

**Shetland Islands Council****27 May 2015****Presentation from SOTEAG**

ISD-15-15-F

**Report Presented by Director of
Infrastructure Services****Infrastructure Services Department
/ Directorate****1.0 Summary**

- 1.1 The purpose of this report is to introduce a presentation from SOTEAG on their activities at Sullom Voe.

2.0 Decision Required

- 2.1 The Council are asked to NOTE the presentation.

3.0 Detail

- 3.1 Martin Heubeck (WRCC Chair & SOTEAG seabird contractor) and Councillor Alastair Cooper (SOTEAG Vice-Chair) will give a presentation on behalf of David Paterson on SOTEAG's activities. The purpose of which is to keep the Council informed of any new developments at the terminal and its environs.

4.0 ImplicationsStrategic

- 4.1 Delivery On Corporate Priorities – None.
- 4.2 Community /Stakeholder Issues – None.
- 4.3 Policy And/Or Delegated Authority – None.
- 4.4 Risk Management – None.
- 4.5 Equalities, Health And Human Rights – None.
- 4.6 Environmental – None.

Resources

4.7 Financial – None.

4.8 Legal – None.

4.9 Human Resources – None.

4.10 Assets And Property – None.

5.0 Conclusions

5.1 Presentation provided by Martin Heubeck and Councillor Alastair Cooper of SOTEAG on the activities at Sullom Voe.

For further information please contact:

Maggie Sandison, Director of Infrastructure Services,

Tel: 01595 744851 / e-mail: Maggie.sandison@shetland.gov.uk

18 May 2015

Background Documents

Presentation by SOTEAG – copies will be issued on the day

END



Shetland Islands Council

27 May 2015

Chair's Report – Development Committee – 22 April 2015

Report No. SIC-0527-DV-23

Local Nature Conservation Sites

1.0 Summary

- 1.1 The purpose of this report is to consider the recommendation from the Chair of the Development Committee in relation to a report requiring a Council decision.
- 1.2 The Committee considered a report which presented the Supplementary Guidance (SG) on Local Nature Conservation Sites (LNCS) and the table of responses from the recent consultation.

2.0 Decision Required

- 2.1 That the Council **RESOLVES** to adopt the SG Local Nature Conservation Sites.

3.0 Report

- 3.1 The purpose of LNCS is to highlight sites with important natural heritage to both developers and the Council. In identifying LNCS the Council does not seek to prohibit development; but LNCS are a way of providing more information to ensure that development takes into account the important and sensitive features of these sites. However, there may be occasions where development would be considered inappropriate and would not be permitted. The introduction of a LNCS system will help to protect and conserve Shetland's natural heritage and consequently contribute to natural heritage objectives as well as other important objectives, such as those for tourism.
- 3.2 There are 49 proposed LNCS across Shetland with varying natural heritage qualities and distinctiveness. They include areas like Scatness, Levenwick Marshes and Kergord. The SG provides a detailed description, location plan, and designation statement for each LNCS in order to provide owners, developers, the Council, and others with all the relevant information needed about the site when

considering development opportunities and preparing, submitting or considering planning applications.

- 3.3 This SG, along with 9 others, was the subject of a 12-week consultation period with the public and stakeholders at the same time that the LDP was approved as the Council's settled view on 10 October 2012 (Min Ref 96/12).
- 3.4 Following adoption of the LDP, it was recommended that this SG be adopted by the Council. However, because of the length of time that had lapsed between their original approval and the date the SGs could be reported back for adoption, the Council resolved to subject the SGs to a further period of consultation (Min Ref 80/14).
- 3.5 In the case of the LNCS SG, that period was completed at the end of January 2015. A summary table of replies received both to this consultation and the original can be found in Appendix 2 to the original report.
- 3.6 The Chair will present any further information to the Committee as to the debate or the issues that the Committee considered.

4.0 Implications

- 4.1 Detailed information concerning the proposals was contained within the report already circulated to Members, including the strategic and resources implications for the Council.
- 4.2 There are no additional implications to be considered by the Council, other than those set out in the report.

For further information please contact:

Mr A Cooper, Chair of Development Committee
14 January 2015

List of Appendices

None

Background documents:

Development Committee – 22 April 2015

<http://www.shetland.gov.uk/coins/Agenda.asp?meetingid=4740>

END



Shetland Islands Council

27 May 2015

Chair's Report – Policy and Resources Committee – 4 May 2015

Review of Transport for Children with Additional Support Needs and also Social Care Users

Report No. SIC-0527-TP07

1.0 Summary

- 1.1 The purpose of this report is to consider the recommendation from the Chair of Policy and Resources Committee, in relation to a report requiring a Council decision.
- 1.2 The Committee considered a report which had also been considered by the Environment and Transport Committee, the Education and Families Committee and the Social Services Committee, which presented the key findings from a detailed review of transport for children with additional support needs (ASN) and Social Care Service users. The report also sought approval for a new Assisted to Travel Policy. Each of the Committees had noted the information provided, and recommended approval of the Policy.

2.0 Decision Required

- 2.1 That the Council **RESOLVES** to adopt the recommendations from the Policy and Resources Committee, namely to:
 - Note that no service withdrawal is planned for current service users as a result of this report;
 - Note that the key recommendations are not designed to deny services to potential service users but to ensure that a disciplined, equitable and consistent approach is taken to offering travel assistance and to avoid duplication of publically funded travel assistance;
 - Note that a key underpinning recommendation is that the Council and health partners is to actively promote independence rather than dependence;
 - Note that there are no operational cost implications arising from the proposals within the Consultancy Report, which seeks to achieve

modest savings over time, by reducing the Council's reliance on the private sector and increasing the use of the Community Transport sector;

- Approve the new Assisted Travel Policy (contained in Appendix 5 of the consultant's report attached as Appendix One to the report) under which service professionals assess eligibility to travel assistance and Transport Planning puts into place a cost effective transport solution.

3.0 Report

- 3.1 The report concluded by summarising the review as follows; the service is being delivered well but access to transportation is not being consistently awarded and transport arrangements cannot be demonstrably shown as best value. In addition, it has been timely to take stock and assess demand; this is likely to rise with major service re-provision in education and social care facilities as well as demographic challenges of an ageing population which also has increasing wheelchair dependence. The report added that the recommendations align to Governmental initiatives of creating independence rather than dependence.
- 3.2 Copies of the report have been previously circulated or can be accessed via the Council's website at the link shown below, or by contacting Committee Services.
- 3.3 The Chair will present any further information to the Council as to the debate or issues that the Committee considered.

4.0 Implications

- 4.1 Detailed information concerning the proposals was contained within the report already circulated to Members, including the strategic and resources implications for the Council.
- 4.2 There are no additional implications to be considered by the Council.

For further information please contact:

Mr G Robinson, Chair of Policy and Resources Committee

List of Appendices

None

Background documents:

Environment and Transport Committee – 22 April 2015

<http://www.shetland.gov.uk/coins/submissiondocuments.asp?submissionid=17786>

Education and Families Committee – 27 April 2015

<http://www.shetland.gov.uk/coins/submissiondocuments.asp?submissionid=17781>

Social Services Committee – 30 April 2015

<http://www.shetland.gov.uk/coins/submissiondocuments.asp?submissionid=17834>

Policy and Resources Committee – 4 May 2015

<http://www.shetland.gov.uk/coins/submissiondocuments.asp?submissionid=17842>

END



Shetland Islands Council

27 May 2015

Chair's Report – Policy and Resources Committee – 4 May 2015

Shetland Islands Council Carbon Management Plan : 2015-2020

Report No. SIC-0527-EO02

1.0 Summary

- 1.1 The purpose of this report is to consider the recommendation from the Chair of Policy and Resources Committee, in relation to a report requiring a Council decision.
- 1.2 The Committee considered a report which had also been considered by the Environment and Transport Committee, which presented detail on how Estate Operations and the Carbon Management Project Team will progress the implementation of a Carbon Management Plan for the period 2015 - 2020. The Committee had noted the information provided, and recommended approval of the Policy.

2.0 Decision Required

- 2.1 That the Council **RESOLVES** to adopt and implement the attached Plan; and
- 2.2.2 INSTRUCT officers to progress the projects set out in the plan to help achieve our carbon reduction targets as a matter of priority.

3.0 Report

- 3.1 During consideration of the report, Members of the Environment and Transport Committee and Policy and Resources Committee unanimously agreed that the Carbon Management Plan was of significant importance that Members of the Council should receive the benefit of the full introduction of the report by the Executive Manager – Estate Operations. The report has been attached as Appendix 1 for Members ease of reference and can also be accessed via the Council's website at the link shown below.
- 3.2 Members of Policy and Resources Committee stressed the importance for the Council to take ownership of the Carbon Management Plan and comment was made on the financial impact on the Council should the targets not be achieved. It was agreed that carbon reduction targets

should be reported to the PPMF meetings of the Environment and Transport Committee, Policy and Resources Committee and Council.

- 3.4 The Chair will present any further information to the Council as to the debate or issues that the Committee considered.

4.0 Implications

- 4.1 Detailed information concerning the proposals was contained within the report attached, including the strategic and resources implications for the Council.

- 4.2 There are no additional implications to be considered by the Council.

For further information please contact:

Mr G Robinson, Chair of Policy and Resources Committee

List of Appendices

Report – EO-02 – Shetland Islands Council Carbon Management Plan 2015-2020

Background documents:

END



Shetland Islands Council

**Environment and Transport Committee
Policy and Resources Committee**

**22 April 2015
4 May 2015**

Shetland Islands Council Carbon Management Plan : 2015 - 2020

EO-02-15-F

Executive Manager - Estate Operations

**Infrastructure Services Department
Estate Operations**

1.0 Summary

- 1.1 The report details how Estate Operations and the Carbon Management Project Team will progress the implementation of a Carbon Management Plan for the period 2015 - 2020.

2.0 Decision Required

- 2.1 That the Environment and Transport Committee and Policy and Resources Committee:
- 2.1.1 RECOMMEND to Council that it adopt and implement the attached Plan.
- 2.2.2 INSTRUCT officers to progress the projects set out in the plan to help achieve our carbon reduction targets as a matter of priority.

3.0 Detail

- 3.1 The attached Plan is Shetland Islands Council's first formal Carbon Management Plan. Carbon Management Plans are required under the Climate Change (Scotland) Act 2009 as a key tool in tackling climate change by reducing carbon emissions from our operations and our estate.
- 3.2 Carbon reduction and climate change adaptation, mitigation and resilience building are now seen by both UK and Scottish Government and by international business leaders as an increasingly urgent matter for action. Government views action in this area as a key issue which should be included in all business Risk Registers.

3.3 In 2008 Shetland Islands Council (along with all Scottish Local Authorities) was a signatory to the Scottish Climate Change Declaration. This Plan details the actions required to support this Declaration. Further drivers for change which the Plan responds to are the UK Climate Change Act 2008; the Climate Change Public Bodies Duties Guidance issued in 2011 and Low Carbon Scotland: Meeting the Emissions Reduction Targets 2010 - 22.

3.4 Reviewing the Council's operations, estate, assets and procurement methods identifies the actions required to move to a low carbon future which can also save the Council money in the longer term.

The current costs of energy and materials, combined with the future certainty on increased costs in these areas, means that all services have much to gain in seeking to reduce their energy and procurement costs by working in a more resource efficient manner in everything they do. This Plan will help to support the Council's delivery of the medium term and long term financial plans.

3.5 Government has recently introduced mandatory annual reporting for public bodies on their carbon reduction and climate change work. This is stated to be "a means of encouraging local authorities to raise their game in this area". Should this encouragement fail it is certain that local government will be faced by annual mandatory targets in the very near future.

3.6 Scotland has a national target for carbon reduction of 42% of its emissions by 2020 over a baseline of 2007/8. Shetland Islands Council has delivered an annual carbon reduction of 2.68% per year from 2007. Therefore focused action is required to achieve 32% savings in the next 6 years, which equates to an annual reduction of 4.53%.

3.7 The main project themes to be tackled by this plan (which are the areas likely to become subject to future mandatory reporting) are those that will deliver the greatest carbon savings:

- Transport and fleet operations in all services
- Energy and water use in all Council buildings
- Business/staff travel within and outwith Shetland
- Sustainable procurement and resource use
- Waste disposal and minimisation
- Energy efficient housing
- Staff and community awareness raising
- Street lighting
- ICT Services

3.8 By adopting the Plan Council will:-

- Reduce energy consumption and support efficient resource management in all service areas
- Reduce carbon emissions and associated costs in all service areas
- Contribute towards climate change mitigation

- Make carbon management and efficient, sustainable resource use central to the way we provide our services and run our operations
- Provide a unified platform for monitoring, managing and assessing resource use
- Ensure that the Council conforms to its Public Body Duties under the 2009 Climate Change (Scotland) Act
- Provide support for Best Value 2 and Sustainability reporting
- Help the Council operate on a more sustainable basis in line with the Council's medium term Financial Plan.

4.0 Implications

Strategic

4.1 Delivery On Corporate Priorities – This Plan delivers an action in the Corporate Plan, Improvement Plan and Community Plan/Single Outcome Agreements and is a step towards “a well managed Council, dealing with the challenges of the present and the future, and doing so within our means”.

4.2 Community /Stakeholder Issues – Increasing levels of greenhouse gases are almost agreed by world scientists to be a major contributing factor in global warming and climate change.

The local impact of climate change with rising sea levels and increased storm activity will have a disproportionate effect on island communities. We will face more disruption to transport and freight delivery, increased storm damage and possible increased power issues.

By approving and implementing the Plan the Council will begin to work in a focussed manner with its community to identify, review and tackle these issues.

4.3 Policy And/Or Delegated Authority – In accordance with Section 2.3.1 of the Council's Scheme of Delegation the Environment and Transport Committee has responsibility for discharging the powers and duties of the Council within its functional area.

Section 2.2.1(2) sets out the Policy and Resources Committee role in advising the Council in the development of its strategic objectives, policies and priorities. A Decision of the Council is required on the adoption of the plan as part of the Strategy Framework.

4.4 Risk Management Climate change is included in the Infrastructure Departmental and Corporate Risk register as a key issue for consideration. In light of Government statements concerning mandatory reporting, failure to approach the issue in a focussed manner will create a risk of future financial penalties which will be applied by Government as part of the introduction of mandatory targets.

4.5 Equalities, Health And Human Rights – Certain ongoing and potential projects e.g. domestic energy efficiency work, will support the local community in addressing health problems and will tackle fuel poverty.

It is also certain that failure to address the likely effects of climate change will lead to considerable negative effects locally and globally in the medium term future. These will include loss of habitat, scarcity of food crops and associated financial losses, poverty and ill health.

- 4.6 Environmental – It is considered that this Plan will require a scoping review for strategic environmental assessment. As the Plan is the Council's Carbon Management Plan it will become the principle strategy document for carbon reduction and management Council wide.

By tackling carbon emissions from Council services the Plan will support climate change mitigation and adaptation. It also supports the Council's Environmental policy and sustainable development strategy.

Resources

- 4.7 Financial - The implementation of the Plan will contribute to the efficient use of resources and result in real ongoing savings in energy and procurement costs for the Council.

Wherever possible, funding requirements will be met from external sources in the form of grants and interest free loans which are currently available.

The Plan will help the Council to avoid any financial penalties from failure to deliver its Public Body Duties under the 2009 Climate Change (Scotland) Act.

- 4.8 Legal – Under the Climate Change (Scotland) Act 2009 Councils are required to tackle their carbon emissions and make preparations to respond to climate change. The attached Plan will provide the methodology for the annual mandatory reporting in this area.
- 4.9 Human Resources – Certain projects included within the Plan will impact upon staff. In particular staff travel within and outwith Shetland will be reviewed with the intent of reducing actual travel through increased use of technology. Where travel is required more energy efficient methods will require to be adopted. It is possible that this may require up-skilling staff will to achieve these changes. Any initial staff training costs identified to deliver this cultural change will be offset with ongoing financial savings.
- 4.10 Assets And Property – The efficient use of our assets is a key feature of any Carbon Management Plan. Types of projects include energy efficiency works; fleet efficiencies; disposal of redundant/poorly efficient buildings/stock and increased virtualisation of operations using ICT.

5.0 Conclusion

- 5.1 By approving the Carbon Management Plan and by encouraging all Departments to review their operations in light of its recommendations the Council will give clear and positive leadership to move Shetland forward to a low carbon future.

This report supports the delivery of the Council's Public Bodies Duties in terms of the Climate Change (Scotland) Act 2009. Local authorities are tasked by Government to reduce their carbon emissions and to support their community and community planning partners in doing the same.

It is likely that Government will introduce mandatory targets within the next two years, so by focussed action now the Council will be placing itself in a favourable position in advance of the proposed mandatory targets and reducing potential for financial penalties.

For further information please contact:

Mary Lisk, Team Leader – Carbon Management
(01595) 744818 mary.lisk@shetland.gov.uk

13 April 2015

List of Appendices

Carbon Management Plan (2015 – 2020)

END

Shetland Islands Council



Carbon Management Strategy Carbon Management Plan 2015 – 2020



Lunnasting School Wind Turbine



Sandwick Allotments



Fetlar Development's Electric Minibus



Sellaross Biomass Boiler

Apr 2015 - Revision 1.6

Table of Contents

1. Introduction.....	6
2. Carbon Management Strategy.....	7
Context and Drivers	7
Low Carbon Vision	8
Strategic Themes Supported	9
Targets and Objectives.....	9
3. Emissions Baseline and Projections	10
Scope.....	10
What Is Included?	10
What Is Not Included?	11
Fuel Poverty.....	11
Baseline	13
Current Consumption	14
Carbon Management Performance to Date	15
Projections and Value at Stake.....	18
Robust Data and Comparisons	19
4. Carbon Management Projects	20
Reduction Themes and Objectives	20
5. Carbon Management Plan Finance.....	21
Background.....	21
Funding Sources	22
Resource Implications.....	23
6. Actions to Embed Carbon Management.....	23
Policy Alignment – Saving CO2 across Council Operations	23
Data Management – Measuring the Difference, Measuring the Benefit.....	24
Responsibility – Saving CO2 is Everyone’s Job	24
7. Programme Management of the Carbon Management Plan.....	26
Governance, Ownership and Management.....	26
The Carbon Management Programme Board – Strategic Ownership & Oversight	26
Carbon Management Governance Structure	27
The Carbon Management Programme Board - Terms of Reference	28
The Carbon Project Team – Delivering the Projects.....	28

Annual Review Process	29
Risks and Management Issues	29
Benefits Realisation	29
Reporting and Evaluation.....	30
Government Reporting and Performance Monitoring.....	30
8. Appendix 1 – The Carbon Management Action Plan	32
9. Appendix 2 - Methods of Energy and Carbon Measurement.....	34
10. Appendix 3 – Example Project Framework	35
11. Appendix 4 – Carbon Project Register	43
12. Appendix 5 – Shetland Islands Council – Service Structure	45
13. Appendix 6 – Carbon Management Board & Team Composition	46
14. Appendix 7 – Radical Thinking? - An Alternative Energy Model.....	47

Table of Figures

<i>Figure 1: Energy Consumption Trends</i>	<i>6</i>
<i>Figure 2: Shetland Islands Council – Overview Structure</i>	<i>7</i>
<i>Figure 3: Baseline Energy Consumption by Area 2007/2008</i>	<i>13</i>
<i>Figure 4: Baseline Consumption - Split by Fuel Type 2007/2008.....</i>	<i>13</i>
<i>Figure 5: Energy Consumption by Area 2013/2014</i>	<i>14</i>
<i>Figure 6: Baseline Consumption - Split by Fuel Type 2013/2014.....</i>	<i>14</i>
<i>Figure 7: Tracked CO₂ Emissions 2007/08 to 2013/14.....</i>	<i>15</i>
<i>Figure 8: Energy Consumption by Sector 2007/08 to 2013/14.....</i>	<i>16</i>
<i>Figure 9: Energy Consumption by Energy Type 2007/08 to 2013/14</i>	<i>16</i>
<i>Figure 10: Business as Usual – Carbon Emissions (tCO₂e)</i>	<i>18</i>
<i>Figure 11: Financial Projections</i>	<i>18</i>
<i>Figure 12: Business As Usual – Hypothetical Hydrogen Ferries Project</i>	<i>19</i>
<i>Figure 13: Actions to Embed Carbon Management.....</i>	<i>25</i>
<i>Figure 14: Carbon Management Structure.....</i>	<i>27</i>
<i>Figure 15: Shetland Islands Council - Service Structure</i>	<i>45</i>
<i>Figure 16: Hydrogen Production Life Cycle.....</i>	<i>47</i>

Foreword by Council Leader

Over the past few years the priority for Shetland Islands Council has been addressing our financial position. We've made great progress towards living within our means but to limit our thoughts to continuing business as usual will not be sufficient in the future.

Other issues are now becoming pressing; none more so than the accepted problem of climate change. Nationally and globally it is now vital to address the very real economic and social impacts of climate change on present and future generations.

As a Council these impacts will be felt in the delivery of all of our services. Increased storm events will affect our transport options and create pressure on our infrastructure and buildings. The need for reliable cost effective energy and heating will require to be balanced by a need to decrease peak demand on the Shetland grid. Our economy will be affected by freight disruptions and the changing availability and price for food and basic items nationally and internationally caused by climate disruptions in their own production areas.

To limit these effects we now need to move to a low carbon society where all our resources are used most efficiently and where we pull together to ensure community benefit.

The Carbon Management Programme is a key component of our strategy to fundamentally change the way the Council works so that it becomes an environmentally sustainable organisation, where its present needs can be met without compromising the ability of future generations to meet their needs.

To achieve this Shetland wide, carbon management must become an embedded responsibility of each and every elected member, departments, staff and service partners. It must also be linked into the wider Shetland community.

Over the past six years a low carbon transition has been slowly put in motion but despite some progress we remain in the early stages of the journey. We must now increase momentum if we are to avoid the increased costs that will result from inaction.

This Plan sets out a roadmap for the next five years. I ask you all to consider how your own area of work and life will be affected by climate change and to help plan for how we can all become more efficient in our use of resources to deliver a better future for all.

Councillor Gary Robinson
Council Leader

Executive Summary

This is Shetland Islands Council's first formal Carbon Management Plan (CMP). The plan aims to reduce emissions from our fleet, buildings, street lighting and other facilities. It prioritises actions that reduce our carbon footprint with the added benefit of cutting costs in most cases.

The actions that form the backbone of the plan seek to deliver carbon and financial efficiencies without reducing the quality of service delivery. The main purpose of the CMP is to:

- Define our carbon emissions baseline and provide detailed projections for future emissions
- Provide a 5 year implementation plan for achieving the desired reduction target
- Confirm funding, ownership and responsibility for delivery
- Outline project governance requirements
- Plan stakeholder management and communications to continue to secure support and encourage culture change.

The main project themes (which are subject to mandatory reporting) that will deliver the greatest carbon savings are:

- Transport and fleet operations in all services
- Energy and water use in all Council buildings
- Business/staff travel within and outwith Shetland
- Waste disposal and minimisation
- Energy efficient housing
- Sustainable procurement and resource use
- Staff and community awareness raising
- Street lighting
- ICT Services

In this time of limited resources, both financial and human, we will target our efforts to where we can have the greatest impact and will maximise the leverage of additional external funding into Shetland, from a variety of sources, to assist us on our journey to a low carbon economy.

1. Introduction

- 1.1. Carbon Management Plans are required under the Climate Change (Scotland) Act 2009 as a key tool in tackling climate change by reducing carbon emissions from our operations and estate.
- 1.2. Within Shetland it is becoming clear that the potential impact of climate change on our islands will be considerable. Increased sea levels and storm intensity resulting from a changing climate will have a considerable effect on how we live and work. Already harbours have been damaged and shipping and transport has been disrupted by the increased frequency and severity of storms. This pattern is set to escalate. The current costs of energy and materials, combined with the certainty of future increased costs in these areas, means that all services and organisations have much to gain in seeking to reduce their energy and procurement costs and in working in a more resource efficient way in everything they do.
- 1.3. Shetland Islands Council aims to reduce carbon emissions by 42% by 2020 (the national target) over the baseline of 2007/8. This would have equated to an annual reduction of 3.23% from 2007/8.
- 1.4. Our current position relative to the 2007/8 baseline shows an actual carbon reduction of approximately 2.68% per year from 2007/8 to date. We are therefore left with a 31.73% savings target to achieve over the next 6 years. This now equates to an annual reduction of 4.53% over the next 6 years. This will be challenging in the current financial climate. This is summarised below in Figure 1.

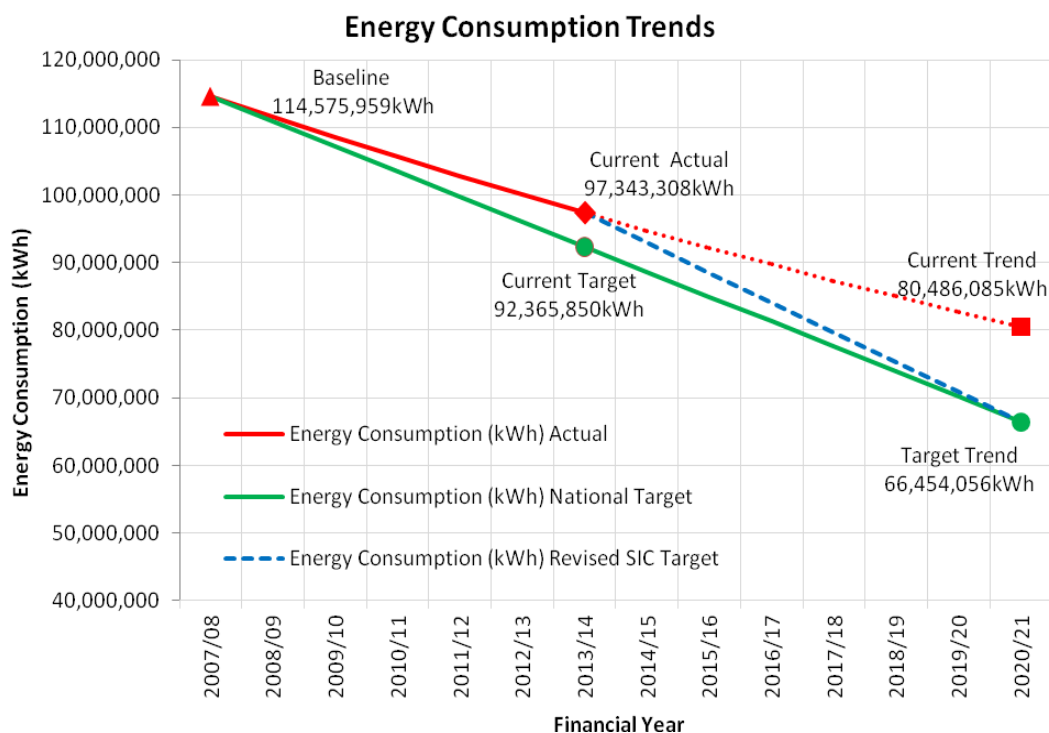


Figure 1: Energy Consumption Trends

- 1.5. Shetland Islands Council is an all purpose island authority consisting of an Executive Service supplying Member support and five Directorates as shown below:

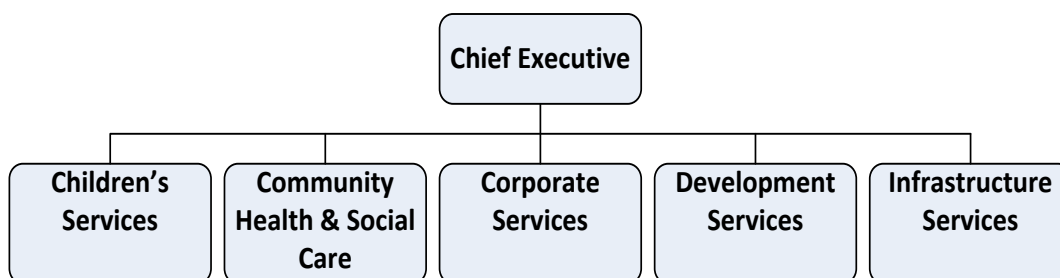


Figure 2: Shetland Islands Council – Overview Structure

- 1.6. The overall Council structure is given in Appendix 4.
- 1.7. Each of the areas highlighted impacts on carbon emissions through its operations and can make a positive contribution to Council costs savings and emission reduction by delivering the projects proposed in our Carbon Project Register. Each Directorate will have an implementation portfolio to deliver in order to reduce the Council and community's overall spend and carbon emissions. This will move us to a position of sustainable and efficient resource use.

2. Carbon Management Strategy

- 2.1. By delivering our Carbon Management Plan we will seek to reduce emissions from our estate and its operations. This can only be achieved with the full support of other services and by the leveraging in of external finance. How and why this must be achieved is detailed in the following Sections.

Context and Drivers

- 2.2. The climate change and energy landscape in Scotland pulls together a range of actions, regulation, targets and drivers. As well as an ambitious emissions reduction targets, we also have a range of renewable energy targets that seek to deliver at least 50% renewable electricity, 11% renewable heat, and 10% renewable transport fuels by 2020.
- 2.3. The UK and Scottish Governments have placed an emphasis on local authorities setting a leading example on Climate Change. Action by local authorities will be critical to achieving the Government's climate change objectives, such as the long term goal to reduce CO₂ emissions by 80% by 2050 as set out in the Climate Change (Scotland) Act 2009 and the UK Climate Change Act 2008.
- 2.4. Scottish Government's target for carbon is a reduction of 80% on our 2008 baseline by 2050 with a midpoint of a 42% reduction on the same baseline by 2020.

- 2.5. Shetland Islands Council (along with all other Scottish local authorities) was a signatory to the Scottish Climate Change Declaration in 2008 accepting this duty and agreeing to respond.
- 2.6. These have created a number of external drivers for local authorities such as:
- .1 **Energy Performance Certificates:** Since 4 January 2009 there is a legal requirement for all public sector buildings where the public has access, with a total useful floor area of over 1,000m², to display an Energy Performance Certificate (EPC) in a prominent place, clearly visible to the public. This shows the building's energy efficiency rating on a scale from A – G, much like the rating system of electrical appliances. This requirement now covers all buildings of 500m² and is about to encompass all buildings of 250 m². This brings in almost all of the Council Estate.
 - .2 **Carbon Reduction Commitment:** Is a mandatory “cap & trade” emissions trading scheme for organisations whose total electricity consumption is greater than 6,000MWh or approximately £500k. If an organisation falls within the CRC scheme all electricity and fuel emissions are covered except emissions from domestic buildings and street lighting.
 - .3 **Rising Energy Prices:** The Council has experienced continued fuel and energy increases of around 107% since 2004/5. In 2008/09 Shetland Islands Council spent around £2.75 million on energy (electricity, gas and heating oil) in non-domestic properties and over £3.25 million on fuel oil. This is only set to rise in future as demand for fossil fuel surpasses supply.
- 2.7. Further drivers for change arise from the UK Climate Change Act 2008 and the Climate Change Public Bodies Duties Guidance issued in 2011; The Low Carbon Scotland: Meeting the Emissions Reductions Targets 2010-2022 Report on Proposals and Policies (RPP2); the Low Carbon Scotland Public Engagement Strategy; the Scottish Climate Change Adaptation Framework and the Adaptation Scotland Climate Change Adaptation Workbook. All of the above – especially RPP2 – have produced various topic specific Plans for action.
- 2.8. The Council is a large employer with approximately 2,277 FTE employees. As a community leader the Council should lead by example, setting the standard for other local organisations to follow.
- 2.9. More emphasis is also nationally being placed on delivering accurate and consistent measurement of greenhouse gas emissions by the use of the internationally recognised Greenhouse Gas Protocol and by an evolving suite of local authority climate change datasets and indicators published by the Department of Energy and Climate Change (DECC) and others.

Low Carbon Vision

- 2.10. Shetland Islands Council, along with its Community Planning partners, is committed to achieve sustainable development for our islands and their

communities based on recognition of the need to protect and enhance our unique environment whilst making the most effective use of our resources.

- 2.11. Working in partnership we will strive to reduce our carbon emissions and deliver a low carbon future by embedding carbon reduction and sustainable resource use into all our processes and into how we manage our day to day operations.

Strategic Themes Supported

- 2.12. The CMP sets out Shetland Islands Council's intention to reduce carbon emissions. Many of the actions to be implemented will potentially produce financial savings as well as carbon savings.
- 2.13. These savings will support our goal of being "a well managed Council, dealing with the challenges of the present and of the future, and doing that within our means" (Corporate Plan 2013 -17). Indeed, the CMP supports many of the strategic priorities identified in the Corporate Plan.
- 2.14. In delivering carbon savings we are conscious of the need to provide vital services cost effectively. This may mean we may have to change the way we do things to make the delivery more efficient.
- 2.15. We are also mindful of how change could affect vulnerable and disadvantaged people. By making best use of renewable technologies to lever in external funding we hope to support our local communities to achieve a sustainable future in a low carbon economy.

Targets and Objectives

- 2.16. One of the main aims of undertaking this project is to identify an accurate, up to date picture of the Council's carbon emissions and from that develop a detailed **Action Plan** which builds upon what we've already done and which allows the Council to continually reduce its CO₂ emissions in forthcoming years.
- 2.17. A "Top Down" management approach is required to drive forward the CMP to give the operations the best possible chance of being implemented successfully. **Without a firm commitment from Members and key decision makers within Directorates, the CMP will lack focus and credibility.** The reporting structure set out in this Plan seeks to engage the existing management structure in supporting, funding, delivering and reviewing the effectiveness of the CMP.
- 2.18. In establishing a Carbon Management programme the Council has set the following targets and objectives:
- .1 To reduce Shetland Island Council's CO₂ emissions by 42% by 2020, using the average for financial years 2005/06, 2006/07 and 2007/2008 as a baseline. Thereafter, reduce the Council's CO₂ emissions year on year in line with national legislation. See Figure 9: Business as Usual – Carbon Emissions.

- .2 Particularly to continue to reduce energy consumption in Council owned public buildings year on year;
 - .3 To encourage workforce involvement in the identification of opportunities and the implementation of actions;
 - .4 To continue to lead by example and encourage our partners and the community to make changes to reduce carbon emissions;
 - .5
- 2.19. The Plan requires the support and commitment from elected Members, Managers and staff across the Council. It is designed to deliver these aims and targets through:
- .1 A revision of **policies and processes** to embed carbon reduction in Shetland Islands Council.
 - .2 A programme of **projects** that help us to deliver carbon reductions.
 - .3 The identification of **resources** to implement these changes.
 - .4 Systems of performance monitoring.

3. Emissions Baseline and Projections

Scope

- 3.1. We have measured the emissions from our operations for the years 2007/08 to 2013/14. Figures for 2014/15 won't be available until 30 Apr 2015. This information – our baseline - can then be used as a basis to compare our progress year on year.
- 3.2. Activities creating emissions are diverse and cross cutting. These include all heating, lighting, water supply and all energy use in and in relation to all Council buildings. It also includes all movement of goods and people from, to and within all Council buildings and assets. In a Shetland context this includes movement by car, ferry, airline or by public transport including all fleet operations and staff travel within and out with Shetland.

What Is Included?

- 3.3. Due to the wide scope of carbon generation there are many possible data sources to be considered and included. However, following recent investigation, it has been shown that current methods of data collection are very varied in both quantity and quality.
- 3.4. Council assets (buildings, properties and vehicles) are recorded but not in a manner which entirely supports the analysis and monitoring of their role in creating carbon emissions. This needs to be achieved.
- 3.5. We have incorporated data from the Council's "Energy Manager" software and "Triscan" fuel management software systems.

- 3.6. Details of member/officer mileage is retained (both essential and casual) and is included.
- 3.7. Street lighting data is currently being revised and improved.
- 3.8. Procurement information will also need development so that it can demonstrate carbon considerations. All materials purchased should be able to demonstrate that they have been bought under policy guidelines that meet our low carbon agenda over their service life.

What Is Not Included?

- 3.9. We have not included any data on landfill/recycling within this CMP. This data is widely reported by Scottish Local Authorities and is available at: http://www.sepa.org.uk/waste/waste_data/lacw.aspx
- 3.10. Employee commuting or business travel off island is not included in the baseline at present.
- 3.11. While the Council cannot control how people travel to and from work, and commuting is also difficult to measure on a consistent basis, we will support and suggest a car share scheme and hope to include this and business travel in future revisions of this plan.
- 3.12. The baseline also excludes Council housing energy use as it was felt that whilst we can try to influence tenants, we cannot directly control their energy use. It is hoped that issues such as emissions from Council owned housing may be included in future versions of this document.

Fuel Poverty

- 3.13. The links between carbon management and energy efficiency are clear, as are the links between energy efficiency and fuel poverty.
- 3.14. Fuel poverty is not specifically covered within this plan but is designated as a high priority issue with Shetland Islands Council. The Council's statement on Fuel Poverty is contained in the [Local Housing Strategy](#).
- 3.15. Across Shetland fuel poverty is an all tenure issue that is not restricted to social housing. Social housing has very clear energy efficiency targets to achieve in terms of the Scottish Housing Quality Standard (SHQS) and the Energy Efficiency Standard in Social Housing (EESH).
- 3.16. The Council's Housing Service has rolled out programmes that have improved the building fabric, insulation and heating systems of Council housing stock across Shetland.
- 3.17. For private sector housing, the Council administers the Scottish Government's "Home Energy Efficiency Programme for Scotland: Area Based Scheme", which is

commonly known as “HEEPS:ABS”. This initiative is designed to tackle fuel poverty and increase energy efficiency in homes.

- 3.18. Formerly known as the National Retrofit Programme, ABS follows an area-based approach with initial focus on the most deprived areas. Schemes draw on a range of data including indices of multiple deprivation, child poverty, the Scottish House Condition Survey and heat mapping.
- 3.19. ABS is intended to cover all homes in Scotland in 10 years from 2013. These measures seek to improve energy efficiency, help alleviate fuel poverty and contribute to Shetland’s Carbon Management.

Baseline

3.20. The Carbon emissions baseline has been calculated using a variety of data sources from within Shetland Island City Council. The baseline is the average of the 3 financial years 2005/06, 2006/07 and 2007/08. The total baseline energy consumption is 114,575,959kWh with the area breakdown shown in Figure 3.

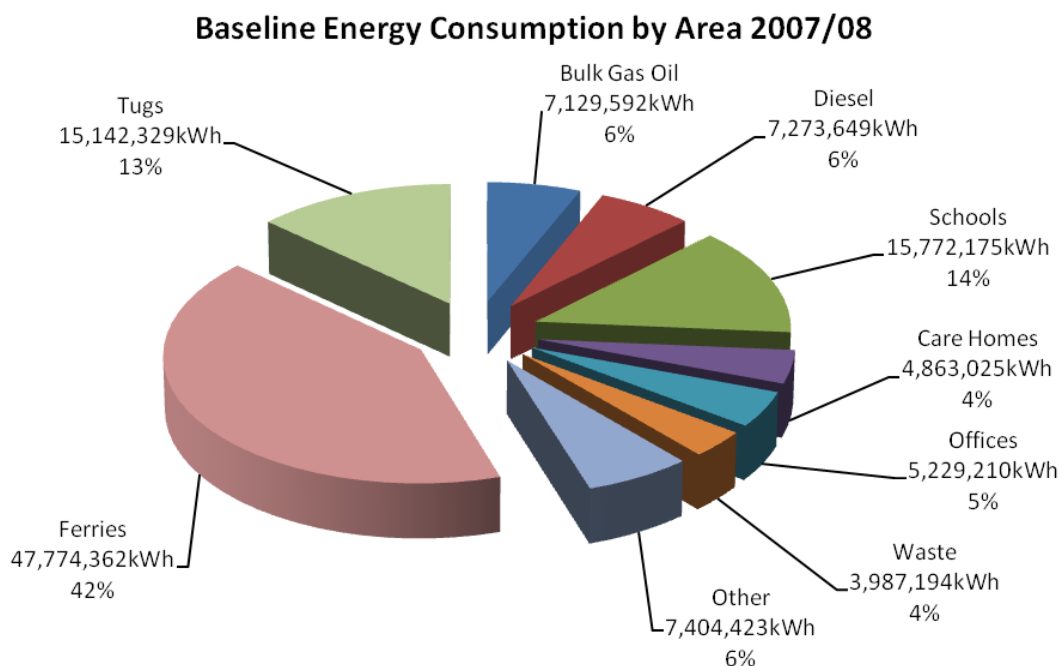


Figure 3: Baseline Energy Consumption by Area 2007/2008

3.21. What is clearly evident is that fuel for ferries, tugs and vehicles constitutes well over half of our total energy consumption. These figures are even more compelling when we examine the split by fuel type as shown in Figure 4.

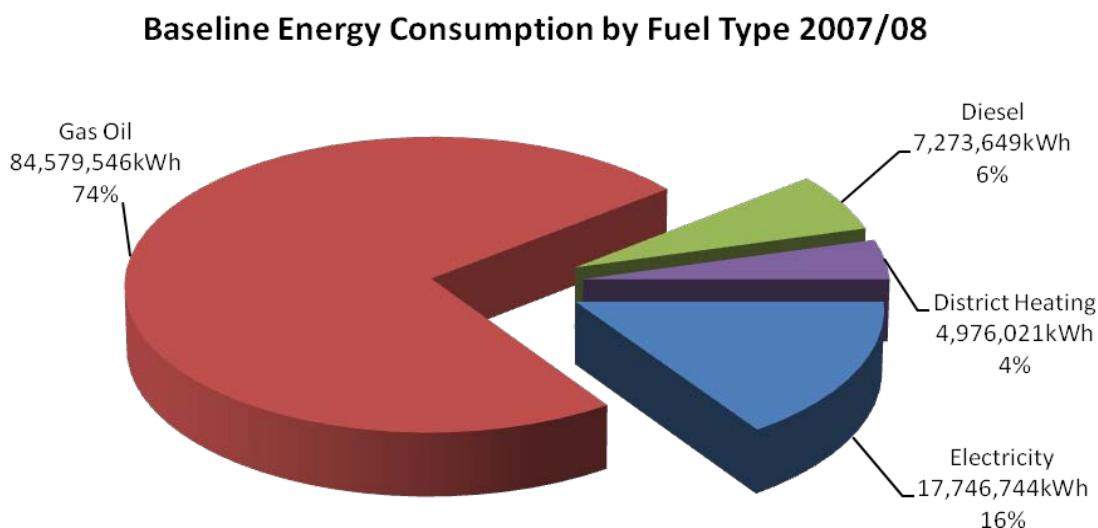


Figure 4: Baseline Consumption - Split by Fuel Type 2007/2008

Current Consumption

3.22. The total energy consumption for 2013/14 is 97,366,754kWh with the area breakdown shown in Figure 5. This is an improvement in most areas, particularly given that the Council's built estate has grown since 2007/08.

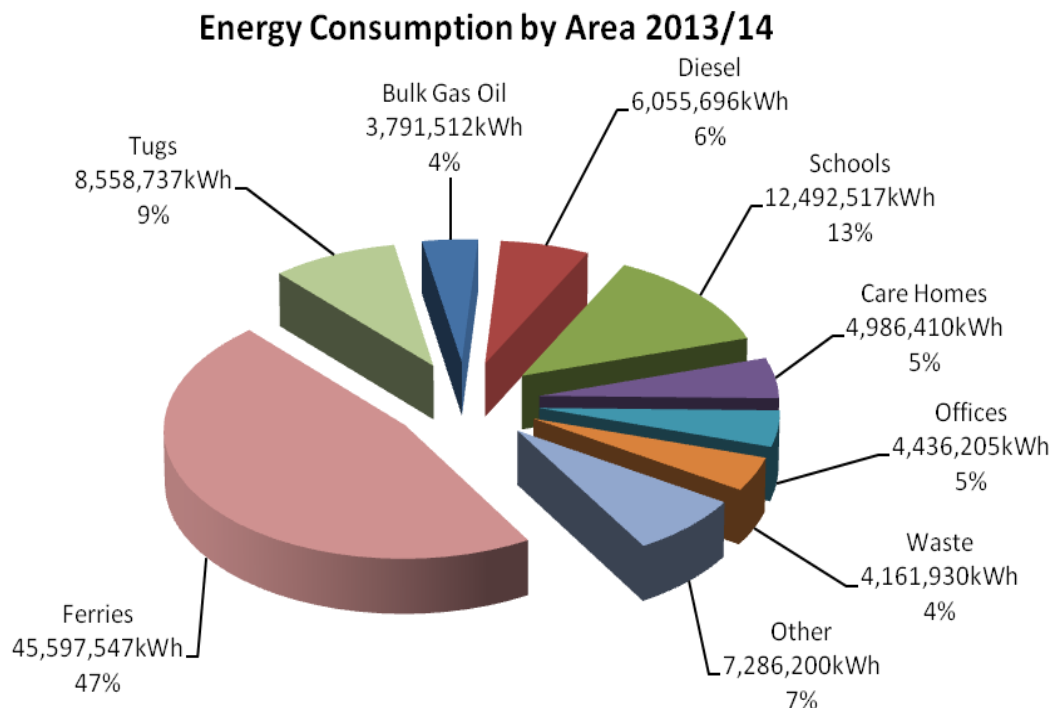


Figure 5: Energy Consumption by Area 2013/2014

Energy Consumption by Fuel Type 2013/14

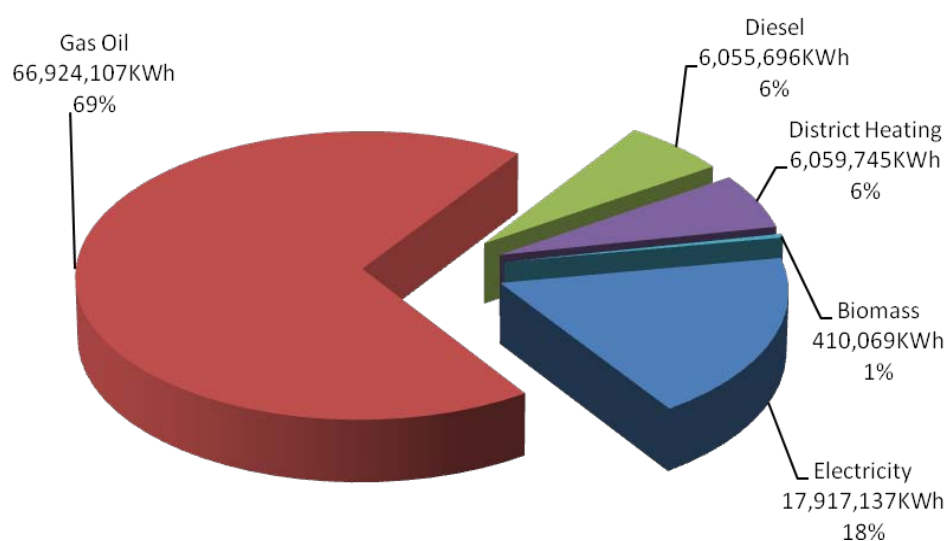


Figure 6: Baseline Consumption - Split by Fuel Type 2013/2014

Carbon Management Performance to Date

- 3.23. Since the Climate Change Act came in to effect in 2009 various disparate energy savings projects have taken place within the Council. There have also been some Council downsizing of both staffing levels and accommodation requirements and various resource efficiency projects have been undertaken as part of the recent Council refocusing. These include the delivery of service reviews and cost saving programmes. In most cases these activities will have reduced our carbon emissions.
- 3.24. One of the first actions required in implementing this Plan will be to create and monitor clear, accurate and diverse data flows.
- 3.25. The following graph shows that the Council has reduced its carbon emissions by approximately 15% since 2007/8 with an average annual reduction of 2.68%. To reach the national target saving of 42% by 2020 we would have had to save around 3.23% year on year.

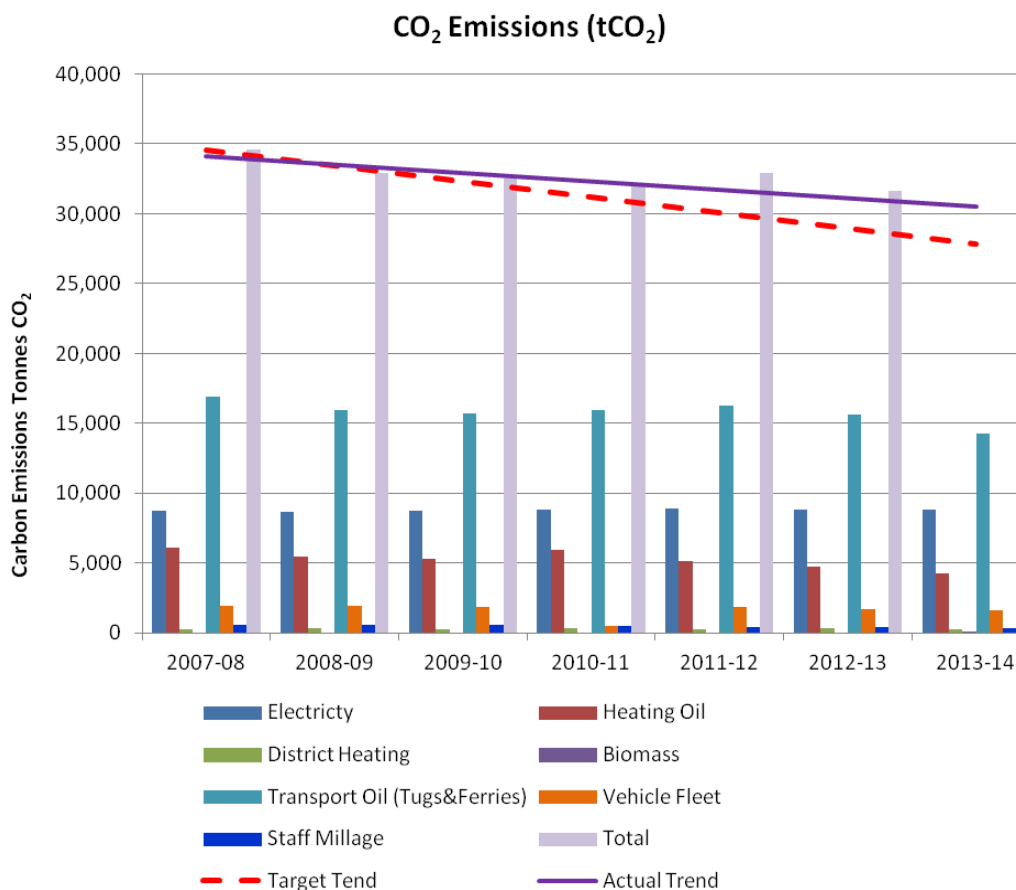


Figure 7: Tracked CO₂ Emissions 2007/08 to 2013/14

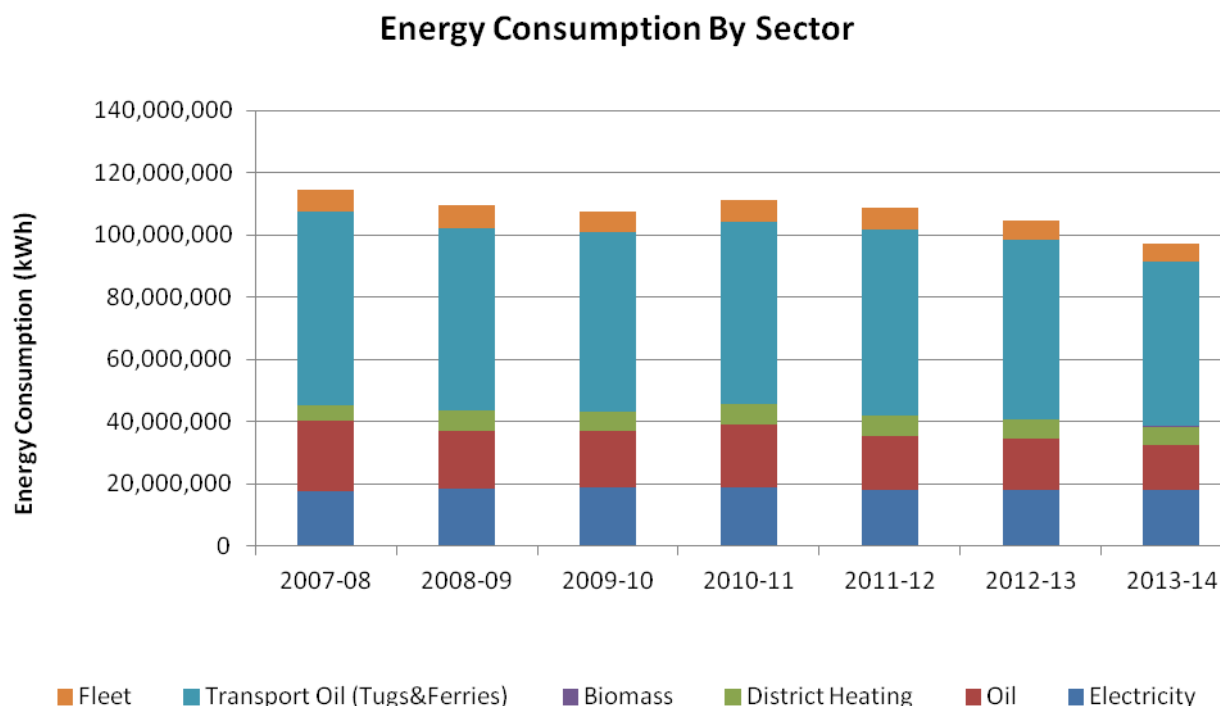


Figure 8: Energy Consumption by Sector 2007/08 to 2013/14

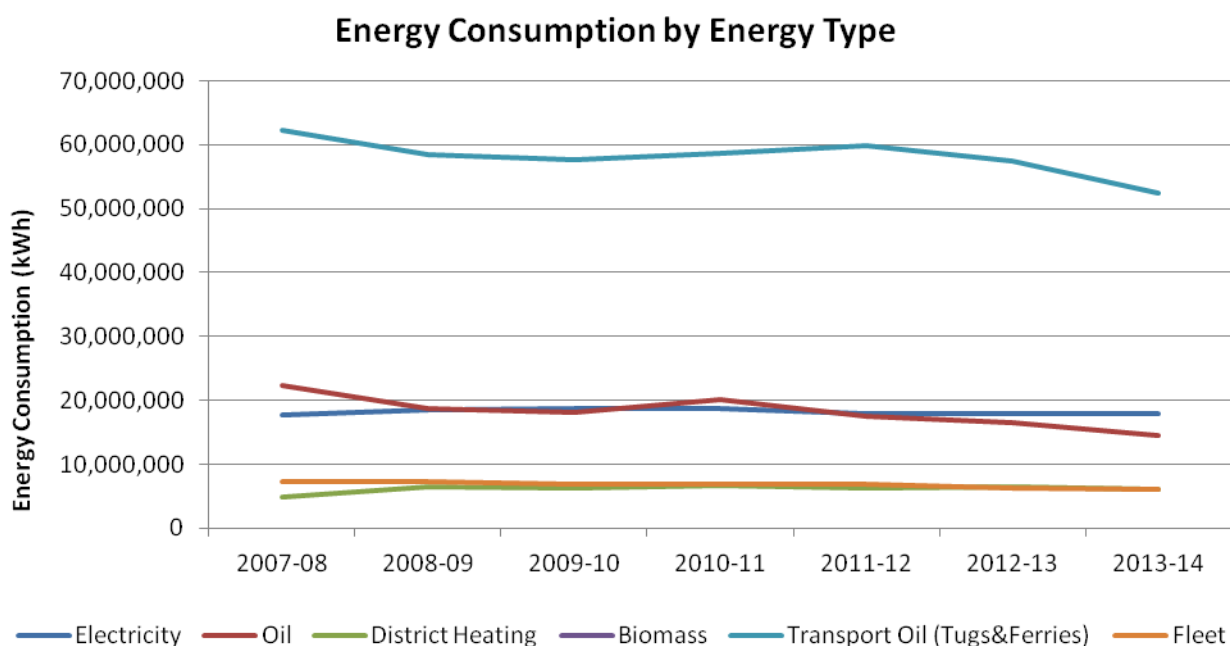


Figure 9: Energy Consumption by Energy Type 2007/08 to 2013/14

3.26. Figure 8 sets out energy consumption by sector while Figure 9 shows the energy consumption tracked by type over the same period. Common to our carbon emissions it can be seen that Transport Oil is by far the greatest single consumption across the Council.

- 3.27. The aspirational programme of works proposed at “Appendix 2 – Example Project Framework” should build on this annual saving and increase our output to deliver further sustainable reductions towards our 2020 target of 42%.
- 3.28. However, to fully meet the target an annual reduction of 4.53% would be needed from 2014 – 2020, and to do so will require some **radical thinking**.

Projections and Value at Stake

3.29. We have projected our carbon emissions forward to see how we will perform in the period 2015/16 to 2020/15. This is so that we can calculate our 'Value at Stake' – the difference between putting carbon reduction measures in place and carrying on with our 'business as usual'. These results are shown in Figure 10.

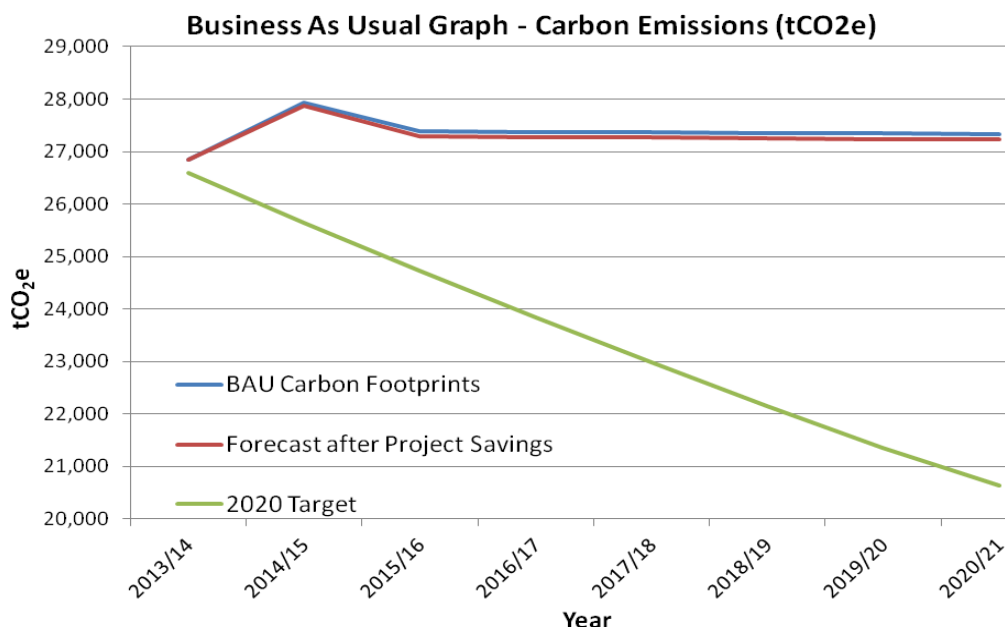


Figure 10: Business as Usual – Carbon Emissions (tCO₂e)

3.30. Using this data it is also possible to calculate the rising energy and fuel costs over the next 5 years if the Council continues to operate as it currently does as shown in Figure 11 below. Despite any potential CO₂ savings arising from Council efficiency initiatives, the expected energy cost increase will negate any savings and will actually lead to overall cost increases.

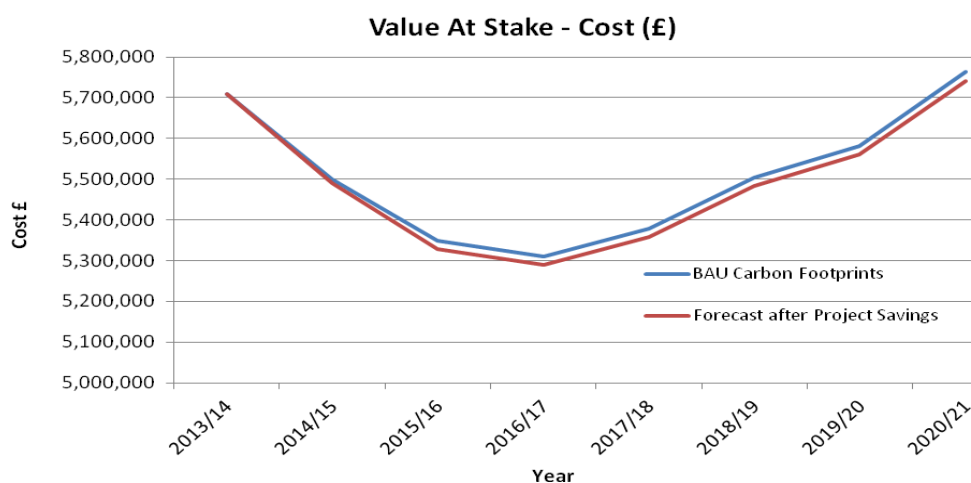


Figure 11: Financial Projections

Robust Data and Comparisons

- 3.31. Robust accountability and monitoring mechanisms are essential aspects of any low carbon management system. Scotland's annual climate change targets are explicit in the rate of greenhouse gas emissions (GHG) reduction required each year and the target level of annual emissions that is permitted under the Climate Change (Scotland) Act 2009 over the period 2010 to 2027.
- 3.32. A robust evidence base is vital in ensuring that appropriate decisions can be made on the most effective means of meeting carbon reduction targets. These figures will also provide the basis on which the estimates of the required financial investments to deliver the policies and proposals have been derived.
- 3.33. In order to assist local authorities in demonstrating their accountability Government is developing a standard tool to be rolled out to all local authorities in 2015. This tool will assist in consolidating data and will ensure that the annual mandatory reporting mechanism is operated on a common baseline across all Authorities. Shetland Islands Council will adopt and adapt this tool to suit local conditions when we receive it.
- 3.34. The Carbon footprint tool will allow for the forecasting of project performance. Demonstrated below is a typical BAU graph for the hypothetical savings available on the proposed "Hydrogen Ferries" project.
- 3.35. This method will allow us to evaluate the potential savings of each proposed project and demonstrate whether it would deliver the required savings. These figures can then be used in spend-to-save bids and/or for external funding bids.
- 3.36. It will also provide a template data standard which would need to be implemented across all Council services.

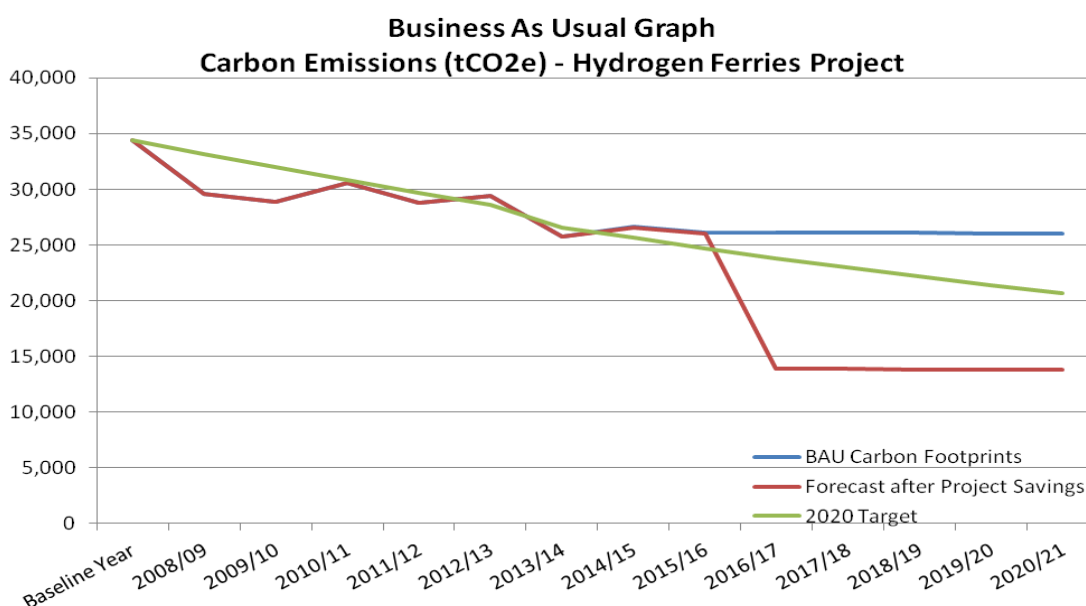


Figure 12: Business As Usual – Hypothetical Hydrogen Ferries Project

4. Carbon Management Projects

- 4.1. Shetland Islands Council has been working for a number of years on identifying, funding and implementing projects that have increased energy efficiency and reduced carbon emissions. Thus far our primary focus has been revenue cost savings in line with the targets contained within medium term financial plan. A selection of these is given in the **CMP Project Register**.
- 4.2. It's anticipated that the CMP Project Register will be the primary means of capturing this Council's carbon savings regardless of how or why the project is initiated. Many projects won't fall under the direct umbrella of carbon reduction but will, nonetheless, realise carbon savings. For example, the replacement of ageing built assets, plant or vehicles will undoubtedly include energy efficiency as a basic design and procurement standard.
- 4.3. From a Council perspective, it therefore makes sense for us to capture and report all savings under the carbon reduction agenda. So, as projects are developed they should be added to the CMP Project Register.
- 4.4. To facilitate changes and upgrades to the register without affecting the entire plan we have included it as a separate document. It will be centrally held on the Council network as a share point document. This simplifies version control and means that services can easily update their own project information.
- 4.5. The CMP Project Register will include timelines for implementation and also projected savings figures both for carbon and for costs (where known). This will ensure an ongoing tally can be made of achievement towards our 2020 targets, and will be reported quarterly to the CMP Project Board and annually to the Council.
- 4.6. At present the proposed projects do not meet our targets but this plan is a working document and will be reviewed and updated on an annual basis. It is expected that further projects will be included over the lifetime of the Plan.

Reduction Themes and Objectives

- 4.7. Projects that will deliver ongoing reductions are detailed in Appendix 3 - Carbon Project Register.
- 4.8. Appendix 2 – Example Project Framework sets out a variety of carbon reduction projects that can be delivered Council wide by all services. These examples are common to all local authorities and are based on the national policy and project requirements outlined in RPP2.
- 4.9. The Scottish Government published “Low Carbon Scotland: Meeting our Emissions Reduction Targets 2013-2027: The Draft Second Report on Proposals and Policies” on 29 January 2013. The document is often referred to as RPP2.

- 4.10. It sets out areas of work which we should be addressing in order to reduce our carbon emissions and meet national targets by 2020. How these will be achieved, and the extent of any long term savings will depend upon levels of upfront funding to develop and deliver each project.
- 4.11. The aim of this list is to demonstrate the breadth of work being carried out nationally by local authorities and to act as an aide memoire for Council services in identifying potential works. However, the list is neither exhaustive nor exclusive and it will change and develop during the life of the Carbon Reduction Programme.

5. Carbon Management Plan Finance

Background

- 5.1. The potential financial benefits to be gained by the Council from undertaking the Carbon Management Programme are significant.
- 5.2. We can safely assume that all types of energy and fuel costs will rise significantly above inflation over the lifetime of this Plan. It is also likely that procurement and maintenance costs will similarly rise above the rate of inflation. The projected rate of real time operational costs should we carry on Business as Usual is therefore considerably higher than current operational costs.
- 5.3. Financial constraints placed upon the Council are significant and are likely to continue. Investing in resource efficiency and energy saving measures can result in some “quick wins” and other more gradual savings. By acting now and using the maximum amount of Government and other funding available we will be:-
 - .1 Saving ourselves capital outlay by using grants and 0 % loans available now and probably not later.
 - .2 Avoiding long term cost rises in having to do the work eventually when these funds are closed.
 - .3 Placing ourselves in a position to make ongoing savings at a time of financial restraint.
 - .4 Potentially avoiding any legal penalties which will flow from failure to meet targets.
- 5.4. There is also the possibility of income generation through developing renewable installations and the conversion of excess wind generation to chemical storage. However, if we are to make meaningful and sustainable savings we need to look at **radical** and **innovative** approaches to our local problems.
- 5.5. Examples of this are the conversion of life expired and inefficient heating systems (predominantly oil fired) to renewables such as biomass, thermal storage or

hydrogen fired combined heat and power plants or the decarbonisation of the Council's Transport Fleet.

Funding Sources

- 5.6. The increasing significance of carbon reduction both nationally and internationally means there are an increasing number of funding schemes on offer for specific works e.g. electric vehicle charge point installations, electric vehicle grant schemes and European development funds.
- 5.7. Reduced energy and fuel costs resulting from this Plan will contribute in the medium and long term to our financial planning and will help protect front line service delivery across the Council against cutbacks arising from increased budgetary pressures.
- 5.8. **Existing Budgets** - some projects are being driven by other Council priorities but also have carbon savings associated with them e.g. the replacement of old boiler systems with biomass or the refurbishment of schools which includes insulation upgrades. As a result, they are already funded by other non carbon budgets.
- 5.9. **Central Energy Efficiency Fund (CEEF)** - we have secured external funding from the Scottish Government's CEEF fund. This Council successfully created a ring-fenced CEEF Fund, to increase capital investment in energy efficient and low carbon technologies. This fund is used to finance energy efficiency and renewable energy projects within the Council. Projects must demonstrate a payback period of 7 years or less and funds have been used on a rotating basis.
- 5.10. **Grant Funding** - we may be able to support this programme through various tranches of external grant funding and bid for specific funding for individual projects. We need to take advantage of external funding available from central government and other sources, to enable us to take forward the carbon reduction agenda. These funding sources are likely to require match funding from the Council.
- 5.11. **Low Cost Loans** - A number of external funders are in the market e.g. Salix Funding and the Green Investment Bank. These offer low cost loans payable over 5 to 8 years – generally paid for by the savings generated after installation. Using these funders would give Council a stand still position at worst for 5 to 8 years during which time the savings generated will have paid back the loan. There after there would ongoing revenue savings.
- 5.12. **Spend to Save Budget** – where projects have a payback period of 3 years or less (this period is currently under review) it may be possible to make a “spend to save” funding bid. The rationalisation of building use, fleet driver training and awareness raising projects are prime examples of projects that may fit the criteria and may have clear CO₂ benefits.
- 5.13. **Income from Renewables** – this will become an increasingly attractive and important option in the short term as the UK Government attempts to encourage

greater uptake of renewable energy through financial incentives. Excess wind capacity could be converted to chemical storage and used as a viable alternative to fuel oil or diesel. Other options under consideration include biomass heating systems, solar water heating and photo voltaic arrays.

- 5.14. It should also be noted that a number of the carbon reduction technologies coming onto the market could create employment and economic opportunities for our islands – e.g. in the renewable field or alternative fuel production. Developing these now will be advantageous to both Shetland and its communities.

Resource Implications

- 5.15. The downside to any initiatives we undertake are that staff will be required to develop and implement funding bids and project plans to a tight and often short deadline. The Carbon Management Team will actively support funding bids with all services to ensure that external funding is maximised and the Councils budgets receive the benefits of any external money which may be available.

6. Actions to Embed Carbon Management

- 6.1. Shetland Islands Council is committed to reducing its carbon emissions. The Carbon Management Programme Board, with the support of the Environment & Transport Committee, will take responsibility for ensuring that the Carbon Management Plan is delivered.
- 6.2. Carbon emissions and energy efficiency are currently one of the Corporate Plan's Critical Success Factors and are reported as a key performance indicator under the Infrastructure Directorate's performance review monitoring.
- 6.3. In order to strengthen our corporate aims and encourage commitment to the Carbon Management Programme it is planned to incorporate the Council's CO₂ reduction targets into the Corporate Business Plan.
- 6.4. The Carbon Management Plan should also support the Council's Environmental strategies which aim to promote efficient use of resources.
- 6.5. The Council should be developing sustainable Building Standards for Council Buildings to ensure that all Council projects meet sustainable development principles early in the development and design process.
- 6.6. These organisational targets should also align with the Community Plan and the carbon reducing targets within the Single Outcome Agreement (SOA).

Policy Alignment – Saving CO₂ across Council Operations

- 6.7. Shetland Islands Council should develop a Responsible and Sustainable Procurement Strategy in line with work carried out by other local authorities. This work would be undertaken by the Procurement Section.

- 6.8. To ensure accurate reporting of carbon, and in tandem with this programme we should plan to account for carbon impacts within all Capital Bids and Service Need Case reports. This will also be used as one of the measures to gauge the merit of Business Cases.
- 6.9. In addition it is recommended that all works carried out under Planned Maintenance budgets are evaluated for carbon and/or energy savings at the planning and evaluation stage. This will ensure the optimum solution is agreed rather than continuing to replace like for like.

Data Management – Measuring the Difference, Measuring the Benefit

- 6.10. Energy consumption data is input into the “Energy Manager” data monitoring system and extracted by the Carbon Management Team on a monthly basis. The Energy Management Team uses this information to measure performance and consider how energy may be reduced through technical or technology improvements. This will also assist with items 6.8 and 6.9 noted above.
- 6.11. In order to actively manage the Council’s carbon footprint, emissions will be recorded and updated annually. This data will be used to track progress and inform future project initiation.

Responsibility – Saving CO2 is Everyone’s Job

- 6.12. The Carbon Management Plan will be most successful if everyone is involved with the process. In order to ensure that all staff can fully participate, an Awareness Programme is being designed to directly engage with staff. Carbon Management will be a core value that is established as part of all staff induction and reinforced through corporate and service specific training and programmes. We aim to ensure that staff will bring their home energy efficiency good habits to work.
- 6.13. As part of this programme, Energy Champions as a senior level will be established across services to ensure that local services meet corporate targets. This is a way to measure the effectiveness of corporate campaigns.
- 6.14. In terms of carbon management planning and our actions to embed this within the Council, the following matrix sets out our current position (red line) against our aspirational mid-term target for 2017 (blue line) and our goal for 2020 (green line).

Carbon Management Matrix - Embedding							
	CORPORATE STRATEGY	PROGRAMME MANAGEMENT	RESPONSIBILITY	DATA MANAGEMENT	COMMUNICATION & TRAINING	FINANCE & INVESTMENT	POLICY ALIGNMENT
	BEST						
5	<ul style="list-style-type: none"> Top level target allocated across the Council CO₂ reduction targets in Directorate Plans 	<ul style="list-style-type: none"> Council/Committee/CMT review progress against targets on quarterly basis Quarterly diagnostic reports provided to Directorates Progress against target published externally 	<ul style="list-style-type: none"> CM integrated in responsibilities of Senior Managers CM part of all job descriptions Central CO₂ reduction advice available Green Champions leading local action groups 	<ul style="list-style-type: none"> Quarterly collation of CO₂ emissions for all sources Data externally verified Monitoring in place for: <ul style="list-style-type: none"> buildings street lighting waste transport 	<ul style="list-style-type: none"> All staff given formalised CO₂ reduction: <ul style="list-style-type: none"> induction and training communications Joint CM communications with key partners Staff awareness tested through surveys 	<ul style="list-style-type: none"> Finance committed for 2+ yrs of Programme External funding being routinely obtained Ring-fenced fund for carbon reduction initiatives 	<ul style="list-style-type: none"> CO₂ friendly operating procedure in place Central team provide advice and review, when requested Barriers to CO₂ reduction routinely considered and removed
4	<ul style="list-style-type: none"> CO₂ reduction commitment in Corporate Strategy Top level targets set for CO₂ reduction Climate Change Strategy reviewed annually 	<ul style="list-style-type: none"> Sponsor reviews progress and removes blockages through regular Programme Boards Progress against targets routinely reported to Corporate/Directorate Management Teams 	<ul style="list-style-type: none"> CM integrated into responsibilities of Directors Council/Committee/CMT regularly updated Staff engaged through Green Champion network 	<ul style="list-style-type: none"> Annual collation of CO₂ emissions for: <ul style="list-style-type: none"> buildings street lighting transport waste Data internally reviewed 	<ul style="list-style-type: none"> All staff given CO₂ reduction: <ul style="list-style-type: none"> induction communications CM matters communicated to external community 	<ul style="list-style-type: none"> Coordinated financing for CO₂ reduction projects via Programme Board Finances committed 1yr ahead Some external financing 	<ul style="list-style-type: none"> Comprehensive review of policies complete Lower level policies reviewed locally Unpopular changes being considered
3	<ul style="list-style-type: none"> CO₂ reduction vision clearly stated and published Climate Change Strategy endorsed by Members and publicised with staff 	<ul style="list-style-type: none"> Core team regularly review CM progress: <ul style="list-style-type: none"> actions profile & targets new opportunities 	<ul style="list-style-type: none"> An individual provides full time focus for CO₂ reduction and coordination across the organisation Senior Sponsor actively engaged 	<ul style="list-style-type: none"> Collation of CO₂ emissions for limited scope i.e. buildings only 	<ul style="list-style-type: none"> Environmental / energy group(s) given ad hoc: <ul style="list-style-type: none"> training communications 	<ul style="list-style-type: none"> A view of the cost of CO₂ reduction is developing, but finance remains ad-hoc Some centralised resource allocated Finance representation on CM Team 	<ul style="list-style-type: none"> All high level and some mid level policies reviewed, irregularly Substantial changes made, showing CO₂ savings
2	<ul style="list-style-type: none"> Draft Climate Change Policy Climate Change references in other strategies 	<ul style="list-style-type: none"> Ad hoc reviews of CM actions progress 	<ul style="list-style-type: none"> CO₂ reduction a part-time responsibility of a few department champions 	<ul style="list-style-type: none"> No CO₂ emissions data compiled Energy data compiled on a regular basis 	<ul style="list-style-type: none"> Regular awareness campaigns Staff given CM information on ad-hoc basis 	<ul style="list-style-type: none"> Ad hoc financing for CO₂ reduction projects 	<ul style="list-style-type: none"> Partial review of key, high level policies Some financial quick wins made
1	<ul style="list-style-type: none"> No policy No Climate Change reference 	<ul style="list-style-type: none"> No CM monitoring 	<ul style="list-style-type: none"> No recognised CO₂ reduction responsibility 	<ul style="list-style-type: none"> No CO₂ emissions data compiled Estimated billing 	<ul style="list-style-type: none"> No communication or training 	<ul style="list-style-type: none"> No specific funding for CO₂ reduction projects 	<ul style="list-style-type: none"> No alignment of policies for CO₂ reduction
	WORST						

Figure 13: Actions to Embed Carbon Management

7. Programme Management of the Carbon Management Plan

- 7.1. It is important that the Carbon Management Plan's performance is reviewed regularly to ensure that action is being taken to reduce the Council's own emissions.
- 7.2. The baseline and target should be incorporated across all Service Plans and reported as part of the standard performance reporting cycle to the relevant Committees.

Governance, Ownership and Management

- 7.3. All local authorities in Scotland have developed and are delivering carbon management plans and projects. Based upon their experience, it is now a mandatory requirement that a formal structure be established and retained throughout the life of the programme and beyond to ensure that projects are implemented, results monitored and quantified effectively when compared against the individual project goals.
- 7.4. Strategic links are important to ensure continuity of the decision making process and integration into the Council's long term goals and those of its community planning partners.
- 7.5. These links are also vital to ensure that high level support is retained for the programme. The process used in managing our CMP is to predict and identify risks and issues at a programme level, identify the means of managing and resolving these, ensure that actions are taken and regularly review their status. This section will reinforce the need for good programme governance by outlining:
 - .1 The senior and strategic ownership of the carbon reduction target
 - .2 The ongoing development and implementation of carbon saving projects identified within the CMP
 - .3 The project board and team who will ensure coherence and coordination of the plan and the projects.

The Carbon Management Programme Board – Strategic Ownership & Oversight

- 7.6. This group's role is to coordinate and ensure delivery of the CMP. Each board member will have a responsibility to be their service's Champion and to report the progress made on the Carbon Management Plan.
- 7.7. The team's membership will be reviewed annually to ensure all key services are represented. The role of the team will also be reviewed regularly.
- 7.8. The Carbon Management Programme Board will meet quarterly to monitor progress in delivery and to address any barriers to implementation. An annual report will be placed before Council showing the progress made in that year and detailing any difficulties in delivery.

Carbon Management Governance Structure

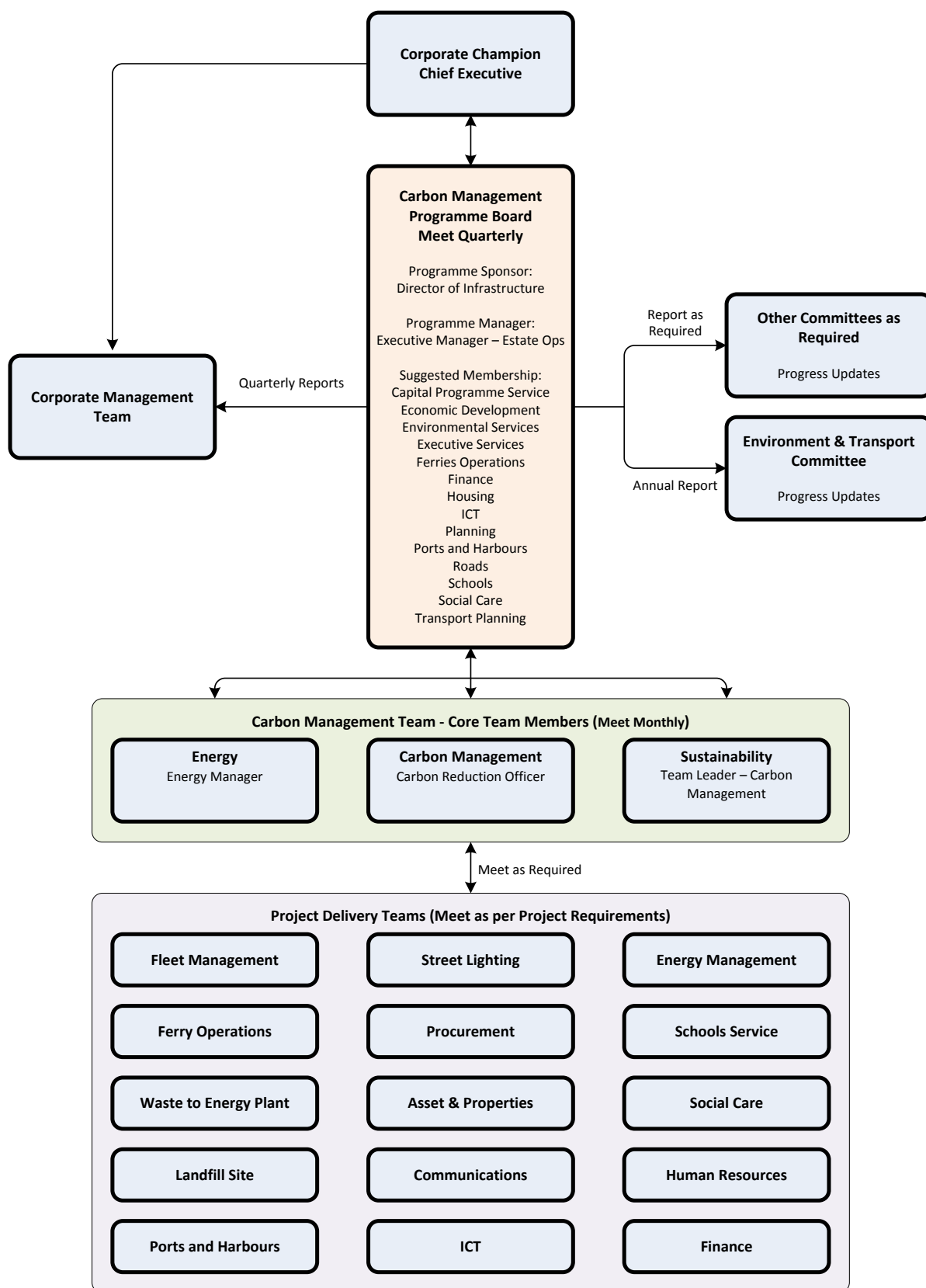


Figure 14: Carbon Management Structure

The Carbon Management Programme Board - Terms of Reference

7.9. The Board will:

- .1 Champion and provide leadership on carbon management
 - .2 Set and review strategic direction and targets
 - .3 Own the scope of the carbon management plan and prioritise carbon reduction projects
 - .4 Monitor progress towards objectives and targets
 - .5 Remove obstacles to the successful completion of carbon management projects not just to be a committee but a driver for change
 - .6 Report quarterly to the Corporate Management Team and annually to the Environment & Transport Committee
 - .7 Share best practice with community planning partners, public bodies, businesses, voluntary and community groups
- 7.10. Where aberrations are noted during the standard monitoring process an Exception Report may be needed and any action required to remedy the matter will be subsequently reported.
- 7.11. The Board will be asked to approve a set of key milestones set out in the **Action Plan** at an early meeting. These milestones will be used to gauge progress and delivery success. While the nature of the milestones may vary they will be used to signify the completion of a significant deliverable e.g. a key decision, an element of new infrastructure or the securing of finance. These milestones will provide the Board with an early warning system to identify where delivery is not as originally envisaged.

The Carbon Project Team – Delivering the Projects

- 7.12. The Carbon Project Team is the group that has identified and is tasked with delivering the projects that make up the CMP. It is anticipated that each project will be managed under the Council's standard Prince 2 Project Management format. Regular reviews and reporting are an integral part of the process.
- 7.13. This group will meet on a monthly basis to report on progress. It is recognised that as projects will commence at different times, officers will not be expected to attend every meeting, instead focussing on those most relevant to them.
- 7.14. The group will be co-ordinated and jointly chaired by the Team Leader – Carbon Management, Carbon Reduction Officer and Energy Manager. They will manage and co-ordinate the group's progress as part of the wider carbon reduction and energy efficiency agendas.
- 7.15. The role of each individual on the group is to represent their service, provide expertise and lead on progressing the plan's work within their area. This will also

involve feeding back information to colleagues, being an advocate for the principles of sustainability and acting as a point of contact.

Annual Review Process

- 7.16. To ensure successful delivery and implementation of the programme, an annual progress review will be crucial. The aim of the review will be to:
- .1 Review the cost and all benefits from the programme
 - .2 Capture the financial savings delivered
 - .3 Review CO₂ savings achieved against the target
 - .4 Utilisation of the Central Energy Efficiency Fund
 - .5 Utilisation of SALIX funding
 - .6 Progress made by the projects being implemented
 - .7 Qualitative benefits e.g. engaging the community

Risks and Management Issues

- 7.17. At project level, the individual lead project officers will manage risks and issues arising, and if required, escalate issues to the Carbon Project Board or Corporate Management Teams.
- 7.18. Other more general risks are associated with the established project review process and via JCAD Risk. The key here is to maintain links between the project team members and the Carbon Management Programme Board to strengthen all aspects of the Carbon Management Plan delivery.
- 7.19. Current issues that may impact upon the Carbon Management Plan include the impact of budget cuts on proposed projects.

Benefits Realisation

- 7.20. Where possible, quantifiable benefits accruing from individual actions will be measured using energy consumption data. In cases where this is difficult a “before and after” monitoring of energy consumption will be undertaken. Actions have been identified within the Carbon Management Plan to improve data collection and availability.
- 7.21. Not every action developed as part of this plan will be quantifiable i.e. increased local food production and use for school dinners; training courses and the “Eco Schools” programme. Where this is the case the completion of these tasks will be noted against the action plan and project register.
- 7.22. A revised CO₂ emissions value will be calculated and published each year from automatic meter readings and, where these are lacking, billing information. This will enable progress against the targets in the CMP to be reported.

- 7.23. The Carbon Management Team will periodically review benefits and disseminate them to the Programme Board and various stakeholders.

Reporting and Evaluation

- 7.24. Targets will be reviewed annually in consultation with the Carbon Management Programme Board and the Carbon Management Team(s). Further actions identified throughout the period of the Carbon Management Plan will be considered for inclusion at this annual review. It seems appropriate to conduct this review roughly a month after the end of the financial year to enable end of year data collection.
- 7.25. As noted above, the review will include an updated calculation of CO₂ emissions and our progress against CO₂ reduction targets. It is the responsibility of each Project Leader to measure and report the progress against targets. The review will record financial savings, payback on investment, and CO₂ savings compared to the target. It should be noted that specific monitoring systems may have to be devised and that each project will require a clear and robust monitoring methodology in place so progress can be recognised.
- 7.26. Reporting on the progress of the Carbon Management Plan will be made by the Programme Manager to the Carbon Management Programme Board which in turn will report to the Corporate Management Team and ultimately to the Environment and Transport Committee and full Council as necessary.
- 7.27. As a result of the review, the Carbon Management Plan may require updating if, for example, the availability of funding changes or changes in priority in project delivery occurs.
- 7.28. The Carbon Management Plan is a dynamic and flexible working document, which will change over time. This will not only allow the Plan to reflect the ever-changing environmental and economic climate but also allow us to keep abreast of advances in technology to deliver more carbon reduction projects as new initiatives emerge.

Government Reporting and Performance Monitoring

- 7.29. The Climate Change (Scotland) Act 2009 requires all local authorities to submit an annual report to Government detailing works carried out to deliver the targets defined therein. Since 2014 this has become a mandatory requirement with a specific format in which Councils must detail all works carried out within the current financial year in all areas to deliver the national carbon reduction targets.
- 7.30. These reports are submitted to Government through the Sustainable Scotland Network office where they are reviewed and audited. Government then produces an Annual Report detailing the national picture.
- 7.31. It has been made clear by Government that if improvement in voluntary delivery of projects is not achieved within the next two years local authorities are likely to

face **mandatory** targets. The new 2014 format of reporting will demonstrate whether the required uplift in action is being achieved by all local authorities.

8. Appendix 1 – The Carbon Management Action Plan

Ref.	CMP Aim	Action	Owner	Priority	Timing
1	Adopt a strategic approach to managing the CMP.	Implement the CMP reporting structure to inform & engage Members and Senior Management.	CMT CMB E&T	High	Q2 2015
2	Set a corporate goal to enable the SIC to continue the reduction of its Estate footprint and emissions to support climate change targets.	Include the implementation of CMP as an objective in the annual Corporate, Directorate and Service Plans.	CMT CMB E&T	High	Annual
3	Investigate all potential internal and external funding support for CMP activities.	Put in place regular meetings with key Finance and Development staff to discuss joint funding options.	CMB CMPT	High	Ongoing
4	Secure year on year funding to implement CMP projects. (secure, allocate & approve)	Develop a 7 year funding strategy to Implement the CMP measures.	CMB CMPT	High	Annual
5	Put in place mechanisms which allow us to monitor the Council's carbon footprint against emission reduction targets	Review Council wide data collection procedures and undertake a data mapping exercise and develop a data handling strategy	CMPT	High	Now
		Adopt data standards and modelling tools to inform quarterly updates and annual reduction target forecasts.	CMPT	High	Now
		Standardise carbon emissions data to align with Scottish Government reporting obligations	CMPT	Medium	Q2 2015
6	Track CMP progress and footprint performance.	Update the CMP Register to record project outcomes and BAU changes. (actual carbon/cost/implement date)	CMPT	High	Quarterly
7	Update and replenish the CMP register with new carbon reduction policies and measures.	Invite Council staff, Consultants, Contractors and the public to identify further carbon reduction measures.	CMPT	High	Quarterly
8	Optimise carbon reductions by reviewing CMP travel and transport policy/strategy.	Liaise with Transport Planning and HR to consider adopting further sustainable business travel and transport policies.	CMPT/TP/HR	High	Bi-Annual
9	Engage all Directorates to deliver carbon reductions through behaviour change.	Work collaboratively with Communications to develop an effective staff awareness campaign.	CMT CMB Comms	High	Q1 2015
10	Establish bespoke CMP training for Technical staff.	Connect to the Resource Efficiency Scotland support programme.	CMPT HR	High	Q3 2015
11	Enable the best projects to be selected for CMP deployment.	Develop a project priority system using carbon analysis and business case tools to select the best VFM projects for deployment.	CMPT CPS	Medium	Q3 2015

Ref.	CMP Aim	Action	Owner	Priority	Timing
12	Ensure cross-policy working with other Directorates to develop and introduce low carbon policies and measures.	Encourage members of the Project Board and Teams to identify, support and implement wider corporate carbon reductions.	CMB CMPT	Medium	Q1 2016
13	Embed low carbon/sustainable policy into future Council contracts to deliver corporate benefits.	Liaise with Procurement staff to review tender specifications and assessment criteria to deliver improved carbon performance.	CMPT CPS	Medium	Q1 2016
14	Agree the CMP Waste & Water reduction targets for the built Estate and Council operations	Consider baseline data and adopt new reduction targets in line with new waste recycling and water conservation practices.	CMPT ES	Medium	Now
15	Review high Council fuel use for our Ferry Fleet	Work with Ferries to consider fleet fuel usage, specification options and future footprint reductions	CMPT F TP	Medium	On-going
16	Develop Case Studies from successful pilot projects.	Use Case Studies to engage staff and replicate best practice projects across the estate	CMB CMPT	Low	Bi-Annual
17	Improve the resilience of CMP operations and management	Develop and implement Standard Operating Procedures for CMP tasks	CMPT	Low	On-going
18	Review the Shetland Islands Council 2015 CMP	Refresh the CMP to take account of BAU policy & footprint changes.	CMT CMB E&T	Low	Mar 2016

9. Appendix 2 - Methods of Energy and Carbon Measurement

- 9.1. Throughout this plan we make several references to the commonly used units of measure for energy, energy use and for assessing our carbon footprint in kilograms or tonnes of carbon. Many people will have some difficulty visualising what these are. What is the difference between a kW and a kWh?
- 9.2. A **kWh** is a unit of energy. Energy is a measure of how much fuel is contained within something, or used by something over a specific period of time. The **kW** is a unit of power. Power is the rate at which energy is generated or used. So, a kWh is 1 kilowatt of power used in 1 hour. A kilowatt hour (kWh) will give:



9 uses of a kettle



4 hours of watching TV



31 hours on a laptop

- 9.3. Many documents and websites also refer to **tonnes of CO₂** without much effort to explain what that actually is. Most people can't imagine what a kilogram or tonne of CO₂ looks like, so to make it more meaningful we would note:
- .1 1 kg of CO₂ = 100 party balloons
 - .2 1 tonne of CO₂ = 100,000 party balloons
 - .3 1 tonne of CO₂ is equivalent to 1 hot air balloon measuring 10 m wide
 - .4 The Town Hall's Council Chamber has a volume of 260m³. It could hold almost half a tonne of CO₂ (or 0.48 tonnes to be more precise).
- 9.4. One tonne of CO₂ is emitted when you:
- .1 Burn 319 litres of diesel
 - .2 Use 300kg of standard office paper
 - .3 Breathe 500 days
- 9.5. What does tCO₂e refer to? It's defined as tonnes of carbon dioxide equivalent, which is a measure that allows you to compare the emissions of other greenhouse gases relative to one unit of CO₂. It is calculated by multiplying the greenhouse gas emissions by its 100-year global warming potential.

10. Appendix 3 – Example Project Framework

10.1. The undernoted list of possible actions to reduce our carbon emissions is gathered from the Government's RPP2. These are the areas proposed by Government that local authorities should develop projects from in order to deliver their Public Bodies Duties under the Climate Change (Scotland) Act 2009.

10.2. As projects in these areas are developed within Shetland they will transfer to Appendix 3 - Project Register.

Water

Monitor	<ul style="list-style-type: none"> • Install water meters in all properties and include in Energy Manager checks to identify leakage detection • Limit vehicle and other washing/cleaning schedules • Repair leaks/dripping taps/ running overflows
Reduction	<ul style="list-style-type: none"> • Install water usage reduction measures in all buildings; timers in urinals, cistern blocks and pressure controls
Procurement	<ul style="list-style-type: none"> • Purchase only water efficient equipment – washers, toilet fitments • Install where appropriate PV/solar water heating

Travel

Develop	<ul style="list-style-type: none"> • Travel Hierarchy rules for all staff/Members • Workplace Travel Plans • Data recording mechanism showing bus miles, lease miles, training miles, car hire miles, member miles, home care miles, support worker miles and business mileage per service to be reported annually
Promote	<ul style="list-style-type: none"> • Park and Ride options rurally • Active travel rurally by having bike lockers/stores at junctions linking to public transport options • Dial a Bus • Home Working Strategy and flexible and mobile working
Implement	<ul style="list-style-type: none"> • Cycle paths and Open Space strategy • Re-launch of car share scheme/car club (possibly involving Community Planning partners) • Employee travel survey
Support	<ul style="list-style-type: none"> • Bike maintenance training for staff
Design	<ul style="list-style-type: none"> • Lighting improvements, better surfaces, crossings and signage to support active travel

Vehicles/Fleet

Procure	<ul style="list-style-type: none"> • Electric pool car fleet for major offices to reduce small distance mileage • Electric street cleaning and vans
Implement	<ul style="list-style-type: none"> • Euro 5 validation for fleet (engine validation) • Telematics applied to all journey management and installed in all vehicles to identify poorly performing vehicles and bad practice. Assists maximising of usage and rationalisation of fleet asset, stops wasteful driver vehicle idling • Upgrade all fleet management software to monitor usage • Regular fleet maintenance schedule to reduce emissions • Reduction in age profile of fleet
Deliver	<ul style="list-style-type: none"> • Eco driving/fuel efficiency driver classes and monitor thereafter (10% reduction in fuel expected) • 25 hours annual training to all HGV drivers with refresher every 5 years • Train staff on driving Electric vehicles to encourage EV pool use • Campaigns with bus operators to encourage more usage of public transport
Review	<ul style="list-style-type: none"> • Grey fleet rules and payments
Investigate	<ul style="list-style-type: none"> • New technologies – hydrogen/plug in hybrids/low carbon buses • Working with Transport Scotland to fund and assist in fleet review and specific campaigning

Energy

Implement	<ul style="list-style-type: none"> • Programme to replace all inefficient heating plant, insulate and upgrade all buildings • Energy audits of all buildings (EPC's) • Energy monitoring programme using new software to detect aberrations • Use of thermal imaging to detect problem areas • Street lighting programme across whole estate including ferry terminals and traffic lights for LEDs • Voltage optimisation • Seven day timers on all large electrical – cookers, fridges, white boards etc • Programme of boiler time check optimisation • Sub meter floor on floor if needed • Biomass/renewable projects including non domestic RHI • Low energy efficient street/external lighting • Upgrade of Energy pages on Council website • Home Energy Scotland Area based Scheme
-----------	---

Develop	<ul style="list-style-type: none"> • Heat mapping • Programme of public roadshows • CRC and externally funded efficiency projects • E learning pack on energy use and carbon • School energy plans • Energy Policy and Implementation Plan for Council buildings • Training programme for all buildings • Senior manager /main contacts group
Audit	<ul style="list-style-type: none"> • Regular check of all units and fast report faults • Building champion regularly monitors how staff use energy • Renewables installed – capacity table • Smart meter utilities • Room temperatures • Each service given energy target (including reduction target) and carbon responsibility for it in each service plan

Awareness Raising

Implement	<ul style="list-style-type: none"> • Energy saving Advice on intranet/internet • Training for all outreach staff to recognise fuel poverty in clients and refer for support • Programme of lending energy monitors to staff for checking home wastage • Online hub for reduction ideas • Carbon campaign eg “Counting the Cost”/ “Tread Lightly” • Schools Global Foot Printing • ECO schools programme for nursery, primary and secondary schools • Public information leaflet on adapting to climate change
Support	<ul style="list-style-type: none"> • Earth Hour • Green Office Week • Climate Week, Bike Week • European Waste Aware Week • Eco driving training for householders • Climate Change teaching in schools and linked to youth groups

Local Food Production

Support	<ul style="list-style-type: none"> • Local food outlets • Local food production projects • Scottish farming innovation projects • Low emission agriculture projects • Livestock management measures • Funding for peatland restoration projects • Future proofing Scotland farming - adapt to and mitigate against climate change
Implement	<ul style="list-style-type: none"> • Food for Life Catering Mark in schools • Peat free horticulture in own estate • Optimisation of use of fertilisers and manures on own estate land
Develop	<ul style="list-style-type: none"> • Allotment Strategy • Fair Trade strategy

Contracts/Procurement

Review	<ul style="list-style-type: none"> • All contracts to ensure carbon considerations
Develop	<ul style="list-style-type: none"> • Sustainable Procurement strategy • E learning course on sustainable procurement • Links to Sustainable Procurement Working Group (SSN)
Implement	<ul style="list-style-type: none"> • Sustainable Procurement Action Plan • Revised contract documents to consider community benefits and sustainability at contract planning stage • E-tendering process
Enforce	<ul style="list-style-type: none"> • All staff developing contracts to have carried out sustainable procurement training • Proof of life cycle analysis process carried out before anything is procured • Stricter contract monitoring • Use of carbon metric in procurement • Production of environmental policy at tender stage for all contractors and ensure they provide information on vehicle and other impacts during the project tendered for

ICT

Promote	<ul style="list-style-type: none"> • Smart Working/corporate move to virtual desktop environment (applications stored remotely) • Remote Working • Screensavers with “Switch off” message
Implement	<ul style="list-style-type: none"> • Remote shut down and timed power down of PC’s across estate • Server virtualisation/redesign • Green ICT procurement, particularly energy efficient units
Deliver	<ul style="list-style-type: none"> • Training in use of VC for all staff for use within Shetland as well as external • Train in use of webinars
Enforce	<ul style="list-style-type: none"> • Printer rationalisation • Standardisation of equipment and accessories

Community

Support	<ul style="list-style-type: none"> • Climate Challenge Fund bids from community groups • Bids for “Dark Skies” accreditation to enhance tourism • Electric vehicle network installation and communication
Campaign	<ul style="list-style-type: none"> • Carbon and Your Money Classes • Climate Change effect classes • Use of local produce/cookery classes

Political

Develop	<ul style="list-style-type: none"> • System of Carbon Champions and clear corporate senior leadership • Resilience Planning for climate change effects – community and in house • Carbon section in all induction training Council wide • Environmental strategy for Council and Community Planning projects • Programme for delivering improved Northlink and internal ferry carbon efficient engines (funded by Government)
Implement	<ul style="list-style-type: none"> • Carbon and climate change section in Corporate Risk Register • Change Spend to save to ensure longer payback for carbon projects • BV 2 carbon target • Embed emission reduction actions and sustainable development considerations in all major plans • Audit of posts holding essential car user payment and reduce same
Enforce	<ul style="list-style-type: none"> • Carbon targets in performance measurement agenda • Tighter monitoring of travel booking • Section in all reports on sustainability/carbon/environmental is “real” • All services to carry out self assessment questionnaire on carbon, climate change and sustainable development as part of service planning exercise

Train	<ul style="list-style-type: none"> • Members, senior managers and community planning partners trained in carbon and climate change • Carbon Impact Assessment • General carbon and energy saving training for all staff with carbon guidance manuals on the intranet • All senior managers to calculate BAU cost for service at 8% per year increase
-------	--

Built Assets

Implement	<ul style="list-style-type: none"> • “A” band ISBEM rating for buildings • BREEAM standard for refurbishment/new build at “Excellent” • Rationalisation of property portfolio
Develop	<ul style="list-style-type: none"> • “Halving Waste to Landfill” in construction • Sustainable timber procurement policy – WWF pledge and award system and CPET timber pledge and Forest Stewardship Council for all contractors • Functional Asset Management Plans for every asset • Carbon Footprint report annually as part of Asset Improvement Plan reporting
Enforce	<ul style="list-style-type: none"> • Building shut down and closure rules to limit energy use • Maximum office temperature at 21 • Ban on portable heaters
Advise	<ul style="list-style-type: none"> • Low carbon construction and land use technologies for assets

Marine

Develop	<ul style="list-style-type: none"> • Marine planning – for wave, tidal and offshore renewable including strategic cable installation • Strategy on mitigation and adaption of coastal erosion/flooding
Implement	<ul style="list-style-type: none"> • Draft national Marine Plan 2013 • Marine protected areas (including blue carbon seabed areas)

Waste

Implement	<ul style="list-style-type: none"> • WARPIT programme to recycle goods within the Council (reduces procurement spend and disposal costs for services) • Recycling facilities for businesses and households
Review/audit	<ul style="list-style-type: none"> • Waste vehicle routes • Waste audit all services
Support	<ul style="list-style-type: none"> • Community Recycling ventures eg Bike Project/Charity Shops • Business to reduce their waste and to see waste as a resource • Reuse of materials locally by internet market development
Enforce	<ul style="list-style-type: none"> • Recycled Content policy Council wide
Campaign	<ul style="list-style-type: none"> • Increase recycling community wide • Food Waste reduction (domestic and commercial)

Develop	<ul style="list-style-type: none"> • Internal Council Waste Minimisation Policy and Plan • Shetland Waste Strategy/Implementation Plan encouraging recycling
Partner	<ul style="list-style-type: none"> • Zero Waste (Scotland) on new Waste Strategy and increased recycling • Resource Efficient Scotland on campaigns

Transport

Lobby	<ul style="list-style-type: none"> • Government for carbon efficient external route operations (ferry and flight)
Implement	<ul style="list-style-type: none"> • Integrated transport timetables to encourage use of public transport • “Walk to School” paths and “Cycle Friendly Routes” • Journey share schemes • Purchase of subsidised bike programme as part of Cycle to Work • Cycle maintenance classes for staff
Develop	<ul style="list-style-type: none"> • School Travel Plans which deliver active travel
Advise & Campaign	<ul style="list-style-type: none"> • “Give Me Cycle Space” campaign • Bike Week/Shetland Walking Routes

Data

Lobby	<ul style="list-style-type: none"> • Both Governments (especially DECC) to consider more appropriate data sources for islands carbon calculations • ICARB to work with us on developing these appropriate statistics
Train	<ul style="list-style-type: none"> • All managers on carbon accounting for their operations • Appropriate staff in Carbon Masters Tool (Carbon Trust) • All staff to use Carbon metric Tools in procuring all materials

Economic Development

Develop	<ul style="list-style-type: none"> • Renewable Energy Strategy for Shetland (including tidal and hydrogen)
Support/Advise	<ul style="list-style-type: none"> • SME's to reduce their energy usage • Businesses on resource efficiency and development of products for the low carbon economy

Planning

Develop	<ul style="list-style-type: none"> • Local Development Plan and supporting Guidance documents • Access Strategy and supporting materials/booklets • Open Space Strategy • Allotment Strategy
Implement	<ul style="list-style-type: none"> • Access Strategy to support active travel • Local Development Plan criteria
Advise	<ul style="list-style-type: none"> • Building Control/Planning Officers advise on low carbon behaviour • Design guidance on use of low energy and sustainable materials eg wood instead of steel

Housing

Develop	• Energy surgeries for all social tenants
Implement	• EESSH (Energy efficiency standard in social housing) - 2020
Create	• Reduced need for travel by use of community hubs

Biodiversity

Develop Plans & Strategies	• Local Biodiversity Action Plans; Land Use Strategy; Peatland Plan
Implement	• Above Plans in Council owned estates
Encourage	• Precision agricultural techniques and use of new methods

Finance

Use of External Finance	• Salix, Green Investment Bank and commercial Green Deal loans; CEEF and Government grant funding (all sectors)
Reform of	• Spend to Save criteria for longer payback
• Use of External Finance	• Salix, Green Investment Bank and commercial Green Deal loans; CEEF and Government grant funding (all sectors)
• Reform	• Spend to Save criteria for longer payback

11. Appendix 4 – Carbon Project Register

Project Reference	Project Description	Capital Cost (£)	Project Status	Type of Emission Saving	Estimated Annual Savings			Completion Year
					(kWh)	(t CO ₂ e)	O&M (£)	
Aith JHS	Replacement Lighting	3,028	Complete	Grid Electricity	2,464	1.22	318	2014/15
Sandwick JHS	Replacement Lighting	27,870	Complete	Grid Electricity	29,000	14.41	3,373	2014/15
Overtonlea	Replacement Lighting	6,434	Complete	Grid Electricity	7,142	3.55	846	2014/15
North Haven	Replacement Lighting	6,434	Complete	Grid Electricity	7,142	3.55	848	2014/15
ET House	Replacement Lighting	6,504	Complete	Grid Electricity	7,044	3.50	814	2014/15
Waste Landfill	Replacement Lighting	18,899	Complete	Grid Electricity	24,339	11.77	2,499	2014/15
Aith JHS	Loft Insulation	20,713	Complete	Gas Oil	69,860	18.99	4,192	2014/15
Tingwall Airport	Radiant Heating Trial	6,080	Complete	Grid Electricity	14,071	6.99	1,687	2014/15
Fetlar Community Project	Heat and Electricity Supply to School		In Progress	Grid Electricity/Gas Oil	-	7.69	282	2015/16
ICT	Server Virtualisation		In Progress	Grid Electricity	90,682	45.07	9,490	Ongoing
Scalloway JHS	Biomass ESCO	35000	In Progress	Gas Oil	66,797	124.19	9,054	2015/16
Street Lighting	LED Conversions	38,305	Complete	Grid Electricity	61,333	30.49	6,826	2014/15
Blackness Pier	Replacement Lighting	20,800	In Progress	Grid Electricity	16,066	7.99	1,872	2015/16
Sound Primary	Replacement Lighting		In Progress	Grid Electricity				2015/16
Sound Primary	Re-roofing		In Progress	District Heating				2015/16
Bells Brae Primary	Heating/Lighting/Insulation		Planning Phase	District Heat./Electricity				2015 - 2017

11.1. Historic Projects - The following projects have been started in other services and should be added to this project list once full details are available:

- BMS systems installed in most larger properties
- Water meters fitted in some (but not all) buildings and some water reducing measures installed e.g. timers, pressure controls etc
- Car share scheme – needs to be re-launched
- Local Development Plan and associated projects
- Renewable Energy strategy (being revisited by Development)
- Access strategy and associated works
- New Waste Strategy (under review)
- Integrated transport timetables
- Subsidised bike scheme (Transport Planning)
- Cycle training in schools
- Marine planning – marine protected areas (blue carbon)
- Rationalise the property portfolio
- Reduce age profile of fleet – ongoing
- Environmental & Carbon section in every Council report
- Some server virtualisation and printer rationalisation
- Some shutdown ICT protocols
- Some green procurement information - not monitored
- Charge points and EV vehicles
- E-tendering
- Eco schools
- HEEPS:ABS
- Earth Hour supported
- Eco driving training for some staff
- Initial Heat mapping training
- Road shows on energy, waste and climate/carbon carried out annually
- Commercial EPC's – ongoing
- Street lighting led – some installed
- Biomass Installations to Mid Yell & Sella Ness

12. Appendix 5 – Shetland Islands Council – Service Structure

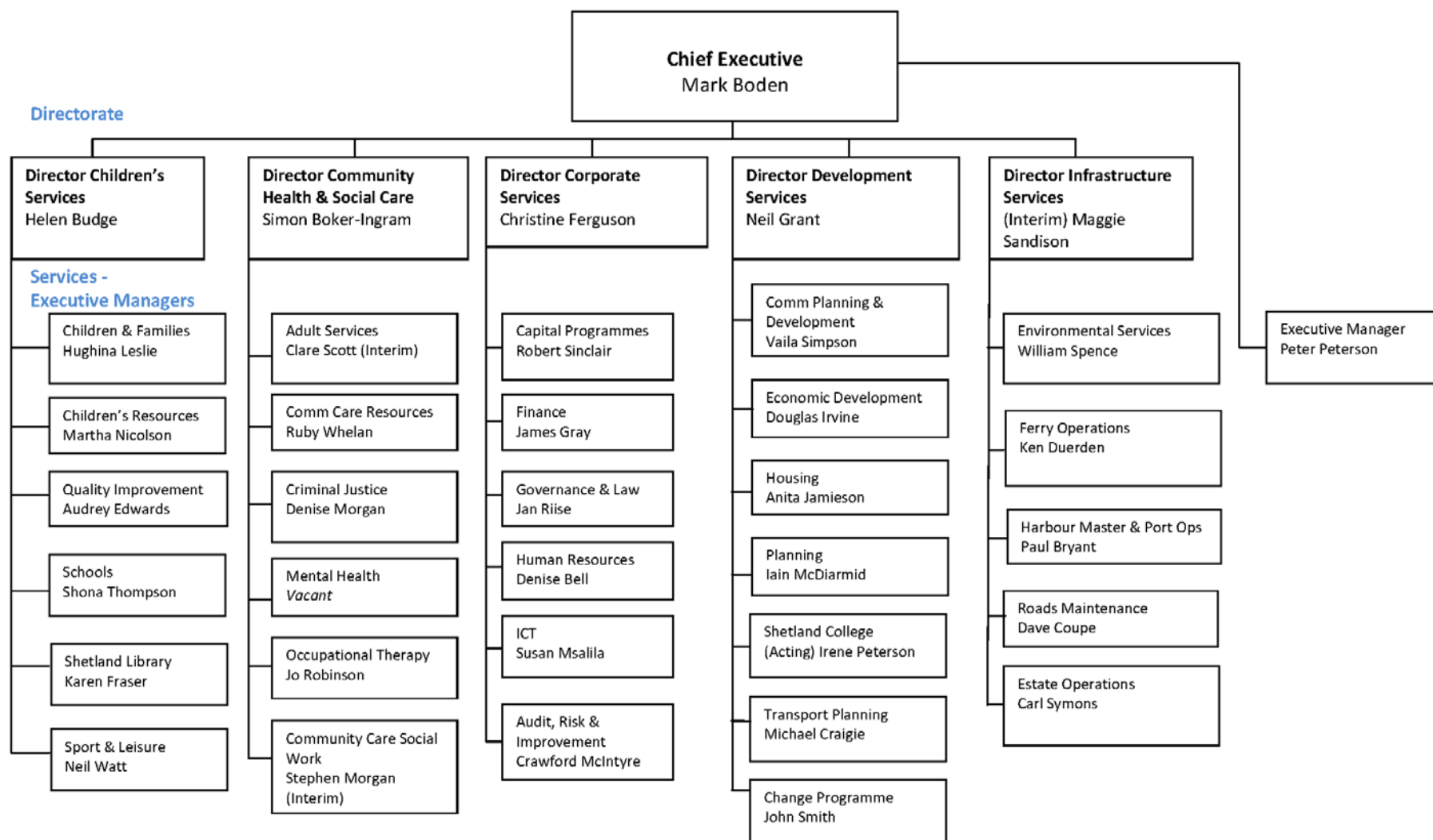


Figure 15: Shetland Islands Council - Service Structure

13. Appendix 6 – Carbon Management Board & Team Composition

	Role	Job Title & Service Area	Name
Programme Management Board	Corporate Champion	Chief Executive	Mark Boden
	Project Sponsor	Director of Infrastructure Services	Maggie Sandison
	Programme Manager	Executive Manager – Estate Operations	Carl Symons
	Service Representatives	Executive Manager - Capital Programme Service	Robert Sinclair
		Executive Manager - Economic Development	Douglas Irvine
		Executive Manager - Environmental Services	William Spence
		Executive Manager - Executive Services	Peter Peterson
		Executive Manager - Ferry Operations	Jim Mouatt
		Executive Manager - Housing	Anita Jamieson
		Executive Manager - HR	Denise Bell
		Executive Manager - ICT	Susan Msalila
		Executive Manager - Planning	Iain McDiarmid
		Executive Manager - Roads	Dave Coupe
		Executive Manager - Transport Planning	Michael Craigie
		Finance	TBC
		Ports and Harbours	TBC
		Schools	TBC
		Social Care	TBC
Core Team	Carbon Management	Carbon Reduction Officer	Alan Grieve
	Energy	Energy Manager	John Simpson
	Sustainability	Team Leader - Carbon Management	Mary Lisk
Project Delivery Leads		Asset & Properties	TBC
		Building Services	Steven Goodlad
		Communications	TBC
		Ferry Operations	TBC
		Fleet Management	Ian Jeromson
		ICT	TBC
		Landfill Site	TBC
		Ports and Harbours	TBC
		Procurement	Colin Black
		Schools	TBC
		Social Care	TBC
		Street Lighting	TBC
		Waste to Energy Plant	TBC
Project Support		Administrative Support	TBC
		Management Accountancy	TBC
		Communications	TBC

14. Appendix 7 – Radical Thinking? - An Alternative Energy Model

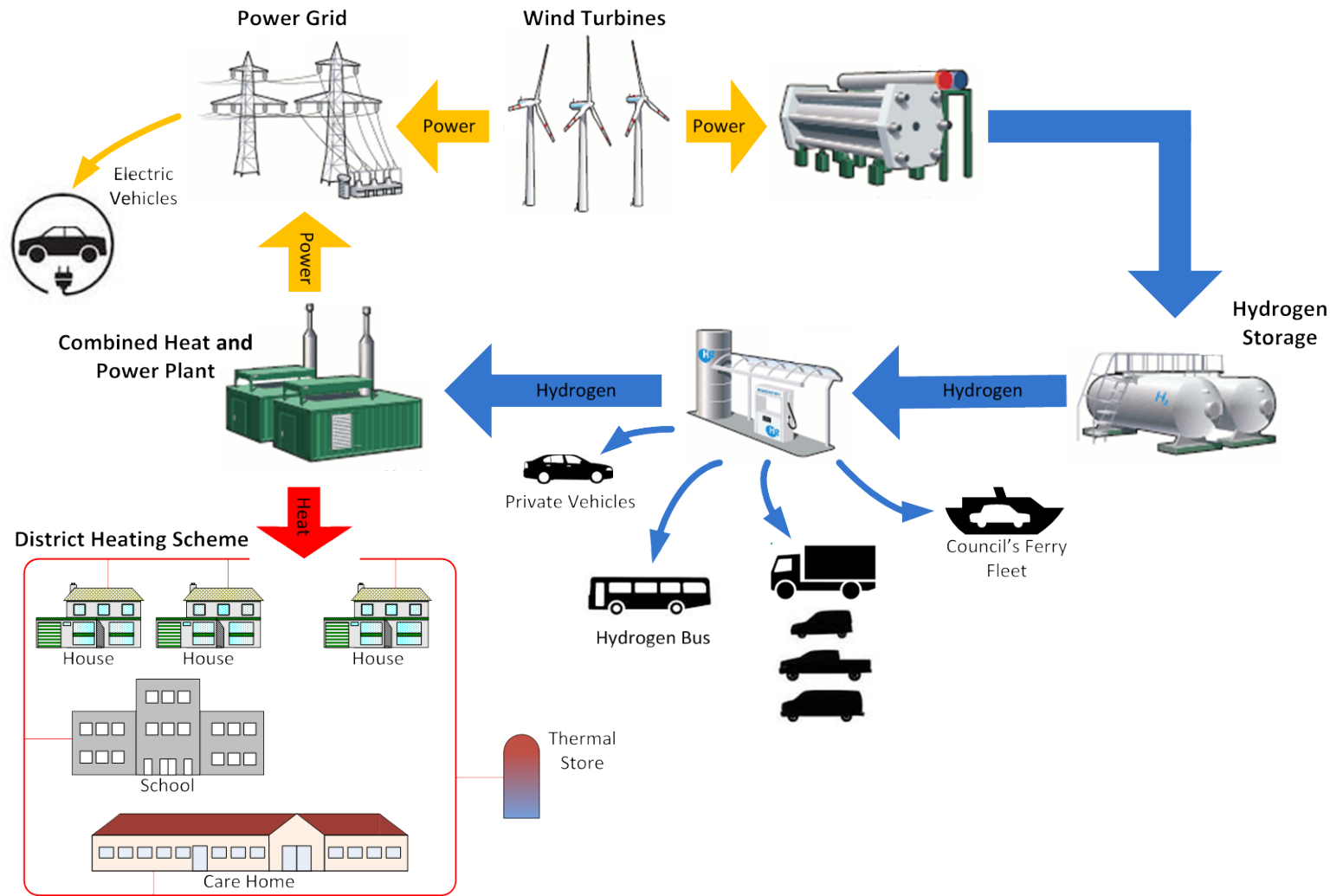


Figure 16: Hydrogen Production Life Cycle



Shetland Islands Council

27 May 2015

Chair's Report – Policy and Resources Committee – 4 May 2015

Review of Tertiary Education in Shetland – Aggregated Business Model Report No. SIC-0527-DV25

1.0 Summary

- 1.1 The purpose of this report is to consider the recommendation from the Chair of Policy and Resources Committee, in relation to a report requiring a Council decision.
- 1.2 The Committee considered a report which describes a single governance and delivery model for the Tertiary sector. It was noted that the report had also been considered by the Education and Families Committee and staff consultative committees.
- 1.3 The report has been updated to reflect discussion at those meetings, and in particular Appendix 1 has been updated to take account of Union views. The author will explain these in the presentation of the report to the Council. In this regard, the report is attached as Appendix 1 for Members ease of reference and can also be accessed via the Council's website at the link shown below or by contacting Committee Services.
- 1.4 The Policy and Resources Committee approved the recommendations from the Committees to approve the terms of the report.

2.0 Decision Required

- 2.1 That the Council **RESOLVES**, having taking account of the views of Committees, to confirm the intention to move towards a single governance delivery model for Tertiary Education in Shetland.

3.0 Report

- 3.1 The report concluded by stating that the Anderson Solutions Review in early 2013 commented that

“...even if SIC funding reductions were not a concern, change would still be recommended. The combination of weaknesses identified in the analysis of both the current and changing context is expected to continue to weaken the services over time.”

- 3.2 We are now well into 2015 and those comments remain valid. The prime risk identified in recent assessments has been the length of time this area has been under review and the continuing negative effects uncertainty creates. However we must move forward in step with our key partners at local, regional and national level if we are going to find a sustainable solution.
- 3.3 There is no doubt that achieving a financially sustainable business model in Shetland for this sector is challenging. That will remain a challenge whether we have a single governance and delivery model, or carry on with a number of separate organisations.
- 3.4 It is however apparent that reasonably stable arrangements for the organisation of Tertiary Education can be found in other peripheral parts of the Highlands and Islands that do not depend on very substantial Local Authority deficit funding support. The business model described in this report is an example of what that could look like in Shetland.
- 3.5 The Chair will present any further information to the Council as to the debate or issues that the Committee considered.

4.0 Implications

- 4.1 Detailed information concerning the proposals is contained within the report attached, including the strategic and resources implications for the Council.
- 4.2 There are no additional implications to be considered by the Council.

For further information please contact:

Mr G Robinson, Chair of Policy and Resources Committee

List of Appendices

Appendix 1 – Report No. DV-25

Background documents:

Education and Families Committee – 27 April 2015

<http://www.shetland.gov.uk/coins/submissiondocuments.asp?submissionid=17800>

Policy and Resources Committee – 4 May 2015

<http://www.shetland.gov.uk/coins/submissiondocuments.asp?submissionid=17839>

END



Shetland Islands Council

Education & Families Committee	27 April 2015
Employees JCC	27 April 2015
Shetland College Board	29 April 2015
College Lecturers JCC	29 April 2015
Policy and Resources Committee	4 May 2015
Shetland Islands Council	27 May 2015

Review of Tertiary Education in Shetland – Aggregated Business Model

Report No: DV-25-15-F

**Report Presented by: Director of
Development and Executive Manager -
Change Programme**

Development Services Department

1.0 Summary

- 1.1 The Council considered options for the future organisation of Tertiary Education¹ in Shetland during meetings in 2013. It tasked a project team with “confirming the viability of a single governance and delivery model for the Tertiary sector” and the “production of a business model and implementation plan” for consideration by the Council and other bodies.
- 1.2 This report and its appendices describe that business model. They also set out the requirements for increased income and cost reduction for it, or any other structures, to be viable.
- 1.3 The companion report on this agenda lays out the implementation plan for this integrated model and the decisions and further steps required to take that forward.

2.0 Decisions Required

- 2.1 That the Committees note the information contained in this report, concerning the viability of a single governance and delivery model, and comment on those areas within their specific remit [as set out in Section 4.3 of this report] and inform Council of their views; and

¹ In this document the sole use of “Tertiary” includes Tertiary Education, Research and Training unless otherwise stated

- 2.2 That the Shetland Islands Council RESOLVES, having taking account of the views of Committees, to confirm the intention to move towards a single governance and delivery model for Tertiary Education in Shetland

3.0 Detail

- 3.1 Appendix 1 to this report sets out an aggregated business model for Tertiary Education in Shetland over the coming years. This model has been developed from information provided by a wide range of local, regional and national partners. It has been the subject of extensive consultation and discussion with stakeholders between 7 November and 7 December 2014. Further development work was then done during January, February and March 2015 and is now proceeding through official consultation and decision making channels.
- 3.2 The remit for this exercise was a single governance and delivery model for the sector. Therefore all activities of Shetland College, Train Shetland and the NAFC Marine Centre have been scoped in to the model. The accompanying implementation plan describes how and when consideration of excluding individual business areas, or specific functions, in any final structure would be carried out.
- 3.3 Appendix 1 describes what the new organisation would seek to achieve based on the published and emerging strategic priorities of local, regional and national partners. This does not provide definitive answers to every question, particularly regarding things like the numbers of students which must be achieved or the detailed range of learning opportunities which must be available. Most strategies seek to “maximise potential” or meet need “as far as possible” rather than target finite outcomes. They do however provide the overall guidance to the areas to be prioritised.
- 3.4 No recommendation is made at this time about its best technical structure for any new organisation. There is an option to use the existing Shetland Fisheries Training Centre Trust as a “host”, but alternatively a new legal entity could be created. Decisions on that do not need to be made until later in the process as explained in the implementation report. That would also allow due diligence processes to obtain detailed information relating to issues such as pensions or VAT in different circumstances.
- 3.6 Using the University of the Highlands and Islands as a “host” was considered in some detail during the development of the integrated business model. That option became a possibility because of discussions around potential regional restructuring. It has now been discounted however for a combination of factors, most significantly the Scottish Governments opinion that the recently established UHI Further Educational Regional Board should be give more time to bed in before any region wide restructuring is considered. These concerns did not extend to the sort of local restructuring being considered in this report.

- 3.7 At the same time as Government opinion was emerging, there was also a general agreement developing between local and regional parties that a genuinely local solution to our governance issues was the most appropriate next step in finding the most effective and sustainable future arrangements for Shetland.
- 3.8 Alternative scenarios for the financial performance of the integrated operation are set out in Appendix 2 based on 2015/16 approved budgets as adjusted by the Project Manager to provide examples of different potential trading conditions. Scenario 1 seeks to illustrate what actions would be required to try to maintain close to the current scale of operation. Scenario 2 considers what might have to be done for retrenchment to a significantly reduced scale of operation.
- 3.9 This modelling is not about trying to recommend what scale of business should be pursued, that is not a decision for this stage in the process. Any successful business needs to be able to manage expansion and contraction when trading conditions demand. By modelling different scales of operation we are able to consider how those opportunities or challenges would be coped with by separate or integrated operations.
- 3.10 Appendix 3 provides a short overview of the development of this project and summarises the key local, regional and national strategies which set the overall context we are operating within.
- 3.11 Ultimately any increased business within the sector would have to be the result of successful development in specific products and services. A set of review papers on potential development areas in the Tertiary Sector are available on the project portal.

<http://portal.shetland.uhi.ac.uk/ster/SitePages/Home.aspx>

4.0 Implications

Strategic

- 4.1 Delivery on Corporate Priorities – The review of Tertiary Education in Shetland links to the corporate priority of maximising the opportunities for further, higher and vocational learning opportunities, both for school leavers and for people returning to learning. These objectives are part of achieving the best start in life for everyone and supporting Shetland's communities and businesses, which are strategic priorities of Shetland Islands Council. The review also links to the parallel Council priorities of achieving best value in all our activities and living sustainably within our means.

- 4.2 Community /Stakeholder Issues – Staff, Students, Business and local, regional and national partners have been engaged with and consulted throughout this process. Implementing the recommendations of this review will require further consultation and engagement with partners including integration of any new governance arrangements with the Shetland Community Planning Partnership.

This report and the accompanying implementation plan is also being brought to meetings of the Shetland Fisheries Training Centre Trust.

- 4.3 Policy and/or Delegated Authority –

Employees JCC and College Lecturers JCC

To consider and offer recommendations on proposals requiring a Council decision, which affects or may affect the terms and conditions of employment of employees.

Shetland College Board

Support the operation and management of Shetland College and to monitor progress against the Council's approved strategic direction for Shetland College.

Education and Families Committee

Advise the Policy and Resources Committee and the Council in the development of service objectives, policies and plans concerned with service delivery within the functional areas relating to lifelong learning.

Policy and Resources Committee

Advise the Council in the development of its strategic objectives, policies and priorities, and to be responsible for the development of cross departmental change including for example customer management, workforce deployment and asset management and health and safety matters.

Shetland Islands Council

Determining the overall Goals, Values and Strategy Framework Documents or matters of new policy/strategy or variation of existing policy/strategy and establishment of any body to be part of the political management framework and all appointments to or removal from those bodies, are matters reserved to the Council.

- 4.4 Risk Management – The review project has followed Prince 2 best practice. All associated risk management arrangements will be recorded and managed in the Council's Risk Register system. The prime risk identified in recent assessments has been the length of time this area has been under review and the continuing negative effects uncertainty creates. This report therefore seeks to secure and build on progress already made, explain why some matters require further consideration but make sure that key actions are being actively pursued during that period.

4.5 Equalities, Health and Human Rights – The review has sought to ensure any equalities implications of proposals have been identified and considered.

4.6 Environmental – None

Resources

4.7 Financial – The financial implications of the current arrangements and projections for the next three years are explored within this report on the draft business model and the accompanying implementation report.

This far the review has been committed to ensuring that the approved budgets already available to the project partners are being most effectively deployed through joined up working and to operating within these budgets.

There are no direct financial consequences arising from this report, however this project seeks to maximise the value achieved from all of the funding provided to the three bodies by the Council, and improve sustainability.

4.8 Legal – Legal advice on the draft business model has been provided by Shetland Islands Council throughout the review with further specialised input from the Scottish Funding Council, Education Scotland - HMIE and the University of the Highlands and Islands. It is anticipated that all these sources of advice will continue to be available during further development of the model and into any implementation phase.

4.9 Human Resources - HR information and advice has been provided by Shetland Islands Council and SFTCT throughout the review, with further specialised input from the Scottish Funding Council and the University of the Highlands and Islands. It is anticipated that all these sources of advice, complemented by the due diligence process, will continue to be available during further development of the model and into any implementation phase. There have been opportunities for informal consultation with all affected staff through the stakeholder engagement process and this will continue. Formal staff consultation will take place in line with existing procedures of both organisations.

4.10 Assets and Property – Work is being undertaken to establish whether it is possible to find ways to reduce both rental and other operating costs. Progress on this matter will be reported to Council in future meetings.”.

5.0 Conclusions

- 5.1 The Anderson Solutions Review in early 2013 commented that
- “...even if SIC funding reductions were not a concern, change would still be recommended. The combination of weaknesses identified in the analysis of both the current and changing context is expected to continue to weaken the services over time.”
- 5.2 We are now well into 2015 and those comments remain valid. The prime risk identified in recent assessments has been the length of time this area has been under review and the continuing negative effects uncertainty creates. However we must move forward in step with our key partners at local, regional and national level if we are going to find a sustainable solution.
- 5.3 There is no doubt that achieving a financially sustainable business model in Shetland for this sector is challenging. That will remain a challenge whether we have a single governance and delivery model, or carry on with a number of separate organisations.
- 5.4 It is however apparent that reasonably stable arrangements for the organisation of Tertiary Education can be found in other peripheral parts of the Highlands and Islands that do not depend on very substantial Local Authority deficit funding support. The business model described in this report is an example of what that could look like in Shetland.

For further information please contact:

John Smith, Change Programme Manager
Tel: 01595 744513 Email: jrsmith@shetland.gov.uk
Date Cleared: 19 May 2015

Appendices

- Appendix 1 – Aggregated Business Model
- Appendix 2a - Financial forecasts based on a maintained scale of operation
- Appendix 2b - Financial forecasts based on a reduced scale of operation
- Appendix 3 - Strategic Context and Background

Background Documents

A full set of background documents for this review can be found at

<http://portal.shetland.uhi.ac.uk/ster/SitePages/Home.aspx>

Single Governance and Delivery Model

- *Introduction to the Model*
- *Vision and Mission*
- *Early Objectives*

- *Market Profile*
- *Proposition and Curriculum*
- *Additional Revenue Earning Capability*
- *Business Development and Marketing*

- *Legal Structure and Governance Arrangements*
- *Student Engagement*
- *Commissioning*

- *Resources and Resource Management*

- *Buildings*
- *Staff*

Future Income and Expenditure Forecasts (Appendix 2)

Background and Strategic Context (Appendix 3)

Summary of Pro's and Con's and Risk Analysis (Companion Report)

Implementation Plan (Companion Report)

Summary of Key Development Opportunities (Portal)

Introduction to the “New College Shetland” Business Model

1. The term “New College Shetland” is used in this report to describe the joint teaching, learning, research and any other skills development capabilities of Shetland College, Train Shetland and the NAFC Marine Centre.
2. The business model described below for “New College Shetland” is the aggregated potential activity for Tertiary education in Shetland. Therefore “New College Shetland” should not only be seen as shorthand for a new legal entity. It is also shorthand for the capacity and capability of any local arrangements working together, however that is achieved.
3. The wording of the draft vision and mission statements and objectives below emerged from a “Strategic Planning Workshop” facilitated by Highlands and Islands Enterprise and attended by members of the governance groups and senior management across the institutions involved in the review.
4. A report of that day’s activity, attendees and outcomes is available on the project internet site at <http://portal.shetland.uhi.ac.uk/ster> along with a range of other project documentation and background papers.
5. It was critical that common ground was established at that strategic level to allow further work to be undertaken. Clearly the new organisation will have to review and affirm any of these statements as part of its implementation.

“New College Shetland” Vision and Mission

6. These were suggested vision statements for the Tertiary sector in Shetland:
 - To be recognised as the leading provider of learning services, supporting industry and our community; and at the forefront of education, research, training and innovation in the creative, marine and energy sectors in Shetland;
 - To ensure that the appropriate mix of teaching and learning, to meet core social and economic needs, are delivered in Shetland alongside activity in a range of specialist areas where Shetland is recognised as a market leader; and
 - To ensure that the tertiary education partnership in Shetland is organised in the best possible fashion to ensure that the needs of learners, business and the community are consistently met and that high quality and good value for money are consistently achieved.

“New College Shetland” Early Objectives

7. These are suggested educational, financial and social milestones which could be used to measure the rate of early success, they are that:
 - Widespread agreement is reached about the mix of learning, teaching, research and other activity that we will pursue together with all our partners in the Tertiary Sector to meet the social and economic needs of Shetland;
 - The period of uncertainty about the future structure of tertiary education in Shetland is brought to an end by making a decision on the best organisational arrangements to sustainably deliver high quality educational outcomes and value for money;
 - Actions are progressed to take those arrangements forward and this is done professionally with proper consultation and communication with everyone concerned;
 - Our shared focus can move from review and restructuring to design and delivery of the best possible teaching, learning and research; and
 - The new arrangements consistently place learners at the centre of our activities and reinforce excellence, innovation, creativity and quality.

Market Profile

8. Shetland is a community and a market in its own right, with a resident population of approximately 23,000. There is a school leaver cohort of some 270 each year, and a potential adult learner population of c 18,000.
9. There are an estimated 13,500 people employed in Shetland in a local economy that turns over in excess of £1 billion per annum.
10. There are 1450 organisations in Shetland registered for VAT. At least 98% of these are micro sized businesses or small to medium enterprises (SMEs).
11. Shetland is part of the Highland and Islands region with a population of around 450,000 with Scottish, UK and world markets of proportionately higher numbers.
12. Shetland has three tertiary learning institutions at present, is part of the UHI network and has a variety of links with other learning providers in Scotland and beyond.

“New College Shetland” – Proposed Curriculum and Activities

13. It is essential that there continues to be an appropriate mix of learning and teaching to meet core social and economic needs available in Shetland. It is also desirable that alongside this more general curriculum there are a range of specialist areas where Shetland is recognised as a market leader.
14. The Shetland Community Planning Partnership, and its member organisations, are committed to make sure every young person gets the best start in life. Their strategic vision includes a determination that all young people have the opportunity to maximise their potential and are equipped with the skills they need to succeed in the modern world. Partners are also committed to supporting adults to develop new skills to help them access better job opportunities, and to help develop a workforce that meets the needs of local businesses.
15. To best achieve that, all institutions and organisations must work together. There must be more effective partnership-working between the local schools and tertiary education sectors, to ensure smoother transitions from school, into further and higher education and then onwards into work. We must forge strong partnerships locally, regionally and nationally. We must each recognise our strengths and weaknesses and blend them with our partners.
16. Learning opportunities should range across the full range of needs and interests including:
 - Skills that can better prepare young or older people, including those with special needs, to become effective contributors and to meet Shetland’s wide range of social and cultural needs, whilst ensuring positive destinations for students are more attainable;
 - Vocational opportunities for young people in secondary education;
 - Vocational learning beyond school through modern apprenticeships and similar;
 - Further Education learning from basic skills training to higher vocational qualifications;
 - Higher Education from individual modules to degree level and beyond;
 - Short courses to learn new skills or provide continuing professional development; and
 - Training and accreditation for compliance purposes.
17. It is also vital that all of the learning opportunities are of a very high quality and that they are cost effective to deliver.
18. It is essential that this broad range of opportunities are available to local learners but it is desirable that “New College Shetland” is recognised and renowned for a range of specialist areas where Shetland is a market leader.

19. The specialist areas would be expected to include areas where we have an established track record or a geographical or sectoral advantage and could include, but not be limited to, areas such as:
 - creative industries especially textiles and music,
 - seafood,
 - marine science,
 - energy engineering
20. In all cases we are determined to have the highest possible quality of teaching and learning and deliver the highest quality of student experience when compared with other colleges and universities.
21. The challenge of providing a wide range of high quality courses cost effectively remains. The small size of the Shetland population will always limit the numbers of learners overall. The numbers of local students who elect to study individual courses will be probably be lower than the ideal break even points more often than they meet or exceed them.
22. This is a well-recognised issue in many communities across the UHI network, and indeed is one of the reasons why the UHI was put together in the way it was. Remote and dispersed communities need coherent teaching and learning approaches to overcome their challenges.
23. Innovative and flexible solutions need to make the most of all available resources in any location, In remote and distant locations it is even more critical to:
 - maximise the flexible use of staff and property;
 - reduce overlap and duplication wherever possible.
 - further developing distance learning and remote delivery; and crucially
 - making sure the network supports each of its spokes and nodes effectively through collaborative planning, development and delivery.
24. All local institutions already participate in network design and delivery of aspects of their curriculum. The UHI recognises this approach must be deepened and broadened and “New College Shetland” must be an active player in that development.
25. “New College Shetland” must become the provider of a wider range of learning and teaching elements into the network and beyond. Equally it must take sound decisions about when learners would better benefit from accessing more external content as that is the appropriate way to ensure high quality learning is delivered cost effectively.

26. Existing staff already have the skills to make the appropriate judgements about the best way to deliver teaching excellence. Analytical tools which can model income and costs, course by course, have been developed by Shetland Island Council's Finance Service, and can assist in this process.
27. A combination of professional expertise and these type of tools can be used to assist in the evaluation of the current curriculum, and with other content development techniques inform future activity, curriculum offerings and future year financial projections.
28. Detailed versions of current curriculums and an overview of research activity at Shetland College, NAFC Marine Centre and Train Shetland are included in the project library available on the project portal.

<http://portal.shetland.uhi.ac.uk/ster/SitePages/Home.aspx>
29. An overview of potential new course activity is also included in that library. These overviews demonstrate the sort of potential that is available for focused growth in tertiary education in Shetland if the opportunities available to us are pursued effectively.

Additional Revenue Earning Capability

30. Modern learning and research demands that there are strong links with business and commerce, both to promote the relevance of training and research to economic development, and to share skills, facilities and equipment.
31. Shetland is a very dynamic economy with high levels of activity and investment in nationally significant industries such as seafood and energy. Applied research, knowledge transfer and other consultancy services are already important particularly in the Marine area. Opportunities also exist to expand these further and find new commercialisation routes for college produced innovations.
32. To succeed "New College Shetland" will need to have the right balance of:
 - a culture of innovation - we need to look for business opportunities;
 - business skills - we can identify and exploit opportunities when they arrive; and
 - structure and systems - we have the right business organisation to trade effectively, generate profits and retain them within the business.
33. There is also a potential for improving the revenue earning and contribution capability of existing facilities including:

- The Textile Facilitation Unit;
- Student catering facilities;
- Student residential accommodation;
- Library services; and
- Specialist consultancy services.

SIC as a customer for Research, Economic Development and Policy Assistance services.

34. There are a range of services provided by NAFC Marine Centre that have an economic development purpose. These include:
- Working with, and supporting, the Shetland Shellfish Management Organisation, including the provision of shellfish research and stock assessment, to enable the effective administration of the Shetland Shellfish Regulating Order;
 - Maintenance and development of the shellfish database and data collection programme;
 - Advice, information and assistance on fisheries, aquaculture, marine spatial planning and marine environmental issues to the Council;
 - High quality research in support of Shetland's maritime industries, with the intention of contributing to the sustainability of Shetland's marine resources and improving knowledge and understanding of the local marine environment;
 - Research on biology and stock health of marine fisheries and shellfish of commercial importance;
 - Short research projects on direct subjects of immediate concern (e.g. cod survey 2009);
 - Preparation and submission of externally funded research projects that are of direct relevance to Shetland and beyond;
 - Monitor national and European fisheries and marine environmental policy developments and circulate information as appropriate; and
 - Assist the Council in responding to consultations on legislative changes in fisheries policies – Scottish, UK and EU.
35. These are services that in the past have either been delivered directly by the Council's Economic Development service, or have been procured by it. If the NAFC Marine Centre did not provide these services then the Council would have to consider in-house delivery or alternative procurement.
36. Arriving at a precise value or cost for these services will be work which "New College Shetland" has to progress promptly. This would ensure that a proportion at least of the current deficit funding from Shetland Islands Council is replaced by research and consultancy services explicitly purchased by the Council, or by other bodies with similar interests.

37. There may also be research for economic development purposes carried out at Shetland College in the Creative sector, or others. Any such activity would also have to be identified, costed and covered by appropriate contracting arrangements.

SIC as a Customer for Staff Training and Development Services.

38. “New College Shetland” will have to establish a highly constructive working relationship in respect of short courses, CPD training, compliance and other training for Shetland Islands Council as a major local business and significant customer.

SIC as a Customer for “Schools Education” Services.

39. “New College Shetland” will also have to build on the close and expanding relationships with the Councils Schools services to ensure the requirements for joined up working under the curriculum for excellence are met through such initiatives as Vocational Pathways and the Shetland Learning Partnership academies. Further information of that potential development area is can be found within the background information on the project portal.

Business Development and Marketing

40. The tertiary education sector is already very competitive, and that competition is only likely to increase. All organisations operating in this sector have to be good at understanding student and business needs and presenting their products and service in an accessible and attractive fashion to meet those needs.
41. This will need a combination of face to face work with local businesses and students and the effective utilisation of other channels and mediums, particularly the increasingly important on-line communications tools.
42. Resources and activity in this area is very limited at the moment and is scattered across the three organisations. The development of a co-ordinated function with appropriately qualified and experienced staff is critically required.
43. The business development function will need to establish links with local and regional employers, local and regional governmental economic development agencies and others. They also have to be able to encourage the development and accreditation of academic and vocational courses that would meet local demand and generate revenue.
44. This is a model that is used by a number of Scottish technologically focused universities who employ such self-financing teams.
45. The work of this function would include creating an effective multi-channel marketing campaign to introduce “New College Shetland” to funders, key

stakeholders, potential students, and the public, and to maintain an appropriate level of continuing public awareness.

46. This team would also be critical in maintaining and developing the portfolio of brands which would make up "New College Shetland". NAFC Marine Centre, Shetland College and Train Shetland all have positive brand aspects, and it makes business sense to retain and enhance any positive recognition and value from them.
47. In addition it needs to have both an inward and more commercial focus in order to:
 - Collect and disseminate information to the correct areas of the business. The UHI itself does not have a co-ordinated business service so this may be an opportunity for "New College Shetland";
 - Network and participate internally to understand the capabilities of the new organisation and all aspects of its business;
 - Actively pursue opportunities in line with these capabilities and capacity, including completion and co-ordination of funding bids and commercial contract opportunities;
 - Participate with colleagues to establish effective systems to capture accurate financial data to effectively and profitably price work;
 - Monitor performance to learn lessons and adopt best practice including actual and budgeted costs on projects with colleagues; and
 - Have the ability to deal with any income made through trading in a tax efficient and legal manner.

Legal Structure

48. There are substantial financial advantages in "New College Shetland" being designated a Charity. This is the norm for Tertiary Education institutions. Technically legal status could either be a Company Limited by Guarantee or a Trust, both are tried and tested arrangements used by other colleges.
49. In order to undertake commercial contracts and exploit other commercial opportunities, the "New Shetland College" will require a separate trading arm function. That might need to be another new company, or it might be possible to use an existing operation.
50. "New College Shetland" would also need to have a legal structure that allowed the transfer of activity, assets, liabilities and staff etc. as required from the existing organisations. This might also be an issue of appropriate governance undertakings and obligations, but would be a matter of legal competence in the first instance.

51. That competence would need to allow the transfer of the appropriate parts of the NAFC Marine Centre, Shetland Island Council's Shetland College and Train Shetland operations, should that step be taken.
52. The legal structure of "New College Shetland" would also have to enable it to meaningfully manage financial obligations such as insurance, indemnity and pension arrangements as appropriate for employees, students and other customers. This may also be an issue for governance arrangements and financial structures.
53. The advantages and disadvantages of these various arrangements are considered in more detail in the accompanying "proposals report". For the purposes of this report it is assumed that the aggregated tertiary education activity is organised through a competent legal model.

Governance

54. Effective governance is arguably the most important issue to get right for the long term well-being and effectiveness of any organisation.
55. Good governance:
 - promotes effective leadership and vision;
 - makes sure that the right opportunities and issues are identified and addressed;
 - sees that decisions are made when necessary;
 - ensures the interests of learners, staff and the organisation are monitored and maintained; and
 - provides the appropriate resources so that management is empowered to deliver the organisations objectives.
56. "New College Shetland" must have the right governance structure and must then :
 - attract people with the right skills and abilities to fulfil the various roles in that structure.
 - ensure there are arrangements in place to renew and adapt governance arrangements over time,
 - enhance the skills and knowledge of board members and managerial leadership,

- demonstrate accountability and transparency through a full understanding of the roles and the responsibilities of the posts and their boundaries, and
 - exhibit strong commitments to uphold the highest standards of public office.
57. “New College Shetland” will have to construct very effective governance arrangements, that is absolutely fundamental to success for the aggregated business model.
 58. The arrangements will also have to support its public accountability obligations and effective integration with partners in the UHI network and the Shetland Community Planning Partnership.
 59. “New College Shetland” would be expected to exhibit the same demanding standards of governance and scrutiny as existing UHI colleges. It would have to demonstrate adequate governance arrangements to ensure that it was a competently “fundable body” to ensure that the Scottish Funding Council (SFC) was able to award it SUM’s/Credits and any other SFC income.
 60. While it may not be required to achieve “incorporated” status it is likely that an independent “New College Shetland” would seek to meet most if not all of the tests that apply to “incorporated” status to promote best practice.
 61. It would also seem likely that “New College Shetland” might well seek some level of UHI / Further Education Regional Board and/or Shetland Partnership representation on its governing body to promote effective strategic and operational linkages.
 62. It might be necessary to include particular obligations or undertaking in the governance arrangements for “New College Shetland” to ensure that adequate continuity is maintained from the current institutions to a new body to effect transfer.
 63. These obligations might include nomination rights for governance membership from existing organisations, but that is more likely to be a choice rather than a requirement. In any case it will be very important to maximise the opportunity to draw on the best candidates possible to discharge governance functions. Therefore it would not seem in the best interests of the development of tertiary education in Shetland to artificially limit that pool.
 64. Getting the right governance arrangements in place for the sector is the first priority for this model to work. That governance must drive change and empower staff to work in new ways and deliver the changes required. They must prioritise quality and commercial realism, and that must be led from the top.
 65. The Implementation of an integrated operation must meet the requirements of the Cabinet Secretary for Education as regulated by the SFC. These arrangements are also quite specific in terms of the membership of the interim

“partnership board” which will steer the transition process. These arrangements are set out in Appendix c to the companion report on this agenda.

66. Following implementation, governance arrangements would be expected to feature a strong Board of Management with a mix of business, community, social and other relevant experience including effective arrangements for student and staff voices.
67. New governance arrangements would have to be fully compliant with best practice in this area, including appropriate regard to the Post-16 Education (Scotland) Act 2013.
68. This legislation is only mandatory for “incorporated” colleges, “New College Shetland” would not be expected to seek that status. However it is likely we would want to ensure all benefits of complying with this guidance were examined and understood.
69. The act states that the board of a college, which is not a regional college, is to consist of no fewer than 13 nor more than 18 members.

The board is to be comprised of—

- a person appointed by the regional strategic body to chair meetings of the board (the “chairing member”);
 - the principal of the college;
 - a person appointed by being elected by the teaching staff of the college from among their own number;
 - a person appointed by being elected by the non-teaching staff of the college from among their own number;
 - two persons appointed by being nominated by the students’ association of the college from among the students of the college; and
 - other members appointed by the regional strategic body.
70. Those “other members” would typically be expected to have valuable experience and skills from the commercial or community sectors and to provide a range and balance of age, gender and other diversity.

Student Engagement Arrangements

71. The student experience is rightly at the centre of all modern learning and teaching organisations. Shetland tertiary education has consistently provided a very good experience for learners and it is essential that this positive experience is continued in any new arrangement.
72. The UHI is currently focusing much work on this area and aim to put the student voice at the heart of all its activities. Currently a number of options around how students associations are organised within UHI to enhance the student voice are being circulated around both staff and students of all UHIs partners. Staff and students studying in Shetland have taken part in these

consultations. “New College Shetland” must make sure it implements the conclusions of this work.

New Shetland College and the Commissioning process

73. Small and remote communities will always have a challenge with commissioning processes which seek to completely separate the roles of providers and commissioners in areas like education and training.
74. Because of the limited numbers of technical and professional experts, arrangements have to be found that utilise the scarce expertise and knowledge of the suppliers of services, but retains accountability and transparency for the groups and organisations who need to define service quality levels and provide funding.
75. “New College Shetland” must operate in the right space created by effective commissioning arrangements that properly reflects the needs and aspirations of groups it serves (at all levels) but allow its expertise to inform and help shape those aspirations and the practicalities of their delivery.
76. Commissioning arrangements also have to include local, regional and national requirements, needs and wishes, and must be linked to the overall strategic objectives of key funders.
77. This should result in the ongoing identification of the blend of HE, FE, short courses and vocational training that are deemed to meet the demand and requirements of future potential students. This can only be done through effective engagement with local businesses, and equally effective engagement with those who have responsibility for setting educational strategy and priorities.
78. That activity is likely to work better where there is a shared understanding between all partners about where their individual responsibilities lie and agreement about how they best complement each other to be most effective at a local, regional, national and international level.
79. The most coherent route for these links to be solidly built and then maintained would be through the Shetland Community Planning Partnership. Current arrangements for the involvement and engagement of learning institutions in the Shetland Partnership are at best are mixed. However there now appears to be a clearer acceptance within the Shetland Partnership that skills, learning and research are key elements in promoting the well being of Shetland.
80. It would be expected that an effective “strategic commissioning” body would evolve from the partnership board that oversaw implementation. There would need to be a clear distinction between its membership, remit and obligations and the New College Shetland “Board of Management”.

Resources

Property

81. Shetland College, Train Shetland and NAFC Marine Centre currently operate out of premises in Lerwick and Scalloway and at some community locations.
82. These premises were in some part purpose built for further and higher education and in other aspects adapted and improved over the course of many years with the addition of a number of specialised and general facilities.
83. The total floor space of the three institutions are around:
 - 4000 m2 Shetland College
 - 600 m2 Train Shetland
 - 4800 m2 NAFC Scalloway
84. Some of the property occupied by the institutions is owned by the Shetland Islands Council, some by the SFCTC, with the remainder leased from Shetland Charitable Trust (SCT) through its property arm Shetland Leasing and Properties (SLAP).
85. In addition to the complexity surrounding the ownership of buildings, different parts of the land that the current properties are built on belongs to the SFTCT, SIC, SCT, and for some reclaimed land in Scalloway, the Crown Estate. Some property has also been funded by European grants with accompanying conditions.
86. The overall property costs across the three institutions are very high, especially in terms of annual rent. The buildings are also expensive in terms of energy, maintenance and other operational costs. Work is being undertaken between partners to establish whether it is possible to find ways to reduce both rental and other operating costs.
87. Some or all of these properties and/or leases could be transferred to a new independent organisation by assignation, assuming any issues of continuity of objectives could be met. Beyond that remaining lease term there would be a new flexibility and new set of options and opportunities for the Tertiary Education sector to evaluate what scale and type of facilities it required in Shetland.
88. There is no doubt that the current level of property costs poses a serious challenge to all partners. These property costs are currently met by Shetland Islands Council as part of their deficit funding support; however that is part of the arrangement that the Council is seeking to move away from. Action to progress a solution on this matter is therefore critical.

89. New College Shetland will also need to be clear about what kind of space it needs to best take forward its activities. That might be judged to be less than currently occupied, or have some particular different characteristics. In any case the needs of the operation would be expected to change somewhat over time and the organisation would need to have the capability to adapt to that change.
90. “New College Shetland” would also seek to take advantage of the most beneficial procurement models and methods for best value purchase of :-
- New build or adaptive building works
 - consumables,
 - contract services,
 - equipment,
 - utilities and
 - other administrative and academic teaching needs
91. This could also include a review of the alternatives to outright purchase i.e. leasing or longer term rental of some capital equipment for improving cash flow.

Staffing

92. Any Teaching, Learning and Research fundamentally relies on highly professional and capable staff. The combined FTE staffing complements (occupied posts) of Shetland College, NAFC Marine Centre and Train Shetland have been reviewed together, and are summarised in the table below. Staff have been allocated to the function they predominantly operate in based on available information for this illustrative summary.

FTE Staff	NAFC	Shetland College	Train Shetland	Total FTE
Teaching and Learning	11.4	25.4	1.0	37.8
Research & Technical – Core	13	5.8	3.7	21.5
Research & Technical – Project based	8			8
Business Support	8.4	12.4	3.0	23.8
Café		1.9		1.9
Management	4	2.5	1.5	8
Total FTE Staff	45.8	47.5	9.2	102

93. It should be noted, however, that the resources in a stand-alone organisation are different from a service within a larger organisation, where some senior management and support functions such as finance, HR, legal and administrative services are provided from elsewhere in the organisation.
94. Altogether there are 8 senior management positions in the 3 institutions. As an overall number this might appear adequate to operate a business of this scale. Indeed that could be considered to be at the higher end of what should be needed in settled day to day operations for the overall number of staff and turnover.
95. The split of management expertise across business operation, learning and teaching, research and support would also appear to be generally balanced by professional responsibility, when taken as a whole across the three organisations.
96. There is a similar overall position for support staff. The total of 23.8 staff would also appear to be an adequate complement when the three operations are taken together as a whole in comparison to overall turnover.
97. While overall numbers of management and support staff appear adequate in gross terms, current arrangements do not easily allow for management or support expertise to be deployed flexibly between and across the three organisations. This would be more straightforward in an integrated operation, and could create potentially beneficial opportunities.
98. Exactly how these and other issues and opportunities are best resolved in detail will be a challenge for “New College Shetland” to address. It would not be realistic to expect integration to provide a full resolution in every case, but there would seem to be good potential for significant contributions to be made in a range of problems which are currently exacerbated by small staff numbers and demarcated work areas.
99. “New College Shetland” would inevitably have a development phase which would require significant management input as new functions and arrangements were established. It would be incumbent on all decision makers to make sure that phase was tackled constructively and effectively with input and participation from all staff.
100. It is more difficult to come to specific conclusions or recommendations regarding the appropriateness of numbers of learning, teaching and research staff within particular sections. This is heavily dependent on the details of their individual activities and expectations about higher or lower future demand. Given that the cognate areas of the local organisations don’t have much overlap, there are not the immediate opportunities that integrating similar teaching operations would give.
101. Workforce planning and activity to ensure that “New College Shetland” has the right numbers of staff with the right skills for it’s business will be an

ongoing requirement and it will be very important for the organisation to be flexible and responsive to changing needs.

102. There clearly are some very significant differences in the student / teacher ratios between courses and teaching areas. More effective participation in the UHI network through development and delivery collaborations with other partners may be a route that offers opportunity for gains in productivity and cost effectiveness in learning and teaching.
103. Making the best possible job of this local / network balance in development activity should be enhanced by the wider collaboration and support opportunities that working across the institutions would give locally. It should allow a larger cohort of staff working together and helping each other to understand and deliver the demands of new learning and associated developments.
104. There is undoubtedly also a need for a systematic evaluation of the quality / impact / outcome / cost-effectiveness of learning and teaching products informed by the professional expertise of teaching staff and by management evaluation systems.
105. On a more specific technical front, staff at the three establishments currently have a range of different contracts of employment, terms and conditions, and scope and limits to job descriptions. The transition processes from existing terms and conditions of employment to an aligned set within "New College Shetland" will be a significant task.
106. This will need to be managed with extreme care and sensitivity, including consultation with existing staff and unions from the earliest stages of planning and taking into consideration :-
 - Current staff contracts
 - TUPE legislation
 - Pension terms and conditions if transferred to a new legal entity
107. Each institution also has separate arrangements for staff and student performance management and supervision. "New College Shetland" would want to retain the very best aspects of any of these arrangements, but it would undoubtedly also want to bring them together. This would probably be best achieved using a proven model, representing recently endorsed best practice in the sector, providing a robust line of supervisory management and accountability.
108. "New College Shetland" must have a high performing team with the authority, capability and accountability to manage and administer college finances and produce the financial and management reports for senior management, the governance team, external regulators and other stakeholders, including :-
 - Education Scotland

- Scottish Qualifications Authority
- Scottish Funding Council
- Shetland Islands Council
- Quality Assurance Agency
- Skills Development Scotland
- Highlands and Islands Enterprise
- Office of the Scottish Charities Regulator

Financial Information

Start-up and/or transition costs.

109. It would be anticipated that there may be some staff transition costs. Some of those short term costs may be recoverable through long term savings.
110. Managing the transition in a professional fashion will have some associated costs for project management, specialist legal, HR and financial support, and due diligence activities. It is anticipated that the Scottish Funding Council, Shetland Islands Council, and the UHI will be able to supply most of that support either directly or indirectly from existing transformational change arrangements.
111. Maximising the opportunities provided by the integration activity in learning, teaching and research will also need some curriculum development and associated changes. It would be hoped that most of this activity could be delivered through the new working arrangements of an integrated operation, with possible contributions from the secondment to project based work for some existing staff, and external support from SDS, HIE and the UHI.
112. As stronger links are established with key industries and their commercial needs it might be possible for key commercial partners to contribute to transitional costs directly, or in kind.

Future Income and Expenditure Forecasts

113. Two sets of Income and expenditure overview statements for the five financial years 2013/14 to 2017/18 are included as an appendix to this report. These are based on approved budgets for 2014/15 and 2015/16. Forecasts for future years are as adjusted by the Project Manager in line with the assumptions described below. The first set describes the levels of income and cost required to maintain an operation of a scale similar to the current set-up in terms of student numbers, teaching staff and research activity etc.
114. The second set describes a retrenchment to an operational level about 20% lower than at the moment. It represents the sort of difference between actual

student numbers in the last two years and the levels budgeted for through SFC support, the gap between SDS funding for Modern Apprenticeships and their actual cost and the failure to secure a full replacement of research and development deficit funding with contracted work.

115. This second set of financial projections are included to help compare how that kind of reduction in scale of activity would be dealt with by the alternative organisational models.
116. Both projections include a number of assumptions about the level of income growth that will be required, and/or the levels by which costs will have to be contained. An explanation as to why those assumptions have been used is included below.
117. The point of including the two models in this report is to allow observations to be made about how multiple operations or an integrated operation would address these circumstances. The ability to generate additional income or grow the business and the ability to reduce costs and contract the business as market circumstances change will be necessary going forward. Indeed it is being able to do those things well that creates long term sustainability in any operation.
118. Both models assume that Shetland Islands Council maintain a similar level of budget for the support and development of skills and learning and that budget is available to purchase products and services from “New College Shetland”. That budget level is calculated at c £1.4 m per annum, i.e. the current £2.1 million spend less rent and rates.
119. It is fully understood that SIC support of this area must move away from unhypothicated deficit funding, regardless of whether there is organisational change or not. At this stage it is assumed that c £1.4 m of products and services can be identified and their supply agreed. These agreements will have to demonstrate they meet the Council’s Best Value obligations in the use of public money, and that they are compliant with public procurement and state aid regulations.

Current Scale Model

120. In general terms it will be essential for “New College Shetland” to increase its income levels across all its activities and contain or reduce all significant costs to successfully attain this model.
121. Most critically however, the new operation would have to:
 - Return to target then grow student numbers sufficiently to ensure that Scottish Funding Council grant income targets were clearly being met. The whole regime for determining this arrangement is going through a process of

change, however there will still be a fundamental link between student numbers and core income. Return to current targets implies a growth in numbers of some 10% to 15%, therefore only an additional 2% growth has been modelled beyond that up to 2017/18. Returning to target will require all reckonable activity to be carefully recorded and claimed for. It will also require effective exploitation of opportunities in a range of areas including creative industries, engineering, hospitality and care to increase student numbers;

- Increase both commercialisation and core academic funding of research activity. This is reflected in a target of 5% growth in for contracts, research grants and consultancy income streams. It would also underpin a significant contracting or service level agreement business stream directly with the Shetland Islands Council, or bodies with associated economic development objectives, particularly in Fisheries and the Marine Sector. This targeted increase in explicitly commissioned activity would replace a component of previous deficit funding; and
 - Maximise all possible commercial teaching income from those organisations in Shetland who have most staff and most continuing professional development needs. This area also has a 5% annual growth target, to meet this “New College Shetland” would need to attract increased purchases by local businesses.
122. It will be just as necessary for “New College Shetland” to contain and reduce its costs, especially in areas where they do not directly generate income or support its key objectives.
 123. Staff costs are the biggest expense in the business, however highly capable and professional staff are the fundamental pre-requisite for the delivery of excellent teaching, learning and research. A 4% increase in overall staff costs has been included in this financial model as a reflection of competing cost pressures, for example National Bargaining, and efficiency opportunities.
 124. General observations around gross numbers do not provide the detailed insight required to guide specific items of business development. “New College Shetland” will clearly have to undertake much more in depth analysis of individual staff remits as part of its implementation process. That activity must be conducted transparently and with the involvement of all affected staff.
 125. There are bound to be some increased demands placed on an overall staffing complement during times of significant change. It is therefore likely that any additional capacity which the existing staffing structure might have will be needed one way or another during that time.
 126. The second key cost area to “New College Shetland” is property as discussed above. A full abatement of rental costs and 100% alleviation from business rates have been built into this forecast. That equates to a reduction in costs of c£750,000 per annum which is the total current bill for rent and rates.

Achieving that saving will depend critically on Shetland Islands Council actions and intent and on converting the whole operation to charitable status.

Reduced Scale Model

127. The reduced scale model assumes it will not be possible to increase income enough to support all the costs associated with current operations. This model therefore concentrates on the types of cost reduction required to balance forecasts.
128. However in this scenario the need still remains to maintain income levels at the best level possible.
129. A reduction in SFC funding and Tuitions fees etc. of 20% by 2017/18 is assumed, a standstill or reductions in income across other headings is also assumed. That could be the scenario if business development activity is ineffective and Sums / Credit funding levels are eventually reset to actual performance.
130. In this scenario it would be essential for “New College Shetland” to reduce its costs very substantially.
131. A 10% reduction in staff costs is included in this financial model, overall around c£0.5 million. That is probably above the level of natural turnover that would be expected within two years so it might be possible to achieve this without a more active programme of staff restructuring such as ER/VR etc.
132. The detailed analysis of where those reductions would need to be made would need more in depth analysis of individual staff remits as part of its implementation process. That activity must be conducted transparently and with the involvement of all affected staff.
133. The second key cost area to “New College Shetland” will be property. An elimination of rent and rates costs has been discussed above, in addition to that savings of 25% in other property costs has been built into this forecast. To achieve that would mean inevitably mean using less property which might be achieved by terminating leases, sales or letting/leasing to others.

Common Areas for Both Models

134. It must be a priority for the new organisation to ensure that all staff are deployed effectively to the best of their talent and abilities as quickly as possible. It must also be a priority to ensure that any areas which need strengthening are identified and addressed promptly.

135. Becoming independent from the Council could create challenges in some support areas, however it should also free up some financial resources currently allocated to recharges. There will also be opportunities to investigate cost sharing with the UHI in its emerging support service initiatives, and the decentralising of cross region functions. These transfers of costs are assumed to balance out in the financial projections.
136. The short, medium and long term financial viability of tertiary education in Shetland on its current scale is challenging. It will require the most strenuous efforts of all partners to achieve the right balance between income growth and the cost containment required.
137. Effective and profitable business relationships with key customers will be critical for ongoing income streams. Shetland Islands Council would be expected to continue to be one of those key customers, but that relationship will have to adapt to comply with any changing Council priorities and with public procurement regulations.
138. The aggregated financial model is predicated on Shetland Islands Council buying substantial amounts of research and knowledge transfer products and services to support economic development and that an integrated college operation would be successful in securing a significant share of that business. The model also contains assumptions that the Council will identify and meet costs associated with learning and skills that it wants to have delivered to meet its policy objectives where these are beyond simple market determined supply levels or costs. It also assumes that Shetland Islands Council will buy significant staff development and training services in line with its scale as a large local employer. Without these income streams, or replacing them with alternatives, the model would not be likely to be viable in this geographical location in the short and medium term at least.
139. These assumptions must recognise that the Council's economic development support measures and training plans will vary to meet its changing needs and that all Council procurement must be carried out in line with its procurement strategy which requires it to achieve Best Value.

Implementation Plan

140. Combining the NAFC Marine Centre, Shetland College and Train Shetland into one harmonious and effective educational institution will be a substantial challenge. It will require significant amounts of energy, a strong portfolio of skills and a good deal of resources to be deployed by the appointed change agents to ensure the process is managed well and the outcome is one that is supported and endorsed by all the stakeholders.
141. The decisions required and process for the implementation of “New College Shetland” are set out in the companion report.

Ends.....

Income and Expenditure overview 2013/14 - 2017/18 - Maintain Scale

DRAFT 4	2013/14 Actual	2014/15 Budget	2015/16 Budget	2016/17 Forecast	2017/18 Forecast	2 Year Change
	£000	£000	£000	£000	£000	%
<u>Income</u>						
Grants from Scottish Funding Council	2,031	2,339	2,337	2,360	2,384	2
Tuition Fees, Contracts & Other Grants	1,280	1,279	1,399	1,420	1,441	3
Research Grants and Contracts	358	324	515	528	541	5
Residential Income	92	92	91	92	93	2
Sale of Meals	85	82	84	86	88	5
Consultancy	136	133	223	230	237	6
Management & Service Fees	321	295	297	306	315	6
Other Income	435	428	364	375	386	6
Services Purchased by SIC			10	700	1,387	
Bank Interest	8	4	5	5	5	
Total Income	4,746	4,976	5,325	6,102	6,877	
SIC Deficit Funding	3,295	2,372	2,172	1,030	0	
<u>Expenditure</u>						
Employee Costs	4,968	4,589	4,825	4,922	5,020	4
Rent	520	553	520	260	-	-100
Rates	153	153	153	153	-	-100
Other Premises Costs	665	670	668	635	603	-10
Operating Costs	998	996	783	744	707	-10
Grants to Individuals/Organisations	26	4	4	4	4	-1
Marketing	45	40	14	17	20	40
Professional and Financial Fees	218	239	401	399	397	-1
Travel/Vehicle Expenses	67	105	128	127	127	-1
CFCR	375			-	-	
Total Expenditure	8,041	7,348	7,497	7,132	6,877	

Income and Expenditure overview 2013/14 - 2017/18 - Income reduction

DRAFT 4	2013/14 Actual	2014/15 Budget	2015/16 Budget	2016/17 Forecast	2017/18 Forecast	2 Year Change
<u>Income</u>	£000	£000	£000	£000	£000	%
Grants from Scottish Funding Council	2,031	2,339	2,337	2,220	2,109	-10
Tuition Fees, Contracts & Other Grants	1,280	1,279	1,399	1,329	1,263	-10
Research Grants and Contracts	358	324	515	489	465	-10
Residential Income	92	92	91	91	91	0
Sale of Meals	85	82	84	84	84	0
Consultancy	136	133	223	223	223	0
Management & Service Fees	321	295	297	297	297	0
Other Income	435	428	364	364	364	0
Services Purchased by SIC			10	500	1,000	
Bank Interest	8	4	5	5	5	
Total Income	4,746	4,976	5,325	5,602	5,901	
SIC Deficit Funding	3,289	2,373	2,310	1,234	33	
<u>Expenditure</u>						
Employee Costs	4,968	4,589	4,825	4,536	4,263	-12
Rent	520	553	520	260	-	-100
Rates	153	153	153	153	-	-100
Other Premises Costs	665	670	668	585	511	-25
Operating Costs	998	996	922	807	706	-25
Grants to Individuals/Organisations	26	4	4	3	2	-50
Marketing	45	40	14	18	22	50
Professional and Financial Fees	218	239	401	361	325	-20
Travel/Vehicle Expenses	67	105	128	115	104	-20
CFCR	375			-	-	
Total Expenditure	8,035	7,349	7,635	6,836	5,933	

Background

1. This project follows on from a review of how governance and delivery arrangements for tertiary education, training and research in Shetland can be strengthened to enable it to secure a successful and sustainable future in a fast changing and very competitive environment.
2. That original review was conducted by Anderson Solutions¹, it observed that the review was being:
 - “undertaken at a time when significant changes were occurring, including:
 - the implementation by SIC of an ongoing programme of budget reductions across all areas of activity with the aim of significantly reducing the financial commitments of SIC; and
 - the FE sector throughout Scotland undergoing a substantial and rapid reform programme driven by the Scottish Government.”
3. The Anderson review observed a range of problems including:
 - while there are significant strengths within the services and substantial value is being generated by the services for Shetland, recognition of the value generated is limited;
 - the model of delivery for these services is unduly fragmented, which creates substantial challenges and limits the success of the services in what is a small market place;
 - complexity and weaknesses within the governance of the services exacerbate the challenges created by the fragmented model and create barriers to development;
 - the context within which these organisations operate is changing fast and the capacity of the services to respond to both challenges and opportunities is poor; and
 - the funding cuts planned by SIC will increase the fragility of service provision unnecessarily, due to the fragmented and relatively weak nature of the services.
4. The Anderson review also observed that:
 - “even if SIC funding reductions were not a concern, change would still be recommended. The combination of weaknesses identified in the analysis of both the current and changing context is expected to continue to weaken the services over time.”

¹ Anderson Solutions (Consulting) Ltd (May 2013) *Review of Tertiary Education, Training and Research in Shetland* Final Report

5. At its meetings on the 12th June 2013 and 30th October 2013 Shetland Islands Council considered the findings and recommendations of the Anderson Solutions review and:
 - “Resolved to support the establishment of a Project Board tasked with confirming the viability of a single governance and delivery model for the STERT [Shetland Tertiary Education, Research and Training] sector.
 - Key deliverables of the Project Board are to be the production of a detailed business model and implementation plan, for consideration by the Council and other relevant bodies.”

Developments since 2013

6. The contexts of public spending constraints and of further and higher education reform remain valid. However there have been some very significant changes across the sector since the Anderson Solutions report of May 2013.
7. There is a new piece of legislation, the Post-16 Education (Scotland) Act 2013, which is about creating better life chances for young people, preparing learners for work and giving them the tools that they need to be successful and contribute to sustainable economic development.
8. At a regional level, UHI is now the recognised body for all FE and HE funding to flow through, and the UHI Further Education Regional Board has a much stronger role than it had previously. It also has a new University Court and a new Principal
9. The UHI is currently completing a strategic planning exercise involving all senior managers in academic partners along with key UHI Executive Office.
10. Another very important recent change is the process of assimilation of Shetland Development Trust, currently being completed by Shetland Islands Council. One effect from this is the requirement for a fundamental change in arrangements for procurement of the sorts of products and services previously funded by Development Trust surpluses.

Strategic Context

11. Skills and knowledge have been consistently emphasised at the core of national, regional and local strategies for many years. They continue to be one of the key mechanisms seen as critical for individuals and communities to succeed in the modern world.
12. The table below summaries the strategic objectives of the main partners in this area:

Scottish Government

Our young people are successful learners, confident individuals, effective contributors and responsible citizens. <i>(National Outcome Framework – Smarter)</i>	We must join up the education experience for children, managing more effectively the transitions from pre-school to school and onto further and higher education or work. <i>(Education Scotland – Early Years Strategy)</i>	We are better educated, more skilled and more successful, renowned for our research and innovation. <i>(National Outcome Framework – Smarter)</i>	We must focus on working with employers and employees to increase the effective utilisation and demand for skills. <i>(Government Economic Strategy)</i>
---	--	---	--

HIE	SDS	Shetland Partnership	UHI
We will support the provision of high quality further and higher education which equips young learners with the skills and knowledge to pursue employment opportunities. <i>(HIE Operating plan 2012-15)</i>	Deliver intensive support to those who need it most, particularly young people, to enable them to raise their aspirations and move more successfully between learning and work opportunities. <i>(SDS – Corporate Strategy 2012-15)</i>	Shetland has sustainable economic growth with good employment opportunities and our people have the skills to match. <i>(Shetland Community Plan 2013)</i>	We will attract and reach a diverse local, national and international student base and achieve high levels of student satisfaction and success. <i>(UHI Strategic Plan 2012-17)</i>
Work with industry and public sector partners to develop and pilot new models of industry-led training, supported by targeted further and higher education provision, as well as new apprenticeships allied to flexible training opportunities. <i>(HIE Operating plan 2012-15)</i>	Improve the way the skills and learning system responds to the needs of employers. Simplify the process of accessing training and getting involved with the skills and learning system. <i>(SDS – Corporate Strategy 2012-15)</i>		We will have a transformational impact on the development and prospects of our region, its people and communities. Our research excellence will be inspired by the natural environment, culture, industries and social infrastructure of the region. Its outputs will have national and international relevance. <i>(UHI Strategic Plan 2012-17)</i>

Delivery for Shetland

Better co-operation between industry, local and national government.	Reduced individual programme costs.	<p>Meeting the current and future skills needs of businesses</p> <p>More economically active people attracted to live and work in Shetland in skills shortage areas.</p> <p>Fewer businesses reporting difficulty in recruiting staff and accessing skills training</p> <p>Businesses reporting growth through expansion of their workforce.</p>
--	-------------------------------------	--

Project Approach

13. Throughout this project Prince 2 best practice has been implemented and care will be taken to follow the SIC Policy for Organisational Restructure and other relevant policies and procedures when necessary during any following implementation of organisational change as a result of this review.
14. Details of the project structure are described in the Project Initiation Documents and engagement and consultation in the Project Highlight reports which are available as background documents.
15. For the purposes of this report “New College Shetland” is used to describe the “single governance and delivery model for the STERT [Shetland Tertiary Education, Research and Training] sector”. This does not imply there will necessarily ever be an organisation called “New College Shetland”, it is a shorthand for the joint working arrangements, whatever they are, needed to bring the sector together.



Shetland Islands Council

27 May 2015

Chair's Report – Policy and Resources Committee – 4 May 2015

Review of Tertiary Education in Shetland – Option Appraisal and Implementation Plan

Report No. SIC-0527-DV26

1.0 Summary

- 1.1 The purpose of this report is to consider the recommendation from the Chair of Policy and Resources Committee, in relation to a report requiring a Council decision.
- 1.2 The Committee considered a report which set out the implementation plan for an integrated model, and the decisions required to take that forward to the next stage. The report also provided a summary of the pros and cons of an independent operation, as compared to continuing with separate organisations, by considering how the alternative arrangements would deliver priorities, manage key risks and achieve best value.
- 1.3 It was noted that the report had also been considered by the Education and Families Committee and staff consultative committees.
- 1.4 The report has been updated to reflect discussion at those meetings, and in particular Appendices B and C have been updated to take account of additional information. The author will explain these in the presentation of the report to the Council. In this regard, the report is attached as Appendix 1 for Members ease of reference and can also be accessed via the Council's website at the link shown below or by contacting Committee Services.
- 1.5 The Policy and Resources Committee approved the recommendations from the Committees to approve the terms of the report.

2.0 Decision Required

- 2.1 That the Council **RESOLVES** to:
 - 2.1.1 Establish a Partnership Board, with a membership, role and remit as set out in the Partnership Agreement [which is Appendix C to this report] as amended to reflect local

circumstances under authority delegated to the Director of Development Services; and

- 2.1.2 Instruct the Partnership Board to present a Merger Proposals Report to a future meeting of the Council for approval.

3.0 Report

- 3.1 The report concluded by stating that the risks and issues used in the option appraisal have been observed and discussed for quite a long time. Our priorities and objectives for this area are also longstanding and shared with many partners, although they have become better focused recently.
- 3.2 We have now spent a long time reviewing this sector and have assembled a lot of evidence about how restructuring things might address those priorities and risks.
- 3.3 We have not however taken much action yet. If we believe a single governance and delivery model could yield benefits, we need to commit to the next stage in the process which would clarify that further.
- 3.4 We have been urged for some time both regionally and nationally to address our local arrangements for tertiary education and make sure they are fit for purpose and result in a coherent “Shetland Voice” for this sector.
- 3.5 This analysis adds to the evidence base that there are potential benefits in consolidating the three local operations together with a “single governance and delivery model”. This is consistent with the finding of earlier studies and suggests we should proceed to the next stage to obtain the further clarity it can offer.
- 3.6 The Chair will present any further information to the Council as to the debate or issues that the Committee considered.

4.0 Implications

- 4.1 Detailed information concerning the proposals is contained within the report attached, including the strategic and resources implications for the Council.
- 4.2 There are no additional implications to be considered by the Council.

For further information please contact:

Mr G Robinson, Chair of Policy and Resources Committee

List of Appendices

Appendix 1 – Report No. DV-26

Background documents:

Education and Families Committee – 27 April 2015

<http://www.shetland.gov.uk/coins/submissiondocuments.asp?submissionid=17801>

Policy and Resources Committee – 4 May 2015

<http://www.shetland.gov.uk/coins/submissiondocuments.asp?submissionid=17840>

END



Shetland Islands Council

Education & Families Committee	27 April 2015
Employees JCC	27 April 2015
Shetland College Board	29 April 2015
College Lecturers JCC	29 April 2015
Policy and Resources Committee	4 May 2015
Shetland Islands Council	27 May 2015

Review of Tertiary Education in Shetland – Option Appraisal and Implementation Plan

Report No: DV-26-15-F

**Report Presented by: Director of
Development and Executive Manager Change
Programme**

Development Services Department

1.0 Summary

- 1.1 The Council considered options for the future organisation of Tertiary Education¹ in Shetland during meetings in 2013. It tasked a project team with “confirming the viability of a single governance and delivery model for the Tertiary sector” and the “production of a business model and implementation plan” for consideration by the Council and other bodies.
- 1.2 The companion report and its appendices on today’s agenda described the single governance and delivery business model.
- 1.3 This report sets out the implementation plan for that integrated model, and the decisions required to take that forward to the next stage.
- 1.4 It also provides a summary of the pros and cons of an independent operation, as compared to continuing with separate organisations, by considering how the alternative arrangements would deliver priorities, manage key risks and achieve best value.

¹ In this document the sole use of “Tertiary” includes Tertiary Education, Research and Training unless otherwise stated

2.0 Decisions Required

- 2.1 That the Committees consider and comment upon the proposals in this report in relation to their functional areas or remit [as set out in Section 4.3 of this report], and RECOMMEND that;
- 2.2 The Shetland Islands Council RESOLVES, having taking account of the comments and views of Committees, to:
 - Establish a Partnership Board, with a membership, role and remit as set out in the Partnership Agreement [which is Appendix C to this report as amended to reflect local circumstances under authority delegated to the Director of Development Services]; and
 - Instruct the Partnership Board to present a Merger Proposals Report to a future meeting of the Council for approval.

3.0 Detail

- 3.1 Appendix A to this report uses a priorities and risks approach to critiquing the pros and cons of the integrated business model.
- 3.2 Appendix B sets out the implementation process required to meet the requirements of the Scottish Governments Education Department as advised by the Scottish Further and Higher Education Funding Council (Scottish Funding Council or SFC).
- 3.3 Appendix C is a pro-forma describing the Partnership Agreement that would be required to formally initiate the next stage.
- 3.4 Appendix D summaries key obligations and duties of charity trustees and the obligations on Councillors to achieve best value to help ensure these obligations were properly considered.
- 3.5 The general conclusion of the option appraisal is that an integrated operation would be more likely to;
 - support key educational outcome objectives;
 - be more financially sustainable; and
 - be better placed to manage the biggest risks the sector is faced with in Shetland.
- 3.6 These conclusions are drawn from the option appraisal in appendix a and can be summarised around;

Clarity and co-ordination for learners, businesses and partners

- the chance to better identify and meet the needs of students and businesses by working together in a single organisation;
- the opportunity to co-ordinate strategy and business development ;
- greater clarity about funders and other partners needs and objectives being understood and met; and

- to be able to present a strong and united voice for the sector, locally, regionally and nationally.

Improved resilience and flexibility from of an increased scale of operation

- the better scale of operation achieved when the three operations are aggregated;
- opportunities for fragile teams to support and co-operate with each other; and
- opportunities for learning and teaching staff to mix, support and challenge each other more easily.

Modernisation to adapt to changing circumstances and adopt new best practices

- the opportunity to adopt the most appropriate governance arrangements for the sector;
- adopt new student and staff representation and participation arrangements; and
- the opportunity to avoid duplication and overlap in certain areas of managerial, administrative and physical resources.

- 3.7 The net result of these potential benefits flowing from an integrated structure would be to underpin existing educational excellence and allow it to be better sustained, and then improved, financially and organisationally.
- 3.8 The next step needed to progress this “in principle” decision, would be to initiate a formal “Partnership Agreement” under the auspices of the SFC in agreement with the SFTCT and University of the Highlands and Islands (UHI).
- 3.9 The Partnership Board created through that agreement would steer the development of a detailed “Merger Report” based on further evidence gathering and external due diligence and consultation. This activity would determine the precise shape of the new organisation and further clarify costs, risks, opportunities and other technical details to allow partners to make the final decision on whether any merger should actually happen and decisions about what it’s detailed form should be.
- 3.10 For the avoidance of doubt, this Partnership Board would not have authority to conclude any merger. That could only be done through final decisions of the partnering bodies, once the Cabinet Secretary for Education was content the proposals were competent.
- 3.11 The decision about proceeding to a Partnership Agreement that Shetland Islands Council and the Scalloway Fisheries Training Centre Trust are being asked to make, is presented in the context that the other party will also agree to proceed to that stage.
- 3.12 If only one, or neither, party resolved to proceed to that Partnership Agreement stage then that would constitute a material change in circumstances. Both organisations would then be expected to consider all other options to progress matters in this area.

- 3.13 Inevitably this process has required projections and assumptions to be made about what is likely to happen in the future, and what would be expected to happen if we did this or that. This always carries some risk and uncertainty; however there have been few, if any, alternative proposals about how the risks and priorities identified could be addressed by carrying on the way we are.

4.0 Implications

Strategic

- 4.1 Delivery on Corporate Priorities – The review of Tertiary Education in Shetland links to the corporate priority of maximising the opportunities for further, higher and vocational learning opportunities, both for school leavers and for people returning to learning. These objectives are part of achieving the best start in life for everyone and supporting Shetland's communities and businesses, which are strategic priorities of Shetland Islands Council. The review also links to the parallel Council priorities of achieving best value in all our activities and living sustainably within our means.
- 4.2 Community /Stakeholder Issues – Staff, Students, Business and local, regional and national partners have been engaged with and consulted throughout this process. Implementing the recommendations of this review will require further consultation and engagement with partners including integration of any new governance arrangements with the Shetland Community Planning Partnership.

This report and the accompanying implementation plan is also being brought to meetings of the Shetland Fisheries Training Centre Trust.

- 4.3 Policy and/or Delegated Authority –

Employees JCC and College Lecturers JCC

To consider and offer recommendations on proposals requiring a Council decision, which affects or may affect the terms and conditions of employment of employees.

Shetland College Board

Support the operation and management of Shetland College and to monitor progress against the Council's approved strategic direction for Shetland College.

Education and Families Committee

Advise the Policy and Resources Committee and the Council in the development of service objectives, policies and plans concerned with service delivery within the functional areas relating to lifelong learning.

Policy and Resources Committee

Advise the Council in the development of its strategic objectives, policies and priorities, and to be responsible for the development of cross departmental change including for example customer management, workforce deployment and asset management and health and safety matters.

Shetland Islands Council

Determining the overall Goals, Values and Strategy Framework Documents or matters of new policy/strategy or variation of existing policy/strategy and establishment of any body to be part of the political management framework and all appointments to or removal from those bodies, are matters reserved to the Council.

- 4.4 Risk Management – The review project has followed Prince II best practice. All associated risk management arrangements will be recorded and managed in the Council's Risk Register system. The prime risk identified in recent assessments has been the length of time this area has been under review and the continuing negative effects uncertainty creates. This report therefore seeks to secure and build on progress already made, explain why some matters require further consideration but make sure that key actions are being actively pursued during that period.
- 4.5 Equalities, Health and Human Rights – The review has sought to ensure any equalities implications of proposals have been identified and considered.
- 4.6 Environmental – None

Resources

- 4.7 Financial – The total cost of due diligence and consultation work required to complete the Merger Report is estimated at £120k. It is expected that the Scottish Funding Council will support this exercise through expert advice and a financial contribution. The detail of both of these are still being discussed at the time of writing but should be clarified by the time this report is being considered.

The detailed start-up costs for a new organisation is part of the work that due diligence would establish in the development of the Merger Report. That process will also clarify how those costs would be met with the Scottish Funding Council.

- 4.8 Legal – Legal advice on the draft business model has been provided by Shetland Islands Council throughout the review with further specialised input from the Scottish Funding Council, Education Scotland - HMIE and the University of the Highlands and Islands. It is anticipated that all these sources of advice will continue to be available during further development of the model and into any implementation phase.

- 4.9 Human Resources - HR advice on the draft business model has been provided by Shetland Islands Council throughout the review with further specialised input from the Scottish Funding Council and the University of the Highlands and Islands. It is anticipated that all these sources of advice will continue to be available during further development of the model and into any implementation phase. There have been opportunities for informal consultation with all affected staff through the stakeholder engagement process and this will continue. Formal staff consultation will take place in line with existing procedures of both organisations.
- 4.10 Assets and Property – Work is being undertaken between partners to establish whether it is possible to find ways to reduce both rental and other operating costs. Progress on this matter will be reported to Council in future meetings.

5.0 Conclusions

- 5.1 The risks and issues used in the option appraisal have been observed and discussed for quite a long time. Our priorities and objectives for this area are also longstanding and shared with many partners, although they have become better focused recently.
- 5.2 We have now spent a long time reviewing this sector and have assembled a lot of evidence about how restructuring things might address those priorities and risks.
- 5.3 We have not however taken much action yet. If we believe a single governance and delivery model could yield benefits, we need to commit to the next stage in the process which would clarify that further.
- 5.4 We have been urged for some time both regionally and nationally to address our local arrangements for tertiary education and make sure they are fit for purpose and result in a coherent “Shetland Voice” for this sector.
- 5.5 This analysis adds to the evidence base that there are potential benefits in consolidating the three local operations together with a “single governance and delivery model”. This is consistent with the finding of earlier studies and suggests we should proceed to the next stage to obtain the further clarity it can offer.

For further information please contact:

John Smith, Change Programme Manager
Tel: 01595 744513 Email: jrsmith@shetland.gov.uk
Date Cleared: 19 May 2015

Appendices

Appendix A – Priorities and Risks based Option Appraisal

Appendix B - Implementation Plan
Appendix C - Pro-forma Partnership Agreement
Appendix D - Statutory Roles

Background Documents

A full set of background documents for this review can be found at

<http://portal.shetland.uhi.ac.uk/ster/SitePages/Home.aspx>

Option Appraisal

The option appraisal set out below uses the three themes of **Priority**, **Risk**, and **Best Value** to bring together comparative analysis of about how a single integrated operation or separate organisations would be likely to perform against key criteria.

If an organisational structure is better placed to achieve its priorities, manage its key risks and build solid foundations in the areas that underpin best value, then that should be a strong endorsement of those arrangements.

Priorities

The priorities used in the evaluation below are drawn from the strategic objectives of: the University of the Highlands and Islands, Shetland Community Planning Partnership, Skills Development Scotland, Highlands and Islands Enterprise, Highlands and Islands Regional Outcome Agreement, Highlands and Islands Skills Investment Plan, Shetland Skills Investment Plan, 5 Year Plan to Live, learn and Work in Shetland, NAFC Strategic Plan and Shetland College Strategic Plan.

Risks

The risks have been drawn from: the risk analysis activity undertaken by Anderson Solutions as part of the production of their “Review of Tertiary Education, Training and Research in Shetland” report of May 2013; the risk register created in the Project Initiation documentation when the Tertiary Review project was overhauled in August 2014; the consultations with partners and stakeholders and the analysis of information and opinion during the review process.

Best Value

The Best Value characteristics are a selection of the key components of the Best Value regime described in various documents issued by Audit Scotland and available at their website, <http://www.audit-scotland.gov.uk/work/toolkits/> Best Value is intended to provide a framework to test organisational arrangements across the public sector to help ensure the right foundations are in place for effective leadership, accountability, performance management and resource management. If these basics are sound it is far more likely that an organisation will do a good job and achieve its objectives.

Summary

Priorities	Risks	Best Value
<i>Meeting the Needs of Students</i>	<i>Reduced Income</i>	<i>Strong Leadership and Governance Arrangements</i>
<i>Strong Community and Business Benefits</i>	<i>Unsustainably High Costs</i>	<i>Staff Enabled, Developed and Rewarded</i>
<i>Focused Research</i>	<i>Governance & Leadership</i>	<i>Strong Financial Management</i>
<i>Clarity for learners and business</i>	<i>Managerial</i>	<i>The Right Infrastructure</i>
	<i>Capacity to implement change</i>	<i>Appropriate Legal Structure</i>

Theme 1 – Priorities

<i>Meeting the needs of Students</i>	<i>Separate Organisations</i>	<i>Integrated Operation</i>
<ul style="list-style-type: none"> • Listen to and work in partnership with students. • Provide accessible opportunities and flexible pathways. • Provide relevant curriculum developed in collaboration with employers and informed by research and scholarship. • Provide opportunities for work-based learning and develop employability and entrepreneurial skills. • Use technology to enable students, wherever they are based, to enjoy an engaging and interactive learning journey. • Support students to achieve to the best of their ability. 	<ul style="list-style-type: none"> • The experience of students at all our existing tertiary education organisations would appear to be very good. If there is an issue and an opportunity it is around getting that message about the quality of the experience, and its distinctiveness, to learners who do not make Shetland their choice. • Small organisations can have very close relationships with their customers and all the existing organisations do that well. A single organisation would still be one of the smallest colleges in Scotland. 	<ul style="list-style-type: none"> • A single integrated tertiary operation in Shetland will only improve student experience if its learning offer is better, is more flexible, is more accessible, is more relevant and is better marketed than currently provided by the individual operations. • That opportunity exists because of a potential to use the greater capacity of an integrated operation more effectively. That should be further enhanced by blending the community dimension of the learning experience, which a location like Shetland can deliver, with additional student support options available through a UHI scale organisation
<i>Strong Community and Business Benefits</i>	<i>Separate Organisations</i>	<i>Integrated Operation</i>
<ul style="list-style-type: none"> • Grow the sense of ownership of tertiary education and the organisations that deliver it in local businesses. • Grow community confidence in the prospects for young people using those organisations. • Support business to grow through staff training and development, and knowledge exchange and help create and support new businesses. • Attract students, 	<ul style="list-style-type: none"> • It is not always easy to generate a strong “business” focus in governance arrangements which must comply with local authority rules or under governance arrangements which include significant local authority nomination rights. • Each organisation has very limited business development and business support capacity. These functions 	<ul style="list-style-type: none"> • Enhanced “Business focus” is probably the criteria which most recommends that the functions of all three existing organisations are integrated together, and that integration clearly separates them from the Council. • The Shetland market where “New College Shetland” has to do much of its business is made up from a limited number of businesses, agencies and ultimately

<p>researchers and staff through a distinctive approach, curriculum, research and pedagogy</p> <ul style="list-style-type: none"> Respond to local needs, supported by regional resources where required. 	<p>have also been subject to periodic disruption in each organisation because of their dependence on individuals and vulnerability to cost savings demands.</p> <ul style="list-style-type: none"> There has been no systematic co-operation or joint-working on these functions between the organisations. 	<p>individual learners. All of these need to be worked with in a coherent and consistent fashion, a conversation with one learning provider rather than three. Equally all of them need to be treated with commercial realism, matching the products and services on offer to their needs.</p> <ul style="list-style-type: none"> An integrated operation would allow a much more robust Business Development / Business Support function to be established which could then more reliably support all areas.
<i>Focused Research</i>	<i>Separate Organisations</i>	<i>Integrated Operation</i>
<ul style="list-style-type: none"> research, consultancy and knowledge exchange will make a real difference to the local environment, to the business community, to the economy and to people's lives. research will be conducted on a financially viable basis and be properly integrated with supporting academic, commercial and professional networks. 	<ul style="list-style-type: none"> There would appear to be general agreement that much interesting and important work has been, and continues to be done in Shetland. However, there is less clarity that this has been fully commercialised or most effectively supported through mainstream academic funding arrangements in the past. 	<ul style="list-style-type: none"> It does not seem likely that simple local merger transforms this area, equally it should not intrinsically damage activity. However a refocused governance function is probably a key requirement for any significant step change, and would underpin a clearer commercial focus. Ultimately that rigor should help clarify how far there are research products and services that can be produced in Shetland which the local public sector, i.e. Shetland Islands Council can justify purchasing or how far other commercial customers can be found, or how far research can be mainstreamed to core regional and national funding arrangements.

		<ul style="list-style-type: none"> It would appear more important that closer links are forged with other research and knowledge transfer activities within, and beyond, the UHI. This should both support the up-scale development of current activities, and help identify and secure new commercial and academic opportunities. That is more likely to be successfully managed through an academic organisation rather than a local authority.
<i>Clarity for Learners and Business</i>	<i>Separate Organisations</i>	<i>Integrated Operation</i>
<ul style="list-style-type: none"> Clear and accessible information about learning opportunities and how to access them. Clarity about how learning opportunities fit together, how one activity can lead to the next and how that can be supported. Provide relevant curriculum developed in collaboration with employers and informed by research and scholarship. Clarity about options to access courses locally, through the network, in and out of work and through technology. 	<ul style="list-style-type: none"> Separate organisations can be very focused on the products and services they provide themselves. It can be more difficult for them to fit those together to support progression right through learning. Equally separate organisations can focus very well on what they can provide a business from within their range of services but not be so well placed to provide the more complete picture. 	<ul style="list-style-type: none"> A single integrated tertiary operation in Shetland will still only have a small number of students and businesses to deal with. It will however be much better placed to look at the full range of learning and skills development requirements of both individual learners and businesses in a complete fashion.

Theme 2 – Risks

<i>Risk Area</i>	<i>Separate Organisations</i>	<i>Integrated Operation</i>
<i>Reduced Income</i>		
<ul style="list-style-type: none"> Low student numbers, depressed fee income and risk of reduced / clawed back core national funding 	<ul style="list-style-type: none"> Ultimately it would seem likely that each organisation would have to compete more directly for the limited pool of available students to try to best address this issue for themselves. 	<ul style="list-style-type: none"> It would be more straightforward to co-ordinate relevant staff across the three organisations to produce shared business development initiatives and make sure activity was complementary rather than competitive. A single organisation would be better placed to aggregate activity and ensure that underperformance in one area was compensated for by over performance in another.
<ul style="list-style-type: none"> Imminent ending of SIC deficit funding arrangements for 2016/17 and beyond. 	<ul style="list-style-type: none"> Each organisation would have to establish how far it was possible for it to negotiate a new funding relationship with the Council. 	<ul style="list-style-type: none"> An integrated independent operation would place all SIC funding on the same basis and allow for greater clarity and focus about the ability of local Tertiary Education to provide products and services that delivered the local outcomes and objectives the Council is seeking to achieve.
<ul style="list-style-type: none"> Uncertainty about SIC contracts as a customer for research and for staff development services. 	<ul style="list-style-type: none"> Securing a range of these contracts are very important for each organisation and they would have to work hard separately to ensure these are won. That might place them in competition with each other. 	<ul style="list-style-type: none"> An integrated independent operation would place all SIC funding on the same basis and allow clarity about local outcomes and objectives to be supported.
<i>Unsustainably High Costs</i>		
<ul style="list-style-type: none"> Very high property costs 	<ul style="list-style-type: none"> Ultimately rent levels will 	<ul style="list-style-type: none"> An integrated operation

<i>Risk Area</i>	<i>Separate Organisations</i>	<i>Integrated Operation</i>
across rent, rates, maintenance and heating.	<p>depend on Shetland Islands Council's negotiations with Shetland Charitable Trust and then on subsequent SIC decisions.</p> <ul style="list-style-type: none"> Shared arrangements around other property costs and management would seem to be complex without integration. 	<p>would allow the Council to take a more strategic view around the final outcome of property negotiations.</p> <ul style="list-style-type: none"> Transfer to a charity would attract rates relief of c£150,000 on Shetland College and Train Shetland properties.
<i>Governance and Leadership</i>		
<ul style="list-style-type: none"> Local independence and self determination 	<ul style="list-style-type: none"> Separate organisations with their own constitutions and decision making processes allow for highly independent decision making in principle. That needs to be balanced by the capacity of each organisation to actually sustain any position in the network of partnerships and linkages it has to operate in. 	<ul style="list-style-type: none"> A single operation would be obliged to demonstrate best practice in its arrangements but would no longer be part of the Council or have to accept nomination rights from it for board membership. Its larger scale and capacity to be a single voice for Shetland should help underwrite it's regional and national influence.
<ul style="list-style-type: none"> Poor strategic planning and weak links to Shetland Partnership 	<ul style="list-style-type: none"> Not clear how this could be fundamentally different without a complex set of arrangements created to mirror merged governance. 	<ul style="list-style-type: none"> An aggregated operation would better enable strategic leadership of tertiary education in Shetland and play a much fuller role in the Shetland Partnership.
<ul style="list-style-type: none"> Limited current exploitation of the potential from UHI links 	<ul style="list-style-type: none"> While individual initiatives might arise for one individual organisation or another, it is not clear how this would be fundamentally different. 	<ul style="list-style-type: none"> An integrated operation should be better able to target it's shared resources on areas of specific interest.
<ul style="list-style-type: none"> Patchy governance performance and mixed 	<ul style="list-style-type: none"> Individual organisations might be able to modify 	<ul style="list-style-type: none"> Creating a new operation would allow best practice

<i>Risk Area</i>	<i>Separate Organisations</i>	<i>Integrated Operation</i>
track record in decision making	their governance arrangements to some extent but without externalisation the Council could not fundamentally change how they run Train Shetland and Shetland College.	in educational governance to be implemented.
<i>Managerial</i>		
<ul style="list-style-type: none"> Issues regarding financial administration and student records administration. 	<ul style="list-style-type: none"> Limited staff numbers in each organisation would have to continue to seek to meet the sometimes contradictory needs of multiple funders/governance within their limited capacity. Public sector accountability requirements, whether through local government or Further/Higher education are only likely to become more onerous. That is likely to exacerbate competing demands like the Financial Year v Academic Year where there are two conflicting governance regimes in play. 	<ul style="list-style-type: none"> It would be much easier to use the NAFC skills in core financial management of an independent organisation and Shetland College skills in student records to help address any challenges and shortcomings if they were part of the same organisation.
<i>Capacity to Implement Change</i>		
<ul style="list-style-type: none"> Negative effects of uncertainty over future 	<ul style="list-style-type: none"> A categorical statement that restructuring was off the table for a specific number of years would provide certainty on one level. It would however have to be accompanied with an explanation of how the existing structural issues and 	<ul style="list-style-type: none"> Commitment to an integration process would continue some detailed uncertainty regarding some details for specific individual but would generally give a clear signal of the intended solution.

<i>Risk Area</i>	<i>Separate Organisations</i>	<i>Integrated Operation</i>
	risks were going to be resolved.	
<ul style="list-style-type: none"> • Having to reduce the amount of property occupied because it was underutilised or unaffordable (say down by 25% on reduced scale model), 	<ul style="list-style-type: none"> • Each organisation very strongly identifies its operation with a very explicit property and location. Reducing scale of any of those independently would be very challenging both technically and psychologically 	<ul style="list-style-type: none"> • While reductions would still be challenging it would seem more likely that achievable options could be designed and implemented.
<ul style="list-style-type: none"> • Having to significantly reduce the number of staff because there was not enough income to cover costs (say down by 10% on reduce scale model). 	<ul style="list-style-type: none"> • With very small numbers of staff in each operational area any staff reductions potentially damage particular capabilities very seriously, creating stress points and potentially points of educational failure. 	<ul style="list-style-type: none"> • Again the problem would remain very difficult to cope with but a larger overall staff group would offer somewhat greater flexibility.

Theme 3 –Best Value

<i>Strong Leadership and Governance</i>		
<ul style="list-style-type: none"> • be established with the right technical governance structure • ensure it has people with the right skills and abilities to fulfil the various roles in that structure. • ensure there are arrangement in place to renew and adapt governance arrangements over time, • enhance the skills and knowledge of board members and • demonstrate accountability and transparency through a full understanding of the roles and the responsibilities of the posts and their boundaries strong commitments to uphold the highest standards of public office • ensure that the student voice is central to the decision making processes in governance and in academic management. • engage with regional and local stakeholders to ensure that their needs and expectations are reflected in our plans and activities. • fully engage with Community Planning Partnerships 	<ul style="list-style-type: none"> • All the evidence provided through the review process agrees that Shetland College board members and NAFC Marine Centre trustees have worked hard to promote the interests of their respective organisations and help students get the best outcome they can. Criticism has come around the lack of alignment between the strategic directions of the two governing bodies, and the difficulty in clearly identifying the governance layer for Train Shetland • Unavoidable Council governance obligations also create significant impediments and duplication for Shetland College. This is most obvious around it having to produce financial and other performance management information on two different calendars. This is at best inefficient, but much more damagingly very confusing for all scrutiny and planning purposes. • NAFC governance and associated arrangements have not resulted in that organisation being granted “fundable body” status which creates limitations in some aspects of regional and 	<ul style="list-style-type: none"> • There is no doubt that the board members and trustees of Shetland College and NAFC Marine Centre have served further and higher education well in Shetland. It would now appear that a further development of the governance of this area is required to meet the challenges of coming years and ensure the vision and achievement of the part are built on and not dissipated. • Creating new governance arrangement outside the Council creates the opportunity to address governance issues and implement a new structure that reflects current best practice and affords fundable status to all areas.

	national funding.	
<i>Strong Financial Management</i>		
<ul style="list-style-type: none"> • understand its income sources and its costs and ensure that they are monitored and managed actively. • ensure that actions are identified and taken to improve the financial viability of those activities which lose money, or they are reduced or phased out. • ensure actions are identified and taken to identify, expand or initiate surplus generating activities • understand overhead and operating costs, and how their levels can be managed to be cost effective for the business. • develop a range and balance of funding streams from a wide range of sources. • seek to generate some surpluses from profitable activities, over the medium to long term, in order to build reserves and support investment. 	<ul style="list-style-type: none"> • The three individual operations have demonstrated progress on closing the income / cost gap over recent years. However, we are probably close to, if not at, the point where further incremental cuts damage the fundamental integrity of the operations and the capacity to generate income, as much as they achieve savings. • Under the current arrangements financial reporting is complex and not well integrated. It has to meet the Councils needs to produce management and financial accounts on the basis of financial years and also produce UHI and SFC accounts for the academic year. • Financial reporting for the three organisations is not brought together on any regular basis. 	<ul style="list-style-type: none"> • A single operation creates a new set of opportunities to rationalise management and support activity, including financial reporting, and deliver a valuable and genuine set of efficiency gains • A sharpened focus, and enhanced capacity and skills in business development, commercial pricing and industry lead training are necessary components for improved financial viability. That would be helped by moving the operation away from Council trading arrangements and restrictions. • It seems likely that those changes would need to be backed by a network of support to develop and deliver new products and services with the investment in time, expertise, and money to follow through on that enhanced marketing activity. That capacity would be more likely to be available in a single organisation.
<i>Staff Enabled, Developed and Rewarded</i>	<i>Separate Organisations</i>	<i>Integrated Operation</i>
<ul style="list-style-type: none"> • support staff in the development and delivery of high quality learning. • provide learning opportunities for staff 	<ul style="list-style-type: none"> • There is no doubt there are many highly committed and able staff across the three organisations with great experience and expertise in their roles. It is less 	<ul style="list-style-type: none"> • Very small numbers in specialised areas also challenge any organisations ability to create and deliver development and progression paths for its

<p>development, including a leadership development programme.</p> <ul style="list-style-type: none"> • have in place suitable employment arrangements to attract, reward and retain high quality staff. 	<p>clear that all these staff are being utilised to best effect, or that they are able to consistently concentrate on their respective duties.</p>	<p>staff. Even when part of a larger organisation, like the SIC, those paths are not necessarily available if the larger organisation is engaged in a different business activity.</p> <ul style="list-style-type: none"> • Any staff transferring would be protected by TUPE obligations but in time would expect a harmonisation with local colleagues, and potentially with other UHI institutions.
The Right Infrastructure	<i>Separate Organisations</i>	<i>Integrated Operation</i>
<ul style="list-style-type: none"> • have suitable premises for teaching, learning and research which it can afford to use • provide more residential accommodation if a sound business case is made for that. 	<ul style="list-style-type: none"> • The three separate organisations have evolved their own properties, each with complex multiple ownership and rental arrangements. • Premises are not shared routinely to meet needs. • The level of these property costs are very challenging for all three organisations and will need significant input from Shetland Islands Council. • Separate organisations have a reduced capacity to plan for or deliver student accommodation independently. 	<ul style="list-style-type: none"> • A single operation could look at its property needs and options across the whole estate which would provide greater flexibility. • Shetland Islands Council could take a more strategic view about any medium term resolution for the property issue with a single organisation. • A single organisation could plan, campaign for and share student accommodation more straightforwardly.
Appropriate Legal Structure	<i>Separate Organisations</i>	<i>Integrated Operation</i>
<ul style="list-style-type: none"> • be legally competent to carry out its purpose • have charitable status to best manage tax and other liabilities and an opportunity for individual and corporate 	<ul style="list-style-type: none"> • Being part of a local authority and subject to its legal obligations and requirements at best complicates Shetland College and Train Shetland's operations. 	<ul style="list-style-type: none"> • "New College Shetland" would probably be most effectively achieved using the existing SFTCT organisation as a host, this may be particularly significant in managing transitional costs relating

<p>philanthropy from local and other benefactors</p> <ul style="list-style-type: none"> • have a mechanism for facilitating the transfer of assets and liabilities from the current organisations to the new entity • have a mechanism for commercial trading to allow profits to be earned and retained within the organisation 	<ul style="list-style-type: none"> • They cannot access charitable status reliefs and are limited in some commercial operations. 	<p>to pensions.</p> <ul style="list-style-type: none"> • Among others; the Scottish Funding Council and the Scottish Government Education Department would have to be satisfied that the new body met their tests to be considered “fundable”; the Scottish Qualifications Agency would need to be satisfied it was competent to make awards; OSCR would need to be happy about a transfer involving a charity and; the Scottish Public Pensions Agency would also need to be content that the new body could conform to pensions legislation.
--	---	---

Tertiary Review – Plan for the Development of Integration Proposals

Proposals for integration between Tertiary Education institutions in Scotland have to comply with the requirements set out by the Scottish Funding Council. These requirements are described in detail at

<http://www.sfc.ac.uk/guidance/mergers/MergerGuidance.aspx> ,

the principle stages of the process are as described below.

This process is initiated when partners formally agree they want to develop integration proposals and establish a “Partnership Board” to plan and deliver that.

Step 1

The Partnership Board publishes a “Integration Consultation Document” setting out thinking behind integration proposals and seeking comments and views from stakeholders recognising that their views, and how we address them, are critical to the success of our proposals and future success.

Step 2

An “Integration Proposals Report” is developed which describes what a merged college would look like in practical terms and provides evidence about how the new organisation will meet education, training and skills development objectives, what it’s financial implications are and how it will be implemented.

Much of the information already gathered during previous stages of the tertiary review will be useful in the compilation of the Integration Proposals Report, but there will also be a good deal of additional work to do.

Development of the Integration Proposals Report must include external due diligence on Finances, Property, Contracts and HR arrangements etc.

Sections which must be included in the Report;

- 1 Vision, aims and objectives
 - Why the partner institutions are proposing integration and what purpose it will serve
 - The overall vision and objectives of integration, including the educational benefits envisaged
 - How the proposal relates to the partner institutions' strategic plans
- 2 Options appraisal

This section should demonstrate how the partner institutions have arrived at their preferred option. If a formal options appraisal has been carried out the institutions

should include a resume of the options considered, and indicate why a particular option was chosen.

3 Evidence

The Scottish Funding Council and the partner institutions need to understand the evidence in support of the integration proposal to ensure it demonstrates best value.

This evidence should include

3.1 Academic benefits

- The quality, relevance, efficiency of provision in teaching, research and knowledge transfer, where applicable, will be safeguarded/enhanced
- The quality of the student experience will be at least maintained or enhanced
- The range/breadth of provision and qualifications will be appropriate to meet the needs of learners, stakeholders and the economy
- The specialist facilities and profile will be safeguarded/enhanced

3.2 Implications for tertiary education in Scotland

- The fit to local/regional/national and international needs
- Other benefits such as improved student access
- Location of proposed campus(es)/sites appropriate to meet needs
- Accountability to stakeholders (local/national) provided for
- Impact on other institutions, community learning and development, other providers and local authorities (local/national)

3.3 Financial benefits

A detailed financial plan assessing the financial implications of integration (i.e. one-off costs required to facilitate integration, future recurrent costs/income of the merged institution, resources released, opportunities to grow the business and any savings expected)

- Improved value-for-money
- Efficiencies
- Impact on financial health of partners
- Space utilisation/quality of premises no less adequate or enhanced
- Changes in expenditure distribution (research, teaching, support, premises, management) expected
- Impact on institutions of not proceeding

3.4 Issues arising from consultation

- Students
- Trades unions
- Staff (including terms and conditions)
- Local communities

- Other stakeholders and providers (schools, institutions, community learning and development etc)

3.5 Strategy

This section should address the merged institution's broad intentions for:

- The learning and teaching, and research and knowledge transfer strategy;
- Staffing issues: including restructuring plans, harmonisation of terms and conditions
- Student issues: integration of student representation, projected student numbers
- Estates issues: including an options appraisal discussing all reasonable options for future use of the existing estates
- Intentions for systems integration, including ICT

3.6 Governance and management

This section should include:

- The proposed title of merged institution, where agreed
- The intended management arrangements for the integration and beyond
- The intended communications arrangements, both internal and external up to and following integration
- A proposed implementation timetable
- A risk assessment to cover all aspects of integration, including a contingency plan
- The key measures of success through which the new institution can judge whether integration has been successful
- The funding required to enable and implement integration, including a proposal for strategic funding from the Council where necessary

Step 3

The Cabinet Secretary advised by the SFC approves the proposed integration as described in the integration report.

Step 4

The partner organisations make the final decision as to whether to go ahead with integration.

Timeline

The main timeline for the establishment of “New College Shetland” would include:

Item	Timescale
------	-----------

Agreement by Shetland Islands Council and SFTCT that "Integration Proposals" should be developed in line with SFC guidance.	End of May 2015
Confirmation from the Scottish Funding Council that they are content for this process to be embarked on and confirmation of how they will support it.	May 2015
Confirmation from the UHI that they are content for this process to be embarked on and how they will support the process	May 2015
Establishment of the Partnership Board	June 2015
Create and Publish a Integration Consultation Document	June 2015
Develop the Integration Proposals Document <ul style="list-style-type: none"> the commissioning of professional and administrative support for the pre-integration phase the planning of integration including undertaking necessary due diligence; the preparation of the integration proposal document; consultation on the integration proposals both as they are being developed and when they are published; 	June to October 2015
Implementation decisions from partner bodies	November 2015
Implementation	For August 2016

Pre-integration funding requirements

External Due Diligence	-	£30,000
Other professional advice and support (Legal, Property, HR, Pensions)	-	£30,000
Project Management	-	£40,000
Project Administration and Business Support	-	£20,000

Tertiary Review - Partnership Agreement – Amended for Shetland

1.	Parties	Shetland Islands Council (SIC) and Scalloway Fisheries Training Centre Trust (SFTCT). (together, the " Partners ").
2.	Purpose	<p>The Partners have agreed to develop proposals for integration of the Tertiary Education, Research and Training operations of Shetland College, Train Shetland and the NAFC Marine Centre.</p> <p>The Partners have agreed to the following key principles and terms set out in this document which will provide a framework within which the development of proposals will now take place.</p>
3.	Commitment	<p>The Partners agree that they wish to develop formal proposals for integration in line with Scottish Funding Council requirements for such action.</p> <p>The Partners undertake that in consultation with staff, students and other stakeholders they shall work together in good faith and in a collaborative and constructive manner to develop those proposals.</p> <p>Decisions on the implementation of any integration proposals will remain with the SIC and the SFTCT to take once the proposals have been developed.</p> <p>Those proposals will need to demonstrate they meet the duty of best value for public bodies and are in the interests of the trust.</p>
4.	Timescale	The Partners agree to work towards a deadline for integration proposals to be developed by October 2015, subject to necessary approvals and agreement of the Scottish Funding Council and Scottish Government.
5.	Establishment of Partnership Board	<p>The Partners shall put in place project management arrangements with representatives from the SIC and SFTCT and others to develop formal integration proposals.</p> <p>This joint arrangement shall be called the "Partnership Board".</p> <p>The core membership of the Partnership Board shall comprise the following representatives:</p> <ul style="list-style-type: none"> the 3 members of Shetland College Board who are currently members of the STERT Strategy Group. the 3 members of the SFTCT Board who are currently members of the STERT strategy group.

		<ul style="list-style-type: none"> • the Acting Principal of Shetland College • the Interim Manager of NAFC Marine Centre • the Train Shetland Vocational Training Manager • the Business Development and Training Manager from Shetland College/Train Shetland • two staff representatives from Shetland College staff chosen by the Shetland College representatives on the current Staff Stakeholder Group • two staff representatives from NAFC – Marine Centre staff chosen by the NAFC Marine Centre representatives on the current Staff Stakeholder Group • two staff representatives from Train Shetland staff chosen by the Train Shetland representatives on the current Staff Stakeholder Group • one student representative from each of Shetland College, Train Shetland and NAFC – Marine Centre chosen by the respective students of each organization, three students in total. • A representative of Shetland Islands Council Education Service chosen by the Executive Director – Children’s Services. • Representatives of key business sectors co-opted through invitation by the board. <p>Two Co-Chairs of the Partnership Board shall be nominated, one each, by the Shetland Islands Council and SFTCT members of the board.</p> <p>Should any of these representatives be unable to attend a meeting, they shall be entitled to nominate a relevant substitute if they wish.</p> <p>The Partnership Board will be supported by the SIC Director of Development, the SIC Executive Manager – Change Programme and the Tertiary Review Project Manager with other technical advisors in attendance as required.</p> <p>The Scottish Funding Council, UHI Executive Office and UHI Further Education Regional Board shall be entitled to attend meetings of the Partnership Board as observers.</p>
--	--	--

6.	Operation of Partnership Board	<p>The Scottish Funding Council shall provide secretariat support to the Partnership Board until integration is complete</p> <p>The Partnership Board may, at its discretion, invite other attendees to attend board meeting including, for example, senior staff from the Partners and project managers for the integration.</p> <p>The Partnership Board shall provide regular reports to the SIC and the SFTCT.</p>
7.	Authority of the Partnership Board	<p>Authority to take the following actions, decisions, and preparation shall be delegated from the Partners to the Partnership Board for:</p> <ul style="list-style-type: none"> • the preparation of the integration proposal document; • consultation on the proposed integration; • the planning of the integration including undertaking necessary due diligence; • recommendation on the allocation and spending of any funding from the Scottish Funding Council for the pre-integration phase; • recommendations on the commissioning of professional advice and support for the pre-integration phase using the funding above; and • recommendations on making any prospective appointments to posts in the potential new organisation. <p>For the avoidance of doubt, the following decisions shall be deemed to be beyond the authority of the Partnership Board:</p> <ul style="list-style-type: none"> • final decision as to go-ahead with the integration; and • spending over and above any pre-integration funding allocated by the Scottish Funding Council and/or the Partners.
8.	Funding	<p>The Scottish Funding Council shall provide funding to support the pre-integration discussions.</p> <p>The terms and conditions of this funding will be set out in a letter from the Scottish Funding Council to one or both of the Partners. The Partnership Board will be required to comply with any such terms and conditions.</p>
9.	Consultation	<p>The Partners shall each be responsible for carrying out a full consultation with its own students and staff in respect of the proposed integration. However the Partners will work together to ensure such consultation exercises are conducted in a consistent way and in the same, or similar timeframes.</p>

10.	Pre-conditions/ approvals required	The Partners shall work together constructively and expeditiously to obtain the approval of the Scottish Government and Scottish Funding Council to the integration and any other formal approvals required eg the Office of the Scottish Charity Regulator.
11.	Due Diligence	The Partners shall co-operate fully with each other and the Scottish Funding Council as appropriate to assist in the undertaking of a full financial and legal due diligence prior to integration, including making available all required information to professional advisors and providing access to premises where necessary.
12.	Integration Document	<p>The Partners will work constructively and expeditiously to produce an integration plan which will deal, among other matters with:</p> <ul style="list-style-type: none"> • The transfer or disposal of all property & assets of each college; • Transfer/Rationalisation of contracts held by each college; and • Transfer of staff of each college.
13.	Confidentiality	<p>Neither College shall disclose any information (in whatever form) disclosed to them by the other College relating to the disclosing College's business or affairs other than as agreed by both Partners.</p> <p>This clause will not prohibit the sharing of information with professional advisors appointed to the Partners to assist in any integration process, or with the Scottish Funding Council or the Scottish Government.</p>
14.	Legal status	Other than the clauses on Confidentiality and Governing Law, this Agreement shall not be legally binding on the parties.
15.	Governing Law	This Agreement shall be read and construed in accordance with Scots law and the Partners agree to submit to the exclusive jurisdiction of the Scottish courts.

Charity Trustee Core Duties	Observations
<ul style="list-style-type: none"> • Overriding duty to act in the best interests of the charity. • Seek, in good faith, to ensure the charity acts in a manner which is consistent with its purposes. • Act with the care and diligence that it is reasonable to expect of a person who is managing the affairs of another person. 	<p>The first issue to be considered is whether sufficient continuity of the current charitable objectives could be maintained in an integrated operation which included the activity of Train Shetland and Shetland College.</p> <p>That would seem straightforward as the current charitable objectives of SFTCT would appear to overlap very substantially with the expected objectives of an aggregate operation. (see the Vision and Mission section of the Business Model report)</p> <p>Making an impact assessment about how the charities purposes and interests are likely to be best promoted and achieved hinges significantly on predicting which structural arrangement would be most likely to deliver the greatest volume and quality of the “public benefit” that the charity is seeking to deliver. i.e which arrangement is most likely to deliver the “most” and “best” skills development, learning and research etc. to the relevant members of the public.</p> <p>A good deal of information about that has been provided in the reports, papers and analysis undertaken to date. That analysis has concluded that there is potential for the delivery of skills development, learning and research to be better secured through an integrated operation.</p> <p>The clearest way to obtain further information about that would be to go through the due diligence processes available through the “Partnership Agreement” arrangements.</p> <p>That would be consistent with the duty on charity trustees to “act with care and diligence” and demonstrate they had followed through on an opportunity to “act in the best interests of the charity” and “further the charities purposes”.</p>

Managing key risks as a Charity Trustee	Observations
<ul style="list-style-type: none"> • Going concern: Making sure the charity has sufficient funds to pay its bills as and when they fall due. • Scheme of delegation: Having appropriate policies and ensuring that these are followed. • Effective governance: the responsibility for the running of the charity rests with the trustees. The trustees must ensure that the charity's resources are used to further the aims and objectives of the charity 	<p>Charity Trustees are personally responsible for making sure their organisation is run properly, has the right policies and processes in place, identifies and manages risk and generally operates in a sound fashion.</p> <p>Ultimately that is about the charity being sustainable and able to continue to function as a going concern that can discharge its charitable objectives.</p> <p>A good deal of information about this has also been provided already and the case made that an integrated operation would be more likely to manage these risks better.</p> <p>Again it would only seem possible to obtain more detailed evidence on this matter through the "Partnership Agreement" arrangements.</p> <p>This would also seem consistent with duties of effective risk management, and with trustees overall responsibility to undertake appropriate activities to ensure the charity continues to be a going concern.</p>

Duty of Best Value in Public Services	Observations
<ul style="list-style-type: none"> • The duty of Best Value (BV) applies to all public bodies in Scotland. It is a statutory duty in local government, and in the rest of the public sector it is a formal duty on Accountable Officers • It requires public bodies to make arrangements to secure continuous improvement in performance whilst maintaining an appropriate balance between quality and cost. • To ensure these key components of best value are demonstrated <ul style="list-style-type: none"> ○ Commitment and Leadership ○ Sound Governance at a Strategic and Operational Level ○ Accountability ○ Sound Management of Resources ○ Responsiveness and Consultation ○ Use of Review and Options Appraisal ○ A Contribution to Sustainable Development ○ Equal Opportunities Arrangements ○ Joint Working 	<p>Public bodies are under a statutory duty to demonstrate best value in all their activities. That duty is regularly accessed and reviewed.</p> <p>The duty requires regular examination of all existing arrangements to see if they remain the most appropriate way to achieve priorities and objectives with the best balance between quality and cost.</p> <p>The Tertiary Review has already reported conclusions in 2013, and will do so again in 2015, that an integrated operation would be more likely to achieve best value. i.e. improved performance with an appropriate balance between quality and cost.</p> <p>Given those conclusions it would appear logical that the Council should seek to proceed with “Partnership Agreement” arrangements to provide further analysis of this opportunity.</p>

**Shetland Islands Council****27 May 2015****Strategy for Secondary Education in Shetland****Report number: CS-14-15-F2****Report Presented by Director of Children's Services****Children's Services****1.0 Summary**

- 1.1 On 18 February 2015, Shetland Islands Council resolved to cease the current statutory consultations on the closure proposals affecting Mid Yell Junior High School Secondary Department and Whalsay School Secondary Department. These consultations were being carried out in accordance with Shetland Islands Council's Strategy for Secondary Education in Shetland (Min Ref: SIC 52/14).
- 1.2 Following the decision on 18 February 2015, there was a high level of concern from the community and Shetland Islands Council has been criticised for not completing the statutory consultation process outlined in the Schools Consultation (Scotland) Act 2010. As a result, Children's Services has taken time to reflect on the public concerns and has taken specialist legal advice to determine the best way to proceed in order to alleviate concerns and end ongoing uncertainty.

2.0 Decision Required

2.1 That Shetland Islands Council RESOLVES that:

- a) The decision taken on 18 February 2015, by Shetland Islands Council, to cease the current statutory consultation on the options of the proposed closure of Mid Yell Junior High School Secondary Department, or the discontinuation of Secondary 4 education only, and not to proceed to publish a consultation report be revoked;
- b) The decision taken on 18 February 2015, by Shetland Islands Council, to cease the current statutory consultation on the options of the proposed

closure of Whalsay School Secondary Department, or the discontinuation of Secondary 4 education only, and not to proceed to publish a consultation report be revoked;

- c) That Children's Services proceeds to publish a consultation report in accordance with the Schools (Consultation) (Scotland) Act 2010, and completes the statutory consultation process on the closure proposals affecting Mid Yell Junior High School Secondary Department detailed in the Proposal Paper published on 19 September 2014;
- d) That Children's Services proceeds to publish a consultation report in accordance with the Schools (Consultation) (Scotland) Act 2010, and completes the statutory consultation process on the closure proposals affecting Whalsay School Secondary Department detailed in the Proposal Paper published on 19 September 2014;

3.0 Detail

- 3.1 Following the decision taken on 18 February 2015 to cease the statutory consultations on the closure proposals affecting Mid Yell Junior High School Secondary Department and Whalsay School Secondary Department, Shetland Islands Council was widely criticised for the fact that the statutory moratorium would not apply. Representations were received from parents and Parent Councils who were concerned about the implications for the affected schools.
- 3.2 The concerns raised, and the fact that the legislation in relation to this part of the Act was new (becoming law on 01 August 2014) and therefore there was no precedent to guide interpretation, led Children's Services to seek the opinion of Senior Counsel. Senior Counsel was asked to advise on the implications of the decision taken and whether it was compliant with the Schools (Consultation) (Scotland) Act 2010. Children's Services has considered the opinion of Senior Counsel and the representations received from parents and Parent Councils. At all stages it has kept the Scottish Government appropriately informed.
- 3.3 Whilst the Council's decision on 18 February 2015 was lawful, Senior Counsel has advised that there was a lack of clarity in the Council's expression of its intentions which has unnecessarily increased the risk of legal challenge.

3.4. There are two options available to reduce the risk of legal challenge:

- (i) To revoke the decision taken on 18 February 2015, and proceed to publish Consultation Reports on the closure proposals affecting Mid Yell Junior High School Secondary Department and Whalsay School Secondary Department. The Consultation Reports would be published in compliance with the requirements of the Schools (Consultation) (Scotland) Act 2010 and presented to Education and Families Committee and Shetland Islands Council for a decision on the closure proposals. This option carries little risk of legal challenge in the future as it completes the statutory consultation process as detailed in the Schools (Consultation) (Scotland) Act 2010;

OR

- (ii) To clarify that the decision taken on 18 February 2015 was to withdraw the closure proposals and abandon the statutory consultation process; that the closure proposals were currently not viable; and proceed to publish a report with the consultation findings along with an indicative timeline for future statutory consultations. This option carries a greater risk of legal challenge in the future as the statutory consultation process has not been concluded.

3.5 If Children's Services proceeds to publish consultation reports on the closure proposals affecting Mid Yell Junior High School Secondary Department and Whalsay School Secondary Department which were detailed in the proposal papers published on 19 September 2014, each consultation report would come before Education and Families Committee and Shetland Islands Council for a decision. My recommendation in each consultation report will be that Council does not to implement any of the closure proposals at this time. The closure proposals are the discontinuation of Secondary 4, or the closure of the secondary departments of Mid Yell Junior High School and Whalsay School. If the decision taken on 18 February 2015 not to implement any of the closure proposals is then confirmed, the five year moratorium would apply.

3.6 Children's Services made the recommendation to Education and Families Committee on 20 January 2015, and to Shetland Islands Council on 18 February 2015 to cease the statutory consultations on Mid Yell Junior High School Secondary Department and Whalsay School Secondary Department for the following reasons:

- in both statutory consultations there was overwhelming opposition to any change to secondary provision in these schools.
- on 4 November 2014 Education and Families Committee did not recommend the closure of North Roe Primary School and Urafirth Primary School and Nursery Class to Shetland Islands Council.
- On 5 November 2014, Shetland Islands Council decided to keep North Roe Primary School and Urafirth Primary School and Nursery Class open.

- on 5 November 2014 Shetland Islands Council also decided to remove the planned statutory consultations on Sandness Primary School and Burravoe Primary School from the remaining Blueprint for Education proposals.
 - To enable the new Anderson High School to be open in order that consultees can fully understand what the alternative provision would be for pupils.
 - To enable the Shetland Learning Partnership to be established.
- 3.7 The decision taken by Shetland Islands Council on 18 February 2015 also included agreement that the Director of Children's Services would present a new timetable for statutory consultations on closure proposals in 2017. The Director of Children's Services will present a timetable to Education and Families Committee and Shetland Islands Council in 2017 which will take into account any change in circumstances in the intervening period.
- 3.8 The Director of Children's Services does not propose to recommend that any statutory consultations on school closure proposals affecting secondary education in Shetland commence before the new Anderson High School has opened. The Strategy for Secondary Education in Shetland includes changes to the secondary school estate in Shetland. These are the proposed closure of the secondary department, or the discontinuation of Secondary 4 education at: Mid Yell Junior High School, Whalsay School, Baltasound Junior High School, Aith Junior High School and Sandwick Junior High School. These will not now be taken forward before the new Anderson High School has opened.
- 3.9 Proceeding with either option outlined at paragraph 3.4 above would result in a decision of Shetland Islands Council being altered or revoked within a period of six months of it being taken. In order for this to be competent, there must have been a material change in circumstances.
- 3.10 The material change of circumstances is that there has been identified a lack of clarity in the Council's decision making on 18 February 2015 which has caused a high level of concern amongst the affected parties in the community and increased the potential for a legal challenge.
- 3.11 The Director of Children's Services believes that the option outlined in 3.4. (i) is the option which would best address the concerns of the affected parents, Parent Councils and their school communities. At this time, to progress with the development of the Shetland Learning Partnership and the development of the Senior Phase, Children's Services needs parents and communities to feel they can work positively with the Service. Therefore, the Director of Children's Services has recommended that Shetland Islands Council should revoke the previous decision taken and resolve that both statutory consultation processes should be completed by carrying out the remaining stages of the process outlined in the Schools Consultation (Scotland) Act 2010.

4.0 Implications

Strategic

4.1 Delivery On Corporate Priorities – this report helps to achieve the aims of:

Shetland Islands Council's Corporate Plan

Within the Key Actions section of the updated Corporate Plan 2014/17 the actions set out in Section 2 – The Best Possible Start for Every Child, relate directly to the delivery of an amended Strategy for Secondary Education:

- we will implement Curriculum for Excellence in accordance with national timescales and milestones;
- we will undertake a number of statutory consultations under the auspices of the Schools Reconfiguration Project.
- by the end of this Plan we will have reconfigured the school estate to provide the best possible service within the resources available.

In addition, the updated Corporate Plan 2014/17 also makes a number of important commitments to the Shetland community as follows. By the end of the term of the updated Corporate Plan 2014/17 we shall have:

- made the decisions we were required to make, and we will have done that properly, on time and with a proper assessment of risk;
- made many, and sometimes radical, changes in how we provide services, and we will have done that through proper consultation with communities and staff;
- demonstrated that we are providing Best Value in all our services, after having had a successful cross-council review from Audit Scotland;
- made sure that in making any changes we have considered and dealt with equalities, health and human rights issues;
- stuck to the Medium Term Financial Plan and be financially strong;
- made further significant savings by reducing the number of buildings we have.

4.2 Community /Stakeholder Issues – The decision taken on 18 February 2015, with respect to the statutory consultations on the closure proposals affecting Mid Yell Junior High School and Whalsay School Secondary Department has been criticised by stakeholders and there is a risk of legal challenge.

4.3 Policy And/Or Delegated Authority – This report seeks to alter a decision of Shetland Islands Council due to a material change in circumstances.

4.4 Risk Management – Shetland Islands Council could take action to mitigate the risk of damaging the relationship between the Council and the affected communities and any potential legal challenge arising from the decision taken on 18 February 2015. The recommendations from the Director of Children's Services present the option with the least risk of legal challenge for Shetland Islands Council.

4.5 Equalities, Health And Human Rights – There are no direct implications arising from this report.

4.6 Environmental – There are no direct implications arising from this report.

Resources

- 4.7 Financial – The approved 2014-19 Medium Term Financial Plan includes a savings target of £4.673m for Children's Services. The Children's Services Directorate budget set for 2015/16 includes savings of £1.508m, leaving £927k savings required to be found in 2016/17 (2.4% in comparison with the 2% to be found by other Directorates), followed by a 2% efficiency saving from 2017/18 onwards in line with all other Directorates. Failure to address any shortfall in budget would result in an additional cost pressure on Children's Services.
- 4.8 Legal – Shetland Islands Council can take action to mitigate the risk of legal challenge arising from the decision taken on 18 February 2015. The recommendations from the Director of Children's Services present the option with the least risk of legal challenge for Shetland Islands Council.
- 4.9 Human Resources – There are no direct implications arising from this report.
- 4.10 Assets And Property – There are no new direct implications arising from this report.

5.0 Conclusions

- 5.1 The recommendation in this report to proceed to publish consultation reports on the closure proposals affecting Mid Yell Junior High School Secondary Department and Whalsay School Secondary Department which were published on 19 September 2014 and finish the process as set out in the Schools (Consultation) (Scotland) Act 2010 aims to alleviate ongoing concerns and uncertainty in relation to secondary education provision.

For further information please contact:

Helen Budge, Director of Children's Services

Tel: 01595 74 4064. E-mail: helen.budge@shetland.gov.uk

Report finalised: 22 May 2015

List of Appendices

No appendices.

Background documents:

[February 18 2015 Committee Report](#)

END



Shetland Islands Council

27 May 2015

Establishment of Pension Fund Committee and Pension Board

GL-12-F

Joint Report Presented by

Executive Manager – Governance and Law
Executive Manager - Finance

Corporate Services Department

1.0 Summary

- 1.1 Under sections 5(1) and (2) of the Local Government Pension Scheme (Governance) (Scotland) Regulations 2015, which were laid before the Scottish Parliament on 19 February 2015, and come into force on 1 April 2015, each Local Government Pension Scheme Manager in Scotland is required to establish a Pensions Board.
- 1.2 The Pensions Board will be responsible for assisting the Scheme Manager (Shetland Islands Council) in relation to compliance with Scheme regulations and the requirements of the Pensions Regulator.
- 1.3 In order to limit any conflict of interest in the Councillor Membership of the Pension Board the purpose of this report is to establish a Pension Fund Committee, with the same membership as the Policy and Resources Committee, to act as the Scheme Manager, and to establish the Pension Board, with membership from the remaining Councillors.

2.0 Decision Required

- 2.1 That the Shetland Islands Council **RESOLVES** to:
 - 2.1.1 Establish the **Pension Fund Committee** as Scheme Manager for the Shetland Islands Council Pension Fund, with the terms of reference and membership as contained in Appendix 1;

- 2.1.2 Establish the **Pension Board** to assist the Scheme Manager [Pension Fund Committee], with the terms of reference and membership as contained in Appendix 2.
- 2.1.3 Appoint three Councillors as Substantive members of the Pension Board, who are not members of the Pension Fund Committee;
- 2.1.4 Appoint three Councillors as Substitute members of the Pension Board, who are not members of the Pension Fund Committee,;
- 2.1.4 Appoint Mr James Johnston, SRT General Manager, as the Admitted Bodies Employer Representative for the remaining term of this Council;
- 2.1.5 Seek the appointment of four Trade Union Representatives and up to four named substitutes, and a Union Joint Secretary from the next meeting of the Employees JCC; and
- 2.1.6 Appoint the Executive Manager – Governance and Law, or his nominee, as the Joint Secretary to the Pension Board.

3.0 Background

- 3.1 The existing governance arrangements for the Shetland Islands Council Pension Fund can be summarised as follows:
 - 3.2 The Pension Fund Consultative Panel discuss, make comments and recommendations to the Policy and Resources Committee on all Pension matters relating to the operation of the Pension Scheme. This panel has representatives from admitted bodies, employers, employees, union, beneficiaries and councillors.
 - 3.3 The overview of the financial performance of the Pension Fund rests with the Policy and Resources Committee.
 - 3.4 The ultimate responsibility for the governance of Shetland Islands Council Pension Fund rests with the full Council. The Council takes specific decisions regarding the investment strategies and major funding policy decisions.
- 3.5 The Public Service Pensions Act 2013 (PSPA) requires the establishment of a new governance structure, both at a Fund and national level. At the local Fund level a Scheme Manager (with responsibility for the management of the scheme) and a Pensions Board (with responsibility for assisting the management of the scheme) are required for each Fund. At a national level, a Scheme Advisory Board (with responsibility for advising Scottish Ministers) is also mandated.
- 3.6 Section 4 of the PSPA 2013 requires that scheme regulations must provide for a person to be responsible for managing or administering the scheme, and any statutory pension scheme that is connected with it. The scheme manager may be the responsible authority, which is currently the Shetland Islands Council.

4.0 Pension Committee

- 4.1 At its meeting on 3 December 2015, the Council noted Audit Scotland's report on the 2013/14 audit, which reported that the governance arrangements for the Pension Fund were operating effectively. This report sets out the change in governance arrangements that Audit Scotland highlighted as being required, in order for the Fund to comply with the PSPA.
- 4.2 In order for the Scheme Manager and the new Pension Board to effectively interact, it is proposed that the Council establish a Pension Fund Committee which will take on the role and responsibilities of the Scheme Manager for the purposes of the PSPA.
- 4.3 Terms of Reference have been drafted, and attached as Appendix 1.
- 4.4 Section 6(10) of the Local Government Pension Scheme (Governance) (Scotland) Regulations 2015 [the LGPS Regulations], stipulates that a Pension Board is to meet at the same place and time as the Pension Committee of the Scheme Manager to consider the same agenda as the Committee, in which case the Chair of the Pension Committee shall act as chair of both.
- 4.5 In order to ensure clarity when the Policy and Resources Committee meet to consider non-pension matters in the absence of the Pension Board, and to clarify to stakeholders which committee holds these responsibilities, it is proposed that an additional committee called the Pension Fund Committee is established with the same membership as the Policy and Resources Committee, to consider pension matters and therefore acting as the Scheme Manager.

5.0 Pension Board

- 5.1 Section 5(1) of the PSPA requires that the Scheme Regulations must provide for the establishment of a board with responsibility for assisting the Scheme Manager in relation to the following
 - securing compliance with the scheme regulations and other legislation
 - relating to the governance and administration of the scheme and any
 - statutory pension scheme that is connected with it;
 - securing compliance with requirements imposed in relation to the scheme
 - and any connected scheme by the Pensions Regulator; and
 - such other matters as the scheme regulations may specify.
- 5.2 COSLA Leaders, at its September 2014 meeting, agreed to the governance heads of agreement for the LGPS which included the establishment of a Pension Board as outlined in this report.
- 5.3 In accordance with section 6(7) of the LGPS Regulations, Scottish Ministers published a model constitution setting out the arrangements

for a Pension Board, which the Council may adopt or tailor to its circumstances.

- 5.4 Terms of Reference for the Shetland Islands Council Pension Fund Pension Board, based on the model constitution, are attached as Appendix 2 to this report.
- 5.5 The LGPS Regulations require the Pension Board to have equal numbers of representatives appointed by the Scheme employers and relevant trade unions. The Board must comprise a minimum of four each side.
- 5.6 If the Council establishes the Pension Fund Committee with all existing Members of the Policy and Resources Committee, those members would not be eligible to serve on the Pension Board. This leaves 11 other Members eligible for six appointments – three substantive and three substitutes.
- 5.7 In relation to the employers side it is proposed that three elected members are appointed, and that one employer representative of Admitted Bodies is appointed. The current Admitted Bodies Representative is Mr James Johnston, General Manager SRT. As the Board is effectively replacing the current Pension Fund Consultative Panel, on which Mr Johnston is already the Admitted Bodies Employer Representative, he has agreed to accept an appointment to the Pension Board for the remaining term of this Council, if Members are minded to appoint him.
- 5.8 Regarding the Trade Union representatives, the proposal is that four representative are appointed from amongst the Council's recognised trade unions. Appointments would be sought from a meeting of the Employers Joint Consultative Committee, although appointed reps or their named substitutes need not be a member of that Committee. It would be a matter for Trade Unions to determine their own nomination process. If members are minded to allow each of the five recognised Trade Unions to appoint a member, this would increase the membership of the Board to five each side. In our opinion, given that UCATT have a long standing vacancy on the Employees JCC and are unlikely to make an appointment, it seems fairer to allow the local trade unions to make their own arrangements to fill the 4 places, plus substitutes. In addition, increasing the membership will also place an additional burden on Members to fill a further two appointments.
- 5.9 In conclusion, the proposals set out in this report will ensure that the Council as current Pension Fund Scheme Manager meets the requirements of the PSPA 2013 and associated regulations. When approved, and once appointed, the Joint Secretaries will work with the Executive Manager –Finance and the Chair of the Pension Fund Committee, to develop a training plan, business programme and schedule of meetings for 2015/16.

6.0 Implications

Strategic

6.1 Delivery On Corporate Priorities – The terms of this report will meet the requirements of the 2014 and Our Corporate Plan 2013-2017 in terms of ensuring a properly led and well managed Council.

6.2 Community /Stakeholder Issues – There has been no requirement for community or stakeholder consultations at a local level. Discussions were held with Trade Unions relating to the selection process for their representation.

Nationally, consultation on the regulations and model constitution has been ongoing for some time, with active participation from COSLA, Trade Unions and the Scottish Government through the Scottish Local Government Pension Scheme Advisory Group. The Scottish LGPS Investment and Governance Group, a group of local government officers representing all the pension schemes in Scotland, were also actively involved in the consultation at an early stage..

6.3 Policy And/Or Delegated Authority – in terms of the Council's Scheme of Administration and Delegations, and in its role as Scheme Manager, only the Council may establish the Pension Fund Committee and the Pension Board.

6.4 Risk Management – Failure to comply with the PSPA and associated regulations would deem the Council to be in breach of legislation resulting in serious reputational damage at both a local and national level.

6.5 Equalities, Health And Human Rights – None.

6.6 Environmental – None.

Resources

6.7 Financial – All reasonable costs associated with the operation of the Pension Fund Committee and the Pension Board will be met by the Shetland Islands Council Pension Fund, in accordance with the LGPS 2015 Regulations.

As an approved duty, any appointed elected Members will be entitled to claim expenses for attendance at meetings. This may result in an increase in expenditure in relation to the Members' Expenses budget. To reduce this impact, every attempt will be made to schedule meetings on the same day as other Council meetings that those Members attend.

There is no provision within the regulations for allowable expenses in relation to other members of the Pension Board.

6.8 Legal – The terms of this report set out the legal requirements for establishing new governance arrangement for the Council's Pension

Fund. The decisions required in this report are not expected to impact on the resources required in Legal Services.

6.9 Human Resources – The decisions required in this report will have some, but not a significant, impact on the resources required in Finance Services [report writing] and Committee Services [servicing meetings].

6.10 Assets And Property – None.

For further information please contact:

[Jan-Robert Riise](#), Executive Manager – Governance and Law- Extn 4551
[Steve Whyte](#), Executive Manager – Finance – Extn 4607

7 March 2015

List of Appendices

Appendix 1 – Pension Fund Committee – Terms of Reference

Appendix 2 – Pension Board – Terms of Reference

Background documents:

Public Services Pensions Act 2013

http://www.legislation.gov.uk/ukpga/2013/25/pdfs/ukpga_20130025_en.pdf

Local Government Pension Scheme (Governance) (Scotland) Regulations 2015

<http://www.legislation.gov.uk/ssi/2015/60/made/data.pdf>

Local Government Pension Scheme (Governance) (Scotland) Regulations 2015

- Model Constitution

<http://www.sppa.gov.uk/Documents/Local%20Government/Useful%20Resources/Advisory%20Group/LGPS%20pension%20board%20model%20constitution%20-%20FINAL.pdf>

END

PENSION FUND COMMITTEE – TERMS OF REFERENCE

1. The power to discharge all functions and responsibilities relating to the Council's role as administering authority for the Shetland Islands Council Pension Fund (the Pension Fund) in terms of the Local Government (Scotland) Act 1994, the Superannuation Act 1972 and the Public Service Pensions Act 2013.
2. These functions include:-
 - 2.1 To oversee the administration of the Local Government Pension Scheme in accordance with the Local Government Pension Scheme (Administration) (Scotland) Regulations 2008.
 - 2.2 To manage the investments of the Pension Fund in accordance with the Local Government Pension Scheme (Management and Investment of Funds) (Scotland) Regulations 2010.
 - 2.3 To prepare, publish and maintain:-
 - (a) a Funding Strategy Statement;
 - (b) a Statement of Investment Principles;
 - (c) a Governance Compliance Statement; and
 - (d) a Pension Administration Strategy.
 - 2.4 To make suitable arrangements for the actuarial valuation of the assets and liabilities of the Pension Fund.
 - 2.5. To consider and agree an investment strategy and management structure for the Pension Fund and:-
 - (a) to develop a responsible investment strategy;
 - (b) to appoint and terminate investment managers, advisers and consultants following due procurement process;
 - (c) to establish performance benchmarks and targets; and
 - (d) to monitor performance.
 - 2.6. To make suitable arrangements for the safekeeping and servicing of the Pension Fund's investment assets.
 - 2.7. To agree an accounting policy for the Pension Fund consistent with International Financial Reporting Standards (IFRS) and relevant authoritative guidance, and to prepare and publish a Pension Fund Annual Report, including an abstract of accounts.
 - 2.8. To be responsible for governance arrangements including regulatory compliance and implementation of audit recommendations in respect of the Pension Fund.
 - 2.9 To oversee and support the work of the Pensions Section.
 - 2.10 To contribute to the development of the Local Government Pension Scheme and pension policies, and to ensure that regulatory and other changes are implemented timeously.

3. Membership

- 3.1 Membership of the Pension Committee will consist of all members of the Council's Policy and Resources Committee appointed by the Shetland Islands Council.

Pension Committee members must not also participate in or act as members of the Pension Board .

4. Meetings

- 4.1 While the statutory roles and function of the Pension Committee and Pension Board are separate, the normal practice will be that both bodies will meet at the same time to consider the same agenda, with the Chair of the Pension Committee chairing the concurrent meeting. The Council's Standing Orders will apply at concurrent meetings. The aim is to engender a positive and proactive partnership culture where in practice the two bodies act as one.

5. Dispute resolution

- 5.1 If the Pension Committee and Pension Board cannot reach joint agreement on any matter the process for resolving any differences between the two bodies will be as follows. Whilst this process is undertaken the decision of the Pension Committee is still competent.
- 5.2 In the first instance, if at least half of the members of the Pension Board agree, then the Pension Board can refer back a decision of the Pension Committee for further consideration if any of the following grounds are met:
- That there is evidence or information which it is considered needs re-evaluating or new evidence or data which the Pension Committee did not access or was not aware of at the point of decision making and which is considered material to the decision taken;
 - That the decision of the Pension Committee could be considered illegal or contrary to regulations;
 - That the decision of the Pension Committee is contrary to a relevant Code of Practice published by the Pensions Regulator; or
 - That the decision is not in the interest of the continued financial viability of the Scheme or is against the principles of proper and responsible administration of the Scheme
- 5.3 If there is no agreement after the matter has been referred back to the Pension Committee, then the difference in view between the Pension Board and the Pension Committee will be published in the form of a joint secretarial report on the Pension Fund website and included in the Pension Fund annual report.
- 5.4 The Scottish LGPS Scheme Advisory Board may also consider and take a view on the matter and, if considered appropriate, provide advice to the Scheme Manager or the Pension Board in relation to the matter.

END

PENSION BOARD – TERMS OF REFERENCE

1. Introduction

- 1.1. Each Local Government Pension Scheme Manager in Scotland is required to establish a Board separate from the Committee that acts as the Scheme Manager.
- 1.2. The Shetland Islands Council Pension Fund Pension Board is established under the provisions of The Local Government Pension Scheme (Scotland) Regulations 2014.

2. Objectives

- 2.1 The Pension Board is the body responsible for assisting the Scheme Manager in relation to compliance with scheme regulations and the requirements of the Pensions Regulator.
- 2.2 The Pension Board will determine the areas they wish to consider including, amongst others:
 - Reports produced for the pensions committee;
 - Seek reports from the Scheme Manager on any aspect of the Pension Fund;
 - Monitor investments and the investment principles/strategy/guidance;
 - The Pension Fund annual report;
 - External voting and engagement provisions;
 - Pension Fund administrative performance;
 - Actuarial reports and valuations;
 - Pension Fund funding policy; and
 - Any other matters that the Pension Board deems appropriate.

3. Membership

- 3.1 Membership of the Pension Board will consist of equal numbers of trade union representatives and employer representatives, drawn from Shetland Islands Council and scheduled or admitted bodies in membership of the Pension Fund. Pension Board representatives must not also participate in or act as members of the Pension Committee. Local Authority employer representatives will be Elected Members of the Council.
- 3.2 The Scheme Manager will appoint a senior officer as Joint Secretary. The trade unions will appoint their own Joint Secretary. The Joint Secretary's role is to liaise with Pension Board members and other colleagues to support the smooth operation of Pension Board meetings and to assist in the resolution of any issues arising within normal Pension Board meetings or processes.

- 3.3 The term of appointment to the Pension Board will be concurrent with the Council election cycle. Pension Board members may be reappointed to serve further terms.
- 3.4 There will be four trade union representatives appointed from amongst the Council's recognised trade unions as follows:

GMB
Nautilus International
UCATT
UNISON
Unite

- 3.5 Trade unions will arrange their own selection process. The Scheme Manager will confirm the appointments once satisfied that the persons to be appointed do not have a conflict of interest.
- 3.6 There will be four employer representatives appointed by the respective employer organisations as follows:

Shetland Islands Council	3
Scheduled/Admitted bodies	1

- 3.7 The Shetland Islands Council representatives will be Councillors appointed by the Council. On ceasing to be a Councillor the Council representatives will also cease to be a member of the Pension Board.
- 3.8 The Scheduled and Admitted Bodies will be invited to nominate representatives who will be chosen by the drawing of lots at a meeting of the Pension Board.
- 3.9 Pension Board representatives will serve for a period concurrent with the Council election cycle and may be reappointed to serve further terms. Timescales for organisations to notify the Pension Board of their representatives shall be determined locally. Employer bodies and organisations retain the right to withdraw representatives and identify replacements on occasion. Pension Board representatives are required to adhere to the Model Code of Conduct as specified by Scottish Government (details can be found at the link <http://www.scotland.gov.uk/Topics/Government/localgovernment/governance/ethical-standards/codes>)
- 3.10 Appointing bodies can appoint a named substitute for their representative. Such substitutes must undertake the same training as set out in section 6 below.
- 3.11 Advisors may attend meetings of the Pension Board in a non-voting capacity.
- 3.12 No person may be appointed to the Pension Board who has a significant conflict of interest. A conflict of interest is defined as a financial or other

interest which is likely to prejudice a person's exercise of functions as a member of the Pension Board. It does not include a financial or other interest arising merely by virtue of that person being a member of the scheme or any connected scheme for which the Pension Board is established. The Pension Board will adopt policies and protocols for handling any conflicts that are unanticipated and might arise during membership.

- 3.13 Ordinarily all items, including exempt items, will be open to the Pension Board. Exceptionally, the Pension Committee may reserve the right to consider items in the Pension Board's absence.

4. Meetings

- 4.1 The Chair of the Pension Board will be rotated on an annual basis between the trade union and employer sides of the Pension Board.
- 4.2 Pensions Board meetings will be administered by Shetland Islands Council as agreed with the Joint Secretaries appointed by the trade union and the employers' sides of the Pension Board. All reasonable administration costs shall be met by the Pension Fund.
- 4.3 The Pension Board will meet at least quarterly. A majority of either side may requisition a special meeting of the Pension Board in exceptional circumstances.
- 4.4 The Pension Board may establish sub-committees.
- 4.5 While the statutory roles and function of the Pension Committee and Pension Board are separate, the normal practice will be that both bodies will meet at the same time to consider the same agenda, with the Chair of the Pension Committee chairing the concurrent meeting. The Council's Standing Orders will apply at concurrent meetings. The aim is to engender a positive and proactive partnership culture where in practice the two bodies act as one.

5. Dispute resolution

- 5.1 If the Pension Committee and Pension Board cannot reach joint agreement on any matter the process for resolving any differences between the two bodies will be as follows. Whilst this process is undertaken the decision of the Pension Committee is still competent.
- 5.2 In the first instance, if at least half of the members of the Pension Board agree, then the Pension Board can refer back a decision of the Pension Committee for further consideration if any of the following grounds are met:
- That there is evidence or information which it is considered needs re-evaluating or new evidence or data which the Pension Committee did not access or was not aware of at the point of

decision making and which is considered material to the decision taken;

- That the decision of the Pension Committee could be considered illegal or contrary to regulations;
- That the decision of the Pension Committee is contrary to a relevant Code of Practice published by the Pensions Regulator; or
- That the decision is not in the interest of the continued financial viability of the Scheme or is against the principles of proper and responsible administration of the Scheme

5.3 If there is no agreement after the matter has been referred back to the Pension Committee, then the difference in view between the Pension Board and the Pension Committee will be published in the form of a joint secretarial report on the Pension Fund website and included in the Pension Fund annual report.

5.4 The Scottish LGPS Scheme Advisory Board may also consider and take a view on the matter and, if considered appropriate, provide advice to the Scheme Manager or the Pension Board in relation to the matter.

6. Training

6.1 All members (and named substitutes) of the Pension Board must undertake a training programme in accordance with any guidance issued by the pensions regulator and complying with best practice training requirements of the Pension Committee.

6.2 The Pension Board shall agree policies and arrangements for the acquisition and retention of knowledge and understanding for Pension Board members.

6.3 The Scheme Manager will keep an updated list of the documents with which they consider Pension Board members need to be conversant to effectively carry out their role and make sure that both the list and the documents are accessible.

7. Access to Information

7.1 The Scheme Manager and the Pension Board will together ensure that information is published about the activities of the Pension Board including:

- the full terms of reference for the Pension Board, including details of how it will operate;
- the Pension Board appointment process;
- who each individual Pension Board member represents; and
- any specific roles and responsibilities of individual Pension Board members.

- 7.2 The minutes of the Pension Board will be published on the Pension Fund website. The Pension Board may undertake such communications and stakeholder engagement as it deems appropriate to perform its functions.

END

**Shetland Islands Council****27 May 2015****Local Government Boundary Commission for Scotland – Fifth Statutory Review – Initial Proposals for Electoral Wards**

GL-23-F

**Report Presented by
Executive Manager – Governance and Law****Corporate Services Department****1.0 Summary**

- 1.1 The purpose of this report is to bring to the attention of the Council the proposals for wards in the Shetland Islands Council area, as presented by the Local Government Boundary Commission for Scotland (LGBS). The proposals for Shetland, along with a map showing the current electoral boundaries as against those now proposed, are attached as Appendix 1 and Appendix 2 respectively.
- 1.2 The Council may wish to consider taking up this initial opportunity to comment on the proposals, but this report is recommending that the Council consider making its response in support, or otherwise, of any representations made during the formal public consultation period to follow during this summer.

2.0 Decision Required

- 2.1 That the Council RESOLVES to:
- 2.1.1 Note the conclusion of the Commission that Shetland retains the current number of councillors – 22;
- 2.1.2 Make no representations at this time as to the proposals for electoral wards, but consider the matter further during the formal public consultation at Stage 3.b of the process.

3.0 Detail

- 3.1 When the Council considered a report on this matter on 23 April 2014 (SIC Min. Ref. 23/14) a timetable for the completion of this 5th statutory review was given which displayed a number of stages to the review all of which were to be completed before May 2016, approximately 1 year before the local government elections to be held in May 2017.

- 3.2 In that report Members were asked to comment on the initial views of the Boundary Commission to the effect that Shetland Islands Council should continue to retain 22 Councillors. The Council agreed to that proposal and the Commission were subsequently notified. Thereafter, in September 2014 the Commission published their conclusions in respect of all Councils and the numbers set for Shetland Islands Council was as previously indicated, 22.
- 3.3 The Commission then proceeded to review the configuration of multi-member wards for each area, applying the criteria which had been used in previous reviews, namely forecast electorate counts and parity of numbers, local ties, identifiable boundaries and geographical considerations.
- 3.4 The proposals which have emerged for Shetland, and were provided to the Council on 18 March 2015, are attached as Appendix 1. In considering the factors which have prevailed in arriving at these proposals, it is also worth reflecting on the guidance paper given to the Council in February 2014, and a copy can be found on the LGBS website at the link given at the end of this report.
- 3.5 As was reported in April 2014, based on electorate information as at 31 March 2014, four of Shetland's current wards had little deviation from electoral parity. However the wards of West, South and Lerwick South were identified as having fairly significant deviations from parity. The Council invited the Commission to consider retaining the existing boundaries throughout Shetland on the basis that they reflected known localities for the provision of services. However, there was recognition that the deviation from parity would be likely to give rise to proposals for some modification to existing boundaries.
- 3.6 The proposals seek to increase the number of electorate and came within the Shetland West ward by expanding its boundary to take in the electorate based around Girsta, Laxfirth and Dales Voe. The Shetland Central ward is then compensated by adding the electorates of Gulberwick and Quarff taken from Lerwick South and Shetland South, respectively. These latter two wards were shown to have significantly increased their electorate since the 2006 statutory review and the move of these electoral divisions to the Central ward brings both of Lerwick South and the Shetland South ward much closer to the electoral parity figure of 800 voters per Councillor.
- 3.7 Following receipt of these proposals, individual Councillors were supplied with a copy, and a presentation was made to the Association of Community Councils at their meeting on 18 April 2015. Directors of each of the Council departments have also had an opportunity to consider the proposals and to make any representations. I have not received either negative nor positive comments in respect of the proposals and the period for response expired on 19 May, although the Council was given an extension to allow further consideration to be taken at today's meeting.
- 3.6 In the absence of any expressions of concern it is suggested that the Council make no specific representations at this point but reserve the right to do so in the event that matters emerge during the public

consultation which will extend for a 12 week period which is likely to commence with the next two months.

4.0 Implications

Strategic

- 4.1 Delivery On Corporate Priorities – The terms of this report link with the Council's stated priority in its Corporate Plan - Being a properly led and well managed Council, dealing with challenges effectively, and doing that within our means.
- 4.2 Community /Stakeholder Issues – As mentioned in paragraph 3.7 above, the proposals were discussed with the Association of Community Councils at its meeting on 18 April, and all Members have been provided with the proposals and offer to comment. No comments, negative or positive, have been received.
- 4.3 Policy And/or Delegated Authority – Determination of the Council's response to the review has not been delegated to any Committee or officer and therefore this matter remains reserved to the Council.
- 4.4 Risk Management – No strategic or operational risks to the Council have been identified.
- 4.5 Equalities, Health And Human Rights – None.
- 4.6 Environmental – None.

Resources

- 4.7 Financial – None.
- 4.8 Legal – None.
- 4.9 Human Resources – None.
- 4.10 Assets And Property – None.

5.0 Conclusions

- 5.1 This report deals with stage 3a of the consultation process between the LGBS and the Council. Stage 3b will be a 12 week public consultation period. The recommended approach is for the Council not to make any response at this time, but to await the commencement of the public consultation period, when more feedback from communities may be received.

For further information please contact:
Jan Riise, Executive Manager – Governance and Law
01595 744551 jan.riise@shetland.gov.uk
20 May 2015

List of Appendices

Appendix 1 – LGBS Proposals document

Appendix 2 – SIC map showing before and after proposals

Background documents:

Shetland Islands Council - 23 April 2014 – report: Local Government Boundary Commission for Scotland – Fifth Statutory Review - Initial Proposal on Councillor Numbers

<http://www.shetland.gov.uk/coins/submissiondocuments.asp?submissionid=16179>

LGBS – Fifth Electoral Review – Shetland Islands

http://www.lgbc-scotland.gov.uk/reviews/5th_electoral/shetland_islands/

END

Fifth Reviews of Electoral Arrangements

Shetland Islands Council Area

Proposals for wards



March 2015

91 Haymarket Terrace

Edinburgh EH12 5HD

Tel: 0131 538 7510

Email: lgbcs@scottishboundaries.gov.uk

Fax: 0131 538 7511

Web: www.lgbc-scotland.gov.uk

Twitter: @lgbcs

Membership of the Commission

Chairman: Mr Ronnie Hinds

Deputy Chairman: Mr William Magee

Commissioners: Mr Roland Bean
Prof. Ailsa Henderson
Dr Susan Walker

Secretary to the Commission: Dr Hugh Buchanan (to October 2014)
Ms Isabel Drummond-Murray (from October 2014)

Contents

Introduction	1
The reviews	1
Our proposals for wards in Scotland	2
Consultation on our proposals for wards.....	2
Proposals for wards in Shetland Islands council area.....	4

Introduction

1. The Local Government Boundary Commission for Scotland is an independent, non-political body whose purpose is to make recommendations for local government administrative and electoral boundaries in Scotland.
2. We are tasked by the Local Government (Scotland) Act 1973 to undertake reviews of local government electoral arrangements in Scotland. These reviews are our fifth periodic reviews of local government electoral arrangements in Scotland since we were first established in 1973. We intend to submit a report containing our recommendations for electoral arrangements for each council area in Scotland to the Scottish Ministers by May 2016, in time for implementation for the next local government elections in May 2017.
3. This booklet contains a summary of our proposals for Scotland as a whole and our proposals for wards in Shetland Islands council area, and information on how to participate in our consultation with councils from 19 March to 19 May 2015.

The reviews

4. In 2011 we consulted the public on our methodology for determining councillor numbers. The results of that consultation can be found on our website www.lgbc-scotland.gov.uk
5. We formally began the current reviews on 21 February 2014. We consulted councils and the public on our proposals for councillor numbers for each council between February 2014 and August 2014. We have now considered all the submissions received during these consultations. We have reached a decision on councillor numbers and the associated ward designs and are now presenting our proposals for wards for further consultation. The meeting papers that informed our deliberations and the minutes of our meetings are referenced on page 4. Details of how to participate in the consultation are given below.
6. For each electoral ward, we make recommendations about its boundary, its name and the number of councillors to represent the ward (legislation restricts this to either 3 or 4 councillors).
7. When reviewing electoral arrangements the legislation requires us to take account of the following factors:
 - the interests of effective and convenient local government;
 - within each council, that each councillor should represent the same number of electors as nearly as may be;
 - local ties which would be broken by making a particular boundary;
 - the desirability of fixing boundaries that are easily identifiable; and
 - special geographical considerations.
8. For further information on the policies and procedures we have adopted to underpin these reviews and the legal requirements for ward design, please refer to our *Guidance*

Booklet, which is available on our website http://www.lgbc-scotland.gov.uk/reviews/5th_electoral/resources.asp or on request.

Our proposals for wards in Scotland

9. We developed our proposals using electorate data from 1 September 2013. The number of electors registered in each council electoral ward on that date can be found on our website. In developing our proposals for wards, we have had regard to the likely changes in the number of electors by considering forecast electorate counts in 2019. The methodology we have used to forecast electorates can be found on our website. Whilst the dataset does not include 16 and 17 year olds, we have considered the impact their inclusion on the electoral register would have and are content that this would not affect our proposals.
10. Our proposals use population size to set councillor numbers. In keeping with past reviews we have created categories of similar councils to set ratios of councillors to electors. In doing so, we have used population distribution and levels of deprivation to group councils together. Population size, however, remains the biggest determinant of councillor numbers and the design of wards.
11. We consulted on proposals for councillor numbers in 2014. In 5 council areas, we have changed the number of councillors proposed for the area from our original proposals for councillor numbers because it allows us to take better account of the factors in the legislation during ward design. Overall, our proposals provide for 1,217 councillors representing 351 wards in Scotland: a decrease of 6 councillors and 2 wards from existing electoral arrangements.
12. Our proposals for wards include unchanged electoral arrangements in 2 council areas and minor changes in 2 other council areas.
13. Nationally, over 96% of proposed wards are forecast to be within 10% of parity for the council area. At present 17% of existing wards are 10% or more from parity. Only 2 proposed wards are forecast to be more than 15% from parity, compared to 19 existing wards.
14. Our proposals improve parity between councillors in terms of the number of electors they represent (the forecast average variation from a council area's parity per councillor improves from 6.0% for existing wards to 4.6% for proposed wards).
15. In general we have sought to construct wards from complete local sub-geographies such as community council areas. In our proposals for wards almost 80% of community council areas are wholly within wards. In a few council areas, we have adopted ward designs that recognise other locally-significant boundaries such as community planning areas, neighbourhoods or natural communities.

Consultation on our proposals for wards

16. The legislation provides that we must first of all consult on our proposals with councils. This consultation on our proposals for wards runs from 19 March 2015 until 19 May 2015. After consideration of responses to this consultation with councils, we intend to conduct a 12-week public consultation on our proposals for wards between

July and October 2015. Depending on the outcome of the consultation, we may further develop and consult on our proposals later in 2015. We expect to submit our reports containing our final recommendations to the Scottish Ministers by May 2016.

17. Further copies of this booklet are available on request.
18. We welcome all comments on our proposals to help inform our deliberations. Comments can be made in the following ways:

in writing to:	Local Government Boundary Commission for Scotland Thistle House 91 Haymarket Terrace Edinburgh EH12 5HD
by email to:	comments@scottishboundaries.gov.uk

19. All comments we receive in response to this consultation will be available to view on our website in due course. For further information, please visit our website.
20. Where comments contain objections to our proposals, it would be helpful if they could be accompanied by alternative proposals that take account of statutory requirements and consider the consequences on the council area as a whole.

Proposals for wards in Shetland Islands council area

21. The maps on the following pages illustrate our proposals for wards in Shetland Islands council area which retain an electoral arrangement for 22 councillors representing 6 3-member wards and 1 4-member ward.

22. Our proposals for the council area:

- improve overall forecast parity;
- address forecast disparities in wards 3 and 5;
- make no changes to wards 1 and 2;
- make no changes to ward names; and
- change ward boundaries in and around Lerwick, Tingwall and Quarff.

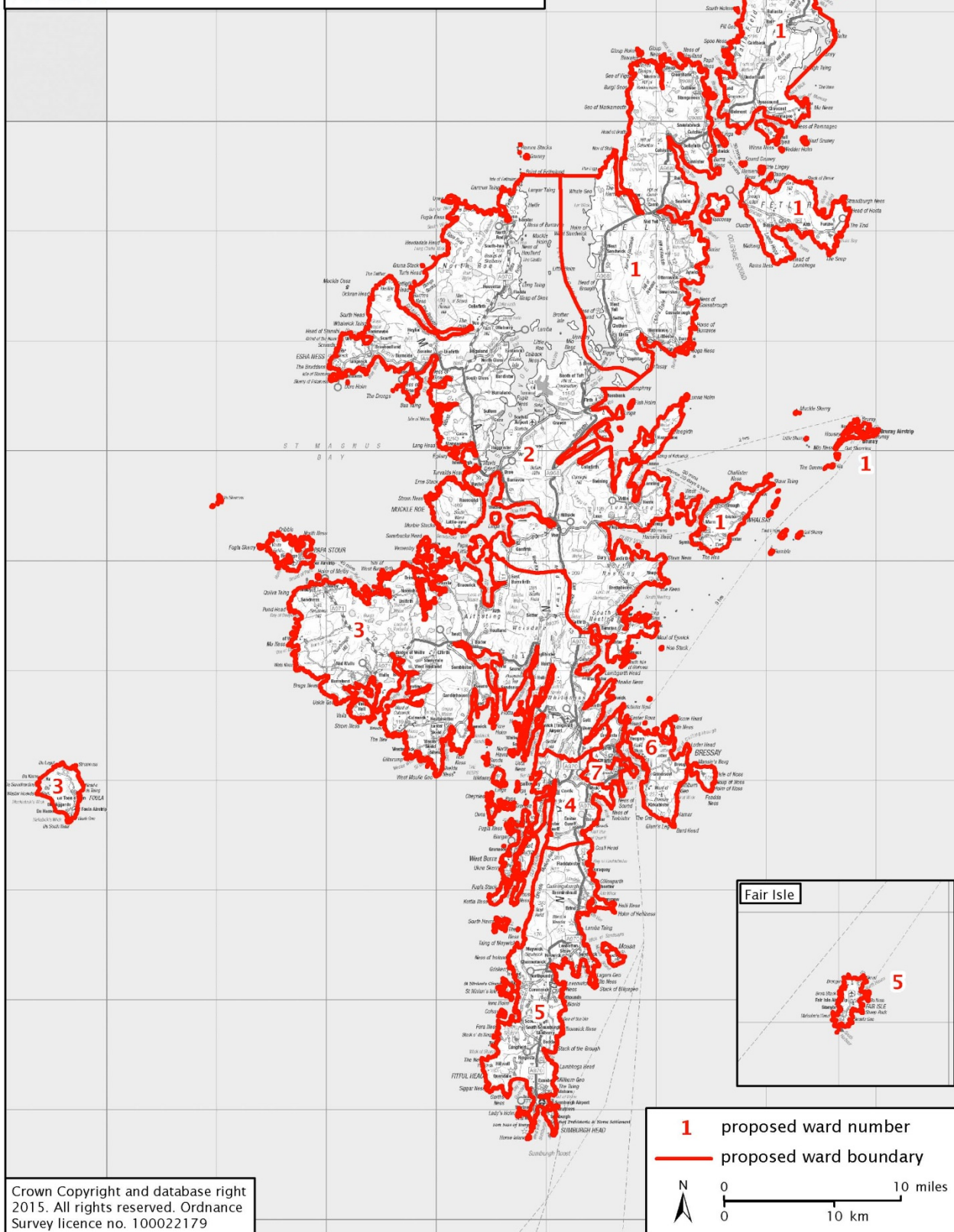
23. We discussed the proposals for Shetland Islands council area at our meeting of 13 January 2015 (See LGBCS Paper 2273/15). We decided on our proposals at our meetings of 3 February 2015 and 3 March 2015 (see LGBCS Paper 2276/15).

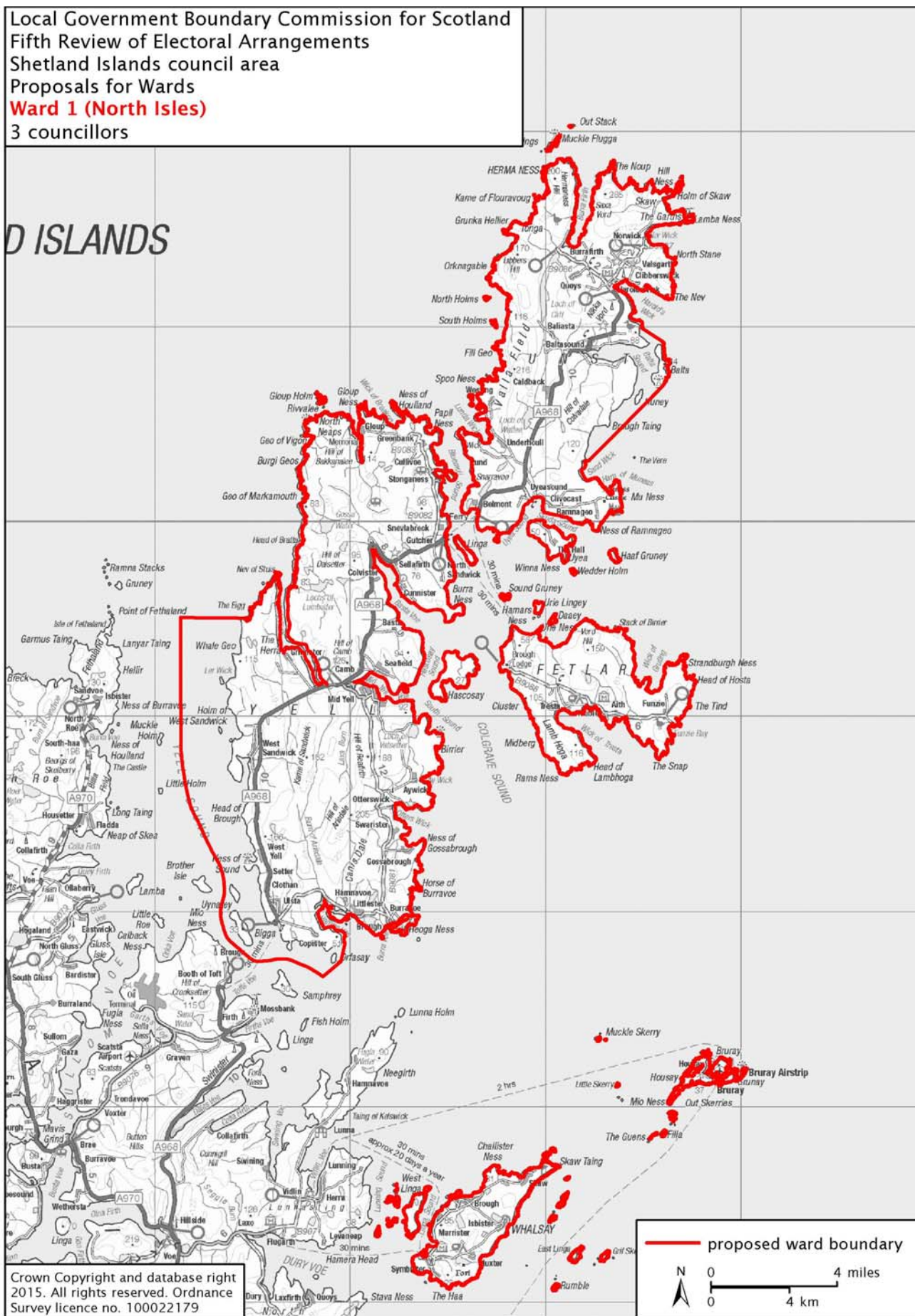
24. Table 1 below details the electorates and associated variation from parity of the proposed wards:

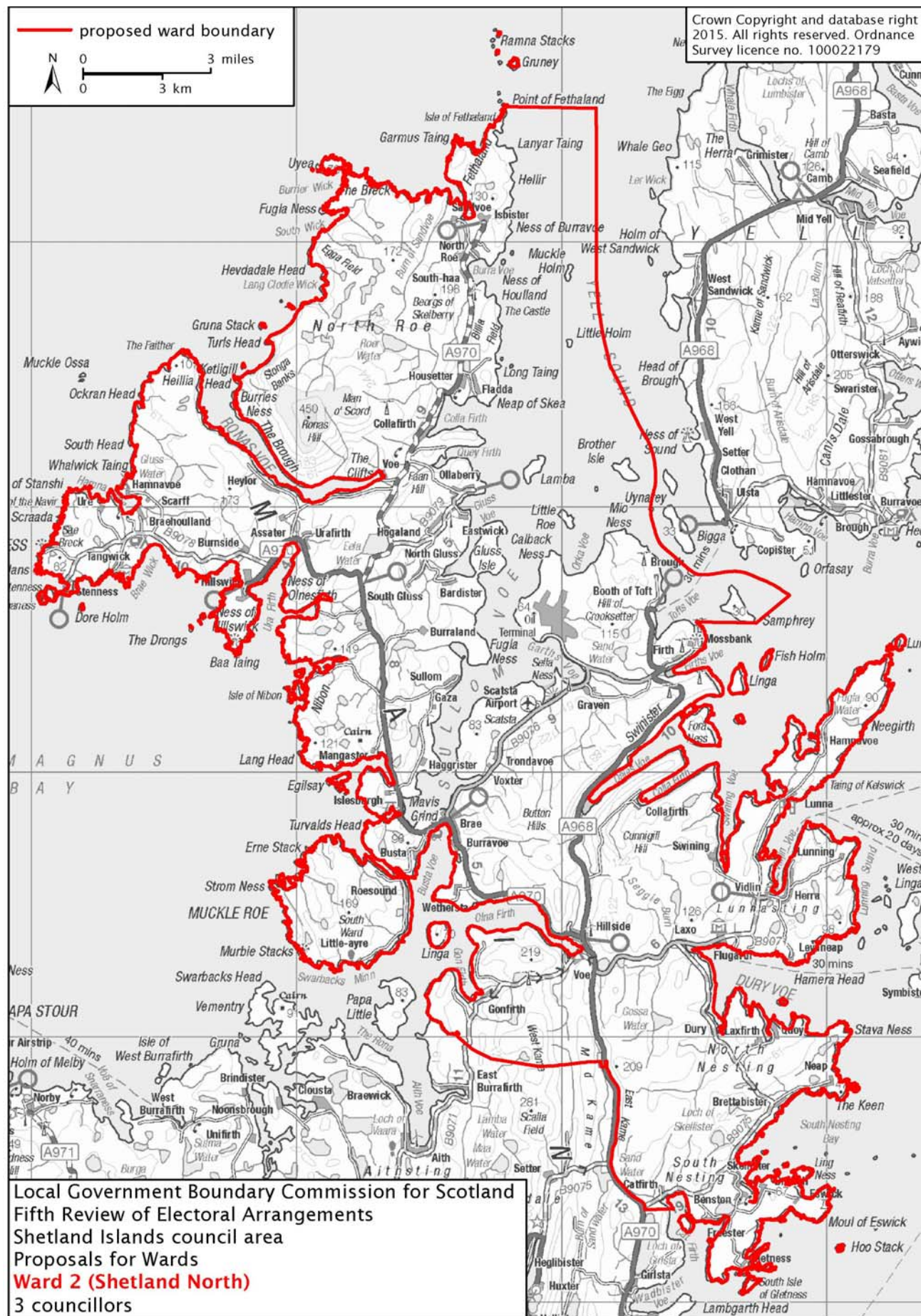
ward no.	ward name	cllrs	electorate Sept 13	actual variation from parity	forecast electorate 2019	forecast variation from parity
1	North Isles	3	2,297	-5%	2,305	-7%
2	Shetland North	3	2,490	3%	2,484	1%
3	Shetland West	3	2,577	6%	2,606	6%
4	Shetland Central	3	2,258	-7%	2,249	-9%
5	Shetland South	3	2,570	6%	2,576	4%
6	Lerwick North	3	2,420	0%	2,611	6%
7	Lerwick South	4	3,163	-2%	3,258	-1%
Totals		22	17,775	4%	18,089	5%

Table 1 – proposed wards' electorate counts.

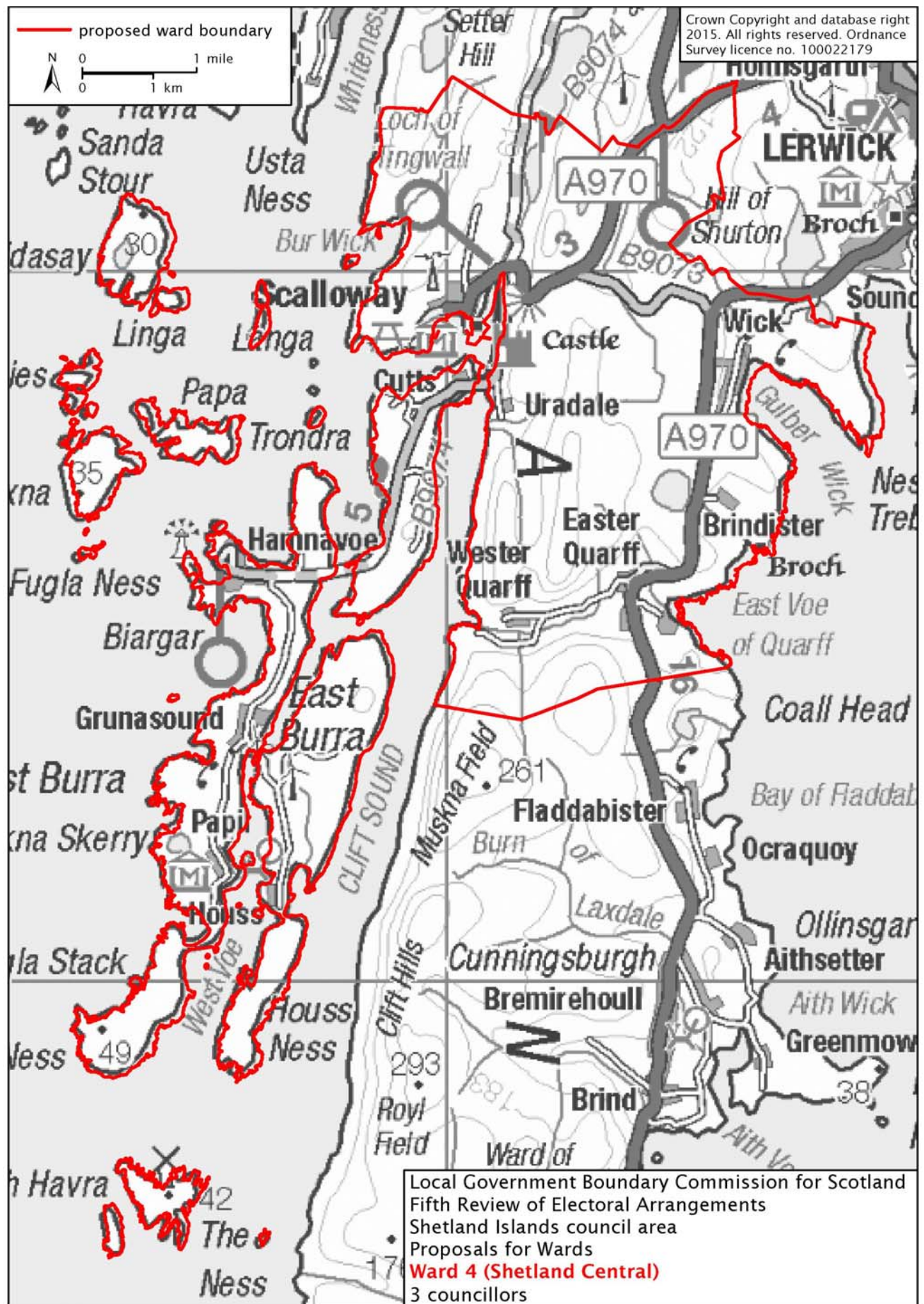
Local Government Boundary Commission for Scotland
Fifth Review of Electoral Arrangements
Shetland Islands council area
Proposals for Wards
All Wards



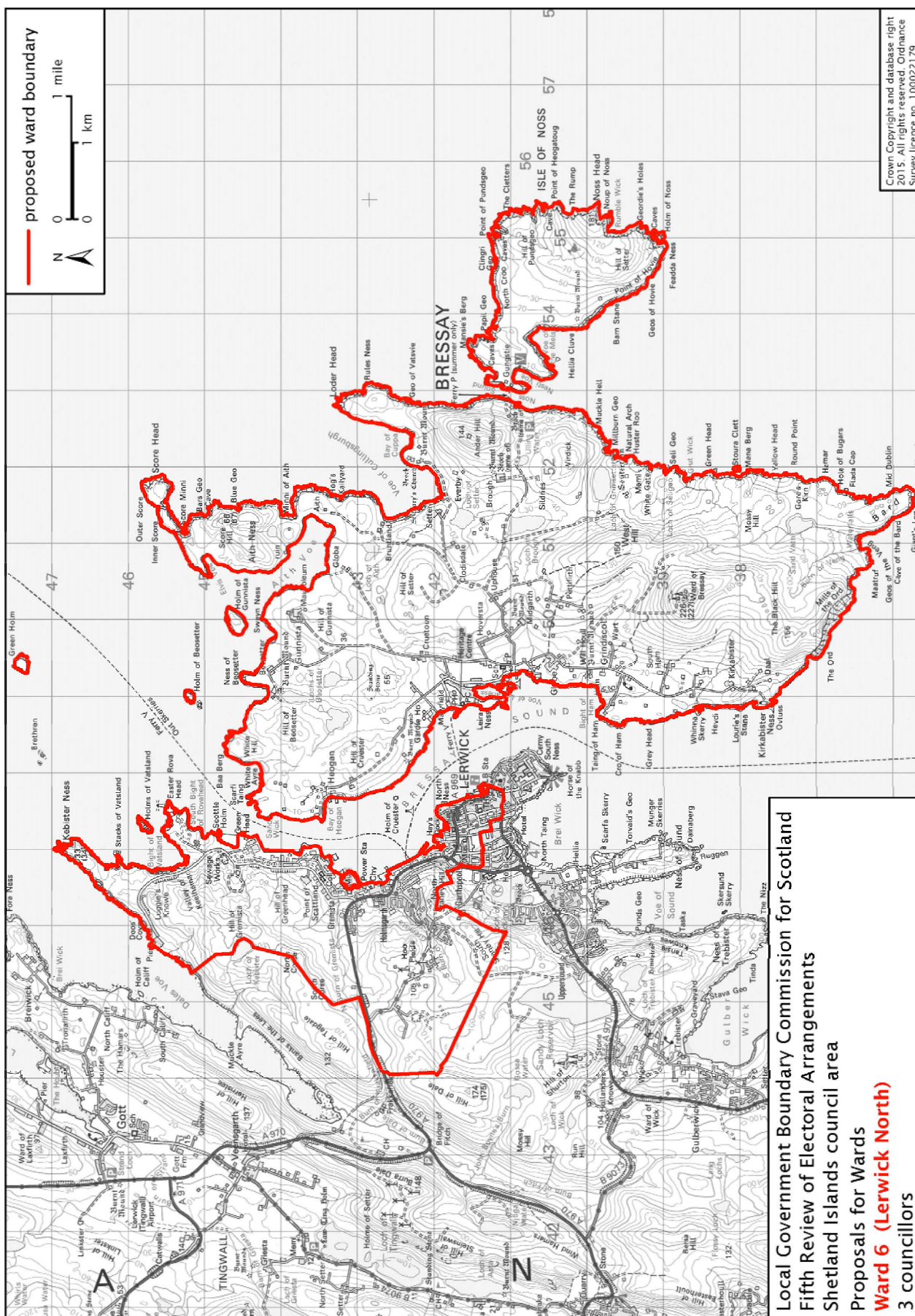


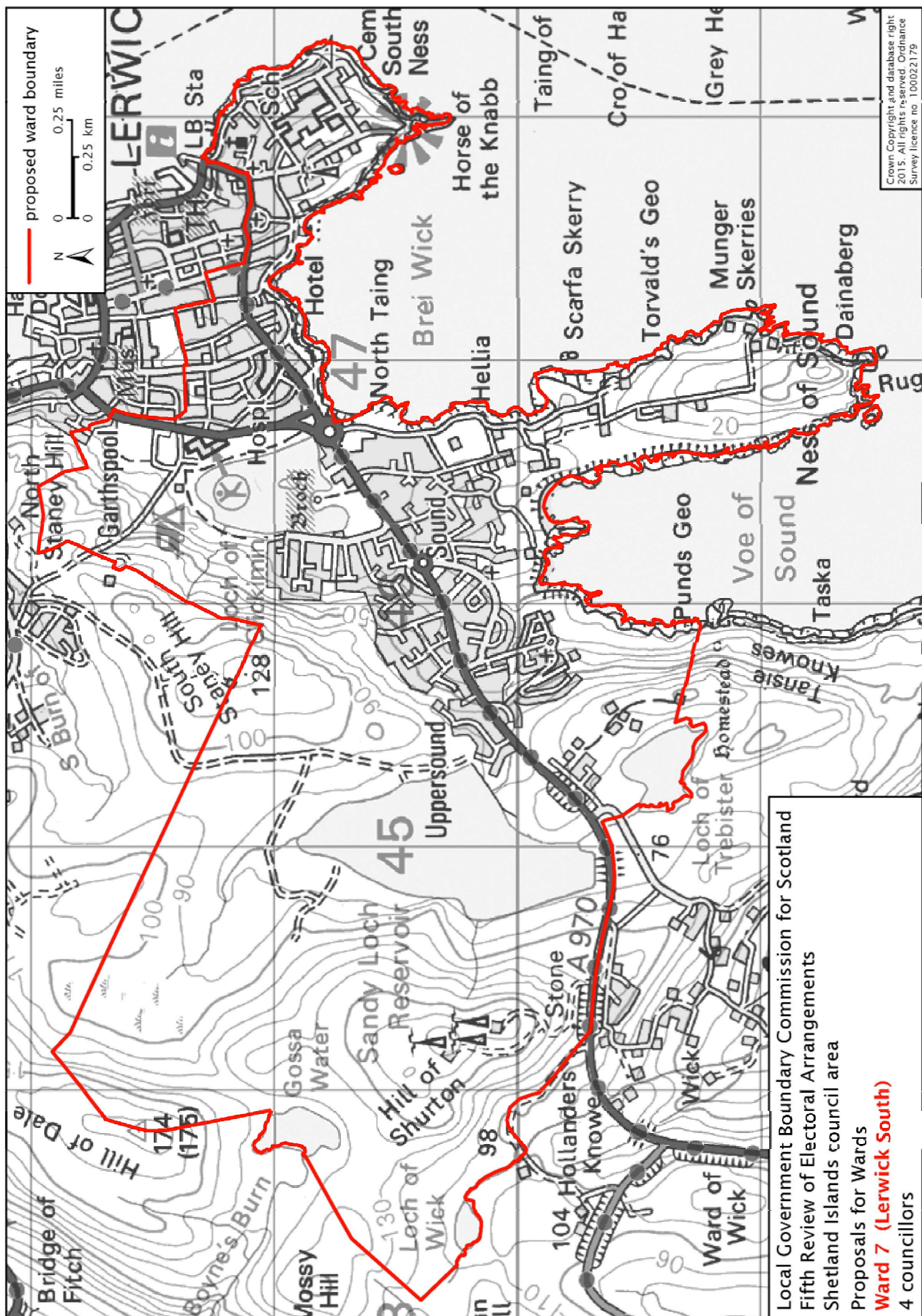


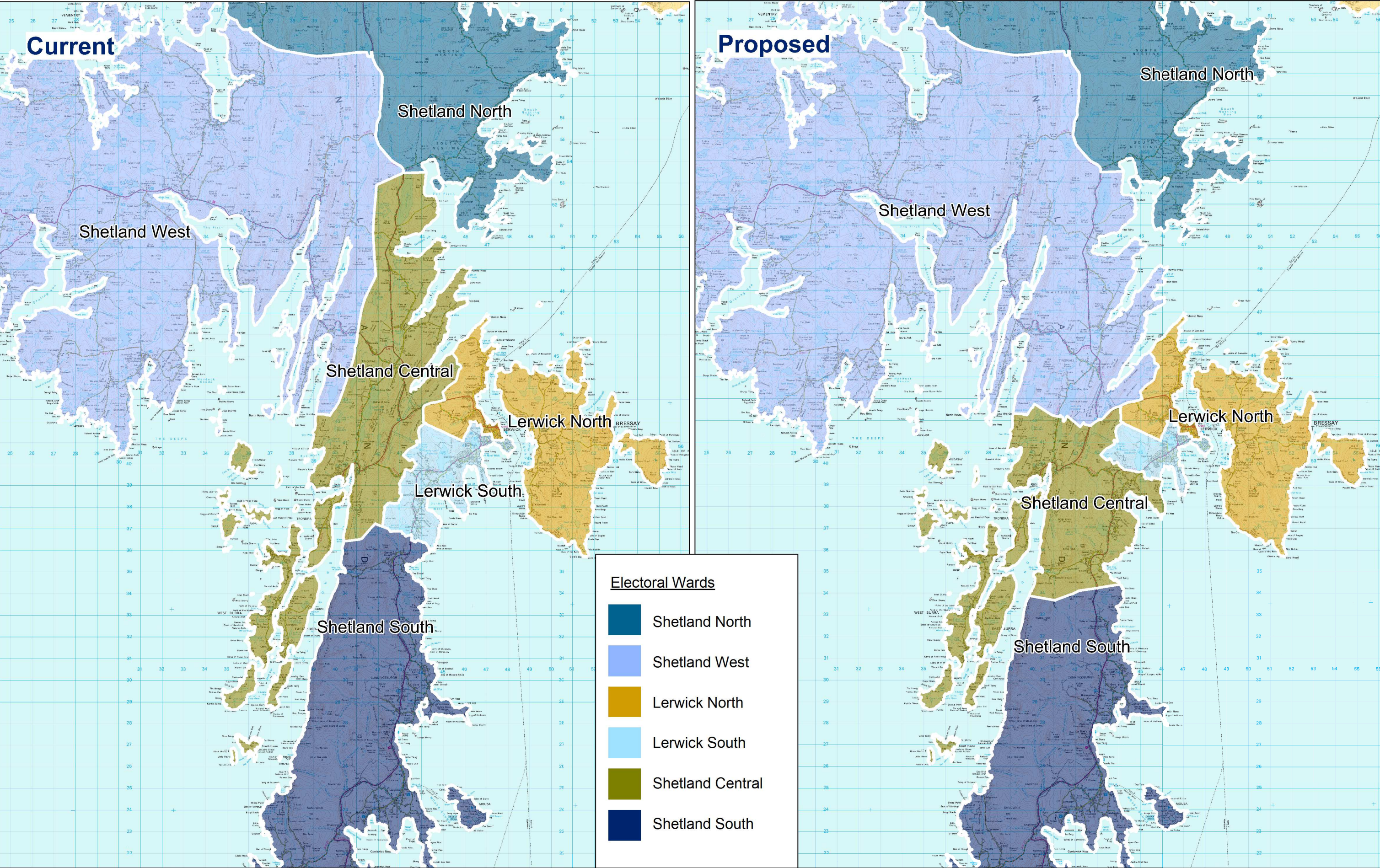












Shetland Electoral Wards Current and Proposed March 2015

Reproduced by permission of Ordnance Survey on behalf of HMSO.
© Crown copyright and database right 2015. All rights reserved. Ordnance Survey Licence number 100024344.

