Agenda Item
1

Shetland Islands Council

Policy and Resources Committee **18 April 2016**

Chair's Report – Development Committee – 11 April 2016

Business Case for the use of Assets Transferred from Shetland Development Trust
Report No. P&R–0418-DV-19

1.0 Summary

1.1 The purpose of this report is to consider a recommendation from the Chair of Development Committee in relation to a report requiring a decision from Policy and Resources Committee.

1.2 The Development Committee considered a report which presented the full business case for the use of assets transferred into Shetland Islands Council (Council) from the Shetland Development Trust (SDT) (Appendix 1). The work formed part of the ongoing project to establish a Shetland investment portfolio, fund and lending service for the Council (the project).

1.3 The business case demonstrated that Option 3, to retain a lending service at a value of £15m, with the balance of £3m invested in managed funds, provides the optimum benefit to Shetland.

2.0 Decision Required

2.1 That the Policy and Resources Committee **RESOLVES** to adopt the recommendation from the Development Committee, namely to:

2.1.1 Agree a provision of £15m for local lending from a Shetland Investment Fund with the balance of £3m remaining as managed funds.

2.1.2 Note that the Project Board will continue to meet to oversee the review of policies and procedures for lending activity, reporting progress, and recommending decisions, where necessary.

3.0 Report

3.1 The report as presented to Development Committee is attached as Appendix 1.

3.2 The Chair will present any further information to the Committee 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 as Appendix 1, which includes the strategic and resources implications for the Council.

4.2 Copies of the report can also be accessed via the Council's website at the link shown below, or by contacting Committee Services.

4.3 There are no additional implications to be considered by the Committee.

For further information please contact:

Mr A Cooper, Chair of Development Committee
11 April 2016

List of Appendices
Appendix 1: DV-19-16-F
Business Case for the use of Assets Transferred from Shetland Development Trust

Background documents:
Development Committee – 11 April 2016

http://www.shetland.gov.uk/coins/Agenda.asp?meetingid=5101

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Appendix

1

Shetland Islands Council

Development Committee **11 April 2016**
Policy & Resources Committee **18 April 2016**

Business Case for the use of Assets Transferred from Shetland Development Trust	
Report No: DV-19-16–F2	
Report Presented by: Executive Manager – Economic Development	**Economic Development Development Services Department**

1.0 Summary

1.1 This report concerns the full business case for the use of assets transferred into Shetland Islands Council (Council) from the Shetland Development Trust (SDT). This work forms part of the ongoing project to establish a Shetland investment portfolio, fund and lending service for the Council (the project).

1.2 The business case has demonstrated that Option 3, to retain a lending service at a value of £15m, with the balance of £3m invested in managed funds, provides the optimum benefit to Shetland.

3.0 Decision Required

3.1 That the Development Committee RECOMMEND that the Policy and Resources Committee RESOLVE to:

3.1.1 Agree a provision of £15m for local lending from a Shetland Investment Fund with the balance of £3m remaining as managed funds.

3.1.2 Note that the Project Board will continue to meet to oversee the review of policies and procedures for lending activity, reporting progress, and recommending decisions, where necessary.

3.0 Detail

3.1 A project was initiated in 2014 to establish a Shetland Investment portfolio, fund and lending service for the Economic Development Service (EDS). The first phase of this included the transfer of SDT assets and undertakings to the Council and this has been achieved.

3.2 The Project Board made a decision to review the Business Case for the use of the transferred assets in May 2015. This decision reflected the need to ensure that best value is achieved from the assets. It is important that the Council takes decisions based on evidence and supported by effective assessments of options and potential effects.

3.3 The Development Committee on 8 October 2015 [Min Ref: 40/15], and Policy and Resources Committee on 26 October 2015 [Min Ref: 63/15] resolved to note progress with the Business Case and agreed to 4 short-listed options. The Committee also agreed to retain the fishing quota assets transferred to the Council. The business case therefore relates to the remaining assets with an approximate value of £18m.

3.4 The shortlisted options have now been assessed and the Full Business Case is attached as appendix A. The recommended option is to retain a lending service and to agree a Shetland Investment Fund of £15m. The balance of £3m will remain in managed funds.

3.5 The business case evidences why the Council should continue to provide a lending service. By investing cash into the economy, rather than financial markets, the Council receives less direct income but proportionally more value and benefit to the Shetland economy, which is in line with the aim of this project.

3.6 A lending service will address the access to finance barrier that exists for many businesses starting up, expanding and maintaining sustainability. However, we must ensure that risks taken are measured and managed to ensure the sustainability of the fund into the future.

3.7 If approved, the next step will be to recommence the project and to complete the review of all policies, procedures and systems required to deliver an effective service. The Project Board will continue to oversee the work with decisions taken by Committee as required.

4.0 Implications

<u>Strategic</u>

4.1 <u>Delivery on Corporate Priorities</u> – Shetland Islands Council's Our Plan 2016 - 2020 recognises that Shetland's future prosperity is dependent on maintaining a sustainable economy. The lending service assists in the delivery of the following Economy & Housing objectives detailed in the Corporate Plan:

- “The long term community plan aim is for Shetland to have good places to live as well as sustainable economic growth with good employment opportunities, and for our residents to have the skills they need to benefit from those opportunities.”

- “We have an economy that promotes enterprise and is based on making full use of local resources, skills and a desire to investigate new commercial ideas.”

- “We will be investing development funds wisely to produce the maximum benefit for Shetland’s economy.”

4.2 Community/Stakeholder Issues –The Business Case identifies the option which maximises benefit from the assets for the good of the Shetland community.

4.3 Policy and/or Delegated Authority – The need to plan and deliver the best use of the transferred assets, combined with the current Council local investment assets, fits with the Council’s overall investment strategy.

The Medium Term Financial Plan (MTFP) includes an objective to achieve financial sustainability over the lifetime of the current Council and ensure that resources are appropriately aligned to Corporate, Directorate and Service Plans.

The Development Committee has functional responsibility for economic development matters, including decisions on business investments.

The Policy and Resources Committee must however make a decision as this Committee has functional responsibility for Council resources, including assets and delegated authority for the co-ordination, control and proper management of the financial affairs of the Council.

4.4 Risk Management – The detailed risks associated with providing a lending service are covered in the Business Case (section 3.9).

All investments carry some degree of risk. Risks associated with investing in the stock market or local businesses are mitigated through active management.

4.5 Equalities, Health and Human Rights – None.

4.6 Environmental – None.

Resources

4.7 Financial – At present there is an MTFP provision of £12m for local lending. As at 1 February 2016 the total value of loans and commitments yet to be released was £8.5m.

The proposal comes at an additional revenue cost of £0.05m, which would be met from within existing budgets.

The updated MTFP can accommodate the proposal, due to the funding that transferred from SDT being excluded from any commitments in advance of this report being prepared.

4.8 Legal – None.

4.9 Human Resources – Additional staffing resources will be required to be allocated to this service area to ensure professional delivery of the lending services as the value of the portfolio increases.

4.10 Assets and Property – This report concerns the best use of assets owned by the Council.

5.0 Conclusions

5.1 The attached Full Business Case demonstrates the best use of the assets transferred into the Council from the SDT. Approval is sought to retain a lending service and to agree a Shetland Investment Fund of £15m. The balance of funds transferred from the SDT will remain in managed funds.

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Report finalised: 4 April 2016

Appendices:

Appendix A – Full Business Case for the Use of Assets Transferred from Shetland Development Trust
Appendix 1 – Case Studies
Appendix 2 – Long List of Options
Appendix 3 – Assessment of Long List of Options
Appendix 4 – Estimated Costs and Assumptions
Appendix 5 – Estimated Monetary Benefits and Assumptions
Appendix 6 – Estimated Non Monetary Benefits and Assumptions
Appendix 7 – Net Present Value (NPV) Calculations
Appendix 8 – Sensitivity Analysis
Appendix 9 – Comparison of Income and Expenditure
Appendix 10 – Project Plan
Appendix 11 – Strategy, Policies, Systems and Procedures

Background documents:

- Report agreeing short-listed options - DV047-15 - Development Committee, 8 October 2015 [Min Ref: 40/15] and P&R-1026-DV-47 - Policy and Resources Committee, 26 October 2015 [Min Ref: 63/15]

- Shetland Islands Council's Our Plan 2016 – 2020

- Medium Term Financial Plan 2015/16-2020/21

Appendix A

Shetland
Islands Council

FULL BUSINESS CASE

FOR THE USE OF ASSETS TRANSFERRED FROM SHETLAND DEVELOPMENT TRUST

Date: March 2016

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List of Abbreviations

BBBC ***Building Better Business Case***
The Council ***Shetland Islands Council***
SDT ***Shetland Development Trust***
EDS ***Economic Development Service***
The assets ***Assets transferred from SDT to the Council***
MTFP ***Medium Term Financial Plan***
VfM ***Value for Money***
SME ***Small to Medium-sized Enterprises***
LOIP ***Local Outcome Improvement Plan***
CSFs ***Critical Success Factors***
MF ***Managed Funds (Council Investments)***
SIF ***Shetland Investment Fund***
NPV ***Net Present Value***
FTE ***Full Time Equivalent***

EXECUTIVE SUMMARY

Introduction

- This Business Case seeks approval to invest up to £15m in a Shetland Investment Fund (SIF) with the balance of funds, approximately £3m, invested as managed funds (MF).

- Through the application of the Building Better Business Case (BBBC) methodology this report shows that a £15m in a SIF, with the balance of funds invested as MF, is the best use of the assets transferred from the Shetland Development Trust (SDT) to the Shetland Islands Council (the Council).

The Strategic Case

- The Council is committed to being a properly led and well managed organisation making sure resources are used in the most effective way possible.

- The receipt of assets from the SDT has increased the level of long term investments held by the Council for the purpose of achieving an investment return. The income on investments enables the Council to top-up Government funding to enhance and extend service delivery across Shetland. For the purposes of the analysis the asset value is rounded up to £18m.

- The primary objective is to "to ensure that the assets transferred into the Council from SDT are used sustainably for the benefit of the Shetland Community".

- The context within which the Council needs to consider the assets is driven by the competing and challenging factors that exist for it and all local authorities at this time. It is important that the Council is operating effectively and that the decisions taken are based on evidence and supported by effective assessments of options and potential effects.

- This report details how the recommended option links with the corporate objectives of the Council and in particular how lending activity supports the Economy and Housing priorities. There are also clear policy links with the Community Plan and Scottish Government/National policy.

The Economic Case

- A long list of options associated with achieving the objective were identified and assessed against the following Critical Success Factors (CSFs):

  - Achieve priorities across the Council in line with identified outcomes and Medium Term Financial Plan (MTFP)
  - Ability to earn income
  - Sustainable use of resources to preserve value
  - Minimised risk to capital
  - Having reliable staff, systems and procedures in place to manage use of funds over the long term.

- The results are 4 short listed options, which all meet the CSFs, including 3 higher ranking options and a ‘do nothing’ option:

  Best Options:

  Option 3 - Operate a SIF of £15m, available for investment in local industry, with the £3m balance of funds invested as MF.

  Option 4 - Operate a SIF of £12m, available for investment in local industry, with the £6m balance of funds invested as MF (status quo).

  Option 5 - Operate a SIF of £9m, available for investment in local industry, with the £9m balance of funds invested as MF.

  Do Nothing Option:

  Option 12 - In this case the do nothing option has been interpreted as no local lending in SIF with all capital invested as in MF and income spent in line with the MTFP. This option requires the sale or trade out of existing local investments.

- The transfer of cash and investments to the Council has direct cash releasing and measurable benefits.

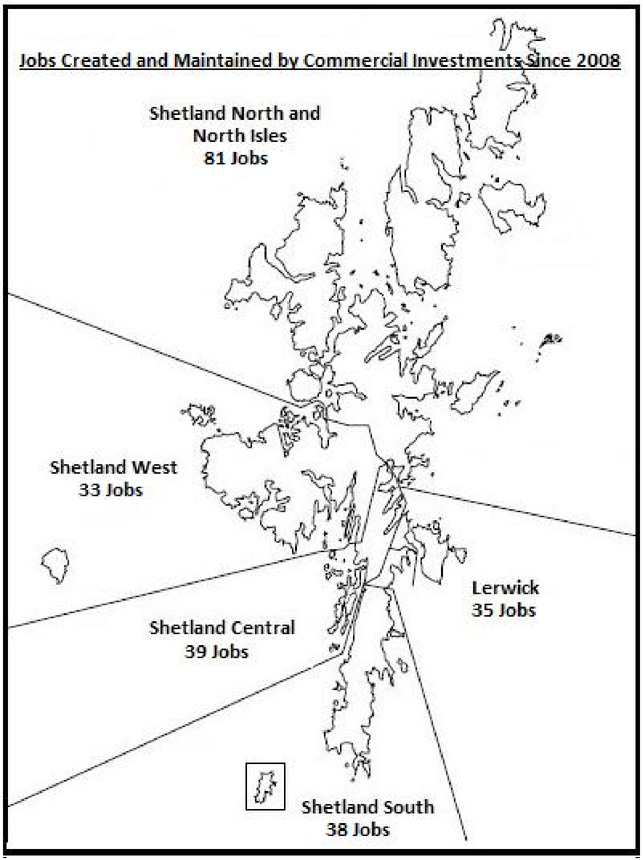
- A cost/benefit analysis was carried out on the short listed options based on the benefits which can be quantified in monetary terms. The following provides the key results of the economic appraisals:

	Option 3	Option 4	Option 5	Option 12
	SIF of £15m and MF of £3m	SIF of £12m and MF of £6m	SIF of £9m and MF of £9m	SIF of £0 and MF of £18m
Costs	-£0.81m	-£1.23m	-£1.64m	-£2.87m
Benefits	£3.94m	£3.52m	£3.12m	£1.88m
Net Benefits	£3.13m	£2.29m	£1.48m	-£0.99m

- In accordance with the BBBC framework the benefits considered extend to the wider benefits to the Shetland and UK economy and not just to the Council. In addition to the net benefits above the options involving lending there are additional economic benefits including creating and safeguarding jobs, increasing exports from Shetland and levering in external finance.

- There are additional social and community benefits associated with supporting business development. More jobs and business growth helps to strengthen communities by offering greater prospects for local employment and progression as well as helping to attract and retain more people of working age to Shetland.

- To illustrate how lending to date has supported rural communities a review of recent Council loans has been carried out and the following map shows the distribution of jobs created directly through providing commercial investment to Shetland businesses between 2008-2016.



- A NPV calculation was also applied to net benefits showing the economic value associated with each investment over a period of time. The NPV results are below and are the basis of the options ranking.

	Option 3	Option 4	Option 5	Option 12
	SIF of £15m and MF of £3m	SIF of £12m and MF of £6m	SIF of £9m and MF of £9m	SIF of £0 and MF of £18m
Net Benefits	£3.13m	£2.29m	£1.48m	-£0.99m
Net Benefits with NPV Applied	£24.62m	£18.07m	£11.71m	-£7,84m

- ***Options Ranking:***

	Option 3	Option 4	Option 5	Option 12
	SIF of £15m and MF of £3m	SIF of £12m and MF of £6m	SIF of £9m and MF of £9m	SIF of £0 and MF of £18m
Ranking	1	2	3	4

- The options have been sensitivity tested and relevant data has been risk adjusted.

The Commercial Case

- Assessment of the commercial case shows that the lending service is deliverable in terms of the required staff resource and there is demand for lending.

- There are no significant procurement issues as the lending service will be administered and delivered by Economic Development Service (EDS) staff, supported by Corporate Services staff, principally Finance Services and Governance & law. Where external legal advice is required the existing Framework Agreement or procurement policy will be followed.

The Financial Case

- An assessment of the annual income and expenditure implications shows that the preferred option will cost the Council £0.38m in cash terms. This total includes revenue costs and loss of financial return as shown below:

	Option 3	Option 4	Option 5	Option 12
	SIF of £15m and MF of £3m	SIF of £12m and MF of £6m	SIF of £9m and MF of £9m	SIF of £0 and MF of £18m
Gross Income	£1.00m	£1.06m	£1.12m	£1.31m
Expenditure	-£0.16m	-£0.14m	-£0.15m	-£0.09m
Net Income	£0.84m	£0.92m	£0.98m	£1.22m
Loss of Financial Return *	£0.38m	£0.30m	£0.24m	£0.00m

* Loss of Financial Return shows the direct financial loss to the Council of choosing an option which is not the optimum net income option i.e. Option 12.

- Affordability has been considered in relation to capital and revenue requirements. The capital has been received from the SDT and therefore there are no affordability issues. In relation to the existing MTFP provisions, the preferred option will cost an additional £0.05m to deliver. This will be met from existing budgets.

The Management Case

- There are existing management arrangements in place for the lending service as lending to support business development is already one of a number of intervention used within EDS to achieve its objectives. It is however recognised that a review of policies, procedures and systems is required to ensure the appropriate control systems are in place and up to date.

- A project managed in accordance with PRINCE2 methodology is currently on hold pending the decision on the business case. If a decision is taken to continue a lending service, the Project Board will review the Project Plan and continue to deliver on the remaining objectives.

- The economic benefits associated with the lending service will be measured along with other EDS activity and reported quarterly to Development Committee as part of the Development Directorate Performance Report. A post project evaluation will be carried out to appraise how well the project was managed and whether it delivered to expectations.

Recommendation

- It is recommended that the preferred option is approved and proceeds to delivery phase.

1.0 Introduction

1.1 This business case has been prepared to assist Shetland Islands Council (the Council) to decide on the best use of the assets transferred from the Shetland Development Trust (SDT) to the Council. The outcome will also determine whether the Council wishes to continue to provide a lending service to support the Shetland economy.

1.2 The business case uses the agreed standards and format for public sector business cases and will ensure best value is obtained from the assets. Best value is not simply about financial factors and, in order to achieve the outcomes to which the Council aspires, there is a need to consider other direct and indirect benefits achievable from the use of the assets.

1.3 The approved format is the Five Case Model, which comprises the following key components:

- the **strategic case**. This sets out the case for change, together with the supporting investment objectives for the use of the assets.
- the **economic case**. This demonstrates that the Council has selected the most economically advantageous option, which optimises Value for Money (VfM).
- the **commercial case**. This sets out the content of the required service.
- the **financial case**. This confirms funding arrangements and affordability for the Council.
- the **management case**. This details the plans for successful delivery.

2.0 The Strategic Case

2.1 Introduction

2.1.1 A project was initiated in 2014 to establish a Shetland investment portfolio, fund and lending service for the Economic Development Service (EDS). The first phase of this included the transfer of SDT assets and undertakings to the Council and this was achieved in early 2015. The assets/undertakings in question include cash and existing investments (loans, equities, guarantees, fishing licences and fishing quota).

2.1.2 The Project Board and Corporate Management Team decided in May 2015 to review options for the use of transferred assets and prepare a business case to support the preferred option. The outcome of this work will identify whether the Council wishes to continue to manage a Shetland investment portfolio and whether or not to lend to local businesses.

2.1.3 A decision was subsequently taken by the Council in October 2015 to retain the fishing quota assets. The business case appraisal therefore relates to the remaining assets with an approximate value of £18m (hereafter referred to as ‘the assets’).

2.2 Objective

2.2.1 The Council is committed to being a properly led and well managed organisation making sure resources are used in the most effective way possible.

2.2.2 The primary objective to be achieved is:

“to ensure that the assets transferred into Shetland Islands Council from Shetland Development Trust are used sustainably for the benefit of the Shetland Community”

2.2.3 The context within which the Council needs to consider the assets is driven by the competing and challenging factors that exist for the Council and all local authorities at this time. It is important that the Council is operating effectively and that the decisions taken are based on evidence and supported by effective assessments of options and potential effects.

2.3 Existing Arrangements

2.3.1 The cash assets transferred to the Council already form part of the Council reserves.

2.3.2 The Council has been providing a lending service since 2008 and the current investment portfolio includes previous SDT investments which were transferred in 2015. For the financial year 2015/16 £12m is available for lending to local businesses and as at 1 February 2016 the value of loans (including committed loans) was £8.5m. The portfolio is monitored and managed within the EDS in compliance with the Council's Medium Term Financial Plan (MTFP) and Annual Investment and Treasury Strategy.

2.3.3 The lending service primarily refers to the provision of loan and hire purchase finance to SME businesses. Security is sought to reduce financial risk to the Council and repayments, with interest, are received over an agreed term. The current investment portfolio also includes equities, guarantees and fishing licence assets. If the lending service continues these mechanisms for investment will be considered further and it is unlikely that guarantees or asset purchase will be recommended in future.

2.4 Strategic Context

2.4.1 The receipt of assets from the SDT has increased the level of long term investments held by the Council for the purpose of achieving an investment return. The income on investments enables the Council to top-up Government funding to enhance and extend service delivery across Shetland.

2.4.2 The Council recognises that there are additional economic benefits from investing in local businesses rather than having all funds invested and managed externally. Although the MTFP includes provision for local lending, it also highlights that the economic benefits of local lending have not been qualified or quantified. The economic assessment of lending options contained in this business case will provide this information.

2.4.3 The following sections outline how the lending service delivers on existing policy and priorities including the Council's Economic Development Policy, Corporate Plan and Community Plan, through to Scottish Government and National Strategy.

2.5 Links to Economic Development Policy

2.5.1 The EDS is part of the Development Services Directorate and is committed to supporting the Department's Vision of "enabling our communities to develop their potential".

2.5.2 The lending service is one of a number of interventions which the EDS use to achieve its Service Plan objectives. Commercial investment applications can be considered from any business that meets the terms of the Council's Economic Policy Statement.

2.5.3 Lending supports the following objective within the current Economic Policy Statement:

"Develop the economic health of local communities and a more diverse business base, through encouraging innovation and sustainable growth".

2.5.4 There is added value in having the lending service integrated with other EDS functions. For example, Business Gateway is the initial contact point for all enquiries and staff are able to assist applicants with advice, research and training at an early stage to develop robust business plans. EDS staff can then follow these ideas to the point at which financial assistance is required to enable developments to happen. Council commercial finance is also important in unlocking inward investment, including European grants, as it is often part of a funding package which includes external grant and private investment.

2.5.5 The main focus for Council lending is direct business investment in SMEs. The Council has however recently provided loans to promote the development of new housing and could consider lending opportunities for any purpose that supports the wider aims of the Council.

2.5.6 The ability to lend to businesses is particularly beneficial in supporting local industries which find it difficult to access finance due to the application of blanket national policies that do not take account of Shetland's regional differences. The fisheries sector is a good example where banks have restricted funding provision based on the average performance of the UK industry. Shetland has a unique fishing industry and there are many proven examples of how Council investment has made good financial returns, in addition to economic benefits.

2.5.7 The Council generally acts as gap funder by investing in businesses with good commercial proposals which struggle to access commercial funding for the same reasons outlined above. This means that the Council funds projects which would not otherwise go ahead. By providing gap funding, only the minimum public sector support is provided to enable projects to proceed.

2.5.8 Projects seeking commercial investment are generally larger in scale than those requiring other forms of development support and thus have higher level impacts on the local economy. This makes the lending service a particularly useful intervention with which to support economic growth.

2.5.9 The provision of loans rather than grant funding from the Council is a more sustainable form of support. As loans are repaid, and the money returns to the Council to be re-invested in future businesses.

2.5.10 A recent study as part of the ongoing Review of the Economic Development Service notes the value placed on this service by the local business community.

2.5.11 The following Performance Indicators are used to measure the targets set annually in the EDS Service Plan against baseline data. The lending service aims to assist the Council achieve the annual targets set.

- Business start-ups per 1,000 of resident population
- Jobseeker's allowance claimant count
- Gross average weekly pay for full-time workers

2.6 <u>Links to the Corporate Plan</u>

2.6.1 The Corporate Plan recognises that Shetland's future prosperity is dependent on maintaining a sustainable economy. Whilst Shetland is currently in a strong position in terms of employment, earnings, output and growing population, this is likely to be affected in future as the energy industry boom passes and the public sector continues to contract.

2.6.2 The lending service assists in the delivery of the following Economy & Housing objectives detailed in the Corporate Plan:

- *"The long term community plan aim is for Shetland to have good places to live as well as sustainable economic growth with good employment opportunities, and for our residents to have the skills they need to benefit from those opportunities."*
- *"We have an economy that promotes enterprise and is based on making full use of local resources, skills and a desire to investigate new commercial ideas."*
- *"We will be investing development funds wisely to produce the maximum benefit for Shetland's economy."*

2.6.3 An important point to consider is the interdependencies between Council services and economic success. A successful economy is not achievable without people to employ and places for them to live and enjoy life. Equally, demand requirements for schools, further education, housing, care facilities and transport etc. are linked to having businesses throughout Shetland which offer employment opportunities. This point is particularly relevant to Shetland's remote settlements where there is added vulnerability to change. There is therefore a strong link between supporting rural businesses and supporting rural communities.

2.7 Links to the Community Plan

2.7.1 The Community Plan aims to structure how the Shetland Partnership members will work together for the benefit of Shetland. The Council is an important member of the Shetland Partnership which recognises the link between economic success and strong communities.

2.7.2 The Community Plan incorporates the Local Outcome Improvement Plan (LOIP) which was endorsed by the Shetland Partnership Board in March 2016 and will now be considered for approval by the partner agencies. The Plan details how partners will achieve over and above what each partner could achieve as individual organisations. The most relevant outcomes within the LOIP are:

"D2: Make the best use of existing assets, infrastructure and human capital for sustainable socio-economic development"

"D3: Supporting the development of a digital, diverse and innovative business base."

2.8 Links to National Strategy and Outcomes

2.8.1 In supporting economic growth the Council is contributing to National objectives as outlined in Scotland's Economic Strategy published by the Scottish Government in 2015. The overarching objective is:

"to focus government and public services on creating a more successful country, with opportunities for all of Scotland to flourish, through increasing sustainable economic growth."

2.8.2 Scotland's Economic Strategy outlines four priority areas – investment, innovation, inclusive growth and internationalisation. Within the 'investment' priority, the 'business investment' strategy is to encourage business growth and competitiveness and targeting assistance in areas where the market fails to step in. These are objectives which are supported by direct investment into local businesses by the Council. Market failure in the provision of loan finance is a known barrier to development in Scotland and particularly in remote and rural locations such as Shetland.

2.8.3 The Scottish Government has been instrumental in creating a Pan-Scotland business loan fund, in which the Council is a member. This fund will provide access to finance for some businesses but is restrictive in the amount of assistance offered and the industry sectors which can apply. This initiative does not therefore fully satisfy the gap funding needs of Shetland businesses.

2.8.4 Shetland's economic performance also forms part of the overall economic performance of Scotland. The National Performance Framework details a range of socio-economic indicators and outcomes against which economic performance is measured.

2.8.5 Whilst not a major consideration for the Council, economic benefits derived from supporting successful local businesses extend to other UK businesses who supply or receive goods/services from Shetland. Shetland businesses also contribute to UK targets (GDP, jobs, exports etc).

2.9 Main benefits criteria

2.9.1 The transfer of cash and investments to the Council has had direct cash releasing and measurable benefits. Income from investments (either local investments or externally managed) is used in line with the financial planning framework contained in the MTFP to support the strategic aims of the Council.

2.9.2 There are additional measurable economic benefits derived from investing in local business rather than in external financial markets. Some economic benefits can be quantified in monetary terms i.e. increasing business turnover (direct and indirect). Others are quantifiable in other ways such as number of jobs created and retained (direct and indirect); number of new start businesses; leverage of external finance; and increased exports. There are other qualitative benefits to consider including community regeneration in remote areas; environmental; productivity and efficiency improvements; engagement and knowledge sharing with businesses, etc.

2.9.3 The recirculation of funds from the repayment of loan capital enables ongoing, long term economic benefits.

2.9.4 Appendix 1 provides three examples of local businesses which have been supported by lending from the Council in recent years. Each case study illustrates the direct and wider economic benefits achieved.

2.10 Main Risks

2.10.1 The primary risk to achieving the objective of this business case is loss of capital. This risk to funds applies whether lending locally or in externally managed funds. Risks associated with lending locally are mitigated by due diligence; appropriate securities; monitoring and management of the portfolio.

2.10.2 Market risk poses the biggest threat to externally managed Council funds. All external investments are managed in a way that minimises risk to capital and optimises the return on investment consistent with those risks. There are also reputational risks associated with failed/poorly performing local and external investments.

2.10.3 The main risks of not having a lending service is the inability of the Council, through the EDS, to fulfil Economy and Housing objectives as detailed in the Corporate Plan.

2.11 Constraints and Dependencies

2.11.1 Over the next few years it is expected that there will be substantial reductions in government funding and hence increased pressure on Council budgets. The cost of the lending service must be weighed against the benefits achieved.

2.11.2 The benefits to Shetland from operating a lending service are both constrained by, and dependent on, demand for lending. There are not endless opportunities to invest locally. Information on historical demand is however available which suggests that there has always been a market failure in the supply of business finance that has acted as a barrier to development. The average value of public loans to support the local economy is £13.5m, although this level has been lower in recent years.

3.0 The Economic Case

3.1 Introduction

This section documents and evidences that the most economically advantageous option has been selected as the preferred option, which best represents public value to the wider economy.

3.2 Critical Success Factors

The following critical success factors (CSFs) have been identified in relation to achieving the strategic objective (see section 2.2) and have been used to assess all options for the use of assets transferred from the SDT:

- Achieve priorities across the Council in line with identified outcomes and MTFP
- Ability to earn income
- Sustainable use of resources to preserve value
- Minimised risk to capital
- Having reliable staff, systems and procedures in place to manage use of funds over the long term.

3.3 Long List of Options

A broad range of 12 options associated with the objective were identified. An assessment of these long list options was presented to the Development Committee on 8 October 2015, DV047-15, [Min Ref: 40/15], and the Policy and Resources Committee on 26 October 2015, P&R-1026-DV-47, [Min Ref: 63/15] (see Appendix 2 for descriptions of the options).

These options fell into two main groups:

- Spending options
- Capital investment options - in either a local 'Shetland Investment Fund' or 'externally managed funds', or a mix of both.

3.4 Assessment of Long List

Appendix 3 details the criteria and matrix used to assess the long list. These criteria are based on the CSFs identified above and measure the benefits, costs and risks associated with the options.

A grading system was applied where each option was given a score from 0 to 10 with the higher scores representing better fit with the CSFs. The totals for each option are also shown on the table and the grading results show that providing a lending service, rather than no service, is the preferred way forward.

3.5 Short List of Options

The recommended short list options, including the required “do nothing option”, were agreed as the basis for more detailed economic analysis.

The long term Council investments in reserves are referred to as Managed Funds (MF) and lending to support local businesses from a Shetland Investment Fund is referred to as local lending in the Shetland Investment Fund (SIF).

The short list options have been identified as:

Best Options:

Option 3 - Operate a SIF of £15m, available for investment in local industry, with the £3m balance of funds invested as MF.

Option 4 - Operate a SIF of £12m, available for investment in local industry, with the £6m balance of funds invested as MF (status quo).

Option 5 - Operate a SIF of £9m, available for investment in local industry, with the £9m balance of funds invested as MF.

Do Nothing Option:

Option 12 - In this case the do nothing option has been interpreted as no local lending in SIF with all capital invested as in MF and income spent in line with the MTFP. This option requires the sale or trade out of existing local investments.

3.6 Economic Appraisal

This section provides detail on the cost benefit analysis of the short list options as shown above.

The following general assumptions have been made:

- Costs and benefits have been assessed for all options based on an approximate asset transfer value of £18m. It is important to note that the Council is already in receipt of the assets and so a proportion of the costs are existing costs and the benefits from assets are already being received. Assessing the transferred assets in isolation of existing use does however allow a fairer basis for analysis.

- For the purposes of the analysis each option which includes local lending (options 3, 4 & 5) assumes that the full value of available funds are utilised i.e. for option 4 with a SIF of up to £12m, the costs and benefits are based on the maximum lending of £12m at all times. However, in practice it is unlikely that all available SIF funds would be loaned at any point in time. Any balance on the provision for a SIF, or funds committed but not yet drawn down, would remain part of MF.

- The assessment assumes benefits from the options achieved from year 1. It would however take a period of time to achieve full benefits from any option involving SIF i.e. for option 3, with average lending of £15m, it would take approximately 5 years to increase the lending portfolio from the current £8.5m up to £15m. Similarly it would take up to 10 years to trade out most of the existing investments and longer to trade out all local loans.

- Economic multipliers have been applied, where applicable, thus taking into account the multiplied effect on economic output.

3.7 Estimated Costs

The assessment of costs includes three main areas of cost:

3.7.1 Direct Revenue Costs: Cost to the Council in terms of direct revenue costs i.e. staff wages, overheads, legal fees and external MF fees.

3.7.2 Contingent Liability: Costs which relate to the possibility that expected returns from investments in MF and SIF are not achieved.

3.7.3 Opportunity Costs: An opportunity cost is the difference in the return between the chosen option and the one that is being passed up, i.e. the return that is forgone.

It is therefore necessary to appraise the benefits achieved by the best option from the shortlist of options which would generate the best benefits from MF and SIF.

Option 12, £18m in MF, generates the highest cash releasing benefits to the Council as its rate of return is higher in cash terms to the Council than using the funds elsewhere. Therefore the opportunity costs from selecting an alternative option are:

- the loss of income from MF investments at 7.3% return, plus multiplier on income; and
- the loss of benefit to the economy from the spending on MF fees (fees will provide third party economic benefit i.e. wages and the associated multiplier effects).

Option 3, £15m in SIF, would create the highest benefits to Shetland businesses in terms of economic benefit, i.e. turnover. Therefore the opportunity costs from selecting an alternative option are:

- the loss of economic benefit in terms of turnover to Shetland businesses; and

- the loss of staff wages required to deliver SIF (wages will provide third party economic benefits through spending plus the associated multiplier effect).

Opportunity cost for MF is calculated by measuring the loss of benefit achieved by the option being considered compared to the benefit which would have been achieved had Option 12 been selected. Similarly the opportunity costs for SIF are measured by calculating the benefit from the option considered less the benefits which would have been achieved had Option 3 been selected.

3.7.4 Comparison of Costs for Each Option

The costs for each of the short-listed options have been calculated and shown in Appendix 4 along with a list of assumptions made.

The following is a summary of the total costs for each of the short-listed options:

	Option 3	Option 4	Option 5	Option 12
	SIF of £15m and MF of £3m	SIF of £12m and MF of £6m	SIF of £9m and MF of £9m	SIF of £0 and MF of £18m
Total Costs	£0.81m	£1.23m	£1.64m	£2.87m

3.8 Estimated Benefits

The benefits include the direct benefit to the Council in terms of income and the wider economic benefit to Shetland and beyond.

It is recognised that there are both quantitative and qualitative benefits from the options being considered, as separated below:

3.8.1 Quantifiable Benefits

These are benefits which can be measured and take account of all wider benefits to the UK, not just benefits to Shetland or the Council. It is recognised that not all benefits can be expressed in monetary values but as far as possible a monetary value has been given to benefits in order to enable a comparison between options to be achieved.

Monetary Benefits: The monetary benefits that have been identified are as follows:

- The estimated increase in turnover for the businesses which receive Council investments. Baseline data has been calculated from analysis of increased turnover in businesses receiving loans from Council between 2008-2016. Turnover is a recognised economic measure as the benefit to business would not have been achieved if the economic intervention, in this case commercial lending, had not taken place

- the income to the Council in terms of return on SIF and MF investments

- the benefits to the wider economy achieved from the Council's expenditure, on wages and MF fees, required to manage the SIF and MF

Details of the estimated monetary benefits for each option, including assumptions, are shown in Appendix 5 and summarised below:

	Option 3	Option 4	Option 5	Option 12
	SIF of £15m and MF of £3m	SIF of £12m and MF of £6m	SIF of £9m and MF of £9m	SIF of £0 and MF of £18m
Total Monetary Benefits	£3.94m	£3.52m	£3.12m	£1.88m

Non Monetary Benefits: The economic measures for non-monetary benefits which have been identified are as follows, including the application of a multiplier to each investment sector, where relevant:

- Increased exports from Shetland
- Leverage of private sector match funding
- Direct jobs created
- Direct jobs maintained

These benefits have been quantified using analysis of historic data.

Export activity in the investments, between 2008-2013, represented 63% in turnover. Leverage of private sector match funding in the match funding on average was 34% of total project costs.

The following table shows the jobs created and maintained for the provision of loans between 2008-2016 as explained in Appendix 6 and summarised below:

	Option 3	Option 4	Option 5	Option 12
	SIF of £15m and MF of £3m	SIF of £12m and MF of £6m	SIF of £9m and MF of £9m	SIF of £0 and MF of £18m
Direct Jobs Created *	80	76	71	57
Direct Jobs Maintained *	334	267	200	0

* Including multiplier

3.8.2 Qualitative Benefits

As outlined in the strategic case, the benefits associated with each option are wider than those which can be quantified by income generation; economic growth; job creation; leverage or exports.

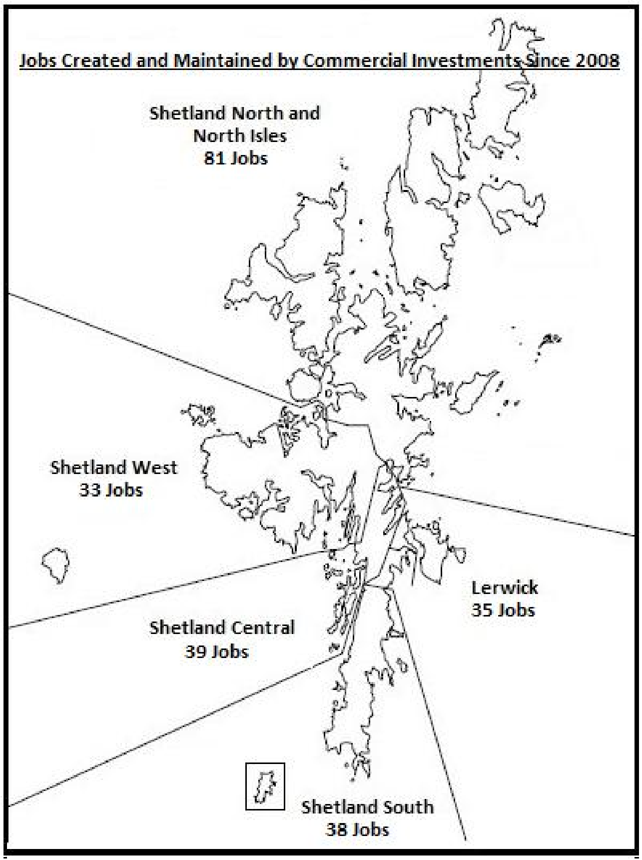
Examples of qualitative benefits achieved by supporting business developments through local lending include:

- Supporting **innovative projects** or **new technology** e.g. new net cleaning methods for the fish farming industry
- **Environmental improvements** e.g. from supporting more fuel-efficient fishing vessels
- **Resource efficiency** e.g. a loan to support investment in a new stock management system
- **Social impacts** e.g. investing in housing developments to create new homes
- **Internationalisation** e.g. assisting the development of a knitwear business to produce new products and access new export markets
- Creating **community assets** e.g. investing in a fish market which supports many other fishing businesses

There are additional social and community benefits associated with supporting business development. More jobs and business growth in rural areas helps to strengthen communities by offering greater prospects for local employment and progression as well as helping to attract and retain more people of working age to Shetland.

More jobs, and thus more people, in rural areas in turn keep communities prosperous and regenerated, and fulfil community aspirations to preserve their schools, shops, transport links and health centres.

To illustrate how lending to date has supported rural communities in Shetland, a review of recent local lending activity has been undertaken. The following map shows the distribution of jobs created directly through providing commercial investment to Shetland businesses between 2008-2016.



The level of qualitative benefits achievable from each of the four short listed options is, as with other measurable benefits, proportionate to the level of investment in local business i.e. the greater the value of the SIF fund, the greater the qualitative benefit potential.

By having funds invested as MF these qualitative benefits are reduced.

3.9 Risk appraisal

Quantifiable risks have been costed and factored into the shortlisted options and so the net present values assessed are risk adjusted.

There are other risks which are more difficult to quantify but remain relevant to the options. The following table shows all identified risks associated with local lending from the SIF and externally managed funds (MF). The table also shows how these risks are mitigated.

Risk	SIF	MF
Financial Risk - capital losses	Failed investment and resulting bad debt **Mitigated by**: Due diligence/monitoring of investments	Poor performance of stock market **Mitigated by:** diversified portfolio
Financial Risk – reduced income	Arrears/bad debt **Mitigated by:** Due diligence/monitoring of investments	Poor performance of stock market **Mitigated by:** diversified portfolio
Business Risk – not achieving corporate priorities	Not having a sufficient lending mechanism to meet demand and achieve Economy and Housing objectives. **Mitigated by**: creating a robust case for retaining the service and reviewing the service if demand decreases	Impact of reduced income on achieving priorities **Mitigated by:** contracting of best fund managers
Service Risk – operational costs vary from budget	Increased costs **Mitigated by:** preparing detailed budgets for the service	n/a as management fees are proportionate to income generation
Reputational Risk – undermining of perception of Council	Failed investments **Mitigated by:** minimising failed investments through due diligence and investment management. Also in promoting good investments	Poor performing investments **Mitigated by:** contracting of best fund managers
External Risk – changes to economic conditions. Legislation and Government/ European Policy changes	Company Law/State aid rule changes **Mitigated by**: Monitoring and amending procedures to keep in line with changes	Interest rate/Exchange rate changes **Mitigated by:** Council Investment Management policy

A risk register exists for the project on the Council's JCAD RiskWEB system and will be updated when a decision is made on the use of assets.

3.10 Summary of Economic Appraisal

The cost benefit analysis has been carried out based on the benefits which have been quantified in monetary terms. No weighting or scoring technique has been applied to measure the qualitative benefits although it is acknowledged that they are a valid consideration when assessing options.

The following provides the key results of the economic appraisals for each of the short listed options:

	Option 3	Option 4	Option 5	Option 12
	SIF of £15m and MF of £3m	SIF of £12m and MF of £6m	SIF of £9m and MF of £9m	SIF of £0 and MF of £18m
Costs	-£0.81m	-£1.23m	-£1.64m	-£2.87m
Benefits	£3.94m	£3.52m	£3.12m	£1.88m
Net Benefits	£3.13m	£2.29m	£1.48m	-£0.99m

3.11 Net Present Value (NPV) Calculation

NPV is defined as the sum of the discounted net benefits over a period of time, with the view that a pound today is worth less tomorrow. Therefore it is necessary to calculate the present value of the net benefits on each option. To do this the net benefits are discounted over time, using the recommended UK public service discount rate of 3.5%. A period of 8 years has been identified given that this is the average length of a loan, and hence the time it takes capital to re-circulate in the SIF. A longer period was considered to see if it provided a comparative measure of NPV however this was discounted as the results were proportionate to the result achieved using 8 years. Appendix 7 shows the NPV calculation for each option. These results are summarised below:

	Option 3	Option 4	Option 5	Option 12
	SIF of £15m and MF of £3m	SIF of £12m and MF of £6m	SIF of £9m and MF of £9m	SIF of £0 and MF of £18m
Net Benefits	£3.13m	£2.29m	£1.48m	-£0.99m
Net Benefits with NPV Applied	£24.62m	£18.07m	£11.71m	-£7.84m

3.12 Options Ranking

The net benefits with NPV applied have been ranked in order of results, as shown below:

	Option 3	Option 4	Option 5	Option 12
	SIF of £15m and MF of £3m	SIF of £12m and MF of £6m	SIF of £9m and MF of £9m	SIF of £0 and MF of £18m
Ranking	1	2	3	4

3.13 Sensitivity Analysis

It is prudent to test the vulnerability of options and to check the robustness of the ranking order. Therefore it is important to consider how changes to the calculation of costs and benefits i.e. the key assumptions, may affect the NPV.

The sensitivity analysis undertaken considered the following assumptions which were most likely to be vulnerable to change:

3.13.1 Change on Rates of Returns: sensitivities on changes to income generated from the SIF and MF were considered. It was assessed that the result would be more sensitive to a lower rate of return as it is unlikely that the rate of return can increase considerably. However, given that the SIF rate of return is limited due to state aid rules i.e. lending cannot be offered below a market rate, sensitivity was therefore measured on -2% below the current i.e. SIF at 3.2% return, MF at 5.3%

3.13.2 Changes to Economic Benefit: the main economic benefit used in assessing options was the impact investments from SIF had on the turnover of Shetland businesses. The assumption was based upon the % increase in turnover accreditable to the investment made. This rate was calculated as being 66%, the average level of funding package provided by the Council between 2008-2016. This level was then accredited to the benefit from SIF on the increase turnover in Shetland businesses receiving commercial investment from the Council. Therefore sensitivity on the accreditable economic benefit from SIF was considered and it was agreed to test the results at 50% and 25%

3.13.3 Changes to other costs and benefits: It was decided not to do sensitivity on individual costs such as wages or fees as any changes would be so small that they could not materially affect the options appraisal.

The results from sensitivity analysis are presented in Appendix 8 and are summarised overleaf:

	Option 3	Option 4	Option 5	Option 12
	SIF of £15m and MF of £3m	SIF of £12m and MF of £6m	SIF of £9m and MF of £9m	SIF of £0 and MF of £18m
Base Line (see 3.11)	£24.62m	£18.07m	£11.71m	-£7,84m
Ranking	**1**	**2**	**3**	**4**
Rate of Return reduced by 2%	£21.30m	£15.23m	£9.34m	-£8.79m
Ranking	**1**	**2**	**3**	**4**
Accredited economic benefit from SIF reduced from 66% to 50%	£17.14m	£13.58m	£10.21m	-£0.35m
Ranking	**1**	**2**	**3**	**4**
Accredited economic benefit from SIF reduced from 66% to 25%	£10.15m	£9.39m	£8.82m	£6.64m
Ranking	**1**	**2**	**3**	**4**

The results show that the changes to both the interest rates and the % of accreditable economic benefits from SIF do alter the proportion between options but not significantly enough to alter the results. The results are not sensitive enough to discredit, as it is only when the economic benefits accredited to SIF investments reduce to 17% that the order of the ranking changes between Option 3 and Option 5 (see shaded table in Appendix 8).

Therefore the sensitivity analysis shows that the cost benefit analysis is robust and the changes to the key assumptions do not alter the ranking of the options.

3.14 Preferred Option

Following a full cost benefit analysis the best option is Option 3 which generates the highest risk adjusted NPV, see paragraph 3.11.

4.0 The Commercial Case

4.1 Introduction

This section covers three main aspects in relation to the preferred option of providing a lending service of £15m, with the balance of funds of £3m managed externally:

- whether the preferred option can be delivered in terms of expertise;
- whether there is demand for lending of £15m; and
- whether there are any procurement considerations in relation to the preferred option.

4.2 Expertise

In terms of staff resource it is believed that the lending service is deliverable due to the expertise of staff from all services required to deliver the SIF i.e. EDS, Finance, Governance and Law. The Council has been providing a lending service for over 25 years, either directly or formerly through the SDT. There are existing management arrangements in place and experience in commercial lending to local business within the EDS.

4.3 Demand

There are not endless opportunities to invest locally and therefore demand for finance has to be considered to assess whether lending of £15m is achievable:

4.3.1 Historical Demand – Research on historical demand for lending from the Council has been carried out. The results demonstrate market failure in the supply of business finance that has acted as a barrier to development. This is also recognised in Scotland's Economy Strategy which supports direct investment to local businesses by Councils. This therefore demonstrates that there is an opportunity for the Council to continue to lend to local businesses now and in the future.

Historically the average value of public loans to support the local economy has been £13.5m.

4.3.2 Consultation on Council's Lending Service – A report by Anderson Solutions, commissioned in July 2015, on the Future of the Council's EDS showed that 56% of respondents to market research stated that it was important for the Council to continue its lending service. Several respondents stated that their development was dependant on the Council providing the gap funding to allow the project to proceed, and subsequently develop.

The report showed that with the SDT assets transferring to the Council, businesses were unaware of the continuance of the lending service through the Council. This will be redressed through promotion by EDS.

4.3.2 Market – There has been a decrease in demand for local lending in recent years which can be as a result of a combination of factors.

The main market is our local industrial sectors, such as fisheries, which find it difficult to access finance due to application of blanket national policies that do not take account of regional differences. This means that there are opportunities for the EDS to support projects which would not otherwise go ahead. Commercial investments can be considered for any project that meets the terms of the Council's Economic Policy Statement. The overall market in Shetland is 1000+ businesses although, in essence, there is only a small percentage that would be contemplating suitable development projects in the short or medium term.

It is proposed that new lending opportunities will be identified from improved promotion of the service, consulting with and networking with local businesses. However, future commercial investment opportunities will continue to only be recommended where due diligence shows that the loans are serviceable and secure.

It is recognised that the current total lending commitment of £8.5m is lower than the historical average of £13.5m and therefore it is estimated that a period of approximately 5 years will be required to increase lending to this level.

4.4 Procurement Considerations

This section does not examine the procurement process for funds invested in the financial markets as the Council's existing procedure for procuring Fund Manager services will apply.

4.4.1 Required Services - The lending service will be administered and managed by the EDS staff, supported by Corporate Services, primarily Finance and Governance and Law.

4.4.1.1 Economic Development Service - Staff dealing with enquiries are qualified and experienced Project Managers and are responsible for:

- identifying need for investment;
- working with business clients to define funding packages;
- undertaking due diligence on proposals;
- recommending proposals for approval or otherwise;
- dealing with the pre-conditions to investment release;
- organising monthly repayment collections;
- managing and monitoring investments until completion; and
- reporting performance to Development Committee.

Currently the required staffing to run the commercial lending service is 1.7 FTE project officer posts and 0.5 FTE admin support. However, this total of 2.2 FTE would require 2.9 FTE for a lending service of £15m.

4.4.1.2 Finance Services - The Executive Manager, Finance, is the Proper Officer in terms of Section 95 of the 1973 Act, Section 35 of the 2003 Act and the appropriate provisions of The Prudential Code for Capital Finance in Local Authorities, and accordingly, shall be responsible for the administration and financial affairs of the Council.

Financial advice and support in relation to this project, is required at all stages of the loan life cycle, from the financial assessment of an applicant/business, drafting and approval of the loan terms, to monitoring and collection of instalments.

Accountancy Services are responsible for the financial governance of this project. Compliance with accounting requirements is assured through the external audit of the Annual Accounts.

4.4.1.3 Governance and Law

Legal advice is required at all stages of a loan life cycle from pre-application stage through to discharge of securities at the end of a loan. Advice is also required from time to time on issues not related to individual projects i.e. on implications from the change of Company law.

Legal advice relating to individual investments is recharged to the borrower. One exception to this is when there is a situation of insolvency of the borrower where legal fees will not be recoverable. There is also the requirement for occasional advice on general legal matters which cannot be recharged.

When legal advice is required by Economic Development in relation to a loan the legal requirements are firstly discussed with Legal Services.

In some cases, where resources allow within the Council, the legal work can be carried out by Council Solicitors (recharged to the borrower). If external legal advice is required the existing Framework Agreement for procuring advice is used.

If specialist legal advice is required which is not covered by the Framework agreement (i.e. where non-UK law or industry specific advice is required) the Council's procurement processes are followed to tender for work on a case by case basis.

Currently service requirements for Finance and Governance and Law combined is equivalent to 0.2 FTE posts. (based on gross earning average of £30,784 per annum). This would increase to 0.3 FTE posts with a SIF of £15m. This would need to be met from the existing resources.

4.5 Preferred Option

The Commercial Case has demonstrated that a SIF of up to £15m is deliverable, subject to demand.

5.0 The Financial Case

5.1 Introduction

This section assesses the affordability and funding requirements of the preferred option, in relation to the other three short-listed options.

5.2 Annual Budget Statement

5.2.1 Annual Income and Expenditure Implications

A summary of the annual income and expenditure implications are shown below, a detailed breakdown is provided at Appendix 9:

	Option 3	Option 4	Option 5	Option 12
	SIF of £15m and MF of £3m	SIF of £12m and MF of £6m	SIF of £9m and MF of £9m	SIF of £0 and MF of £18m
Gross Income	£1.00m	£1.06m	£1.12m	£1.31m
Expenditure	-£0.16m	-£0.14m	-£0.15m	-£0.09m
Net Income	£0.84m	£0.92m	£0.98m	£1.22m

This shows that option 12 provides the Council with the optimum return on investment.

5.2.2 Loss of Financial Return

Loss of Financial Return shows the direct financial loss to the Council of choosing an option which is not the optimum net income option i.e. Option 12.

Therefore there is a Loss of Financial Return in selection Option 3. This is as follows:

	Option 3	Option 12
	SIF of £15m and MF of £3m	SIF of £0 and MF of £18m
Net Income	£0.84m	£1.22m
Loss of Financial Return =	-£0.38m p.a.	

5.3 Annual Cash Flow Statement

There are immaterial cashflow implications for the Council with regard to all of the options under review. Option 12, however generates returns with less certainty than commercial lending through a SIF with annual contractual repayments.

5.4 Affordability

5.4.1 Capital Requirements

The transfer of assets from the SDT into the Council equalled £16.8m and included cash of £15.42m and £1.38m net in local investments. In addition, the Council has provided commercial loans direct to Shetland business since 2008.

The capital has therefore been applied for this purpose, and presents no affordability issues.

5.4.2 Revenue Requirements

5.4.2.1 Revenue Required for Option 3 Compared to Existing MTFP

There is provision within the MTFP, to fund option 4 (the status quo option). The preferred option, Option 3, is 0.08m more expensive, (Net Income for Option 3 of £0.84m minus Net Income of Option 4 of £0.92m), when compared to the status quo option.

However in real terms the actual annual unfunded element would be £0.05m because there is an element of the costs already accounted for in existing budgets i.e. existing staff costs and overheads.

The additional cost, £0.05m to deliver Option 3 would therefore require to be met from within existing resources.

5.4.2.2 Revenue Required for Option 12 Compared to Existing MTFP

Option 12 provides an annual budget saving of £0.29m for the Council, (Net Income for Option 12 of £1.22m minus Net Income of Option 4 of £0.92m plus costs) when compared to the status quo option.

5.4.2.3 Revenue Required for Option 3 Compared to Option 12

If the MTFP reflected the optimal financial option (Option 12), then the difference between that option and the preferred option would be an additional cost to the Council of £0.36m.

5.4.2.4 Summary of Affordability

The Financial Case has demonstrated that all 4 options are affordable to the Council.

5.5 Preferred Option

Following review of the Financial Case, Option 3 has been deemed as affordable. Therefore a SIF of £15m and MF of £3m remains the preferred option.

6.0 The Management Case

6.1 Introduction

This section outlines the management arrangements for establishing a SIF of £15m and providing a lending service to support business development. An assumption has been made that the £3m balance of funds invested as MF will be managed in line with the Council's Investment Strategy.

The Council has been providing a lending service for over 25 years, either directly or formerly through the SDT. There are existing management arrangements in place although it is recognised that a review of policies, procedures and systems is required to ensure the appropriate control systems remain appropriate and up to date.

6.2 Programme Management Arrangements

Lending to support business development is one of a number of economic interventions used within EDS to achieve its objectives. A review of the EDS was carried out in 2015 and the findings were presented to, and adopted by the Council, in October 2015. The structure agreed by the Council includes provision for the lending service to continue.

6.3 Project Management Arrangements

A project managed in accordance with PRINCE 2 methodology was initiated in 2014 to establish a Shetland investment portfolio, fund and lending service for the EDS. The Project Plan is attached as Appendix 10. The first phase of the project was to transfer the assets from the SDT to the Council and this was completed successfully. The second phase was placed on hold until the review of the Business Case for the use of the transferred assets was complete. Subject to approval of the preferred option, the project can recommence to deliver on the remaining two objectives:

- To establish a portfolio of economic development investments and Shetland Investment Fund (SIF) within the Council.

- Document the plans for management of investments and the SIF.

The initial timescale for completing the project has been affected by the preparation of the Business Case and therefore a revised timescale will be presented to the Project Board for agreement. The Project Board will continue to report to the Development Committee, Policy and Resources Committee and Council, as required.

A list of required policies, procedures and systems to facilitate management of the SIF is attached as Appendix 11. A plan will be prepared to prioritise and timetable the review of each.

6.4 Arrangements for Benefits Realisation

The economic benefits associated with the lending service will be measured along with other EDS activity and reported quarterly to Development Committee as part of the Development Directorate Performance Report.

As part of the due diligence process for lending applications, the projected economic benefits of each case will be identified and presented within the report.

A monitoring database will be established to record performance data on each business in which investment is approved. This will allow actual results to be tracked against projected performance and benefits. This will also provide a good statistical base for future analysis of the lending service. The financial return on SIF investments will also be recorded to provide data on average lending rates and bad debt.

6.5 Arrangements for Post Project Evaluation

A project evaluation review will be prepared to appraise how well the project was managed and whether it delivered to expectations, timescales to be agreed by the Board.

6.6 Preferred Option

There are sufficient management arrangements in place or planned for Option 3 to remain the preferred option.

Case Studies

Aurora Marine Ltd

The Economic Development Service assisted Aurora Marine Ltd. in 2012. This support resulted in the business accessing business planning, marketing and training support through Business Gateway, a member state grant of £37,250 to lever in European Fisheries Fund grant of £223,500 and SIC loan finance of £372,500 towards their £785,000 project to purchase a workboat and innovative net cleaning equipment.

Aurora Marine Ltd., a new start business, created 6 new FTE jobs to operate its pioneering remote controlled equipment, from Norway, offering a new cleaning and inspection service for aquaculture businesses that is quicker and more sustainable than any other cleaning method.

The business, which has grown rapidly to have a turnover of around £700,000 in just 3 years, is currently working with Cooke Aquaculture Scotland on a full-time basis. Their second vessel is scheduled to be delivered in July/August 2016, creating further jobs in Shetland rural areas, to supply services to others in the aquaculture sector.

Shetland Farm Dairies Ltd

A Hire Purchase (HP) facility of £142,900 was approved by the Council in 2013 towards the cost of purchasing a milk bottling plant and associated equipment/works. The main bottling plant was manufactured and shipped from the USA.

The Dairy Manager has commented that the new system has resulted in efficiencies with the elimination of product and packaging losses. Filling times have been reduced, shelf life has improved and customer complaints are much lower. Staff morale is also better.

In addition to the 11 FTE workers employed by the Company, another 11 FTE workers are employed by the four dairy farms which depend on the Company.

Shetland Farm Dairies also has plans going forward to replace more equipment and invest in new products and processes. This will result in increased efficiencies and turnover and will further eliminate the dumping of quality raw milk thus allowing the dairy farms to become efficient by producing to their maximum capacity.

Guardian Angell Fishing Company Ltd.

The Guardian Angell Fishing Company Ltd. completed their new build vessel, Guardian Angell last year, the first new whitefish vessel to join the Shetland fleet since 2008. The level of interest generated by the arrival of Guardian Angell also highlighted the vitally important socio-economic benefits the local whitefish fleet generates throughout Shetland.

The project was funded through a combination of £1.1m loans from the Clydesdale Bank and the Economic Development Service of the SIC, in addition to funds invested by the owners through existing equity and quota.

Owned by Yell skipper Michael Henderson, together with partners Mark Hoseason and Lindsay Inkster of the Guardian Angell Fishing Company Ltd., the 26m trawler was built by Parkol Marine Engineering at Whitby. Together with crewmen Grant Irvine and Edward Leask, the owners expect to work 10 day trips around Shetland, during which time they will make three landings, usually into Cullivoe, Lerwick or Scalloway.

Working through Lerwick agents LHD Ltd., Guardian Angell's catches will be sold electronically on the Shetland Seafood Auction.

Local suppliers for the new build included LHD Ltd. (nets and wire), J J Measuring Systems (fish handling system) and H Williamson & Son Ltd. (electronics).

Option	Use of Capital	Summary	Capital Allocation
Option 1: £18m capital + additional £6m Council funds	Shetland Investment Fund of £24m (estimated new investment of £3m per annum in local businesses)	Investment provision of £12m in MTFP for 15/16	Currently a £2.9m budget available for investment in local industry
			£5.3m current investment portfolio + £3.8m commitments (£9.1m). Committed funds invested by Council until required
		£12m provision (£3m per annum) in MTFP between 01/04/16 and 01/04/19	£12m invested locally (balance remaining from MTFP of investing £3m per annum until 2019, subject to annual approval)
Option 2: £18m capital	Shetland Investment Fund £18m (estimated new investment of £2.25m per annum in local businesses)	Investment budget of £12m in MTFP for 15/16	Currently a £2.9m budget available for investment in local industry
			£5.3m current investment portfolio + £3.8m commitments (£9.1m) Funds invested by Council until required
		Balance of capital for future investment capped at £18m	£6m for investment in future years, subject to annual approval of budget
Option 3: £18m capital	Shetland Investment Fund £15m (estimated new investment of £1.875m per annum in local businesses)	Investment budget of £12m in MTFP for 15/16	Currently a £2.9m budget available for investment in local industry .
			£5.3m current investment portfolio + £3.8m commitments (£9.1m). Funds invested by Council until required
		Balance of capital for future investment capped at £15m	£3m for investment in future years, subject to annual approval of budget
	£3m Council long term investment	Currently invested in line with Council policy	£3m long term investment in line with MTFP/Investment Strategy
Option 4: £18m capital	Shetland Investment Fund £12m (estimated new investment of £1.5m per annum in local businesses)	Investment budget of £12m in MTFP 15/16	Currently a £2.9m budget available for investment in local industry
			£5.3m current investment portfolio + £3.8m commitments (£9.1m). Funds invested by Council until required
	£6m Council long term investment	Currently invested in line with Council policy	£6m long term investment in line with MTFP/Investment Strategy
Option 5: £18m capital	Shetland Investment Fund £9m (no funds for investment in local business until investment balance reduced below £9m)	Less than the £12m commitment provided for in the MTFP in 15/16.	No budget for further local investment in the short term
			£5.3m current investment portfolio. Fulfil £3.8m commitments. Trade out £0.1m of existing and committed investments to reach investment level of £9m
	£9m Council long term investment	Currently invested in line with Council policy	£9m long term investment in line with MTFP/Investment Strategy, subject to receipt of monthly repayments on loans until this figure is achieved.
Option 6: £18m capital	Shetland Investment Fund £6m (no funds for investment in local business until investment balance reduced below £6m)	Less than the £12m commitment provided for in MTFP in 15/16.	No budget for further local investment in the short term
			£5.3m current investment portfolio. Fulfil £3.8m commitments. Trade out £3.1m of existing/committed investments to reach investment level
	£12m Council long term investment	Currently invested in line with Council policy	£12m long term investment in line with MTFP/Investment Strategy, subject to receipt of monthly repayments on loans until this figure is achieved or sale of investments
Option 7: £18m capital	Spend on Council Capital Projects	Trade out or sell investments. Council decisions required to allocate funds	£18m spent, subject to receipt of monthly repayments on loans until this figure is achieved or sale of investments.
Option 8: £18m capital	Spend on Council Services	Trade out or sell investments. Council decisions required to allocate funds	£18m spent, subject to receipt of monthly repayments on loans until this figure is achieved or sale of investments
Option 9: £18m capital	Council long term investment	Trade out or sell all local investments and income reinvested to grow capital base	£18m long term investment, subject to receipt of monthly repayments on loans until this figure is achieved or sale of investments.
Option 10:£18m capital	Council long term investment	Trade out or sell all local investments and income spent on Council services	£18m long term investment, subject to receipt of monthly repayments on loans until this figure is achieved or sale of investments.
Option 11:£18m capital	Council long term investment	Trade out or sell all local investments and income spent on capital projects	£18m long term investment subject to receipt of monthly repayments on loans until this figure is achieved or sale of investments.
Option 12:£18m capital	Council long term investment	Trade out or sell all local investments and invest in line with Council Policy (MTFP and Investment Strategy)	£18m long term investment, subject to receipt of monthly repayments on loans until this figure is achieved or sale of investments.

Appendix 3

Assessment of Long List of Options

Option	Use of Capital	Capital Used (£m)	BENEFITS: Income Generation	BENEFITS: Benefits to Shetland Community	BENEFITS: Sustainability of Funds	COSTS: Cost to Deliver	COSTS: Negative Implications	RISKS: Risk to Capital	RISKS: In line with MTFP	TOTAL
1	Shetland Investment Fund	24	6	8	8	1	7	2	10	42
2	Shetland Investment Fund	18	7	8	8	2	8	4	10	47
	Managed Funds	0								
3	Shetland Investment Fund	15	7	8	8	4	9	5	10	**51**
	Managed Funds	3								
4	Shetland Investment Fund	12	8	7	8	5	9	6	10	**53**
	Managed Funds	6								
5	Shetland Investment Fund	9	8	6	8	5	9	7	9	**52**
	Managed Funds	9								
6	Shetland Investment Fund	6	9	4	8	6	6	8	7	48
	Managed Funds	12								
7	Spend on Capital Projects	18	0	9	0	1	3	0	0	13
8	Spend on Council Services	18	0	8	0	2	3	0	0	13
9	Managed Funds, income reinvested	18	10	2	10	9	3	9	7	50
10	Managed Funds, income spent on services	18	10	3	8	8	3	8	7	47
11	Managed Funds, Income spent on capital projects	18	10	5	8	7	3	8	7	48
12	Managed Funds, income used in line with MTFP	18	10	4	9	8	3	8	8	**50**

All options graded on a scale of 0-10 (0 being lowest and 10 being highest)
Option 9 and Option 12 both score 50. However, BBBC methodology states that one of your short list of option must be the "do nothing option".
Therefore Option3 ,4, 5 and 12 were shortlisted

Appendix 4

Estimated Costs

Cost Type	Cost Detail	Assumption Number	Option 3 SIF of £15m and MF of £3m	Option 4 SIF of £12m and MF of £6m	Option 5 SIF of £9m and MF of £9m	Option 12 SIF of £0 and MF of £18m
Direct Revenue Costs	Staff wages (Economic Development Service)	1	-£97,517	-£75,013	-£67,511	£0
	Staff wages (Other SIC Services)	2	-£9,100	-£7,000	-£6,300	£0
	Overheads	3	-£11,530	-£11,530	-£11,530	£0
	Legal fees	4	-£26,000	-£20,000	-£18,000	£0
	External MF fees	5	-£15,000	-£30,000	-£45,000	-£90,000
Contingent Liability	Risk of MF investment returns	6	-£33,900	-£67,800	-£101,700	-£203,400
	SIF bad debt provision	7	-£93,750	-£75,000	-£56,250	
Opportunity Costs	Opportunity Cost - income from MF	8	-£421,155	-£336,924	-£252,693	£0
	Opportunity Cost - economic benefit from spending on MF fees	9	-£100,275	-£80,220	-£60,165	£0
	Opportunity Costs - economic benefit in terms of turnover to Shetland businesses	10	£0	-£487,304	-£974,608	-£2,436,520
	Opportunity Costs - Loss of economic benefit from wages to deliver SIF	11	£0	-£32,895	-£43,860	-£142,546
		Total Costs	**-£808,227**	**-£1,223,686**	**-£1,637,618**	**-£2,872,467**

Assumptions

Assumption No:	Summary	Detail
1	Employment costs relating to SIF. Include salaries, NI and pension costs. The proposed restructure of the Economic Development Service has been used to assess costs. Work includes assessing new applications and monitoring existing investments.	Option 4 used as baseline since the current lending budget is also £12m. Option 3 x 130%, Option 5 x 90%. Not proportionate to the lending level i.e. lending £3m will not cost half as much as lending £6m
2	Employment costs of other SIC services supporting the delivery of SIF, including SIC Finance Services, Administration Services and Legal Services.	Option 4 used as baseline since the current lending budget is also £12m. Option 3 x 130%, Option 5 x 90%. Not proportionate to the lending level i.e. lending £3m will not cost half as much as lending £6m.
3	Office costs	Fixed overheads relating to staff. Not proportioned due to nature of costs.
4	Cost of general legal advice relating to operation of SIF.	This does not include the cost of preparing loan offers and associated security documents as these costs are recharged to the client. Fees proportionate to level of SIF.

5	Professional MF fees, external to SIC	0.5% of MF value i.e. 0.5% of £18m = £90,000
6	Allowance for risk of not achieving the anticipated return on MF. Risk % is provide by Finance based on the likelihood of achieving a higher or lower rate of rate than the 7.3% expected	Expected MF return of 7.3% less 6.17% x level of MF (6.17% provided by Executive Manager, Finance)
7	Allowance for potential bad debt (equal to capitalisation of interest)	5% of anticipated annual capital invested based on an average lending period of 8 years
8	Difference between investing £18m at 7.3% and the return on investments (both MF and SIF) in the option being considered	(MF Income, inc. multiplier + SIF Income, inc. Multiplier in the option being considered) less the MF Income, inc. Multiplier in Option 12
9	Difference between multiplier on MF fees of investing £18m and the MF fees in the option being considered	MF Fees in option being considered less the MF Fees in Option 12 x Public Administration Multiplier of 1.337
10	Difference between economic benefit achieved from investing £15m compared to economic benefit achieved by the option being considered. Economic impact is measured in terms of increased turnover in businesses awarded lending from SIF. Historical data has been used to provide baseline data.	SIF Measurable Benefit in the option being considered less the SIF Measurable Economic Benefit in Option 3
11	Difference in SIF wage cost relating to investing £15m in SIF and the SIF wage cost for the option being considered	SIF wage costs, inc multiplier in option being considered less the less SIF wages, inc multiplier in Option 3

General Cost Assumptions

Costs to the Shetland community of not having a lending service i.e. stagnating business performance or failure, are not costed (avoids double counting as benefits/disbenefits of investing/not lending will show in impact of lending)
Costs based on providing loans only. Other mechanisms, such as guarantees and equity, have not been included
No costs have been calculated for the spend of income on the £18m in Option 12
Costs for options 3, 4 & 5 assume the full investment fund is utilised although in practice it is likely that this will not be the case
Wider costs have not been considered, only costs incurred by SIC, excluding the costs of using any income generated
Transfer payments such as VAT have been excluded
No inflation is included in the calculations

Appendix 5

Estimated Monetary Benefits

Benefit Detail	Assumption Number	Option 3 SIF of £15m and MF of £3m	Option 4 SIF of £12m and MF of £6m	Option 5 SIF of £9m and MF of £9m	Option 12 SIF of £0 and MF of £18m
Measurable Economic Benefit to Shetland	1	£2,436,520	£1,949,216	£1,461,912	£0
Income on SIF Investments	2	£780,000	£624,000	£468,000	£0
Multiplier on SIF Investments Income	3	£262,860	£210,288	£157,716	£0
Economic Benefits From SIF Jobs	4	£142,546	£109,651	£98,686	£0
MF Income	5	£219,000	£438,000	£657,000	£1,314,000
Multiplier on MF Income	6	£73,803	£147,606	£221,409	£442,818
Economic Benefits From MF Fees	7	£20,055	£40,110	£60,165	£120,330
	Total Benefits	**£3,934,785**	**£3,518,871**	**£3,124,888**	**£1,877,148**

Assumptions

Assumption No:	Summary	Detail
1	Economic impact is measured in terms of increased turnover in businesses awarded lending from SIF. Historical data, from loan investments between 2008-2016, has been used to provide baseline data. The assumption was based upon the % of increase in turnover accreditable to the investment made, this rate was calculated as being 66.46% (the average level of funding package provided by the SIC between 2008-2016). Full utilisation of the SIF and MF is assumed in each option.	Historical data showed that a SIF of £9,264,880 generated £1,504,938 of turnover per annum in local businesses (including the multiplier on each investment) x 66.46%. This is equivalent to £1 invested in SIF generating £0.16 per annum in turnover for local businesses.
2	Assumes a fully operating fund where the full SIF is invested annually	Rate of Return on SIF is 5.2%, the current minimum lending rate
3	Assumes a fully operating fund where the full SIF is invested annually	Multiplier on Income of 1.337*
4	Jobs are required to administer SIF which provides an economic impact from the provision of jobs in Shetland	Employment Costs including multiplier on Income of 1.337*
5	Assumes a fully operating fund where the full MF is invested	Rate of Return on MF is 7.3%
6	Assumes a fully operating fund where the full MF is invested	Multiplier on Income of 1.337*
7	Fund managers are required to administer MF which provides an economic impact from the buying of these external services	MF Fees including multiplier of 1.337*

*Public Administration Multiplier 2010-2011

Appendix 6

Estimated Non Monetary Benefits

Increase in Exports and Leverage of Private Sector Match Funding – SIF

Benefit	Assumption Number	Option 3	Option 4	Option 5
		SIF of £15m	SIF of £12m	SIF of £9m
Average Increase in Exports (63% of turnover)*	1	£1.55m	£1.24m	£0.93m
Leverage of Private Sector Match Funding (34% of project value)	2	£5.03m	£4.03m	£3.02m

Jobs Impacts From SIF Lending

Benefit	Assumption Number	Option 3	Option 4	Option 5
		SIF of £15m	SIF of £12m	SIF of £9m
Direct Jobs Created *	1	32	26	19
Direct Jobs Maintained *	1	334	267	200

Jobs Created by SIF and MF Operation and Income

Benefit	Assumption Number	Option 3	Option 4	Option 5	Option 12
		SIF of £15m and £3m MF	SIF of £12m and £6m MF	SIF of £9m and £9m MF	SIF of £0 and £18m MF
Direct Council Jobs *	3	5	4	3	0
Potential Jobs Created in Economy by SIF & MF Income *	4	43	46	49	57

* Including multiplier

Assumptions

Assumption No	Detail
1	Results are in proportion to the benefits in businesses awarded lending from SIF between from 2008-2016. Capital Invested between 2008-2016 = £9,264,880, resulted in: Exports of £959,228* Direct Jobs of 20* Jobs Maintained of 206* * inc. multiplier
2	Leverage of Private Sector Match Funding is calculated by taking the average leverage rate of 34% for lending recipients between 2008-2016 x the SIF total relating to the option being considered.
3	Direct Council Jobs, inc multiplier, is calculated by taking the value of the staff wages in the Council for delivery of SIF, per option, divided by the average wage of £30,784 p.a. (£592 gross weekly earning average from SIC Development Services key performance indicators 2014/15) x public administration multiplier of 1.337
4	Potential Jobs Created in Economy, is calculated by taking the value of the SIF and MF Income, inc. multiplier, per option, divided by the average wage of £30,784 p.a. (£592 gross weekly earning average x 52 weeks, source: SIC Development Services key performance indicators 2014/15) x public administration multiplier of 1.337

Appendix 7

Net Present Value (NPV) Calculations

Year	0	1	2	3	4	5	6	7	8
Discount Factor	1.0000	0.9662	0.9335	0.9019	0.8714	0.8420	0.8135	0.7860	0.7594

Option 3 - SIF of £15m and MF of £3m

Costs	-£808,227	-£808,227	-£808,227	-£808,227	-£808,227	-£808,227	-£808,227	-£808,227	-£808,227	
Benefits	£3,934,785	£3,934,785	£3,934,785	£3,934,785	£3,934,785	£3,934,785	£3,934,785	£3,934,785	£3,934,785	**NPV**
NPV	£3,126,558	£3,020,829	£2,918,676	£2,819,976	£2,724,615	£2,632,478	£2,543,457	£2,457,446	£2,374,344	**£24,618,380**

Option 4 - SIF of £12m and MF of £6m

Costs	-£1,223,686	-£1,223,686	-£1,223,686	-£1,223,686	-£1,223,686	-£1,223,686	-£1,223,686	-£1,223,686	-£1,223,686	
Benefits	£3,518,871	£3,518,871	£3,518,871	£3,518,871	£3,518,871	£3,518,871	£3,518,871	£3,518,871	£3,518,871	**NPV**
NPV	£2,295,185	£2,217,570	£2,142,580	£2,070,126	£2,000,121	£1,932,484	£1,867,135	£1,803,995	£1,742,990	**£18,072,186**

Option 5 - SIF of £9m and MF of £9m

Costs	-£1,637,618	-£1,637,618	-£1,637,618	-£1,637,618	-£1,637,618	-£1,637,618	-£1,637,618	-£1,637,618	-£1,637,618	
Benefits	£3,124,888	£3,124,888	£3,124,888	£3,124,888	£3,124,888	£3,124,888	£3,124,888	£3,124,888	£3,124,888	**NPV**
NPV	£1,487,270	£1,436,976	£1,388,383	£1,341,432	£1,296,070	£1,252,242	£1,209,895	£1,168,981	£1,129,450	**£11,710,699**

Option 12 - SIF of £0 and Managed Funds of £18m

Costs	-£2,872,467	-£2,872,467	-£2,872,467	-£2,872,467	-£2,872,467	-£2,872,467	-£2,872,467	-£2,872,467	-£2,872,467	
Benefits	£1,877,148	£1,877,148	£1,877,148	£1,877,148	£1,877,148	£1,877,148	£1,877,148	£1,877,148	£1,877,148	**NPV**
NPV	-£995,319	-£961,661	-£929,141	-£897,720	-£867,363	-£838,032	-£809,692	-£782,312	-£755,857	**-£7,837,096**

*** Discount Factor 3.5%**

Appendix 8

Sensitivity Analysis

Rate of Return reduced by 2% (SIF 3.2%. MF 5.3%)	Option 3	Option 4	Option 5	Option 12
	SIF of £15m and MF of £3m	SIF of £12m and MF of £6m	SIF of £9m and MF of £9m	SIF of £0 and MF of £18m
Total Costs	-£748,227	-£1,103,686	-£1,457,618	-£2,512,467
Total Benefits	£3,453,465	£3,037,551	£2,643,568	£1,395,828
Net Benefits	£2,705,238	£1,933,865	£1,185,950	-£1,116,639
Net Benefits with NPV Applied	£21,300,925	£15,227,169	£9,338,119	-£8,792,364

Accreditable economic benefit from SIF reduced from 66.46% to 50%	Option 3	Option 4	Option 5	Option 12
	SIF of £15m and MF of £3m	SIF of £12m and MF of £6m	SIF of £9m and MF of £9m	SIF of £0 and MF of £18m
Total Costs	-£808,227	-£1,033,608	-£1,257,461	-£1,922,074
Total Benefits	£2,984,392	£2,758,557	£2,554,652	£1,877,148
Net Benefits	£2,176,165	£1,724,949	£1,297,192	-£44,926
Net Benefits with NPV Applied	£17,135,028	£13,582,175	£10,214,028	-£353,743

Accreditable economic benefit from SIF reduced from 66.46% to 25%	Option 3	Option 4	Option 5	Option 12
	SIF of £15m and MF of £3m	SIF of £12m and MF of £6m	SIF of £9m and MF of £9m	SIF of £0 and MF of £18m
Total Costs	-£808,227	-£856,110	-£902,466	-£1,034,586
Total Benefits	£2,096,904	£2,048,566	£2,022,160	£1,877,148
Net Benefits	£1,288,677	£1,192,457	£1,119,694	£842,562
Net Benefits with NPV Applied	£10,146,986	£9,389,350	£8,816,420	£6,634,298

Accreditable economic benefit from SIF reduced from 66.46% to 16.76%	**Option 3**	**Option 4**	**Option 5**	**Option 12**
	SIF of £15m and MF of £3m	SIF of £12m and MF of £6m	SIF of £9m and MF of £9m	SIF of £0 and MF of £18m
Total Costs	-£808,227	-£813,782	-£817,810	-£822,948
Total Benefits	£1,885,266	£1,879,256	£1,895,177	£1,877,148
Net Benefits	£1,077,039	£1,065,474	£1,077,366	£1,054,200
Net Benefits with NPV Applied	£8,480,559	£8,389,494	£8,483,135	£8,300,726

Appendix 9

Income and Expenditure

Estimated Income

Income Detail	Option 3	Option 4	Option 5	Option 12
	SIF of £15m and MF of £3m	SIF of £12m and MF of £6m	SIF of £9m and MF of £9m	SIF of £0 and MF of £18m
SIF Income	£780,000	£624,000	£468,000	£0
MF Income	£219,000	£438,000	£657,000	£1,314,000
Total	**£999,000**	**£1,062,000**	**£1,125,000**	**£1,314,000**

Estimated Expenditure

Detail	Option 3	Option 4	Option 5	Option 12
	SIF of £15m and MF of £3m	SIF of £12m and MF of £6m	SIF of £9m and MF of £9m	SIF of £0 and MF of £18m
Staff wages (EDS)	-£97,517	-£75,013	-£67,511	£0
Staff wages (Other SIC Services)	-£9,100	-£7,000	-£6,300	£0
Overheads	-£11,530	-£11,530	-£11,530	£0
Legal fees	-£26,000	-£20,000	-£18,000	£0
External MF fees	-£15,000	-£30,000	-£45,000	-£90,000
Total	**-£159,147**	**-£143,543**	**-£148,341**	**-£90,000**

Assumptions

The above costs and benefits have been used to calculate the Net Income to the Council as per the guidelines for preparing the Financial Case.

The calculations of income and expenditure are as per the assumptions shown in Appendix 4 & 5.

Appendix 10

PROJECT PLAN

Project: Establishment of a Shetland Investment Portfolio, Fund and Lending Service for Economic Development

Author: Sheila Keith/Wendy Grant

Date: 10 November 2014

Document Ref: Project Plan - Shetland Investment and Lending Service Project V1.0

Version No: V1.0

1 Project objectives and desired outcomes

- To wind up the SDT, including the transfer of assets and undertakings to the Council.
- To establish a portfolio of investments and Shetland Investment Fund within the Council which will generate direct income and provide economic benefit to the local economy.
- To create a robust system for lending to local organisations.

2 Project Scope and Exclusions

Scope:

- To wind up the SDT with lending and non-lending assets/undertakings transferred to the Council by 20 November 2015. This will include actions to:

    - Define assets for transfer.
    - Identify assets which should be concluded before transfer date or written off and not transferred.
    - Value assets and complete reviews of all investments.
    - Forecast income and expenditure within the SDT until the date of wind up, including tax liabilities.
    - Maximise tax efficiency by making full use of tax reclamation and surplus distribution before wind up.
    - Prepare and execute legal documents for transferring assets.
    - Prepare accounts and tax returns for the date of cessation.
    - Ensure previous SDT surplus beneficiaries are kept informed of the wind up timescales and are aware of the implications for future funding.

- To establish a portfolio of economic development investments and Shetland Investment Fund (SIF) within the Council.

- Document the plans for management of investments and the SIF. This will include actions to:

    - Set financial controls for the management of the economic development investment asset portfolio.
    - Communicate with, and take advice from Council auditors in order to avoid audit qualification.
    - Forecast income and expenditure associated with lending activity post asset transfer.
    - Review the Council's tax position with regard to the transferred assets.
    - Prepare an investment strategy for lending to local businesses.
    - Prepare revised/new policy and procedures for economic development investment.

Exclusions:

- Finding alternative funding mechanisms for previous SDT surplus beneficiaries (this activity will need to be done in tandem with the project detailed in this document but is not within the scope).
- The management of the asset portfolio, SIF and operation of the lending service.
- The promotion of the business lending service by the Council.

3 Tolerances

Time:

- The wind up of the SDT must be completed by 20 November 2015 to avoid the payment of Inheritance Tax. The date of 28 February 2015 is the proposed date for dissolution of the SDT.
  Tolerance: +1 month
- The review of Investment Strategy and preparation of revised policies and procedures aims to complete in September 2015.
  Tolerance: +/-3 months

Cost:

- Subject to Development Committee agreement, the budget for external advice is £100,000.
-
  Tolerance: There is no authority to exceed the budget.

4 External Dependencies

Specialist Legal and Trust accountancy advice is being sought from external advisors as part of the project. Procurement guidance has also been sought.

5 Project Controls

The following strategies have been prepared to monitor and control the project:

- Quality Management Strategy
- Configuration Management Strategy
- Risk Management Strategy
- Communications Management strategy.

6 Schedule of Activity

To be agreed by Board.

Appendix 11

Strategy, Policies, Systems and Procedures

Lending Strategy - to include:

- Product offering/types of funding – i.e. loan/equity/HP
- Identifying target sectors for development
- Encouraging a diverse portfolio - industry/size of investment
- Min/max lending levels per application/company
- Annual budgeting and cashflow management
- Fit within the market i.e. gap funder, matching bank lending to spread risk, position in relation to Pan-Scotland loan funding scheme
- Promotion

Policies - to include:

- Minimum/maximum lending levels
- Eligibility – Proving benefits to Shetland, viability, proven attempts to secure investment from other lenders
- Ineligible project guidelines (including exclusions under FCA regulation)
- Rejection process and appeal
- Deed of Conditions
- Interest rate policy
- Administration fees/APR's
- Early repayment fees
- Risk policy/security
- FOI/Data protection
- Press Release Policy

Systems and Procedures - to include:

- Delegated authorities – signing, rescheduling, negotiating, release of securities
- Application information and process
- Reporting formats/level of detail/loan schedule format
- Legal advisors, pricing
- Due diligence procedure and financial assessments
- Decision making process
- Filing systems
- Debt Management/Default procedure
- System for preparation of repayment schedules
- Management of repayments/master spreadsheets
- Communication with borrowers – annual statements
- Business Review and monitoring process
- Aftercare support through other Economic Development Services
- Secure/Fire safe storage of legal documents
- FCA authorisation requirements
- End of year procedures
- End of loan procedures
- PPMF reporting (reporting by exception) Annual and quarterly

Agenda Item
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Shetland Islands Council

Policy and Resources Committee **18 April 2016**

An Overview of Local Government in Scotland - Audit Scotland reports	
F-019-F	
Executive Manager - Finance	**Corporate Services**

1.0 Summary

1.1 Each year Audit Scotland published a range of specific audit reports and also a number of national reports that cover topics that affect parts of Scottish public sector activity as a whole. It is normal practice for each of these national reports to be considered by the most appropriate committee and for the key findings to be identified and described in the context of Shetland Islands Council.

1.2 The purpose of this report is to provide an overview of the national reports published by Audit Scotland under their series entitled "An Overview of Local Government in Scotland"

2.0 Decision Required

2.1 That the Committee NOTE the content of the report and RESOLVE to instruct the Corporate Management Team to take account of the key findings in the work of officers throughout the Council.

3.0 Detail

3.1 Following the conclusion of the annual accounts audit work and the reporting by external auditors to each of the local authority's individually, Audit Scotland reviews the findings and conclusions of the audits of the financial statements, Best Value, Community Planning and performance from across Scotland.

3.2 The drawing together of all of this information is then published as a national report under the title of "An Overview of Local Government in Scotland". It is designed to provide a high-level, independent view of councils' management and performance.

3.3 Audit Scotland see the primary role of the report to be a source of information for Councillors and senior officers to support them in their complex and demanding roles.

3.4 These reports have been published annually for a number of years however the Council has not had the opportunity to consider the one published in 2015 and Audit Scotland has recently published their 2016 overview. This report therefore provides the detail for the Committee bringing together the key findings from both publications.

3.5 The reports are split into two sections, giving an overview of the financial context in which councils are operating, including financial performance; and considering how councils are performing in delivering services, with workforce and governance specifically highlighted.

Key messages:

3.6 Unsurprisingly the key messages in the 2015 report (published in March 2015) and those included in the recent 2016 report (March 2016) are very similar in nature and emphasis, although there are differences and in order to highlight the key points the following table seeks to summarise them:

Key Message Subject	**2015 Report**	**2016 Report**
Increasingly difficult financial conditions	Between 2010/11 and 2013/14 Scottish Government funding for councils fell by 8.5%. Demand has increased due to population changes.	Scottish Government funding for councils will fall by 5% in 2016/17, in real terms a reduction since 2010/11 of 11%. Councils have faced additional pressures and greater demands on services.
Decision making and longer term planning	Councils report gaps between income and the cost of providing services. Tough decisions will have to be faced, decisions need to be based on knowledge of current financial position and longer term implications of decisions.	Councillors face increasingly difficult decisions about how best to spend their reducing budgets. This requires clear priorities and better long term planning.
Performance	Available performance information indicates that services have been improved or maintained. Public reporting is getting better, Councillors need better financial and service information to help set budgets and scrutinise performance.	Despite reducing their spending, performance measures show councils improved. However customer satisfaction with some services declined.
Staffing and skills	All councils have reduced staff numbers to make savings but not	Most councils have reduced their workforces and many

Key Message Subject	2015 Report	2016 Report
	sustainable.	are planning further staff reductions. There's a need to ensure councils have people with knowledge, skills and time to design, develop and deliver effective services in the future.
Community planning and engagement	Need to get better at using local data and involving service users and local communities in developing options to improve services and help save money.	Need to respond to the Community Empowerment (Scotland) Act 2015, involving local people more in making decisions about services and empowering local community to deliver services that are sustainable and meet local needs.
Governance	Councils need to ensure that the way they manage and control their work keeps pace with the quickly changing circumstances in which they operate. Good governance is vital. Not all councils systematically review governance or develop new ways of financing and delivery services.	
Councillor skills and knowledge		Councillors need to keep updating their skills and knowledge to fulfil their complex and demanding role. Increasingly important that they are able to challenge and scrutinise decisions and performance and assess options for new and different ways of delivering services within reducing budgets.

3.7 The key messages undoubtedly reveal a pattern of reducing resources, tough decisions and longer term planning and these have been a feature of the forecasts that the Council has been making for a number of years. These reports affirm the scenarios that have been set out in documents such as the Medium Term Financial Plan and rightly the 2015 report by Audit Scotland was a reference point when considering the latest version, which was adopted in November 2015.

3.8 Also strongly emphasised is the community planning aspects that are not only required by statute but seen as the means by which greater empowerment and sustainability can be achieved in a climate of reducing financial resources. There remains much work to be done by the Council to fully address this.

<u>Recommendations:</u>

3.9 Audit Scotland make a number of recommendations. The recommendations are intended to complement other sources of support and help Councillors in carrying out their role effectively.

Recommendation (2015 or 2016) Councillors should:	**Action by the Council**
Satisfy themselves that the council has longer-term financial strategy (5 years or more), supported by an effective medium-term plan (3 to 5 years). They should reference prioritisation of spending to achieve its objectives, make savings and remain financially sustainable. These plans should set out the financial commitments, identify the challenges with affordability of services and set out clearly how the council ensures its financial position is sustainable over an extended period. Ensure that council officers provide high quality financial and performance data to support effective scrutiny and decision making.	A comprehensive MTFP is in place that has detailed data that is effective in managing annual budget setting and savings targets. Reference is made to the prioritisation of the corporate plan objectives and outcomes. A longer term plan in relation to investment returns and asset management challenges has been adopted and further work on this is currently in progress. Financial commitments are clearly referenced as are the challenges of affordability over the medium and longer term. A strategy was adopted to direct the action needed to move towards a sustainable position. A regular series of quarterly performance based meetings is in place which has continued to evolve and develop to provide Councillors with the data that they need to support their role. The council has managed its spending in line with its plans for the last few years.
Appraise all practical options for how to deliver the services their communities need within the resources available. They should ensure they get all necessary information and support from officers to help them fully assess the benefits and risks of each option.	A number of Council service areas have been considered in detail in recent years and the Council agreed that a number of services will be looked at ahead of the 2017/18 budget being set. The Council has adopted the building better business cases approach to its projects and this aims to improve the support and detail that Councillors receive to assess options, benefits and risks.
Ensure their council develops workforce strategies and plans that clarify the number and skills of staff needed in the future.	A draft Workforce Strategy 2016-2020 has been prepared and is being considered at this Policy and Resources Committee.
Make sure that decision making process and scrutiny arrangements remain appropriate for different ways of delivering services.	In the last year the setting up of the Integration Joint Board (IJB) for Community Health and Social Care provides the governance and decision making arrangements in place for a significant shift in the

Recommendation (2015 or 2016) Councillors should:	Action by the Council
	delivery of services. This enabled the IJB to be operational ahead of many others in Scotland, adopting its strategic plan in November 2015. A current review of the Commissioning and Procurement Framework that covers the Council and NHS Shetland is the latest strategic document to ensure that both organisations are working from a single framework and able to apply their own procedures within that.
Regularly review their personal training and development needs. Assess whether they have appropriate knowledge and expertise in areas such as assessing financial and service performance to carry out their role effectively.	The council provides regular elected members with development meetings with the Executive Manager – Executive Services, and he provides regular "In the Loop" updates. Councillors have the opportunity to participate in CPD framework for Elected Members and have access to Improvement Service Elected Member masterclass workshop and materials. Local seminars are provided on key topic areas.
Review the governance arrangements following significant changes in staff, management and political structures.	The council has actively reviewed its governance arrangements moving to the current committee structure in 2014. Introducing separate performance meetings once a quarter ensures greater focus on service and financial performance is considered regularly and robustly. Further changes were implemented in 2015 with the requirement to introduce Pension Boards to develop the governance and oversight of the Pension Fund, this also implemented the Pension Committee. Current work is ongoing to improve governance arrangement for other Council related bodies such as ZetTrans.

3.10 The recommendations that were included in the 2015 and 2016 reports, like the key messages, are similar and as such the table brings together the main points.

3.11 Overall the Council is making positive progress in many of the areas that have been highlighted but this means that it should not rest on its laurels. There remains much work to be carried out to keep the Council in a well informed, proactive position in many of these key areas that will challenge all Councils in 2016/17 and beyond. Officers will continue to work to recognise the importance of these key messages and ensure that the recommendations are incorporated into thinking and actions.

4.0 Implications

Strategic

4.1 Delivery On Corporate Priorities – There is a clear emphasis in the Audit Scotland reports to prioritisation and the reference points for the Council in considering its priorities must be the Corporate Plan, the Shetland Local Outcome Improvement Plan.

4.2 Community /Stakeholder Issues – Reference is made in the Audit Scotland reports to the benefits to be derived by engaging at a community level and involving the local community in planning and delivering services in the future. Work will need to continue to make this an embedded part of the way the Council works.

4.3 Policy And/Or Delegated Authority – Policy and Resources Committee has the authority to consider matters of finance and the impact that there may be on the resources of the Council therefore this report is presented to provide a view of resource management and performance of councils across Scotland.

4.4 Risk Management – The Audit Scotland reports highlight a number of risks and many of these have been incorporated into the plans of the Council including the Medium Term Financial Plan. The risks of not considering the content of these reports are that the Council misses the opportunity to prepare for the things that are known to local government at this time. Alternatively to fail to learn from the work of others would represent a missed opportunity to improve or to take advantage of work that others have already been able to benefit from.

4.5 Equalities, Health And Human Rights – None.

4.6 Environmental – None.

Resources

4.7 Financial – There are no direct implications on finance associated with this report however the subject matter clearly has a financial basis and context and as such the key messages and recommendations should be considered in the course of the work of the Council by its officers.

4.8 Legal – The Shetland Islands Council is required to prepare accounts in accordance with the Local Government (Scotland) Act 1973 and the 2015 Code of Practice on Local Authority Accounting. It also has a duty in respect of community planning and Best Value under the Local Government in Scotland Act 2003.

4.9 Human Resources – A draft Workforce Strategy 2016/2020 is being considered at this Policy And Resources committee. This will meet the good practice requirements set out by Audit Scotland. *(Note: The Workforce Strategy is being presented to P&R Committee on 18 April).*

4.10 Assets And Property – The longer term planning for Council affordability and sustainability will have an impact on the extent of the property estate and asset base that the Council can afford to work from will have to be taken into account as part of the work on the refresh of the Medium Term Financial Plan and the Long Term Financial Plan.

5.0 Conclusions

5.1 The Audit Scotland reports on "An Overview of Local Government in Scotland" provide key messages and an insight into good practice that the Council should consider and the Corporate Management Team incorporate into its work.

5.2 The Council is well positioned, based on a simple self-assessment of the recommendations, and should build on this work to continue to take advantage of information from a national context and plan for the longer term in a financial climate that will continue to put constraints on Council funding.

For further information please contact:
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11 April 2016

Documents:
Audit Scotland Report 2015
http://www.audit-scotland.gov.uk/report/an-overview-of-local-government-in-scotland-2015

Audit Scotland Report 2016
http://www.audit-scotland.gov.uk/report/an-overview-of-local-government-in-scotland-2016

END

Agenda Item

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Shetland Islands Council

Policy & Resources Committee **18 April 2016**

Audit Scotland Report – Major Capital Investment in Councils, Follow-up
Report No – CPS-06-16-F

Report from: Executive Manager – Capital Programme	**Corporate Services**

1.0 Summary

1.1 This report presents an Impact report by Audit Scotland on Major capital investment in councils. A commentary on the key recommendations is attached as Appendix A to this report.

2.0 Decision Required

2.1 That the Policy and Resources Committee NOTES the contents of this report.

3.0 Background

3.1 On 20 August 2014, the Council adopted a new policy and procedure to monitor actions resulting from External Auditor's/Advisers reports (Min ref 61/14).

3.2 The key points of the new policy are:

3.2.1 All Audit Scotland and other External Advisors reports should be presented to the relevant committee within 2 cycles of publication.

3.2.2 It is expected that each report will result in a Council action plan.

3.2.3 The Audit Committee will consider that agreed action plan once it has been agreed with the relevant service committee

3.2.4 Reports will be presented to the Audit Committee to monitor progress against action plans.

3.3 This report relates to a report prepared by Audit Scotland in January 2016 entitled 'Major investment in councils, Follow-up'. **http://www.audit-scotland.gov.uk/report/major-capital-investment-in-councils-follow-up** It assesses to what extent councils have improved performance in managing their capital investment programmes and projects since their report entitled 'Major capital investment in councils' was published in 2013.

3.4 The key recommendations in the January 2016 report are set out in Appendix A to this report. Ongoing work in relation to the recommendations is also described. This report does not seek approval for any additional actions.

4.0 Implications

Strategic

4.1 Delivery On Corporate Priorities – 'Our Plan 2016 to 2020' undertake to ensure that "We have prioritised spending on building and maintaining assets and be clear on the whole-of-life costs of those activities" and that we ensure "High standards of governance, that is, the rules on how we are governed, will mean that the Council is operating effectively and the decisions we take are based on evidence and supported by effective assessments of options and potential effects".

4.2 Community /Stakeholder Issues – NONE

4.3 Policy And/Or Delegated Authority –The Policy and Resources Committee has within its remit *"..to ensure the Council discharges its functions relating to Best Value."*

4.4 Risk Management - Failure to deliver effective external engagement and learn from best practice elsewhere increases the risk of the Council working inefficiently.

4.5 Equalities, Health And Human Rights – NONE

4.6 Environmental - NONE

Resources

4.7 Financial – No direct implications

4.8 Legal – No direct implications

4.9 Human Resources - No direct implications

4.10 Assets And Property – No direct implications

5.0 Conclusions

5.1 Reporting by Audit Scotland ensures that best practice is shared across all Local Authorities. This report sets out comments on the key recommendations set out in their report entitled ‘Major capital investment in councils, Follow-up’ and the related actions already underway.

For further information please contact:
Robert Sinclair – Executive Manager, Capital Programme
01595 744144
18 April 2016

<u>List of Appendices</u>

Appendix A – Major capital investment in councils, Follow-up – Key recommendations

END

Major Capital Investment in Councils, Follow-up Recommendations

As already recommended in the 2013 report, all councils should have a long-term capital investment strategy. These should demonstrate to elected members and service users how planned capital investment will help achieve councils' long-term strategic priorities as defined in corporate plans and Single Outcome Agreements (SOAs). Councils should also ensure that their capital investment strategies and plans follow good practice as set out in the 2013 good practice guide.

Councils should ensure that they:

- prepare business cases that comply with good practice for every capital project
- revisit and monitor business cases throughout every capital project
- regularly carry out post-project evaluations to help establish whether planned benefits are realised and to identify good practice or lessons learned
- consider how best to review projects at key stages, using independent experts as necessary, to help provide assurance about project progress and to identify any potential problems
- are proactive in sharing lessons learned from projects, both, successful ones or those that ran into significant difficulties, within the organisation and with other councils.

These are recommendations that officers completely endorse. Whilst more needs to be done, there are work streams underway to deliver on these recommendations and much has already been implemented. Specifically:

- The roll-out of Prince2 and Building Better Business Case training and awareness for both Members and officers has greatly improved the understanding of good practice across the organisation
- The Council’s ‘gateway’ process for assessing and prioritising capital projects is currently being revised. The proposed new process will differ in a number of areas, but emphasis will be on ensuring that proposals are aligned with corporate outcomes and are subject to multiple reviews as projects develop
- The measures described above should help to ensure that projects deliver benefits that are in line with the outcomes set out in the Council’s corporate plan, however the importance of post-project reviews is understood and accepted. This is an area where more discipline needs to be applied, however it must be understood that this can be a challenging and resource intensive process.
- The use of independent resources at key project stages, particularly on larger or more complex projects will certainly be considered moving forward. The impartiality and specialist knowledge that such input can apply to the process is often very helpful.

- The Council understands the importance of engaging, and sharing lessons learnt, with other councils and public sector bodies. We take a lead role in coordinating local multi-agency meetings to that end and this has already resulted in a number of successful, collaborative projects. We also engage with other public sector bodies at a national level and are developing a network of contacts that have already proved useful in developing new policies and procedures.

- Work is ongoing on a Long Term Asset Investment Plan. It is expected that this will be reported to Members in late 2016.

Councils should ensure that they provide elected members with regular, appropriate and accurate information to allow them to scrutinise properly capital investment activity. Within this, councils should ensure that they:

- develop their capital monitoring reporting to include:
  - cumulative spending against total capital budget and the progress of each significant project against its key milestones
  - reasons for and consequences of slippage, or delays, of capital projects and any changes in the timing of capital spending
  - clear outlines of the benefits that individual projects have realised, and how these compare with the expected benefits outlined in business cases
  - updates of the risks associated with capital projects and programmes, including their financial and non-financial implications.

- provide elected members with regular training on capital investment to enable them to scrutinise effectively capital investment activity.

Officers support these recommendations and would note the following:

- Capital monitoring is an integral part of the Council's Business Programme and is reported at each Performance Monitoring cycle. The reports set out:

  - cumulative spending against total capital budget and the progress of each significant project against its key milestones

  - reasons for and consequences of slippage, or delays, of capital projects and any changes in the timing of capital spending

  As referred to above, more work is required in terms of reporting on benefits realisation, linked back to a clear business case, for most projects.

  Risks associated with significant projects are captured in risk registers at project level, with the most significant included on JCAD. These are regularly reviewed at Project Board level, with significant issues being referred to Members.

- As described above, training and awareness for both Members and officers has greatly improved the understanding of good project management practice across the Council, and this should enable Members to scrutinise capital investment activity effectively. This will be monitored, moving forward, and

further training provided as required.

Agenda Item

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Shetland Islands Council

Policy & Resources Committee **18 April 2016**

Audit Scotland Report – Procurement in Councils – Impact Report	
Report No – CPS-07-16-F	
Report from: Executive Manager – Capital Programme	**Corporate Services**

1.0 Summary

1.1 This report presents an Impact report by Audit Scotland on Procurement in councils. A commentary on the key recommendations is attached as Appendix A to this report.

2.0 Decision Required

2.1 That the Policy and Resources Committee NOTES the contents of this report.

3.0 Background

3.1 On 20 August 2014, the Council adopted a new policy and procedure to monitor actions resulting from External Auditor's/ Advisers reports (Min ref 61/14).

3.2 The key points of the new policy are:

3.2.1 All Audit Scotland and other External Advisors reports should be presented to the relevant committee within 2 cycles of publication.

3.2.2 It is expected that each report will result in a Council action plan.

3.2.3 The Audit Committee will consider that agreed action plan once it has been agreed with the relevant service committee

3.2.4 Reports will be presented to the Audit Committee to monitor progress against action plans.

3.3 This report relates to a report prepared by Audit Scotland in February 2016 entitled 'Procurement in councils – Impact report'. http://www.audit-scotland.gov.uk/report/procurement-in-councils-impact-report It describes the impact made by the Accounts Commission performance audit report on 'Procurement in councils' published on 24 April 2014.

3.4 The key recommendations in the February 2016 report are set out in Appendix A to this report. Ongoing work in relation to the recommendations is also described. This report does not seek approval for any additional actions.

4.0 Implications

Strategic

4.1 Delivery On Corporate Priorities – 'Our Plan 2016 to 2020' undertake to ensure that "Our arrangements for buying goods and services will be considered to be efficient and provide ongoing savings".

4.2 Community/ Stakeholder Issues – NONE

4.3 Policy And/ Or Delegated Authority –The Policy and Resources Committee has within its remit *"..to ensure the Council discharges its functions relating to Best Value."*

4.4 Risk Management - Failure to deliver effective external engagement and learn from best practice elsewhere increases the risk of the Council working inefficiently.

4.5 Equalities, Health And Human Rights – NONE

4.6 Environmental - NONE

Resources

4.7 Financial – No direct implications

4.8 Legal – No direct implications

4.9 Human Resources - No direct implications

4.10 Assets And Property – No direct implications

5.0 Conclusions

5.1 Reporting by Audit Scotland ensures that best practice is shared across all Local Authorities. This report sets out comments on the key recommendations set out in their report entitled 'Procurement in councils, Impact report' and the related actions already underway.

For further information please contact:
Robert Sinclair – Executive Manager, Capital Programme
01595 744144
18 April 2016

List of Appendices
Appendix A – Procurement in councils, Impact report – Key recommendations

END

Procurement in councils, Impact report

Key recommendations

The report's key recommendations were:

The Scottish Government should work with councils to:

- review and update the Best Practice Indicators (BPIs), drawing on councils' experiences, to reflect changes in procurement since 2008 and improve their usefulness to councils.

The recommendation to drop the previous BPI's is welcome as they were not necessarily relevant or useful. The decision of the Procurement Reform Delivery Group to retain indicators 1a and 1b, which relate to procurement savings, is welcome. This aligns well with the Council's current Procurement Strategy.

Scotland Excel should:

- maintain and improve its sharing of knowledge and experience with the Scottish Futures Trust, and with the associated joint venture companies
- set realistic timescales and savings targets for contracts, particularly in new areas of contracting.

Our Council has already provided feedback to and participated in the review of Construction Sector procurement. Whilst we do participate and use several Scotland Excel contracts, not all are available to our Council. We also have several service functions that Scotland Excel does not cover (e.g. Ports, Ferries, Air Services).

Councils and Scotland Excel should:

- review and formalise arrangements to fund procurement reform activity beyond 2016.

Feedback has been provided to Scotland Excel regarding future funding arrangements, including concerns where such arrangements do not have a corresponding benefit to our Council.

Council staff involved in procurement should:

- submit accurate and complete information to the Procurement Hub (the Hub) on a regular and timely basis (ideally quarterly, and as a minimum within three months of the end of the financial year)
- examine the costs and benefits of differentiating arms length external organisations (ALEO) and council expenditure in their Hub submissions**1**
- make greater use of the tools and facilities provided by the Hub, including the use of BPIs in their performance reporting and to benchmark their progress
- engage earlier with suppliers and the people who use public services to help develop contract specifications that more accurately reflect service user requirements and allow for greater innovation within contracts
- use the Public Contracts Scotland tender module for all applicable contracts
- make full use of national collaborative contracts and provide a clear explanation for non-participation in these contracts to the relevant council committee
- develop a systematic approach to collecting information on non-financial benefits including economic, community and environmental benefits and report the benefits to the relevant council committee on a regular basis
- calculate procurement savings using a consistent and transparent methodology that demonstrates clearly how the savings are calculated and their relationship to improved procurement
- make better use of market research, cost avoidance and improved contract management to identify savings and potential service improvements
- aim to achieve the ‘superior performance’ level in the Procurement Capability Assessment (PCA), particularly in relation to:
  − spend covered by agreed commodity/project strategies
  − participation in Scotland Excel contracts
  − automation of procurement and payment processes
  − spend captured in the council’s contract register.

Payment data has been submitted to the Hub as required. Supplier development workshops have been held and the use of Public Contracts Scotland (PCS) has increased. Savings benefits reports have been developed although this is something that is difficult to confidently determine with the system(s) currently available. The Council has agreed that procurement should continue to focus on potential procurement savings as opposed to achieving an enhanced PCA (now PCIP) score.

Councils' corporate management teams should:

- benchmark their procurement staffing against similar-sized councils with higher PCA scores and, where appropriate, produce a business case for employing additional qualified procurement staff where they have lower staffing levels
- examine the benefits of joint working or joint procurement teams as a way of securing economies of scale and creating collaborative contracts
- phase out paper purchasing systems and consider the business case for moving all purchasing systems to an electronic 'purchase to pay' basis
- raise staff awareness of accountability and controls by:
  - implementing a written code of ethics
  - requiring staff involved in procurement to complete a register of interest statement
  - require internal audit to conduct a regular assessment of procurement risk, including the risk of fraud.

Whilst we have benchmarked and compared PCA scores to other similar sized authorities, this does not reflect the different procurement needs and available market. Collaborative contracts are in place and continue to be progressed as the opportunity arises. The Council has a "Register of Interests" in place and audits are carried out against an approved plan. Opportunities for electronic procurement are continuously adopted where appropriate.

Councils should:

- require a report on procurement savings and non-financial procurement benefits to be submitted to the appropriate committee on a regular basis
- encourage elected members sitting on the main committee(s) dealing with procurement to complete specific training to help them undertake their governance role more effectively.

Procurement updates are reported to senior management and annually to Committee or as otherwise required. A new Procurement Strategy Project Board/Team has been established. The Procurement Section, with support and attendance from Scotland Excel, held seminars for both senior management and Members in June 2015.

Shetland Islands Council

Policy and Resources Committee — **18 April 2016**
Shetland Islands Council — **20 April 2016**

Commissioning and Procurement Strategy Review	
CRP-08-16-F	
Report by Director Corporate Services	**Corporate Services**

1.0 Summary

1.1 This report presents an update on the work being undertaken to review the Council's policies and strategies on commissioning and procurement, in particular those relating to the third sector. One of the aims of the review is to review existing policies and procedures to ensure that they comply with all relevant legislation and guidance including changes in EU Regulations that take effect in 2016/17 and Scottish Government guidance in this regard.

1.2 The review has also focussed on developing a high level process that will allow more than one strategic partner to jointly commission and procure services. This builds on the work done in 2008 to introduce a joint commissioning and procurement strategy for Shetland's Community Health and Care Partnership (CHCP). The draft strategy document, now called the "Commissioning and Procurement Framework" (the Framework), is attached at Appendix 1 and includes specific details that will apply to services commissioned by Shetland's Health and Social Care Partnership Integration Joint Board (IJB).

1.3 The Framework has been developed in discussion with NHS Shetland and Shetland Charitable Trust through the Shetland Partnership Resources Group and the views of service providers in the Third Sector and commissioning officers have been sought and taken into account.

1.4 Work is in hand to incorporate guidance from the Scottish Government and to circulate the draft Framework to partner agencies and other stakeholders for comments before being presented formally to partner agencies and the Shetland Partnership Board. In the meantime, this report seeks approval of the Framework at Appendix 1 as a working draft for the Council.

2.0 Decision Required

That the Policy and Resources Committee RECOMMENDS that the Council RESOLVES to:

2.1 NOTE the progress made in reviewing the Council's policies and strategies on commissioning and procurement presented in this report;

2.2 APPROVE the Commissioning and Procurement Framework document [Appendix 1] as part of the Council's Strategic framework documents, as set out in Part A of the Council's Constitution, to be managed by the Policy and Resources Committee;

2.3 AGREE that the Framework be implemented with immediate effect for use by the Council and delegate authority to the Director of Corporate Services, or her nominee, to update the Framework as required in light of guidance from the Scottish Government and any comments received from partner agencies and stakeholders; provided that where this constitutes a material change to the Framework and the processes described in the Framework, a further report will be presented to Policy and Resources Committee; and

2.4 AGREE that the implementation and use of the Framework should be kept under review with regular updates regarding the commissioning and procurement of services presented to functional Committees and the IJB as part of the Planning and Performance Management Framework (PPMF) reports.

3.0 Detail

Background

3.1 The first Joint CHCP Commissioning Strategy was approved by the Council in 2008 (Min Ref SIC 88/08). The Strategy was included in the CHCP Agreement and updated annually providing an action plan indicating development objectives and information regarding Service Level Agreements (SLAs) in place including the dates when they would come to an end and plans for the commissioning of services thereafter.

3.2 The CHCP Commissioning Strategy was renamed the CHCP Procurement Strategy following recognition of the entire CHCP Agreement as the "Joint Commissioning Strategy" for the CHCP in December 2014 (Min Ref 73/14).

3.3 For 2015/16, the CHCP Agreement was replaced with the Community Health and Social Care Directorate Plans which form part of the Strategic Plan for the IJB. The IJB approved the 2015/16 Strategic Plan on 20 November 2015 and assumed full responsibility for the functions delegated to the IJB under the terms of the Public Bodies (Joint Working) (Scotland) Act 2014 (Min Ref IJB 11/15) from that date. The IJB Approved the Strategic Plan 2016-19 on 4 February 2016 (Min Ref IJB 03/16). The Strategic Plan does not include the current Joint

Procurement Strategy, however, the joint procurement process has been updated and reissued for use by Council officers acting in a commissioning role pending the conclusion of this review.

3.4 The Integration Scheme of the IJB refers to the joint procurement process and the Framework, once approved, will be included in the Supplementary Documentation to the Integration Scheme. The joint commissioning and procurement processes have been used routinely by the Council and the Health Board to procure care and support services from the Third Sector, effectively pooling resources and negotiating an SLA on behalf of the partners. Examples include joint commissioning services for substance misuse and recovery services and independent advocacy services. More recently this approach has been used to purchase services from Shetland Islands Citizen's Advice Bureau and a briefing note on this piece of work is attached at Appendix 2.

3.5 EU regulations on procurement are changing. The new regulations come into force on 18 April 2016. The regulations make a number of changes with regard to care and support services including:

- No distinction applied to "Part B" services
- A new "light touch" regime applies to care and support services
- A much higher EU threshold where an EU procedure would have to be considered - £589,148

3.6 Scottish Government guidance on the Procurement of Care and Support Services (Best Practice) is reflected in the draft strategy document attached at Appendix 1. Training on the new regulations in general and on the guidance was recently provided in Shetland. The training was attended by staff from across the Council, NHS Shetland and other public sector organisations.

3.7 In addition to the duties listed at 3.5 above, the Council is required to prepare and publish a "Procurement Strategy" by 31 December 2016, setting out the Council's purchasing intentions for 2017/18 in relation to all regulated procurements. This will include those for care and support services.

Proposals

3.8 It is proposed that the Commissioning and Procurement Framework at Appendix 1 is approved by the Policy and Resources Committee as the single high level policy and strategy for use by the Council in all commissioning and procurement activities including those undertaken jointly with one or more strategic planning partners.

3.9 The Framework sets out the main stages of the commissioning and procurement processes, including the criteria for deciding whether or not to outsource public sector services and the process to be followed when outsourcing services. The Framework provides links and references to detailed policy and procedural documents and templates that apply.

3.10 The Framework complies with all relevant legislation and guidance including changes in EU Regulations that take effect in 2016/17 and Scottish Government guidance.

3.11 The Framework will be presented separately to Shetland NHS Board (the Health Board) with regard to the specific aspects of the process that refer to the commissioning and procurement arrangements set out in the Integration Scheme for the IJB[1].

3.12 The Framework will also be presented to the Shetland Partnership Board recommending that all Shetland's Community Planning Partners adopt the Framework to support joint strategic commissioning and procurement.

3.13 In implementing the Framework, it is proposed that the processes are made available on-line as a system whereby all commissioning and procurement processes will start with the Framework which will be linked to all other policies, processes and templates including the individual Standing Orders of partner agencies as appropriate.

3.14 Further work is required to implement the Framework. For example:

1. To develop the system on-line;
2. To review and update all detailed process documentation;
3. To provide additional templates and checklists to be used for joint commissioning processes;
4. To include references and links to other policy requirements such as Building Better Business Cases, decomposition of outcomes and project management methodologies/PRINCE2; and
5. To link the procurement processes to national frameworks e.g. Scotland Excel, and the Scottish Government's Procurement policy notes and related guidance

3.15 It is proposed that a project manager is appointed initially for six months, in order to undertake the work required including training and developing the "Procurement Strategy" (see paragraph 3.7 above).

4.0 Implications

Strategic

4.1 Delivery On Corporate Priorities –
The proposals in this report support the vision of "Our Plan 2016-2020".
'By the end of this plan (2020), we want to be known as an excellent organisation that works well with our partners to deliver sustainable services for the people of Shetland'.
The proposals contribute to "**Our 20 by '20** Things we aim to achieve", including:

- *"High standards of governance, that is, the rules on how we are governed, will mean that the council is operating effectively and the*

[1] Ref Shetland's H&SCP Integration Scheme 2015;
http://www.shetland.gov.uk/Health_Social_Care_Integration/Integrationscheme.asp

decisions we take are based on evidence and supported by effective assessments of options and potential effects.”

- *“Our arrangements for buying goods and services will be considered to be efficient and provide ongoing savings.”*
- *“We will be an organisation that encourages creativity, expects co-operation between services and supports the development of new ways of working.”*

4.2 Community /Stakeholder Issues –
Staff from the Council and the Health Board have worked together to develop the Framework and there have been two workshops; one for those staff and agencies involved in commissioning services and the other for commissioned services. Invitations for the second workshop were sent to organisations in the Third Sector who are currently involved in providing services that contribute to the outcomes of Shetland’s community planning partners. There was also an advertisement in the Shetland Times inviting any organisation with an interest in providing services to come along. The focus was on services rather than building contracts or contracts for the purchase of commodities.

4.3 Policy And/Or Delegated Authority –
The Integration Joint Board (IJB) approved the joint Strategic Commissioning Plan 2015-18 on 20 November 2015 and thereby assumed responsibility for the functions delegated to it by the Council and the Health Board.

However, the proposals in this report are to do with how the Council procures services and although specific aspects regarding procurement on behalf of Shetland’s Health and Social Care partnership are included, these refer to the process that the Council will follow and comply with the IJB’s Integration Scheme and Strategic Plan therefore this report does not require a decision of the IJB.

Policy and Resources Committee has referred authority to advise the Council in the development of its strategic objectives, policies and priorities. The Council has reserved authority to determine and approve the overall goals, values and strategy framework documents.

4.4 Risk Management –
There are risks to the Council if commissioning and procurement policies are not kept up to date by incorporating changes to reflect changes in statutory regulations and guidance or there is a failure to comply. Changes in EU regulations and associated guidance from the Scottish Government, which take effect in 2016, have been considered in the proposals in this report.
There are risks where there is a lack of clarity in terms of the processes that must be followed in procurement exercises. The Council may be exposed due to the actions of other partners where a procurement exercise is carried out on behalf of, for example, Shetland’s Health and Social Care Partnership. The Framework at Appendix 1 includes the requirement to fully appraise options including risks before undertaking any procurement exercise.

4.5 Equalities, Health And Human Rights – The proposals in this report support the responsibilities of the Council with regard to equalities, health and human rights by proposing a Commissioning and Procurement Framework that is open and transparent and includes stakeholder engagement in the development of service need to achieve agreed outcomes.

4.6 Environmental – Environmental issues are considered as an integral part of the assessment of needs and impacts in the commissioning cycle, which is included in the Framework.

Resources

4.7 Financial – All commissioning and procurement activities require appropriate budget provision within approved budgets whether capital or revenue.
The proposal to appoint a project manager on a temporary basis to complete the detailed work required to implement the Framework would be funded from within existing Cost Pressure and Contingency budget, Funding for Change, Code GRF1530.

4.8 Legal –
The proposals in this report form part of the work required to implement new EU regulations and Scottish Government guidance on procurement.

4.9 Human Resources – The appointment of a project manager on a temporary basis would follow an internal recruitment exercise in the first instance looking at a secondment as a development opportunity for an appropriately qualified member of staff. The post would be advertised across the Council and the Health Board.

4.10 Assets And Property –The Framework is consistent with the Council's policies and procedures on the management of assets and property and will promote the Building Better Business Cases methodology.

5.0 Conclusions

5.1 The draft Commissioning and Procurement Framework presented in this report complies with the changes in EU regulations on procurement and the Scottish Government guidance in this regard.

5.2 The Framework is designed to be used by the Council acting either on its own or on behalf of a number of partners and will be proposed to community planning partners for them to use similarly when commissioning and procuring goods and services on behalf of one or more partners.

For further information please contact:

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Director Corporate Services

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Telephone: 01595 74 3819

8 April 2016

List of Appendices

Appendix 1 – Commissioning and Procurement Framework 2016
Appendix 2 – Briefing Note - Prioritising and Streamlining Funding to Shetland Islands Citizen's Advice Bureau (SICAB)

Background documents:

Shetland's Health and Social Care Partnership Integration Scheme 2015
http://www.shetland.gov.uk/Health_Social_Care_Integration/Integrationscheme.asp

Health and Social Care Partnership Strategic Plan 2015-18
Health and Social Care Partnership Strategic Plan 2016-19
http://www.shetland.gov.uk/Health_Social_Care_Integration/StrategicPlan.asp

END

Shetland's partners delivering for outcomes

Commissioning and Procurement Framework

2016 – 2020

Ref: CF/CB/MD

March 2016

Contents

Commissioning and procurement in partnership

Introduction

The purpose of this document is to create a commissioning and procurement framework that can be signed up to by Shetland’s Community Planning partners, thereby enabling us to deliver better outcomes for our community in a more efficient manner.

The framework has been designed to enable community planning partners to adopt the strategy and its processes so that they can purchase services in a modern way whilst providing opportunities, where appropriate, to work together on shared agendas.

The strategy sets out an approach to commissioning and procurement that will provide a robust system whereby any one of Shetland’s Community Planning Partners can commission and procure services on behalf of a number of Partners in order to meet shared outcomes provided there are no legal or other policy constraints that would invalidate this approach.

Specifically, the strategy provides a process for the Council, NHS Shetland and Shetland’s Health and Social Care Partnership Integrated Joint Board (IJB) to commission and procure services to address local needs.

The strategy takes account of changes to EU and Public Procurement legislation and ensures current processes are up to date and fully compliant.

Key principles

The Commissioner

For each project or service that is commissioned, one agency will be identified as the Commissioner.
Where more than one agency are working together in a partnership arrangement, one of the partners will be designated as the Commissioner and the process will be underpinned by a partnership agreement.

For health and social care services delegated to the IJB under the terms of the Public Bodies (Joint Working) (Scotland) Act 2014, the IJB commissions services directing service delivery through the Council and the Health Board. For these service areas either the Council or the Health Board will act as the Commissioner as described in this strategy.

The Commissioning Officer

For each area of work, an officer will be identified who will have the role of Commissioning Officer. The Commissioning Officer will be responsible for making sure this strategy and all relevant linked policies and processes are followed. They or their nominee will be the designated contact for the Commissioner in all interaction with the service provider.

The Service Provider

The Service Provider must be able to demonstrate a range of key principles including:

- Quality of service
- Accessibility of service
- Affordability of service

- Cost and value for money
- Sustainability and resilience
- Knowledge of the needs of different service users
- Customer satisfaction

Procurement

When designing and delivering services careful consideration must be taken by the Commissioning Officer to determine whether to deliver services "in-house" or whether to "outsource" services. The rationale for outsourcing services will be based on the following criteria:

- *Better* : outsourcing would achieve a better outcome
- *Cheaper* : outsourcing would achieve cash savings, or attract external funding with no loss of service functionality or quality
- *Something the partners cannot do themselves*: for example, independent advocacy services or specialist technical services.

In terms of "*Better*" the Commissioning Officer will give serious consideration to the quality of service to be delivered. An evaluation of "in house" versus "outsourced" service delivery shall be undertaken to determine what is the best fit for service users and which produces the better outcomes. Consideration may include but not limited to service location, method statement, qualifications and previous experience.

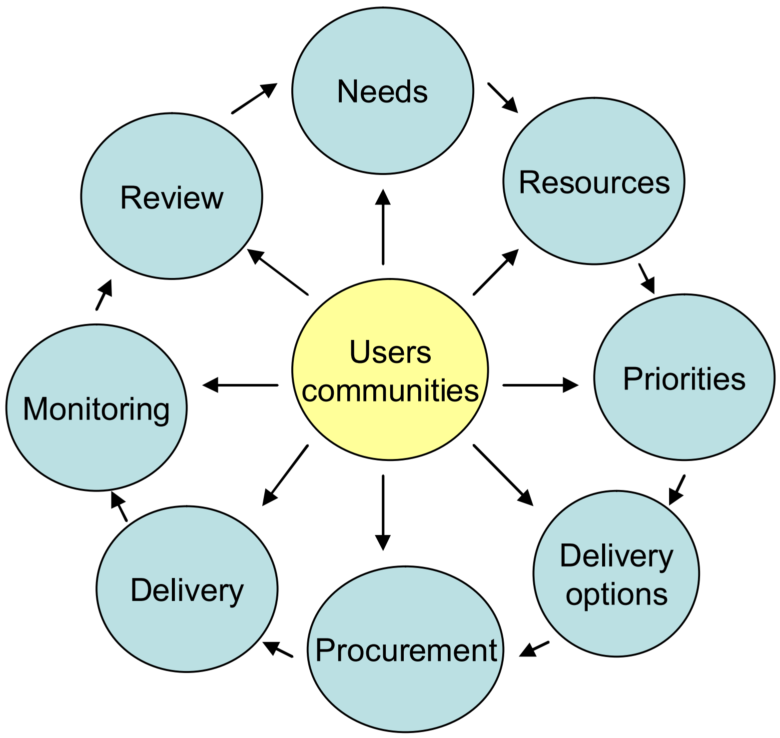
In terms of "*Cheaper*" the Commissioning Officer will give serious consideration to the cost of the services to be delivered. A comparison of "in house" provision versus "outsourced" service delivery shall be undertaken with the rationale to "outsource" services based on achieving significant efficiencies i.e. a minimum of 15% cash savings achieved. Consideration may include but not limited to the use of voluntary effort, attracting external funding, and/or fundraising potential.

The Commissioning Cycle

An essential part of commissioning and procurement is the requirement to continually monitor results and assess local needs. This ensures that services are prioritised, designed and delivered to meet those most in need, and in line with local and national strategies.

The commissioning cycle ensures that services are needs based, address local priorities and that change is implemented as and when required. Outcomes must be closely monitored and evaluated, and Commissioning Officers should engage with service users, stakeholders and the local community when carrying out service reviews.

The following diagram illustrates the commissioning cycle:



Integrated Impact Assessments and Inequalities

In a climate of reducing resources it is essential that services are shaped in such a way as to benefit and include the most vulnerable people in our community.

Commissioning Officers should carry out an Impact Assessment to determine if the service positively contributes towards tackling inequalities and poverty. Where possible, services should be planned, designed and delivered with communities.

Key priorities that will contribute to tackling inequalities are:

- Improved employment prospects
- Reducing household bills
- Better targeting of resources
- Reducing loneliness and stigma
- Innovative use of technology

Evidence can be found here: http://www.shetland.gov.uk/equal-shetland/evidence.asp

Roles and Responsibilities

Commissioning Officers shall determine whether a service should be considered for outsourcing. Prior to outsourcing Commissioning Officers must ensure that the procurement process complies with EU regulations and Scottish Government guidance, as well as meeting the Council's own Contract Standing Orders procedures and Following the Public Pound requirements. Depending on the nature of the service, outsourced services may also be subject to examination from other external bodies such as the Care Inspectorate.

Commissioning Officers must decide what community needs or service requirement they are seeking to address; what type of service they want to purchase; and what outcomes they want the service to deliver seeking authority from the Commissioner and any partners as required.

Commissioning Officers must consider and monitor how the outcomes will be measured, evidenced and reported to the Commissioner and any partners as appropriate.

Commissioning Officers will lead the preparation of Service Specifications to ensure that outsourced services operate in an effective, efficient and appropriate manner.

The Commissioning Officer will be responsible for negotiating any contract for service delivery, where that is the chosen procurement route, and for any reports required in this regard.

Support available

When undertaking a procurement exercise the Commissioning Officer should seek support and advice from the Commissioner's support services to ensure consideration is given to the following aspects:

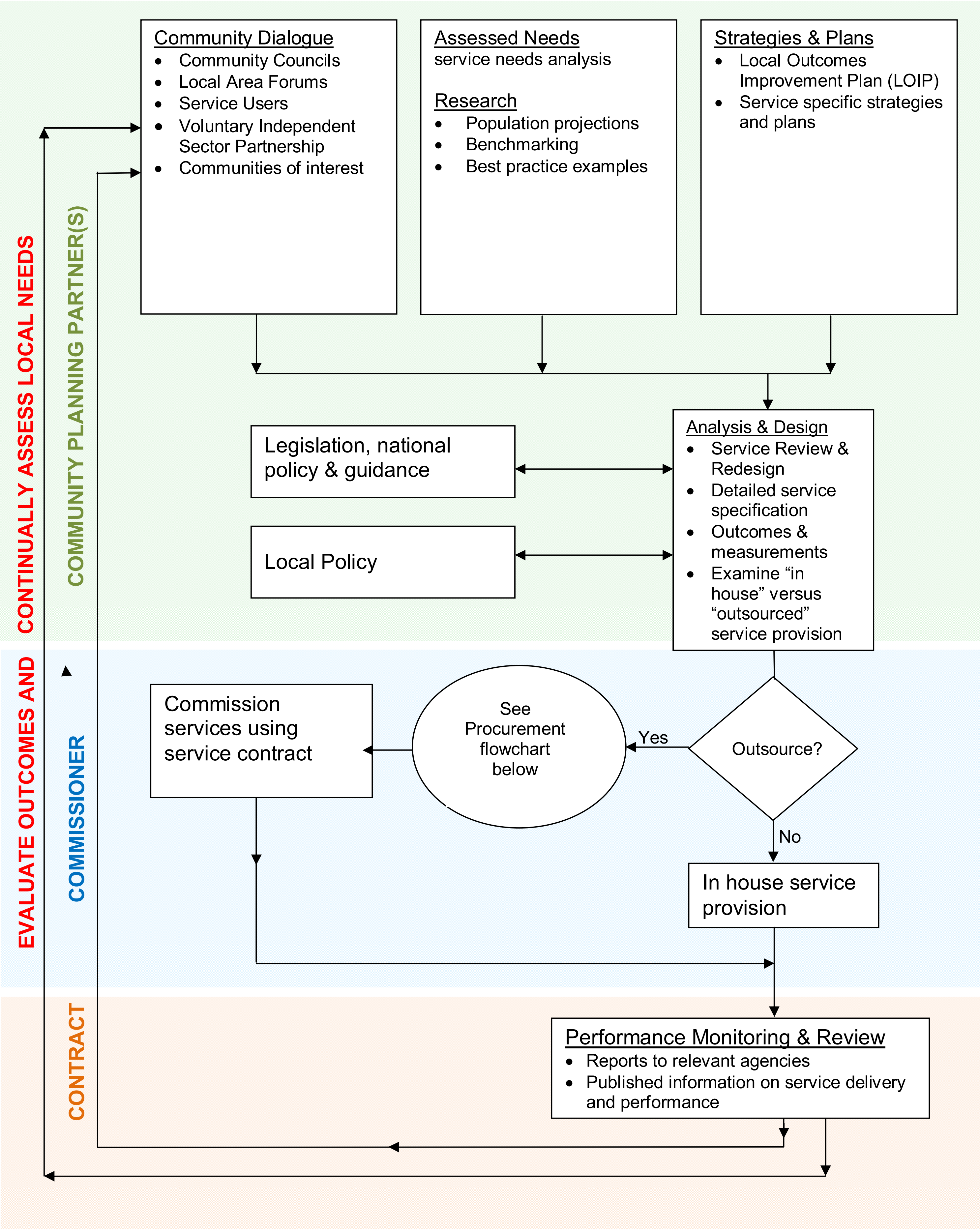
- Governance & Law,
- Procurement and contracts compliance;
- Human Resources; and
- Finance.

The Council's Grants Unit can assist with the preparation of contracts using a standard pro forma and will support Commissioning Officers with monitoring requirements such as gathering service performance reports and financial information. Assistance with Impact Assessments is available from the Council's Community Planning & Development service.

However overall responsibility lies with the Commissioning Officer who will ensure that outcomes are delivered and that adequate evidence of outcomes delivered is received from Service Providers.

Commissioning Process

The following diagram summarises the commissioning process for any service area. The diagram showing additional detail for the Commissioning Process for services as directed by the IJB is appended at Appendix 1.



Commissioning Process - checklist

From the Commissioning Process there are a number of steps to be carried out by the Commissioning Officer. These are summarised as follows:

- Carry out detailed needs assessment
- Design service specification and identify outcomes required
- Seek appropriate agency/committee approval
- Prepare business case
- Compare “in house” and “outsourced” in terms of quality & cost of service
- Do market research – check suppliers’ list and advertise for expressions of interest
- Follow procurement process flowchart and ensure compliance with current legislation and regulations
- Agree tender
- Award contract
- Publish contract details
- Monitor contract performance
- Publish information on service delivery and performance
- Evaluate results & outcomes

Considerations for contracts for the Provision of Health and Social Care services from Third Sector providers

Health and Social Care services estimated between £50,000 - £589,000 and constituting a regulated contract, shall be let in accordance with Procurement Reform (Scotland) Act 2014.

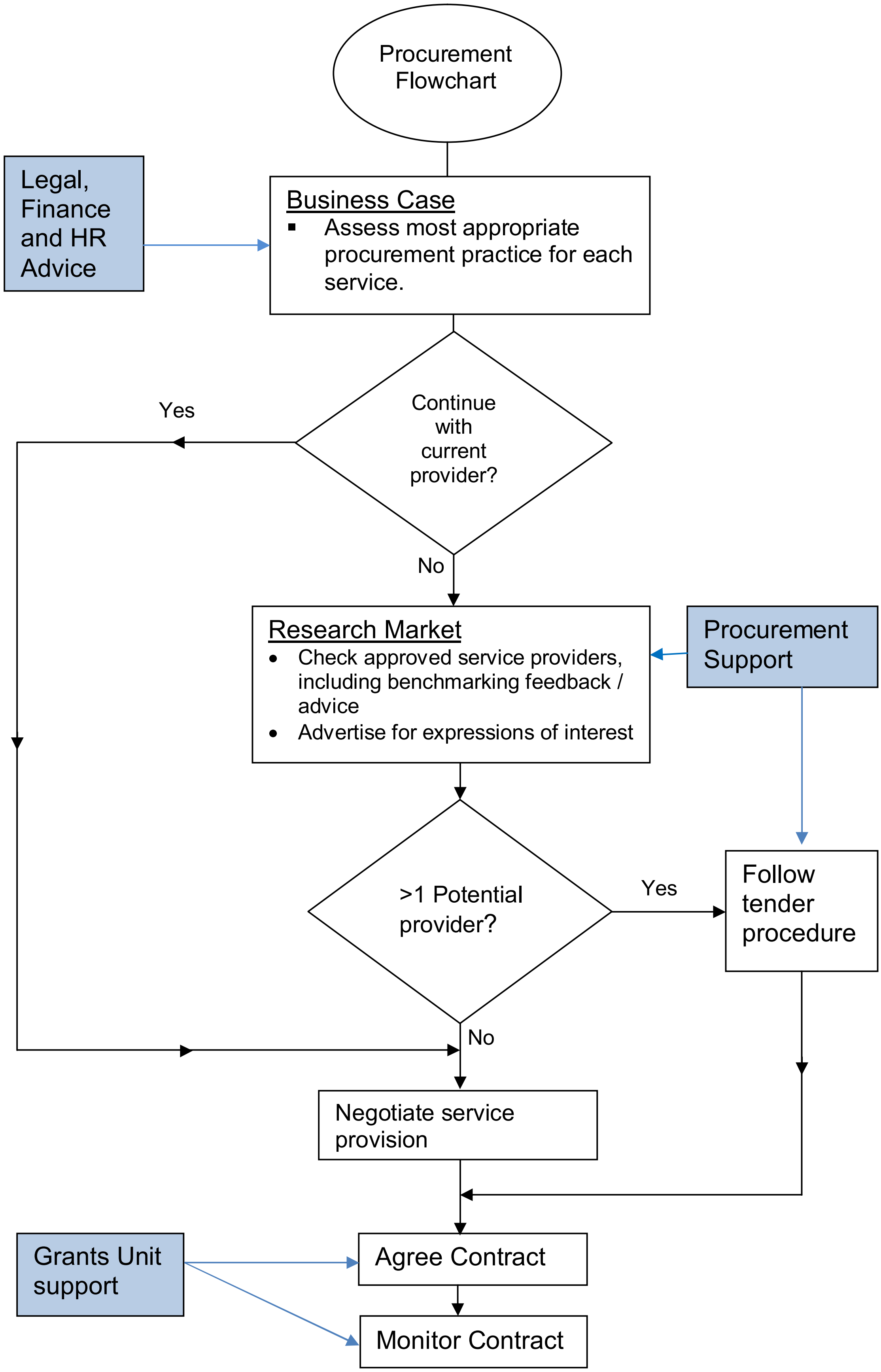
The Commissioner can choose not to advertise on a contract by contract basis, subject to certain criteria and options being full considered and evaluated.

Contracts will be for 4 years unless otherwise indicated in the service specification.

Contracts will be advertised in line with procurement regulations.

Service providers must meet living wage and pension requirements.

Procurement Flowchart



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Useful contacts:

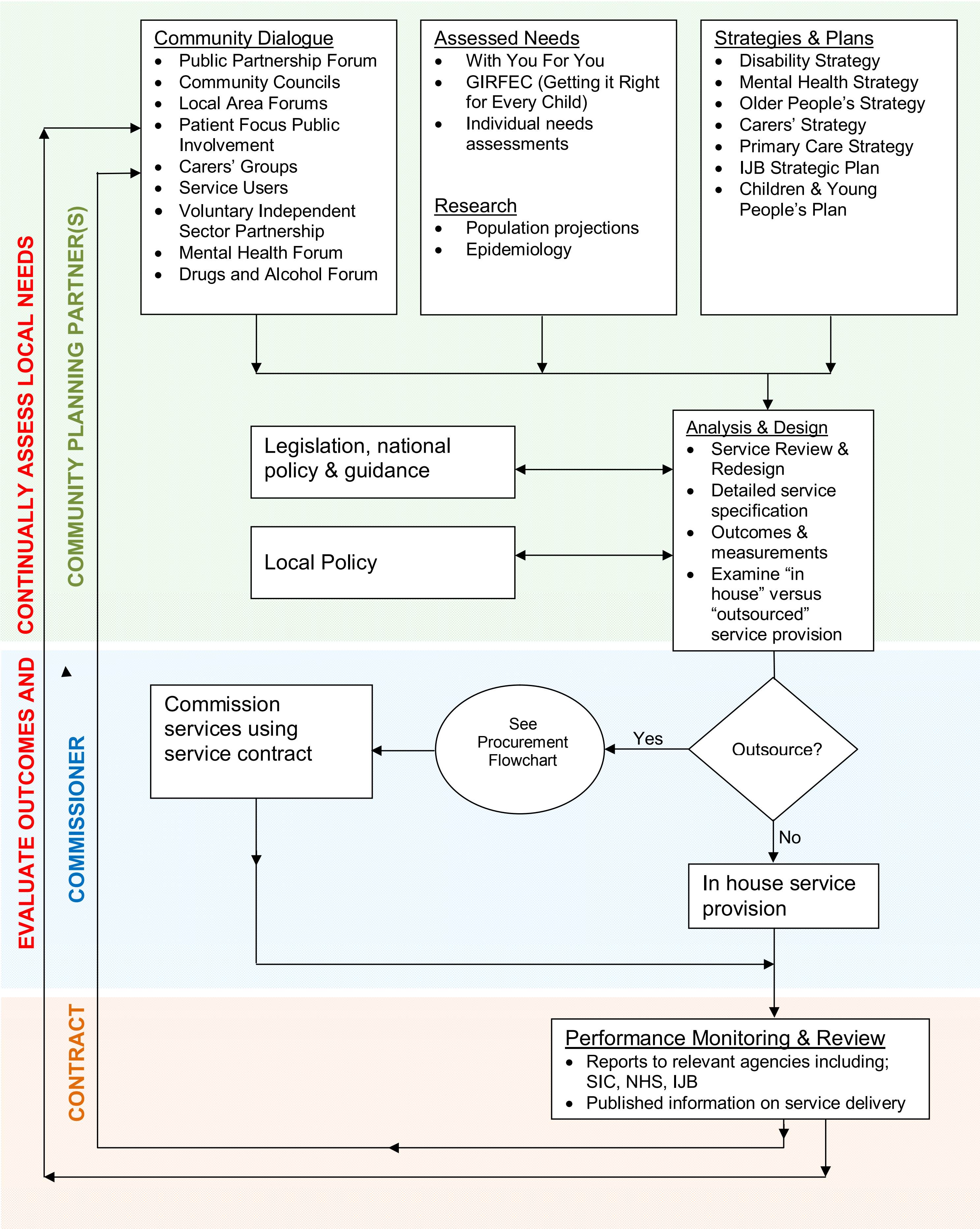
Department/service area	Contact	Telephone extension
Governance & Law	Jan Riise	4551
Human Resources	Denise Bell	4577
Finance	Hazel Tait	4612
Procurement	Colin Black	4595
Grants Unit	Michael Duncan	3828
Community Planning & Development	Anna Sutherland	4510
NHS Procurement	Karl Williamson	74 3301
NHS Human Resources	Lorraine Allinson	743071

Glossary

Commissioning	The cycle of assessing needs, exploring options for service delivery, providing or purchasing services, monitoring and reviewing against outcomes.
Commissioning Officer	This is the Lead Officer responsible for each outsourced contract. They will typically be a Strategic Director or Executive Manager.
Outsourcing	To have an external supplier of goods and services arranged and managed under the terms of a contract.
Procurement	Purchase or buying of goods and or services.

Commissioning Process for Health and Social Care Services

The following diagram shows the Commissioning Process for Health and Social Care services as directed by the IJB.



Appendix 2

Prioritising and Streamlining Funding to Shetland Islands Citizen's Advice Bureau (SICAB)

Work began in the autumn of 2015 to ensure sufficient funding was available to enable SICAB to provide the services most needed by the Shetland community, at this time.

There were a number of reasons for this, including:

- Scottish Government funding for debt and money advice, channelled through the Big Lottery Fund, was ending, with no scope for SICAB to source that amount of funding from other sources.
- 5 separate SIC budgets were being used to fund the Bureau, along with a Shetland Charitable Trust (SCT) grant; many of the services paid for were not considered core Bureau activity, and weren't delivered by other CABs in Scotland.
- Continued changes as a result of Welfare Reforms and increasing numbers requiring debt and money advice.

The work was initiated by the Chief Executive, and involved Budget Responsible Officers from 5 SIC services, SCT and SICAB. It was led by Community Planning and Development.

Council officers came together to prioritise the services delivered by SICAB, whilst SICAB's Board undertook a similar process. Representatives from the three agencies came together to negotiate how the available pot of funding should be used to fund services from April 2016 onwards.

As a result a set of generalist and specialist services have been defined, providing universal generalist advice for core CAB services, including consumer advice, tax, benefits, employment, utilities and immigration, and specialist financial health services, including money advice, debt and the development of money management skills. The Council was able to access ESF funding, augmenting the existing budget.

National and local monitoring frameworks were drawn together to provide one monitoring and evaluation framework, focused on outcomes.

Factors in ensuring this was a success were that:

- Officers were prepared to pool their budgets, in principle, and together prioritise need, across the Council;
- The dialogue and working relationships between all those involved were open, positive and constructive.

Agenda Item
6

Shetland Islands Council

Policy and Resources Committee **18 April 2016**

Care and Support Charging Policy 2016-2019
CC-23-16- F
Report by Executive Manager Allied Health Professionals

1. Summary

1.1 This report presents the Draft Care and Support Charging Policy 2016-19 (Appendix 1). It outlines the changes made to the 2015/16 policy in response to updated Convention of Scottish Local Authorities (COSLA) guidance and feedback from stakeholders.

1.2 The report highlights the areas where the Draft Care and Support Charging Policy exceeds the standards in the Minimum Standard Financial assessment template devised by COSLA.

1.3 The report identifies the contribution that the Policy expects to make towards meeting the Council's Medium Term Financial Plan in 2016/17.

2. Decision Required

That the Policy and Resources Committee RESOLVES to:

2.1 adopt the Care and Support Charging Policy 2016-19; and

2.2 delegate authority to the Executive Manager – Allied Health Professionals to update the Policy from time to time in accordance with guidelines or changes in legislation, provided that any significant changes be reported to the Policy and Resources Committee for approval [as per paragraph 3.3].

3. Detail

3.1 The Community Health and Social Care Directorate (previously Community Care Directorate) implemented a Policy of charging for selected community care services in September 2013, based on guidance issued by COSLA. The Policy has been revised in each subsequent year based on updated guidance from COSLA and feedback from stakeholders.

3.2 The 2016/17 COSLA Guidance was released in February 2016. This guidance was written in consultation with a range of representative organisations including Scottish Government, the Association of Directors of Social Work, Age Scotland, Coalition of Carers, Independent Living in Scotland, the Scottish Consortium for Learning Disability, Alzheimer's Scotland, and Capability Scotland. It has been endorsed by the political leadership of COSLA. The guidance can be found at Appendix 2.

3.3 In the years 2013-16, the COSLA guidance has only been signed off by COSLA members in February each year. This has meant that there has been very little time to ascertain the effect of any changes and to draft the local Policy and submit it to Committee for approval before the beginning of the financial year to which the Policy pertains. It is considered that in practice this also gives those in receipt of charges inadequate time to come to an informed view about whether or not they want to draw upon a chargeable service. For this reason, this Policy has been drafted to cover the period 2016-19 with the undertaking that it will be brought back to Committee if there are significant differences in Charging guidance or legislation in future years. It is proposed that minor updates be made from time to time, and that these will be communicated to Members through briefing notes.

3.4 Whilst the COSLA guidance emphasises that the contribution to sustainable community care services from charging should not be underestimated, it also emphasises that any policies on charging should be "co-produced" with the people who are affected by the Policy. Formal and informal feedback received by the Community Health and Social Care Directorate continues to be taken account of and is incorporated in the 2016-19 draft Policy.

3.5 In January 2015 COSLA Leaders requested work to be undertaken on anti-poverty measures, with a view to lifting greater numbers of people out of charging. One measure that has now been adopted in the 2016/17 COSLA guidance was to raise the buffer (which is used to establish the minimum charging threshold) from 16% to 25%. This has therefore been included in the local 2016-19 draft Policy. It is estimated that this will result in a loss of income of £16,783.00 based on current customers' financial assessments. In practice, the amount might vary from this according to individual customer's circumstances.

3.6 In 2015/16 the COSLA guidance also introduced a Minimum Standard Financial Assessment Template (Appendix 3). The COSLA Guidance was clear at that time that the minimum standard did not prevent Councils from adopting a more generous treatment of a supported person's circumstance than laid out in their paper. In recognition of this, and in response to local feedback received, Shetland Islands Council adopted a more generous policy in 2015/16, and the 2016-19 draft Policy again recommends this approach. The differences between the minimum standard and the proposed standard locally are shown below:

Minimum standard template (COSLA)	Proposed standard for Council 2016-19 Policy
People *under* pension age should be charged £1/ 250 on all capital above £6,000 People *over* pension age should be charged £1/500 on all capital above £10,000	People of *all* ages will continue to be charged at the more generous rate of £1/ 500 on all capital above £10,000. This proposal was approved by Council in the 2014/15 Policy in response to concerns from people under pension age that if they had ongoing needs over many years, their savings would decrease rapidly. The higher level afforded them more protection against dwindling savings.
Capital Upper Limit of £16,000 over which customers are charged the full cost of services	No proposal to introduce a Capital Upper Limit until the impact on customers can be fully assessed. It is estimated that this change would affect approximately 40 customers negatively. Work is ongoing to allow better predictions of the impact of this proposed change to be undertaken.
No property repair/ maintenance allowance specified.	Introduction of a repair/maintenance allowance of £59.54 per week for customers who own their own homes and have savings under £10,000. This was in response to feedback received regarding the ability of customers in this situation to maintain their homes adequately. In 2015/16, this change affected 20 customers positively, reducing their potential maximum charge per year by an average of £1,491.

3.7 A further issue that requires consideration is that of the Carers (Waiving of Charges for Support) (Scotland) Regulations 2014. The Regulations state that a local authority must waive charges where services are provided to carers who are in need. The Regulations also have the effect that local authorities cannot means test or require a contribution from a carer where the support is being delivered by way of a direct payment. The 2016-19 draft Policy therefore includes a section outlining the process by which a carer's needs will be assessed and a decision made on whether the provision or securing the provision of support to the carer will help the carer to provide, or continue to provide, care for the cared-for person. Where support is provided in this manner, it should not be charged for.

4.0 Implications

Strategic

4.1 Delivery On Corporate Priorities

Implementing the Care and Support Charging Policy will generate income that will help the Community Health and Social Care Directorate to meet its obligations in relation to the Medium Term Financial Plan.

4.2 Community /Stakeholder Issues

Feedback from stakeholders has been collated by staff since the inception of the Care and Support Charging policy. Revised COSLA guidance continues to address concerns from the community nationally. Consultation has taken place through 2015/16 with Carer's representatives, Citizen's Advice Bureau, Advocacy Shetland, and other third sector partners. The charging policies have been adapted locally to address concerns previously expressed. Consultation, monitoring and review will continue to take place during the course of 2016 and future years.

The Policy will assist in maintaining the services delivered to people who currently use Community Health and Social Care services provided by the Council.

4.3 Policy And/Or Delegated Authority

As this Policy relates to the procedures regarding charging, it is a matter for decision by the Policy and Resources Committee which has delegated authority for the co-ordination, control and proper management of the financial affairs of the Council.

Any matters relating to the delivery or provision of the functional services concerned are delegated to the Integration Joint Board.

4.4 Risk Management

Financial risk

Failure to reduce the net ongoing running costs of the Council carries a significant risk of the Council's financial policies not being adhered to and will require a further draw from reserves which is not sustainable.

Social risk

There is a risk that people will refuse services to meet their assessed need and in doing so may increase their vulnerability. Such cases have been monitored since implementation and will continue to be monitored closely. The Policy sets out the procedure for reviewing, waiving or abating charges where necessary.

Legal risk

Failure to implement measures arising from Carers (Waiving of Charges for Support) (Scotland) Regulations 2014 will leave the Council in breach of this guidance.

4.5 Equalities, Health And Human Rights

All of the Human Rights protected by the European Convention on Human Rights (ECHR), in the Human Rights Act and in subsequent ratified conventions have been adhered to in the development and implementation of the Policy. The Equality Act 2010 places duties on Local Authorities which has relevance to such a policy. Due consideration has been made to the impact on this policy particularly with reference to disregards based on age.

An Equality Impact Assessment has been completed and can be found at Appendix 4.

4.6 Environmental
There are no environmental issues associated with this Policy.

4.7 Financial
Continued implementation of this policy plays a significant part in the Community Health and Social Care Directorate meeting its obligations under the Council's Medium Term Financial Plan. Not meeting these obligations would put further pressure on reserves and/or other Directorate budgets.

The income expected in the 2016/17 budget from the Care and Support Charging Policy is £308,812. It is estimated that implementation of the higher buffer of 25% will result in a loss of income of £16,783.00 based on current customer's financial assessments. In practice, the amount might vary from this according to individual customer's circumstances. The Local Government Finance settlement 2016-2017 included "Integration Funding" of £250M, and specified that this should be used to cover any costs accrued by moving to the new charging threshold.

Introduction of the repair/maintenance allowance of £59.54 per week for customers who own their own homes and have savings under £10,000 reduced their potential maximum charge per year by an average of £1,491, and is likely to result in a similar reduction in 2016/17. The exact amount will vary according to individual customer's circumstances.

4.8 Legal
The legislative framework that supports the Care and Support Charging policy includes services provided under the Social Work (Scotland) Act 1968. This legislation sets out services that customers can be expected to contribute towards and those that they cannot be expected to contribute towards.

4.9 Human Resources
The ongoing workload has and will continue to be absorbed within existing administrative staffing levels. The Policy will provide guidance to staff working within the Community Health and Social Care Service.

4.10 Assets And Property
None

5.0 Conclusions

5.1 Continuing with this Policy will make a significant contribution to the Community Health and Social Care Directorate's ability to operate successfully within its set budget. Not successfully operating within agreed budgets puts pressure on further draw on reserves, other Directorates and current service provision.

5.2 The 2016/17 COSLA guidance has been updated to include anti-poverty measures. This has been incorporated in the draft local Policy which also takes account of many of the concerns expressed locally by stakeholders. The draft Policy also ensures that the issue of waiving the charges for carers is addressed.

For further information please contact:

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01595 743697

Appendices

Appendix 1 - Draft Care and Support Charging Policy
Appendix 2 – COSLA National Strategy and Guidance – Charges applying to Non-residential Social Care Services
Appendix 3 – COSLA Financial Assessment Template – Minimum Standard
Appendix 4 – Equality Impact Assessment

Additional reading

Scottish Health and Care Experience Survey 2013-14, Volume 1, National Results, A National Statistics Publication for Scotland published by the Scottish Government.
http://www.scotland.gov.uk/Resource/0045/00451272.pdf

Statutory guidance to accompany section 3 of the Social Care (Self-directed Support) (Scotland) Act 2013 and the Carers (Waiving of Charges for Support) (Scotland) Regulations 2014
http://www.gov.scot/Resource/0044/00447402.pdf

Shetland Islands Council

Community Health and Social Care

Care and Support Charging Policy

2016-19

DRAFT

Approved by Shetland Islands Council date…

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1. Policy Statement

This Care and Support Charging Policy, which was agreed by Shetland Islands Council on (date), explains how we will work out how much customers should be charged towards the cost of the services they receive. The policy covers non-residential services for all people using social care services.

The policy is intended to help staff working for the Council, service providers, customers and other interested groups to understand how we will calculate charges.

Shetland Islands Council will charge for services where there is a statutory power do to so. We will not charge for 'personal care' services for people 65 years and over, as defined by the Community Care and Health (Scotland) Act 2002.

2. Principles on which the Care and Support Charging policy is based

Ability to Pay – all customers will contribute towards the cost of services they use, on the basis of their available income and cash assets.

Maximum charge – we will not charge more than the cost of providing the service

Equity – all service users will be treated equally

Transparency – service users will know how and why they are being charged for a particular service

Compliance with national guidance – the charging policy complies with COSLA's Guidance on charging policies for non-residential services that enable people to remain in their own home – 2016-2017, the National Assistance Act 1948 and the National Assistance (Assessment of Resources) Regulations 1991.

3. Aims of the Care and Support Charging Policy

The policy explains:

- What income, savings and capital we take into account when working out how much someone has to pay towards the cost of the service they receive. This is called the financial assessment.
- How we treat that income, savings and capital.
- What allowances are made for an individual's circumstances.
- What happens if a customer can't pay or won't pay.

4. Charges for Community Care Services

4.1 Services for which we may ask the customer to contribute

We will ask customers to meet the costs of the provision of the following services which have a set charge and are excluded from customer financial assessments.

- Community Alarm provision
- Cost of meals provided at Day Care
- Meals on Wheels

We may ask customers to contribute to the cost of the provision of the following services.

- Attending Day Services
- Care at Home
- Domestic Support
- Supported Living and Outreach Services
- Mental Health services

  The charges that will be applied are shown in Appendix 1 Section 1.

4.2 Services that are provided free of charge

- Service for people with a mental illness who are subject to a Compulsory Treatment Order.
- Services provided by the Criminal Justice Service.
- New or additional services for people age 65 and over who are being discharged from hospital. In this circumstance they will not be expected to contribute to their support for a period of 42 days.
- Re-ablement services. In this circumstance they will not be expected to contribute to their support for a period of 42 days.
- People who are terminally ill.
- Personal care tasks as defined by the Community Care and Health (Scotland) Act 2002 for people 65 years of age and over.

  Free Personal Care: Preparation of Food

Charges will not be applied to the preparation of, or the provision of any assistance with the preparation of, a person's food including: • defrosting, washing, peeling, cutting, chopping, pureeing, mixing or combining, cooking, heating or re-heating, or otherwise preparing food or ingredients; • cooking, heating or re-heating pre-prepared fresh or frozen food; • portioning or serving food; • cutting up, pureeing or otherwise processing food to assist with eating it; and • assisting in the fulfilment of special dietary needs, but not the supply of food (whether in the form of a pre-prepared meal or ingredients for a meal) to, or the obtaining of food for, the person, or the preparation of food prior to the point of supply to the person.

4.3 Charging for services provided to carers

In some circumstances we will not charge for support provided to carers to enable them to provide replacement care to a cared-for person. In these circumstances, the following must apply:

- the carer must have been in receipt of a carer's assessment;

- the assessment must have been considered and a decision reached about whether the carer has needs in relation to the caring responsibilities;

- the assessor should consider whether the needs can be met in whole or in part by the provision of support;
- if so, the assessor should decide whether to provide or secure the provision of support to the carer which will help the carer to provide, or continue to provide, care for the cared-for person.

Once it has been decided to provide support to the carer, the support cannot be charged for. This includes replacement care. For residential respite care which is to support the carer a maximum of eight weeks will be provided in a calendar year

4.4 Charging threshold

The charging threshold for the current year is shown in Appendix 1 Section 2. 2016/17 figures are shown in the examples below.

The charging threshold is the set level of personal income below which a person can receive community care service(s) without needing to pay a contribution or charge towards the cost of the service(s) they receive. The amounts set are linked to the rates set by the UK Government Department of Work and Pensions. These are rates of benefit which provide a top up of weekly income to a guaranteed minimum amount. We will not ask you to pay a charge for services where your income falls below the charging threshold.

Income Support - Personal Allowance	**2016/2017 (weekly)**
Single Person	**73.10**
Couple	**114.85**

Disability Premium	**2016/2017 (weekly)**
Single Person	**32.25**
Couple	**45.95**

Pension Credit - Guarantee Credit	**2016/2017 (weekly)**
Single Person	**155.60**
Couple	**237.55**

In order to provide more help to those on low income and to recognise that not all of a user's income above these rates should be taken in charges, we add a buffer to the income levels above. This buffer is currently set at 25%.

The **charging threshold** is worked out by adding the buffer (25%) to the appropriate DWP rate(s) for groups of people. Note: all thresholds are rounded up.

For people below state pension qualifying age the **Income Support Personal Allowance and** the **Disability Premium** are added together with the buffer added to the sum of these two rates.

	Income Support - Personal Allowance	Disability Premium	Buffer 25%	Charging Threshold (weekly)
Single Person	73.10	32.25	26.34	**£132**
Couple	114.85	45.95	40.20	**£201**

For people of state pension qualifying age or above the **Pension Credit Guarantee** is used as the basis for the charging threshold calculation with the buffer added.

	Pension Credit - Guarantee Credit	Buffer 25%	Charging Threshold (weekly)
Single Person	155.60	38.90	**£195**
Couple	237.55	59.39	**£297**

4.5 Financial assessment and household income

Customers will be asked to complete a financial assessment form.

If a customer does not want to provide financial information for the assessment we will charge the full cost of providing the service. This may mean that we may charge more than we would have done had we carried out a financial assessment.

Customers will be financially re-assessed on an annual basis unless their total package is covered by Free Personal Care, or the services they receive are not subject to a financial assessment. If a customer's circumstances changes in the mean time they can request a new financial assessment.

We will consider income from all sources and will take account of net earnings and all social security benefits with the exception of:

- **Mobility component of the Disability Living Allowance/Personal Independence Payment.**
- **All benefits paid for or on behalf of dependent children e.g. Child benefit**
- **Tax Credit**
- **Disability payment in respect of child**
- **War widows supplementary pension**

4.6 Earnings

Where a supported person or their partner is in receipt of earned income, when assessing income, we will only take account of net earnings. In addition, we will apply a minimum earnings disregard of the amount shown in Appendix 1 Section 3.

4.7 Compensation payments

Where a person is in receipt of a compensation award, we will establish the breakdown of any payments and consider whether some elements should be included when assessing a supported person’s ability to pay a charge.

4.8 Mortgage payments and housing costs

We will deduct all rent payments made after application of housing benefit by people living in rented accommodation when calculating their available income.

We will deduct all capital and interest payments made by owner-occupiers towards mortgages on their primary residence (usual residence where a person owns more than one property) when calculating their available income.

We will deduct the agreed lodging allowance for people who reside at home with their parent/s. The agreed lodging allowance set for the purposes of this policy is shown in Appendix 1 Section 4.

We will deduct an agreed amount for homeowners with savings under £10,000 to enable them to maintain their property. The agreed maintenance allowance set for the purposes of this policy is shown in Appendix 1 Section 5.

We will deduct payments made by owner occupiers and tenants for council tax, water, sewerage and household insurance for building costs when calculating their available income.

4.9 Partners

The customer and their partner’s income and capital will be taken into account for the provision of services which benefit both, i.e. domestic care tasks.

Where services are only provided to one member of the household, the following will apply:

Ownership of income/capital	Treatment of Income/capital
Solely owned by Individual	We will take this into account subject to normal disregards
Solely owned by Partner	We will not routinely take this into account as part of financial assessment.
Jointly owned	We will normally consider the individual to be in possession of an equal share of any joint financial resources.
Social security benefits paid to one member of a couple at couple’s rates, (for example, pension credit, income support etc.)	We will consider what proportion of such income is “reasonable” to consider as part of the individual’s means. It is for the local authority to decide what a reasonable proportion is.

4.10 Disability related expenditure

Disability related expenditure is the additional daily living costs of living with an illness or disability. Information relating to disability related expenditure will be included in the customer's assessment of need and subject to approval by the appropriate Executive Manager.

Additional costs may relate to, but will not be restricted to:

- additional heating requirements
- purchase, maintenance and repair of disability related equipment
- specialist dietary requirement
- specialist clothing
- help with cleaning and other domestic tasks

4.11 Income maximisation and benefit take-up

We will advise and draw customer's attention to sources of advice and help concerning their entitlement to receive state and other benefits.

4.12 Capital and tariff income

There are no upper capital limits at which someone is refused a service.We will take into account available capital such as savings held in a bank, building society, post office or other savings account, bonds, stocks and shares, value of PEPs , ISAs, etc.

The value of a supported person's home is not taken into account for the purposes of this policy. Neither are any business assets or money held in trust but any weekly income received from them is counted. For example, if part of a person's home is rented out some of the rent received as weekly income is counted.We will disregard capital below the amount shown in Appendix 1 Section 6. £1 per £500 of capital above this amount will be counted as a source of income for the purposes of this policy.

Where a person has capital in excess of the disregarded capital amount and is in receipt of income support, we will not treat the excess as a source of income as this exercise will have been carried out by the Department of Work and Pensions with an appropriate adjustment to the amount of Income Support paid to the supported person.

Capital income tariff does not take into account the interest received on cash held in saving accounts. The savings themselves and any interest received are included in the overall total of capital assets held at the time that the financial assessment is carried out. Capital tariff rates seek to take all this into consideration by establishing a weekly income.

4.13 Tapering arrangements

A taper is a method for dealing with income available to the service user that is over the threshold figure. We will disregard a percentage of the income above the threshold amount. Charges will be based on the remainder. The income percentage to be disregarded is shown in Appendix 1 Section 7.

4.14 Discharge from hospital

We will not charge people 65 years of age and over on the day of discharge from hospital for 42 days from the date of discharge for any new, intermediate or additional services if they have been in NHS in-patient care for more than one day (24 hours) for treatment, assessment or rehabilitation, or had surgery as an NHS day case.

This does not apply in cases where admission to hospital is on a regular basis or a frequent basis as part of regular treatment or ongoing care arrangements. Only new, intermediate or additional services provided after a person comes out of hospital will be free for a limited period. Services that were in place pre-admission and continue after discharge will continue to be chargeable.

4.15 Temporary or emergency admission to hospital or care home

If a customer was receiving community based services before a temporary admission to hospital or care home, we will not charge for services while they are away from home. The exception to this is the Community Alarm charge, where the service will continue to be charged for until the unit has been returned to the service provider.

The customer would be required to meet any cost for residential services if they are admitted to residential care.

There may be times when increased care has to be provided at short notice and thus the financial assessment is not updated at the same time. Under these circumstances payments will begin from the date of the service increase.

4.16 Cases of hardship and non payment of charges

Where a supported person has difficulty in meeting the approved cost of the service due to their financial circumstances, we will consider abating or waiving the charge. If there are other reasons of hardship, that are not financial, charges may also be abated or waived. A decision to abate or waive the charge will be made by the Director of Community Health and Social Care, following consideration by the Executive Manager of Social Work at a case review. Any decision to waive all or part of the weekly charge must be reviewed annually at the time of financial re-assessment.

Shetland Islands Council will pursue all assessed charges not paid by people assessed as being able to pay, through the Corporate Council Debt Recovery procedure.

The Director of Community Health and Social Care can recommend a debt for write-off once all normal Council Debt Recovery procedures have been followed. Write-off of debt for non-residential services can only be considered on the following grounds:

- Financial reasons – the customer has died and has left no estate or has absconded
- Social grounds – to pursue the debt would be at the detriment of the customer's well-being

Where an individual in receipt of traditional community care services disputes the level of charges, and does not pay whilst the dispute is being settled, we will not withdraw or reduce the service.

4.17 Incorrect Financial Assessment

Where we have been given the correct financial information by the customer, or his/her representative, and have calculated the charge wrongly, we will reimburse the full amount of any over-charge. We will seek to recover any amount by which they have been under-charged.

If any under-charge results from the customer, or their representative, providing us with incorrect financial information, we will seek to recover any amount by which they have been under-charged. If a customer, or their representative, provides us with incorrect financial information and this results in their being over-charged, we will refund the amount by which they have been over-charged.

4.18 Direct payments

Where a person is eligible for a charge towards their support the direct payment can be made on a "net" or a "gross" basis, i.e. the charge can be removed prior to the provision of the monthly direct payment or following the provision of the monthly payment.

4.19 Information for customers on Care and Support Charges

Customers will be given information about contributions at the time of assessment and charges will be applied from the first date the service is received, unless the customer is the age of 65 years and over and are being discharged from hospital. They will then have a period of 42 days where they will not be expected to contribute.

4.20 Changes to charge rates

All charges will be reviewed regularly. Details of any changes to expected contributions will be published.

4.21 Care and Support Charge appeals and reviews

Customers not satisfied with the calculation or outcome of their financial assessment will be encouraged to discuss their concern with staff involved in the assessment process or the member of care staff working with them. This would normally be their key worker.

Customers who remain dissatisfied will be entitled to pursue their complaint through the Department's complaint procedure.

http://www.shetland.gov.uk/community_care/documents/SC02rev-ComplaintsLeaflet-Jul12.pdf

This policy as outlined above will remain extant until updated as required.

Appendix 1

Details of values to be used in conjunction with the Care and Support Charging Policy for 2016-19

Section 1: Table of Charges

Community Care Services	
SUPPORTED LIVING CHARGE (From April 2016) **Charge per week (i)**	56.00
PERSONAL CARE CHARGE (Under 65s) (From April 2016) **Charge per hour (i)**	17.53
DOMESTIC HOME CARE CHARGE (From April 2016) **Charge per hour (i)**	12.33
DAY CARE (From April 2016) **Attendance Charge per day (i)**	5.00
Meal Charge per meal	6.00
MEALS ON WHEELS (From April 2015) **Charge per meal**	6.00
COMMUNITY ALARM RESPONSE SERVICE (From April 2016) **Charge per week**	1.15

(i)These services are means tested - taper levels and discretions are set out in the Care and Support Charging Policy. Charge is based on estimated increase to Disability Living Allowance Mid Rate Care Component and Standard Rate Personal Independence Payment (PIP).

Section 2: Charging threshold

We will not ask you to pay a charge for services where your income falls below the charging threshold shown below.

For people below state pension qualifying age:	**Charging Threshold (weekly)**
Single Person	**£132**
Couple	**£201**

For people of state pension qualifying age or above:	**Charging Threshold (weekly)**
Single Person	**£195**
Couple	**£297**

How this is calculated:

The charging threshold is the set level of personal income below which a person can receive community care service(s) without needing to pay a contribution or charge towards the cost of the service(s) they receive. The amounts set are linked to the rates set by the UK Government Department of Work and Pensions, shown below. These are rates of benefit which provide a top up of weekly income to a guaranteed minimum amount.

Income Support - Personal Allowance	**2016/2017 (weekly)**
Single Person	**73.10**
Couple	**114.85**

Disability Premium	**2016/2017 (weekly)**
Single Person	**32.25**
Couple	**45.95**

Pension Credit - Guarantee Credit	**2016/2017 (weekly)**
Single Person	**155.60**
Couple	**237.55**

In order to provide more help to those on low income and to recognise that not all of a user's income above these rates should be taken in charges, we add a buffer to the income levels above. This buffer is currently set at 25%.

The **charging threshold** is worked out by adding the buffer (25%) to the appropriate DWP rate(s) for groups of people as set out in the following tables (*all thresholds are rounded up).

For people below state pension qualifying age the **Income Support Personal Allowance and** the **Disability Premium** are added together with the buffer added to the sum of these two rates as shown below.

	Income Support - Personal Allowance	Disability Premium	Buffer 25%	Charging Threshold (weekly)
Single Person	73.10	32.25	26.34	**£132**
Couple	114.85	45.95	40.20	**£201**

For people of state pension qualifying age or above the **Pension Credit Guarantee** is used as the basis for the charging threshold calculation with the buffer added as shown below.

	Pension Credit - Guarantee Credit	Buffer 25%	Charging Threshold (weekly)
Single Person	155.60	38.90	**£195**
Couple	237.55	59.39	**£297**

Section 3
The Minimum Earnings disregard is £20

Section 4
The agreed Lodgings allowance is £59.54

Section 5
The agreed property maintenance allowance is £59.54

Section 6
Capital rules
Capital below £10,000 will be disregarded. £1 per £500 of capital above £10,000 will be counted as a source of income for the purposes of this policy.

Where a person has capital in excess of this amount £10,000 and is in receipt of income support, the excess will not be treated as a source of income as this exercise will have been carried out by the Department of Work and Pensions with an appropriate adjustment to the amount of Income Support paid to the supported person.

Section 7
Tapering arrangements are as follows:
30% of the income above the threshold amount will be disregarded. Charges will be based on the remaining 70%.

These figures will be updated on a yearly basis and/or where new guidance is provided by the Coalition of Scottish Local Authorities (COSLA).

COSLA

National Strategy & Guidance

Charges Applying to Non-residential Social Care Services

2016/17

COSLA

Contents

COSLA CHARGING GUIDANCE - 2016/17

Executive Summary

This Guidance covers charging for non-residential social care services that enable people to remain in their own homes. It updates the document originally issued by COSLA in 2002, subsequently amended then substantially revised in 2012 and each subsequent year. It does not require councils to charge, nor does it prevent them from adopting a more generous treatment of the supported person's circumstances than is set out in this paper. It provides a framework that aims to maintain local accountability and discretion while encouraging councils to demonstrate that in developing their charging policies they have followed best practice. It aims to create an enabling environment for local authorities to work together to achieve greater consistency across Scotland in terms of the charges levied on people who use services.

Within this context, Council Leaders have collectively agreed that, where councils decide to apply charges for community care services:-

- These policies, at both a national and local level should be accessible, transparent, fair and equitable, and developed from a human rights perspective;
- They should be co-produced with the people who might be affected by a charging regime;
- Councils should balance the utility of additional charging income to improve the quality or scope of social care services against the impact on the quality of life for those who are charged;
- Measures should be taken to ensure that people who use services understand the reasons for charging and its contribution to supporting social care services and that the charges for particular services are clear;
- There should be transparency over what services are chargeable, and at what levels, and use should be made of the local charges information template attached at Annex A;
- Every council should publish its charging policy, a copy of which will be held on the COSLA website;
- Any individual user of services who is looking to move between local authority areas should be entitled to a description of any charges which would apply to them *as an individual* in advance of the move (the current and receiving local authority should work together to facilitate this);
- Charging policies should define the financial decision making processes that ensure the personal, social and economic circumstances of individuals are given due regard in determining whether charges should apply;
- Every council should nominate an officer to participate in a community of practitioners whose responsibility is to ensure that effective benchmarking is undertaken and consistency delivered.

Revisions 2016/17
This version of the COSLA Guidance represents ongoing progress toward reaching the outcomes identified as part of our continuing review and revision of the Charging Guidance for Non-residential Social Care Services in Scotland. This year a number of further revisions have been made to the guidance including clearer guidance on capital tariff income and enhanced guidance on practice in regard to the collection of payments for third party providers. In addition routine update has been made to reflect the annual uprating of the DWP benefits used to set the charging thresholds and example tables of tapers have been amended accordingly; these changes to the Substantive Guidance can be found in Section 7.

Minimum Charging Threshold (Buffer)
Significant among the revisions to the substantive guidance is the increase from 16.5% to 25% of the buffer which is used to establish the minimum charging threshold. Work on this was requested by COSLA Leaders in January 2015 with the intention of enhancing the anti-poverty measures set out in the guidance and lift greater numbers of people out of charging. Leaders agreed this on the proviso that this change would be fully funded by the Scottish Government. The effect of this revision is set out on page 27 of this guidance.

Future Work
Further policy development work remains to be undertaken in respect of a number of areas. These include the use of tapers and thresholds, appropriate alignment with new DWP benefits - once the old ones are deleted - and the potential impact of alternative charging regimes on councils' finances to name just a few. The on-going work required to complete improvements identified by the review of the charging guidance is being informed by the following set of agreed outcomes each of which require the application of resources from the stakeholders involved in the Charing Guidance Working Group.

Good progress has been made toward a number of elements of this work but further challenges remain to be tackled. Work will continue to be progressed against each of these outcomes over the coming months with ongoing improvements made on an annual basis; further details can be found at the point in the guidance referenced under the Progress column.

Outcome	Output	Progress
1. **Partners' Income** A fair and consistent approach is used in the treatment of partners' income and assets in establishing a service user's means to pay a charge for the community care service they use.	The treatment of partners' income better defined with national guidance.	7.17 – 7.21
2. **Understanding Information** People who use community care services understand the charges they pay and the cost to the council of providing each of the services they receive.	All councils' community care charging policies and tariffs are published and copies are accessible on the COSLA website via updated links. Comparative analysis of councils' charges is published on COSLA website	4.11 Revised 11/2015
3. **Facilitating Movement** People who use community care services are able to make fully informed decisions about the costs and care options available to them before moving from one local authority area to another.	A national protocol is developed which enables officers to provide, on request, clear information to people who use community care services and are considering a move to another local authority area. A tool to estimate potential charges is publically available.	 5.11
4. **Benchmarking** Councils are able to benchmark their cost bases, service charges, rates charged per service, and use of income buffers and tapers.	Officers have access to the information they need to fully consider the wider charging context within which they are developing their local community care charging policies.	5.06 – 5.07 5.12 – 5.13

5. Financial Assessment To create an enabling environment for local authorities to work together to generate greater consistency across Scotland in the charges levied on people who use services.	A policy position on a CRAG style (regulation based) guidance is developed. Revised description of Capital & Tariff Income.	Self-regulation Pg. 30
6. Anti-poverty Measures Policies should define the financial decision making processes that ensure the personal, social and economic circumstances of individuals are given due regard in determining whether charges should apply.	An agreed approach to the consideration of disability related expenditure (DRE). A standard needs assessment & financial assessment template is produced. Buffer increased to 25%.	7.34 – 7.38 Pg. 3 Pg. 28
7. Personalisation Individuals are able to consider charges for services or support within the context of a personal budget or direct payment.	A policy position on the application of charges within an SDS context is developed.	Section 6
8. Local Priorities Councils balance the utility of additional charging income to improve the quality or scope of social care services against the impact on the quality of life for those who are charged.	A set of policy options with outline impact assessment.	

Standard Financial Assessment Template

In addition to the developments outlined above COSLA Leaders have agreed further action to implement a financial assessment template as a minimum standard across all member councils. The timing of this decision meant that it was unrealistic for councils to introduce this alignment for 2015/16. Instead the ambition is that councils would work towards full alignment with the template by April of the financial year 2016/17. The template, set out at Annex D, comprises a set of core rates and allowances drawn primarily from this charging guidance which are used as part of an individual's financial assessment – the process which determines the charge or level of contribution a person who uses non-residential social care services should contribute toward the cost of the care they receive.

The financial assessment process comprises a key element of the engagement between people who use non-residential social care services and the local authority. As such setting a minimum standard demonstrates a significant step toward greater consistency of councils' charging policies from the service user perspective. Whilst there will continue to be legitimate variation in the cost of providing services across different local authority areas a standard approach to the rates used in the financial assessment demonstrates a fair and proportionate approach.

Section 1 – High Level Principles

1.1 This Guidance defines the set of principles that should underpin councils' charging policies for non-residential care services. It has been written in consultation with representatives of a range of organisations including Scottish Government, the Association of Directors of Social Work, Age Scotland, Coalition of Carers, Independent Living in Scotland, the Scottish Consortium for Learning Disability, Alzheimer's Scotland and Capability Scotland and it has been endorsed by the political leadership of COSLA.

1.2 The National Guidance is intended to assist councils in determining whether to charge for non-residential social care services, taking into consideration the full range of legal, financial and policy drivers. Where councils decide to charge, the guidance also sets out the parameters of the charging regime that should apply. Charging policies at both a national and local level should be accessible, transparent, fair and equitable, and developed from a human rights perspective. To that extent, the Guidance describes a number of best practice steps that councils should cover in developing a charging policy.

1.3 Starting from the legal position that although there is no 'duty' placed upon councils to charge for community care services, they are currently empowered by the statute to make decisions about whether or not to charge for community care services, and, if they choose to, to develop and administer local charging policies. This Guidance has six over-arching objectives:

- To assist councils in determining whether to charge for community care services, taking into consideration the full range of legal, financial and policy drivers;
- To assist local authorities in developing a framework of charges for non-residential social care services that is fair, equitable, accessible and transparent;
- To create an enabling environment for local authorities to work together to generate greater consistency across Scotland in the charges levied on people who use services;
- To define financial decision making processes that ensure the personal, social and economic circumstances of individuals are given due regard in determining whether charges should apply;
- To ensure that people who use services understand the reason for charging, its contribution to supporting social care services and are able to contribute to the development of charging policies at a national and local level; and
- To ensure that councils have considered the contribution of community care to the human rights of supported people and the financial implications of charging on the supported person's quality of life, in terms of both their standard of living and their social and economic participation within the community.

1.4 At the heart of this Guidance lies a recognition that the role of the local authority is to create an enabling environment to support people who use care services – and their carers - building on their right to participate in society and supporting them to live independently, with control, freedom, choice, and dignity.

1.5 In developing this guidance, we promote a human rights based approach, drawing on the PANEL[1] approach, to generate the following principles:

- **Participation** in the development of charging policies, drawing on the principles of co-production in order to develop an honest dialogue about the rationale for charging and the nature of its implementation. It also recognises that the provision of community care advice, services and support can be a pre-requisite for participation in civic life.
- **Accountability** for the charging regime – including decisions around whether or not to charge – in terms of its public reporting, its transparency, its contribution to the range and quality of social care and support available to the local population and the financial impact this may have on existing users. Accountability also includes access to complaints mechanisms and remedies so that individuals can challenge the application of charging policies which they believe contravene their human rights. Furthermore, charging policies should demonstrate that they have taken account of the specific circumstances of the people who are subject to it, including for example, their economic and social status. There is a duty to assess the impact of policies to ensure they are compatible with human rights.
- **Non-discrimination and equality** in the way that charges are applied, and in terms of the impact of charging on the equality of opportunity of those who are charged, ensuring that charging policies have been subject to an Equality Impact Assessment. Local Authorities should seek to meet their obligations by assessing the impact their policies have on equality of opportunity between the general population and people who are charged for community care services.
- **Empowerment** of individuals to ensure that they are able to engage with the LA and the local community in terms of decisions on charging. It is also about ensuring individuals are fully aware of, and understand the rationale for, charges being applied and that they are empowered to effectively contribute to decisions on this. Councils should work with citizens to ensure that charges do not contribute to unacceptable levels of poverty, or act as a barrier to accessing the full range of human rights or adversely impact on the availability of support, and are generally consistent with preventive approaches to social care and anti poverty strategies. This will require welfare rights advice and other services to be in place to ensure that personal income is maximised and a full range of services and support can be accessed, including support to access the labour market.
- **Legality** in all decisions made, honouring the rights and entitlements of individuals within the context of the Human Rights Act and statute more generally. Individuals have the right to accessible information about charging policies, how charges are calculated and, where the person disagrees with the decision, the right to seek remedy through an effective compliant and appeal procedures.

1.6 Councils must not act in ways which are incompatible with the European Convention on Human Rights (ECHR) under section 6 of the Human Rights Act 1998. Many of the Articles of the ECHR are relevant to this Guidance but in particular Article 8 (right to private and family life, including autonomy in decision making, the right to work and the right to live with dignity) and Article 14 (non-discrimination on a number of grounds, including "any other status"). These articles speak directly to the issues that connect to local charging policies for non-residential social care, including portability of care, equality within and across

[1] UN endorsed approach to human rights

jurisdictions, and issues around income maximisation. Human rights compatible outcomes should therefore underpin the development of charging policies.

1.7 This Guidance also draws on the principles of the European Charter of Local Self-Government, which was adopted under the auspices of the Congress of the Council of Europe. The Charter provides that local authorities, acting within the limits of the law, should be able to regulate and manage a substantial share of public affairs under their own responsibility in the interests of the local population. It considers that public responsibilities should be exercised by the authorities closest to the citizens.

1.8 The Charter is an important foundation in the development of local charging arrangements because it recognises the principle that councils should be empowered to raise income in order to ensure that the provision of local services are optimised and maximally responsive to the needs of residents in a way which accords with human rights compatible outcomes. It holds that democratic accountability at a local level embeds a system of governance that holds the public bodies levying those charges to account.

1.9 It is recognised that there are tensions between a pure interpretation of the local autonomy of councils and a pure interpretation of equity across jurisdictions. Nonetheless, if a human rights based approach informs the development of policy at a local and national level, allied to a framework of cooperation between local authorities, then we believe that those tensions can be largely resolved. There will, ultimately, be a need for balance in the way that local authorities administer charges for care services: to ensure that the range and quality of local services are optimised on the one hand, and yet on the other, prevent people who are charged for services from falling into poverty.

Section 2 – Financial and Policy Context

Financial Context

2.1 Councils decide whether to use their legal powers to charge for non-residential social care services within an overall context of financial and demographic pressures. Since 2009-10, public expenditure has faced a long period of restraint, with revenue funding for Scottish local government falling in real terms.

2.2 At the same time demand for social work services is continuing to grow, largely as a result of demographic change. In particular, councils and their partners will have to support significantly increased numbers of older people who are frail, increasing numbers of disabled people of all ages , and – as a result of economic recession – increasing numbers of people with mental health issues, and alcohol and drug misuse.

Social Work Spend and Income from Charging

2.3 Local authority financial returns to the Scottish Government published for 2013/14[2] show income from service user charges for non-residential social care at **£54.2 million** – 2.4% of total gross expenditure on these services. However, due to a different interpretation of the CIPFA accounting rules, Glasgow included data on Independent Living Fund payments[3] to service users of nearly £8.5m in 2013/14 which needs to be deducted from this total to achieve consistency with the returns from other councils. Nevertheless, an amended income figure of £44.2 million would *under-state* the income collected from non-residential charges for other reasons:

1) **Non-inclusion of charging income** where service users are paid direct payments net of assessed of client contributions, or third parties are paid net[4]. For **Direct Payments (SDS option 1)** 26 councils (excluding Glasgow) recorded gross expenditure totalling £57m but not any notional charging income from the assessed client contribution. Another category is **Managed Personalised Budgets (SDS Option 2**), accounting for gross expenditure of £3.5m in 2013/14 (again excluding Glasgow), but with no council recording any assessed client contributions or charging income. For both SDS categories, Social Work Scotland has provided COSLA with revised estimates based on the percentage of income recorded for other non-residential services in each council's LFR3 return. However, it is likely that there are other payments made to care providers which are paid net of the client contribution, where this missing income is also not recorded on the LFR3 return.

2) **Non-inclusion of some "housing support" services** on the Social Work LFR3 financial return, which were formerly funded by "Supporting People" ring-fenced grants. For example, in 2013/14 the City of Edinburgh Council recorded community alarm service charging income of over £1 million on the Housing LFR return, rather than on the LFR3[5].

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[2] Available at: http://www.gov.scot/Publications/2015/02/3131/downloads.
[3] This issue was first identified by Learning Disability Alliance Scotland.
[4] Where payments are made net of client contributions, the CIPFA accounting rules ask councils to add the missing income to the final accounts; LGF3 reporting guidance also expects this missing income to be included.
[5] Edinburgh transferred alarms services in April 2014 from Services for Communities (which included housing) to Health and Social Care and the community alarm spend and income is now included on the Social Work LFR3 return for 2014/15.

It remains unclear[6] whether all councils now include social care related housing support on the Social Work LFR3 return rather than counting some on the Housing LFR.

3) Finally, the 2013/14 Social Work LFR3 return for Highland Council records no non-residential charging income against their payment of £87.552m to NHS Highland for adult social care under Highland's lead agency model of Health and Social Care Integration. NHS Highland has made this information available separately to the Scottish Government and it includes £2.2 million of income from non-residential charges.

2.4 The best estimate[7] is that these three causes of under-counting of income amounted to over £5m in 2013/14. However, this is an under-estimate because we do not know the full scale of the under-recording of income mentioned in (1) and (2) for all local authorities.

2.5 The revised estimates for 2013/14 non-residential care income are shown below at **nearly £51 million for Scotland**:

Council charging income from people who use non-residential social work services, 2013/14 (Scottish Government statistics, amended by Social Work Scotland)

Scotland	Children and Families	Older Persons	Adults aged 18-64	Adults with physical dis-abilities	Adults with learning dis-abilities	Adults with mental health problems	Adults with other needs	TOTAL ADULT SOCIAL CARE	TOTAL SOCIAL WORK (ex CJSW, Service Strategy)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Direct Payments (SDS Option 1)	27	670	5,783	1,600	3,660	523	0	6,453	6,480
Managed Personal Budgets (SDS Option 2)	0	34	739	713	25	2	0	774	774
Home Care	19	17,557	8,364	1,895	5,056	1,229	184	25,921	25,940
Day Care	1,695	2,752	1,693	166	1,470	55	2	4,445	6,140
Equipment & adaptations	2	3,090	300	275	16	9	0	3,390	3,392
Other non-residential services	749	4,169	3,282	931	1,720	333	298	7,451	8,200
TOTAL NON-RESIDENTIAL CHARGING INCOME	**2,492**	**28,272**	**20,162**	**5,580**	**11,947**	**2,151**	**484**	**48,434**	**50,926**
Charging income as % of Gross Expenditure	0.4%	3.3%	2.3%	3.1%	2.4%	1.8%	0.8%	2.8%	2.2%
Total Gross Non-Residential Expenditure	**616,554**	**853,476**	**859,833**	**182,563**	**495,409**	**121,733**	**60,128**	**1,713,308**	**2,329,862**

2.6 The financial returns for the previous year, 2012/13, are likely to be affected by some or all of the issues discussed above, except for those relating to Health and Social care integration in Highland, but we do not have the information necessary to revise the published figures. Comparing the *published* non-residential income figures for 2012/13 (£52.702m) and 2013/14 (£54.200m) shows an increase of 2.8% -- a lower increase than in the previous year (10.4%).

Policy Context

Report on the Future Delivery of Public Services

2.7 In 2010, the Scottish Government established a Commission on the Future Delivery of Public Services to examine how Scotland's public services can secure improved outcomes for

[6] Part of the unclarity arises from the fact the "housing support" is defined in housing, not social work legislation, yet many of the actual functions and tasks overlap with social care because they concern various forms of help to enable disabled or vulnerable people maintain their housing tenancies.

[7] We thank Social Work Scotland for sharing this work

communities across the country. The Commission reported its recommendations in June 2011.

2.8 Among the priorities the Commission identified for public services to consider, the following are particularly relevant to our approach in charging for non-residential social care:

- Recognising that effective services must be designed with and for people and communities - not delivered 'top down' for administrative convenience
- Maximising scarce resources by utilising all available resources from the public, private and third sectors, individuals, groups and communities
- Working closely with individuals and communities to understand their needs, maximise talents and resources, support self-reliance, and build resilience
- Prioritising preventative measures to reduce demand and lessen inequalities
- Identifying and targeting the underlying causes of inter-generational deprivation and low aspiration
- Tightening oversight and accountability of public services, introducing consistent data-gathering and performance comparators, to improve services

Independent Living

2.9 Independent living has implications for policy and service delivery across and beyond local government. COSLA has signed up to and is committed to a vision for independent living in Scotland, alongside the Scottish Government, the NHS in Scotland and the disabled people's independent living movement. The Vision is available here http://www.scotland.gov.uk/Resource/0041/00418828.pdf.

2.10 COSLA has adopted the interpretation of independent living as set out in the vision and believes it should apply to any disabled person, any person who has long-term condition or any person who has developed a frailty. We are committed to making sure that everyone can take part in the community and live an ordinary life. This approach is supported by a range of initiatives already in place around the self-directed support agenda, and in the work across local government to promote coproduction in policy making and service planning. This encompasses health and social care, and other key policy areas such as housing, transport, education and employment.

2.11 Independent living is based on the core principles of choice, control, freedom and dignity, whereby supported people have equality of opportunity at home and work, in education and in the social and civic life of the community.

2.12 It is with reference to these concepts that councils should determine whether they want to charge for non-residential social care services and if so, the manner in which charging policies should be developed. These themes are expanded in Section 3.

Carers Strategy

2.13 The National Carers Strategy for Scotland recognises that carers, whatever their circumstances, should be able to enjoy the same opportunities in life as other people without caring responsibilities and be able to achieve their full potential as citizens.

2.14 Carers should be considered as equal partners in care, where they are supported to manage their caring responsibilities with confidence and in good health and to have a life of their own outside of caring. Carers should be fully engaged in the planning and development of their own support and of the services for the people they care for. Carers should not be disadvantaged, or discriminated against, by virtue of their caring role.

2.15 All of these principles should be considered in the production and implementation of charging policies.

Anti-poverty Measures

2.16 Although income generated from charging for 'non-residential services' amounts to only 3% of the £3.6b gross expenditure on social care in Scotland, it is important to understand this from the point of view of the supported person. For the supported person, community care charges can amount to 100% of their available weekly income.

Welfare Reform

2.17 Welfare Reform is used as a shorthand for a complex package of major reforms as well as detailed changes to existing benefits. The Welfare Reform Act 2012 contains provisions for the introduction of Universal Credit to replace existing benefits and tax credits. It is intended to incentivise work and simplify the benefits system. It also replaces Disability Living Allowance (DLA) with a new benefit 'Personal Independence Payment (PIP).'

2.18 The introduction of the Universal Credit and PIP will impact upon a range of services currently delivered by Scottish councils and on the lives of disabled people. Personal Independence Payments will provide 2 levels of support rather than 3 under the DLA care component. Since the UK Government is already seeking to reduce the overall cost by 20% the impact of new assessment criteria is expected to particularly affect those with lower levels of disability.

2.19 All of this suggests that Welfare Reform will change the financial context for charging: reductions in the income of people who use services may well take more individuals below charging thresholds and consequently place additional demands on stretched social work resources.

2.20 Consideration is currently being given by the Scottish Government to mitigating the impact the changes will have on benefits and services received through pass-ported assessment processes.

Health and Social Care Integration

2.21 Effective partnership working between the NHS and local authorities is widely recognised as a prerequisite for achieving good health and social care outcomes. For the last decade in Scotland the focus has been on achieving better outcomes through partnership working, service redesign and the development of integrated clinical and care pathways.

2.22 COSLA is working with the Scottish Government to develop integrated health and social care arrangements. Within this context, there will be a significant challenge in respect of working out how charging for social care services interfaces with healthcare which is free at the point of use.

Section 3 – Legal Issues

Human Rights

3.1 Community care is one essential tool among others, which ensures that people in need of support can live their life in the way they choose, at home, at work and in the community. Without it, many people cannot enjoy the human rights they are entitled to or live a productive life.

3.2 The UN Convention on the Rights of Persons with Disabilities (UNCRPD) strengthens and contextualises these rights and recognises the role of community care in doing so. Article 19 of the UNCRPD indicates that to ensure disabled people equally enjoy the rights laid out in the ECHR states must ensure that “disabled people have a right to live in the community, with the support they need and can make choices like other people do”.

3.3 All of the human rights protected by the European Convention on Human Rights (ECHR), in the Human Rights Act and in subsequent ratified Conventions should be considered in decisions on whether or not to charge and, if charges are to be applied, in the development of charging policies.

3.4 Councils must not act in ways which are incompatible with the European Convention on Human Rights (ECHR) under section 6 of the Human Rights Act 1998. Many of the Articles of the ECHR are relevant to this Guidance but in particular Article 8 (right to private and family life, including autonomy in decision making, the right to work and the right to live with dignity) and Article 14 (non-discrimination on a number of grounds, including “any other status”). These articles speak directly to the issues that connect to local charging policies for non-residential social care, including portability of care, equality within and across jurisdictions, and issues around income maximisation. Human rights compatible outcomes should therefore underpin the development of charging policies.

Equality Act 2010

3.5 The Equality Act 2010 places both a general duty and a specific duty on local authorities, both of which are relevant to the development of charging policies. The general duty requires local authorities have due regard to the need to:

- eliminate discrimination, harassment and victimisation,
- advance equality of opportunity,
- promote good relations between persons who share a relevant protected characteristic and persons who do not share it.

3.6 This duty relates to disability, age, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

3.7 As a result of the general duty local authorities must consider how to promote equality and ensure that no group are put at a disadvantage by their charging policy. This should involve taking steps to ensure policies minimise any disadvantage experienced by any people of a protected characteristic, ensuring their specific needs are met, rights upheld and encouraging participation in the development of relevant policies.

3.8 The Equality Act 2010 also gives Ministers in Scotland the power to impose specific duties on local authorities. It is good practice for local authorities to carry out Equality Impact Assessments on their non-residential care charging policy in order to identify whether there is a disproportionate impact on people of a protected characteristic.

3.9 Equality Impact Assessments (EIA) can help local authorities to identify whether there is a disproportionate impact of a policy on people of a protected characteristic/group compared to those out with that group. Councils should undertake an Equality Impact Assessment of their Non-Residential Charging Policy.

Legislation

3.10 The current legislative framework for charging includes services provided under the **Social Work (Scotland) Act 1968 Section 87**.

3.11 In terms of the guidance on charging set out in the Scottish Office Circular SWSG1/1997 and with regard to subsequent development of this COSLA guidance, councils have the power to charge for a range of adult non-residential social care services, including:

- care at home
- day care
- lunch clubs
- meals on wheels
- domiciliary services
- wardens in sheltered housing
- community alarms and telecare
- laundry services
- aids and adaptations
- care and support services for those who have or have had a mental illness
- transport

3.12 The Circular also sets out what services cannot be charged for and these include:-

- Services for people who are subject to Compulsion Orders under the Criminal Procedure (Scotland) Act 2003
- Nursing Care and Personal Care for people aged over 65

3.13 Previous versions of the guidance have indicated that people who were subject to Community Care Orders should not be charged for the care they receive. Community Care Orders are no longer in use but a similar mechanism called Compulsory Treatment Orders introduced under the Mental Health (Care and Treatment) (Scotland) Act 2003 are in use. This means that in this regard the legislation referenced in Circular SWSG1/1997 has been superseded. Evidently the majority of councils do not charge people in these circumstances and it is recommended that councils should not charge people who are subject to Compulsory Treatment Orders.

Free Personal Care: Preparation of Food

3.14 Charges may not be applied to the preparation of, or the provision of any assistance with the preparation of, a person's food including (without prejudice to that generality)-

- defrosting, washing, peeling, cutting, chopping, pureeing, mixing or combining, cooking, heating or re-heating, or otherwise preparing food or ingredients;
- cooking, heating or re-heating pre-prepared fresh or frozen food;
- portioning or serving food;
- cutting up, pureeing or otherwise processing food to assist with eating it; and
- assisting in the fulfilment of special dietary needs, but not the supply of food (whether in the form of a pre-prepared meal or ingredients for a meal) to, or the obtaining of food for, the person, or the preparation of food prior to the point of supply to the person.

3.15 A statutory instrument was passed by Parliament to these effects and came into force on April 1st 2009. Councils should have regard to this in designing their charging policy.

Financial Assessment – Couples

3.16 Where one member of a couple is in receipt of non-residential services most Scottish Local Authorities take account of their joint income and capital in the financial assessment.

3.17 While paragraph 28 of the Scottish Office Circular SWSG1/97 states that "*under section 87(1A) of the 1968 Act authorities may charge only the person receiving the service and should have regard only to that individual's means in assessing his or her ability to* pay", it goes on to state in paragraph 29 that "*Local authorities may, in individual cases, wish to consider whether a client has sufficient reliable access to resources, other than his or her own resources, for them also to constitute his or her means for the purposes of Section 87(1A). The most likely instances of this kind will arise in relation to married or unmarried couples. It will be for the authority to consider each case in the light of their own legal advice*".

3.18 It is recognised that this is an ambiguous area of law. To that end, COSLA has undertaken further work with its partners on establishing clarification of the policy in this area further details are set out in Section 7 of this guidance.

Section 4 – Developing Local Policies

4.1 The decision about whether to charge – and what to charge for – is a matter to be decided by the local authority. It is important that if a council chooses to develop a local charging policy that it adheres to the following principles.

- Policies should be co-produced with the people who might be affected by a charging regime and reference should be made to the PANEL approach set out at the beginning of this document;
- Councils should balance the utility of additional charging income to improve the quality or scope of social care services against the impact on the quality of life for those who are charged;
- Councils should ensure that people who use services understand the reasons for charging and its contribution to supporting social care services;
- There should be transparency over what services are chargeable, and at what levels, and use should be made of the standard template attached at Annex A;
- Policies should define the financial decision making processes that ensure the personal, social and economic circumstances of individuals are given due regard in determining whether charges should apply;

Co-production

4.2 The involvement of people in the planning of the services they use is a core principle in promoting equality and is at the heart of co-production. Being involved is not the same as being asked or consulted. It means people who use services and policy makers working in partnership right from the start. It allows for the trading of skills, information and expertise and assists in achieving mutual objectives.

4.3 Co-production engages people who use services as equal citizens: to help create or improve systems and structures, to better inform planning and decision making processes, and to deliver better outcomes. In recognition of their role as 'equal and expert partners' local charging policies should be developed in co-production with unpaid carers and their representative organisations. Scotland has a well established network of local carer organisations and local carer forums who can help to facilitate carer involvement. In addition, efforts should be made to engage the representatives of different population groups and their representative groups.

4.4 It is recognised that the co-production of charging policies could be perceived to be problematic given that the natural position of people who use services might be to resist charging, either out of principle or from a position of self interest (both are legitimate positions to hold). Recognising this, it may be that local groups or people who use services can help to both; work with LA's at the point at which they are considering applying charges in order to support them to consider the human rights impacts and the other potential options available; and, where a LA still wishes to apply charges, to develop policies that are as fair as possible within the context of the overall quantum of resource councils propose to raise through charging for non-residential care. It will also be important to balance the input of those who are affected by charges with those who stand to gain from the enhanced quality or scope of social care services that accrues from raising additional income.

4.5 It is also recognised that decisions on charges will be reviewed on an annual basis by councils as part of their budget setting processes. While it is important not to lose the principles of co-production within this context, councils should assess the requisite level of engagement with people who use services, carers and groups relative to the extent of the changes to policy being suggested. It is also recognised that in deciding to charge, councils will have to take account of a broader range of pressures and other levers to raise income including other service charges (such as car parking) and council tax.

Balancing Income against Impact

4.6 In coming to a view about the quantum of resource to be raised through charges, it is important to have a sense of the opportunity cost associated with different policy options. For example, a decision to completely eliminate charges would deliver maximum relief to those who would otherwise have been charged but will restrict the quality or range of services that might have been provided by a council to the general population. On the other hand, a charging regime that focuses solely on raising additional income could place at risk the overall well-being of those who pay the charges.

4.7 In making these relative judgements, it will be important to give consideration to the work of other councils. COSLA has established a community of practitioners to ensure that best practice is shared across Scotland. This matter is further explored in the next section.

Communicating the Purpose of Service Charges

4.8 It is important that the people who are charged for a service understand the purpose of a charging regime. To that end, it is recommended that councils should produce public information that describes:

- What services are charged for and what each charged for service provides in practice;
- The total resource raised through charging for non-residential social care services;
- The percentage of non-residential care expenditure made up from charging income;
- The delivery cost of each chargeable service (allowing the supported person to gauge what proportion of that service is supported by their contribution);
- An assessment of the added value of charging income in terms of the quality or scope of care and support available to the general population;

4.9 Councils should use a variety of media to promote this information, including the council website.

Delivering Transparency

4.10 It is important that people are given good and clear information about the services that are available and the charges that might apply to the services they use. This will ensure that customers/consumers are able to come to an informed view about whether or not they want to draw upon a chargeable service. It will also help individuals to come to a view about the types of charges that might apply should they move between local authority areas.

4.11 In order to deliver transparency and facilitate comparability across councils, it is recommended that all councils should use the template attached at **Annex A** to record charging information, which should then be published on the council website.

4.12 Where the supported person has difficulty in meeting the approved charge for the service due to their financial circumstances, it is recommended that Councils use their powers to abate or waive charges on a case by case basis. It is important within this context that councils take a holistic approach, and consider the full impact of all prospective combined charges on the well-being and independence of the supported person. Care should be taken to ensure that those who use more than one type of service are not unduly disadvantaged.

4.13 Allied to this, it is recommended that all Local Authorities should be proactive in promoting benefit take up for people who use services. Doing this would not only be beneficial to the individual but could contribute to the revenue of councils and to their local economy. Where possible, Local Authorities should ensure that there are dedicated staff to promote and assist with Income Maximisation processes for people who use services. The benefits entitlement of supported people should be reviewed on a regular basis.

4.14 Employability and supported employment services are also capable of tackling poverty by assisting people into work. Local authorities should continue to develop local services in line with the national guidance and local service priorities. [8]

[8] http://www.scotland.gov.uk/Publications/2010/02/23094107/0

Section 5 – Achieving Greater Consistency

5.1 As indicated in the first section of this document, this Guidance draws on the principles of the European Charter of Local Self-Government, which was adopted under the auspices of the Congress of the Council of Europe. The Charter provides that local authorities, acting within the limits of the law, should be able to regulate and manage a substantial share of public affairs under their own responsibility in the interests of the local population. It considers that public responsibilities should be exercised by the authorities closest to the citizens.

5.2 The Charter is an important foundation in the development of local charging arrangements because it recognises the principle that councils should be empowered to raise income in order to ensure that the provision of local services are optimised and maximally responsive to the needs of residents in a way which accords with human rights compatible outcomes. It holds that democratic accountability at a local level embeds a system of governance that holds the public bodies levying those charges to account.

5.3 It is recognised that there are tensions between a pure interpretation of the local autonomy of councils and a pure interpretation of equity across jurisdictions. On the one hand, councils have a legitimate capacity to raise income in response to local need or policy goals. On the other hand, local government in Scotland wants to create a level playing field, facilitating portability of care, respecting human rights and delivering equity for people who use services.

5.4 It is inevitable since councils are empowered to charge differentially that some variation will emerge in terms of the amount charged for across different services across different local authorities. Councils should seek to ground accountability for their charging policy in local democratic decision making **and** in taking a human rights based approach, recognising that tensions will have to be managed within this context.

5.5 In order to manage these tensions, this guidance recommends:

- That every council should nominate an officer to participate in a community of practitioners whose responsibility is to ensure that effective benchmarking is undertaken and consistency delivered;
- The benchmarking community should collectively work to identify levels of tolerance for the variable elements of charging defined in this guidance, ensuring a robust approach to self-regulation.

Benchmarking

5.6 The core purpose of a benchmarking approach is to encourage councils to review their own performance and to better understand how other comparable authorities achieve their results.

5.7 The outputs of the benchmarking exercise should be publicly reported to enhance accountability.

5.8 In pursuit of this ambition, in early 2010 COSLA launched a Community of Practice web based resource to provide a secure environment for local authority officers involved in the development and application of local charging policies to compare and contrast their approaches. Each Scottish council currently has one or more officers registered on the community of practice and the site has proved useful in sharing ideas and information about local charging policies.

5.9 Council officers involved in the development, revision and implementation of community care charging policies are encouraged to register and make use of the information and discussion forum available on the Charging for Non-Residential Social Care Services – Scotland Knowledge Hub website.[9]

Portability of Care

5.10 Portability of care is a principle that has been strongly advocated by a number of stakeholders, including Independent Living in Scotland. A human rights based approach requires that local authorities engage with this matter and this guidance therefore recommends that any individual user of services who is looking to move between local authority areas should be entitled to a description of any charges which would apply to them *as an individual* in advance of the move and any material differences in the nature of the service provided by the relevant authorities. The current and receiving local authority should work together to facilitate this.

5.11 Recent work has resulted in the development of a prototype online cost of care calculator which will allow people who use services to retrieve information about prospective charges should they move to another local authority area. Further work is ongoing to explore the most appropriate way of ensuring that the information delivered is helpful and avoids confusion.

COSLA Charging Guidance Surveys

5.12 COSLA also runs an annual survey of councils, which collects information on charging for non-residential care. These returns provide a valuable source of information which is shared across local authorities in an effort to engender greater consistency across Scotland.

5.13 Whilst COSLA will manage the surveys and data in such a way as to limit the reporting burden on councils we would urge that councils continue to maintain this helpful practice by continuing to make returns in response to these surveys (returns will often require updating a few elements of data).

Local Financial Returns (LFR) 3

5.14 The other key source of information on community care charging is the Scottish Government Local Financial Returns (LFR). The LFR information is used to monitor local authority expenditure for policy purposes and of specific interest is LFR3 which deals with Social Work expenditure.

[9] https://khub.net/web/chargingfornonresidentialsocialcareservicesscotland

5.15 There have been a range of data quality issues in respect of the LFR3 returns. It is recommended that in the interest of consistency councils adhere to the guidance issued on the completion of LFR3 [10]

[10] http://www.scotland.gov.uk/Resource/Doc/933/0084212.doc

Section 6 – Self-Directed Support

6.1 Self-Directed Support (SDS) is the term used to describe how people can exercise choice and control over the support or services that allow them to live independently. To achieve this SDS helps people to exercise control over the use of resources identified to meet agreed outcomes. This requires the person to be aware of the financial value attributed to meeting their needs – known as an individual budget – to allow them to make an informed choice about how it is used to meet their needs.

6.2 The Social Care (Self-directed Support) (Scotland) Act 2013 requires local authorities to provide a range of options, with varying levels of choice and control, to people with eligible support needs. The provisions of the Act came in to force on 1st April 2014, and apply to all new social care clients from that date, and to existing clients at the point of their next review. Self-directed Support processes present a variety of challenges for how authorities calculate and impose charges, and so it is important to consider fair and effective charging policies in the context of SDS.

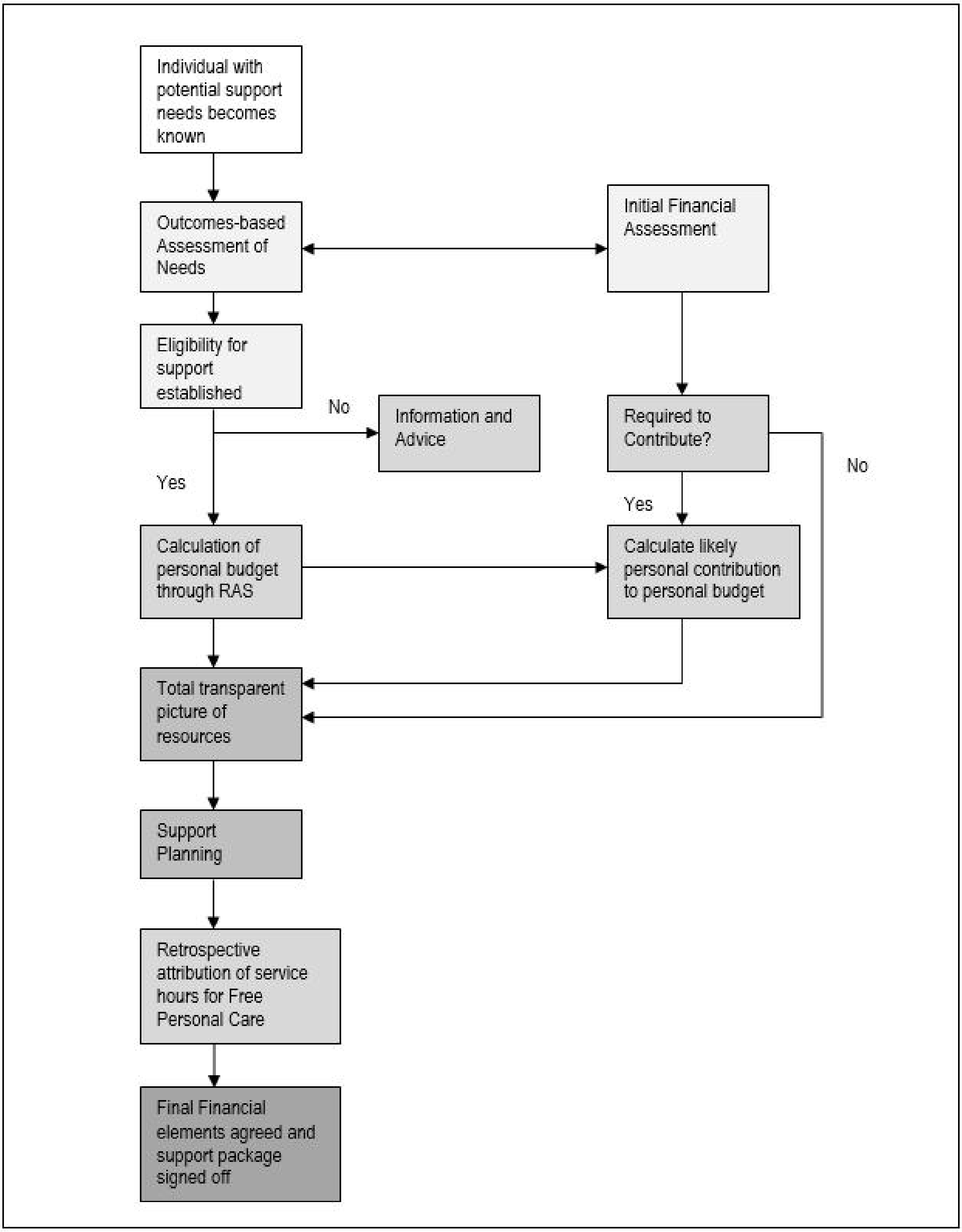
6.3 Good practice in self-directed support relies on outcome-based assessment and review. Instead of developing a menu of service types which will have fairly set charges, the typical self-directed approach involves the development of plans based on outcomes and the selection of support within an identified budget. The underlying structure of the traditional system of charging is linked to services. However, in a personalised or self-directed system of support, the focus shifts to enabling people to control and adjust their support at the point of delivery in order to meet their needs and achieve their outcomes. As such, the connection between 'the service' and 'the charge' becomes less well defined – and in some cases will disappear altogether. In view of this, a conceptual shift will have to be made in respect of how councils charge for services

6.4 This guidance recognises that councils will have been undergoing transition to these new arrangements during 2014/15, and that resulting service re-design and staff development requirements will be ongoing. Some local authorities have changed their approach to a system predicated on a general 'care and support charge'. Under these arrangements, subsequent to a financial assessment, those individuals with the ability to pay may be required to fund a proportion of their overall budget, which has been calculated as appropriate to meet their needs and achieve their outcomes. This 'care and support charge' may be linked to their personal budget and their ability to pay rather than the services that they ultimately utilise to meet their needs.

6.5 Several local authorities have chosen to refer to this as a 'contribution' based charging arrangement but for the purpose of this guidance we have chosen to describe this as the 'care and support charge.' A number of third sector organisations have raised concerns around the term 'contribution' as they feel it implies a voluntarism or a willingness to pay however the contribution is towards the care package.' With that observation, councils should give careful consideration to how any new arrangements are described.

Making Sense of Charging for SDS

6.6 Notwithstanding the different approaches that are developing in each local authority area, it is possible to illustrate – at a high level of generalisation - the various components of charging within an SDS context through a systems map. This is set out below.



21

Collecting the Care and Support Charge

6.7 The current position set out in the *Statutory Guidance to Accompany the Social Care (Self-directed Support) (Scotland) Act 2013*[11] states that the authority can arrange for the direct payment to be paid in instalments or in a lump sum payment. Where a person is eligible for a charge towards their support the direct payment can be made on a "net" or a "gross" basis, i.e. the charge can be removed prior to the provision of the monthly direct payment or following the provision of the monthly payment. The supported person may request the payment be made gross. In this circumstance, the local authority should give this request full consideration, taking into account the direct payment user's reasons and circumstances behind this request prior to a decision being made. If the authority decides to pay the direct payment gross it will pay the relevant amount to the direct payment user and the direct payment user will pay the local authority any contribution required. If the authority refuses to pay direct payments on a gross basis they should inform the supported person as to the reasons why.

6.8 Councils report a cost saving in identifying a net personal budget (where the overall quantum of public funding is reduced by the value of the care and support charge levied on an individual) inasmuch as it eliminates retrieval costs.

6.9 There may be circumstances where an individual is in the process of disputing the level of charges he/she has been asked to pay. Where an individual in receipt of traditional community care services disputes the level of charges, and does not pay whilst the dispute is being settled, the local authority cannot withdraw or reduce the service.

6.10 The Chartered Institute of Public Finance & Accountancy (CIPFA) have produced new guidance[12] intended for use by any staff with responsibility for the financial management of SDS. The guidance relates principally to councils objectives and seeks to support and inform staff undertaking financial management duties so that SDS outcomes, both at a personal and a local population level, are achieved. Ensuring that the financial management arrangements support and reflect the SDS person centred approach is therefore central to this guidance.

Treatment of Free Personal Care and other Non-Chargeable Services

6.11 By framing the discussion around a general care and support charge levied on the individual, the concept of free or subsidised services can be difficult to sustain. When people are required to fund a proportion of their personal budget, they are not paying towards the cost of specific services.

6.12 From a council's point of view, therefore, managing a system that includes free services creates additional complexity in the administration of SDS. If the Council simply chose to reduce the care and support charge for those people entitled to an element of free services, this might be deemed to be unfair to other supported people and hence may be open to legal challenge.

6.13 The main issue for councils in Scotland arises in respect of Free Personal Care. While there may be a number of ways to ensure compliance with the legislation, SDS may require some

[11] http://www.scotland.gov.uk/Resource/0044/00446933.pdf)
[12] http://www.cipfa.org/members/regions/scotland/news/guidance-notes-on-self-directed-support

retrospective attribution of 'service hours' to an individual's support package. The collection of the care and support charge can therefore only be finalised once the details of the support plan have been taken into consideration.

Transition to SDS-compatible arrangements

6.14 In making the transition to a charging policy that is compatible with SDS, it is important to consider the impact on people who are being supported. The following checklist was included in previous charging guidance to ensure any transition is fair and transparent. It is recognised that many of these processes will be cyclical in nature and Councils may wish to re-visit this checklist as part of ongoing review and improvement activity:

- Councils should carry out a desktop analysis to determine the impact of changes to the policy on both individuals and income to the authority as a whole;
- Councils should ensure that any new policy is co-produced with citizens and communities of interest;
- An equality impact assessment should be undertaken;
- Councils should consider what (if any) transitional arrangements may be needed where the amount an individual is charged changes significantly. Any transitional protection should compare the amount that an individual paid under the previous charging regime against the amount he or she is required to pay under the new arrangements. Transitional protection should have a clear timeframe which should apply equally to all, be transparent and recorded in a policy.

6.15 Consultation with stakeholders on any policy charges is essential. Any consultation document would need to help people to understand why these changes are being introduced and how it will affect the way people engage with councils and partner organisations.

Requirement to waive charges to carers under SDS regulations

6.16 Section 3 of the Self-directed Support (Scotland) Act 2013 gave local authorities the power to provide **carers** with support to help them continue in their caring role and, where the authority has decided to provide support, confers a duty on the local authority to offer the self-directed support options.

6.17 Section 16 of the Act establishes a general power for local authorities to charge for support provided to carers under Section 3. However, Scottish Ministers subsequently introduced Regulations which in fact prevent councils from imposing any such charges. Extracts from the current statutory guidance[13] are set out below.

4.1 The Regulations state that a local authority must waive charges where services are provided to adult carers under section 3(4) of the 2013 and where services are provided to children who are in need under section 22 of the 1995 Act because they are young carers.

4.2 The Regulations also have the effect that local authorities cannot means test or require a contribution from a carer or young carer where the support is being delivered by way of a direct payment.

4.3 Charges will not be made for support provided to carers either directly by local authorities or commissioned by the local authority through other statutory, independent and third sector

[13] http://www.scotland.gov.uk/Resource/0044/00447402.pdf

bodies. However, if a carer wishes to supplement and pay for support above the agreed level they will receive through self-directed support, then this is a matter entirely for the individual carer.

. . .

8.8 Local authorities might decide to arrange replacement care for a cared-for person as part of the support which they provide to a carer under section 3 of the 2013 Act in order to give a break from caring. Where replacement care is provided as support under section 3 in order to meet the carer's needs, the local authority must waive charges for the cost of the replacement care.

Section 7 – Substantive Guidance

7.1 This section comprises the detailed material guidance to which local authority officers should refer when developing or revising local charging policies. This will also be of significant interest to a wider audience of stakeholder organisations and the general public.

7.2 The following paragraphs comprise the practical elements councils need to accommodate within their charging policies. It includes recommended approaches to the treatment of income in terms of minimum income, charging thresholds and maximum contributions or charges required from a supported person.

7.3 Welfare Reform will result in wide ranging changes to both universal and disability benefits over the next few years. During the period of transition the out-going benefits system will run in parallel with the new system. Whilst the introduction of Universal Credit will eventually replace Income Support and Disability Premiums, these benefits along with Pension Credit will continue to be awarded and will continue, this year, as the agreed basis for calculating the **charging threshold** referred to below.

7.4 In terms of the potential disregards which are set out in figure 7.1 and at annex C it is suggested that councils treat the mobility component of PIP in the same way as the mobility component of DLA.

Charging Thresholds

7.5 A charging threshold is the set level of personal income below which a person can receive community care service(s) without needing to pay a contribution or charge toward the cost of the service(s) they receive.

People whose income falls below the charging threshold do not need to pay a contribution or charge toward the community care services they are assessed as needing.

DWP Rates

7.6 At the moment and in the absence of any other suitable national index the **charging threshold** is linked to rates set by the UK Government Department for Work & Pensions. These are rates of benefit which provide a top up of weekly income to a **guaranteed minimum amount** and are set out below.

Income Support - Personal Allowance	**2016/2017 (weekly)**
Single Person	**73.10**
Couple	**114.85**

Disability Premium	**2016/2017 (weekly)**
Single Person	**32.25**
Couple	**45.95**

Pension Credit - Guarantee Credit	**2016/2017 (weekly)**
Single Person	**155.60**
Couple	**237.55**

Figures from DWP Schedule of benefit rates from April 2015 (Income Support and Disability Premium frozen for 2016).

Buffer

7.7 In order to provide more help to those on low income and to recognise that not all of a user's income above these rates should be taken in charges, a **buffer** is added to the income levels above. This buffer is now set at **25%** (see fig 7.2. for an illustration of how the maximum charge is reached).

7.8 The **charging threshold** is worked out by adding the buffer (25%) to the appropriate DWP rate(s) for groups of people as set out in the following tables (*all thresholds are rounded up).

7.9 For people below state pension qualifying age the **Income Support Personal Allowance and** the **Disability Premium** are added together with the buffer added to the sum of these two rates as shown below.

	Income Support - Personal Allowance	**Disability Premium**	**Buffer 25%**	**Charging Threshold*** **(weekly)**
Single Person	73.1	32.25	26.34	**£132**
Couple	114.85	45.95	40.20	**£201**

7.10 For people of state pension qualifying age or above the **Pension Credit Guarantee** is used as the basis for the charging threshold calculation with the buffer added as shown below (whilst at this time there is no change to the charging guidance on these age thresholds councils may wish to be aware of the information on the DWP alignment of pension ages set out at Annex B).

	Pension Credit - Guarantee Credit	**Buffer 25%**	**Charging Threshold*** **(weekly)**
Single Person	~~151.20~~ 155.60	38.90	**£195**
Couple	~~230.85~~ 237.55	59.39	**£297**

7.11 It is recommended that the charge thresholds be uprated on an annual basis, using the approach outlined in the above paragraphs. The benefit uprating figures are normally announced in November each year allowing Local Authorities to make any necessary adjustments in their charge arrangements to take effect at the beginning of the financial year.

7.12 Earlier guidance recommended that local authorities should specify different rates for persons under and over 60; this was based on previous DWP Guidance. However, councils may now wish to give consideration to this in the context of the Equality Act 2010[14] and the on-going DWP alignment of state pension qualifying age for men and women (Annex B).

Income

7.13 **This describes all user income which needs to be taken into account to establish the income level for comparison with the charging threshold.** Local Authorities should consider adopting a common approach to the treatment of income (see fig 7.1. for an illustration of the calculation process).

> **Income from all sources should be considered and should take account of net earnings and <u>all social security benefits</u> with the exception of the mobility component of the Disability Living Allowance/Personal Independence Payment.**

7.14 There may be local circumstances, where individual local authorities want to make local policy decisions to exclude or disregard other sources of income to reflect local needs. Examples include disregarding war pensions and gallantry awards and disability premiums. **<u>The use of such discretion is not limited by this guidance.</u>**

7.15 The threshold figures should be **net** of housing and council tax costs (if applicable). Housing costs will include rent and mortgage interest payments and costs for Council Tax should also be deducted. Local authorities may wish to consider including in the disregard water and sewerage costs and household insurance premiums as other housing costs. Councils may also wish to disregard other specific costs of living, for instance disability related expenditure.

> **Case law suggests that where a local authority does not provide 'night time' services, it is inappropriate to have regard to the higher rate of Disability Living Allowance (DLA) or Attendance Allowance (AA) in the financial assessment (R v. Coventry City Council, November 2000). In these circumstances only the middle rate for DLA and the lower rate for AA should be taken into account.**
>
> **Similarly for Service Users who receive the enhanced rate of Personal Independence Payment and who do not receive 'night time' services, it is recommended that in these circumstances only the standard rate for Personal Independence Payment should be taken into account.**

Earnings

7.16 Where a supported person or their partner is in receipt of earned income when assessing chargeable income Local Authorities should only take account of net earnings. In addition they should also apply minimum earnings disregard of at least £20.

Partners

7.17 Where one member of a couple is in receipt of non-residential services most Scottish Local Authorities take account of the joint income and capital in the financial assessment. The basis for charging for non-residential care charges is S87 of the Social Work (Scot) Act 1968.

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[14] The Equality Act (2010) includes powers to ban discrimination against older people in the provision of goods, facilities, and services. However, provisions that benefit older people, such as free bus passes, are still allowed. Within this context, it may be that preferential thresholds for people over 60 will continue to be lawful.

7.18 While paragraph 28 of the Scottish Office Circular SWSG1/97 states that "*under section 87(1A) of the 1968 Act authorities may charge only the person receiving the service and should have regard only to that individual's means in assessing his or her ability to* pay", it goes on to state in paragraph 29 that "*Local authorities may, in individual cases, wish to consider whether a client has sufficient reliable access to resources, other than his or her own resources, for them also to constitute his or her means for the purposes of Section 87(1A). The most likely instances of this kind will arise in relation to married or unmarried couples. It will be for the authority to consider each case in the light of their own legal advice*".

7.19 COSLA is has secured opinion from Senior Legal Counsel on this matter as follows; *"it is only the 'means' of the disabled person that can be taken into account.* ***However, the means of the disabled person could include an estimate of the value of the benefit provided by the partner in supporting the disabled person;*** *i.e. the amount that is paid in respect of the disabled person's food; share of housing costs; payment of normal bills etc. on behalf of the disabled person."*

7.20 To secure further clarification the Society of Local Authority Lawyers & Administrators in Scotland (SOLAR) agree that ". . . whilst it is right that the 'means' of the person receiving care services should be taken into account when determining their contribution toward the cost of those services, it is not right to *routinely include all* of a partners financial resources/income as part of those means; although it may be appropriate to include a proportion of that resource.

7.21 Local Authorities should determine what is a reasonable and proportionate value of any such benefit either on a case by case basis or by setting a reasonable flat rate for all. In light of the legal opinion referred to here, it is important that local authorities consider the proportion of a partner's income or capital that can be taken into account in the financial assessment. The table below sets out possible options that local authorities may wish to consider for how income/capital should be treated in the financial assessment.

Ownership of income/capital	**Treatment of Income/capital**
Solely owned by Individual	Taken into account subject to normal disregards
Solely owned by Partner	Should not routinely be taken into account as part of financial assessment. See paragraph 7.19 – 7.21 above. However the local authority should look at this on a case by case basis.
Jointly owned	Normally the individual is considered to be in possession of an equal share of any joint financial resources.
Social security benefits paid to one member of a couple at couples rates, for example, pension credit, income support etc.)	It would be appropriate for a local authority to consider what proportion of such income is "reasonable" to consider as part of the individual's means. It is for the local authority to decide what a reasonable proportion is.

Compensation Payments

7.22 Whilst Councils' charging policies may currently follow DWP guidance in relation to capital, for the purposes of compensation payments (including compensation payments held in Trust) it is recommended that Councils should establish the breakdown of any compensation award and consider whether some elements of compensation payments should be included when assessing a supported person's ability to pay a charge.

Dependent Children

7.23 It is recommended that income derived from all benefit paid for, or on behalf of, a dependent child should be disregarded.

Capital & Tariff Income

7.24 Capital can be considered as a source of income and as such councils may choose to include income based on capital held by the supported person. In calculating the income a person receives from capital they own it is recommended that councils adopt the same approach as that used by the Department of Work and Pensions (DWP) for means testing income based benefits (see table below). However, there can be no upper capital limit at which people would be refused a service, as the provision of non-residential services will always be based legally on need rather than the ability to pay.

	Disregard Capital Below	**Weekly Tariff Income**
Below state pension qualifying age	£6,000	£1 per £250[1]
State pension qualifying age or above	£10,000	£1 per £500[1]

[1]Some councils may interpret this as 'part thereof'.

7.25 The approach set out above disregards income received against capital held up to a level of £6,000 for people below state pension qualifying age; or £10,000 for people of state pension qualifying age or above. For any capital held above those levels a weekly income is assumed and this is added as income in the financial assessment; as per the rates set out in the table.

7.26 It should be noted that where a supported person has capital in excess of the amount to be disregarded and is in receipt of Income Support, there will be no requirement for the Local Authority to calculate the capital tariff contribution as this exercise will have been carried out by the Department of Work & Pensions (DWP) with an appropriate adjustment to the amount of Income Support paid to the supported person.

Only available capital shall be taken into account. This precludes taking into account the value of the supported person's home in charging for domiciliary home care services.

7.27 Capital income tariff does not take into account the interest received on cash held in saving accounts. The savings themselves and any interest received are included in the overall total of capital assets held at the time that the financial assessment is carried out. Capital tariff rates seek to take all this into consideration by establishing a weekly income.

7.28 The value of a person's home is not counted as capital, neither are any business assets or money held in trust but any weekly income received from them is counted. For example, if part of a person's home is rented out some of the rent received as weekly income is counted.

Capital Income: The cash increase in the value of a capital asset (investment or real estate) that gives it a higher worth than the purchase price. The gain is not realised until the asset is sold. A capital gain may be 'short term' (one year or less) or 'long term' (more than one year).

Tapers

7.29 The previous section deals with setting a level of income below which a user is not required to pay a charge or contribution toward the cost of the services they receive. So essentially it determines whether or not a contribution is needed – a yes or no trigger.

If a user's income is of sufficient level for a charge or contribution to be required the amount the user pays for their service will be determined by individual Local Authorities.

7.30 Having arrived at the charging threshold it is recommended that councils should not base the contribution required from the supported person on all the remaining income. Instead councils calculate the maximum contribution by determining a percentage of the remaining income which is available to the supported person over the threshold figure – this determines the maximum total contribution required from the supported person for the services they use regardless of the cost of providing those services.

An additional requirement is that the contribution should not exceed the cost of providing the service(s).

7.31 Local authorities are free to agree locally the percentage of excess income which can be required as a maximum contribution. This could range from 0% up to any higher percentage of the excess income which can be justified by the local authority.

Single Person - Below state pension qualifying age			**Maximum Contribution (£) % determined by council**							
Weekly Income (£)	**Charging Threshold (£)**	**Excess Income (£)**	**30%**	**40%**	**50%**	**60%**	**70%**	**80%**	**90%**	**100%**
100	**132**	-32	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
120	**132**	-12	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
140	**132**	8	2.40	3.20	4.00	4.80	5.60	6.40	7.20	8.00
160	**132**	28	8.40	11.20	14.00	16.80	19.60	22.40	25.20	28.00
180	**132**	48	14.40	19.20	24.00	28.80	33.60	38.40	43.20	48.00
200	**132**	68	20.40	27.20	34.00	40.80	47.60	54.40	61.20	68.00
220	**132**	88	26.40	35.20	44.00	52.80	61.60	70.40	79.20	88.00

Single Person - State pension qualifying age or above			**Maximum Contribution (£) % determined by council**							
Weekly Income (£)	**Charging Threshold (£)**	**Excess Income (£)**	**30%**	**40%**	**50%**	**60%**	**70%**	**80%**	**90%**	**100%**
150	**195**	-45	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
170	**195**	-25	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
190	**195**	-5	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
210	**195**	15	4.50	6.00	7.50	9.00	10.50	12.00	13.50	15.00
230	**195**	35	10.50	14.00	17.50	21.00	24.50	28.00	31.50	35.00
250	**195**	55	16.50	22.00	27.50	33.00	38.50	44.00	49.50	55.00
270	**195**	75	22.50	30.00	37.50	45.00	52.50	60.00	67.50	75.00

7.32 In setting the percentage taper which people who use services will contribute, Local Authorities will be influenced by a number of factors, not least, their requirement to raise income which is required to maintain good quality services.

It is recommended that authorities make a number of calculations based on alternative considerations of assessed income (known as a "better off" calculation) to ensure that those people who use services who have higher incomes, who require low levels of services, are not financially disadvantaged through the operation of an income based charge.

Disability Related Expenditure

7.33 The Social Work (Scot) Act provides the legal basis for charging for non-residential care. Under s87 of the Act charges must be both "reasonable and practicable" for an individual to pay. Understanding the associated additional daily living costs of living with an illness or a disability is essential if local authorities are to ensure charging levels meet this test. Failure to take Disability Related Expenditure (DRE) into account as part of the financial assessment could result in charging levels which cause financial hardship and undermine the right of people living with an illness or disability to live independently.

7.34 To ensure the extra costs of being disabled are be taken into account by charging policies councils should be proactive in considering further disregard of income where additional expenditure is incurred by a service user as a result of living as a disabled person.

7.35 It is recommended that local authorities are proactive in gathering information about additional disability related expenses as part of their financial assessment process. Ideally, questions about disability related expenditure should be included in the financial assessment form. This will enable a local authority to decide whether to disregard more of a person's income or capital, over and above any existing disregards, to take account of any disability related expenditure.

7.36 Additional costs may relate to, but will not be restricted to:

- additional heating requirements
- purchase, maintenance and repair of disability related equipment
- specialist dietary requirement
- specialist clothing

- help with cleaning and other domestic tasks

7.37 Councils may wish to adopt their own approaches to the consideration of disability related expenditure (DRE) as part of the financial assessment process but this should be set out in their local charging policy.

Hardship

7.38 Where a supported person has difficulty in meeting the approved cost of the service due to their financial circumstances, it is recommended that Councils use their powers to abate or waive charges on a case by case basis.

It is unlikely that charging policies will be able to make provision for the full range of personal circumstances. This means that councils should exercise local discretionary powers to apply flexibility in cases deemed appropriate. It is neither necessary nor desirable to issue guidance on how these powers would be applied as such guidance would remove discretion and impose prescription.

7.39 It is recommended that all local authorities provide adequate information on their policies for waiving and abating charges (see section on information). This should include details of the processes by which the authority considers such requests.

7.40 In designing charging policies, councils should give consideration to the impact of such policies on the well-being of carers, many of whom may experience hardship.

Terminal Illness

7.41 Where a person, aged under 65, has a progressive disease where death as a consequence of that disease can reasonably be expected within 6 months, it is recommended that charges for social care services are waived. This prognosis should be evidenced through a DS1500 form or a letter from the individual's General Practitioner or hospital consultant. It is further recommended that the Council should have the discretion to extend the waiving of charges beyond this time period, should that be merited by the circumstances of a particular case.

Public Information

7.42 In setting out public information on charges, it will be incumbent on Local Authorities to provide plain English explanations of the basis of their charge arrangements, both in policy terms and for billing purposes. Such information should be provided in a variety of accessible formats, including translations into minority languages where appropriate. It would be good practice to secure a Crystal Mark for this information.

A standard format for charging information is seen as an essential element to a consistent and transparent approach to community care charging and there is broad agreement that that formats should be accessible to the person requiring the information.

7.43 As an aid to greater consistency templates for the presentation of charging information and other elements are included at appendix I. These will be added to over subsequent revisions of the guidance.

Leaving Hospital

7.44 Older people leaving hospital who are assessed as requiring new, intermediate or additional home care services should receive this free, for a period of up to 42 days; if they are aged 65 or over on the day of discharge and have been in NHS in-patient care for more than one day (24 hours) for treatment, assessment or rehabilitation, or had surgery as an NHS day case.

7.45 Relief from charging should not apply to discharges following admission on a regular or frequent basis as part of the person's on-going care arrangements. This would cover, for example, admissions for respite care or for on-going but episodic treatment.

Only new, intermediate or additional services provided after a person comes out of hospital will be free for a limited period. Services that were in place pre-admission and continue after discharge will continue to be chargeable.

This recommendation was set within the context of the Scottish Executive Circular No. CCD 2/2001 "Free Home Care for Older People Leaving Hospital".

7.46 After the 42-day period, local authorities will revert to their normal charging practices for home care services.

Income Maximisation & Benefit Take Up

7.47 It is recommended that all Local Authorities be proactive in promoting benefit take up for people who use services. Where possible Local Authorities should ensure that there are dedicated staff to promote and assist with Income Maximisation processes for people who use services. Benefit entitlements should be reviewed on a regular basis.

7.48 A number of local authorities have negotiated arrangements to share information with the local benefits agency, particularly on the notification of decisions. It is recommended that all local authorities which do not have such arrangements in place should take steps to implement them.

Collection of charges through third party suppliers

7.49 The collection of charges is the responsibility of Local Authorities. Some local authorities pay third party suppliers net of the individual's charge and ask suppliers to collect any charge directly from the individual. In some cases this charge is collected as cash on the doorstep by the third party provider. In many cases this will be convenient for the individual but any potential risks to individuals who may be more vulnerable, because of their age, illness or disability, must be considered before any such agreement is put in place. Any such arrangement should be considered on a case by case basis and should only be made with the agreement of the individual and after taking account of the person's capacity to consent to and manage such arrangements safely.

7.50 Local Authorities should ensure that an equalities impact assessment is carried out for any charging policies put in place to eliminate any discrimination in line with the Equalities Act 2010.

7.51 Similarly Local Authorities which enter into contractual arrangements requiring a third party provider to collect payment of charges must carry out an effective risk assessment to ensure that all payment options offered by suppliers have sufficient safeguards to properly evidence payments made by individuals.

Figure 7.1: Supported Person's Income / Contribution Calculation Process

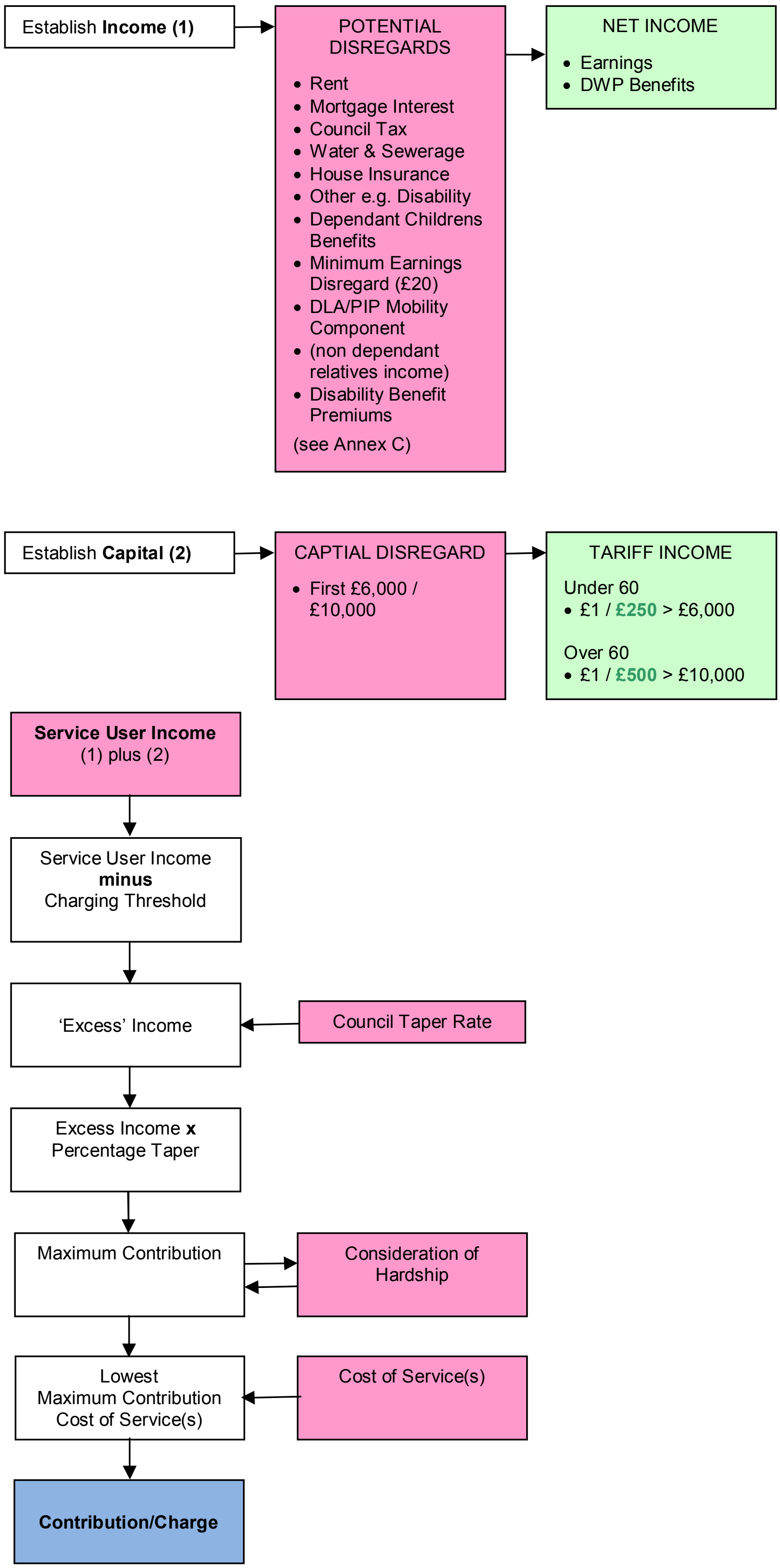
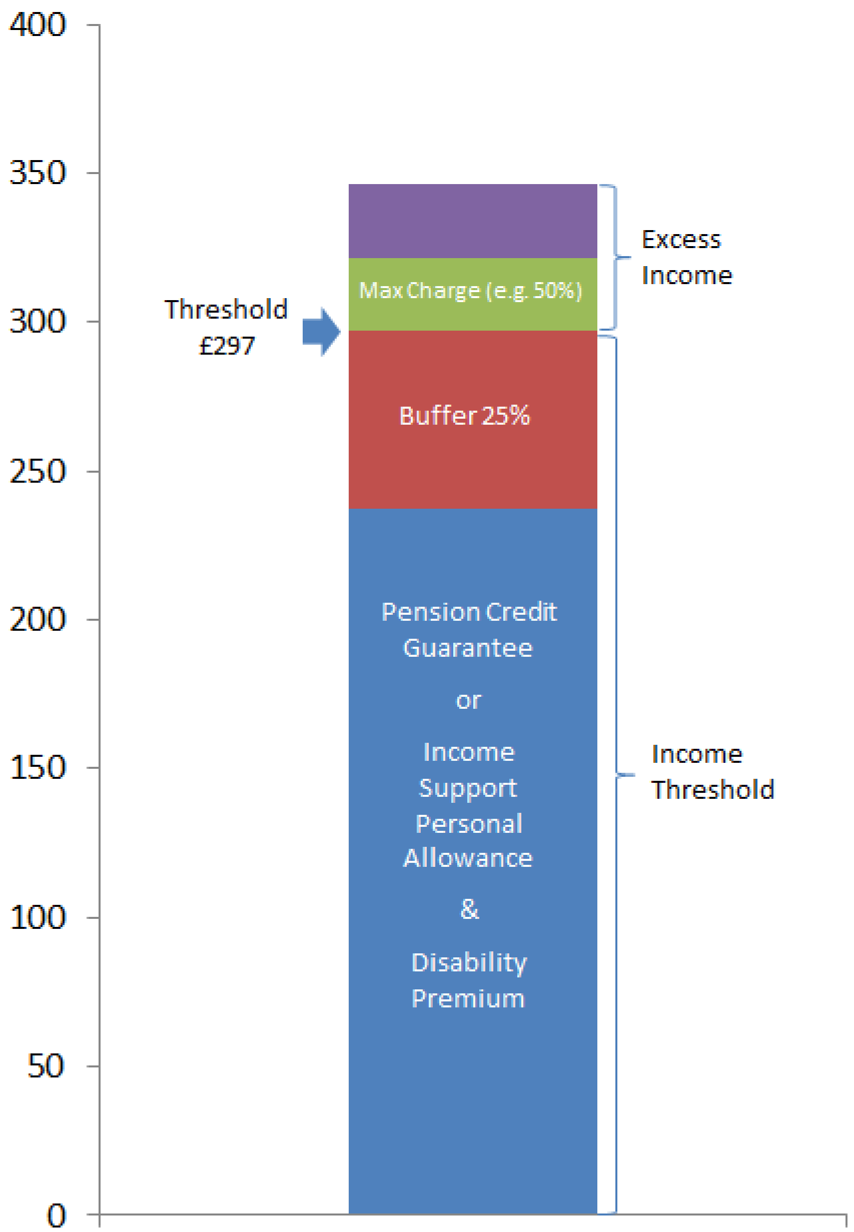


Figure 7.2 : Maximum Charge – Illustration
(Example – Couple of state pension qualifying age or above)



Annex A – Local Charges Information Template

TEMPLATE FOR LOCAL AUTHORITIES PUBLIC INFORMATION – CHARGING FOR NON-RESIDENTIAL CARE

(This template provides examples of the types of information local policies might include)

Information on Charging for Services in your Home	<*area*> Council wants to help people live at home independently, safely and for as long as possible. To help us to continue to provide services to people with a range of needs, we may need to charge you for some care and support services. These charges might affect you if you are getting services from us at the moment or if you need them in the future. Charges apply whether the service is provided by <*area*> Council or is purchased from an external provider. The figures in this guide are correct for the financial year <*date*> to <*date*>.
Why is there a charge?	Local Authorities don't have to but are allowed by law to charge adult users of non-residential services provided or arranged under the Social Work (Scotland) Act 1968 and the Mental Health (Care and Treatment) (Scotland) Act. These charges must be "reasonable" for people to pay having regard to the type of service provided and a person's ability to meet the cost. Any charges should not exceed the cost of providing the service. For means-tested services this charge will be determined by a financial assessment. You can find out more about financial assessments below.

What can I be charged for?	If you receive care at home from <*area*> Council's social work service you may be required to contribute towards the cost of the services you receive.
Will all services be charged for?	Not all services provided to support people at home are subject to charges. The following services are chargeable: <remove/retain as required> • Care at Home (including Supported Accommodation, Supported Living, and Housing Support Services) • Day Care • Community Alarms & Telecare • Laundry Services • Meals on Wheels • Lunch Clubs • Aids and Adaptations • After Care Services for people with a mental illness • Care and Support Services for those who have or have had a mental illness (in or not in hospital) • Transport The following services are free and are NOT subject to a charge: • Criminal Justice Social Work Services • Information and Advice • Needs Assessment • Care Management • Personal Care for Older People • Home Care services for 42 days on discharge from hospital

Annex A – Local Charges Information Template

<table>
<tr>
<td>Who is exempt from being asked to pay?</td>
<td>
The following people cannot be charged for care services:

People who are terminally ill
People aged over 65 just receiving Personal Care
People with a mental illness who are subject to a Compulsion Order

</td>
</tr>
<tr>
<td>Who will be asked to pay?</td>
<td>
For all other users of non-residential services the Charging Guidance suggests a level of weekly income below which someone cannot be asked to pay care charges. These are known as minimum income thresholds and are:
<table>
<tr><th></th><th>2015/16</th><th>2016/17</th></tr>
<tr><td>Single person under pension qualifying age</td><td>£123</td><td>£132</td></tr>
<tr><td>Couple under pension qualifying age</td><td>£188</td><td>£201</td></tr>
<tr><td>Single person over pension qualifying age</td><td>£177</td><td>£195</td></tr>
<tr><td>Couples over pension qualifying age</td><td>£269</td><td>£297</td></tr>
</table>
If your assessable weekly income is less than your income threshold figure you should not be charged for a service.
If your assessable weekly income is more than your income threshold figure you may be charged for a service.
<% taper> of the difference between a person’s (or couple’s) assessed income and this threshold will be the maximum charge for the following services:
<insert relevant services>
</td>
</tr>
</table>

How will charges be calculated?	The services you receive will always be based on your needs and the charge will be based on your ability to pay. When we assess your income to see how much you can pay, this is known as a financial assessment. A financial assessment will be carried out if you receive a chargeable service.
What happens during a financial assessment?	An officer from the council will come and visit you at home to undertake a financial assessment. The officer is required to have proof of all income and capital held. You should therefore have available for inspection any Pension or Benefit statements, and bank or savings books relating to your financial affairs.
Q and As about financial assessments • What information must I provide? • What if I refuse to provide this information? • What income and expenditure is taken into account in the Financial Assessment? • What income and expenditure are excluded? • What costs are to be deducted in arriving at the assessable income level? • Will my partner's information be included in the financial assessment? • I have children, will that affect my financial assessment? • Will my savings be taken into account?	

• How will my capital be calculated? • Will the capital value of my house be taken into account? • Will my Benefits be taken into account? • I get payment from the Independent Living Fund. Will this be counted in the income and expenditure assessment? • What happens if someone's finances are managed by another person? • Can I get a full benefits check at the same time? • Do I have to have a financial benefits check done? • Do I have to tell you if my income or savings change? • Do I have to pay if no care or support service is provided because I am in hospital or on holiday? • If my Home Carer is on holiday do I have to pay? • Will I be charged for the full hour if only part of an hour of care or support is given? • If I need more than one home carer will I be charged for both? • Will my Self-Directed Support or Direct Payments be affected? • Will I have to contribute if I am 65 or over? • What happens if I can afford to pay but do not? • What should I do if I am finding it difficult to pay? • What happens to the information I give you? • When will the financial assessments begin? • What if I am unhappy with any part of the financial assessment?	

Financial assessment examples	<insert three worked examples of financial assessments>
What calculation is made to determine my care charge?	To determine the maximum amount you can afford to contribute towards your care package, the following calculation will be completed: <u>Example A</u> Total Assessed Income (A) Less Applicable Housing Costs (B) Less Applicable Disregards (C) Less Relevant Income Threshold (D) Equals residual income (E) Maximum charge (F) is equal to residual income (E) multiplied by a taper of <taper %>.
In what circumstances would charges be waived?	***Information about any capacity the council has to abate or waive charges under 'Cases of Hardship' and details of what types of issue are considered hardship for either client or carer which warrant abatement.***
Further questions	If you have any further questions please phone us on <*telephone number*> or email us on <*email address*>.

Annex B – DWP Alignment: Pension Credit & Women Pension Age / Men Pension Age

State Pension age for women affected by the equalisation of State Pension Age

Date of birth	**Date of State Pension age**
6 March 1952 to 5 April 1952	6 March 2014
6 April 1952 to 5 May 1952	6 May 2014
6 May 1952 to 5 June 1952	6 July 2014
6 June 1952 to 5 July 1952	6 September 2014
6 July 1952 to 5 August 1952	6 November 2014
6 August 1952 to 5 September 1952	6 January 2015
6 September 1952 to 5 October 1952	6 March 2015
6 October 1952 to 5 November 1952	6 May 2015
6 November 1952 to 5 December 1952	6 July 2015
6 December 1952 to 5 January 1953	6 September 2015
6 January 1953 to 5 February 1953	6 November 2015
6 February 1953 to 5 March 1953	6 January 2016
6 March 1953 to 5 April 1953	6 March 2016
6 April 1953 to 5 May 1953	6 May 2016
6 May 1953 to 5 June 1953	6 July 2016
6 June 1953 to 5 July 1953	6 September 2016
6 July 1953 to 5 August 1953	6 November 2016
6 August 1953 to 5 September 1953	6 January 2017
6 September 1953 to 5 October 1953	6 March 2017
6 October 1953 to 5 November 1953	6 May 2017
6 November 1953 to 5 December 1953	6 July 2017
6 December 1953 to 5 January 1954	6 September 2017
6 January 1954 to 5 February 1954	6 November 2017

Annex B – DWP Alignment: Pension Credit & Women Pension Age / Men Pension Age

6 February 1954 to 5 March 1954	6 January 2018
6 March 1954 to 5 April 1954	6 March 2018
6 April 1954 to 5 May 1954	6 May 2018
6 May 1954 to 5 June 1954	6 July 2018
6 June 1954 to 5 July 1954	6 September 2018
6 July 1954 to 5 August 1954	6 November 2018
6 August 1954 to 5 September 1954	6 January 2019
6 September 1954 to 5 October 1954	6 March 2019
6 October 1954 to 5 November 1954	6 May 2019
6 November 1954 to 5 December 1954	6 July 2019
6 December 1954 to 5 January 1955	6 September 2019
6 January 1955 to 5 February 1955	6 November 2019
6 February 1955 to 5 March 1955	6 January 2020
6 March 1955 to 5 April 1955	6 March 2020
6 April 1955 to 5 April 1959	65th birthday

Annex C – Potential Disregarded Benefits/Income List

Adoption (Scotland) Act 1978 (section 51A) Payments
Age-Related payments Act 2004 Payments
Armed Forces Compensation Scheme
Armed Forces Independence Payment
Backdated Benefits
Bereavement Payment
Budgeting Loan
Capital – various different levels of disregard
Carers Allowance (previously Invalid Care Allowance)
Carers Premium
Certain payments made to trainees
Charitable and special funds
Child Benefit
Child related premiums paid to pre April 2003 Income Support Claimant
Child Support Maintenance Payments
Child Tax Credits
Children's Benefits
Christmas bonus
Christmas Bonus paid with benefits
Cold Weather Payments
Concessionary Coal payments
Council Tax Benefit / Council Tax Reduction
Dependency increases paid with certain benefits
Difference between higher and lower rate of Attendance Allowance and higher and middle rate of DLA care when the person is not receiving night-time services
Difference between enhanced and standard rate of Personal Independence Payment (Daily Living Component) when the person is not receiving night-time services
Direct Payments made by a local authority under Section 12B of the Social Work (Scotland) Act 1968 to Individuals in respect of a care service that they or a dependent child have been assessed as requiring
Disability benefits paid to client's partners where the partner is not a service user
Disability Living Allowance (Mobility component)
Disability payment in respect of child
Discretionary Housing Payments
Earnings
Far East Prisoner of War payment
Gallantry Awards (e.g. GC, VC, similar from abroad)
Guarantee Credit
Guardian’s Allowance
Housing Benefit
Income from a “home income plan” annuity
Income from a mortgage protection policy

Annex C – Potential Disregarded Benefits/Income List

Income frozen abroad
Income in kind
Income Support
Independent Living Fund Payments
Industrial Disablement Benefit
Industrial Injuries Benefit
Industrial Injury Disability Benefit
Kinship Care payments
Personal Independence Payment (Mobility Component)
MOD Pension
Non-dependent child payments
Non-therapeutic Earnings
Partner's earnings
Personal property, such as household goods, family car etc.
Scottish Welfare Fund – Community Care Grants
Scottish Welfare Fund – Crisis Grants
Social Fund payments
Student Loan Repayment
Sure Start Maternity Grant
Tax Credits
The Macfarlane Trust
The value of any ex-gratia payments from the Skipton Fund to people infected with Hepatitis C as a result of NHS treatment with blood or blood products
Therapeutic Earnings
Trainees' training premium and travelling expenses
Victoria Cross/Japanese Prisoner of War Payments
Victoria or George Cross payments
War Pensioner's Mobility Supplement;
War Widow(er)'s supplementary pension
War Widow's Pension (but not War Widows' Special Payments).
War Widows Pension (pre 1973)
War widows special victims awards
War Widows/Widowers Pension and War Disablement Pension.
War Widows' Special Payments
Where the Service User is a student, any grant payment for a public source intended for the childcare costs of a child dependent
Winter Fuel Payments
Work expenses paid by employer, and expenses paid to voluntary workers Earnings disregard of £20.00 per week.

The following may also be disregarded in calculations

- Contributions towards rent / mortgage after housing benefit
- Contributions towards Council Tax / Water & Sewerage.

Annex D – Financial Assessment Template – Minimum Standard (2016/17)

INCOME		
Capital (Tariff Income):	above pension age[15]	**£1 / £500**
	below pension age	**£1 / £250**
Non-dependent Relatives Income		**YES** (proportion of partners income can be counted)
Compensation (Care Element)		**YES**
DISREGARDS		
Disability Related Expenditure (DRE)		**YES**
Capital (Disregard):	above pension age	**£10,000**
	below pension age	**£6,000**
Potential Disregarded Benefits		(see list[16])
CHARGING THRESHOLDS[17]		
Capital Upper Limit (above which full charge is made) (income based benefits / non-residential rate)		**£16,000**
Single Person - below pension age		**£132**
Single Person - above pension age		**£195**
Couple - below pension age		**£201**
Couple - above pension age		**£297**

[15] Prior to 2014/15 the guidance recommended that local authorities use different rates for persons aged under 60, and over 60, and used the terms 'older people' and 'others'. This was based on previous DWP guidance and sought to reflect the different levels of benefit received by people of state pension qualifying age or above; data used in the development of the template relates to those categories.
The guidance now refers to these groups as 'people below state pension qualifying age' (para 7.9) and 'people of state qualifying age or above' (para 7.10) and suggests that councils may now wish to give consideration to this in the context of the Equality Act 2010 and the on-going DWP alignment of state pension qualifying age for men and women (Annex B).

[16] For consistency this lists the names of benefits and payments which councils may *consider* for disregard.

[17] Based on 2015/16 DWP Benefit Rates

Appendix 3 – COSLA Financial Assessment Template – Minimum Standard

INCOME		
Capital (Tariff Income):	above pension age	**£1 / £500**
	below pension age	**£1 / £250**
Non-dependent Relatives Income		**YES** (proportion of partners income can be counted)
Compensation (Care Element)		**YES**
DISREGARDS		
Disability Related Expenditure (DRE)		**YES**
Capital (Disregard):	above pension age	**£10,000**
	below pension age	**£6,000**
Potential Disregarded Benefits		(see Annex c of COSLA guidance)
CHARGING THRESHOLDS		
Capital Upper Limit (above which full charge is made) (income based benefits / non-residential rate)		**£16,000**
Single Person - below pension age		**£132**
Single Person - above pension age		**£195**
Couple - below pension age		**£201**
Couple - above pension age		**£297**

Shetland Islands Council

Equality Impact Assessment

Part 1

Title of document being assessed	Care and Support Charging Policy
Is this a new or an existing policy, procedure, strategy or practice being assessed?	Existing policy with modification and updates from 2015/16.
Please give a brief description of the policy, procedure, strategy or practice being assessed	The policy is with regard to charging for non- residential services provided to clients of the Community Health and Social Care service
What is the intended outcome of this policy, procedure, strategy or practice?	The intended outcome is that where individuals are able to they will contribute to the cost of their care package. This will support the council's ability to maintain provisions to meet assessed need whilst also undergoing service redesign and internal efficiency measures.
Please list any existing documents which have been used to inform this Equality and Diversity Impact Assessment	COSLA National Strategy and Guidance, Charges applying to Non-residential Social Care Services. This includes references to high level principles including non-discrimination and equality, anti-poverty measures, and the Equality Act 2010, and Human Rights Act 1998.
Has any consultation, involvement or research with people from protected characteristics informed this assessment? If yes please give details.	In drawing up the guidance, COSLA undertook consultation with a range of organisations including representatives of Age Scotland, Coalition of Carer's, Independent Living in Scotland, Scottish Consortium for Learning Disability, Alzheimer's Scotland and Capability Scotland. Locally, consultation has taken place with Citizen's advice Bureau, Advocacy Shetland, Carer's representatives and other 3rd sector groups, as well as taking customer feedback into account.
Is there a need to collect further evidence or to involve or consult people from protected characteristic on the impact of the proposed policy? (Example: if the impact on a group is not known what will	There is a need to collate information regarding the impact on people subject to this policy. The new financial assessment has allowed for collation of information on disability related expenditure. The policy allows for the waiving or abating of charges on an individual basis where it is considered that people will experience hardship as a result of the policy.

you do to gather the information needed and when will you do this?)	

Part 2

Which protected characteristics will be positively or negatively affected by this policy, procedure or strategy?

Please place an X in the box which best describes the overall impact. It is possible for an assessment to identify that a positive policy can have some negative impacts and vice versa. When this is the case please identify both positive and negative impacts in Part 3 of this form.

If the impact on a protected characteristic is not known please state how you will gather evidence of any potential negative impacts in the relevant section of Part 1.

	Positively	**Negatively**	**No Impact**	**Not Known**
Ethnic Minority Communities (consider different ethnic groups, nationalities, language barriers)			X	
Gender			X	
Gender Reassignment (consider transgender and transsexual people. This can include issues such as privacy of data and harassment)			X	
Religion or Belief (consider people with different religions, beliefs or no belief)			X	
People with a disability (consider attitudinal, physical and social barriers)	X	X		
Age (consider across age ranges. This can include safeguarding, consent and child welfare)			X	

Lesbian, Gay and Bisexual			X	
Pregnancy and Maternity (consider working arrangements, part-time working, infant caring responsibilities)			X	
Other (please state)				

Part 3

Have any positive impacts been identified? (We must ensure at this stage that we are not achieving equality for one group at the expense of another)	Continued implementation of this policy will assist in ensuring that the standard of care provided can be maintained across Shetland
Have any negative impacts been identified? (Based on direct knowledge, published research, community involvement, customer feedback etc.)	Individuals may feel that they cannot afford charges that apply. We need to ensure that the financial assessment is being undertaken accurately and consistently. Previous feedback has been collated and the policy has been adapted to take account of concerns. Data on disability related expenditure has and will continue to be collated, and there is a process for abating or waiving charges where hardship is expected. Previous negative age related differences in charging have been removed. Feedback from clients will continue to be monitored, and efforts will be made to adapt the policy in response

	to concerns in future. An additional buffer has been introduced in line with the COSLA Guidance which will further remove people from these charges.
What action is proposed to overcome any negative impacts? (e.g. involving community groups in the development or delivery of the policy or practice, providing information in community languages etc)	As above.
Is there a justification for continuing with this policy even if it cannot be amended or changed to end or reduce inequality without compromising its intended outcome? (If the policy shows actual or potential unlawful discrimination you must stop and seek legal advice)	Yes – the policy has been altered in response to feedback.
How will the policy be monitored? (How will you know it is doing what it is intended to do? e.g. data collection, customer survey etc)	Formal and informal feedback will continue to be collated.

Agenda Item
7

Shetland Islands Council

Policy and Resources Committee **18 April 2016**
Shetland Islands Council **20 April 2016**

Corporate Risk Register	
Report No: CRP-07-16-F	
Director of Corporate Services	

1.0 Summary

1.1 Risk management is an integral part of every aspect of the Council's activities. All committees receive updated risk registers for services within their remit for review on a quarterly basis. The purpose of this report is to present the Corporate Risk Register to Policy and Resources Committee.

1.2 The Council has agreed to review the Corporate Risk Register annually and this report also fulfils that requirement. The report highlights changes made to the Risk Register and identifies key risks facing the Council at this time.

2.0 Decision Required

2.1 That the Policy and Resources Committee and Council RESOLVE to

2.1.1 NOTE the changes to the content of the Corporate Risk Register;

2.1.2 NOTE key risks facing the Council at this time and the action taken to mitigate those risks; and

2.1.3 COMMENT and ADVISE the Chief Executive and senior managers of their views and any changes required.

3.0 Detail

3.1 The Shetland Islands Council adopted a Risk Management Strategy and associated documents in June 2015 [*min. ref. SIC 38/15*]. At that meeting, it was agreed that risk registers would be reported to the relevant functional committees on a quarterly basis.

3.2 At Policy and Resources Committee of 25 November 2015 [*min. ref.75/15*] it was agreed that the Corporate Risk Register be presented on a quarterly basis to Policy and Resources Committee. There is also a requirement to present the Corporate Risk Register to the Council annually.

3.3 Risk management is an integral part of all service activity and risks relating to any proposal to the Council or one of its committees are set out in individual reports

3.4 Corporate Management Team comprising the Chief Executive, all Directors, Chief Social Work Officer (CSWO), Section 95 Officer, Monitoring Officer and Executive Manager Executive Services meets quarterly as the Risk Board for the Council. The Risk Board considers reports from each department at each meeting and reviews the Corporate Risk Register.

3.5 Corporate Management Team also discusses risks at their normal weekly meetings as an integral part of the discussion of each agenda item, ensuring a shared understanding of the main risks facing the Council at a corporate and strategic level. All the information on risks from these discussions is used to ensure that the Corporate Risk Register is kept up to date.

3.6 Consideration of the Corporate Risk Register by the Council and Policy & Resources Committee on its behalf is important to make sure that Members are aware of the strategic and corporate risks facing the Council and to enable Members to contribute to the assessment and management of those risks.

3.7 Two new risks have been added to the Corporate Risk Register, namely:

- 29 - Malicious cyber-attack which could happen at any time. The Council has a host of security systems and approaches in place. However, an attack, successful or otherwise, can always happen. It may be impossible to tell whether there has been an attack, or what any attack has looked at/ has taken or copied. Any attack could result in compromised or damaged systems or reputation, data leak, loss of data or system downtime. This risk is estimated as being Unlikely x Major (Medium) with a target of Rare x Significant (Low);

- 30 - The Council handles significant quantities of data including confidential and personal data on a daily basis. It is expected to be an exemplar of good practice and to maintain high standards of security and confidentiality at all times. Information management is managed within the legislative framework as set out by the Information Commissioner. Uncontrolled release of data could expose the organisation to a range of impacts - reputational damage or action against the organisation by the Information Commissioner, financial loss/ fine, negative media coverage and reputational damage, possible disciplinary action, stress for staff, loss of confidence in Services. Unlikely X Major (Medium) with a target of Rare x Major (Medium). This risk has already been partly mitigated, i.e. it is less likely to happen following staff attending workshops and briefings last year which were delivered by the Information Commissioner's Office.

3.8 The following changes have been made to the risks within the Corporate Risk register:

- 13 – Lack of compliance with contract standing orders – The Infrastructure Service has carried out a significant amount of work to ensure that all procurement exercises comply with relevant requirements. Going forward, the only substantial tender exercises planned for 2016/17 have systems in place to ensure compliance with standing orders and EU procurement legislation. Hence Current Risk Profile is reduced from High to Medium and target reduced from Medium to Low;

- 14 – Risk that integration does not result in improved outcomes – Director, Community Health and Social Care revised the text to articulate "Shetland's Integration Joint Board has delegated authority for the strategic planning of services, and the responsibility for directing delivery to achieve those strategic aims". Current Likelihood has risen from Unlikely to Possible (Profile remains Medium);

- 15 – Lack of compliance with policies – details reviewed and revised to that which is shown in appendix 1;

- 16 – Management capacity to deliver the benefits of integration – Risk has been reviewed by Director, Community Health and Social Care, with Current risk moving up from Unlikely to Possible, and with an increase in potential impact from Significant to Major should it happen. This has changed the Current Profile from Medium to High;

- 17 – HIAL/ Sumburgh Airport – While the impact of this risk, should it happen, would be Extreme, the Likelihood changed in 2015 from Possible to Unlikely;

- 18 – Recruitment/ retention of semi/skilled staff. This risk has been revised to set out the root causes and now includes issues such as the small local labour pool, occupational segregation and restrictions under national pay structures. Following significant work to manage this risk, the Current Likelihood has now moved from Likely to Possible, with Current Profile remaining Medium. Target has reduced from Medium to Low.

- 19 – Difficulty in recruiting professional staff – This risk has been deleted because of similarities with ORG 18 (above);

- 20 – Failure to deliver on Medium Term Financial Plan – Likelihood moved from Possible to Unlikely in May 2015 but with impact remaining at Extreme, the Current Risk Profile remains High;

- 21 – Capacity to invest in infrastructure – The narrative around this risk has been revised to articulate that it is around the Council's capacity to invest, and risk ownership has moved from Chief Executive to Director, Corporate Services. The Current frequency has moved from Possible to Likely and the Current Profile remains High;

- 22 – STERT – Consequences were revised in May 2015 to articulate the potential for a "negative reaction in press and public";

- 24 – Harm to a vulnerable adult. Details expanded to include, "A transition group is being established to manage clients moving from Children Services to Adult Services";

- 25 – Risk of harm to a child being exacerbated due to a failure to act quickly or to the extent required. Likelihood changed from Likely to Possible, and Profile remains High;

- 26 – Failure to accommodate looked-after children – Current Profile is High. Target Profile was identified in June 2015 as Possible and Significant giving a target Profile of Medium;

- 28 – AHS build – Following financial closure on the agreement to construct the new Anderson High School, many of the most significant risks are now contracted out. There is still potential for the project to over-run but the bulk of the risks and the controls sit with the contractors. If the Council requests any changes to agreed plans, this could have a financial impact. Current and target Severity has therefore been revised down from Extreme to Significant, with the Profiles changed from High to Medium;

4.0 Implications

<u>Strategic</u>

4.1 <u>Delivery On Corporate Priorities</u> – Our Plan 2016, in its 20 by 20 states that:-

- High standards of governance, that is, the rules on how we are governed, will mean that the Council is operating effectively and the decisions we take are based on evidence and supported by effective assessments of options and potential effects.
- We will be working in a more effective way, allowing us to cope with reduced resources. Processes that add no obvious value will have been replaced with more proportionate approaches based on effectively managing risks.
- Our approach to managing the risks we face will have resulted in a more risk-aware organisation that avoids high risk activities.

4.2 Community /Stakeholder Issues – A robust approach to risk management and consideration of risks at all levels of the Council is essential if we are to be confident that the potential negative impacts on the Community/Stakeholders, are identified and reduced as far as practicable.

4.3 Policy And/Or Delegated Authority – Policy and Resources Committee requires the Corporate Risk Register to be reported periodically as per report IA-25-15 [*min. ref.75/15*]. The Risk Management Strategy forms part of the Policy Framework contained in Section A of the Constitution – Governance, which states that the management body for the Risk Management Strategy lies within the remit of the Policy and Resources Committee. Ensuring the proper management of the Corporate Risk Register is therefore a delegated matter for the Policy and Resources Committee. The Council has agreed to receive the Corporate Risk Register annually.

4.4 Risk Management – Risk management is a continuous and cyclical process which requires that risk information be presented periodically to Members and senior decision-makers. The systematic consideration of risk is an integral part of a good service management. The Council's Risk Management Strategy and the processes that flow from the strategy ensure that the Council at all levels actively manages risks in order to mitigate negative impacts and promote positive risk taking.

4.5 Equalities, Health And Human Rights – By actively managing risks the Council ensures that negative impacts on the Community / Stakeholders, are anticipated and reduced as far as practicable.

4.6 Environmental – Strategic Environmental Impact Assessments are used as required and risks to the environment are considered by each service area for reports to committee or the Council in order to make sure negative impacts on the Community / Stakeholders, are identified and reduced as far as practicable.

Resources

4.7 Financial – There are no financial consequences arising directly from this report. Comprehensive risk management practices prevent unnecessary expenditure.

4.8 Legal – Sound risk management will reduce the risk of challenge and the Council's liability.

4.9 Human Resources – Risk management protects staff across the Council, promoting best practice.

4.10 Assets And Property – Risk assessment linked to insurance is required for the Council's estate and all activities in this regard.

5.0 Conclusions

5.1 This report presents the Current Corporate Risk Register and highlights the changes to risk data since last reported to Policy & Resources Committee.

5.2 The report identifies the key risks facing the Council currently and notes that there are a number of issues that may have a significant financial impact on the Council over the next 3 – 5 years.

For further information please contact:
Joanne Jamieson, Risk Management Officer
01595 74 4558, joanne,jamieson@Shetland.gov.uk
8 April 2016

List of Appendices
Appendix 1 – Corporate Risk Register as at 24 March 2016

Background documents:
Report IA-25-15-F2 – Agenda item 3 –
http://www.shetland.gov.uk/coins/Agenda.asp?meetingid=4755

Agenda item 1 - http://www.shetland.gov.uk/coins/Agenda.asp?meetingid=4779

END

Shetland Islands Council

Risk & Details	Frequency	Current Severity	Risk Profile	Current and Planned Control Measures	Probabilty	Target Severity	Risk Profile	Assigned To
Level	**Corporate**							
Corporate Plan	*A2. Young People - Vulnerable Children and young people's opportunities*							
ORG0025 - Physical - People / Property - Other - Child Protection - Children's Services deliver a range of services across a wide geographic area and all service users need to be safe. Children's Social Work manage high risk, complex situations in their work with families. Often it requires significant resource provision to mitigate risks and ensure the safety of a child or young person. A crisis or escalation of a complex situation (often unanticipated) can put a child at increased risk of harm. A failure to act quickly or to the extent required because of restricted resources can result in the child being exposed to potentially more harm or to harm for a longer period of time, resulting in harm to the child, impact on services and financial impact	Possible	Major	High	• Robust systems and procedures in place.Preventative measures, effective communications and information sharing to ensure that any changes or increased risk are identified quickly.	Unlikely	Major	Medium	Helen Budge Shetland Islands Council
ORG0026 - Economic / Financial - Other - Failure to appropriately accomodate looked-after children, off-island placement. There are circumstances when the Children & Families Team is required to accommodate children and young people away from home. Currently, there is a shortage of foster placements and residential placements in Shetland. On occasion this results in placements being sought away from Shetland, which is undesireable and which comes at a high cost to the Local Authority. There are however situations whereby the assessed needs of a child or young person are such that they require a specialist service that is not available in Shetland, such as secure accommodation or a parenting assessment unit.	Likely	Significant	High	• Working to identify and develop alternative and flexible solutions which includes development of fee-paid foster carers and ensuring a second residential property becomes operational	Possible	Significant	Medium	Helen Budge Shetland Islands Council
Corporate Plan	*B2. Older People - Independant Living*							

ORG0024 - Communications failure - Risk of harm to a vulnerable adult - Shetland has an increasing older population and an increase in people with a learning disability reaching older age. Statutory services will need to have oversight of an increasing number of vulnerable adults to prevent harm occurring. A transition group is being established to manage clients moving from children to adult services	Possible	Major	High	• There are well established mechanisims in place to support the detection of riskwith an active Adult Protection Committee overseeing the work. There is good multi-agency working with formal arenas to discuss individual cases causing concern.	Unlikely	Major	Medium	Simon Bokor-Ingram Shetland Islands Council
Corporate Plan	*F1. Our "20 by '20" - Leadership & Management*							
ORG0013 - Professional Errors and Omissions - Lack of compliance with standing orders on procurement, particularly in Ports and Harbours and Ferries Service. Internal Audit has previously identified widespread non-compliance issues, including potential breach of EU procurement regs. This issue is already live with Audit Scotland and risk damaging the Council's reputation as well as the potential for financial loss.	Possible	Minor	Medium	• The Council's Contract Standing Orders have been updated in order to make them more fit for purpose including streamlining them to minimise the scope for breaches that are material. Updated standing orders, monitoring, training and information. Procurement sessions held with the majority of Executive Managers during 2014. Further work on awareness raising and monitoring is ongoing across the Council.	Unlikely	Minor	Low	Maggie Sandison Shetland Islands Council
ORG0015 - Professional Errors and Omissions - Lack of compliance with policies leading to a poorly run organisation with costly consequences. The Council could still improve further compliance with council policies and procedures. These include Standing Orders, Health & Safety, Risk Management, Insurance, Financial Regulations, Travel & Expenses, Employee Review & Development, managing poor performance and attending mandatory training events.	Possible	Extreme	High	• CMT has been sending out a strong message on compliance with policies which is having an effect, particularly with regard to budgetary control and financial management. However, there is still an issue of non-compliance in a number of other areas which has yet to be addressed. Some policies and processes need to be reviewed in order to ensure that compliance across the organisation is more achievable.	Possible	Significant	Medium	Mark Boden Shetland Islands Council

ORG0016 - Professional - Other - Management capacity to deliver the benefits of health and social care integration. Significant effort is required to continue driving the integration agenda and to realise the benefits, and adequate management capacity and skill is required to achieve this. Locality working will require further drive and effort to achieve a shift in structure that delivers front line benefits to residents.	Possible	Major	High	• There is a joint management structure in place. The shift will be a collective approach from a cohesive management team. Pilot project creating wider shared understanding for staff and managers of options for change.	Possible	Significant	Medium	Simon Bokor-Ingram Shetland Islands Council
ORG0022 - Professional - Other - Failure to deliver major START review on time and on budget.	Unlikely	Significant	Medium	• There are project management arrangements in place which have been enhanced and strengthened recently. Both the Council and the NAFC Marine Centre Board confirmed their commitment to the next steps towards integration on 24 Feb and 3 March respectively. Project timescales are however challenging.	Unlikely	Minor	Low	Neil Grant Shetland Islands Council
ORG0028 - Professional - Other - Failure to deliver major AHS build project on time and on budget. Complex project involving several external parties, following a methodology not previously used by the Council Design Build Financial Model (DBFM) which increases the risk of the project going off track. However, financial close was achieved in July 2015, and construction has commenced. A lack of understanding of DBFM, project management failure or partner failure can lead to project delay and/or budget rises, negative reaction in press and public. Project completion is currently timetabled for Sept 2017	Possible	Significant	Medium	• Project risk register in place which is closely monitored and managed	Unlikely	Significant	Medium	Mark Boden Shetland Islands Council
Corporate Plan	*F13. Our "20 By '20" - Workforce Planning*							
ORG0018 - Demographic change - Recruitment & Retention of some technical/ skilled/semi-skilled staff - The distant and remote nature of Shetland means that there is a small labour pool and therefore limited skills locally which is a greater challenge due to occupational segregration in areas such as ferries and social care. The national pay structures also place restrictions on our ability to match salaries of larger organisations.	Possible	Minor	Medium	• HR continually reviews the council's HR policies and processes to maximise the successful recruitment and retention of our workforce. Support is also provided to managers to ensure effective people management that encourages staff retention within service areas.	Unlikely	Minor	Low	Denise Bell Shetland Islands Council

Corporate Plan	*F4. Our "20 By '20" - It Equipment & Systems*							
ORG0029 - Malicious damage/ vandalism/sabotage - Malicious cyberattack could happen at any time. ICT and SIC have a host of security systems and approaches in place. However, an attack, successful or otherwise, can always happen. It may be impossible to tell whether there has been an attack, nor what any attack has looked at/ taken/ copied.	Unlikely	Major	Medium	• Anti-virus and firewall defences, ICT security policy,Message Labs scan all incoming e-mail. Corporate anti-virus installed on all servers and workstations. Corporate firewalls Surecloud monitoring server appliance - Operations Bridge to monitor network activity and check open server ports	Rare	Significant	Low	Susan Msalila Shetland Islands Council
Corporate Plan	*F5. Our "20 by '20" - Standards of Governance*							
ORG0014 - Policies - effect of - ORG0014 - Policies - effect of - Health & Social Care Integration. Shetland's Integration Joint Board has delegated authority for the strategic planning of services, and the responsibility for directing delivery to achieve those strategic aims. Board has been established and core constitutional documents approved. The risk is that the outcomes for the individuals and communities does not improve within a new framework.	Possible	Significant	Medium	• A Strategic Plan is in place for 15/16, and a plan for 2016/17 has been developed that sets out service delivery matched to available funding. • Performance indicators have been developed to complement the national core suite of indicators. Joint governance arrangements are in place with NHS Shetland that bring together scrutiny of both clinical and social care activity. . • The Chief officer for the IJB is the Director of Community Health and Social Care, who is a member of a national groupof Chief Officers and information from the meeting/ activities of the group will ensure that the Council is kept up to date with developments so that these can be fed back to a wider audience.	Unlikely	Minor	Low	Simon Bokor-Ingram Shetland Islands Council
ORG0017 - Legal - Other - Legal – Other – Issues with HIAL/Sumburgh Airport 09/27 runway extension project. The Council is being pursued in court by HIAL in connection with the Council's role in the Sumburgh runway extension project. If HIAL are successful it will result in significant financial loss and reputational damage.	Unlikely	Extreme	High	• Council engaged external legal advisers who will defend the case in court unless HIAL cease the action or a settlement is agreed	Unlikely	Extreme	High	Neil Grant Shetland Islands Council

ORG0021 - Physical - People / Property - Other - Issues around the SIC's capacity to Investment in the Council's infrastructure - The Council invested heavily in infrastructure at the time when the oil industry was taking off. This infrastructure was funded from income generated from the oil industry. That infrastructure is now aging and will need to be replaced, however, the financial situation is now tighter which will mean that it will be challenging to finance this.	Likely	Extreme	High	• The current Asset Investment Plan focuses on the maintenance of existing assets in order to prolong their useful economic lives. This should mitigate against the risk of immediate failure. In order to address the longer term replacement of assets, a Borrowing Policy was approved by Council on 11 December 2013.	Likely	Major	High	Christine Ferguson Shetland Islands Council
ORG0030 - Breach of Legislation - Data Protection, Human Rights, Employment Practice, Health and Safety etc - The Council handles significant quantities of data including confidential and personal data on a daily basis. It is expected to be an exemplar of good practice and to maintain high standards of security and confidentiality at all times. Information management is managed within the legislative framework as set out by the Information Commissioner. Uncontrolled release of data could expose the organisation to a range of impacts - reputational damage or action against the organisation by the Information Commissioner. Financial loss/ fine. Negative media coverage and reputational damage. Possible disciplinary action, stress for staff. Loss of confidence in Services.	Unlikely	Major	Medium		Rare	Major	Medium	Jan R Riise Shetland Islands Council
Corporate Plan	*F8. Our "20 by '20" - Efficient*							
ORG0020 - Economic / Financial - Other - Failure to deliver on Medium term Financial Plan - The Council's reserves have decreased by 60% since the turn of the century due to an over reliance on them to meet the funding gap between income and expenditure. The Council continues to operate unsustainably and without intervention, the Council would eventually run out of reserves altogether.	Unlikely	Extreme	High	• The Financial Management arrangements of the Council have been strengthened with the introduction of the MTFP and more rigorous budgetary control.	Unlikely	Major	Medium	Mark Boden Shetland Islands Council

Agenda Item
8

Shetland Islands Council

Education and Families Committee	**11 April 2016**
Employees JCC	**14 April 2016**
Shetland College Board	**14 April 2016**
College Lecturers JCC	**14 April 2016**
Policy and Resources Committee	**18 April 2016**
Shetland Islands Council	**20 April 2016**

College Integration – Progress Update and Next Steps	
Report No: DV-22-16-F	
Report Presented by: Director of Development Services	**Development Services Department**

1.0 Summary

1.1 On the 24 February 2016 the Shetland Island Council delegated authority to the Director of Development Services to progress joined up governance, an integrated management structure, further collaboration and stability funding as the next steps in moving towards a single governance and delivery model for "Tertiary Education[1], Research and Training in Shetland".

1.2 This report provides an update on progress and plans to take those actions forward and seeks decisions on actions to support that.

2.0 Decisions Required

2.1 That the Committees note the information contained in this report, concerning the proposed next steps as set out in sections 3 to 9, comment on those areas within their remit, and inform Council of their views; and

2.2 That the Shetland College Board **RESOLVE** to nominate three members, and three substitutes, for appointment to a "Colleges Integration Liaison Group" which will be a reference group for this stage of the project, provide an interface between the Shetland College Board and the SFTCT and provide advice and support to the Director of

[1] In this document the sole use of "Tertiary" includes Tertiary Education, Research and Training unless otherwise stated

Development Services and the Interim Joint Principal of Shetland College, Train Shetland and the NAFC Marine Centre following their appointment.

2.3 That the Policy and Resources Committee **RESOLVES**, having taking account of the views of Committees, to approve the proposal to amend the Council's Constitution – Part C – Section 2.8 to include Train Shetland within the remit of the Shetland College Board as set out in Appendix 2; and

2.4 **RECOMMENDS** that the Council approve the proposals detailed at 2.2 and 2.3.

3.0 Progress and Plans for Each of the Work Streams

3.1 The action areas must be all be progressed together for better joined up working. Development of one or another on its own is not likely to succeed.

3.2 Details of the timetable and milestones to take matters forward for the four recommendations approved in February, and ensure that Communications and any "legacy" items are properly addressed are set out in the attached Project Plan – Appendix 1.

3.3 This stage focuses on moving joined up governance ahead, initially through the establishment of a "Colleges Integration Liaison Group" and including Train Shetland within the remit of the Shetland College Board and progressing management integration through the appointment of an Interim Joint Principal for Shetland College, Train Shetland and the NAFC Marine Centre.

3.4 Carrying through on these initial steps and having a clear timetable and specific actions agreed for the remainder of the stage should create the circumstances where stability funding can brought forward.

4.0 Governance

4.1 The due diligence processes have identified that full integration as an independent body or under a joint committee or board with directive powers across Shetland College and the NAFC Marine Centre is not possible at this stage due to substantive legal and financial obstacles.

4.2 It may be possible to identify arrangements that could allow further formal integration of decision making through a joint board type arrangement, however that will require significant internal and external research and investigation. That should be progressed but should not stop more immediate actions being made. Time lines and milestones for this work are included in Appendix 1.

4.3 In technical terms the Interim Joint Principal will be responsible to both organisations. How straightforward that is for them will depend on how well the needs of the organisations can be brought together. An arrangement where three members of Shetland College Board and three members of the NAFC board were appointed as a “College Integration Liaison Group” is proposed to assist with that. That group would replace the “Strategy Group” which has supported the project up to now.

4.4 A “College Integration Liaison Group” would not have any formal decision making powers assigned to it, but would discharge a communications and engagement function up, down and between the two organisations and provide a focus for the Interim Joint Principal and the College Management team to consult with and obtain input and opinion at a political governance level. Successful collaboration depends on consensus and agreement being possible; there would be an expectation that the Liaison Group would contribute to building that consensus and helping resolve contentious matters as far as that was possible. Appointments therefore need to be made to the group understanding its constraints but also understanding the attributes required to contribute to its likelihood of success.

4.5 That Liaison Group would also have to actively promote the identification and development of the next steps that would get the most benefit out of our colleges working more closely together. The group would need to lead, along with the management team, on the identification of further collaboration areas such as a joint curriculum, the investigation and resolution of issues like property and the development of the best structure for the senior management team. They would have to support the Interim Joint Principal and the management team in their work and provide a bridge to, from and between the two Boards.

4.6 The technical authority for decision making and implementation must continue to lie with the formal structures of the Council and SFTCT/NAFC and with the delegated authority of the officers they employ. However the advice and advocacy of an effective liaison group would clearly have a very significant role in policy and option development, opinion forming and communications.

4.7 The general level of authority delegated by Shetland Islands Council to Shetland College Board is a matter that needs to be reviewed for a number of reasons. However it is not a fundamental blockage or prerequisite for the development of better liaison in the short term. Work needs to be done on Shetland College Board delegated authority, but that is probably a medium term action complementing the examination of any options for more formal joint political arrangements. Time lines and milestones for this work are included in Appendix 1.

4.8 It is however possible to change the Council’s Scheme of Delegation immediately to include Train Shetland in the remit of the Shetland College Board. That would simplify reporting, improve accountability and at the same time allow Train Shetland’s interests to be properly included in the responsibilities of Shetland College Board as they considered further detailed integration actions. The proposed change is set out in Appendix 2.

5.0 Management Integration

5.1 Proposals for the recruitment of an Interim Joint Principal of Shetland College, Train Shetland and NAFC Marine Centre are set out in detail on an accompanying report to this cycle of meetings.

5.2 A time lime and milestones for further management integration actions are included in Appendix 1.

6.0 Collaborative Working

6.1 A Collaborative Agreement for the treatment of Further Education credits has now been formalised between Shetland Islands Council and the NAFC.

6.2 The identification of priority areas for further collaboration is a key task for the Colleges Integration Liaison Group, cross College management and the project team to work on.

6.3 Potential areas might include;

- Joint Curriculum
- Sharing rooms and resources
- Aligned reporting on FE & HE Credits
- Joint business development
- Joint marketing
- Aligned student and business communications
- Aspects of support service operations
- Quality assurance systems
- Etc

6.4 It will be important for the liaison group and management to strike the right balance between making valuable progress in as many areas as possible and not overloading the capacity of available staff.

7.0 Finance

7.1 The Project has been tasked with "establishing as much confidence as possible about Medium Term Funding from all of the key public funding bodies for Tertiary Education in Shetland".

7.2 Provision for a sum of £261,000 in addition to the NAFC core grant will be made available during 2016/17 as change and stability funding which will enable the agreed integration steps to take place, which will be provided on a yet to be agreed structure to support the change programme.

7.2 Following completion of the key actions described in this report, i.e. the establishment of a College Integration Liaison Group, the agreement and initiation of the Interim Joint Principal appointment process and the endorsement of the follow up time lines and milestones. It will be possible to make an application to the Council's Change Fund and other sources at an appropriate point to provide “Business Stabilisation” funding to stabilise the financial position of individual institutions through to the point where medium term actions are implemented.

7.4 I would anticipate the change fund application being made in May 2016 and covering the period from April 2017 through to the end of March 2018.

8.0 Communications

8.1 In order to successfully deliver this project it is essential that all key stakeholders are engaged in the process throughout. Good communication is crucial both locally, regionally and nationally to assist in good design and implementation.

8.2 A Project Board and a Project Team with experience and expertise in local Further Education has been established using PRINCE 2 project management processes. In addition the following groups need to be communicated with regularly and clearly:

- Student/Learners - Through Shetland College, Train Shetland and NAFC student engagement arrangements

- Businesses - Through the relevant community planning groups.

- Staff at Shetland College, NAFC and Train Shetland, and Unions through; Line Management, the Staff Stakeholders Group and JCC are as required.

- Other Council services including Finance, Legal, Capital Programme & HR through the Project Team.

- Shetland Learning Partnership Project Board through the Project Executive and SLP Project Manager.

- Director colleagues and Chief Executive at CMT through Project Executive updates

- College Board/Education & Families Committee/Shetland Islands Council/NAFC Trustees through College Integration Liaison Group and regular reports on progress to relevant committees and boards.

- UHI/Skills Development Scotland/SFC through circulation of highlight and other appropriate progress reports and direct contact where required by the Project Manager

9.0 Legacy Issues

9.1 A number of significant issues have emerged during this project that requires attention, although they may not be specifically related to the work being undertaken on four main recommendations. It is very important that these issues are not forgotten about as they central to long term arrangements.

9.2 They include the properties used by Shetland College, Train Shetland and the NAFC Marine Centre, the costs of both rents and operations and the options for change.

9.3 They also include the pension costs associated with more radical organisational change and the options for avoiding or moderating those costs if an independent integrated college remains an aspiration.

9.4 Deciding how these, and any other significant issues, should be progressed will be another key task for the Colleges Integration Liaison Group, Cross College Management and the project team to work on.

10 Implications

Strategic

10.1 Delivery on Corporate Priorities – "Our Plan" sets out a vision for Shetland where there are opportunities for people with all levels of skills, and there will be a close match between the skills that businesses need and those that the trained workforce have.

Key projects to make that happen over the coming years are;

- Building the new Anderson High School and Halls of Residence to provide an excellent learning environment as part of an efficient and effective schools service;
- Shetland Learning Partnership developing opportunities for young people to gain workplace experience and vocational qualifications while at school, giving them the skills they need to get jobs or continue into further education, and;
- The Shetland Tertiary Education, Research and Training project creating an effective model to provide excellent services to all continuing learners.

Through these projects, and our other actions, we are determined that all people, old, young and children, and particularly those from vulnerable backgrounds, will be getting access to the learning and development opportunities that allow them to best fulfil their potential.

10.2 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.

10.3 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 skills development and 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.

10.4 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.

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

10.6 Environmental – None.

Resources

10.7 Financial – Provision for a sum of £261,000 in addition to the NAFC core grant will be made available during 2016/17 as change and stability funding which will enable the agreed integration steps to take place, which will be provided on a yet to be agreed structure to support the change programme.

Following completion of the key actions described in this report, i.e. the establishment of a College Integration Liaison Group, the agreement and initiation of the Interim Joint Principal appointment process and the endorsement of the follow up time lines and milestones. It will be possible to make an application to the Council's Change Fund and other sources at an appropriate point to provide "Business Stabilisation" funding to stabilise the financial position of individual institutions through to the point where medium term actions are implemented.

It is anticipated the change fund application being made in May 2016 and covering the period from April 2017 through to the end of March 2018.

10.8 Legal – Legal advice on potential integration has been provided by Shetland Islands Council throughout the review with further specialised input from the solicitors Anderson Strathern, 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.

10.9 Human Resources - HR information and advice 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 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. Agreement will be reached between all parties on the processes to be used in restructuring and recruitment.

10.10 Assets and Property – There are no direct Asset and Property implications in this report. Further 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 in future meetings.

11.0 Conclusions

11.1 In any change process there needs to be a balance between taking the time required to make sure things are done properly and delaying action unnecessarily beyond the time needed to do things properly. Progress also needs to be made across all of the action areas together for things to progress overall.

11.2 The stage plans for the next few months strike that balance by taking practical steps forward on joined up governance and the key role in an integrated management team. Taking those steps together should create the circumstances where stability funding can be sought.

For further information please contact:

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Date Cleared: 6 April 2016

Appendices

Appendix 1 – Project Plan
Appendix 2 – Shetland College Board Delegation Changes

Background Documents

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

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

Appendix 1

COLLEGES' INTEGRATION PROJECT

Shetland
Islands Council

PROJECT PLAN

Project: Colleges' Integration Project.

Release:

Date: 11.3/16

PRINCE2

Author:
Project Manager – Angela Sutherland
Project Assurance – John Smith
Executive – Neil Grant
Project Assistant – Amy Taylor
Project Critical Assistance – Sandra Laurenson

Owner: Neil Grant

Client: SIC and STFCT

Document Ref:

Version No: V1.2

1 Plan History

1.1 Document Location

This document is only valid on the day it was printed.
The source of the document will be found at this location –
O:\Directorate\Development\Meetings\STERT\College Integration Project File\Plans\Project Plan

1.2 Revision History

Date of this revision:
Date of next revision:

Revision date	Previous revision date	Summary of Changes	Changes marked
		First issue	

1.3 Approvals

This document requires the following approvals.
Signed approval forms should be filed appropriately in the project filing system.

Name	Signature	Title	Date of Issue	Version

1.4 Distribution

This document has been distributed to:

Name	Title	Date of Issue	Version

2 Plan Description

This Project Plan follows a decision by Council on 24 February 2016 to proceed with the 4 recommendations of the Integration Proposal Report in regards to integrating the management structure of Shetland College, Train Shetland and NAFC.

- Jointed up Governance
- Integrated Management Team
- More Collaboration
- Stability Funding

On the 3 March 2016 SFTCT agreed to proceed with the initial stages, More Collaboration, Stability Funding and Joined up Governance. They would like to have a clearer plan on how an Integrated Management Team will work and establish an Interim Joint Principal in the First Instance.

SFTCT and the Council will be given an opportunity to approve and delegate authority for this phase by way of a Stage Plan which will be presented to Council and SFTCT before Tier Two is implemented.

3 Plan Prerequisites

Both the Council and SFTCT must support the project and continue to agree next stages.

4 External Dependencies

SFC, UHI, HIE, Skills Development Scotland and OSCR need to approve changes.

5 Planning Assumptions

None

6 Lessons Incorporated

To Follow – Lessons to be learned from NHS / SIC aligned working.

7 Monitoring and Control

This Project Plan will be monitored by the Project Manager and Project Assurance weekly and updated before each end stage, where it will be monitored by the Executive, SFTCT and Council. There will be weekly Project Board Meetings and Monthly Project Strategy Meetings where the plans will be scrutinised.

8 Budgets

A Change Budget of c£300K will be made available for the purposes of stabilising the Colleges during the period of change, to fund external advisors or overtime by key SIC staff. SFC has also granted £60K for the purposes of Integration.

9 Tolerances

The tolerances for each stage will be determined by the Council and will be requested in Stage Plans.

The timing of each stage will tend to follow the cycle of the Council's meetings, however, we have been given permission to hold Special Council Meetings if necessary.

Each Work Package will be given tolerances which should be met.

A schedule has been created which sets out the overall project timescale and tolerances.

A Work Stream Schedule will be created using Project Manager giving detailed timelines.

10 Product Descriptions

The Products of the Project can be found listed on the Work Package Tracker.

1) Governance

The project needs to bring together the two existing college boards and align them in order to effectively provide more unified decision making arrangements which the proposed Interim Joint Principal will report into.

The project needs to help Stakeholders come to an agreement and define how the Interim Joint Principal will be appointed and employed.

The Project will create a written Agreement on Aligned Governance which will include best practice, membership, Delegated Authority, meeting frequency, Performance Management of the Interim Joint Principal Etc.

2) More Collaborative Working

The Project will produce a Joint Collaborative Working Agreement on sharing resources (including staff) and working together more closely and effectively for the benefit of Shetland, its learners, communities and businesses. This Agreement will form the basis of further agreements on collaborative working as and when new opportunities for collaboration present themselves.

The Project will produce a Joint Collaborative Agreement on the sharing of Credits.

3) Stability Funding

The Project will have an approved budget of c£300K for the purposes of introducing changes for integration and collaborative working and for stabilising the colleges during the period of change.

The stability funding has been divided into milestones which are attached to achieved changes.

The stability funding is planned to continue for up to one year.

4) Integrated Management Team

The Project will facilitate the recruitment of a single Interim Joint Principal across Shetland College, Train Shetland and NAFC through the process of a joint panel, with a desire to have the Joint Principal in situ by August 2016.

Once the Interim Joint Principal is in post, the structure and Job Descriptions for the Second Tier of management will be created with the help of the Interim Joint Principal and approved by Stakeholders.

5) Communications

6) Legacy Issues

11 Schedule

Stage 1 – 18/4/16

Outline plan for Governance for Colleges' Integration Liaison Group
Recruitment Panel Approved by Council and NAFC
Aligned College Boards' members chosen
Recruitment panel members chosen

Through a series of work stream, work group, Project Board, Strategy Group and Stakeholder meetings the Project will bring together ideas and reach agreement on aligned boards' governance under the name of Colleges' Integration Liaison Group, a recruitment panel and aligned boards' membership. This will then be presented to Council and SFTCT for approval and Delegated Authority for the next stage.

Job Description and sizing complete 14/4/16
Job Internally advertised 20/4/16

Stage 2 – 23/5/16

Interim Joint Principal selected and start date confirmed
Outline agreement on Governance

Using the agreed process approved by Council and NAFC and Delegated Authority provided, the Interim Joint Principal will be recruited and the next stages of the Project Plan will be aligned to the start date of the Interim Joint Principal.

By a series of work stream, work group, Project Board, Strategy Group and Stakeholder meetings the Project will reach an outline joint agreement on how the aligned governance will work, create protocol documents to provide future guidance and assist L & G to create an Agreement for the process of Aligned governance of the two boards for Shetland College and NAFC. Governance Structures will require approval of the Council and SFTCT.

With the assistance of the Interim Joint Principal, Project Board, Strategy Group and Stakeholders and unions through various meetings, a strategy for recruitment of tier two, the management structure and job descriptions will be created and agreed. This will then be presented to the Council and SFTCT for approval of next stage.

Stage 3 – 20/6/16
Council and NAFC mandate to recruit Tier Two.
Recruitment process, job descriptions, management plan for Tier Two agreed.
Joint Collaborative Working Agreement Final

Through the process of work streams, work group, Project Board, Strategy Group and Stakeholder meetings the Project will reach an outline agreement on Joint Collaborative Working and this agreement will be drafted by SIC L&G with the aim of creating a document which will serve as a general agreement on working collaboratively.
The Joint Collaborative Working Agreement will require approval of the Council and SFTCT.

NB this date may slip depending on start date of Principal.

Stage 4 – 30/8/16
Tier 2 Start Work
Joint Curriculum Created
Management Structure Finalized
Rapid Improvement Events

Rapid Improvement Events will take place with Key staff to find efficiencies, resolve issues and find consensus.
Any structural gaps that occur due to the management restructuring will need to be analysed and quickly filled and it is anticipated that the Interim Joint Principal and Integrated Management Team will perform this task.

NB this stage date may be brought forward depending on start date of Principal, arrangement of a Special Council Meeting and SFTCT agreement

Stage 5 – 31/11/16
Creation of Joint Strategic Plan
Joint Curriculum Agreed

The Joint Strategic Plan and Joint Curriculum will be created primarily by the Interim Joint Principal and the Integrated Management Team, using the Joint vision as guidance.

End Stage – August 2017
Joint Strategic Plan implementation started
Joint Management Structure in place and tested
Joint Curriculum implemented
Collaborative working implemented and tested
Aligned Governance Boards in place and tested
Joint Service financially stable and no longer in need of stability funding

The desired deadline for having a new Interim Joint Principal in place is by the start of the new academic year, however, it could be sooner if one is found who can start sooner or later if progress is delayed for any reason.

Tier 2 change is planned to be the first task of the Interim Joint Principal.

The Interim Joint Principal may require specific change management projects to be undertaken or require assistance on specific tasks but as this cannot be prejudged. We are expecting that the Interim Joint Principal will want changes made; we can only note at this stage that it is likely and allow space and time for this occurrence in the schedule.

There may be one academic year from (August 2016 to 17) where significant curriculum change may not be fully achievable due to existing curriculum demands.

The position of Joint Principal is Interim. A fixed period of 18 months is required to ensure stability and change fully embedded

Also see Attached Schedule and Project Manager Worksheet.

Timeline

11/4/16	Strategy Board Meeting Education and Families Committee	Communication
14/4/16	Employers JCC	Communication
14/4/16 SFTCT Shetland College Board Meeting	College Lecturers JCC Agreement to create recruitment panel and members selected Agreement to create Colleges Integration Liaison Group and members selected	Communication Governance
18/4/16 Policy and Resources Meeting	Authority to create recruitment Panel and members selected Authority to create Colleges Integration Liaison Group and members selected	Communication Governance
20/4/16 Council Meeting	Stage 2 Approval sought	Communication
20/4/16 Job description and sizing complete	Job advertised internally for one week, to ring-fenced employees. Interim Joint Principal recruited or job advertised externally	Collaborative Working
23/5/16	Aligned governance protocol of Liaison Group documented Interim Joint Principal recruited (N.B. start date will effect rest of schedule) HR strategy for tier two recruitment planned	Governance Collaborative Working
20/6/16	Integrated management structure and Job descriptions for 4 Tier Two positions created Joint Collaborative Working Agreement draft in completion stage ready for council and SFTCT mandate to proceed Council and SFTCT mandate to recruit Tier Two sought	Collaborative Working Communication
30/9/16	Tier Two recruited	Collaborative Working
30/11/16	Creation of Joint Strategic Plan for sustainability and growth based on Joint Vision	Legacy
30/12/16	Joint curriculum created Internal communication strategy created and implementation applied	Collaborative Working

c Jan 2017	**Interim Joint Principal 6 month milestone**	
30/2/17	A single voice promoting Shetland Tertiary Education, Training and Research in place. Authority sought for long term strategic plan from Council and SFTCT	Legacy Communication
30/4/17	Implementation of long term strategy which reduces the reliance of all three entities on Shetland Island Council deficit funding with the ultimate goal of financial independence. Joint curriculum advertised	Legacy Collaborative Working Finance
C June 2017	**Interim Joint Principal 12 month milestone**	
30/8/17	Joint Curriculum implemented Shared resources process fully working Improved student activity	Collaborative Working Legacy
30/11/17	Improvement in research funding and activity Reduction in deficit funding reflected in budget forecast	Finance
30/12/17	Joint requirements for accommodation understood and a joint plan for accommodation in 2020 created	Collaborative Working Legacy
C Jan 2018	**Interim Joint Principal 18 month milestone**	

12 Table of Resource Requirements – by Work Stream type

See attached Work Stream Tracker.

Glossary

Joint – across Shetland College (including Train Shetland) and NAFC.

Integrated – Joined together between Shetland College (including Train Shetland) and NAFC.

Aligned Governance - Representatives of two separate boards working together in a liaison group.

2.8 Shetland College Board

(proposed changes in italics and bold)

2.8.1 To support the ~~Principal~~ ***Senior Management*** of Shetland College ***and Train Shetland*** in carrying out ~~his/her~~ ***their*** roles and to monitor progress against objectives which have been set by the Council in relation to the following -

a Strategic direction for Shetland College **and Train Shetland**

b Ascertaining the needs of users and promoting access between school, work and higher education

c Resources to support the learner

d Staffing to meet needs and provision for staff development and career review

e Quality assurance and improvement

f Sound financial management

g Liaising with UHI Millennium Institute and other appropriate learning bodies

Agenda Item
9

Shetland Islands Council

Environment and Transport Committee — **12 April 2016**
Policy & Resources Committee — **18 April 2016**

Exception from Contract Standing Orders MV Geira Emergency Works	
FO-02-16-F	
Report Presented by Executive Manager, Ferry Operations	**Infrastructure Services Department**

1.0 Summary

1.1 This report describes the emergency repair works required to be carried out to the MV Geira under exception from the Council's Contract Standing Orders and requests that Policy & Resources Committee notes the action take for the associated funding requirement.

2.0 Decisions Required

2.1 That Environment & Transport Committee NOTES the exception under the Contract Standing Orders for emergency repair work carried out on MV Geira.

2.2 That Policy & Resources Committee NOTES the transfer of capital budget from savings and underspends on projects in the 2015/16 Asset Investment Plan described at paragraph 4.7 required to fund the emergency work on the MV Geira.

3.0 Detail

3.1 The Council's Contract Standing Orders require competitive tendering where the estimated value of goods, works and services is in excess of £10,000. Where the estimated cost is equal to or greater than £50,000, appropriate advertising would apply in accordance with the Contract Standing Orders.

3.2 Standing Orders Part 1, Paragraph 2(iii) provides an exception where "The demand is for the execution of work or the supply of goods, materials or services, certified by the relevant Service Director as being required as an emergency measure so as not to permit the invitation of tenders. "Emergency" means only an event which could not reasonably have been foreseen."

3.3 During routine annual refit works a problem was exposed that required immediate rectification

3.4 MV "Geira" is 28 years old, built in 1988 at Dunstons, Hessle. She currently operates on Bluemull Sound, providing a Ro-Ro vehicle and passenger service between the Islands of Yell, Unst and Fetlar.

3.5 MV "Geira" has a scheduled annual refit which is required to undertake planned maintenance and works to maintain certification and approval from MCA (Maritime and Coastguard Agency) to continue in operation.

3.6 During the 2015/16 annual refit, on Malakoff's Lerwick slipway, all rubber belting fenders were removed to allow grit blasting of the steel plating behind.

3.7 On completion of grit blasting works a significant amount of pitting and weaknesses of the steel plates were identified, behind the rubber belting, aft on the port side of the engine room. This required further investigation to confirm the integrity of the material

3.8 A full Ultrasonic Thickness (UT) and visual examination was carried out on the plates to determine material thickness and condition throughout. The original plate thickness on commissioning and confirmed from the vessel construction drawings were 7.5mm.

3.9 After an analysis of the examination results, it was identified that the belting plates had a degradation of 10-15% across at least 50% of the plate and as high as 25% in other areas. The examination also found extensive areas of pitting of 1-6mm across 70% of the belting plates.

3.10 In conjunction with MCA, following review of the UT report and visual inspection it was concluded that the pitting coverage combined with material thickness wastage had led to at least 75% of the plate being below acceptable limits. The remaining 25% of plating was found to only border on acceptable limits.

3.11 When commissioned, the MV "Geira" was built to Lloyds Register (Classification Society) rules. MCA refer to Lloyds Register rules when assessing the condition of the steel work. Within these rules it states the 'maximum permissible diminution levels', for the steel work and vessel type is 30%.

3.12 It was clear that the vessel could not return to service without the repair works being carried out. This was an entirely unforeseeable event and it was decided that the works required to be carried out as an emergency to minimise disruption to the service. Due to the above conditions and applicable rules, it was agreed the extent of the re-plating works required would be from the stern forward, approximately 25m in length, on both port and starboard sides. The remaining plating, approx. 5m in length, had acceptable material thickness and that the extent of pitting could be brought to within recognised limits by over-welding of the deepest pitted areas.

3.13 Following replacement of the steel plating (and as a preventative measure) a coating of hot sprayed zinc was applied to reduce the risk of future corrosion issues. This was followed by a further 5 coatings of paint.

3.14 It is difficult to determine the cause of the degradation of the steel plates behind the rubber belting. Possible causes could include sea-water ingress through the protective paint coating or rubber belting rubbing and causing wear of the protective coating.

3.15 Upon review of records, no previous UT inspections of the plates behind the rubber belting fenders were carried out. However, visual inspections of the paint coatings have been conducted in previous years. The last visual inspection was conducted in 2013, with no concerns noted.

3.16 For future planning it has been agreed that more frequent UT and visual inspection behind the rubber belting will be needed to try to identify these types of issues at an earlier stage so they can be addressed as part of routine works.

3.17 It should also be noted that MCA vessel surveys have not required the rubber belting fendering to be removed for inspection of the plates behind.

3.18 Given the age of the vessel, more regular inspection behind the rubber belting fendering will be added to the planned maintenance schedule, to coincide with, at a minimum, UT testing required for MCA every 5 years.

4 Implications

Strategic

4.1 Delivery On Corporate Priorities – Connection and Access is a key priority in Our Plan and the issues in this report support the outcome: There will be transport arrangements in place that meet people's needs and that we can afford to maintain in the medium term.

4.2 Community /Stakeholder Issues – Communities need their lifeline ferry services. Any disruption to service will be challenging so emergency repairs must be carried out immediately to remove or minimise any disruption to service.

4.3 Policy And/Or Delegated Authority

4.3.1 In accordance with Section 2.3.1 of the Council's Scheme of Delegations the Environment and Transport Committee has responsibility for Ferry Services. The Council's Contract Standing Orders apply to all Council service departments. Contract Standing Orders Part 1 require the reporting of exceptions to the relevant Service Committee within six months of the exception occurring.

4.3.2 Policy & Resources Committee has responsibility to secure the co-ordination, control and proper management of the financial affairs of the Council.

4.4 Risk Management – There is a risk to the economic and social well-being of the island communities if ferries cannot be returned to service as quickly as possible following technical problems.

4.5 Equalities, Health and Human Rights – There are no Equality, Health or Human Rights implications.

4.6 Environmental – There are no Environmental implications.

4.7 Financial

4.7.1 The cost of the repair works described above is estimated at approximately £450,000 in lieu of final billing, which has been met from savings and underspends on the following Infrastructure Services projects in the 2015/16 Asset Investment Plan;

Trondra Bridge Bearings -	£150,000
Burra Bridge Bearings -	£ 36,000
Waste Management Recycling -	£164,000
Fivla Life Extension -	£100,000
Total	£450,000

4.7.2 In line with the Council's Financial Regulations this project was agreed with the Executive Manager - Finance prior to any commitment being incurred.

4.7.3 As the Policy & Resources Committee meeting falls after the 2015/16 year end, when no further changes can be made for in-year budgets, the transfer of budget has already been actioned for this project.

4.8 Legal

The Council must comply with EU Procurement Regulations and Council Contract Standing Orders.

4.9 Human Resources

The only Human Resources implications are the resource required to ensure compliance and the capacity of engineering staff to respond in such emergencies.

4.10 Assets & Property - None

5 Conclusions

5.1 It was essential for the island communities that the MV Geira serves to have her returned to service as quickly as possible following the discovery pitting and weaknesses in the steel plates.

5.2 The damage could not have been reasonably foreseen and a decision was taken to carry out emergency repair works under exception to the Council’s Contract Standing Orders.

5.3 The emergency works have been funded from savings and underspends in the current year's Asset Investment Plan.

For further information please contact:
Lee Coutts, Team Leader – Marine Engineering
01806 244274
4 April 2016

END

Agenda Item

10

Shetland Islands Council

Policy & Resources Committee **18 April 2016**

Shetland Islands Council Workforce Strategy	
HR-05-16-F	
Report Presented by Executive Manager - Human Resources	**Corporate Services / Human Resources**

1.0 Summary

1.1 The report seeks agreement for the Council's first Workforce Strategy (Appendix 1).

1.2 The Strategy provides a framework that will be used to direct how the Council manages its workforce in a way that supports the long term business goals and outcomes for the organisation and for the wider Shetland community.

2.0 Decision Required

2.1 That the Policy & Resources Committee RESOLVES;

2.1.1 To APPROVE the Workforce Strategy, attached as Appendix 1.

3.0 Detail

3.1 Strategic workforce management is a complex process that is constantly changing in order to focus in longer term people issues, matching resources to future needs and tries to address concerns about structure, quality, culture, values and commitment.

3.2 There are a number of key issues facing the Council both externally and internally that impact on its ability to ensure that we have the right people in the right place at the right time doing the right things. The Workforce Strategy sets out the themes and elements in a framework to address those challenges. In particular this focuses on the way in which people are managed, motivated and deployed and the availability of skills and knowledge that will all shape our ability to delivery Council services.

3.3 The Strategy is based on information gathered from a range of sources including a workforce planning event with managers across the Council and it has the '20 by 20' aims at its core. Other sources of information include:-

- The Medium Term Financial Plan
- The Corporate Plan 2016 – 2020
- Directorate and Service Plan
- Viewpoint Survey results
- Health and Social Care Partnership Integration Scheme
- Shetland Community Plan
- Best Value Toolkit - People Management

3.4 In summary, the Strategy has 10 key elements grouped within 3 themes, these are:-

- **Right Shape**
  Workforce Profiling and Planning
  Recruitment and Retention
  Pay and Reward
  Equality & Diversity

- **Right Skills**
  Developing Our Workforce
  Leadership and Management
  Spotting and Growing Talent

- **Right Culture**
  Employee Engagement
  Health and Wellbeing
  Continuous Improvement

3.5 The Strategy also recognises the context in which Shetland Islands Council operates. Shetland has a buoyant economy although there are some communities outside Lerwick that are categorised as economically fragile. The Council has workplaces throughout the isles and there are many remote areas highly dependent upon the public sector. It is estimated that average earnings in Shetland are likely to be above Scottish and Highlands and Islands levels, due to the high share of employment in relatively high paying sectors such as oil-related activities and fishing. However this is offset by the considerably higher cost of living in islands areas.

3.6 Projections based on 2012 population estimates show that the age profile of the population in Shetland changes by 2022 with the under 30 population falling by 3% while the over 75 population increases by 2.9%. At the same time, life expectancy in Shetland is above the national average and the unemployment rate is one of the lowest in Scotland at 0.7% in 2014 compared to the Scottish average of 2.8%.

3.7 Shetland Islands Council is the largest employer in Shetland, employing around 3000 people from a total available working population of approximately 12,000. The Council's impact as an employer on the people of Shetland therefore is significant and this will remain the case for some time ahead due to the local challenges facing the oil industry.

3.8 One important area of workforce strategy is workforce planning, which helps organisations meet their future needs and support longer term goals. A draft workforce planning guide has been produced to support the Strategy which will be the subject of consultation with managers and trade unions. This tool will be an essential part of being able to ensure that the Council is developing sufficient capacity to adapt to new trends and the changing demands on service delivery.

4.0 Implications

Strategic

4.1 Delivery On Corporate Priorities – The Corporate Plan 2016 -20 sets out the Council's vision and priorities and sets 20 aims to achieve by 2020. 9 of these aims relate specifically to our workforce including "Our staff will have the highest possible standards of leadership and management helping to create a culture that makes sure we achieve the things set out in this plan".

4.2 Community /Stakeholder Issues – The views of managers have been gathered through a workforce planning event and trades unions were consulted through the HRPG.

4.3 Policy And Delegated Authority – The Policy & Resources Committee has delegated authority for the development and operation of the Council as an organisation and all matters relating to organisational development and staffing.

4.4 Risk Management –This Strategy is a working document and must be delivered as an iterative process that can reflect and respond to information on the capability and capacity of the workforce to deliver and act on forecast need for skills and capabilities to take the organisation forward. The Strategy puts in place a control measure to ensure that any current or future workforce risks are managed appropriately.

4.5 Equalities, Health and Human Rights – Having an agreed Workforce Strategy in place will strengthen the Council's ability to ensure that the Council performs in a way that is fair and equitable. The Strategy will apply Council-wide to all employees. It will also be subject to an Integrated Impact Assessment

4.6 Environmental – None

Resources

4.7 Financial – The actions, measures and risk management described within this report will be delivered within existing approved budgets. Improving and investing in our management of recruitment and retention will have a positive impact on the performance of the organisation.

4.8 Legal – There are no legal issues contained within this report.

4.9 Human Resources – The Strategy focuses on longer term people issues that aims to match resources to future needs and demands. This will improve the level of employee engagement and commitment amongst the workforce that will lead to improved performance.

4.10 Assets And Property – None.

5.0 Conclusions

5.1 There are a number of key issues facing the Council both externally and internally that impact on its ability to ensure that we have the right people in the right place at the right time doing the right things. The Workforce Strategy provides clear links to the Council's Corporate Plan and our 20 by 20 in a framework that enables us to address those challenges that will lead to improved employee engagement and performance.

For further information please contact:

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March 2016

Appendix 1 – Workforce Strategy

END

Shetland Islands Council

Workforce Strategy

2016 - 2020

CHIEF EXECUTIVE'S FOREWORD

People are at the heart of everything we do. This Workforce Strategy recognises that the Council and the people who work in it deliver high quality services. It aims to continue to do so and to improve. The Council faces a period of unprecedented change and challenge. It will adapt and rise to those challenges. It can only do so because of the excellent people that work for the Council. Those people, our colleagues, need to be and deserve to be supported in every way possible to deliver for the people of Shetland whom the Council serves. The Council's new Corporate Plan reflects the priority placed on "What we will do" and "How we will do it" which means that we need to make sure we are doing things properly and that we are doing the right things.

The Council aims to deliver high quality services and to continuously improve its performance whilst living within its means. It can only do this successfully by supporting and being supported by its employees.

The Strategy has been informed by a number of sources that include feedback from staff in our recent employee survey, Viewpoint, which told us that the Council needs to be clearer on its vision and priorities. The refreshed Corporate Plan sets out clear outcomes, which depend upon the contributions and efforts of all of us who work for our Council. These are supported by a number of the '20 by 20' aims that focus on commitments to staff. That is why this strategy focuses on the 3 key themes of Right Shape, Rights Skills and Right Culture. However, the clarity about outcomes is only effective if the Council's leaders and managers communicate effectively with colleagues, and if we all communicate effectively with customers and residents. Similarly the commitments to staff are only effective if the Council's leaders and managers deliver them.

Engaging and developing employees, and giving them the skills and confidence to continue to grow helps to retain an excellent workforce, committed to delivering excellent services to our community. We need to do some talent spotting and support and develop people who have the aptitude, values and attitude that are needed in these challenging times.

The Council aims to improve its ability to recruit the right people into the organisation and then to retain them by providing opportunities that will build a more flexible, responsive, resilient workforce with the capacity and capability to do things properly and well. The Council needs to make effective use of their knowledge and skills and help them to develop their careers in ways that will be rewarding to them and will at the same time achieve the Council's objectives.

We want every colleague to feel proud of working for Shetland Islands Council and to enjoy doing so. Implementing this Workforce Strategy will support our Corporate Plan and will enable all of us to be the best that we can be.

Mark J Boden
Chief Executive

SHETLAND ISLANDS COUNCIL WORKFORCE STRATEGY

The Workforce Strategy provides direction for managing the Council's workforce who are at the heart of everything it does. It sets out the Council's ambitions to attract, invest in and develop a highly trained, flexible and innovative workforce who in turn will deliver the Council's vision and values.

This strategy has been designed to support and is aligned to the delivery of the priorities identified in Shetland's Local Outcome Improvement Plan, Shetland Community Plan and the Council's Corporate Plan. It also takes into account the views expressed in the Council's first staff survey, Viewpoint. The strategy supports the principles set out by the Fair Work Convention which aims to provide people with Opportunity, Fulfilment, Security, Respect and Effective Voice.

The contribution of all employees is critical to successful achievement of the Council's Objectives and Aims, and this is recognised in the vision for the workforce.

Vision for the workforce

To have committed, enthusiastic, confident, skilled, flexible and customer focussed employees who deliver excellent services to the people of Shetland. To have a fair organisation which values, develops and appreciates its workforce in the provision of excellent services.

To deliver this vision:

- Staff will have high standards of leadership and management, helping to create a culture that makes sure we achieve the Council's objectives.
- Staff will feel valued for their efforts, want to stay with the Council and feel motivated to do their best every time they come to work.
- Staff will be informed about the Council's activities, through excellent communication systems.
- The Council will work in the most efficient way it can to allow it to cope with the resources it has.
- Staff performance will be managed to a high standard and poor performance dealt with.
- The Council will be an organisation that encourages creativity, expects co-operation between services and supports the development of new ways of working.

The Council

Shetland Islands Council is an exciting and challenging place in which to work for its 3000 strong workforce serving an island population of just over 23,200. The Council works with a range of community planning partners including health, police, and the third sector to deliver services to residents, making sure that our priorities complement rather than compete with each other.

The Council's focus is on providing modern, efficient and responsive services to the Shetland community and it offers employees the training and support they need to help them to do this.

A number of factors are driving change and the need for organisational development:-

- The establishment of the Integrated Joint Board and successful service integration across health and social care brings together different organisational cultures and different performance management regimes. It raises issues about staff working together on different terms and conditions and joint management arrangements.

- Shetland has a very low unemployment rate and 89% of our population are economically active against a Scottish average of 77.3%.

- Gross weekly pay is higher than in the rest of Scotland against a recent background of high demand for Shetland's workforce due to high levels of economic activity creating challenges in recruiting to the public sector.

- Some issues result from national pressures, legislation or emerging best practice, others result from a need to respond to very local issues important to our community.

- The drive for efficiency remains a priority with the increasing pressure on budgets and the need to deliver the Council's Medium Term Financial Plan.

- The need to deliver services in partnership with the public, private and third sectors.

- Recruitment and retention challenges and skill shortages across different jobs within the Council, in particular in health and care, technical specialists and senior professionals.

- The implications of an ageing workforce and increasingly older population.

- The emergence of new technologies which are changing the way we work with each other and with our partners and customers. This often leads to the need to redesign roles and getting people to change how they operate.

The Council's Workforce Profile: Key Data

The Council's workforce profile provides some background and context for this Strategy, this information provides a snapshot of data produced in December 2015:-

- The Council employs 2165 full time equivalent people, delivering work on 3000 contracts.
- The gender balance of the Council is typical of Scottish local government with a female dominance of 64% female and 36% male.
- The female dominance is at the lower half of the Council's structure, in grades A-I, grades J-Q have a male dominance.
- 94% of the workforce describes their ethnicity as white, less than 1% are from an ethnic minority and 5% are unknown.
- The age bracket 46-55 is the most common across the organisation with the 16-25 age bracket as the lowest.

- Overall data shows that of the top 4 levels of our management structure:-

  Male 49% / 56.6 FTE

  Female 51% / 59.36 FTE

  The split at the various levels are:-

  Chief Executive and Directors: 50% Male / 50% Female
  Executive Managers: 58% Male / 42% Female
  Head teachers and Team leaders: 46% Male / 54% Female

In order to meet these challenges our workforce strategy includes the following key themes and elements:-

3 Key Themes

The workforce strategy has 10 key elements grouped within 3 themes with many important links between each element, even within different themes. Some of these links are highlighted in this document.

Right Shape
1. Workforce Profiling and Planning
2. Recruitment and Retention
3. Pay and Reward
4. Equality & Diversity

Right Skills
5. Developing our Workforce
6. Leadership & Management
7. Spotting and growing talent

Right Culture
8. Employee Engagement
9. Health & Wellbeing
10. Continuous Improvement

Each theme is crucial to this comprehensive workforce strategy which will help meet challenges we face and deliver excellent services. The following section looks at how the workforce strategy can help achieve a number of important benefits within each theme.

Ownership and Scope of the Strategy

Achieving the outcomes within this strategy requires a clear commitment and strong leadership at all levels with full involvement and commitment of all Council employees.

The leadership role is to support and promote a positive and inclusive culture and to create a framework that encourages effective employee engagement, open communication and excellent performance. Employees are equally responsible for managing their own performance and development and communicating any issues that may prevent them from achieving their potential.

The Workforce Strategy outcomes will be taken forward by Human Resources working in partnership with managers and will be integrated in to service and directorate plans. Monitoring will take place through the Council's performance management arrangements to ensure that the Council remains on track to deliver the outcomes and that these continue to be relevant to the Council and achievement of corporate priorities.

Critically, through the Viewpoint employee survey results, the Council's Corporate Management Team will assess whether the strategy continues to be relevant to the needs of the organisation and the workforce and will consider what changes may be necessary. This will also be carried out in partnership with the trade unions through the Council's consultation framework.

The effective delivery of the Workforce Strategy outcomes requires the commitment and buy-in of everyone. Specific responsibilities are set out below:-

Employees are responsible for engaging with agreed processes for delivering the Workforce Strategy outcomes and complying with the requirements of these processes. They are also responsible for taking personal ownership of their own performance and productivity, development and improvement as necessary and engaging positively with their managers and colleagues in all aspects of work-related issues. Employees must also exercise a duty of care in respect of health, safety and well-being arrangements, highlighting any concerns to their manager.

It is the responsibility of all of us to ensure we contribute to establishing a workplace that embraces diversity, where all are treated fairly, and with respect and dignity.

Trade Unions will play a positive role in consultation in the development of policies, procedures and processes that will support the delivery of the Workforce Strategy outcomes.

Human Resources are responsible for producing an implementation plan for the delivery of the Improvement Activities and will work in collaboration with colleagues across the Council to deliver these changes. HR will monitor delivery of the implementation plan and report on a regular basis through the Council's performance management framework.

Corporate Management Team (CMT) are responsible for ensuring that the high standard, of leadership and management is in place throughout the Council and that by its actions, CMT promotes a positive work culture that makes sure we achieve the objectives of the Council's Corporate Plan and this Workforce Strategy.

Directors, individually and collectively through Corporate Management Team are responsible for ensuring that agreed actions and outcomes are effectively integrated in to Directorate and Service Plans and activities. This includes ensuring the implementation of effective employee engagement, listening to employees, motivation and development, performance management, health, safety and well-being, equality and diversity measures and workforce and succession planning.

Executive Managers, Team Leaders Head Teachers are responsible for the operational implementation of agreed actions contained within Directorate and Service Plans and activities. This includes the engagement, motivation and development of employees through effective management and performance review, monitoring to ensure equality and diversity in the treatment of our workforce, the management and improvement of health, safety and well-being arrangements and workforce planning to ensure the efficient use of resources.

Elected Members own this strategy; and the Corporate Plan, the Community Plan and the Local Outcome Improvement Plan whose objectives this strategy contributes to achieving. They lead the Council and play a key role in delivering, and monitoring this strategy.

Right Shape

1. Workforce Profiling and Planning

As an organisation the Council face many challenges. These may be external, such as government legislation, national and local economic trends or they may be internal, such as the loss of skills and experience through staff retiring or moving on. It is vital that it prepares for, and adapts to current and future challenges.

Improvement Activities:

- Carry out workforce planning across all services taking in to account national and local priorities and pressures
- Review and refresh values and develop associated behaviours
- Review quality of job profiles and person specification
- Review employment advertising and marketing
- Provide accessible and informative reporting and analysis on employment information
- Review pay, grading and reward policies
- Review employment policies aligning with best practise
- Introduce a Council-wide approach to workforce planning
- Promote use of Council-wide redeployment and secondment opportunities

The Workforce Strategy will ensure we can:-

- Understand changing business needs in order to respond appropriately and support service delivery
- Ensure employment policies are appropriate, fit for purpose and promote work-life balance
- Ensure best use of resources to establish greater flexibility in deployment and working practices.
- Plan and prepare for future workforce needs
- Recruit people with the values and behaviours that reflect the organisation's culture

2. Recruitment & Retention

The Council wants to encourage people who are committed to the delivery of public services to choose to work for, and stay with, Shetland Islands Council.

Improvement Activities:

- Reduce the costs and disruption associated with unfilled vacancies, turnover and re-training
- Tackle internal workforce issues to improve flexibility and career pathways
- Make use of appropriate positive action strategies to encourage diversity across the workforce
- Develop new ways for young people to join the workforce
- Continue to work on creative solutions to address recruitment pressures

- Design and deliver effective Induction to all new staff including induction for new managers
- Continual review of employee exit questionnaires to inform employment practices to improve employee retention
- Explore job enrichment opportunities

The workforce strategy will ensure we can:

- Attract the best people with the best skills into the right posts
- Fill hard to fill posts
- Increase the number of ways that young people can join the workforce
- Retain employees by offering opportunities to develop their full potential
- Overcome barriers to employment and career progression
- Ensure that the Council’s reputation as an ‘employer of choice’ is enhanced
- Ensure that new leaders and managers reflect the values and behaviours expected and have the right induction to the organisation to be effective as quickly as possible

3. Pay & Reward

In order to meet the challenges of today's competitive labour market it is necessary to reward employees in a fair, competitive and equitable manner. Staff must feel valued for their efforts and want to stay with the Council. The maintenance of a job evaluation scheme and regular pay audits on the pay and grading structure helps ensure that employment packages are regularly reviewed and updated.

Improvement Activities:

- Deliver a transition programme to implement the 3rd Edition of the SJC Job Evaluation Scheme
- Continue to support the implementation of the Scottish Living Wage whilst not compromising the pay and grading structure.
- Streamline policies and processes which may prevent more flexible working and opportunities for progression such as Acting Up/Undertaking Higher Duties and Secondments.
- Keep pay arrangements under review and work with the Trade Unions to ensure consistency in treatment.

The workforce strategy will ensure we can:-

- Reward employees appropriately for their valuable contribution that has a positive impact on employee retention, workforce and succession planning
- Remain competitive in the employment market and in the face of skills shortages
- Implement a fair, sustainable and affordable grading pay and grading structure
- Ensure benefits such as flexible working arrangements are fair and maximise accessibility for all

- Ensure reward policies are applied consistently and comply with equal pay legislation and audits

4. Equality & Diversity

The Council needs to enable its workforce to recognise and manage diversity appropriately and raise awareness of the benefits of greater diversity in employment that represents the Shetland community.

Improvement Activities:-

- Implement the Council's Equal Pay Audit Action Plan
- Reduce occupational segregation by identifying and overcoming barriers
- Use technology to modernise employee performance reporting
- Add to the current suite of flexible working arrangements
- Increase the number of ways experienced staff can remain in the organisation

The workforce strategy will ensure we can:-

- Improve employee recruitment and retention by implementing additional flexible working arrangements
- Improve the gender balance of the workforce throughout the organisation
- Meet legislative requirements in relation to equalities
- Have a workforce profile that reflects the local community profile
- Improve the number of experienced staff who stay for longer
- Remove unnecessary barriers to employees' ability to progress and succeed

Right Skills

5. Developing the Workforce

In order to deliver excellent services employees must have the skills, competencies and experience required to meet current and future requirements. This must be a suitable and flexible skill mix including attracting a supply of professional or highly skilled people from the market.

Improvement Activities:-

- Increased range of e-learning content providing wider access to effective information, learning and development
- Embed the Council's values and standards of behaviours in the Employee Review and Development process
- Develop tools to objectively measure behaviour, capabilities and performance
- Strengthen the focus on customer service skills and behaviours
- Increase the range of development activities and opportunities available e.g. coaching, work shadowing
- Developing a joint Organisational Development Strategy with NHS Shetland

The Workforce Strategy will ensure we can:-

- Support employees to achieve their full potential
- Provide clear expectations of standards to employees
- Support service delivery and maximise the efficient use of skills and resources
- Ensure career paths and succession plans support the growth and development of a flexible workforce
- Improve the ability to "grow our own" by improving opportunities for traineeships, modern apprenticeships and career grades
- Deliver excellent standards of customer service
- Ensure staff feel valued for their efforts and want to stay with the Council
- Increase the range of joint training and development activity across health and social care integrated services

6. Leadership & Management

Leaders and managers together provide a crucial link between strategic priorities and delivering day to day services. They must possess the right leadership and management skills to motivate and inspire their colleagues in the delivery of excellent services.

Improvement Activities:-

- Simplify and be clear about expectations and descriptions of the behaviours and skills that will make a quality Shetland Islands Council leader
- Promote activities to develop leadership and management skills

- Review the Council's approach in assessing the leadership and management performance of individuals and pro-actively deal with situations where performance does not meet the Council's high standards
- Continue to offer the successful Leading for Outcomes Programme and executive Influence
- Develop the use of Executive Influence Plus

The Workforce Strategy will ensure we can:-

- Trust Council leaders and managers to deliver high standards of leadership and management
- Demonstrate behaviours to act as role models for employees
- Embed a culture of high performance across the organisation
- Make the best use of resources
- Deal with poor performance and highlight and share good service performance
- Make sure staff feel informed about the Council's activities
- Increase the opportunity and capacity for colleagues to think, talk and plan for the future together

7. Spotting and Growing Talent

This Workforce Strategy places a specific focus on the need to identify individuals who can make a difference to organisational performance. Focus on talent management is directed at individuals either "in view of their high potential for the future or because they are fulfilling business critical roles" (CIPD). We will look at talent in 4 areas, attracting, developing, managing and evaluating.

Improvement Activities:-

- Offer and recruit to new traineeships and modern apprenticeships
- Develop a talent management framework
- Design development opportunities for aspiring managers
- Improve performance ratings for services carrying out Employee Review and Development meetings
- Provide development opportunities to employees, balancing their development needs with service requirements
- Review the Council's policies and procedures that support effective recruitment and which recognise staff for their efforts

The Workforce Strategy will ensure we can:-

- Develop new ways of working that allows the Council to cope with reduced resources
- Increase the level of confidence, ambition and flexibility throughout the workforce
- Build a high performance workplace
- Encourage a learning organisation
- Adding value to the 'employer of choice' offer
- Contribute to increasing diversity

- Identify and prepare future potential to fill key and hard to fill positions
- Increase the number of young people joining the Council's workforce
- Open up an internal recruitment market

Right Culture

8. Employee Relations & Engagement

By ensuring employees are well-informed, encouraged to use their initiative and creativity and have a say in the decisions that affect them at work, employees and the organisation can together gain the greatest benefit.

Improvement Activities:

- Implement Employee Engagement Action Plan and embed a culture of continuous improvement
- Monitor implementation of the Viewpoint Action Plans
- Carry out follow up Viewpoint Survey to identify and plan where and how communication can be improved
- Continue to review HR policies and procedures to ensure they are fit for purpose and sustainable and improve their accessibility
- Monitor and analyse harassment and bullying incidents regularly
- Implement new framework for employee consultation to ensure effective Council-wide trade union consultation
- Continue to work with trade union colleagues to monitor health, safety and well being across the Council
- Implement iMatter across health and social care integrated services
- Introduce departmental consultation forums

The workforce strategy will ensure that we:-

- Involve, listen to, communicate and consult with each other on issues that affect us all at work
- Promote positive employee relations, which will include developing and improving partnership work with trade unions
- Encourage each other to be creative, cooperative and innovative.
- Feel valued for their efforts and want to do the best every time they come to work
- All staff have the opportunity to be involved in consultation and engagement
- Continue to support managers developing modernised management practices and processes to help deliver workforce improvement
- Help staff leave the organisation with dignity, fairness and integrity

9. Health, Safety & Wellbeing

By offering safe and healthy workplaces and a range of health initiatives and associated policies ensure employees enjoy healthy, balanced working lives.

Improvement Activities:

- Set challenging and realistic attendance targets
- Continue to develop attendance management tools and initiatives

- Regular monitoring and reporting of attendance performance
- Raise awareness of and monitor effectiveness of employee welfare and support provisions
- Achieve the Healthy Working Lives Silver Award
- Regularly monitor and review effectiveness of the Occupational Health service
- Continuous improvement of resources available to support and develop managers to better manage attendance and health issues

The workforce strategy will ensure we can:-

- Contribute to the future health and well being of employees
- Enable the Council to improve its ranking in Statutory Performance Indicator for sickness absence
- Ensure employees have a positive attitude towards their health, safety and well-being and are able to carry out their work safely and effectively.

10. Continuous Improvement

As an organisation the Council must ensure services reflect best practice, is sustainable and meet the needs of all customers, whether internal or external.

Improvement Activities:

- Replace processes that add no obvious value to allow the Council to work more efficiently and cope with reduced resources
- Analyse why people leave the organisation to identify what needs to be done to improve
- Maximise the use of technology to support efficient working
- Explore ways of becoming more productive and focussed on delivering excellent customer service

The workforce strategy will ensure we can:-

- Maintain organisational structures that are and remain fit for purpose
- Design and implement better ways of working and replace non value added work
- Effectively lead and manage sustainable change
- Establish an organisational culture that meets the Council’s vision of encouraging creativity and innovative ways of working
- Become an organisation that encourages co-operation between services and supports new ways of working
- Be more productive and make better use of existing resources
- Encourage employees to contribute to the ongoing improvement of the Council’s performance

How the Council will monitor and review its Workforce Strategy

An implementation plan will be developed to provide a structured approach to delivering the Improvement Activities which will then be used to monitor and review the strategy at particular milestones or where any major change occurs which would require revision to particular actions.

This will be done through the following:

External results and service delivery:

- Statutory Performance Indicators (SPIs)
- External Audits
- Job Applicant Surveys
- Benchmarking

Internal and external Performance Reporting

Validation of internal processes via:

- External accreditation such as Disability Two-tick, Healthy Working Lives
- Audits - internal and external, including equal pay audit, Audit Scotland
- Surveys of customers, clients and employees (e.g. Viewpoint Survey & Exit Questionnaires)
- Workforce and skills profiling
- Key Performance Indicators

This strategy is iterative in that it will need to be kept relevant and up to date. However, monitoring its implementation will be carried out every year in order to refresh it in a formal review every 3 years. This will be carried out in consultation with the Corporate Management Team and Trade Unions.

Agenda Item
11

Shetland Islands Council

Policy and Resources Committee	**18 April 2016**
Shetland Islands Council	**20 April 2016**

Shetland's Local Outcomes Improvement Plan 2016-20	
Report Number: DV-28-16-F	
Report Presented by Chief Executive	**Chief Executive's Department**

1.0 Summary

1.1 This report presents the background to the development of the Local Outcomes Improvement Plan (LOIP) and outlines the decision required by the Policy and Resources Committee and the Council.

1.2 The LOIP is a shared expression of ambitions and related commitments for communities in Shetland. So every community planning partner should agree its content.

1.3 By agreeing the LOIP, partners are jointly responsible for ensuring the Shetland Partnership delivers on the commitments in the plan. The Council is individually responsible for how they act as partners to help ensure these commitments are fulfilled.

1.4 The Shetland Partnership Board endorsed the draft LOIP 2016-20 at its meeting of 10 March 2016.

2.0 Decision Required

2.1 That the Policy and Resources Committee RECOMMENDS that the Council RESOLVES to:

2.1.1 Sign up to Shetland's Local Outcomes Improvement Plan 2016-20; and

2.1.2 Support its implementation as a statutory Community Planning partner.

3.0 Detail

3.1 Up until now, the 'action plan' for delivering Shetland's Community Plan has been known as the Single Outcome Agreement (SOA). The current Community Plan 2013-20 (see background documents) had an SOA that ran from 2013, with annual reviews and a significant update scheduled for 2016.

3.2 As such, the Shetland Partnership agreed in March 2015 to initiate a development process that would deliver a new Single Outcome Agreement for the period 2016-20 some 12 months hence.

3.3 This process would be based on a series of five workshops, themed around the Scottish Government's 5 National Outcomes, which also cover the outcomes of the Community Plan – namely: Healthier; Safer, Wealthier and Fairer, Greener and Smarter.

3.4 Three development priorities were also identified; these would form the basis for discussions in the workshops. The development priorities were:

- Developing a smaller number of evidence-based priorities to provide the focus for Community Planning in Shetland.
- Developing priorities that seek to address inequalities in Shetland.
- Developing priorities that require Partnership Working – i.e. they cannot be achieved by any one partner.

3.5 Concurrent with planning the workshops, detail emerged on the content of the Community Empowerment (Scotland) Act 2015 – this legislation received Royal Assent in July 2015 and makes a number of provisions regarding Community Planning.

3.6 A requirement for Community Planning Partnerships to facilitate the creation of Local Outcomes Improvement Plans (LOIPs) was included among these provisions; these are intended to take the place of Single Outcome Agreements.

3.7 As such, the development process was able to take account of these provisions, to a degree, and the development workshops became the first step in the drafting of the LOIP 2016-20.

3.8 Evidence presented by Thematic Groups from across the Shetland Partnership led to a number of priorities being identified for each Outcome Area and these, together with actions (to deliver priorities), indicators (to measure progress towards delivering priorities and outcomes) and contextual information have been included in the LOIP document.

3.9 The LOIP also includes a section on 'Ways of Working' – these are approaches and philosophies that partner agencies are encouraged to promote and use when designing and delivering services to support progress towards achieving priorities and outcomes; they include: prevention, intergenerational working and co-production.

3.10 The LOIP was discussed at the Shetland Partnership Board on 3 December 2015 and at the Shetland Partnership Summit, which took place on the 18 February 2016 and brought together delegates from across the Shetland Partnership, partner agencies and community groups to carry out quality assurance on the priorities, actions and indicators as presented by Thematic Group representatives.

3.11 Following this, the LOIP was brought to the meeting of the Shetland Partnership Board on 10 March 2016, where it was discussed before being endorsed and recommended to partner agencies.

3.12 The LOIP 2016-20 is presented at Appendix A.

4.0 Implications

Strategic

4.1 Delivery on Corporate Priorities - As the Action Plan for delivering the Community Plan, the LOIP is strategically important for the Council as a key Community Planning Partner and as the lead agency for Community Planning.

Four of the five top priority policy areas set out in the Corporate Plan are also well supported by the LOIP – helping to deliver the LOIP will help the Council deliver on these; namely:

- Increase the supply of affordable housing in Shetland.
- Improve high-speed broadband and mobile connections throughout Shetland.
- Support older people across Shetland so they can get the services they need to help them live as independently as possible.
- Provide quality transport services within Shetland, and push for improvements in services to and from Shetland.

4.2 Community/Stakeholder Issues - The Shetland Partnership Summit offered an opportunity for delegates to comment on the LOIP and provide Quality Assurance in the sense that the priorities identified ‘ring true’ for the wider Shetland Community. The LOIP also sets out the Shetland Partnership’s approach to community involvement during the course of the plan, an approach designed to deliver improved outcomes through compliance with the Community Empowerment (Scotland) Act 2015.

4.3 Policy and/or Delegated Authority - The LOIP will support the development of Council policy where appropriate, not least by virtue of the development process which has used an evidence-based approach to identify priorities.

In terms of Section 2.2.1(2) of the Scheme of Administration and Delegations, the Policy and Resources Committee has referred authority to advise the Council in the development of its strategic objectives, policies and priorities. However, approval of any plan which is part of the Strategy Framework requires a decision of the Council.

4.4 Risk Management - As noted above, the LOIP supports a number of the Council's top priorities and, as such, there is a risk associated with the non-delivery of these priorities should the Council not adopt and support the LOIP as a Community Planning Partner. There are also risks associated with the Council's relationship with Community Planning partners should the Council not make the decision outlined above. However, there is also a risk that the LOIP would conflict with the aims of the Council if this process of recommendation and adoption was not followed through; as such, the scrutiny of the Policy and Resources Committee is an exercise in risk reduction.

4.5 Equalities, Health and Human Rights - The LOIP is a high-level document that supports policy development and has, therefore, not been subject to a formal Integrated Impact Assessment. In saying this, however, it should be noted that reducing inequalities has been a central aim in developing the LOIP and that many of the priorities identified are specifically intended to improve outcomes for groups who may otherwise be disadvantaged or marginalised.

4.6 Environmental - The LOIP supports Community Planning environmental priorities under the 'greener' theme, these include: adapting to and mitigating climate change; protect and enhance our natural environment and promote the benefits to society (including health) it provides; and, resource and energy efficiency.

Resources

4.7 Financial - It is expected that the collective resources of partners will be used to deliver the LOIP. Directorate and service planning arrangements will detail any financial resource implications arising from the LOIP where necessary, within the terms of the Medium Term Financial Plan.

4.8 Legal - As noted, the Community Empowerment (Scotland) Act 2015 requires Community Planning Partnerships to produce a LOIP. The LOIP will require further review in line with statutory guidance once issued. The Council's role as a Community Planning Partner and lead agency for Community Planning, could be subject to challenge were the LOIP not adopted and supported.

4.9 Human Resources - None known, however Directorate and service planning arrangements will detail any Human Resources implications arising from the LOIP where necessary.

4.10 Assets and Property – None.

5.0 Conclusions

5.1 The LOIP 2016-20 has been developed through a robust and wide-ranging development process; this has resulted in a focused set of priorities that will form the basis for Community Planning for the remaining lifespan of the Community Plan. These priorities support many of the Council's own strategic priorities and the Council has a key role as a Community Planning Partner and as the lead agency for Community Planning in helping to deliver the LOIP.

5.2 The Policy and Resources Committee is asked to recommend that the LOIP is adopted, and its implementation supported, by Shetland Islands Council as a Community Planning Partner.

For further information please contact:
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Date Cleared: 11 April 2016

<u>List of Appendices</u>

Appendix A – Shetland's Local Outcomes Improvement Plan 2016-20

<u>Background documents:</u>

Shetland's Community Plan - http://www.shetland.gov.uk/communityplanning/documents/CommunityPlan2013FINAL.pdf

END

Shetland's Outcome Improvement Plan – DRAFT

Formerly known as the Single Outcome Agreement (SOA)

March 2016

Contents

Foreword

Ralph Roberts,

Chair, Shetland Partnership Performance Group

Chief Executive, NHS Shetland

Welcome to the Shetland Partnership's Local Outcomes Improvement Plan (LOIP) 2016-20 – this sets out the activity of the Shetland Partnership to deliver the Shetland Community Plan[1]. The LOIP describes the priorities we have identified that will have the greatest benefit to Shetland and how we are going to deliver these over the next four years.

But first, a brief word on terminology. Up until now, the 'action plan' for the Shetland Partnership was termed the 'Single Outcome Agreement' (SOA) and, since the inception of the Community Plan in 2012/13, the Shetland Partnership has had a Single Outcome Agreement that was reviewed annually[2]. The LOIP is similar to the SOA, with a few crucial differences. SOAs were agreements drawn up between local partners delivering services in Shetland and the Scottish Government; the LOIP is a local plan drawn up between partners and *communities*. Also, the LOIP is specifically designed to bring together the efforts of Community Planning partners to address *inequalities*, both in Shetland as a whole and in any communities that are particularly disadvantaged – this can include both geographical communities and communities that share common interests or characteristics.

Creating a LOIP for their local area is a responsibility that has been given to Community Planning Partnerships by the Community Empowerment (Scotland) Act 2015. This is a piece of legislation that has big implications for the Shetland Partnership helping to shape the development of the LOIP and helping guide our approach to securing community participation in Community Planning. Since the Shetland Partnership had already committed to reviewing our SOA at this stage of the Community Plan, the new legislation and the chance to produce the LOIP has come at a perfect time.

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[1] http://www.shetland.gov.uk/communityplanning/documents/CommunityPlan2013FINAL.pdf

[2] http://www.shetland.gov.uk/communityplanning/community_planning.asp

We have come a long way since the Community Plan was launched, and our progress has also helped shape our thinking about how to develop the LOIP and what should be included in it. The section ‘Shetland in Context’ sets out some of the progress we have made and how this has played into developing our work for the next four years. The Shetland Partnership has matured and developed in this time and we have new ideas about how best to add value to Shetland life through Community Planning. This includes the greater emphasis on addressing inequalities and the desire to create a more focused strategic plan through the LOIP.

We remain committed, however, to the original outcomes outlined in the Community Plan. The LOIP is more focused than the SOA, the total number of outcomes has been reduced from the original eight outlined in the Community Plan to 5 in this document. The LOIP also reflects a greater focus on a smaller number of key priorities for the Shetland Partnership to work towards.

The section ‘Shetland Partnership Outcomes – What We Will Do’ details the specific priorities and actions that the Shetland Partnership is focusing on in 2016-20 to achieve the outcomes of the Community Plan. The section ‘Community Planning in Shetland – Ways of Working’ details approaches across the Partnership that will enhance the work of partner organisations and improve the participation of communities in Community Planning.

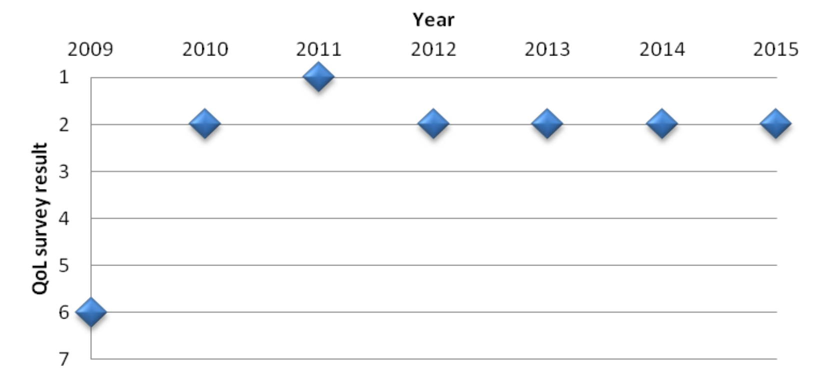
We will continue to develop our thinking and approaches to Community Planning and, in this respect, the LOIP can be seen as marking a transition between the previous approach, focused on the SOA and contributions from partner agencies, to a new approach focused on delivering improved outcomes on behalf of an empowered Shetland Community.

I hope you find this document helpful in describing the work planned for local Community planning and that you will remain committed to working in partnership and delivering on behalf of the Shetland Partnership.

Context

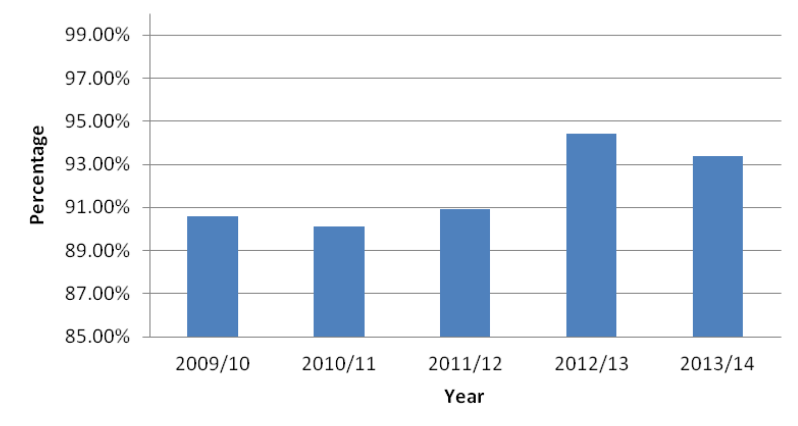
This section gives some background to the Shetland Partnership's progress towards achieving our outcomes since 2013, which helps to explain why we have decided on the priorities we have identified for the next four years. The data and evidence presented here shows where we need to improve or change our approach in order to achieve the outcomes of the Community Plan and will, therefore, help us focus our efforts on the key priorities we need to be working together to deliver.

Graph 1: Quality of Life - Shetland's Position in Annual Bank of Scotland Survey



The Shetland Partnership has been working for the last three years to better understand Shetland as a place. Gathering evidence across a range of indicators has allowed for the analysis of trends to demonstrate how well we are achieving the outcomes set out in the Community Plan.

Graph 2: Proportion of school leavers in positive destinations



Many of these trends are positive and, in general, Shetland remains a very good place to live and the majority of the people who live here experience a good quality of life - in 2015 Shetland was again ranked in the top 3 for Quality of Life in Scotland (Graph 1)[3]. Our children and young people are also generally experiencing positive outcomes – 93.4% of our school leavers in 2013/14 went on to positive destinations against a backdrop of strong performance since 2009 (Graph 2). The methodology for measuring this has now changed, broadening to include all those who are 'participating' in activity post-school; however, Shetland still performs very well with 95.1% classed as participating in the first half of 2015/16[4]. People in Shetland also

[3] http://www.lloydsbankinggroup.com/Media/Press-Releases/2016-press-releases/bank-of-scotland/orkney-retains-the-title-for-best-rural-quality-of-life/
[4] https://www.skillsdevelopmentscotland.co.uk/media/35877/shetland-briefing-151127-digital.pdf

consistently report that they feel safe in their community (99% according to latest Scottish Household Survey data from 2014[5]).

The Shetland Partnership uses data such as the indicators presented above to determine how to best meet the needs and achieve positive outcomes for the people of Shetland through Community Planning. Generally, as demonstrated in the cases above, Shetland performs well across a number of key measures. We therefore have had to look a little deeper into the available information and also include case studies, stories and other information sources when determining our priorities.

The development process for the LOIP 2016-20 has involved a series of five workshops themed around the Scottish Government's 5 National Outcomes, which are also covered by the outcomes of the Community Plan. The themes were:

Wealthier and Fairer
Smarter (Learning and Supportive)
Greener
Safer
Healthier (Healthy and Caring)

Each workshop involved the relevant thematic group (see our Partnership Guide[6]) presenting relevant data to show areas where we were performing well and where we could improve under each theme. Having heard the available evidence, members of the Shetland Partnership attending the workshop then got the opportunity to discuss what the priorities should be for delivering the outcomes in the Community Plan.

Priorities have also been informed by the work of Shetland's Commission on Tackling Inequalities, an initiative established by the Shetland Partnership Board in summer 2015. The Commission has looked at a variety of evidence demonstrating where inequalities exist in Shetland under a number of categories. Given that reducing inequalities and the negative outcomes that result is a key element in designing the LOIP, this information has been invaluable in helping to define where the Shetland Partnership should focus their efforts collectively and as individual partners.

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[5] http://www.gov.scot/Topics/Statistics/16002/LATables2014/ShetlandIslands2014
[6] http://www.shetland.gov.uk/communityplanning/documents/PartnershipGuide.pdf

The Shetland Partnership's Annual summit, held in February 2016, also provided a valuable opportunity to involve a wide range of partners, stakeholders and community representatives in helping to shape the LOIP. During this event, delegates heard presentations from the Improvement Service[7] and the Commission on Tackling Inequalities[8] before entering workshops to discuss the priorities identified under each outcome – as introduced by Thematic Groups[9]. These discussions have formed part of the quality assurance process for the LOIP as a whole and have helped to ensure that the Shetland Partnership and the wider community have been able, to an extent, to take ownership of the activities that this Plan will guide for the next four years.

Each Community Plan outcome area now has a small number (generally 3) of defined priorities that the Shetland Partnership is working to deliver over the next 4 years and the 'Shetland Partnership Outcomes – What We Will Do' section of this document outlines what these priorities are, what actions are planned to achieve them and what data we will use to measure progress. An example from each outcome area is set out below to show how this evidence has been used and why the priorities have been selected.

Outcome A

Priority: Ensuring that the needs of our most vulnerable children and young people are met

As demonstrated by Graph 2, Shetland is a very good place for the majority of our children to grow-up and the chances of progressing from school to employment, further/higher education and training are high. Recognising this, there is a need to re-focus on those of our children and young people who do not attain these positive outcomes and develop targeted strategies to help this more vulnerable group. In the first instance, there is a need to identify who these children and young people are to allow partners to work together to develop bespoke, family-based solutions to the often complex issues they face.

The Shetland Partnership wants to work together as agencies and with families to ensure that the most vulnerable children and young people in Shetland can thrive.

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[7] http://www.shetland.gov.uk/communityplanning/1.ShetlandCommunityPlanningOutcomesPresentation-Feb2016.pptx

[8] http://www.shetland.gov.uk/communityplanning/documents/2.CommissionPresentation-ShetlandPartnershipSummit-Feb2016.ppt

[9] http://www.shetland.gov.uk/communityplanning/documents/3.ThematicGroupsPresentation-ShetlandPartnershipSummit-Feb2016.ppt

Outcome B

<u>Priority: Improve mental health and resilience</u>

The key action in relation to this priority focuses on reducing loneliness and stigma to improve the outcomes of people with poor mental health and help prevent poor mental health in the first place. Research into deprivation and social exclusion in Shetland (2006)[10] and peer-research carried out by young people in Shetland (2011)[11] both demonstrated a link between people feeling part of their community and their mental health and wellbeing. Stigma, associated with people being 'labelled' in negative ways within their community, was seen as a major factor in exacerbating poor outcomes for individuals and families. Further research at a national level[12] indicates that loneliness (a mismatch between relationships we have and the relationships we want), increases the risk of depression; can lead to a 64% increased risk of developing clinical dementia; increases the risk of high blood pressure; and, is an equivalent risk factor for early death to smoking 15 cigarettes a day.

Shetland's Commission on Tackling Inequalities has also come to the conclusion that this is an area that should be prioritised, based on the evidence outlined above. The Shetland Partnership aims to prevent the negative consequences of loneliness and stigma through raising awareness of the issues and helping communities develop their own solutions through *co-production*. Please see page **XX** in the 'Ways of Working' section for an example of how this may proceed.

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[10] Research into Deprivation and Social Exclusion in Shetland (2006): http://www.shetland.gov.uk/communityplanning/documents/Dep.andsocialexclusionexecsummary-eperring.pdf

[11] Poverty is Bad – Let's Fix It!! (2011): http://www.shetland.gov.uk/youth_services/documents/Shetland20Report0Final20Draft.pdf

[12] [12] Joseph Rowntree Foundation (2013): https://www.jrf.org.uk/report/loneliness-resource-pack

Outcome C

Priority: Reduce the harm caused by alcohol

The misuse of alcohol is a common factor in a number of areas that impact negatively on the quality of life of people in Shetland. Alcohol contributes to harm to people and property through vandalism, anti-social behaviour, drink-driving, violence (domestic and non-domestic) and fires (deliberate and accidental). There is a distinct overlap between mental health and substance use/misuse; ongoing audits of suicide and sudden deaths in Shetland show that alcohol is almost always a factor – either a significant quantity has been used immediately prior to death, or there has been a history of unhealthy drinking patterns. Almost 1 in 10 cases in Accident and Emergency are alcohol related, and of these, a third have Mental Health issues[13]. Alcohol and drugs are the top cause for child protection referrals in Shetland, and resulted in 11 registrations on the Child Protection Register in 2013/14.

All of the above outcomes have negative impacts on individuals, families and communities in Shetland. The Shetland Partnership aims to change the culture in relation to alcohol in Shetland to reduce problem drinking. This culture change will include empowering licensees and vendors to refuse alcohol to those who have already had enough and to help communities and families assist those who may be at risk of harm through alcohol misuse.

[13] Scottish Community Safety Network, SOA development workshop presentation November 2015

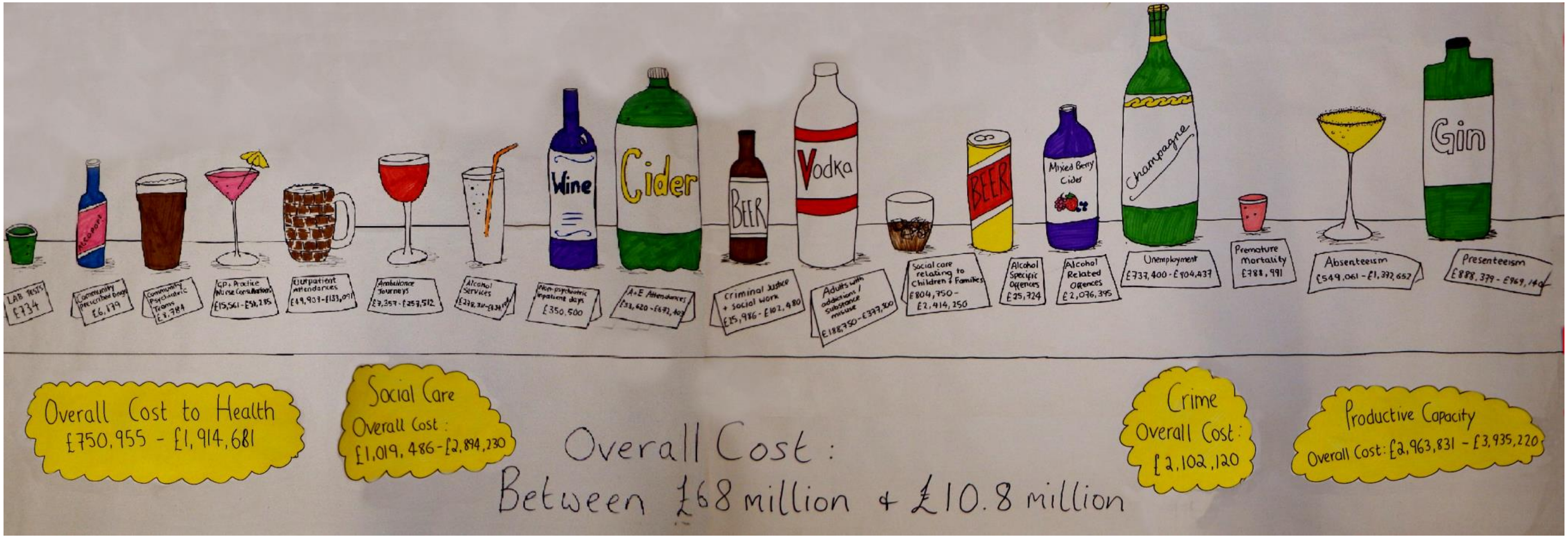


Figure 1: The costs of alcohol in Shetland per year (from Alcohol Focus Scotland[14])

Not only will this result in better outcomes for people living in Shetland, it will also represent a significant saving to public services locally – as demonstrated in figure 1 the costs associated with alcohol misuse are enormous when considered as a whole. There are significant benefits to reducing the harmful impacts of alcohol, for example, research shows that every £1 spent on young peoples' drug and alcohol interventions brings a benefit of £5-£8[15].

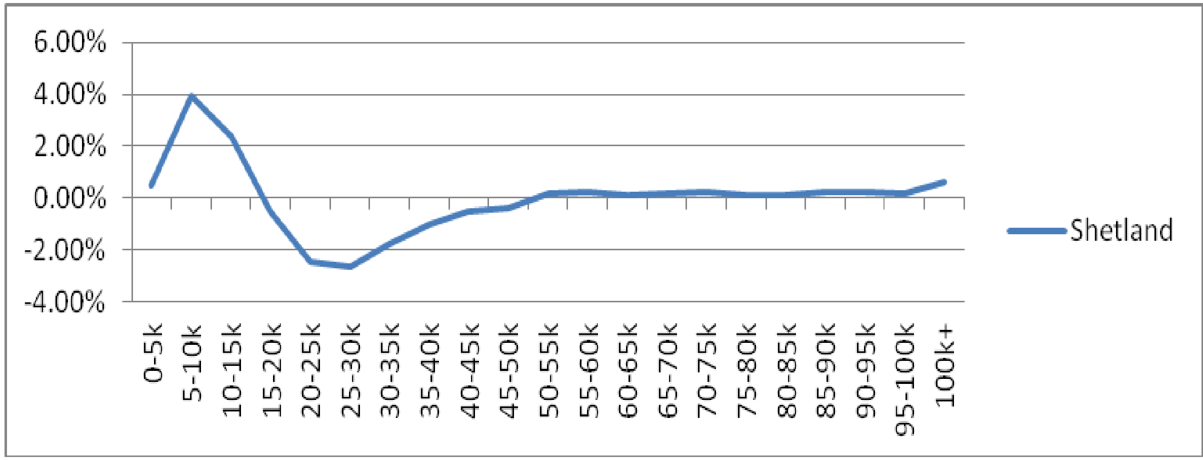
[14] http://www.alcohol-focus-scotland.org.uk/media/61624/The-Cost-of-Alcohol-Shetland-Islands.pdf . Illustration by Jill Hood

[15] National Treatment Agency for Substance Misuse(2014): http://www.nta.nhs.uk/uploads/why-invest-2014-alcohol-and-drugs.pdf

Outcome D

Priority: Make the best use of existing assets, infrastructure and human capital for sustainable economic development

Shetland's economy has been in rude health for a number of years now and, where the previous SOA emphasised maximising economic growth, this Plan seeks to consolidate economic prosperity for Shetland while sharing the benefits of this more widely in society. Graph 3, opposite, shows the proportional difference in pay-banding in Shetland for the period 2008 to 2014. It demonstrates that, during a period where the overall Shetland economy was performing well, the proportion of people earning in the low-middle income bands decreased while the proportion of people in low-very low income bands increased. There has been little change in the percentage of households with an overall income of £45,000 or more a year, but there has been a 2-3% shift in the number of households within, for example income bands £20,000-£30,000 to lower household incomes. This indicates that, whilst employment levels are high, earnings are reducing for those earning a typical household income – this raises the prospect of 'in-work' poverty, where the money a household brings in is not sufficient to avoid the negative outcomes associated with poverty despite employment being available to householders. Gender segregation (unequal distribution of men and women) in the workplace may also be a factor and it is thought that this results in a higher proportion of underemployment, part-time and lower paid employment for female workers compared to males.



Graph 3: Proportional Difference in Banding by £5,000 Bands, Shetland, 2008 to 2014

This is exacerbated further by the high cost of living in Shetland, as demonstrated by the Minimum Income Standard[16] – this report shows that living costs (such as food, energy, transport) are significantly higher in Shetland than in England. For example:

- For a single person living in a Northern Isles town, such as Lerwick, their weekly budget is 33.3% higher than for an equivalent person living in urban UK and 23.4% higher than for a person living in an English rural town;
- For a single person living remotely from a town in the Northern Isles, such as in Hillswick, their weekly budget is 74.1% higher, and 40.8% higher for their urban and rural England counterpart;

Graph 4, opposite, gives an example of the disparity of costs for people living in different areas by analysing a typical weekly food basket.

Graph 4: Weekly Food Basket by Area Type (Minimum Income Standard for remote rural Scotland 2013)

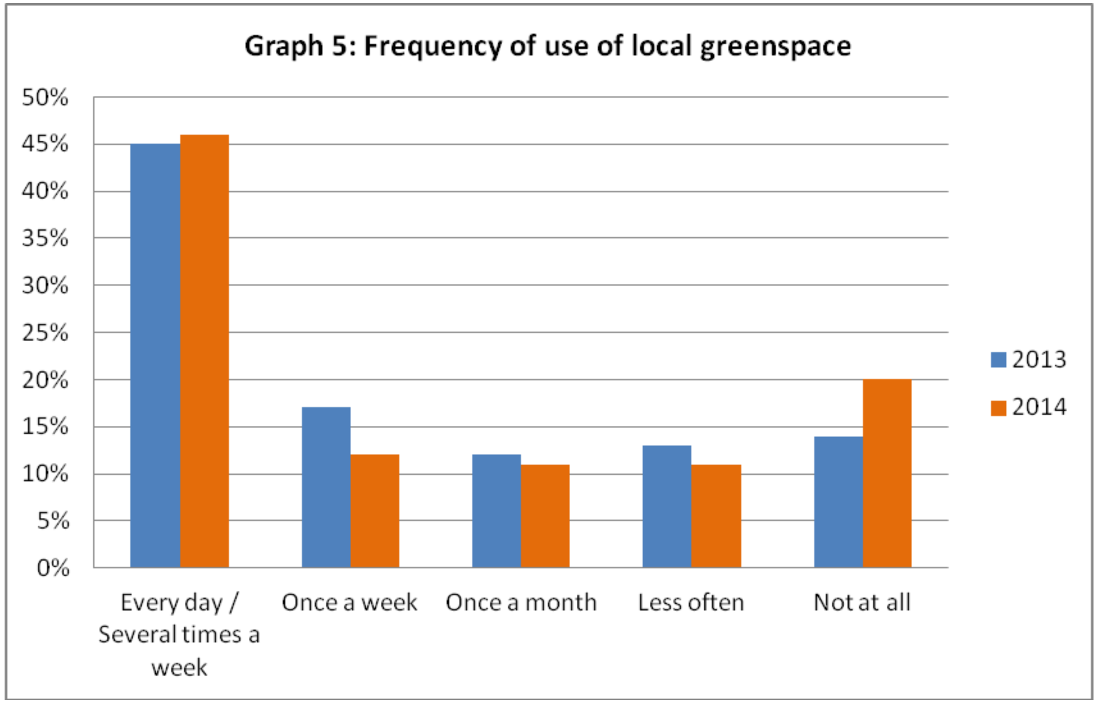
The priorities in this outcome area have been heavily influenced by the Commission on Tackling Inequalities. The Shetland Partnership wants to maintain strong economic performance while reducing inequalities by targeting approaches and resources where they can most benefit the groups who are currently disadvantaged.

[16] http://www.hie.co.uk/common/handlers/download-document.ashx?id=1bdb4dc2-9521-4998-853b-e2cbdf9258d2

Outcome E:

Priority: To protect and enhance our natural environment and promote the benefit to society (including health) that it provides

Shetland is renowned for its natural environment. This is an important contributing factor in what makes Shetland a good place to live and the diversity of wildlife and landscape in Shetland are a significant draw in terms of tourism and the economic benefits this brings. However, Shetland remains vulnerable to environmental degradation and losing the benefits that the natural environment can bring to individuals and communities if we do not act to protect and enhance the assets we have. People in Shetland tend to be more satisfied with local green-space (89% vs. 76%) and access it more often (46% vs. 37%) than the Scottish average; however, the proportion of people who never access local green-space is increasing locally (Graph 5)[17]. We would like to reverse this trend; the social benefits and benefits to physical and mental health of people accessing their local natural spaces are considerable.



Communities who value the amenity of their local environment are also likely to be happier communities and people will be less likely to engage in crimes such as vandalism. These communities are places where people want to live and are more resilient as a result. Physical activity through outdoor access is an important source of exercise for a wide range of people and can prevent issues such as obesity and heart disease as well as helping to keep older people active into older age and better able to support themselves. Active travel – cycling or walking to work and school – also ties

[17] http://www.gov.scot/Topics/Statistics/16002/LATables2014/ShetlandIslands2014

in with this, keeping people fit while protecting the environment by reducing the emissions of carbon dioxide and other pollutants from vehicles. The Shetland Partnership wants to maximise the opportunities for people to access the natural environment in Shetland, while taking measures to ensure that harmful impacts are minimised.

Common Themes

There are two common themes running through the priorities set out in the LOIP of **equity** and **resilience**. Equity refers to making life better for everyone in Shetland by targeting the most vulnerable and disadvantaged in our communities and helping them achieve positive outcomes. Resilience is about helping people and communities to sustain positive outcomes and allowing them to face challenges as they arise. The Shetland Partnership will continue to support and develop these themes and they may form the basis for discussion with communities when developing future plans to look beyond this LOIP.

Shetland Partnership Board Priorities

Community Planning in Shetland aims to make Shetland the best place to live and work by helping to create communities that are:

Wealthier and Fairer

Leaning and Supportive

Healthy and Caring

Safer

Greener

The LOIP demonstrates the priorities for the Shetland Partnership as a whole; however, the Shetland Partnership Board has also taken the step of identifying 3 (or 4) top priorities that we will seek to deliver by 2020. These priorities represent the areas where we really need to focus activity to improve the lives of people in Shetland and where we can make the most difference by working together.

They are:

- Making the best use of existing assets, infrastructure and human capital for sustainable socio-economic development.
- Ensuring the needs of our most vulnerable children and young people are met.
- Supporting the development of a digital, diverse and innovate business base.

Shetland Partnership Outcomes – What We Will Do

Outcome A
Shetland is the best place for children and young people to grow up

Priority	Actions	Timeline	Responsible Officer and/or Group
To ensure the needs of our most vulnerable children and young people are met.	Identification of vulnerable children and young people across the partnership.	August 2016.	ICYPSPG
	Build resilience and self esteem of the most vulnerable and improve outcomes for them using preventative, family-based approaches	December 2019.	ICYPSPG
	We will have an electronic system to support staff working with GIRFEC in Shetland having embedded the new GIRFEC process.	April 2017.	ICYPSPG

	Deliver the Looked After Children Strategy.	March 2018.	ICYPSPG
	Development of nurturing communities.	April 2019.	ICYPSPG
	Ensure there are facilities for meeting needs for short term care and respite.	April 2017.	ICYPSPG
To hear the voices of our children and young people.	Bring together different strands of work on engagement so that children and young people in Shetland are appropriately involved and their voices are better heard. E.g. Pupil Councils, Youth Voice, Members of Scottish Youth Parliament	August 2016.	ICYPSPG
	Monitor and measure the impact of the children and young people's voices being heard and feedback to them. Increase the number of children and young people's views recorded in GIRFEC and looked after children plans.	April 2018.	ICYPSPG

To support children and young people to develop physical competence and confidence from the earliest age	Support pre-school years to reach daily targets for physical activity by encouraging active play, and active travel at home and in care settings.	April 2018	ICYPSPG
	Support active schools and partners to engage all school aged children in sports and physical activity including targeting those most in need.	April 2017	ICYPSPG

Indicator (s) – linked to priorities				
Priority	**Indicator**	**Baseline (with date)**	**2020 Target**	**Update Schedule**
To ensure the needs of our most vulnerable children and young people are met.	% of pupils gaining 5+awards at level 5.	50% in 2012/13	55%	**Schedule needed**
To ensure the needs of our most vulnerable children and young people are met.	Every LAC has an Individual Education Plan.	**Choose starting point.**		Quarterly
To ensure the needs of our most vulnerable children and young people are met.	LAC Reviews are carried out within required timescales.	**Can choose which figure to start at.**		Quarterly
To ensure the needs of	Primary and secondary	**Can ONLY use Shetland**		On INSIGHT website, local

our most vulnerable children and young people are met.	exclusion rates?	**wide figures because of low numbers.**		measure for Attainment V's Deprivation.
To ensure the needs of our most vulnerable children and young people are met.	Proportion of pupils entering positive destinations.	93.4% in 2013/14	95%	**Schedule needed**
To hear the voices of our children and young people.	% of children and young people's views being recorded in GIRFEC and looked after children plans.	**Baseline needed**	**Targets needed**	**Schedule needed**
To hear the voices of our children and young people.	% of schools with Pupil Councils	**Baseline needed**	100%	**Schedule needed**
To support children and young people to develop physical competence and confidence from the earliest age	Participant sessions	39,376 in 2014/15	To be agreed	**Annual**
To support children and young people to develop physical competence and confidence from the earliest age	Distinct participants	55% of school population were distinct participants in 2014/15	75%	**Annual**

Indicators – related to outcome			
Indicator	**Baseline (with date)**	**2020 Target**	**Update Schedule**
% of children at P1 check at risk of overweight or obesity	19.3 (08/09) 22.6 (09/10) 21.8 (10/11) 23.4 (11/12) 21.2 (12/13) 17.9 (13/14) 27.1 (14/15)	12% at P1 check at risk of overweight.	Annual

Outcome B **We live longer healthier lives and people are supported to be active and independent throughout adulthood and in older age**			
Priority	**Actions**	**Timeline**	**Responsible Officer and Group**
Increase physical activity (amongst those least active)	We will encourage and enable the inactive to be more active and we will encourage and enable the active to stay active throughout life through the development of a local Sport, Physical Activity and Health Strategy which will include: • Improving our active infrastructure – people - i.e. volunteering capacity and places – including footpaths; indoor and outdoor facilities (e.g. leisure centres) • Building on localities based models, including Sports Hubs and health improvement locality working, to increase physical activity; targeting those who can most benefit (e.g. walking groups and chair-based exercise for older people; decrease	Development of a local Sport, Physical Activity and Health Strategy by March 2017 and ongoing implementation to 2022	Sport, Physical Activity and Health Strategy Group

	costs of sport & leisure activities for poorer families) • Improving opportunities to participate, progress and achieve in physical activity including sport. • Using 'return on investment' work to inform the development of the Strategy.		
Improve mental health and resilience	We will support individuals to be part of their community, to reduce loneliness and increase community connectedness	Development of specific programmes of work by April 2017	TBC
	We will support wellbeing and resilience in communities through physical activity and sport (as above)	Implementation across Shetland by April 2019 Through Sports, Physical Activity and Health Strategy (as above)	

People are the key assets in their community	We will support individuals to be part of their community, to reduce loneliness and increase community connectedness (as above)	Development of specific programmes of work by April 2017 (as above)	TBC
	We will develop self-management capacity and resources within the community; for people with long term conditions; older people and other vulnerable groups.	Implementation of specific programmes by April 2017	
	We will support people to live as independently as is appropriate for each individual, in their own communities, through all partners working together with individual communities; utilising WYFY and local asset based approaches	Implementation of specific programmes by April 2017	

Indicator (s) – linked to priorities				
Priority	**Indicator**	**Baseline (with date)**	**2020 Target**	**Update Schedule**
Physical activity	Physical Activity Levels	41% in 2011	50% by 2022	Annual
Mental health	Suicide Rate*	24.8/100K (2008-2012)	13/100K (2018-2022)	Annual
People are in the key	Suggested: 90% of all WYFY plans include	TBC	TBC	Annual

assets their community	assessment of and planning for social inclusion (?)			

*small numbers mean we do fluctuate year on year but the trend over the last 10 years is reducing and we are below the Scottish average.

Indicators – related to outcome			
Indicator	**Baseline (with date)**	**2020 Target**	**Update Schedule**
Smoking prevalence : reduce percentage of adults who smoke	22.4% in 2012	5% by 2022	Annual in Sept
Alcohol related hospital admissions	477/100K (2014)	300/100K	Annual
Reduce premature mortality (from CHD among under 75s)	63.9 per 100,000 in 2013*	64.7 per 100,00 European Age Standardised rate	Annually in Jan

Outcome C **Shetland is a safe place to live for all our people, and we have strong, resilient and supportive communities**			
Priority	**Actions**	**Timeline**	**Responsible Officer and/or Group**
Keeping People Safe	Carry out an analysis to understand the increase in reported domestic abuse incidents and the drivers behind this for comparison against national rate	March 2017	Domestic Abuse Partnership
	As part of the Implementation of the revised Domestic Abuse Strategy (2017-22), undertake a review of the Domestic Abuse Partnership and its associated sub-groups to ensure that preventing gender based violence is resourced and supported jointly across the partnership	March 2017	Domestic Abuse Partnership
	Consider how to approach working with perpetrators, linking with work on Community Justice to reduce reoffending	March 2018	Domestic Abuse Partnership

	Deliver the Shetland Anti-Bullying Strategy, including the development of information and training on prejudice-based bullying and a relevant linked indicator	March 2018	Lindsay Tulloch, Shetland Together
Reduce the harm caused by alcohol	Reduce the harm caused by alcohol through the delivery of the Shetland Alcohol and Drugs Partnership strategic plan	March 2018	Shetland Alcohol & Drugs Partnership
	Refresh and deliver Drink Better Strategy and action plan	March 2017	Shetland Alcohol & Drugs Partnership
	Working with licensees & vendors , supporting and empowering them to refuse alcohol to drunk customers	March 2018	Community Safety and Resilience Board
	Continue support for OPEN Peer Education with Young people including input from Police Youth Volunteers	March 2018	Shetland Alcohol & Drugs Partnership
Improve Community Justice outcomes for those at risk of offending or reoffending, victims,	Deliver the Community Justice Transitional Plan	April 2017	Community Justice Partnership

families and communities	Identify and develop appropriate measures for Community Justice (i.e. reoffending, diversionary activities, community sentencing	April 2017	Community Justice Partnership
	Prioritise support for a campaign to reduce stigma in communities, developing community-based solutions in relation to Community Justice which support full participation, and improved outcomes for victims, persons who have been convicted of offences and their families’	April 2020	Community Justice Partnership
Build community resilience	Develop up to two community resilience plans as a pilot (linking with Community Forum / Localities work)	April 2017	Vaila Simpson, Shetland Islands Council
	Develop multi-agency approaches to identifying the most vulnerable people in communities and putting in place measures to prevent harm	March 2018	Billy Wilson, Scottish Fire and Rescue Service

	Carry out analysis of unintentional harm data (deaths, emergency hospital admissions, SFRS data, water safety incidents and A&E attendance data) to develop our understanding of this in Shetland and to link with the Building Safer Communities Programme	March 2018	Vaila Simpson, Shetland Islands Council

Indicator (s) – linked to priorities				
Priority	**Indicator**	**Baseline (with date)**	**2020 Target**	**Update Schedule**
Keeping people safe	Domestic abuse reporting	Pending completion of action above	Pending completion of action above	Pending completion of action above
	Anti-bullying strategy indicator	Pending completion of action above	Pending completion of action above	Pending completion of action above
Reduce the harm caused by alcohol	No. of alcohol related A&E attendances	706 (2014/15)	Decrease by 20%	Annual data
	No. of problem drinkers	12.2% (2014/15)	10%	Annual data
Community Justice	Community Justice indicator	Pending completion of action above	Pending completion of action above	Pending completion of action above
Community Resilience	Unintentional Harm statistics	Pending completion of action above	Pending completion of action above	Pending completion of action above

Outcome D - WEALTHIER AND FAIRER **Shetland has sustainable economic growth and all our people have the chance to be part of island life.**			
Priority	**Actions**	**Timeline**	**Responsible Officer and Group**
D1: Attracting more people to Shetland to live, work, study and invest.	Develop a 10 year plan to attract people to live, work, study and invest	Final Draft of Plan to be presented to SPB end March 2016. Implementation 2016-2025.	Rachel Hunter (HIE) and Development Partnership
	Develop and deliver the Local Housing Strategy, supporting SPB's ambition, where feasible, to attract more people to live, work, study and invest in Shetland.	New Local Housing Strategy estimating completion by September 2016.	Anita Jamieson (SIC) and Development Partnership
	Develop and deliver a refreshed Transport Strategy, supporting SPB's ambition, where feasible, to attract more people to live, work, study and invest in Shetland.	The Transport Strategy Refresh is being developed alongside the Shetland Inter Island Transport Study (SIITS) reflecting the significance of the relationship between the two. The SIITS will complete Stage 1 in June 2016 and the Transport Strategy Refresh will be concluded at the same time.	Michael Craigie (SIC) and Development Partnership
D2: Make the best use of existing assets, infrastructure and human capital for sustainable socio-	Develop a shared policy approach in relation to fostering resilient rural communities and sustainable community assets	Working group to be set up by end April 2016	Vaila Simpson (SIC) and Development Partnership

economic development		Desktop research to be carried out by end June 2016 Action plan and timescales to develop a shared approach to be developed by end August 2016 Action plan to be ratified by Development Partnership September 2016	
	Deliver the Shetland Skills Investment Plan	Skills Strategy group to oversee delivery 2016-19.	Dave McCallum (SDS) and Skills and Learning Strategy Group
	Understand the level and issues surrounding in-work poverty in Shetland	Establish cross agency project group-April 2016 Data gathering – June 2016 Project development and delivery commencing Winter 2016/17	Emma Perring (SIC) and Development Partnership
	“Fair Islands” (working title). Project to address gender balance, gender segregation and stereotyping in Shetland in order to encourage more women and girls into non-traditional sectors	Occupational Segregation Working Group set up September 2015. Action Plan to be developed by end June 2016.	Rachel Hunter (HIE) and Development Partnership

		Action plan to be ratified by Development Partnership September 2016. Delivery of plan 2016-18.	
	Identify groups at most risk from "digital exclusion" and use existing resources to address gaps identified to enable barriers to access and lack of know-how to be overcome	Community Learning and Development Partnership Review March 2017	June Porter (SIC) and Community Learning and Development Partnership
D3: Supporting the development of a digital, diverse and innovative business base.	Ensure partners working on broadband projects co-ordinate to ensure that superfast broadband is available to all premises by 2020	2020.	Neil Grant (SIC) Development Partnership
	Investigate how mobile connectivity could be improved across Shetland.	Plan to be developed by 2020 –	Douglas Irvine (SIC) Development Partnership
	Develop an action plan to support the development and growth of the creative industry sector in Shetland	Baseline information on the creative industry sector to be complete by end June 2016. Action plan to reach final draft stage by end September 2016. Action plan to be endorsed by Development Partnership by December 2016. Deliver of three year action plan to 2019.	Rachel Hunter (HIE) Development Partnership
	Pilot one innovative leadership development	Working group to be set up	Lead officer TBC

	programme across the business base	by September 2016. Programme development 2016-2017 Programme delivery from mid 2017.	(Development Partnership)
	Promote the business benefits of the living wage to the private and third sector.	Promotional campaign to be developed by end March 2017. Promotion to be embedded in HIE/Business Gateway interactions with clients until 2020.	Rachel Hunter (HIE) and Development Partnership
	Develop a plan to develop up to three Island Innovation Zones in Shetland.	Plan to be developed by end December 2017.	Douglas Irvine (SIC) and Development Partnership

Indicator (s) – linked to priorities *What indicator(s) will tell us how well we are delivering this priority?* *New measures or is data currently available on current SOA indicator list?* *How often will indicator be updated?*				
Priority	**Indicator**	**Baseline (with date)**	**2020 Target**	**Update Schedule**
D3	Business start-up rate (per 1,000) population	4.5 (2012-13)	5	Annually – calendar year. Scottish Clearing Bank Data.
D2	Proportion on out of	1.5% (2012/13)	1.3%	Annual average DWP

	work benefits (JSA or equivalent)			
D2	Youth out of work claimant count	3.5% (2012/13)	2%	Annual data DWP
D1	Number of new homes	SIC HOUSING TO COMPLETE		
D3	No of Shetland businesses formally signed up to Living Wage accreditation schemes (Scottish Business Pledge or Living Wage Foundation)	3 (2016)	12	Data available on following websites: https://scottishbusinesspledge.scot/your-pledge/pledge-wall/ http://www.livingwage.org.uk/employers
D2	% difference between male and female gross weekly earnings	23.4% (2015)	18.3%	Extracted from NOMIS data- annual data.
D1 D2	Number of FE/short course students enrolled at Shetland's Colleges	5367 (2012/13)	5903	Source: Shetland in Statistics 2014. *NB 2020 Projection subject to conclusion of SIC Tertiary Education Review*
D1 D2	Number of HE students enrolled at Shetland's Colleges	279 (2012/13)	307	Source: Shetland in Statistics 2014. *NB 2020 Projection subject to conclusion of SIC Tertiary Education Review*
D2	No of Modern Apprentices in training in Shetland	309 (September 2015)	362	SDS WEBSITE https://www.skillsdevelopmentscotland.co.uk/in-your-area/shetland-islands/

Indicators – related to outcome			
Indicator	**Baseline (with date)**	**2020 Target**	**Update Schedule**
% of premises able to link to superfast broadband	33% (2015)	100%	HIE Data NB. This is a Scottish Govt target.
NB The Shetland Skills Investment Plan and *10 Year Plan will have more detailed indicators*			

Outcome E We deliver all our services in an environmentally sustainable manner to safeguard and enhance our outstanding environment which underpins all our actions and our economic and social well-being			
Priority	**Actions**	**Timeline**	**Responsible Officer and/or Group**
1. Mitigate, and adapt to, climate change	Protect and restore blanket bog. Map indicative areas of active blanket bog to establish baseline (SBRC)	3 peatland restoration projects in place by end 2015. No net loss of active blanket bog – ongoing. Blanket bog mapping repeat every 10 years.	Juan Brown, Environment Partnership
	Adopt National Flooding Plan with identified actions for local implementation	December 2016	Mary Lisk, Environment Partnership
	Raise awareness of climate change through engagement with communities in Shetland to inform a Local Action Plan	April 2017	Mary Lisk, Environment Partnership

	Develop Local Action Plan for recognised effects of climate change on Shetland using public consultation to define scope of actions needed	April 2019	Mary Lisk, Environment Partnership
	The Environment Partnership and Carbon Management Board will support partners to improve their environmental/ sustainability/ carbon/ climate change data gathering processes and reporting; encouraging collective responsibility and holding each other to account	March 2017 (Review Annually)	Mary Lisk, Environment Partnership/ Carbon Management Board
2. To protect and enhance our natural environment, and promote the benefits to society (including health) that it provides.	Publish and implement Shetland Environment Strategy	Publish – June 2016 Implement – ongoing Review – annually	Juan Brown, Environment Partnership
	Protect our aquatic environment (achieve Water Framework Directive Area Advisory Group water quality targets)	97% water bodies in good or better condition by 2015, 98% by 2020. Ongoing actions by partners	Juan Brown, Environment Partnership
	Develop online interactive map as single point of information to promote the natural environment and help people access nature	Launch 'Shetland Map' by end 2016	Juan Brown, Environment Partnership

	Maximise the opportunity for, and promote benefits of, active travel and access to nature	Timetable for actions and targets within 'access and amenity, chapter of Environment Strategy Ongoing – all	Juan Brown, Access and Amenity Sub-group
3. Resource and energy efficiency	Consider approaches to developing a Sustainable Energy Action Plan for Shetland; aiming to deliver, for example: • A programme of energy efficiency works in all partners properties to include where appropriate the use of renewable energy • Agree a Shetland standard for all partners in procurement of materials • Investigating the potential for small-scale, low-carbon, dispersed, community based district heating schemes and other community-based solutions to increase the heating options available in Shetland • Sustainable Energy solutions that maximise Community Empowerment	Scoping of Plan by April 2017	Mary Lisk, Carbon Management Board
	Develop a new Shetland Waste Strategy to include increasing recycling in Shetland (both commercial and domestic) to support the national waste strategy targets	April 2019	Mary Lisk, Environment Partnership

Indicator (s) – linked to priorities				
Priority	**Indicator**	**Baseline (with date)**	**2020 Target**	**Update Schedule**
Mitigate, and adapt to, climate change; Resource and energy efficiency	Carbon Emissions	34, 500 t CO^2 (2007/8)	42% reduction	Annual
To protect and enhance our natural environment, and promote the social benefits it provides.	Proportion of water bodies in good or better condition (Water Framework Directive Area Advisory Group targets)	89% (2013)	98%	Annual (issues of note reported quarterly)
	All biodiversity category targets are met	2 out of 10 category targets not met (seabirds and waders).	All category targets	Annual (issues of note reported quarterly)
	Favourable Condition of nature sites	96% of all features of protected nature sites (where there is on-site control) in favourable condition (or recovering due to management) (Jan 2015). % of Local Nature Conservation Sites in favourable condition. 100% of geological sites in favourable condition.	98% (by March 2018) 90% (ongoing) 99%	Annual (issues of note reported quarterly) Annual (issues of note reported quarterly) Annual (rolling 5 year monitoring programme)

	Scottish Household Survey responses to 7 ‘greenspace’ questions (there will be a time-lag associated with these data)	Responses to 5 questions better than national average, 2 average (2013).	Responses to all questions better than national average.	Annual (but likely about 2 years behind).
	Number of people attending environmental events and key nature sites	48,721 (2014)	53,000	Annual (issues of note reported quarterly)
Resource and Energy Efficiency	Fuel Poverty	53% (2014)	less than 50%	Annually

Community Planning in Shetland – Ways of Working

This section describes how we are going to support Community Planning outcomes through ways of working – these are not specific actions but rather approaches and philosophies that will allow us to work together effectively to deliver better outcomes with and for communities in Shetland.

<u>Community Involvement</u>

Participation of individuals and communities has always been a key element of community planning, and now even greater emphasis has been given to ensuring this is at the heart of Community Planning through the Community Empowerment Act 2015.

The Strengthening Community Involvement project was initiated by the Shetland Partnership Board to explore ways in which community involvement in Shetland can be strengthened. The consultation for this project provided a vision for how public agencies in Shetland will work together and with communities by bringing together Councillors, Community Councillors and representatives of constituted groups e.g. Parent Councils or Community Development Organisations, on a regular basis to speak about issues arising from the community or on the community planning agenda.

This would enable elected representatives to share issues within an area and allow communication with agencies to be streamlined. It would also provide a clear framework within which community involvement in Shetland could function effectively. Community Forums could be responsible for planning for the future, resolving issues and scrutinising delivery of the Local Outcomes Improvement Plan in their area.

Communities could also have the opportunity to develop a local plan if needed. The Community Empowerment Act 2015 proposes that locality plans are for smaller areas where there are significantly poorer outcomes than elsewhere in the local authority area, or in Scotland generally. The local plan would feed into the Shetland Community Plan. It would be owned, developed and updated by the community. If it was agreed that a local plan was not needed, any issues identified at the Forum would inform the Shetland Community Plan. It should be noted that some communities in Shetland already have development plans; for example, Northmavine and Fair Isle.

Each Community Forum would be linked with and report to the Shetland Partnership Board (SPB), which has responsibility for involving communities in establishing the needs of communities in an area and addressing them. Each Forum would be supported by a senior manager from the SPB, who would provide a champion role for the process and be able to unlock any barriers that might exist.

This would ensure three ties of community involvement in Shetland:

- Developing and sustaining two-way communication directly with communities - day-to-day discussions and information sharing within communities, including visiting schools, working outside, meeting groups, which enables agencies to be able to key into what communities are thinking and facing
- More formal dialogue, such as at Community Forum level, where elected representatives come together to raise issues and respond to agency requests
- Strategic decision-making bodies utilising structures for involvement and the views of communities to inform their work

The Community Forum approach will be tested as a pilot project in the South Mainland of Shetland during 2016/17. The pilot will help to develop the Forum idea and set out the ethos and rationale for Shetland's approach to community involvement and ensure links with the locality work of the Integrated Joint Board.

Co-production and Community Connections

The Shetland Partnership is encouraging an approach to service planning and delivery that employs *co-production* at its heart. Co-production means: "delivering public services in an equal and reciprocal relationship between professionals, people using services, their families and their neighbours. Where activities are co-produced in this way, both services and neighbourhoods become far more effective agents of change[18]"

'Community Connections' is about assisting people to make connections within their communities, allowing them to build better relationships

[18] New Economics Foundation, referenced by Scottish Co-Production Network http://www.coproductionscotland.org.uk/about/what-is-co-production/

and more fully take advantage of the opportunities living in Shetland can bring. Research[19] into poverty and social isolation in Shetland has shown that people experience a poor quality of life when they do not feel part of the community in which they live and this is made worse by issues of socio-economic inequality. Physical barriers to inclusion such as access to social opportunities in more remote areas for those without a car have been recognised as problematic, but more subtle barriers such as stigma (real or perceived) are also known to have an impact.

There has been success in helping some individuals and families make better connections with their communities through, for example linking up people who could provide transport to nursery or football training for young children. This has allowed children to participate more fully in the opportunities present in their community while allowing parents to connect with other parents and build friendships and support networks. This is accomplished largely by members of the community once the initial connections are facilitated by agency staff and is an excellent example of co-production. The Shetland Partnership will be encouraging all partner agencies to work hard to develop these sorts of community based solutions to improve outcomes for people in Shetland in a way that is sustainable and relatively low cost.

The Shetland Partnership and Partner Agencies will seek to maximise opportunities for co-production whenever possible and employ the Community Connections model as a means of improving outcomes for families and communities.

Intergenerational working

Bringing people from different generations together can have wide ranging benefits for communities, families and individuals:
"Intergenerational practice aims to bring people together in purposeful, mutually beneficial activities which promote greater understanding and respect between generations and contributes to building more cohesive communities. Intergenerational practice is inclusive, building on the positive resources that the younger and older have to offer each other and those around them"[20]

The Shetland Partnership encourages all partners to take an approach of 'generations working together' to address the challenges and realise opportunities in Shetland. Partners should seek opportunities to bring together people of different age groups together to share and exchange

[19] Research into Deprivation and Social Exclusion in Shetland (2006):
http://www.shetland.gov.uk/communityplanning/documents/Dep.andsocialexclusionexecsummary-eperring.pdf[19]
Poverty is Bad – Let's Fix It!! (2011):
http://www.shetland.gov.uk/youth_services/documents/Shetland20Report0Final20Draft.pdf
[20] Beth Johnson Foundation (2009), referenced by Generations Working Together http://generationsworkingtogether.org/about/intergenerational-practice/

skills, experience and perspectives in a way that increases community cohesion and has mutual benefits across generations.

Integrated Impact Assessment

Shetland's Integrated Impact Assessment is a tool to systematically analyse a new or existing policy or service to identify what impact, or likely impact, it will have on different groups within the community. The assessment identifies any negative and positive impacts on vulnerable groups including those affected by poverty and those covered by equality legislation. If negative impacts are identified, action can then be taken to reduce or remove them, such as by making reasonable changes to how a particular group receives a service.

The Integrated Impact Assessment tool was developed by broadening out the scope of the Equality Impact Assessment previously used by the Council. This means that the actual and potential effects of a proposed policy on communities, individuals, vulnerable groups, local economic conditions and the environment is considered as an integral part of the policy development. This allows potential effects to be removed or mitigated against before the policy is approved.

Collaborative Leadership

The Christie report was published in 2011 and set the context for public service reform. A key message was that public services need to get much better at delivering outcomes, moving to prevention and tackling inequalities, all in the context of less money. The complex and interrelated nature of these issues mean that they can only be addressed through collaboration. And the scope of this collaboration should extend towards increasingly involving citizens in co-designing and co-producing services. The Scottish Leaders Forum Conference in November 2014 reaffirmed the central importance of collaboration, creativity and citizen involvement in public service design and delivery.

Collaborative leadership is about the delivery of results across boundaries between different organisations. David Archer and Alex Cameron, in their book *Collaborative Leadership: How to succeed in an interconnected world,* say *"Getting value from difference is at the heart of the collaborative leader's task...they have to learn to share control, and to trust a partner to deliver, even though that partner may operate very differently from themselves."*[21]

[21] Archer, David; Cameron, Alex (2008). Collaborative leadership – how to succeed in an interconnected world.

Leaders and teams who, in the course of their everyday work, are seeking to deliver better outcomes through collaboration can be supported to develop their skills, knowledge and expertise in this area by the Enabling Collaborative Leadership Programme offered through Workforce Scotland.

Early intervention / prevention

Since the Christie Commission Report[22], there has been an expectation, through the operational activity and strategic planning of public agencies, to move resources to prevention and early intervention.

The Christie Commission was established in 2010 by the Scottish Government to develop recommendations for the future provision of public sector services. These recommendations were within the context of a predicted reduction in public sector spending and a realisation that doing less of the same thing was not going to achieve the savings required in the timescales required and without significant negative impact on services and outcomes for people and communities. The recommendations were based on a belief that with the right planning and delivery, better outcomes can be achieved with less money; the beginning of the prevention and early intervention agenda.

An aspect that can get lost is the link between the report and tackling inequalities, but essentially they are all interlinked. To target resources to those who are struggling or not achieving at an early enough stage to break the cycle of disadvantage will improve the life-chances of individuals and save public sector resources.

The Shetland Partnership is aiming to work more effectively together in ways that emphasise preventing poor outcomes from occurring, rather than treating the symptoms when they do occur. This is reflected in many of the priorities described in the previous section; however, partners represented on the Shetland Partnership will also be carrying this message out in their day-to-day work to ensure that the required decisive shift to prevention can happen across Shetland.

Working together

In order to deliver all the Shetland Partnership's priorities for 2016-20, all partners will be required to work together. This may seem an obvious statement from a Community Planning Partnership; however, as the Shetland Partnership has evolved since 2013 it has been

[22] http://www.gov.scot/resource/doc/352649/0118638.pdf

recognised that a more explicit commitment to partnership working was required for the next 4 years. This has helped us provide a smaller, more focused list of priorities and will hopefully make the process of scrutiny and performance monitoring easier for the Shetland Partnership Board.

It also demonstrates more clearly where the Shetland Partnership 'adds value' to the community in Shetland – solving the problems that can only be solved by agencies working together and with communities. In some cases this is about helping the relatively small number of people who do not currently experience good outcomes and in others it is about working more closely together to help make reducing resources go further.

Sharing resources

In line with the Scottish Government's Agreement on Joint Working and Resourcing, the Shetland Partnership will draw upon the totality and breadth of Partners' resources in order to improve local outcomes for communities and to ensure that the individual and collective decisions of partners are in the best interests of communities and the public sector as a whole.

The Agreement placed clear expectations on key partners such as local authorities, NHS Health Boards and Public Bodies to commit to shared budget and resource planning and to demonstrate this commitment through engagement with Community Planning and through their own formal budget making and accountability arrangements.

The Shetland Partnership Resources Group has been established to co-ordinate shared budget and resource planning to deliver the Shetland Partnership's LOIP 2016-20 and to achieve the aims of the Community Plan.

Health Inequalities

Reducing the harmful impacts of inequalities on people and communities has been a key focus for the development of the LOIP, a key element of this is *health inequalities*. Health inequalities describe the disparity of health outcomes experienced by those who are socio-economically disadvantaged compared to those who are more affluent. Factors such as diet, smoking, alcohol, mental health and low physical activity can impact on everyone's health but have the greatest effect on those who are most disadvantaged.

The Shetland Partnership has now sought to embed an approach to reducing health inequalities across the LOIP in an effort to address the complex factors that contribute to health outcomes through all Partnership activities. This is demonstrated in some of the priorities that have been identified in a range of outcome areas – such as ‘Increase physical activity (amongst those least active)’ in outcome B and ‘reduce the harm caused by alcohol’ in outcome C. However, it is hoped that this will

The Shetland Partnership will seek to address health inequalities through all of its activities and by embedding an approach to reducing harmful impacts to health across all of the outcomes in the LOIP

Assessing & Improving Our Performance

The information set out in the 'Context' section has been of use in defining priorities; however, we need to keep monitoring trends and collecting information to inform our progress and ensure we are doing the right things to improve outcomes. This section sets out some of the processes we have in place to help us do this.

<u>LOIP indicators</u>

The indicators linked to the Shetland Partnership's priorities, as set out in the 'Shetland Partnership Outcomes – What We Will Do' section, will be used to monitor how well we are progressing towards delivering these priorities and achieving our outcomes. In some cases, these indicators are still to be established and actions have been planned to collect and analyse data as necessary to inform progress. Progress will be reviewed annually, actions redefined and targets adjusted where necessary. Indicators and progress against actions are monitored quarterly by the Shetland Partnership Performance Group.

<u>Community Outcomes Profile</u>

We are continually working to improve our understanding of Shetland as a place to allow for the most effective planning and decision making across the Shetland Partnership. To this end, the Shetland Partnership are working with the Improvement Service to develop tools that will allow us to look deeper still into data and evidence to enhance our understanding. This 'Community Outcomes Profile' will have a specific focus on inequalities, providing a 'dashboard' of information that tells us how well we are doing in relation to a range of outcomes. This may include looking at smaller geographic scales than the Shetland-wide level we currently tend to use; or, defining communities across Shetland according to shared characteristics and planning appropriately to best meet their needs.

The profile(s) we develop will help us in our ongoing efforts to better understand where the Shetland Partnership can add most value and also guide us in developing our approach to working with communities as set out in the Community Empowerment (Scotland) Act 2015.

Our Commitment to Community Planning

SHETLAND PARTNERSHIP

NB: Some logos to be changed/added

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Agenda Item
12

Shetland Islands Council

Policy and Resources Committee **18 April 2016**

Irrecoverable Debt 2015/2016	
F- 018-F	
Report Presented by Executive Manager - Finance	**Corporate Services**

1. Summary

1.1 The Council's annual accounts contain a bad debt provision in recognition of the likelihood that not all outstanding debt would be collectable. This report notifies Council of the identified debts which are now deemed to be uncollectable and which, therefore, have been written off during 2015/16.

1.2 The Council's approved Financial Regulations requires sums or other assets written off in excess of £5,000 to be reported to the Council.

1.3 To allow this report to be discussed in public, Appendix 1 detailing the individual sums in excess of £5,000 written off has not been reproduced with this report, as it contains exempt information.

2. Decision Required

2.1 The Policy and Resources Committee notes:

- the individual debtors in excess of £5,000 written off during 2015/16; and
- the summary of bad debts under £5,000 that have been written off during 2015-16

3. Detail

3.1 The Council's Finance Service collects over £80 million of Housing Rents, Sundry Debts (miscellaneous invoices), Non-Domestic Rates, Council Tax and Scottish Water charges.

Breakdown of 2015-16 charges (after benefits and exemptions applied)

Type of Charge	No of Accounts	TOTAL £m
Rents	2,220	5.00
Sundry Debt	18,019	46.07
Non-Domestic Rates	1,965	17.69
Council Tax & Scottish Water	10,983	11.59
Total	**33,187**	**80.35**

3.2 The Council collects domestic water and sewerage charges on behalf of Scottish Water. A service level agreement exits between the Council and Scottish Water, which gives the Council authority to write off Scottish Water debt as part of the annual Council Tax write off review. Consequently, this report includes details for an amount written off against Scottish Water.

3.3 Each financial year a review is undertaken of the debt outstanding in respect of Rent accounts, Sundry Debts, Non-Domestic Rates, Council Tax and Scottish Water charges. This review has identified debts which are now deemed to be uncollectable and which, therefore, have been written off.

3.4 Essentially those debts identified for write off in this report are those where all efforts to recover the debt have been exhausted and the prospects of recovering funds are negligible. Whilst the amounts written off are significant in monetary terms these need to be viewed in the context of the charges levied and the Council's positive performance on collection of Council charges levied. It is emphasised that although these debts have been written off for accounting purposes the files remain open and every effort will be made to collect debts if circumstances change.

3.5 Housing Revenue Account

3.5.1 Housing Revenue Account Summary:

Housing Revenue Account Summary	No. of Cases	TOTAL £
Former Tenants over £5,000	0	0
Former Tenants under £5,000	104	43,333
Sundry Debt Under £5,000	1	70
Total	**105**	**43,403**

3.5.2 Former tenant arrears are written off for a number of reasons such as tenant deceased with no estate; gone away and unable to trace; sequestrated or not cost effective to pursue.

3.5.3 79 out of the 105 cases written off were for sums under £300. 15 cases were for sums over £1,000 but less than £5,000.

3.5.4 There was a single Sundry Debt account affecting the Housing Revenues Account totalling £70. This relates to irrecoverable debt for tenant repairs to Council housing.

3.6 General Fund and Scottish Water

3.6.1 General Fund and Scottish Water Summary

Type of Debt	No. of Cases	General Fund £	Scottish Water £	TOTAL £
Sundry Debtor	136	108,128		108,128
Non-Domestic Rates	5	6,946		6,946
Council Tax	132	23,720	8,252	31,972
Total	**273**	**138,794**	**8,252**	**147,046**

3.6.2 The review of outstanding Sundry Debt balances resulted in 2 General Fund cases in excess of £5,000 amounting to £90,178.63 being written off, details of which are contained in Appendix 1.

3.6.3 134 Sundry Debt accounts under £5,000 to the value of £17,949.72 were written off during 2015-16.

3.6.4 The review of outstanding Non-Domestic Rates resulted in a single account in excess of £5,000 amounting to £5,195.64 being written off, details of which are contained in Appendix 1.

3.6.5 In addition there are 4 Non-Domestic Rates accounts under £5,000 to the value of £1,750.42.

3.6.6 The review of outstanding Council Tax balances identified no cases in excess of £5,000 to be written off.

3.6.7 132 Council Tax accounts under £5,000 were written off during 2015-16 to the value of £31,972.69 split between General Fund of £23,720.40 and £8,252.29 against Scottish Water.

3.6.8 98 out of the 132 Council Tax cases written off were for sums under £300. 6 cases were for sums over £1,000 but less than £5,000.

3.6.9 As with former tenant arrears, Council Tax is written off for various reasons such as liable person deceased with no estate; gone away and unable to trace; sequestrated or not cost effective to pursue

3.7 Harbour Account

3.7.1 Harbour Account Summary:

Harbour Account Summary	No. of Cases	TOTAL £
Sundry Debt over £5,000	1	63,186
Sundry Debt under £5,000	5	5,199
Total	**6**	**68,385**

3.7.2 The review of outstanding Harbour Accounts Sundry Debts resulted in one case in excess of £5,000 amounting to £63,186.44 being written off, details of which are contained in Appendix 1.

3.7.3 In addition there are 5 accounts under £5,000 to the value of £5,198.98 written off.

4. Implications

Strategic

4.1 Delivery On Corporate Priorities
There is no link to a specific corporate priority but this is a required function that contributes to the Council aim of being organised, efficiently run and sustainable.

4.2 Community /Stakeholder Issues – None.

4.3 Policy And/Or Delegated Authority
Section 3.4.6 of the Council's approved Financial Regulations state: "No financial sums or other assets in excess of £5,000 shall be written out of the main accounts or subsidiary records of the Council except by the Executive Manager - Finance who shall report all such sums written off to the Council. Sums or other assets of less than £5,000 may be written out of the main accounts or subsidiary records of the Council with the express authority of the Executive Manager - Finance."

Section 3.9.1 of the Council's approved Financial Regulations state "Once all methods of debt recovery in relation to outstanding debts have been exhausted, the Executive Manager - Finance, or nominated Officer, is empowered to write off any such sums as bad debts. Section 3.9.2 states “Write-offs for individual debtors in excess of £5,000 will be reported by the Executive Manager - Finance to the Council along with an annual summary of bad debts.”

The Policy and Resources Committee has delegated authority to secure the co-ordination, control and proper management of the financial affairs of the Council.

4.4 Risk Management
In terms of risk, the primary risk involved in writing off irrecoverable debt is that something may get written off which could have been recovered, resulting in a loss to the Council. This risk is managed by having an exhaustive set of recovery procedures which are diligently and consistently followed by staff.

4.5 Equalities, Health And Human Rights – None.

4.6 Environmental – None.

Resources

4.7 Financial

4.7.1 Each year a bad debt provision figure is disclosed as part of the closure of accounts. Detailed below is a summary of the remaining bad debt provision.

Current Bad Debt Provision and Write Off Amounts	Housing Revenue Account £	General Fund £	Harbour Account £	**Total** £
2015/16 Bad Debt Provision	49,000	145,380	117,216	**311,596**
2015/16 Write Off	43,403	138,794	68,385	**250,583**
Remaining Provision	**5,597**	**6,586**	**48,831**	**61,013**

4.7.2 The write off total is higher than average. However, it would have compared favourably to the nine previous years totals had it not been for the two significant Sundry Debt cases to the value of £153,365.

4.7.3 £250,583 equates to a write off percentage of less than 0.3% of the £80 million plus of Council Rents, Sundry Debts (miscellaneous invoices), Non-Domestic Rates, Council Tax and Scottish Water charges collected each year by Finance.

4.8 Legal – None.

4.9 Human Resources – None.

4.10 Assets And Property – None.

5. Conclusions

5.1 The Council's annual accounts contain a bad debt provision in recognition of the likelihood that not all outstanding debt would be collectable. This report notifies Council of the identified debts which are now deemed to be uncollectable and which, therefore, have been written off during 2015-16.

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31 March 2016

List of Appendices
Exempt Appendix 1 – List of Debts in Excess of £5,000 to be Written Off

Background documents:
None

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