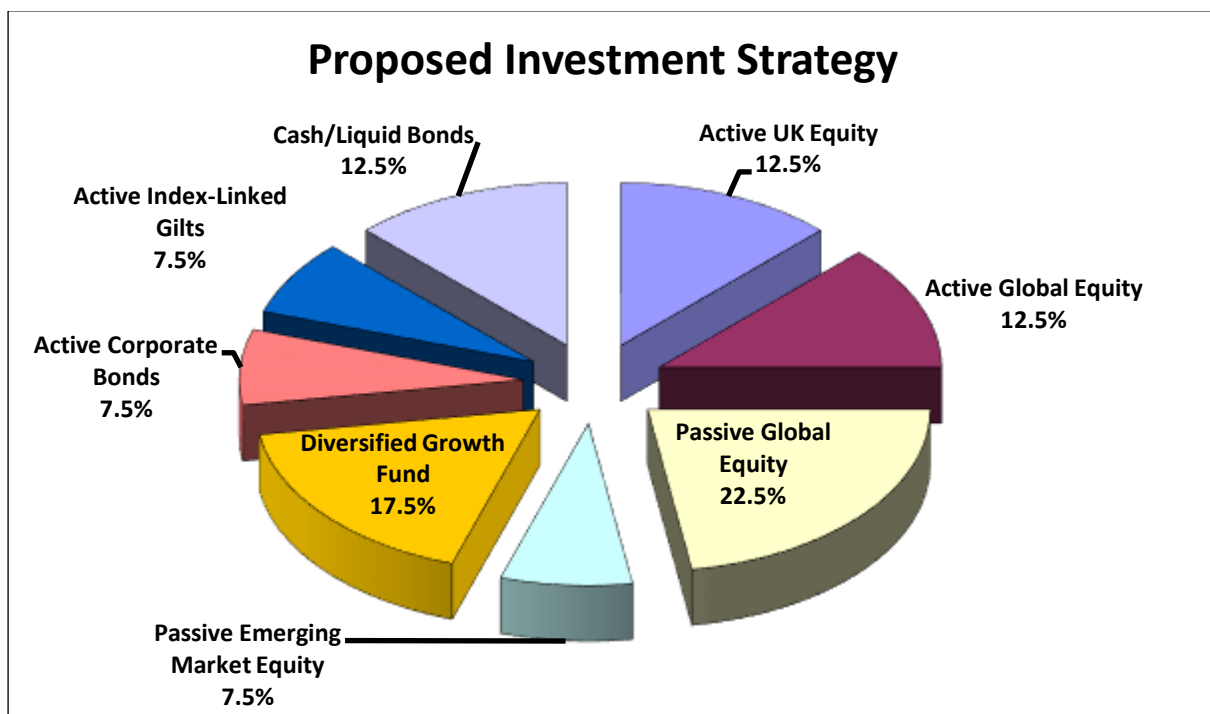
### Investment and Treasury Management Strategies

- 1.04 The Council adopted a strategic 5-year Investment Strategy for the Council's reserves in June 2013. This annual report compliments that overarching strategy and sets out the Council's approach during 2018-19 that will contribute towards the overall 5 year strategy.
- 1.05 In addition, this report sets out the wider Treasury Management Strategy for 2018-19 which also includes the management of cash and borrowing. The parameters around the Council's borrowing activity are set out in the Borrowing Policy and the Prudential Indicators sections of this report.

## Annual Investment Strategy Statement 2018-19

### Long-Term Investments

- 2.01 Following the adoption of the Medium Term Financial Plan (MTFP) in 2012 the Council undertook a review of its Investment Strategy during 2013/14 in order to ensure that it was aligned to the objectives of the MTFP.
- 2.02 As a result a new Strategic Investment Strategy 2013-2018 was adopted by the Council in June 2013, which resulted in changes in the way the Council invested its reserves with fund managers.
- 2.03 The Investment Strategy continues to follow the asset allocation agreed in June 2013, with the following asset allocation:



- 2.04 The percentages above are the initial benchmark percentages agreed after the reorganisation in October 2013. Throughout 2017/18 these percentages varied depending on withdrawals, market movements and investment returns. These fluctuations are expected over the short term.
- 2.05 There is no intention to rebase back to the initial percentages, as this would incur additional transaction costs. Any large variations from the benchmark can be controlled when making withdrawals and injections of funds. The fund managers invest as per their investment percentage position and these are constantly monitored by the Council's Treasury function.



- 2.06 In addition, it should be noted that the cash/liquid bond allocation was designed as the asset class that would be targeted for withdrawals when cash was needed to meet current council expenditure. This is because it is guaranteed not to lose its capital value, thus eradicating the risk of incurring losses when selling investments to meet current expenditure needs. This cash/liquid bond allocation was used for withdrawals and came to an end during 2016/17.
- 2.07 Investment consultants KPMG have been approached to conduct a new investment strategy review. KPMG were asked to review the current strategy and propose any required changes to ensure the investment strategy remains fit for purpose over the next few years. It is envisaged that the investment review and any required changes will be concluded during 2018/19.
- 2.08 The current percentage of funds under management for each fund manager at 31 December 2017 was:

<b>General Fund</b>	<b>%</b>
Active UK Equities – Baillie Gifford	15.0
Active Global Equities – Baillie Gifford	15.8
Passive Emerging Market Equities – BlackRock	9.5
Passive Global Equities - BlackRock	27.9
Diversified Growth Fund – Baillie Gifford	20.3
Active Bonds – Insight	11.5
<b>TOTAL</b>	<b>100</b>

- 2.09 All long-term investments that are managed externally by fund managers are held for the purpose of achieving an investment return. To this end all investments are managed in a way that minimizes the risk to the capital sum and optimises the return on the investment consistent with those risks. This involves setting benchmarks for each fund and for each unitised product within the funds. These benchmarks (market indexes, cash plus percentage return) are used to evaluate the performance of each investment against their investment market or set return, with large deviations both above and below these benchmarks questioned similarly.
- 2.10 All of the long-term investments with “active” mandates require the fund manager to have an investment return target above the benchmark return. The 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 actively 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.

2.11 In addition to these long term investments, the Council also has a portfolio of local investments. These investments predominantly take on the form of loans to local businesses. The Medium Term Financial Plan sets out the criteria for awarding these loans which states that the Director of Development Services and Executive Manager – Finance must agree that –

- The loan will generate the Council a rate of return at least equal to the 20 year average fund manager investment returns (net of fees and inflation) in which the Council currently invests. and
- Due diligence work has been undertaken to ensure that any loan granted is at an acceptable risk level to the Council.

2.12 The proposed investment strategy for 2018-19 proposes to continue to adhere to the principles of the Medium Term Financial Plan, with a minimum interest rate set at 5.2% for the forthcoming financial year, which is equal to the 20 year average fund manager returns (net of fees and inflation).

2.13 In addition the Economic Development Department will ensure compliance with the State Aid Regulations.

### **Short-Term Investments**

2.14 Short-term investments are held in cash, either with the Council's bank or on short-term deposits. These are managed by the Council's Treasury function on a daily basis and reviewed monthly to ensure the efficient operation of Council activities.

### **Permitted Investments**

2.15 Every mandate the Council awards to a fund manager is finalised by both the Council and the fund manager entering into an Investment Management Agreement. This agreement covers all aspects of the mandate, including the type of investments to be held and the minimum and maximum investment levels allowed. Any breach of these set levels must be reported immediately by the fund manager and rectified as soon as practical. No rebasing of the asset class allocation split shall take place during 2018/19 unless with the approval of the Council.

2.16 On an annual basis each fund manager makes available their internal controls report. These reports are produced by their respective external auditors, and review all aspects of the fund manager's operating controls, with any concerns and weaknesses reported. The

reports are reviewed by Treasury within Finance annually, with any concerns or issues identified that may impact on the Council reported accordingly.

- 2.17 The Council does not impose ethical views on fund managers within the Investment Management Agreement. The Council does not place constraints on a fund manager in relation to actual investment decisions, as it would affect the long-term projected investment returns, and the budget set by the Council. The fund manager, within the criteria stated in the Investment Management Agreement, makes investment decisions.
- 2.18 The Council's current investment strategy set general investment asset class levels, though these are flexible due to money movements and investment income.

### **Responsible Investment**

- 2.19 Whilst the fund managers have delegated powers for the acquisition and realisation of investments, fund managers will be 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.
- 2.20 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.
- 2.21 The fund managers, who will act in accordance with this policy, will exercise voting.
- 2.22 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.

## Risk Management

2.23 The authority's investments and financial activities expose it to a variety of financial risks:

- Credit risk – the possibility that other parties might fail to pay amounts due to the authority
- Liquidity risk – the possibility that the authority might not have funds available to meet its commitments to make payments
- Market risk – the possibility that financial loss might arise for the authority as a result of changes in such measures as interest rates and stock market movements

2.24 The authority's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by the Treasury Service, under policies approved by the Council in the Investment Strategy Statement.

### Credit Risk

2.25 Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the authority's customers. Deposits are not made with banks or financial institutions unless they meet one of the following categories:

- A Bank or Building Society with at least a A- long term Fitch rating
- Bank of Scotland – Council's own bank
- Any bank which is a wholly owned subsidiary of the above
- Any Local Authority

2.26 The A- long term rating is defined by Fitch as "High credit quality with a low expectation of default risk. The capacity for payment of financial commitments is considered strong." An approved lending list of the financial institutions that meets the criteria will be maintained in Treasury.

2.27 In addition the following guidelines will apply:

- No more than £3 million to be lent to any single organisation from one account, apart from the Council's own bank.
- No more than £6 million to be lent to any one organisation in total from all accounts, apart from the Council's own bank.

2.28 At the 31 December 2017 the Council had deposits and short-term loans with the Council's own bank, amounting to £2.0 million. The Council's exposure to credit risk on these current deposits is very low based on the last five financial years' experience, where no default or loss has occurred.

### Liquidity Risk

- 2.29 The authority has external investments with fund managers amounting to £358 million at the 31 December 2017. The authority has ready access to these funds, so there is no significant risk that it will be unable to meet its daily operating commitments.

### Market Risk

- 2.30 The authority is exposed to significant risk in terms of its exposure to cash interest rates, the bond market and the equity markets. Movements in interest rates, bond values and share prices have a complex impact on the authority's investments. To limit the effect of these movements the investment portfolio is diversified to reduce exposure to any one market. The investment portfolio at the 31 December 2017 was diversified between the following main markets:

UK Equities

Overseas Equities

Index Linked Gilts

Corporate Bonds

Cash

The Diversified Growth Fund with Baillie Gifford was invested in 14 different asset classes at 31 December 2017.

- 2.31 The largest investment is in the Equity markets, about 68% of the Council's Reserves.

### Foreign Exchange Risk

- 2.32 The authority has overseas equities and bonds that are denominated in foreign currencies. The exposure to risk of loss in adverse movements in exchange rates can be reduced by the fund managers, through the use of currency hedging strategies to specifically negate any currency movement impact.

## **Treasury Management Strategy 2018-19**

### **Treasury Management**

- 3.01 Treasury Management is defined as the management of an organisation's investments, cash flows, banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.
- 3.02 The Treasury Management Strategy details the activities and guidelines to be followed by the Treasury Section for all areas of cash management in the forthcoming financial year 2018/19. Its production and submission to the Shetland Islands Council is a requirement of the CIPFA Code of Practice for Treasury Management in the Public services 2017.

### **Cash and Bank**

- 3.03 Cash Management for the Shetland Islands Council is carried out within the Treasury Section of Finance Services, and consists of the daily management of various bank accounts and any associated short-term lending.
- 3.04 The Treasury Section of Finance Services seeks to retain a daily working cash balance in order to ensure that there is sufficient cash available to meet all liabilities as they fall due. The balances on the Council's current account earn an annual return currently 0.45%, and as such it is important to ensure that no excess balances are held in the Council's current account as the returns are far lower than those that can be earned with fund managers.
- 3.05 There is an agreed overdraft facility with the bank of £800,000 that can be used to cover the accounts managed by Treasury, for any short-term situations if required. However, the Treasury Section seeks to avoid such situations as bank charges will be applied should the current account balance become overdrawn.

### **Debt Management**

- 3.06 Debt Management is also carried out within the Treasury Section, and this will be undertaken in line with the Borrowing Policy as set out in section 4, and the Prudential Indicators as set out in Section 5 of this report.
- 3.07 This report also seeks Council approval to provide the Executive Manager – Finance delegated authority to undertake short term borrowing of no longer than 364 days in order to provide greater flexibility to the Treasury Section for managing cash-flow efficiently for payments as they fall due.

- 3.08 The limits requested for short term borrowing of up to 364 days are included in the Prudential Indicators (Indicator 4 *Authorised Limit for External Debt* and Indicator 5 *Operational Boundary for External Debt*).
- 3.09 At present it is possible to obtain short term borrowing from other local authorities at an annual interest rate of less than 1%. There may be times during the year that it is more cost effective for the Council to borrow in order to meet a cash shortfall, such as the payment of salaries, rather than automatically recall the money from the externally invested reserves. The Executive Manager – Finance will determine if and when this is the most appropriate course of action.

# Shetland Islands Council Borrowing Policy

## Treasury Management

- 4.01 The definition of Treasury Management at 3.01 is intended to apply to all public service organisations in their use of capital project financings, borrowings and investments.
- 4.02 The Council's Borrowing Policy was produced so that the Council could in future use borrowing as a tool within its overall Treasury Management arrangements.

## Internal Borrowing versus External Borrowing

- 4.03 The economic case for borrowing externally or using the Council's own reserves to finance capital expenditure is essentially down to whether interest rates are higher or lower than the long term average return on the Council's external investments (with fund managers).
- 4.04 If interest rates are higher than the long term rolling average return on the Council's investments (currently 5.2%) then it means the cost of borrowing is higher than the lost income forgone by using reserves, so it would make financial sense to use reserves for capital expenditure.

- 4.05 For example, if interest rates were 10% for a £1m loan -  
Annual interest payable on £1m at 10% = £100,000  
Investment income of 5.2% generated on £1m = £52,000

In this example to borrow would cost £100,000 a year, and to use reserves would present an opportunity cost of £52,000 in lost investment income. In this example, using reserves would present a saving of £48,000 per year over using borrowing.

- 4.06 However, the reverse is true if interest rates are lower than the long term average return on the Council's investments (currently 5.2%). For example if interest rates were 2% for a £1m loan -

Annual interest payable on £1m at 2% = £20,000  
Investment income of 5.2% generated on £1m = £52,000

In this example, to borrow would cost £20,000 a year and to use reserves would present an opportunity cost of £52,000 in lost investment income. In this example borrowing would save the Council £32,000 per year.

- 4.07 Therefore when interest rates are lower than long term investment returns, the default position of the Council should be to borrow in order to achieve a Best Value outcome.



## The Cost of Borrowing

- 4.08 Shetland Islands Council has been in the unique position of having significant reserves which in the past it has used to fund its capital expenditure. This has in effect meant that from a service perspective point of view, new assets have essentially been a “free good”. When borrowing is used to finance capital expenditure the service is required to make provision for debt charges (principal debt repayment and interest costs), which is a significant difference to the previous practice for General Fund capital expenditure where no service paid for its assets financing costs. This should be borne in mind when a decision to borrow is taken.
- 4.09 In order to secure Best Value in the financing of capital expenditure, the Council should use its statutory powers to consider borrowing as an option to do this. In order to regulate and monitor Council borrowing, the Council has a borrowing policy and a set of prudential indicators to set the financial parameters for borrowing.

## Shetland Islands Council Borrowing Policy

The Council's borrowing policy will be as follows:

- Borrowing should only be considered as a financing option when the interest rate obtainable is lower than the 20-year average return on the Council's external investments (i.e. Fund Manager returns);
- Borrowing will only be undertaken for capital projects, with a presumption against funding of short life assets (i.e. assets with less than a 5 year useful economic life);
- Borrowing should only be considered for priority capital projects that are supported by a full business case;
- Members must be fully advised of the ongoing revenue implications arising from each recommendation to borrow before a decision is taken by Council;
- If Members decide to borrow, they must also agree how the relevant Council directorate will be able to fund the borrowing costs (i.e. interest and principal repayments) within its existing Target Operating Budget as set out in the Medium Term Financial Plan;
- Borrowing can only be undertaken within the parameters of the Prudential Framework and the Prudential Indicators which will be agreed annually by Council;
- Borrowing may be undertaken up to 2 years in advance of its deployment to finance agreed capital expenditure if expectations on future versus current interest rates make it financially advantageous for the Council to do so;
- The Council will never borrow for the purposes of investing to make a profit;
- The Executive Manager – Finance as Section 95 Officer is the only officer of the Council who may recommend a decision to borrow to Council;
- When a decision to proceed to borrow has been taken by Council, the details of the loan(s) will be delegated to the Executive Manager – Finance who will determine the institution, the type, the timing, and the length of the loan after seeking advice from external Treasury Management specialists as to the most economically advantageous transaction;

# Treasury Management Prudential Indicators 2017/18 to 2020/21

## Prudential Framework

- 5.01 The Local Government in Scotland Act 2003 repealed Section 94 of the Local Government (Scotland) Act 1973. Sections 35 to 37 of the 2003 Act introduced a responsibility for local authorities to locally determine the level of capital investment. Regulations introduced under the Act required that local authorities should adhere to The CIPFA Prudential Code for Capital Finance in Local Authorities.
- 5.02 The Prudential Code was introduced in April 2004, effectively replacing the Capital Expenditure controls within section 94 where ministerial consent was required before any capital expenditure could be incurred. In addition, there was a restriction on the commitment to capital expenditure for future years and a control over the actual financing of the capital expenditure. The 'prudential framework' (or prudential regime) is the collective term for legislation, regulation and the Code under which local authorities will operate.
- 5.03 The introduction of the Prudential Code brought much greater flexibility for Councils to develop capital expenditure programmes to support their local communities. The key watchwords within the Prudential Code are:
- Affordability
  - Prudence
  - Sustainability
- 5.04 The Prudential Code provides a framework for the internal control and self-management of capital finance, and in turn the key items of expenditure that will normally govern the bulk of an authority's potential need to borrow. It does also refer to the fact that forward estimates of external debt, defined in part as actual external borrowing, will follow on from an authority's capital plans and revenue forecasts, under their treasury management strategy. The Prudential Code also requires that the underlying commitment to finance leases and similar contracts is recognised when setting the indicators.
- 5.05 It is understandable that the Prudential Code seeks to concentrate primarily upon a need for an authority to ensure that its capital spending plans are affordable, as it is these plans that will, in general, be the main driver of an authority's need to undertake or increase the amount of external borrowing. The opening paragraph of the Executive Summary makes clear its overriding objective, namely "The Prudential Code plays a key role in capital finance in local authorities", whilst paragraph 7 of its Objectives states that it focuses on capital finance and effective capital planning. The Prudential Code perhaps sums up the overall situation regarding the consideration of affordability in paragraph E18, wherein it states – "In considering affordability, the authority is required to consider all of the resources

currently available to it and those estimated to be available in the future, together with the totality of its capital plans and income and expenditure forecasts”.

5.06 The Council’s capital expenditure plans are the key driver of treasury management activity. The outputs from the capital expenditure plans are reflected in Prudential Indicators, which are designed to assist Members overview and confirm capital expenditure plans.

5.07 In setting their prudential limits, Members must have regard to:

- Affordability e.g. implications of capital plans for council tax and council housing rents.
- Prudence and sustainability, e.g. risk, implications for external debt and whole life costing.
- Value for money, e.g. option appraisal.
- Stewardship of assets, e.g. asset management planning.
- Service objectives, e.g. strategic planning for the authority.
- Practicality, e.g. achievability of the forward plan.

### **Prudential Indicators**

5.08 It is proposed that the Prudential Indicators for Shetland Islands Council for 2017-18 to 2020-21 should be as follows:

#### **1. Ratio of Financing Costs to Net Revenue Stream**

##### **Definition**

General Fund - The proportion of the General Fund income from the Council’s General Revenue Grant (including NNDR), Council Tax income and sustainable contribution from Reserves and Harbour Account to fund the debt financing costs (interest and principal repayments) of the planned capital expenditure programme.

Housing Revenue Account - The proportion of income to the HRA (substantially housing rents) to fund the debt financing costs (interest and principal repayments) of the planned capital expenditure programme.

Harbour Account - The proportion of Harbour Account income (mainly fees & charges) reduced by the planned sustainable contribution to underpin General Fund services, to fund the debt financing costs (interest and principal repayments) of the planned capital expenditure programme.

<b>Ratio of Financing Costs to Net Revenue Stream</b>					
	<b>2016/17 Actual</b>	<b>2017/18 Estimate</b>	<b>2018/19 Estimate</b>	<b>2019/20 Estimate</b>	<b>2020/21 Estimate</b>
General Fund	1.2%	2.9%	4.7%	4.8%	4.8%
HRA	22.6%	19.7%	19.2%	18.3%	17.7%
Harbour Account	0.0%	1.8%	4.7%	5.0%	5.0%

## 2. Capital Expenditure

### Definition

Actual capital expenditure for 2016/17 and estimated capital expenditure for the current year and the next three years, as set out in the Council's Asset Investment Plan 2018-23.

<b>Capital Expenditure</b>					
	<b>2016/17 Actual £000</b>	<b>2017/18 Estimate £000</b>	<b>2018/19 Estimate £000</b>	<b>2019/20 Estimate £000</b>	<b>2020/21 Estimate £000</b>
General Fund	17,467	57,446	14,072	13,433	12,924
HRA	2,519	2,874	3,512	4,512	6,032
Harbour Account	903	10,201	12,410	12,676	16,979
<b>Total</b>	<b>20,889</b>	<b>70,520</b>	<b>29,994</b>	<b>30,621</b>	<b>35,935</b>

## 3. Gross Debt and the Capital Financing Requirement

### Definition

The CFR reflects the authority's underlying need to finance capital expenditure by borrowing or other long-term liability arrangements. As the Council should only borrow for a capital purpose, the debt should not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years.

<b>Capital Financing Requirement</b>					
	<b>2016/17 Actual £000</b>	<b>2017/18 Estimate £000</b>	<b>2018/19 Estimate £000</b>	<b>2019/20 Estimate £000</b>	<b>2020/21 Estimate £000</b>
General Fund	18,957	67,055	66,521	64,571	62,555
HRA	16,420	15,593	14,785	13,976	13,168
Harbour Account	13	7,857	16,947	19,770	19,031
<b>Total CFR</b>	<b>35,390</b>	<b>90,505</b>	<b>98,253</b>	<b>98,318</b>	<b>94,754</b>
<b>Gross External Debt</b>		<b>98,318</b>	<b>98,318</b>	<b>98,318</b>	

#### 4. Authorised Limit for External Debt

##### Definition

Limit for total external debt that should not be breached. This excludes investments and is based on future capital plans and variations in cash flow.

Authorised Limit for External Debt					
	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000
Borrowing	29,484	43,215	52,046	53,256	50,907
Other Long Term Liabilities	5,906	47,290	46,207	45,062	43,847
25% Margin	8,847	22,626	24,563	24,579	23,688
<b>Total</b>	<b>44,237</b>	<b>113,131</b>	<b>122,816</b>	<b>122,897</b>	<b>118,442</b>

#### 5. Operational Boundary for External Debt

##### Definition

A boundary for total external debt based on the estimate of total projected external debt to be monitored against during the year. It may be breached temporarily for variations in cash flow but a sustained or regular breach would require investigation.

Operational Boundary for External Debt					
	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000
Borrowing	29,484	43,215	52,046	53,256	50,907
Other Long Term Liabilities	5,906	47,290	46,207	45,062	43,847
<b>Total</b>	<b>35,390</b>	<b>90,505</b>	<b>98,253</b>	<b>98,318</b>	<b>94,754</b>

#### 6. Actual External Debt at 31 March 2017

##### Definition

The actual external debt taken from the Balance Sheet as at 31st March 2017.

Actual External Debt	
	31 March 2017 £000
Borrowing	31,093
Other Long Term Liabilities	5,906
<b>Total</b>	<b>36,999</b>

## 7. Upper limit on Interest Rate Exposures

### Definition

Ranges within which the Council will manage its exposures to fixed and variable rates of interest. Whilst the Council could obtain more favourable interest rates with a variable rate, it increases the longer term risk of rates rising beyond a fixed rate.

It is calculated as a percentage of total net outstanding principal sums of debt.

	<b>2016/17 Actual £'000</b>	<b>2017/18 Indicative £'000</b>	<b>2018/19 Indicative £'000</b>	<b>2019/20 Indicative £'000</b>	<b>2020/21 Indicative £'000</b>
Fixed interest rate exposures	100%	100%	100%	100%	100%
Variable interest rate exposures	0%	40%	40%	40%	40%

## 8. Maturity Structure of Borrowing

### Definition

Upper and lower limits to assist the Council to avoid large concentrations of fixed rate debt that has the same maturity structure and would therefore need to be replaced at the same time. This is the fixed rate debt maturing in each period as a percentage of total projected borrowing that is fixed rate.

	<b>2016/17 Actual</b>	<b>Lower Limit</b>	<b>Upper Limit</b>
Under 12 months	0%	0%	25%
12 months and within 24 months	0%	0%	30%
24 month and 5 years	0.07%	0%	50%
5 year and within 10 years	0.16%	0%	70%
10 years and above	99.77%	0%	100%

## CIPFA Code of Practice

- 6.01 The CIPFA Code of Practice for Treasury Management in the Public Services (2017) states as a key principle, “Public service organisations should put in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective management and control of their treasury management activities.”
- 6.02 The following four clauses as recommended by the CIPFA Code were adopted by the Council on 21st March 2012 (Min Ref: 25/12). These clauses reinforce the Code’s key principle for effective management and control. As per the CIPFA Code it is recommended that these clauses are reviewed annually.

### Clauses

1. This organisation will create and maintain, as the cornerstones for effective treasury management:
  - a treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities
  - suitable treasury management practices (TMPs), setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities

The content of the policy statement and TMPs will follow the recommendations contained in Sections 6 and 7 of the Code, subject only to amendment where necessary to reflect the particular circumstances of this organisation. Such amendments will not result in the organisation materially deviating from the Code’s key principles.

2. Shetland Islands Council will receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMPs.
3. Shetland Islands Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to the Policy and Resources Committee, and for the execution and administration of treasury management decisions to the Executive Manager – Finance, who will act in accordance with the organisation’s policy statement and TMPs and, if he/she is a CIPFA member, CIPFA’s Standard of Professional Practice on Treasury Management.
4. This organisation nominates the Policy and Resources Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.



## Treasury Management Policy Statement

- 7.01 As part of the adoption of the CIPFA Code of Treasury Management in the Public Services the Council is required to produce and approve a Treasury Management Policy Statement, stating the policies and objectives of its treasury management activities. This policy statement follows a form of words as recommended by CIPFA in its Code of Practice for Treasury Management in the Public Services, and is subject to annual review.
- 7.02 The Shetland Islands Council defines its treasury activities as:
- “The management of the authority’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks”.
- 7.03 The Shetland Islands Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation.
- 7.04 The Shetland Islands Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.
- 7.05 The Prudential Code 2009 removed limits on Council’s on borrowing to finance capital expenditure, though this is balanced by additional responsibility to act prudently, and to take account of affordability when making decisions on borrowing. The Shetland Islands Council in compliance with the Prudential Code has set borrowing indicators at section 4.08.
- 7.06 All investments are held for the purpose of achieving an investment return. To this end all investments are managed in a way that minimises the risk to the capital sum, and optimises the return on the investments consistent with those risks.

## Statement of Treasury Management Practices

- 8.01 The Council Adopted the CIPFA Code of Treasury Management in the Public Services on the 21 March 2012 (Min Ref: 25/12), along with this code were four clauses, which were also formally adopted. Within these clauses the following was stated that this organisation will create and maintain, as the corner stones for effective treasury management, suitable treasury management practices (TMP's), setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities."
- 8.02 The following TMP's are recommended by CIPFA as relevant to an organisations treasury management powers and the scope of its treasury management activities.

### TMP1 Treasury Risk Management

The Executive Manager – Finance will design, implement and monitor all arrangements for the identification, management and control of treasury management risk, will report at least annually on the adequacy/suitability thereof, and will report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the Council's objectives in this respect, all in accordance with the procedures set out in *TMP6 Reporting Requirements and Management Information Arrangements*.

In respect of each of the following risks the arrangements which seek to ensure compliance with these objectives are set out in the schedule to this document.

#### 1. Credit and Counterparty Risk Management

The risk of failure by a counterparty to meet its contractual obligations to the Council under an investment, borrowing, capital project or partnership financing, particularly as a result of the counterparty's diminished creditworthiness, and the resulting detrimental effect on the Council's capital or current (revenue) resources.

This Council regards a key objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that its counterparty lists and limits reflect a prudent attitude towards organisations with which funds may be deposited, and will limit its investment activities to the instruments, methods and techniques referred to in TMP4 Approved Instruments Methods and Techniques and listed in the schedule to this document.

#### 2. Liquidity Risk Management

The risk that cash will not be available when it is needed, that ineffective management of liquidity creates additional unbudgeted costs, and that the Council's business/service objectives will be thereby compromised.

This Council will ensure it has adequate though not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its business/service objectives.

### 3. Interest Rate Risk Management

The risk that fluctuations in the levels of interest rates create an unexpected or unbudgeted burden on the Council's finances, against which the Council has failed to protect itself adequately.

This Council will manage its exposure to fluctuations in interest rates with a view to containing its interest costs, or securing its interest revenues, in accordance with TMP6 reporting requirements and management information arrangements.

It will achieve this by the prudent use of its approved instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates. This should be subject to the consideration and, if required, approval of any policy or budgetary implications.

### 4. Exchange Rate Risk Management

The risk that fluctuations in foreign exchange rates create an unexpected or unbudgeted burden on the organisation's finances, against which the organisation has failed to protect itself adequately.

This Council will manage its exposure to fluctuations in exchange rates so as to minimise any detrimental impact on its budgeted income/expenditure levels.

### 5. Legal and Regulatory Risk Management

The risk that the Council itself, or an organisation with which it is dealing in its treasury management activities, fails to act in accordance with its legal powers or regulatory requirements, and that the Council suffers losses accordingly.

This Council will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities.

This Council recognises that future legislative or regulatory changes may impact on its treasury management activities and, so far as it is reasonably able to do so, will seek to minimise the risk of these impacting adversely on the Council.

#### 6. Fraud, Error and Corruption and Contingency Management

The risk that a Council fails to identify the circumstances in which it may be exposed to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings, and fails to employ suitable systems and procedures and maintain effective contingency management arrangements to these ends. It includes the area of risk commonly referred to as operational risk.

This Council will ensure that it has identified the circumstances that may expose it to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings. Accordingly, it will employ suitable systems and procedures, and will maintain effective contingency management arrangements, to these ends.

#### 7. Market Risk Management

The risk that, through adverse market fluctuations in the value of the principal sums an organisation borrows and invests, its stated treasury management policies and objectives are compromised, against which effects it has failed to protect itself adequately.

This Council will seek to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sums it invests, and will accordingly seek to protect the Council from the effects of such fluctuations.

### **TMP2 Performance Measurement**

This Council is committed to the pursuit of value for money in its treasury management activities, and to the use of performance methodology in support of that aim, within the framework set out in its Treasury Management Policy Statement.

Accordingly, the treasury management function will be the subject of ongoing analysis of the value it adds in support of the Council's stated service objectives. There will be regular review of the scope for potential improvements.

### **TMP3 Decision-Making and Analysis**

This Council will maintain full records of its major treasury management decisions, and of the processes and practices applied in reaching those decisions, both for the purposes of learning from the past, and for demonstrating that reasonable steps were taken to ensure that all issues relevant to those decisions were taken into account at the time. The issues to be addressed and processes and practices to be pursued in reaching decisions are detailed in the schedule to this document.

#### **TMP4 Approved Instruments, Methods and Techniques**

This Council will undertake its treasury management activities by employing only those instruments, methods and techniques detailed in the schedule to this document, and within the limits and parameters defined in TMP1 Treasury Risk Management.

#### **TMP5 Organisation, Clarity and Segregation of Responsibilities and Dealing Arrangements**

This Council considers it essential, for the purposes of effective control and monitoring of its treasury management activities, for the reduction of risk of fraud and error and for the pursuit of optimum performance that these activities are structured and managed in a fully integrated manner and that there is at all times clarity of treasury management responsibilities.

The principle on which this will be based is a clear distinction between those charged with setting treasury management policies and those charged with the implementing and controlling of these policies, particularly with regard to the execution and transmission of funds, the recording and administering of treasury management decisions and the audit and review of the treasury management function.

If the Council intends as a result of lack of resources or other circumstances to depart from these principles, the Executive Manager – Finance will ensure that the reasons are properly reported in accordance with TMP6 Reporting Requirements and Management Information Arrangements, and the implications properly considered and evaluated.

The Executive Manager – Finance will ensure that there are clear written statements of the responsibilities for each post engaged in treasury management and the arrangements for absence cover. They will also ensure that at all times those engaged in treasury management will follow the policies and procedures set out. The present arrangements are detailed in the schedule to this document.

The Executive Manager – Finance will ensure there is proper documentation for all deals and transactions, and that procedures exist for the effective transmission of funds. The present arrangements are detailed in the schedule to this document.

#### **TMP6 Reporting Requirements and Management Information Arrangements**

This Council will ensure that regular reports are prepared and considered on the implementation of its treasury management policies; on the effects of decisions taken and the transactions executed in pursuit of those policies; on the implications of changes, particularly budgetary, resulting from regulatory, economic, market or other factors affecting its treasury management activities; and on the performance of the treasury management function.

As a minimum the Executive Committee will receive:

- An annual report on the strategy and plan to be pursued in the coming year.
- A mid-year review.
- An annual report on the performance of the treasury management function, on the effects of the decisions taken and the transactions executed in the past year, and on any circumstances of non-compliance with the Council's Treasury Management Policy Statement and Treasury Management Practices.

#### **TMP7 Budgeting, Accounting and Audit Arrangements**

The Executive Manager – Finance will prepare, and this Council will approve and, if necessary, from time to time will amend, an annual budget for treasury management, which will bring together all of the costs involved in running the treasury management function, together with associated income. The matters to be included in the budget will at a minimum be those required by statute and regulation, together with such information as will demonstrate compliance with TMP1 Treasury Risk Management, TMP2 Performance Measurement, and TMP4 Approved Instruments, Methods and Techniques.

The Executive Manager – Finance will exercise effective controls over this budget and will report upon and recommend any changes required in accordance with TMP6 Reporting Requirements and Management Information Arrangements.

This Council will account for its treasury management activities, for decisions made and transactions executed, in accordance with appropriate accounting practices and standards, and with statutory and regulatory requirements in force.

This Council will ensure that its auditors, and those charged with regulatory review, have access to all information and papers supporting the activities of the treasury management function as necessary for the proper fulfilment of their roles, and that such information and papers demonstrate compliance with external and internal policies and approved practices.

#### **TMP8 Cash and Cash Flow Management**

Unless statutory or regulatory requirements demand otherwise, all monies in the hands of the Council will be under the control of the Executive Manager – Finance, and will be aggregated for cash flow and investment management purposes. Cash Flow projections will be prepared on a regular and timely basis to ensure that these are adequate for the purposes of monitoring compliance with TMP1 (1.2) Liquidity Risk Management. The present arrangements for preparing cash flow projections, and their form, are set out in the schedule to this document.

### **TMP9 Money Laundering**

This Council is alert to the possibility that it may become the subject of an attempt to involve it in a transaction involving the laundering of money. Accordingly, it will maintain procedures for verifying and recording the identity of counterparties and reporting suspicions, and will ensure that staff involved in this are properly trained. The present arrangements, including the name of the officer to whom reports should be made, are detailed in the schedule to this document.

### **TMP10 Staff Training and Qualifications**

The Council recognises the importance of ensuring that all staff involved in the treasury management function are fully equipped to undertake the duties and responsibilities allocated to them. It will therefore seek to appoint individuals who are both capable and experienced and will provide training for staff to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills.

Training may also be provided on the job and it will be the responsibility of the Executive Manager – Finance to ensure that all staff under their authority receives the level of training appropriate to their duties. This will also apply to those staff who, from time to time cover for absences from the treasury management team. The Executive Manager – Finance will recommend and implement the necessary arrangements.

### **TMP11 Use of External Service Providers**

This Council recognises that responsibilities for treasury management decisions remain with the organisation at all times. It recognises that there may be potential value in employing external providers of treasury management services, in order to acquire access to specialist skills and resources. When it employs such services providers, it will ensure it does so for reasons which will have been submitted to a full evaluation of the costs and benefits. It will also ensure that the terms of their appointment and the methods by which their value will be assessed and properly agreed, documented, and subjected to regular review. It will ensure, where feasible and necessary, that a spread of service providers is used, to avoid over reliance on one or a small number of companies. Where services are subject to formal tender or re-tender arrangements, legislative requirements will always be observed. The monitoring of such arrangements rests with the Executive Manager – Finance, and details of the current arrangements are set out in the schedule to this document.

### **TMP12 Corporate Governance**

This Council is committed to the pursuit of proper corporate governance throughout its businesses and services, and to establishing the principles and practices by which this can be

achieved. Accordingly, the treasury management function and its activities will be undertaken with openness and transparency, honesty, integrity and accountability.

This Council has adopted and has implemented the key principles of the CIPFA Code. This, together with the other arrangements detailed in the schedule to this document, are considered vital to the achievement of proper corporate governance in treasury management, and the Executive Manager – Finance will monitor and, if and when necessary, report upon the effectiveness of these arrangements.

The Executive Manager – Finance will maintain, separate from this document, schedules specifying the systems and routines to be employed and the records to be maintained to ensure adherence to these principles.





<b>Meeting(s):</b>	<b>Policy and Resources Committee Shetland Islands Council</b>	<b>06 March 2018 07 March 2018</b>
<b>Report Title:</b>	<b>Asset Investment Plan – Progress Report</b>	
<b>Reference Number:</b>	<b>CPS-02-18F</b>	
<b>Author / Job Title:</b>	<b>Robert Sinclair, Executive Manager – Capital Programme</b>	

### 1.0 Decisions / Action required:

- 1.1 That the Policy and Resources Committee RECOMMENDS that the Council notes the progress of the projects within the Asset Investment Plan

### 2.0 High Level Summary:

- 2.1 This report advises the Council on the progress of the projects contained within its Asset Investment Plan which are currently underway in 2017/18.
- 2.2 It includes a summary of the financial status for the full life of each project.

### 3.0 Corporate Priorities and Joint Working:

- 3.1 This report forms part of the annual performance reporting arrangements on financial matters in support of the Financial Strategy, Reserves Policy and Budget Strategy. 'Our Plan 2016 to 2020' states that "Excellent financial-management arrangements will make sure we are continuing to keep to a balanced and sustainable budget, and are living within our means" and that "We will have prioritised spending on building and maintaining assets and be clear on the whole-of-life costs of those activities, to make sure funding is being targeted in the best way to help achieve the outcomes set out in this plan and the community plan".

### 4.0 Key Issues:

- 4.1 This report provides an overview of the full life of those projects within the Council's Asset Investment Plan that are currently underway in 2017/18, based on the agreed budget.
- 4.2 Where projects take place over a number of financial years, this report summarises the position from the beginning to completion of the project. Capital maintenance is not included in this report.
- 4.3 Quarterly monitoring reports on capital expenditure are provided by the Executive Manager - Finance, detailing the progress of all capital projects within the current financial year; that report also covers expenditure on capital maintenance.
- 4.4 The detailed project information is attached as Appendix A.

5.0 Exempt and/or confidential information:		
5.1	None.	
6.0 Implications :		
6.1 Service Users, Patients and Communities:	Upon completion, the projects described in the appendix to this report will either enhance the quality and / or condition of the assets available to the people of Shetland, or add to them.	
6.2 Human Resources and Organisational Development:	No implications arising directly from this report.	
6.3 Equality, Diversity and Human Rights:	No implications arising directly from this report.	
6.4 Legal:	No implications arising directly from this report.	
6.5 Finance:	The Asset Investment Plan projects which are currently underway, in 2017/18, are detailed in Appendix A and are projected to be £464k under budget, resulting in a projected outturn cost of £57.7m. Of the total cost, £4.8m will be funded externally, with £52.9m to be funded by the Council.	
6.6 Assets and Property:	Upon completion, the projects described in the appendix to this report will either enhance the quality and / or condition of the Council’s existing asset base, or add to it.	
6.7 ICT and new technologies:	No implications arising directly from this report.	
6.8 Environmental:	All maintenance and new-build projects seek to address climate change and carbon management for example by embedding energy saving measures and environmentally friendly materials in their design. Where possible, assets are repaired and maintained where this reduces the carbon footprint associated with new-build. Environmental Impact Assessments are carried out where the nature or scale of the project dictates; the only such project(s) detailed in the programme are the new AHS and associated Halls of Residence.	
6.9 Risk Management:	The main areas of risk are financial in terms of over or under-spend. Regular progress reports to Committee and the Council enable Members to monitor the investment plan.	
6.10 Policy and Delegated Authority:	Approval of the financial strategy and budget framework is a matter reserved for the Council having taken advice from the Policy and Resources Committee.	
6.11 Previously considered by:	N/A	

**Contact Details:**

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16 February 2018

**Appendices:**

Appendix A - Asset Investment Plan – Progress Report

**Background Documents:** None

END



## Capital Projects - Full Life Project Costs

## CPS-02-18 Appendix A

Directorate	Service Area	Budget			Funding	
		Approved Budget £	Predicted Project Outturn £	Under (Over) Budget £	External Funding £	Cost to SIC £
<b>Corporate Service</b>	Capital Programme Service	2,885,000	2,977,710	(92,710)	310,696	2,667,014
		<b>2,885,000</b>	<b>2,977,710</b>	<b>(92,710)</b>	<b>310,696</b>	<b>2,667,014</b>
<b>Children's Services</b>	Schools	21,579,020	21,585,447	(6,427)	1,220,500	20,364,947
		<b>21,579,020</b>	<b>21,585,447</b>	<b>(6,427)</b>	<b>1,220,500</b>	<b>20,364,947</b>
<b>Community Care Services</b>	Adult Service	9,555,312	8,462,804	1,092,508	0	8,462,804
		<b>9,555,312</b>	<b>8,462,804</b>	<b>1,092,508</b>	<b>0</b>	<b>8,462,804</b>
<b>Development Services</b>	Economic Development	0	0	0	0	0
	Housing	160,000	245,807	(85,807)	0	245,807
		<b>160,000</b>	<b>245,807</b>	<b>(85,807)</b>	<b>0</b>	<b>245,807</b>
<b>Infrastructure Services</b>	Environmental Services	966,951	966,951	0	130,000	836,951
	Estate Operations	1,550,000	1,966,633	(416,633)	0	1,966,633
	Ferry Operations	1,830,000	1,880,000	(50,000)	0	1,880,000
	Roads	1,662,203	1,591,149	71,054	315,588	1,275,561
	Ports & Harbours	18,016,747	18,064,735	(47,988)	2,881,780	15,182,955
		<b>24,025,901</b>	<b>24,469,468</b>	<b>(443,567)</b>	<b>3,327,368</b>	<b>21,142,100</b>
	<b>Total All Funds</b>	<b>58,205,233</b>	<b>57,741,236</b>	<b>463,997</b>	<b>4,858,564</b>	<b>52,882,672</b>

	Budget			Funding		
Project Name	Approved Budget £	Predicted Project Outturn £	Under (Over) Budget £	External Funding £	Cost to SIC £	Update
Market Street Store Redevelopment	305,000	397,710	(92,710)	0	397,710	Project complete with only retention to be paid. Records store and Trading Standards Lab in occupation. CPS officer time will not be processed until year end.
Lerwick Library Refurbishment	900,000	900,000	0	0	900,000	Production information underway, tender issue will depend on 8 North Ness, as Old Library still being used as decant. CPS officer time will not be processed until year end.
Town Hall Conservation Project	1,680,000	1,680,000	0	310,696	1,369,304	All building and restoration works complete. Interpretation works progressing.
<b>Total</b>	<b>2,885,000</b>	<b>2,977,710</b>	<b>(92,710)</b>	<b>310,696</b>	<b>2,667,014</b>	

Project Name	Budget			Funding		Update
	Approved Budget £	Predicted Project Outturn £	Under (Over) Budget £	External Funding £	Cost to SIC £	
Brae Nursery Extension	90,000	81,439	8,561	81,439	0	Works complete, officer time will not be processed until year end.
Dunrossness Nursery Extension	25,000	56,417	(31,417)	56,417	0	Substantially complete, two more weeks work to finalise.
Happyhansel Nursery Extension	50,000	20,000	30,000	20,000	0	Phase 1 complete. Phase 2 being designed for next year.
Whiteness Nursery Extension	23,000	30,144	(7,144)	30,144	0	Works complete.
Anderson High School Replacement	3,094,803	3,094,803	0	25,000	3,069,803	Works now complete apart from final snagging. Officer time will not be processed until year end.
Anderson High Clickimin Path Upgrade	1,015,000	1,015,000	0	507,500	507,500	SIC / Sustrans funded project. The remaining budget is required for completion of the rugby pitch link and the contract is about to be awarded.
Anderson High - Halls of Residence	13,740,000	13,740,000	0	0	13,740,000	Works now complete apart from final snagging. Officer time will not be processed until year end.
Clickimin Works	3,101,924	3,101,924	0	500,000	2,601,924	SIC / Sportscotland funded project. The indoor training facility is complete and operational. The internal works within the Clickimin Leisure Complex are complete and in school use. Alteration work to the main entrance is ongoing.
Anderson High ICT Equipment	439,293	445,720	(6,427)	0	445,720	Additional equipment ordered which will be funded from underspend in ICT equipment purchase rolling programme.
<b>Total</b>	<b>21,579,020</b>	<b>21,585,447</b>	<b>(6,427)</b>	<b>1,220,500</b>	<b>20,364,947</b>	

	Budget			Funding		
Project Name	Approved Budget £	Predicted Project Outturn £	Under (Over) Budget £	External Funding £	Cost to SIC £	Update
Eric Gray Replacement	6,055,312	6,055,312	0	0	6,055,312	Works currently ahead of programme, the internal works progressing well with second joinery fix commenced. Mechanical and electrical services first fix substantially complete with some sections of electrical services now moving onto second fix. Externally cladding to the building is now complete and landscaping works progressing well.
ET & Taing House Extension (Spend to Save)	3,500,000	2,407,492	1,092,508	0	2,407,492	Phase 1 complete. Phase 2 originally delayed as scope of project reduced. Phase 2 practical completion issued 12/08/16; additional works and final account still to be processed. Officer Time will not be processed until year end.
<b>Total</b>	<b>9,555,312</b>	<b>8,462,804</b>	<b>1,092,508</b>	<b>0</b>	<b>8,462,804</b>	



Project Name	Budget			Funding		Update
	Approved Budget £	Predicted Project Outturn £	Under (Over) Budget £	External Funding £	Cost to SIC £	
Landfill Capping	836,951	836,951	0	0	836,951	Landfill Capping Phase 2 complete, with only retention to be paid. Survey to be carried out this year with further phases programmed in future years.
Landfill Gas Testing	130,000	130,000	0	130,000	0	Contract for bore hole and gas testing completed, consultant fees still to be processed.
Bells Brae PS Refurbishment	950,000	1,172,897	(222,897)	0	1,172,897	Bells Brae works completed October 2017, some certificates and final A/C still to be processed. Overspend relates to additional mechanical works required when hidden services were uncovered.
Sound PS Refurbishment	600,000	793,736	(193,736)	0	793,736	Sound School site works are now complete, with final A/C still to be processed. Tender prices were higher than anticipated.
Clickimin Roundabout Works	1,063,110	1,063,110	0	17,745	1,045,365	All works complete. Final layer of bitmac has been laid to access road to new AHS. 3K retained pending completion of snagging works.
Cycling/Walking Safer Streets	32,000	32,000	0	32,000	0	£26K has been allocated to the Esplanade 20mph Traffic Calming Scheme as it meets the criteria Cycling / Walking Safer Streets. The remaining £6k has been allocated to bus shelters.
Flood Damage Works	38,062	38,062	0	38,062	0	The scheme has been carried over to next year.
Esplanade - 20mph Traffic Calming	301,031	328,767	(27,736)	227,781	100,986	Works now complete.
Muckle Roe Bridge Painting	228,000	129,210	98,790	0	129,210	Works completed in January, 2018, with only small retention to be paid.
Leirna Life Extension	800,000	800,000	0	0	800,000	Some external steelworks have taken place, further works unlikely to start before 2018/19; so slippage will be required.
Fivla Life Extension	900,000	950,000	(50,000)	0	950,000	Life extension works involve navigation, bridge, equipment and electrical upgrades with internal and external refurbishment. Anticipate this will be 50K over as additional equipment had to be replaced.
Dagri Radar Equipment Purchase	50,000	50,000	0	0	50,000	Business case being worked on - equipment to be purchased in 2017/18.
Ferry Life Saving Equipment	30,000	30,000	0	0	30,000	Business case being worked on, but may be incorporated into life extension budgets.

Project Name	Budget			Funding		Update
	Approved Budget £	Predicted Project Outturn £	Under (Over) Budget £	External Funding £	Cost to SIC £	
0	0	0	0	0	0	Main budget on hold pending further discussion with Scottish Government.
Dagalien Radar Equipment Purchase	50,000	50,000	0	0	50,000	Business case being worked on - equipment will not be purchased until 2018/19; so slippage will be required.
Lerwick Terminal Life Extension	150,000	150,000	0	0	150,000	Only 9K spend anticipated in 17/18. Main works will not be started until 2018/19 - this is due to the availability of the technical expertise.
Bressay Terminal Life Extension	150,000	150,000	0	0	150,000	Only 7K spend anticipated in 17/18. Main works will not be started until 2018/19 - this is due to the availability of the technical expertise.
Belmont Terminal Life Extension	150,000	150,000	0	0	150,000	Only 7K spend anticipated in 17/18. Main works will not be started until 2018/19 - this is due to the availability of the technical expertise.
Gutcher Terminal Life Extension	150,000	150,000	0	0	150,000	Only 7K spend anticipated in 17/18. Main works will not be started until 2018/19 - this is due to the availability of the technical expertise.
Ferry Terminal Access	188,107	188,107	0	81,780	106,327	Upgrade of disabled access to ferry terminals including some internal and external refurbishment works. Bressay, Belmont and Laxo have been completed with Gutcher and Toft to be completed during 17-18.
Ferry Terminal Security	60,000	60,000	0	0	60,000	Upgrade of ferry terminal security, the works will be completed in 2017/18.
Cathodic Protection - Cullivoe Pier	250,000	113,882	136,118	0	113,882	Works complete under budget.
Scalloway Quay West - Pile Repairs	250,000	250,014	(14)	0	250,014	Works complete.
Baltasound Old Pier - Pile Repairs	250,000	170,000	80,000	0	170,000	Works complete, but some payments still to be processed.

	Budget			Funding		
Project Name	Approved Budget £	Predicted Project Outturn £	Under (Over) Budget £	External Funding £	Cost to SIC £	Update
VTs Radar Replacement	1,000,000	1,000,000	0	0	1,000,000	Contract awarded and works ongoing, expect to be complete this financial year dependant on weather.
Scalloway Fishmarket Rebuild	5,600,000	5,600,000	0	2,800,000	2,800,000	Full business case presented to Council in October. Works out to tender now as external funding is tender dependent. The external funding is unconfirmed and only indicative at this time.
Piers - Cathodic Protection	1,204,000	1,244,011	(40,011)	0	1,244,011	Programme of cathodic protection to piers following condition survey reports. Scalloway East Finger to be completed in 2017/18, tenders returned under budget so underspend anticipated.
Tug Jetty - Cathodic Protection	1,000,000	1,000,000	0	0	1,000,000	Project delayed whilst detailed surveys and feasibility options are investigated. Outturn in 17/18 anticipated to be £100k, resulting in under spend of £400k this financial year. Outcome of these investigations will determine plan and spend for 18/19.
Tug Vessel Replacement	7,614,640	7,838,721	(224,081)	0	7,838,721	Overspend due to a lower exchange rate on completion date, brokerage and solicitors fees also included.
<b>Total</b>	<b>24,025,901</b>	<b>24,469,468</b>	<b>(443,567)</b>	<b>3,327,368</b>	<b>21,142,100</b>	

Project Name	Budget			Funding		Update
	Approved Budget £	Predicted Project Outturn £	Under (Over) Budget £	External Funding £	Cost to SIC £	
Leaside Conversion	160,000	245,807	(85,807)	0	245,807	Project complete - completion certificate issued, with retention still to be paid. Additional costs relate to enhanced soundproofing requirement. Keys handed over from contractor on 10/11/17.
<b>Total</b>	<b>160,000</b>	<b>245,807</b>	<b>(85,807)</b>	<b>0</b>	<b>245,807</b>	



# Shetland Islands Council

Agenda Item

**4**

<b>Meeting(s):</b>	<b>Development Committee Shetland Islands Council</b>	<b>5 March 2018 7 March 2018</b>
<b>Report Title:</b>	<b>Local Development Plan Supplementary Guidance – North Staney Hill Masterplan</b>	
<b>Reference Number:</b>	<b>DV-10-18-F</b>	
<b>Author / Job Title:</b>	<b>Team Leader Development Plans and Heritage</b>	

## **1.0 Decisions / Action Required:**

- 1.1 That the Development Committee RECOMMEND to the Council that it RESOLVE to adopt the Supplementary Guidance – North Staney Hill Masterplan as supplementary guidance to the Local Development Plan.

## **2.0 High Level Summary:**

- 2.1 The purpose of this report is to provide a brief summary of the supplementary guidance (SG) North Staney Hill Masterplan. If adopted by Council the document will provide policy context and guidance for future development on the North Staney Hill Site. The SG will form a material consideration in any subsequent Planning Applications submitted on this site.
- 2.2 The North Staney Hill Masterplan Site is included in the Adopted Shetland Local Development Plan 2014 as a site with development potential. It forms part of Site Ref. LK012. The proposed use identified is housing.
- 2.3 A Masterplan was commissioned by the landowners Hjaltland Housing Association (HHA). Work began on the Masterplan in early 2016. Community and stakeholder engagement was undertaken throughout the masterplan development process with specific public engagement events being held in May and June 2016 with first draft proposals being presented to the public in December 2016. In Autumn 2017 a final draft was presented to the public and a seminar was held presenting the final draft to Members and stakeholders prior to the launch of the final consultation which ran from November 2017 to January 2018.
- 2.4 There have been no significant amendments to the Masterplan as a result of the most recent consultation.
- 2.5 The Planning Service has worked closely with the Masterplanning team throughout the process and has benefitted from the support of Architecture and Design Scotland who facilitated a Design Forum process which ran parallel to the Masterplan development process.

### **3.0 Corporate Priorities and Joint Working:**

- 3.1 The LDP is the strategic tool for the Council's spatial development priorities and underpins sustainable development. In conjunction with other Council policies it also contributes to the spatial aims of the Community Plan and the Corporate Plan.
- 3.2 In providing additional policy context and guidance SG supports a high standard of governance by ensuring the Council operates effectively and decisions are evidence based and supported by effective assessments of options and potential effects.

### **4.0 Key Issues:**

- 4.1 The draft North Staney Hill Masterplan has been subject to a public and stakeholder consultation running from November 2017 to January 2018. Twenty-eight responses were received, Appendix 1 summarises those representations, and the modifications sought, a summary of the recommended responses (including reasons) by the Planning Authority and the conclusions and / or actions in respect of changes to the SG that the Planning Service recommends.
- 4.2 The Planning Authority has not recommended any significant changes at this time. A number of issues relating to detailed design aspects of the development have been highlighted in the responses, the Planning Authority acknowledges these and requests that as is appropriate they be resolved at the detailed planning application stage by the applicant.
- 4.3 A number of responses were received regarding concern about the removal of Archaeology, specifically wartime Military remains. There is no intention to remove any archaeology on site and the wartime archaeology will remain in situ. The landowners have indicated a willingness to work with the public to provide some interpretation for the on-site archaeology.
- 4.4 Historic Environment Scotland (HES) had expressed concerns regarding the impact any new development on the site may have on the setting of Clickimin Broch prior to work on the Masterplan commencing. The Masterplanning team have been engaging with HES throughout the Plan development process. HES have responded to the Consultation and they are now content with the Masterplan proposals
- 4.5 One of the respondees to the consultation has highlighted an area of land (see Appendix 2) which they state is in their ownership not that of HHA. This area is identified in the Masterplan base map, and other plans included in books 1, 2, 3, and 4 of the Masterplan as being in the ownership of HHA and part of the Masterplan development site. Whilst this is legal matter the adopted masterplan needs to reflect proposed development on land which is either in the ownership or control of the developer. Due to the timescales involved the Masterplanning team have been unable to amend all the Masterplanning documents, it is therefore proposed that the Masterplan be adopted minus the area of 'dispute' (highlighted in Appendix 2) thereby removing the landownership issue from the Masterplanning process.
- 4.6 The content of the Final Draft Masterplan can be accessed at the link to background papers.

<b>5.0 Exempt and/or Confidential Information:</b>	
5.1	None.
<b>6.0 Implications :</b>	
<b>6.1 Service Users, Patients and Communities:</b>	<p>Versions of the document now presented have been subject to public consultation.</p> <p>The Masterplan furthers certainty amongst service users, developers and other interested parties when subsequent development proposals are brought forward.</p>
<b>6.2 Human Resources and Organisational Development:</b>	All workload relating to supporting the Masterplan making process will be met within the resources of the existing Development Plans and Heritage team
<b>6.3 Equality, Diversity and Human Rights:</b>	None.
<b>6.4 Legal:</b>	None.
<b>6.5 Finance:</b>	There are no direct financial implications arising from this report.
<b>6.6 Assets and Property:</b>	None.
<b>6.7 ICT and New Technologies:</b>	None.
<b>6.8 Environmental:</b>	Supports sustainable development of the proposed development site such that environmental effects are managed and/ or mitigated including those associated with climate change and carbon management.
<b>6.9 Risk Management:</b>	Council policy documents underpin good decision making and are integral to good governance. A lack of such policy documents clearly undermines this and would be ineffective in supporting sustainable development and could increase costs and time to both applicants and the Council when preparing and determining planning applications
<b>6.10 Policy and Delegated Authority:</b>	In accordance with Section 2.3.1 of the Council's Scheme of Administration and Delegations, the Development Committee has delegated authority to implement decisions within its remit. However determining matters of Policy is reserved to the Council.

<b>6.11 Previously Considered by:</b>	None.	
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26 February 2018

**Appendices:**

Appendix 1 - **North Staney Hill Masterplan Supplementary Guidance Consultation Responses**

Appendix 2 - Map Extract Relating to Ref 05 of Appendix 1

**Background Documents:**

North Staney Hill Final Draft Masterplan Documents:

<http://www.shetland.gov.uk/planning/LocalDevelopmentPlan.asp>

END



## North Staney Hill Masterplan Supplementary Guidance Consultation Responses

Ref.	Respondent & date	Summary of Representations	Modification sought by those submitting representations	Summary of responses ( including reasons) by the Planning Authority	Conclusion/Action
01	Yell Community Council 12/12/17	Yell CC discussed the North Staney Hill Masterplan at their meeting last night. The plans were noted but YCC would like to further appeal for houses to be built in other areas too and not just in and around Lerwick. Building more houses in the town is assisting in the depopulation of the isles/outer areas and it is also adding to the strain of already overstretched services within the town.	None. Seeking more housebuilding outwith Lerwick.	The Comments are noted. The adopted Shetland Local Development Plan (2014) encourages sustainable housing growth throughout the whole of Shetland in line with the demand identified in the current Local Housing Strategy.	No modification required.
02	D and B Garriock 13/12/17	On viewing the draft Masterplan recently at the Staneyhill Hall, we were concerned that there appears to be a through road from the existing roads accessing the Staneyhill scheme to the new proposed houses. We attended the first meeting of the proposal at Clickimin and aired our concerns on that occasion. The front road of the Staneyhill housing scheme passes in front of our house, this road is very narrow and at present carries a lot of traffic. The area is a busy residential area with most houses having at least 2 cars parked on the road. There is also	Seek to see proposed road layout amended.	SIC Roads Department have been consulted throughout the development of the masterplan and they have made comments on this consultation. The Masterplanning team have discussed the concerns raised as a result of this consultation and confirm that while the existing Staneyhill scheme roads are fairly narrow, in relative terms they carry very little traffic and operate well within the bounds of any nominal traffic capacity. The points raised have been considered on various occasions, and additional traffic calming features were installed on the North Road as a result ensuring that all	No Modification required. The points raised have been considered and will be considered further during the detailed design stage of the development.

		<p>the business of Heatwise operating in this area and this also adds to the traffic in this area with several large vans running back and fore daily. The traffic situation of this road has on several occasions been brought to the attention of local councillors and also the SIC Roads Department. There is also a very dangerous junction just in front of our house. The from Staneyhill Road leads on and from the Old North Road and traffic joining the Gremista Brae from the Old North Road have to contend with an almost blind junction. In our opinion the road from the new proposed housing scheme at the Staneyhill should not be opened on to the existing roads servicing the present Staneyhill housing scheme. If this were allowed to happen we can only envisage the roads being used as a "rat run".</p>		<p>approaching traffic in that area maintained an appropriate speed.</p> <p>There is little expectation of the new routes being used for 'rat running' as the overall scheme layout is designed to make this unattractive due to the number of junctions and turns and through the use of narrow road widths with occasional on-street parking.</p> <p>The intention is that these connections are largely for the benefit of existing residents in the area and to integrate the new residential areas into the existing areas and their facilities. There is, therefore, little doubt that additional local traffic will be generated along the various Staneyhill housing scheme roads that are connected into the new Staneyhill development, but this is fully expected to be well within normal levels for the road types present.</p> <p>. It is acknowledged however that there will be issues that need to be addressed at detail design stage for each of the construction phases. It is recommended therefore to append the comments from SIC Roads to provide additional guidance for the design teams who will progressing each one of these phases</p>	
03	SNH 21/12/17	Thank you for consulting us on the	None.	Comments Noted.	No modification

		<p>above masterplan. The masterplan appears to be well considered, responding to the landscape and local needs to provide a positive example of placemaking.</p> <p>In relation to our interests, we welcome the proposals for green space (including retention of the existing moorland habitats), robust species selection for the proposed tree planting and the intention to create natural features for SUDS and flood management. This should all benefit both people and biodiversity. We also welcome the active travel routes and footpaths for recreation that should create connectivity between locations. This should reduce reliance on the private car, reducing carbon emissions and contributing to tackling climate change. We note the inclusion of a preliminary peat management plan. We would expect SEPA's advice on this, SUDS and flood management to be followed, to minimise the impacts on interests within our remit.</p>			required.
04	Shetland Amenity Trust Archaeology Service. 03/01/18	In our response to Planning Application 2014/197, we stated that we concurred with the "Further Evaluation" section of chapter 7 in the Farningham Planning Statement. The archaeology section was	Further survey work to be undertaken prior to any development taking place.	Comments noted and agreed. The Planning Service is aware of the additional requirements needed at the design stage, this will be dealt with during the detailed planning permission process.	Comments noted, required future action agreed. No modification to the masterplan

		<p>prepared by EASE, and the report compiled by Natural Capital.</p> <p>A WSI was subsequently prepared for work which was carried out by ORCA in 2016. We had not seen the report arising from this work until it appeared on line as part of this guidance. The WSI clearly stated that a photographic survey would be completed for a number of upstanding features, listed in the WSI. This has either not been carried out or not reported on, although the report includes 3 snaps of the Observation Post and associated Air Raid Shelters.</p> <p>What is required for this area, and also for the area to the east of the development which is currently depicted on the online map as the location for the drainage system pool and (existing) woodland, is a full photographic survey. This would comprise a photogrammetric survey of the upstanding remains (inside and out) linked to accurate mapping of the features. This would be required in order to assess whether or not preservation in situ was required or, if not, what the appropriate form of mitigation would be.</p> <p>Other areas are outlined in the ORCA report as requiring preservation in situ. All of this requires further discussion</p>	<p>Developer to Liaise with SAR Archaeology service to ensure appropriate mitigation measures are put in place prior to development.</p>	<p>required.</p>
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		<p>and a course of mitigation agreed with me, in my role as the Regional Archaeologist, on behalf of the Planning Service.</p> <p>In addition to the foregoing, it will also be necessary to consider the views from Clickimin Broch into account. I suggest that you consult with Historic Environment Scotland about this if you have not already done so.</p> <p>We note that you plan viewpoints/public art space amongst the development. We would be happy to feed into these plans in terms of the archaeology, particularly in terms of the military remains, of the area.</p>			
05	V and A Watt.05/01/18	<p>Please find attached a plan illustrating our boundary at 9 Burgess Street. We would be grateful if this could be used to correct all future plans for the Staneyhill development. Current plans show the correct shape of boundary but in the wrong place. It is important that this is corrected as this boundary will need to be considered when planning the road scheduled for the initial stages of development of the area.</p>	<p>Seeking to ensure landownership and boundaries are agreed prior to the next stages of development commencing.</p>	<p>Comments noted and both landowners need to agree correct boundaries. Whilst this is a legal matter the adopted Masterplan needs to reflect the agreed boundaries.</p>	<p>The Masterplan is adopted minus the currently disputed area.</p>
06	F Valente. 05/01/18	<p>There is an obvious need for more housing in and around Lerwick, so in that respect I am supportive of the scheme; however, I would like to know</p>	<p>None. Seeking background to the site selection</p>	<p>The Staney Hill Site is a site included within the Local Development Plan as a site with development potential, this is a site where the Council would like to see development</p>	<p>No modification required.</p>

		<p>whether there was any other sites considered instead of North Staney Hill for a scheme of this size. It seems an inhospitable place to build housing, and the landscape will need some serious and expensive engineering in order to create safe homes, adequate drainage, services and roads. A flatter site would have been less expensive in terms of construction costs, and might be a little bit nicer to live in for the residents. There are swathes of flatter ground around the town, or at least close enough to Lerwick to be desirable, which might have been better for housing. With so little money available for social housing I, personally, would like to have seen better value for money.</p>	process.	<p>occur. In order to be included in the LDP the site was submitted as part of the Call for Sites process during the preparation stages of the currently adopted Local Development Plan. Submitted sites are assessed for their suitability and deliverability and only included if they meet this criteria. All sites were also subject to public and stakeholder consultation.</p>	
07	P Moar	<p>"Dear Sir/Madam, I was wondering if I could put forward a small submission in relation to the proposed new housing scheme(s) at North Staney Hill.</p> <p>I'm sure many angles will be and have been covered with the new schemes relating to layout, access, roads etc.</p> <p>However, I'm just a little concerned about the actual design of the housing and hope that we don't see another area of Shetland being tarnished by</p>	<p>None.</p> <p>Requesting that the use of colour in design be considered during the detailed design stage of the development process.</p>	<p>Within the documents there is a design code for materials for each of the four character areas. Colour is an important part of this design coding and The Masterplanning team have recommended brightly coloured buildings where they have deemed it to be appropriate. In Book 1 there is a review of the existing housing examples in and around Lerwick from which, Page 39, there is a summary of key parameters derived from the positive and negatives of the various schemes (including the Quoys). A key aspect of the parameters</p>	No modification required.

		<p>bland, lifeless, harl clad houses such as Norstane or Voder View etc.</p> <p>The Hjaltland Housing Association have shown over recent years what can be achieved with new, vibrant housing such as at Quoys in Lerwick.</p> <p>I would like to encourage a similar approach to the new schemes and trust that we'll see colourful, timber clad housing being built</p>		for future housing design includes the use of appropriate good quality materials and colour.	
08	S Dennis Archaeology	<p>In response to the Draft North Staney Hill Masterplan Supplementary Guidance, I would like to draw attention to the importance of the World War I and World War II remains situated on the proposed development site.</p> <p>I am a freelance archaeologist, with ten years experience living and working in Shetland.</p> <p>I disagree with the recommendations in Appendix 2 – Archaeological Report with regards specifically to the Observation Post and bunker (sites 28, 29 and 30 - HU 46417 41993), and more generally to the military earthworks, gun placements, and fire trenches surrounding the Observation Post.</p> <p>The Report calls for preservation by</p>	Retain Archaeological remains on site.	It is not the intention of the Masterplan to remove the WWII observation post which will lie within the public open space at the centre of the site. The Masterplanning team have suggested the area around this relic and the gun emplacement which sits above Burgess street should be retained and enhanced as a viewpoint or public art. We recognise there can be public safety issue with relics such as these and it is hoped a strategy can be worked out between HHA and the local community to the satisfaction of all parties.	No modification required. The Masterplan does not propose to remove Archaeological remains.

		<p>record only (Appendix 2 page 28), however these features are of great national, as well as local, significance and should be preserved in situ. The vast majority of World War defences in the UK were decommissioned and demolished shortly after World War II. More military sites were destroyed during housing booms and urban developments in subsequent years. Due to its 'remote' location and unfavourable terrain, the Staney Hill military infrastructures have survived intact.</p> <p>These archaeological remains are within the Moorland (LT8), and on the fringes of the Bowl and the Plateau (development areas LT1 and LT2). However there is currently no mention of these remains within your current proposal. Preserving these tangible connections with our recent past is an integral part of the character of the greater landscape, and measures could be taken to incorporate these features into the detailed design phase of the housing development.</p> <p>Its proximity to the high school, as well as the town centre, lends itself to forming a powerful asset for education, tourism, and the local community</p>			
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		identity.			
09	Lerwick Community Council	<p>Lerwick Community Council supports the plan to provide much needed housing for the town.</p> <p>There are some concerns about the style of proposed housing which looks as if they deviate from the Shetland Style House Guidance as published by SIC and we would prefer the new housing to stick to the approved guidance.</p> <p>We would like to ensure that the new scheme did not have a negative impact on existing housing by blocking out light in areas where they are already in the shadow of the hill for much of the day.</p> <p>We would like to ensure that the need for some larger family homes are taken into account, and that as each phase is progressed that the housing needs are reassessed to accommodate larger families, which might include families who are needing to look after elderly relatives and not just for those with young children.</p> <p>We welcome the green public spaces and the new network of footpaths which we believe will make it easier for pedestrians and cyclists to access the</p>	<p>Request housing siting and design that is compliant with the Shetland House document and does not have a detrimental impact on the light available to existing residential developments in the area.</p> <p>Wish to see more larger family homes included in the Plan.</p>	<p>The actual final design for the housing scheme will be submitted as part of the detailed design for each phase. The masterplan intends to give a degree of flexibility to these final designs however we recognise that this is an urban site which needs careful consideration of the topography, microclimate, accessibility and appropriate massing and materiality.</p> <p>The brief for the masterplan is based on existing known housing need as identified in the current HNDA and LHS. It is the decision of the Landowner (HHA) what they would seek to see built. At present the majority of the housing need identified is for single bedroom accommodation. Larger family houses are included within this brief in line with demand. Again the Masterplan recognises that this need may change with time and this may influence the proposals for the latter phases on the site.</p>	<p>No modification needed. Details of siting and design of individual houses and schemes will be dealt with during the next stages of the development which will include the submission of Applications or detailed planning permission.</p>

		new housing. We would prefer the paths to be paved in due course, once the ""natural"" paths have been established.			
10	S Sjoberg. 15/01/18	The World War 2 Observation Post on top of the North Staney Hill should be preserved. It is an important part of local history and is the standout structure in a wider military environment. It is a unique building to Shetland -if not the whole of the UK - and is worthy of preservation to remind future generations of the dark times endured by our ancestors.	Retain Archaeological remains on site.	It is not the intention of the Masterplan to remove the WWII observation post which will lie within the public open space at the centre of the site. The Masterplanning team have suggested the area around this relic and the gun emplacement which sits above Burgess street should be retained and enhanced as a viewpoint or public art. We recognise there can be public safety issue with relics such as these and it is hoped a strategy can be worked out between HHA and the local community to the satisfaction of all parties.	No Modification required. The Masterplan does not propose to remove Archaeological remains.
11	B Moncrieff & C Edwards 16/01/18	We are concerned that the road extension going past our house (number 4, Staneyhill) will be used as a short cut by people wanting to by-pass the main routes. The road is already practically a one way system due to the cars parked along its length. We are also concerned that the corner where this road meets the Old North Road is too tight and wouldn't cope with the increase in traffic. Unless specific traffic calming measures were in place to	Seek to see proposed road layout amended.	SIC Roads Department have been consulted throughout the development of the masterplan and they have made comments on this consultation. The Masterplanning team have discussed the concerns raised as a result of this consultation and confirm that while the existing Staneyhill scheme roads are fairly narrow, in relative terms they carry very little traffic and operate well within the bounds of any nominal traffic capacity. The points raised have been considered on	No modification required. The points raised have been considered and will be considered further during the detailed design stage of the development.

		<p>deter people from using this as a through road rather than an access road we will be objecting to its extension.</p>		<p>various occasions, and additional traffic calming features were installed on the North Road as a result ensuring that all approaching traffic in that area maintained an appropriate speed.</p> <p>There is little expectation of the new routes being used for 'rat running' as the overall scheme layout is designed to make this unattractive due to the number of junctions and turns and through the use of narrow road widths with occasional on-street parking.</p> <p>The intention is that these connections are largely for the benefit of existing residents in the area and to integrate the new residential areas into the existing areas and their facilities. There is, therefore, little doubt that additional local traffic will be generated along the various Staneyhill housing scheme roads that are connected into the new Staneyhill development, but this is fully expected to be well within normal levels for the road types present.</p> <p>. It is acknowledged however that there will be issues that need to be addressed at detail design stage for each of the construction phases. It is recommended therefore to append the comments from SIC Roads to provide additional guidance</p>	
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				for the design teams who will progressing each one of these phases	
12	HES 16/01/18	<p>The proposed development, which is located c. 690m to the north of Clickimin Broch on an elevated area of ground called North Staney Hill, would be visible in views to the north. As you are aware, we have previously commented that further encroachment of development in this area constitutes a significant change to the setting of the monument, and we have highlighted our concerns about the need to mitigate the impact in line with the advice contained in our Setting Guidance</p> <p>Figure 5.2 (Development Framework) shows the area where development is preferred, and other areas not considered to be suitable in relation to the Staney Hill ridgeline. This ridgeline is highlighted in the document as being a key feature in relation to the setting of the broch, and in terms of the wider landscape.</p> <p>Figure 5.2 and Figure 4 (Design Objective Layout) indicate that development would be restricted to the lower slopes of North Staney Hill,</p>	None	Comments noted	No modification required.

		<p>meaning that it would not break the ridgeline. Figures 5.2 and 4 also show that development would be restricted to the area directly behind and east of the new Anderson High School and Halls of Residence, rather than it spreading west of the building.</p> <p>Conclusion</p> <p>While we consider that there will be an impact on the setting of the broch, we welcome that consideration has been given to the design of the development to mitigate this impact by ensuring that it would not break the skyline, or spread development further to the west of the new Anderson School buildings. In light of this, we are content with the draft Masterplan.</p>			
13	SIC Environmental Health. 17/01/18	<p>Thank you for consulting with Environmental Health regarding the draft North Staney Hill Masterplan Supplementary Guidance. Having reviewed the Draft I can confirm that the Environmental Health department will only be able to make formal comment once a detailed planning application has been submitted.</p> <p>Due to the identified areas for development being in close proximity to</p>	None	Comments noted	No modification required.

		<p>existing residential housing schemes, the department will require to see detailed proposals to mitigate, manage and control any possible statutory nuisances that may be generated during the ground works and construction phases of this development, with particular reference to noise and vibration, air quality etc. (and littering) resulting from associated works.</p> <p>Should the developers wish to discuss any of the issues detailed above they should contact the department for formal discussions</p>			
14	J Sandison. 17/01/18	<p>I was very disappointed to hear recently that Hjatland Housing Association, with proposed plans for Development on the Stanley Hill, are intending to demolish the Observation Tower. I feel it is vital that this Tower should be kept, with a suitable community, heritage area linked to it. I feel that Hjatland are not full aware of the importance of this building in relation to the history of Lerwick, its unique WW2 Archaeology, and also the town sky-line. It is clear from Hjatland's proposals that they are unaware of how important the Observation Tower is historically is. It is not just a 'lump of concrete'.</p> <p>It is important that this structure is</p>	Retain Archaeological remains on site.	<p>It is not the intention of the Masterplan to remove the WWII observation post which will lie within the public open space at the centre of the site. The Masterplanning team have suggested the area around this relic and the gun emplacement which sits above Burgess street should be retained and enhanced as a viewpoint or public art. We recognise there can be public safety issue with relics such as these and it is hoped a strategy can be worked out between HHA and the local community to the satisfaction of all parties.</p>	<p>No modification required. The points raised have been considered.</p>

		<p>maintained for the following reasons:-</p> <p>(1) It has been proven by experts from Historic Scotland, that - in terms of WW2 Home Defence - Lerwick is the best preserved fortified town in the UK with the Post as a unique site. Many towns have lost such sites due to development.</p> <p>(2) The Observation Post has community history. There are people living today who can relate to its original use during WW2, and also recognise it as an integral part of the towns social history.</p> <p>(3) Archaeology Shetland have spent many hours cataloging the various fortifications around Lerwick. The Observation Tower, is part of that work, but it only the tip of the iceberg. There is much more examples of defence being clarified bringing out the true extent of the 'Robertston Line' which surrounded Lerwick. This stretches from the Gremista side of town, to Sandy Loch, finishing at Trebbister. This important modern archaeology, upon which more information is being gathered the whole time. It should be protected rather than destroyed.</p> <p>(4) In line with this history/heritage trail proposal has been put forward though still in its infancy. This will gather pace as more information is discovered in</p>			
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		relation to (3). All important historical local heritage should be protected, whether it is from the Viking Era, or from the modern era.			
15	Whalsay CC. 18/01/18	<p>"Point 1/. The Loch runs nearly dry nearly every summer, where will the 300 extra houses get their water? Point 2/. Is the sewage treatment works able to cope with 300 extra houses waste or will this require to be upgraded, at what cost? Point 3/. 300 more houses will house possibly 1000 people or more, where will the extra residents work, are there plans for investment in industry that we are not aware of? Point 4/. Is the SIC going to provide more car parking areas around the town to cope with the extra cars from 300 more houses? Point 5/. Can the present medical service provision in Lerwick cope with 1000 more Lerwick residents? Point 6/. There will be a lot more roads and paths and street lights to be maintained, are there enough vehicles</p>	No Change to Masterplan sought. Answers to questions relating to capacity of existing infrastructure requested.	<p>The Masterplanning team have been in consultation with Scottish Water throughout the masterplan process. SW confirm there is capacity for this size of development in Lerwick.</p> <p>The Masterplanning team have been in consultation with Scottish Water throughout the masterplan process. SW confirm there is capacity for this size of development in Lerwick. Costs will be met by the developer and Scottish Water.</p> <p>The development will be phased over a 10 year period. Most of the housing will accommodate people who are already resident and working in Shetland. A significant proportion of those will be people already living or working in Lerwick already.</p> <p>The Masterplanning team recognise there are pressures on Lerwick Health Centre however the development will be phased over a 10 year period therefore any impact will be negligible.</p> <p>Shetland Islands Council Roads service has</p>	No modification sought.



		<p>for road and path clearing and gritting, refuse collection and road sweepers which follow the refuse collection vehicles in Lerwick to cope with the extra houses and streets/roads?</p> <p>Point 7/.</p> <p>Is the town power grid capable of coping with the extra power consumption of the extra houses or will this require an upgrade?</p> <p>And then are there another 100 houses proposed for the Knab to add to this?"</p>		<p>been engaged in the Masterplanning process throughout its development. There comments and the required actions are included in this table.</p> <p>We have been in consultation with SSE during the process and they confirm there is capacity within their system.</p>	
16	SIC Roads Service. 18/01/17	<p>The efforts of the team producing the masterplan should be commended as it is clear that most of the varied inputs gathered throughout the consultation phase have been taken on-board and applied to what is undoubtedly a difficult site.</p> <p>Following through on the work produced to date should help to deliver a collection of high quality developments with an obvious synergy between them and the relevant surrounding areas.</p> <p>However, there a couple of areas where I think the masterplan falls a little short, and has failed to carry through at the final stage considerations that were highlighted from the outset. These are</p>	Seek further detail and some layout amendments to be considered at the detailed design stage.	<p>All points noted and will be addressed at detailed design stage.</p> <p>HHA are interested in pursuing sustainable car fee developments. These will be considered at detail design stage however the principal of car free developments where there is no, or very little car parking provision should be an option in this day and age considering the location within the confines of the urban area of Lerwick. This will allow the potential of developing more inaccessible parts of the site.</p> <p>In general, the points highlighted by SIC Roads department do not fundamentally change the overall proposals for the masterplan. It is acknowledged however that there will be issues that need to be addressed at detail design stage for each of the construction phases. It is recommended therefore to append the</p>	Append Roads comments to the Masterplan Documents.

		<p>the need to minimise/ negate the need for cul-de-sacs, and the strategic travel and connectivity benefits of tying the new road network into the Voderview road end.</p> <p>Sheet #1 attached to this response highlights at 'A' two of the proposed cul-de-sacs that could be connected with a minimal standard vehicular link to aid movement and servicing. This approach was used in similar circumstances at the Grodian's scheme at Quoys, Lerwick. The link location is also highlighted on sheets #8 and #9.</p> <p>Highlighted at 'B' on sheet #1 is the missing vehicular link into the Voderview road. While it has been identified as a pedestrian link in the final notes (sheet #7) it was always advised that this link should form a higher function (sheets #2 – #4). The standard for this link does not need to be high as it will primarily be for local access. The location and routing shown on sheets #5 and # 6 would not preclude a nominal route for vehicles with sufficient passing and meeting provision, while also providing a good quality route for pedestrians and cyclists.</p>		<p>comments from SIC Roads to provide additional guidance for the design teams who will progressing each one of these phases</p>	
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		<p>Providing the link described above would also benefit access between the new development area and the existing Staneyhill shop (shown on sheet #10 but omitted from destinations on #11) and the local Staneyhill Hall resource (also omitted from sheet #11).</p> <p>Another area of comment is identified on sheet #1 at 'C' and relates to the proposed car-free development areas in the valleys above the terrace area.</p> <p>While the Heddle's Park and Water Lane developments (see sheets #12 and #13 as attached) are highlighted as being car free and with quality public space, they both suffer from a severe lack of parking anywhere on their periphery. It is important to recognise that adequate parking needs to be provided for these developments in appropriate locations within the terrace development area below the 'car free' areas. There is a general note to this effect within Section 8 of the Masterplan Framework (sheet #14) but we need to be sure that the parking issues as seen at Voderview and Norstane (sheet #15) are not replicated in this development.</p>			
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		<p>I would therefore recommend a fuller explanation of parking provision for the 'car free' areas in Section 8 of the Masterplan Framework as identified on the attached sheet #16.</p> <p>Further considering the terrace area, I think that it would be prudent to highlight that no link has been proposed or identified from the innermost end towards the Staneyhill Hill Road and Westerloch areas. While I do not underestimate the difficulties currently related to such a link I would advise that a suitable gap be left in the development pattern to permit this in the future. I have highlighted this on sheets #17 to #19. Like the Voderview Road link this need not be to a high standard.</p> <p>Within Section 8 there are also a couple of points that could do with more comment from us. You may wish to see these incorporated into the Masterplan as they will be relevant at the design stage due to Road Construction Consent and Traffic Order considerations.</p> <p>At the southern entrance to the Escarpment area there is likely to be change in speed limit from 30mph to 20mph. This is because while 20mph</p>			
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		<p>will be the default for the development the road link between the Terrace and Escarpment areas has no development frontage and is relatively straight due to the topography constraints. As such it will likely be a section of 30mph road. I have noted this on the sheet attached as #20.</p> <p>The spine road through the Bowl area is also relatively straight and a narrowing/ chicane traffic calming feature is proposed and a sketch provided by the masterplan (sheet #21 as attached). It must be noted that the selection of traffic calming features is based on a number of factors such as prevalent or expected speeds, target speeds, and traffic flows and composition. As such any traffic calming feature used within the development will require proper consideration at the detailed design stage. It may be that the identified narrowing/ chicane detail is not appropriate.</p> <p>Section 11 of the Masterplan Framework deals with guidance for roads and drainage. A couple of points contained within that section need some additional explanation or information provided by the applicant. Sheet #22 highlights the note regarding</p>			
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		<p>retaining structures along lower embankment slope. This note requires to explain that the provision of such structures may then lead to a requirement for vehicle restraint barriers to protect against the resulting vertical drop.</p> <p>Sheet #23 highlights that the SuDs drainage strategy for roads within the development will use road edge discharge to filter drains. More information on how this very specific detail is to be employed should be provided as it is not one normally associated with dense urban/ hard landscaped developments such as planned for the majority of this development area.</p>			
17	J Williamson. 18/01/18	<p>The proposed through road extending from the road where Heatwise is located</p> <p>This road is already congested and busy causing challenging parking issues for residents.</p> <p>Making the road a through road will</p>	Seek to see proposed road layout amended.	SIC Roads Department have been consulted throughout the development of the masterplan and they have made comments on this consultation. The Masterplanning team have discussed the concerns raised as a result of this consultation and confirm that while the existing Staneyhill scheme roads are fairly narrow, in relative terms they carry very	No modification required. The points raised have been considered and will be considered further during the detailed design stage of the

		<p>increase the traffic flow and cause more congestion and safety issues for pedestrians and motorists.</p> <p>The road at upper Staney Hill is in the same situation and extra parking spaces would be required to ensure safety for motorists and pedestrians</p>		<p>little traffic and operate well within the bounds of any nominal traffic capacity. The points raised have been considered on various occasions, and additional traffic calming features were installed on the North Road as a result ensuring that all approaching traffic in that area maintained an appropriate speed.</p> <p>There is little expectation of the new routes being used for 'rat running' as the overall scheme layout is designed to make this unattractive due to the number of junctions and turns and through the use of narrow road widths with occasional on-street parking.</p> <p>The intention is that these connections are largely for the benefit of existing residents in the area and to integrate the new residential areas into the existing areas and their facilities. There is, therefore, little doubt that additional local traffic will be generated along the various Staneyhill housing scheme roads that are connected into the new Staneyhill development, but this is fully expected to be well within normal levels for the road types present.</p> <p>. It is acknowledged however that there will be issues that need to be addressed at detail design stage for each of the construction phases. It is recommended</p>	development.
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				therefore to append the comments from SIC Roads to provide additional guidance for the design teams who will progressing each one of these phases	
18	SEPA.18/01/18	<p>. Surface water drainage</p> <p>1.1 Details of the surface water provision are provided in Section 11 – Detailed Design for Roads and Drainage. The outline proposal is to provide storm water attenuation utilising two SUDS detention basins (although ponds are also referred to and this should be clarified) located on the east and south areas of the site and filter strips where necessary with filter drains to convey the flow to the main attenuation ponds. Please provide a demonstration (brief statement) showing how the SUDS proposals are designed in accordance with the CIRIA SUDS manual C753 <a href="http://www.susdrain.org/resources/SuDS_Manual.html">www.susdrain.org/resources/SuDS_Manual.html</a> and that appropriate treatment of water quality is provided.</p> <p>1.2 We have a record of flooding in the residential area adjacent to the site caused by drainage issues. As the proposed development site has a steep gradient sloping towards existing residential properties, please provide a demonstration that the proposed development will not increase flood risk elsewhere.</p>	Additional information to demonstrate the compliance of the proposed SUDS with the CIRIA design manual. Highlighting a variety of additional information which will be required at the detailed design stage	<p>It should be noted that the incorporation of catch drains and bio-strips, as well as drainage of new development areas in to new SUDS measures running through the site from north to south, would help to minimise the amount of existing surface and below surface water run-off from the site currently experienced by neighbouring properties.</p> <p>More precise and detailed information relating to Surface water drainage, blanket bog and acid flush points and peat management will be provided during the detailed design stages of the Development.</p>	No Modification required. More information will be provided at the detailed design stages of the development.



		<p>2. Blanket bog &amp; acid flush points</p> <p>2.1 The NVC mapping with the masterplan layout overlaid (Malcolmson architects September 2017) provided directly to us shows the impacts of the proposal on areas of blanket bog and acid flush points. In relation to the three M6 acid flushes (or possible watercourses /peat pipes) on the south eastern slopes directly impacted by the proposed layout, please identify mitigation for the impacts in accordance with our guidance in LUPS-GU31. The other two acid flush points in 'The Green Corridor' appear to be avoided by the proposed development. Please confirm measures to ensure their protection and enhancement including any groundwater egress at the surface. Flushes may have direct connection to groundwater so it is important to maintain groundwater quantity and quality and avoid groundwater contamination, hence the need for buffers to works, and appropriate pollution control measures.</p> <p>2.2 The 4 of the 5 areas of bog on site are directly impacted by the proposed development. However, these are considered unlikely to be groundwater dependent. Nevertheless more information on the groundwater</p>			
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		<p>dependency of the M15 wet heath should be provided and any mitigation identified for the loss of mire vegetation.</p> <p>3. Peat Management Plan (PMP)</p> <p>3.1 The 0.5 – 1 metre peat depth in small isolated pockets is not a major concern. The Preliminary Peat Management Plan (Waterman Group Issue A02 June 2014) is required to be revised and updated in line with the current masterplan. The final PMP should include an interpolated peat depth map, overlaid with proposed infrastructure, in addition to details of proposed reuses.</p> <p>4. Regulatory advice for the applicant</p> <p>4.1 Details of regulatory requirements and good practice advice for the applicant can be found on the Regulations section of our website. If you are unable to find the advice you need for a specific regulatory matter, please contact a member of the operations team in your local SEPA office at:</p> <p>The Esplanade, Lerwick, Shetland ZE1 0LL 01595 696926</p>			
19	Dr E Renwick. 18/01/18	I am writing to express my concern at the possibility of the observation tower	Retain Archaeological	It is not the intention of the Masterplan to remove the WWII observation post which	No modification required. The

		<p>at the top of Staneyhill being destroyed in the process of new building. This tower is the best preserved remains of an extensive and uniquely surviving wartime landscape on Staney Hill. The tower would lend itself to acting as a focal point for interpreting this landscape to both local residents and tourists - enhancing the sense of place for the new builds and embedding them within the community as well as providing a perfect location to encourage tourists to move out into the landscape. The proposed paths, road network and viewing point would make this an ideal location. Shetland held a key strategic position during WWII and Lerwick stands as probably the best preserved example of a defended town from this period in the whole of the UK. Preserving and stabilising the tower at the heart of this redevelopment would help to foster pride in the town's heritage and increased interpretation of this period in its history would potentially attract a new demographic in terms of tourists, as has been seen with the WWII developments at Sumburgh Head and Scalloway Museum. Very little would need to be done to preserve and stabilise this building and shift the proposed viewpoint very slightly to locate them at</p>	remains on site.	<p>will lie within the public open space at the centre of the site. The Masterplanning team have suggested the area around this relic and the gun emplacement which sits above Burgess street should be retained and enhanced as a viewpoint or public art. We recognise there can be public safety issue with relics such as these and it is hoped a strategy can be worked out between HHA and the local community to the satisfaction of all parties</p>	<p>Masterplan does not propose to remove Archaeological remains.</p>
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		<p>the same position - the tower doesn't need to be open to the public if this cannot be realistically managed but can stand as a focal point with interpretation panels explaining the wartime archaeology across the hill and looking out across Lerwick and Bressay. There is a very substantial archive of original wartime material held in the Archives which provides an exciting opportunity to present a site complete with original archive material that ranges from the minute everyday details of despatch riders and communications networks to the bigger picture preparing for potential invasion. The interpretation side of the project could even be a grant funded community project if there are inadequate funds elsewhere for this sort of development, the community interest is already there and organised, as evidenced by Archaeology Shetland's work on recording Staney Hill sites over the past year. It would be a great shame to not take advantage of this opportunity since it barely impacts at all on the development strategy and could be beneficial to Lerwick and wider Shetland. The Royal Commission for Historic Sites and Monuments and Historic Environment Scotland have both confirmed the unique nature of</p>			
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		<p>this landscape and are returning to the site to work with Archaeology Shetland to record more sites across Staney Hill and further out amongst the other defensive lines. Some of these remains will naturally be lost during development but it would not be difficult to retain the observation tower as a central point to understand the landscape and would be a huge shame to lose a symbol of Shetland's vital role during the war. The significant community interest that has surrounded the work of Archaeology Shetland on Staney Hill just confirms the attachment of the local community to the site as both a piece of archaeology and a nostalgic part of many childhoods spent playing across the area.</p> <p>My own work in my recent PhD supported strongly the importance of engaging with standing architecture and human stories to effectively present heritage - here we have an ideal opportunity to use one building to present a important facet of the story of wartime Shetland and contribute to the Lerwick economy by encouraging visitors to spread out within the town and thus maximise the potential tourism spend. Orkney has great</p>			
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		<p>examples of using wartime archaeology to promote tourism - Shetland's wartime archaeology is less dramatic but equally important and potentially valuable as a tourism asset - destroying it wholesale rather than retaining key sites would be a short sighted policy to pursue. The observation tower may not be much to look at but provides an all important authentic piece of this human drama on which to pin a whole narrative. I would be very happy to discuss further ideas on a positive combination of development and heritage on Staney Hill, this is something I have experience of elsewhere both academically and in terms of practical planning and management on the ground.</p>			
20	AM & G Robinson. 19/01/18	<p>We welcome plans coming forward in respect of developing this site. Having moved to Burnside over twelve years ago, it was always our expectation that this site would be developed.</p> <p>However, we're very disappointed by the apparent lack of consideration given to existing properties in Burnside and Norstane to the North of the proposed new scheme. We're also very disappointed at the apparent lack of reference to the established principles</p>	<p>Request that consideration be given to the design of the new development to take into account the amenity of the existing neighbouring residents.</p>	<p>The housing in this area will form part of the final phase of the development. The masterplan design at present recognises the need to create shelter and usable public spaces utilising the massing of the housing. The actual final design for the housing scheme will be submitted as part of the detailed design for each phase and will be subject to the usual Planning Permission process. The masterplan intends to give a degree of flexibility to these final designs however we recognise that this is an urban site which needs</p>	<p>No modification needed.</p> <p>Details of actual siting and design of individual houses and schemes will be dealt with during the next stages of the development which will include the submission of Applications or</p>

		<p>for good development set out in ""The Shetland House - Guidance for Housing Development in Shetland"".</p> <p>We will reference our comments to the area described as LT1 in Workbook 3 as those are most likely to impact on our property and those of our neighbours.</p> <p>Our biggest concern is the location, scale and density of the houses proposed in area LT1. The sections shown on page 16 of Workbook 3 fail to take into account the potential impact on properties in Burnside. Indeed the three sections shown miss out Burnside entirely. One section goes from the North-West to the South-East while two go from the South-West to the North-East thus avoiding the Burnside houses.</p> <p>If sections were shown from North to South and East to West then these would show how very much higher the houses proposed to the South of Burnside really are and the fact that the the density is such that daylight and solar gain would be severely affected for an extended period each year. The two storey ""street"" at the North side of the proposed development will overlap and combine with the proposed three storey development on the</p>		<p>careful consideration of the topography, microclimate, accessibility and appropriate massing and materiality.</p>	<p>detailed planning permission</p>
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		<p>highest part of the site to form a solid wall of houses South of Burnside. This goes against almost all of the principles described in Section 2 - the ""Early Stages"" section of The Shetland House document.</p> <p>The proposed two and three storey houses are out of keeping with the adjoining properties and most of those on the North-facing slope of the Staney Hill - the vast majority of which are either single storey with low-pitched roofs or storey and a half. Such a development is described as a ""Bad Neighbour"" development in section four of The Shetland House and is perfectly illustrated on page 20 therein.</p> <p>Section four of The Shetland House also deals with daylight and sunlight blocking and Figure 18 on page 26 shows the likely effect of building on the skyline to the south of Burnside. For a time around the mid-winter solstice the sun doesn't rise above the ridge to the South of Burnside and remains low above the ridge for a few months each year. Any development on the ridge will extend these periods but a three storey development of the density proposed will have a significant negative effect in terms of passive and active solar gain</p>			
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		<p>and daylight.</p> <p>We recently installed solar panels using permitted development rights after an assessment showed that options to improve the energy efficiency of our home were very limited. Following survey, the resulting energy performance certificate recommended photo-voltaic panels, solar water heating and the addition of room thermostats - all of which we have implemented. We're pleased to say that even in January the panels can provide a very useful 2.5KW of energy but again any development that breaks the skyline will negatively impact on this at a time of year when it's most needed.</p> <p>Burnside is very exposed to any Westerly winds. Missing roof tiles and chimney pots in the scheme at any given time bear witness to this. Again, the height and the density of the proposed development to the South of Burnside is likely to have a funnel effect that makes this situation worse. We lost six roof tiles in storm Caroline last December and many of our neighbour's properties also suffered damage. The proposed new development on such an exposed site vastly increases the risk of wind-blown debris impacting on</p>			
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		<p>surrounding properties.</p> <p>We have attached a photograph taken from our dining room window at midday on the 20th of December last year which illustrates the fact that the sun doesn't rise above the ridge of the hill in mid-winter.</p>			
21	Archaeology Shetland.19/01/18	<p>We are writing to express concern at the possible destruction of the WWII Staney Hill observation tower as part of the new housing development.</p> <p>In our work as a local community group over the last year we have been undertaking detailed surveying and recording the wartime sites on Staney Hill and have identified that Lerwick as the best preserved WWII fortified town in the UK. This has been confirmed by wartime experts from Historic Environment Scotland.</p> <p>While this does not mean every tiny piece of archaeology on Staney Hill can or should be preserved for perpetuity, we would argue strongly that the observation tower in particular should be retained as a unique structure and a point from which to understand the key role of Shetland in WWII.</p>	Retain Archeological remains on site.	It is not the intention of the Masterplan to remove the WWII observation post which will lie within the public open space at the centre of the site. The Masterplanning team have suggested the area around this relic and the gun emplacement which sits above Burgess street should be retained and enhanced as a viewpoint or public art. We recognise there can be public safety issue with relics such as these and it is hoped a strategy can be worked out between HHA and the local community to the satisfaction of all parties.	No modification required. The Masterplan does not propose to remove Archaeological remains.

		<p>We have spent many hours across the hill with our members cataloguing the fortifications, planning them and using GPS to build up a GIS map of the archaeology and many more in the archives working out how they relate to each other, to Lerwick and to the defence of Shetland. This is an immense resource which is just crying out to be used for the benefit of the local community and to boost tourism.</p> <p>We have already proposed a heritage trail across Staney Hill and down into the town with the Observation Tower at its heart as a key point from whence to look out across Lerwick and Bressay to place the various defences in their context. This is planned to be a community project and grant funding applications are already being drafted for the Heritage Lottery Fund and similar national funding bodies. This would work very happily with the proposed footpaths across Staney Hill and would integrate the new housing into the story of Lerwick.</p> <p>There is very strong community feeling about these sites; they formed part of many childhoods playing on Staney Hill, retaining the observation tower would make virtually no difference to the</p>			
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		proposed development plans, be an asset to the area and respect and value the community memories and stories around the hill.			
22	Scottish Water	<p>Thank you for the invitation to participate in the North Staney Hill Masterplan consultation. Scottish Water would like to comment on the following sections of the document:-</p> <p>3.38 - Engagement between the Developer and Scottish Water has been ongoing during the development of this Masterplan and will continue throughout the delivery of the full site. Scottish Water is currently undertaking modelling of both the water and sewer network to identify what mitigation the Developer must carry out to support the full development and protect existing customers.</p> <p>3.39 Until very recently changes were still being made to the route of the new water main being installed in the area, but this is now near completion. This work has been done in collaboration with the Developer and their consultants to ensure the route is mutually agreeable.</p> <p>3.40 Like the WWTW, Sandy Loch WTW currently has sufficient capacity to serve</p>	<p>Add a paragraph at point 3.40 to ensure both water and waste water capacity is covered. Agree the final drainage solution for the development at the detailed design stages</p>	<p>Comments Noted, paragraph to be inserted at 3.40 which states “Sandy Loch WTW currently has sufficient capacity to serve this development, although it will be nearing capacity in the next few years, depending on how much new development takes place within the Sandy Loch catchment. The development of a Water Strategy for Shetland is already underway to support future growth in the area. Finalised drainage design details will be discussed during the detailed design stages of the development”</p>	<p>Requested modification to para 3.40 added. Finalised drainage design details will be discussed during the detailed design stages of the development.</p>

		<p>this development, although it will be nearing capacity in the next few years, depending on how much new development takes place within the Sandy Loch catchment. The development of a Water Strategy for Shetland is already underway to support future growth in the area. Can a comment to this effect please be added to this paragraph to ensure both water and wastewater capacity is covered?</p> <p>3.41 Taking foul drainage through Clickimin will require it to be pumped twice: first through Grantfield Pumping Station and then Gremista Pumping Station. A more sustainable solution would be to go via the surrounding infrastructure and then gravitate directly to Gremista. The drainage solution for the development still needs to be finalised so further discussion on this will be required."</p>			
23	HIE. 19/01/18	<p><b>HIE</b>          "Highlands and Islands Enterprise welcomes the development of the draft North Staney Hill Masterplan. The Masterplan provides a clear ""blueprint"" of the housing possibilities</p>	None	Comments Noted.	No Modification required.

		<p>on this challenging site and, if adopted as Supplementary Guidance, will reduce the complexity of the planning process for future developers.</p> <p>HIE is a full and active partner in Shetland's Community Planning Partnership and we recognise that significant housebuilding will be required in Lerwick and across parts of Shetland to meet housing demand. Housing demand is particularly acute in Lerwick and as the North Staneyhill site could accommodate up to 300 homes, this will make a major contribution to the demand for housing in Lerwick.</p> <p>HIE work with a significant number of growing businesses based in Lerwick and the central mainland of Shetland. Many of these businesses are keen to expand and grow but the current tight labour market is impacting on their growth aspirations. The need to attract and retain young people is critical to Shetland's long term prosperity and therefore the provision of more housing in areas that young people wish to live is essential. Our view is bolstered by independent research which HIE commissioned in 2015 which investigated the attitudes and aspirations of young people to living</p>			
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		and working in Shetland. This survey clearly shows that the majority of young people with Shetland connections see that there are significant employment opportunities available locally and there is a strong desire amongst this demographic to work and have their careers in Shetland. However, their major concern was the prospect of being able to find and secure affordable accommodation. The adoption of this masterplan will therefore send a strong signal that the Shetland community is committed to the significant development of mixed tenure housing in Lerwick to address demand, as well as a wider commitment to future economic growth and prosperity - right across the isles			
24	RSPB Scotland. 19/01/18	RSPB Scotland notes the consultation by Shetland Islands Council on the draft North Staney Hill Masterplan Supplementary Guidance. The ecological mitigation recommendations set out in the Ecology and Nature Conservation Report (Appendix 3) should be delivered in full as part of the future development of the site and the detailed design stages will need to demonstrate 'how to incorporate some areas of semi-natural habitat into the development in a positive way' as recommended in the NVC report	None	Comments Noted	No modification required. Further information relating to ecology and nature will be provided at the detailed design stage of the development.

		(Appendix 1). In addition any opportunities to demonstrate biodiversity enhancement in line with policy NE3 of the Local Development Plan should be investigated and incorporated in the detailed design. Thank you for consulting us on this Supplementary Guidance.			
25	ZeTrans.19/01/18	<p>ZetTrans commends the inclusion of a through road connecting the proposed development to the existing road network. This will make it far more practical, both operationally and financially, for potential public transport services through the proposed new development.</p> <p>ZetTrans assumes that all eventual infrastructure will be fully inclusive and will take proper account of the needs of all members of society, at all stages of their lives. Such consideration will require special attention to the types of vehicle which may need to access the proposed development.</p> <p>Mindful of the ageing population, the topography of the site and the requirement to encourage active and sustainable travel, ZetTrans recommends consideration of the needs of walkers and cyclists moving within, to and from the proposed</p>	None	Comments noted	No Modification required.



		<p>development. Paths should include elements to reduce the impact of gradient, such as steps and 'zig-zags'. The use of personal mobility scooters and electric wheelchairs should also be accommodated.</p> <p>The need for shelter from the elements is acknowledged in the proposals. This consideration must extend to the eventual siting and design of public transport infrastructure such as bus stops and shelters where, by definition, people will be standing for a period of time. ZetTrans respectfully requests that it be consulted on this issue as and when the development moves forwards.</p>			
26	TV Young & E Young. 19/01/18	<p>We would like to object to the area known as "The Bowl" in the Development Framework Book 3. We note that the houses that are built behind our house at Burnside will be 2 storey and overlooking our house. These houses will be much taller than those that they are overlooking and will block daylight and direct sunlight from reaching us. (as per Shetland Islands Council, The Shetland House, Guidance for Housing Development in Shetland, 2008). The Guidance clearly states that "4.44. A Proposed new development must respect the right of its neighbours</p>	<p>Request that consideration be given to the design of the new development to take into account the amenity of the existing neighbouring residents.</p>	<p>The housing in this area will for part of the final phase of the development. The masterplan design at present recognises the need to create shelter and usable public spaces utilising the massing of the housing. The actual final design for the housing scheme will be submitted as part of the detailed design for each phase and will be subject to the usual Planning Permission process. The masterplan intends to give a degree of flexibility to these final designs however we recognise that this is an urban site which needs careful consideration of the topography, microclimate, accessibility and appropriate</p>	<p>No modification needed. Details of actual siting and design of individual houses and schemes will be dealt with during the next stages of the development which will include the submission of Applications or detailed planning permission</p>

		to have a reasonable amount of daylight into all its windows and direct sunlight into its main rooms." We still have concerns regarding the drainage and impact on our houses from the natural springs and water run off from the hill		massing and materiality.	
27	I Henderson. 19/01/18	I am a guardian to my brother who has cerebral palsy and is a wheelchair user. Our property is a upstairs flat which has about fifty steps to the entrance around the back, We would be ever so gratefull if you would consider some sort of disabled access from the new development of houses in the "escarpment" area into the garden which is quite near the planned road joining into the lower staney hill road in the NE corner. Overall, think your plans look great and hopefully will sort out the drainage for all the houses in the North Road Area that get so much into their propertys	Request consideration of disabled access into and throughout the development site.	Comments noted. The Masterplanning team recognise that the topography makes level access challenging however they have endeavoured to ensure level access can be achieved for the vast majority of housing on the site. The sustainability implications are unquestionable therefore housing where level access is impossible should be minimised through design	No modification required.
28	SLAP ( Agent A Farningham Ltd) 19/01/18 including amendments received on 21/01/18	On Page 4 of Book 1: Evolution of Masterplan it states that the purpose of the document is to discharge conditions relating to a Planning Permission in Principle Reference No.2014/197/PPP granted on 11 March, 2015 by Shetland Islands Council for proposed houses at North Staney Hill, Lerwick. Condition 4 of the said permission requires the submission of a masterplan	Seeking links to the rea of land adjacent to the Masterplan site owned by SLAP to be included within the Masterplan.	The planning permission in principle (PPP) expires on the 10 <sup>th</sup> March 2018. No planning submissions in pursuance of the discharge of conditions have been made to date. Once the expiry date passes the PPP will from part of the planning history of the site and will be viewed as a "material consideration" during the consideration of future applications for housing development on the site.	No modification required.

		<p>for the site to be submitted and approved in writing by the Planning Authority. The extant planning permission was accompanied by a Development Framework (Figure 5.2) referred to in Condition 4 which on the basis of the information available at the time of consideration of the planning application and following responses from Statutory Consultees such as Historic Scotland (now Historic Environment Scotland), identified areas within the 'red-line' boundary which either had preferred status for development; areas where development should proceed with caution; and, no development zones. The latter was largely constrained by potential visual impacts on the setting of the Clickimin Broch and surrounding landscape as advised by Historic Environment Scotland.</p> <p>With respect to the position that Historic Environment Scotland adopted at the time of consideration of the original planning application, the new Anderson High School had not yet been constructed. In this regard, as outlined in Paragraph 6.10 on Page 44 of Book 1: Evolution of Masterplan, there is a recognition that on account of the school now being in situ and forming an integral part of the</p>		<p>Historic Environment Scotland have made comment on the Draft Masterplan and are content with the proposals contained within it. Their response can be seen earlier in this table.</p> <p>The Requirement to provide access is a legal matter between HHA and SLAP as adjoining landowners and not for consideration as part of this Masterplan.</p>	
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		<p>urban landscape, Historic Environment Scotland's viewpoint is that development behind the new school can now be considered on its merits. It is acknowledged that the overall constraint to development in relation to the area behind the school and to the north, as articulated in Paragraph 6.12 on Page 44 of Book 1: Evolution of Masterplan is that any development should not break the skyline when viewed from the Clickimin Broch.</p> <p>Following the grant of planning permission, a significant area of the land forming the original planning application boundary was sold to Hjaltland Housing Association by the then owners Shetland Leasing Property and Development Ltd (SLAP), all as per the attached plan. In this respect, SLAP retained an area of land contained within the red line site boundary covered by the Planning Permission in Principle, all as outlined in blue on the attached plan. In comparing both the Ownership Plans with the Development Framework Figure 5.2, it will be noted that the south-west corner of the site which was retained in the ownership of SLAP, falls within an area which allows for development to proceed with caution.</p> <p>As Shetland Islands Council will be</p>			
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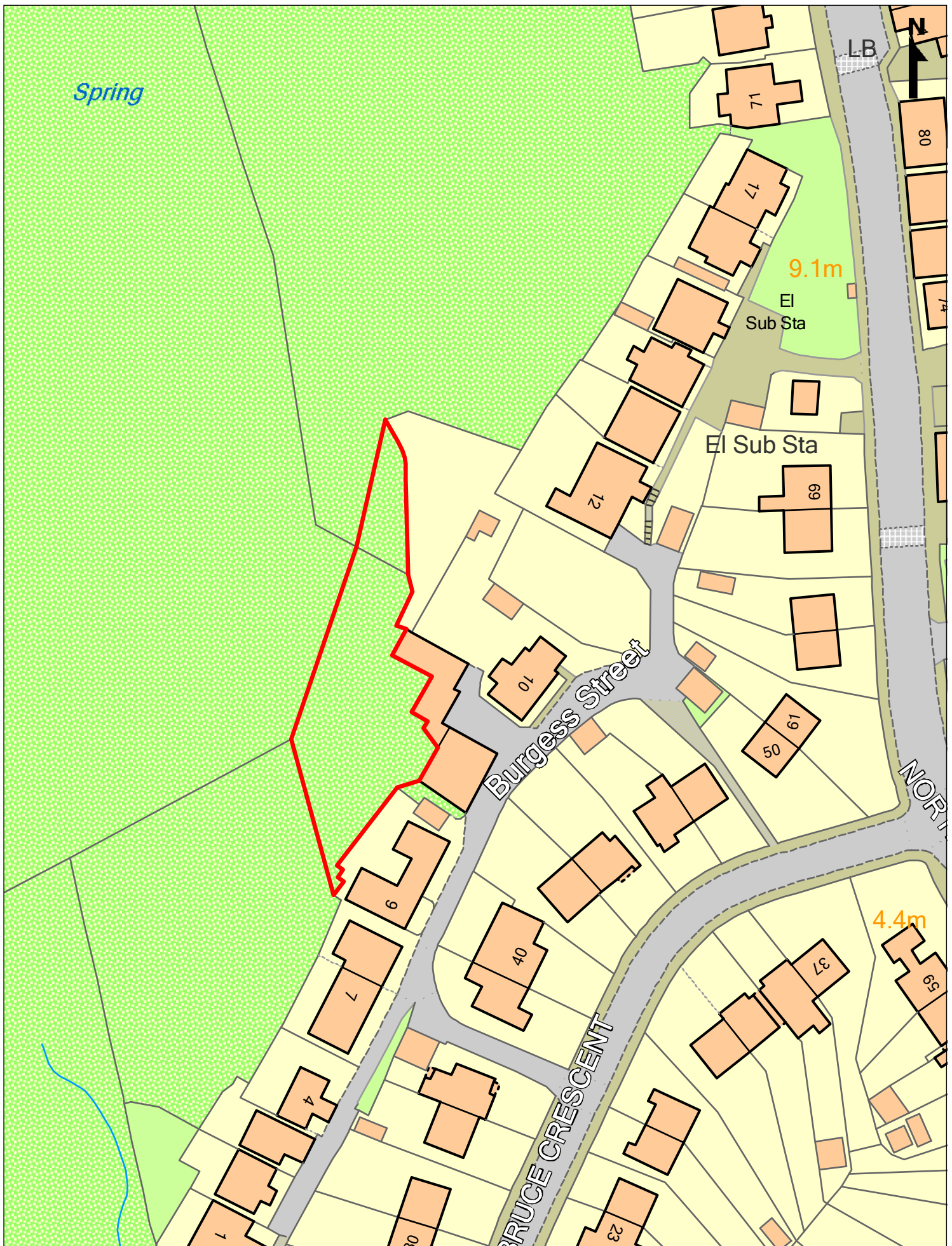
		<p>aware, as per Condition 4 of the extant planning permission, the Masterplan is required to cover the whole of the area within the 'red-line' site boundary.</p> <p>In reviewing the Masterplan documentation, it is acknowledged that the area covered by the Masterplan considers all of the site and not only that within the control of Hjaltdland Housing Association which is outlined on Figure 4, Page 10 of Book 1: Evolution of Masterplan. Furthermore, it is also recognised in Paragraph 6.5, Page 42 of Book 1: Evolution of Masterplan, there is reference to the fact that Hjaltdland asked the project consultant design team to investigate developing the area to the south of their boundary and the new school road.</p> <p>It is noted that within the Masterplan Framework, the areas considered suitable for development primarily fall within land wholly within the control of Hjaltdland Housing Association and include none of the land retained by SLAP, particularly the area in the southwest corner of the site. Representation to North Staneyhill Masterplan A review of the Masterplan documentation does not identify any</p>			
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		<p>obvious constraint to development in this area, particularly with respect to potential impacts on the Clickimin Broch given the south-west corner's topographical position behind the school which obscures views from the Broch. There also appears to be no physical constraint to development.</p> <p>In the circumstances, it is felt that an opportunity has been lost to maximise the development potential of the site. Furthermore, in relation to vehicular and pedestrian connectivity between the Hjaltland land and that retained by SLAP, the Masterplan Framework does not provide any such links nor provide any reason(s) for not doing so.</p> <p>It is also brought to the attention of the Council that as part of the land sale between SLAP and Hjaltland Housing Association, there is a legal requirement for Hjaltland to provide both a vehicular and pedestrian link between the land in its ownership and that retained by SLAP. It is acknowledged that this is a legal matter. However, SLAP would have thought that such links would have been in the best interests of the overall planning of the area as part of the Masterplan.</p> <p>A copy of the legal documents requiring such links can be provided on request.</p>			
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		<p>Notwithstanding the above comments, overall, it is considered that the Masterplan for North Staney Hill has been carefully, comprehensively and sensitively prepared for what is an extremely difficult site to develop that is not without its challenges.</p> <p>Please acknowledge receipt of this representation."</p>			







# **Land to rear of 9 Burgess St, Lerwick**

Planning Service - Development Services

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Scale: 1:800  
 PB: JC





<b>Meeting(s):</b>	Shetland Islands Council Shetland College Board	7 March 2018 8 March 2018
<b>Report Title:</b>	Review of Textile Facilitation Unit and Charging Proposal	
<b>Reference Number:</b>	F-31-F	
<b>Author / Job Title:</b>	Jonathan Belford, Executive Manager - Finance	

## 1.0 Decisions / Action required:

- 1.1 That the Council RESOLVES to adopt the proposed charges for the Textile Facilitation Unit Services, at Appendix 1, Section 8, subject to confirmation by the Shetland College Board;
- 1.2 That Shetland College Board NOTES the review of the Textile Facilitation Unit at Shetland College; and
- 1.3 That Shetland College Board CONFIRMS the proposed charges at Appendix 1, Section 8, as adopted by the Council.

## 2.0 High Level Summary:

- 2.1 The purpose of this report is to provide the Shetland College Board with information on the financial performance of the Textile Facilitation Unit (TFU), one of two income generating units within Shetland College, as requested by Board Members at their meeting on 5 December 2017 (Min Ref: 30/17).
- 2.2 Charging for TFU Services was not included in the budget report approved by Council on 14 February 2018, due to this review, instead the Shetland College Board Budget and Charging proposals report (Min Ref: 1/18) made it clear that proposed charges would be presented to this cycle.
- 2.3 Proposed charges must be approved by Council, confirmation of which will be provided at the meeting of the College Board.

## 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. The Council must continue to pursue a range of measures that 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 In relation to this Board, there is a specific objective in the Corporate Plan that the tertiary education, research and training project will have created an effective model for providing excellent services for our learners. Work is ongoing to identify

an appropriate and sustainable model going forward, and any decisions made to improve sustainability can only enhance that process.

#### **4.0 Key Issues:**

- 4.1 The TFU employs two technical staff, who between them support students accessing the BA (hons) in Contemporary Textiles, and provide services to textile businesses in Shetland.
- 4.2 The provision of support for students is estimated to cost £31k in the current year, however this is supported by income of £37k, from Course Fees and Scottish Funding Council Credits.
- 4.3 The remaining TFU services is estimated to cost £44k in the current year, for which income of £36k is expected. This leaves a shortfall of £8k.
- 4.4 Historically, charges for TFU services provided were increased as required in accordance with budgetary guidance etc. with little consideration of the estimated cost of providing each service. As part of this review however, the technical staff have reviewed the time, effort and materials involved in each type of service, and this has informed the proposed new charges, as detailed in Appendix 1.

#### **5.0 Exempt and/or confidential information:**

- 5.1 None.

#### **6.0 Implications :**

<b>6.1 Service Users, Patients and Communities:</b>	<p>The Charging Framework 2016, states “Services provided on a commercial basis must secure full cost recovery (including capital costs) as a minimum”.</p> <p>The TFU provides services to students (educational basis) and businesses (commercial basis), so overhead costs were not taken into account in the charging review.</p> <p>The proposed charges will have no impact on students at Shetland College. Businesses using the TFU service will be required to pay more for services, however charges are in line with competitors, and represent good value.</p>
<b>6.2 Human Resources and Organisational Development:</b>	None arising from this report.
<b>6.3 Equality, Diversity and Human Rights:</b>	None arising from this report.
<b>6.4 Legal:</b>	Under Section 95 of the Local government (Scotland) Act 1973, there is a requirement for each local authority to make arrangements for the proper administration of their financial affairs. That officer in Shetland Islands Council is the Executive Manager – Finance responsible for the presentation of budget and charging proposals as part of appropriate financial management arrangements.

<b>6.5 Finance:</b>	The Charging Proposals for the TFU have been accounted for in the approved 2018/19 budgets for Shetland College. Approval of the proposed charges will improve the sustainability of the TFU Service.	
<b>6.6 Assets and Property:</b>	None arising from this report.	
<b>6.7 ICT and new technologies:</b>	None arising from this report.	
<b>6.8 Environmental:</b>	None arising from this report.	
<b>6.9 Risk Management:</b>	<p>There are numerous risks involved in the delivery of services and the awareness of these risks is critical to successful financial management.</p> <p>From a financial perspective, risks are an integral part of planning, as assumptions are required to be made. These assumptions can be affected by many internal and external factors, such as supply and demand, which may have a detrimental financial impact.</p> <p>There are no financial risks associated with this report, which seeks to improve the sustainability of the TFU.</p>	
<b>6.10 Policy and Delegated Authority:</b>	<p>In accordance with Section 2.8 of the Council's Scheme of Administration and Delegations (as amended on 29 June 2016 (SIC Min Ref. 53/16)), the Shetland College Board has a responsibility within its remit to monitor and give assurance that the College operates sound financial management, including developing budgets and pursuing FE credit funding.</p> <p>Approval of the revenue budget requires a decision of the Council, in terms of Section 2.1.3 of the Council's Scheme of Administration and Delegations.</p>	
<b>6.11 Previously considered by:</b>	<i>n/a</i>	<i>n/a</i>

**Contact Details:**

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Ex. 4615

26/02/2018

**Appendices:**

Appendix 1 – Income Generating Activity – Textiles Facilitation Unit (TFU)

**Background Documents:**

2018/19 Budget and Charging Proposals – Shetland College Board

<http://www.shetland.gov.uk/coins/viewDoc.asp?c=e%97%9De%8Fm%80%8B>



## Shetland College Board

## Income Generating Activity – Textile Facilitation Unit (TFU)

1. All TFU costs are held within one cost centre in Shetland College. The projected financial position for the TFU is summarised below:

Textile Facilitation Unit	Revised Annual Budget 2017/18 £	Projected Outturn Quarter 3 2017/18 £	Budget v Proj. Outturn Variance Quarter 3 (Adv)/ Pos £
Employee Costs	67,858	60,008	7,850
Overheads	14,184	14,184	0
<b>TFU Service Expenditure</b>	<b>82,042</b>	<b>74,192</b>	<b>7,850</b>
Less Cost of Services to Students	- 32,857	- 30,502	(2,355)
Sales Income	- 68,471	- 36,000	(32,471)
<b>(Surplus)/Deficit on TFU</b>	<b>(19,286)</b>	<b>7,690</b>	<b>(26,976)</b>

2. Two full time technicians are employed by the TFU, which is managed by the Head of Creative and Cultural Industries.
3. The TFU provides a service to students and businesses in Shetland. It provides an essential service to students on the BA (hons) in Contemporary Textiles programme. This course could not continue without TFU support.
4. For that reason, the majority of overheads associated with this service have been excluded from the TFU support for businesses calculation. When the costs associated with student support are removed, the TFU is predicting a deficit in the current year of £7,690.
5. Some of this deficit can be associated with a vacancy in the service which was only recruited to in late May 2017, which reduced the capacity of the service to meet demand. Though off course this also reduced the costs associated with the service.

#### 6. Services provided to Students

The provision of support to students is projected to cost £30,502 in the current year. This cost is more than offset by the income generated in Course Fees and Credits by students on the BA (hons) course (£37,376 in the current year).

## 7. Services provided to Businesses

Technician operated:

- Garment Design and Development – one to one attention from the senior technician
- Machine Knitting – 3 machines that can be serviced at the same time by either technician
- Linking (operated by a technician)
- Finish Press and Wash

Customer operated (competent operators with indemnity only):

- 3g, 5g, 2x7g & 12g Linkers
- Steam press and drying rack
- Cone winder
- Over-locker sewing machine

The majority of businesses accessing the TFU are very small, or small, and require production runs that are smaller (sometimes only one or two garments) than other comparable service providers would accept.

## 8. Schedule of Charges

The Head of Creative and Cultural Industries has reviewed TFU services in detail with the TFU staff, and is recommending the following price changes.

Charge (excluding VAT where applicable)	Unit	2017/18 Charge £	2018/19 Charge £	Variance %
Garment Design and Development	per hour	32.50	35.00	8%
Machine Knitting	per hour	12.00	13.20	10%
Linking	per hour	9.50	16.50	74%
Wash & Press	per item	1.85	3.50	89%
Hire of Linker	per hour		3.50	
Hire of Steam Press & Drying Rack	per hour		15.00	
Hire of Cone Winder or Overlocker	per hour		12.50	

The proposed charges better reflect the services provided.

No impact on volume of sales is anticipated from these price increases, which are sufficient to move the service from a deficit position, to that of a small surplus. The service can then begin to contribute to the sustainability of Shetland College.





<b>Meeting(s):</b>	<b>Policy and Resources Committee Shetland Islands Council</b>	<b>6 March 2018 7 March 2018</b>
<b>Report Title:</b>	<b>Insurance Project</b>	
<b>Reference Number:</b>	<b>GL-07-18</b>	
<b>Author / Job Title:</b>	<b>Susan Brunton – Team Leader - Legal</b>	

### 1.0 Decisions / Action required:

That the Policy and Resources Committee RECOMMENDS that the Council:

- 1.1 Note the progress towards implementation of the Insurance Project; and
- 1.2 ADOPT the Statement of Principles and Policy Framework for the ongoing management of the insurance provisions for inclusion as part of the Council's Strategic Policy Framework to be managed by the Policy and Resources Committee.

### 2.0 High Level Summary:

- 2.1 This report sets out the progress being made towards fulfilling the Council's decision of 30 August 2017. The details of the progress are set out in Appendix 1.
- 2.2 The redesigned insurance services create a higher demand for clear direction on the administration of the insurance provisions in order to achieve the anticipated savings. A Statement of Principles and Policy Framework to provide that clear direction has been developed and is detailed in Appendix 2.

### 3.0 Corporate Priorities and Joint Working:

- 3.1 Shetland Islands Council's Our Plan 2016 -20 recognises the need for the Council to be committed to excellent financial management arrangements to keep a balanced and sustainable budget and ensure we are living within our means.

### 4.0 Key Issues:

- 4.1 The Council commissioned an in depth review of their provision and reserves for their insurance funds and sought advice about how the insurance arrangements might be structured in order to attract sufficient tenders for the new tendering exercise for a policy to start from 1 April 2018 and achieve best value. Historically there has been a low level of tenders received for the Council's insurance business and high level of premiums sought.
- 4.2 A key finding from the review was that the Council has had historically a very stable and predictable insurance claims record at the lower end of the range for local authorities, even when adjusted for the Council's size.
- 4.3 The Council's actuary recommended an Optimal programme designed to reduce the costs to the Council of insurance cover by reducing the amount of cover purchased

<p>4.4</p> <p>4.5</p> <p>4.6</p> <p>4.7</p> <p>4.8</p>	<p>from external providers and using the Council's own resources to meet claims under the excess level.</p> <p>The Council decided to adopt the Optimal programme for its insurances at its meeting on 30 August 2017.</p> <p>This decision had significant implications for the Council and a project team was established to take forward the work necessary to implement that decision.</p> <p>The key date for this first implementation phase is 1 April 2018 when the new insurance contract will begin and the new internal arrangements need to be in place. The workstreams for the project and the progress on those workstreams is set out in Appendix 1 to the report.</p> <p>There will be further work to be undertaken by the Insurance Section and others to ensure the new systems bed down successfully, but these will be dealt with in routine Service Planning.</p> <p>In order for the Council to successfully implement the redesigned insurance arrangements there has to be a clear understanding that the Insurance Fund is to operate in a business like manner. A set of principles designed to achieve this aim have been developed and are contained in Appendix 2 for approval by the Council.</p>
<p><b>5.0 Exempt and/or confidential information:</b></p>	
<p>5.1</p>	<p>None.</p>
<p><b>6.0 Implications :</b></p>	
<p><b>6.1 Service Users, Patients and Communities:</b></p>	<p>The proposals in this report will have no impact on the service to be received by members of the public.</p>
<p><b>6.2 Human Resources and Organisational Development:</b></p>	<p>The role of the Insurance Team will be expanded with the adoption of the optimal programme. Some of the tasks previously carried out by the Council's Insurers such as loss adjusting will be carried out in-house and there is a loss of the industry expertise available through the insurers. There is an increased need for staff training as the project beds in although no training was required for this first phase. The implications for staffing requirements is also a matter for post implementation consideration. Two members of the Council's legal team will have undergone additional training in preparation for carrying out legal work in this area in house.</p>
<p><b>6.3 Equality, Diversity and Human Rights:</b></p>	<p>None arising from this report</p>
<p><b>6.4 Legal:</b></p>	<p>The Council is exempt from the requirement to have compulsory insurance under the Employers' Liability (Compulsory Insurance) Act 1969 and the requirement for users of motor vehicles to have insurance against third party risks under the Road Traffic Act 1988. The Council has a legal obligation to manage its finances in a way which secures best value for the public of Shetland which includes</p>

	giving consideration to efficiency, effectiveness and economy in the management of its resources.	
<b>6.5 Finance:</b>	None arising from this report	
<b>6.6 Assets and Property:</b>	None arising from this report	
<b>6.7 ICT and new technologies:</b>	The Council currently uses the Local Authority Claims Handling System ("LACHS) to manage its insurance business and would continue to do so. A new unit for the system has been purchased to upgrade the system and meet any additional demands of the reorganised services.	
<b>6.8 Environmental:</b>	None arising from this report	
<b>6.9 Risk Management:</b>	It was highlighted at the time of the Council's initial decision on 30 August 2017, that the Council was in a position to pursue the Optimal Programme because of their good claims record which is based on sound risk management. The Council's risk management practices will require to remain robust, and ideally, should improve, as failure to do so would result in increasing claims which would have an immediate and negative impact on the Council's finances. This of course requires that the Council has in place systems for the effective identification and mitigation of emerging risks.	
<b>6.10 Policy and Delegated Authority:</b>	This report introduces a new Policy in the form of the Statement of Principles and Policy Framework and the adoption of new policy for inclusion in the Strategic Policy Framework requires approval by the Council in terms of the Section 2.1.3(2) of the Scheme of Administration and Delegations, having taken advice from the Policy and Resources Committee, Section 2.2.1(2).	
<b>6.11 Previously considered by:</b>	Shetland Islands Council (Minute Ref. 66/17)	30 August 2017

**Contact Details:**

Susan Brunton- Team Leader – Legal and Insurance  
01595 744087

**Appendices:**

Appendix 1 – Progress Report  
Appendix 2- Statement of Principles

END



## Appendix 1

<u>Workstream</u>	<u>Tasks</u>	<u>Progress</u>
Workstream 1 - Tendering Exercise	(a) Appoint Broker	Completed
	(b) Design Tender to meet new insurance requirements in an EU compliant manner	Completed
	(c) Carry out tender procedure	Due to complete by 26/02/18, some slippage and now 03/03/18 is the date for receipt of bids
	(d) Prepare tender contingency plan	Completed
Workstream 2 - Development of Resources for in-house provision	(a) Assess immediate training needs	None identified for insurance. Legal staff need trained for new area of law.
	(b) Prepare self-insurance Policy Document	Due to be completed 31/03/18
	(c) Prepare Insurance Procedures	Completed
	(d) Self Insurance Statement of Policy	Submitted for approval of Council on 07/03/18
Workstream 3 - Identification and replacement of add-on services	(a) Five services identified as add on	<p>One of these services is a separate contract for engineering inspections. This is being rolled over for one year for full consideration.</p> <p>The “Risk Fund” service is out with the scope of the project and referred to management for consideration.</p> <p>The remaining three services are not required for immediate implementation but will be addressed in post implementation phase as they arise.</p>

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<u>Workstream</u>	<u>Tasks</u>	<u>Progress</u>
Workstream 4 - Preparation of Staff	(a) Training needs delivered which are required for implementation	One solicitor trained, another to undergo training before 31/03/18
	(b) Briefing CMT on changes	Completed
	(c) Briefing Senior Management on changes	Part completed - due to complete by 31/03/18
	(d) Delivering new procedures to operational staff	Scheduled for March 2018
Workstream 5 - Financial	(a) Position of specific budgets considered and addressed	How these budgets will be impacted is understood. The mechanism for calculation of contributions still requires further work.
	(b) Preparation of required budgets for post implementation	Budget codes for post implementation will be in place by 31/03/18.
Workstream 6 - Preparing Post Implementation Workstreams	Identification of issues which require work post implementation.	A number of items have been identified including: <ul style="list-style-type: none"> <li>• Training requirements post implementation.</li> <li>• Three non- urgent add on items</li> <li>• Engineering Contract</li> <li>• Systems for monitoring claims and the level of the insurance provision</li> </ul>

## **SHETLAND ISLANDS COUNCIL**

### **STATEMENT OF PRINCIPLES AND POLICY FRAMEWORK FOR INSURANCE**

Document Information		
Document Name/Description		
Version Number e.g. V1.1		
Author		
Lead Officer/Manager		
Final Approval Date		
Approved by – Council/Committee/Group/Manager		
Review Frequency		
Date of next planned review start		
Summary of changes to document		
New version number	Date Version updated	Brief description of changes

#### **Introduction**

Shetland Islands Council's Corporate Plan 2016 – 2020 notes that the Council will always face pressure to live within its means and needs to work in a smarter way to achieve that. The Council aims to make sure the resources it does have are spent in the most effective and sustainable way possible.

In this context the Council has identified Corporate aims which include:

6. Excellent financial management arrangements will make sure we are continuing to keep to a balanced and sustainable budget and are living within our means.
7. Our arrangements for buying goods and services will be considered to be efficient and provide ongoing savings.
9. People who use our services will experience excellent standards of customer care.
11. Our approach to managing the risks we face will have resulted in a more risk-aware organisation that avoids high risk activities.

#### **Policy Framework for Insurance**

Applying these aims to the Council's insurance arrangements, the Council has adopted a bespoke Optimal Insurance Programme on 30 August 2017. This Policy Framework is designed to support the effective implementation of the Optimal Insurance Programme and ensure it delivers on the Council's aims.

1. The Council shall manage its insurance related business in a way which provides an effective and efficient service to people who have a legally justified claim against the Council. To deliver on this principle the Council shall:
  - provide a single point of contact for claimants which shall be the Council's Insurance Section;
  - adopt clear and accessible procedures for the handling of claims ;
  - ensure its staff are well trained
2. The Council shall manage the financial insurance provisions held by it for insurance purposes in a prudent and business-like fashion, as an insurer would. To deliver on this principle the Council shall:
  - consider annually the level of claims and ensure that sufficient funds are put aside for insurance purposes.
  - seek expert advice on its level of insurance provision at least five yearly;
  - only spend money held in the insurance provision on proper calls on the insurance fund in accordance with Schedule 3, Section 24(4) of the Local Government Scotland Act 1975 and the related Guidance issues by Local Authority (Scotland) Accounts Advisory Committee.
3. The Council shall administer its insurance related business in a prudent and business-like fashion, as an insurer would. To deliver on this principle the Council shall:
  - require all Council Officers to provide full and accurate information timeously to the Council's Insurance Section upon request.
  - require the Insurance Section to have full access to any data held by the Council that they deem necessary as part of a claim investigation and for Council Officers to fully co-operate in such investigations.
  - require all Council members and officers except those tasked with handling claims for the Council to refrain from discussing the details of claims with claimants.
  - require the Executive Manager - Governance & Law, or his nominee, to make decisions on liability, seeking appropriate legal advice where they deem it necessary to inform its decisions on liability.
4. The Council shall manage its activities in a prudent and business-like fashion and with a view to minimising its exposure to risks. To deliver on this principle the Council shall:
  - Apply its Risk Management Strategy;
  - Require all Council Officers to pay due regard to and act on the advice of the Council's Risk Management and Health and Safety Sections;
  - Avoid in engaging in high risk activities.

END