Shetland Islands Council

Executive Manager: Jan-Robert Riise
Director of Corporate Services: Christine Ferguson

Dear Sir/Madam

You are invited to the following meeting:

Policy and Resources Committee
Council Chamber, Town Hall, Lerwick
Tuesday 22 May 2018 at 10am

Apologies for absence should be notified to Louise Adamson at the above number.

Yours faithfully

Executive Manager – Governance and Law

Chair: Steven Coutts
Vice-Chair: Emma Macdonald

AGENDA

(a)   Hold circular calling meeting as read.

(b)   Apologies for absence, if any.

(c)   Declarations of Interest – Members are asked to consider whether they have an interest to declare in relation to any item on the agenda for this meeting. Any Member making a declaration of interest should indicate whether it is a financial or non-financial interest and include some information on the nature of the interest. Advice may be sought from Officers prior to the meeting taking place.

ITEM

1. Corporate Services and Executive Services Performance Report
    CRP-08-18

2. Management Accounts for Community Health and Social Care
    2017-18 – Draft Outturn
    F-034

3. Management Accounts for Policy and Resources Committee
    2017/18 – Projected Outturn at Quarter 4
    F-045

4. Overall SIC Management Accounts for 2017/18
    Projected Outturn at Quarter 4
    F-038

5. Effective and Sustainable Tertiary Education, Research and Training Project –
    Strategic Outline Case
    DV-21-18 (Report to follow)

6. Business Transformation Programme Update
    CRP-07-18

7. Service Redesign Programme Update
    CRP-09-18

8. Local Government in Scotland, Performance and Challenges 2018
    F-035

9. Policy and Resources Committee Business Programme 2018/19
    CRP-10-18

10. Corporate Risk Register Report
    IA-13-18

    The following item contains Exempt Information

11. Confidential Corporate Risk Register Update
    IA-14-18

	Shetland Islands Council	Agenda Item **1**

Meeting(s):	**Policy & Resources Committee**	**22 May 2018**
Report Title:	**Corporate Services and Executive Services Performance Report -2017/18**	
Reference Number:	**CRP-08-18-F**	
Author / Job Title:	**Christine Ferguson** **Director of Corporate Services**	

1.0 Decisions / Action required:

1.1 That the Policy & Resources Committee:

1.1.1 DISCUSS the contents of this report and its appendices;

1.1.2 COMMENT on the achievements of Corporate and Executive Services during 2017/18 and on the progress made against the activities set out in the Service Plans; and

1.1.3 ADVISE managers regarding the development of future Service Plans.

2.0 High Level Summary:

2.1 This report summarises the activity and performance of Corporate and Executive Services for 2017/18, enabling Members to analyse the performance against the objectives set out in the Directorate Plan and Service Plans for 2017/18 and in the Council's Corporate Plan.

3.0 Corporate Priorities and Joint Working:

3.1 Effective Planning and Performance Management are key aspects of Best Value and features of "Our Plan", the Council's Corporate Plan 2016-2020, which states:

"*Our performance as an organisation will be managed effectively, with high standards being applied to the performance of staff and services. Poor performance will be dealt with, and good service performance will be highlighted and shared.*"

3.2 Part of the remit of Policy and Resources Committee is to, "Ensure the effectiveness of the Council's planning and performance management framework".

4.0 Key Issues:

4.1 The Council is committed to a quarterly reporting cycle focussing on performance reporting. The Planning and Performance Management Framework (PPMF) is outlined in the Council's Standing Orders and there has been discussion and comment on the format of performance reports and the need to move towards narrative that shows performance against outcomes and longer term goals rather than annual performance targets. Further work is needed in this regard and also to demonstrate how the Council's performance gives assurance in terms of Best Value.

4.2 There are four aspects to the quarterly performance reports:
1. Finance and budget monitoring
2. Service developments and projects
3. Service performance monitoring
4. Risk management
The focus of this report is on service developments/projects and service performance monitoring.

4.3 Infographics were introduced in last year's end of year performance report and have been used again to show highlights from 2017/18. For Corporate and Executive Services, the areas chosen for the infographics page at Appendix A show the contribution made to the economy through employment and investment; the support for staff and for learning opportunities; the use of social media to improve communications with the public and the provision of information and communications technology (ICT) across the Council, for partner organisations and the public.

4.4 Corporate and Executive Services activities from the 2017/18 Service Plans are listed in Appendix D together with an indication of performance against the targets set for the year.

4.5 The Council wide Performance Indicators are included at Appendix B.

4.6 Appendix C Shows a summary of the recorded complaints, their time targets and evaluation of the complaint (upheld/not upheld).

Progress on Corporate Plan Outcomes

4.7 Corporate and Executive Services lead on many of the '20 by 20' commitments in the Corporate Plan including:

- Excellent financial-management arrangements will make sure we are continuing to keep to a balanced and sustainable budget, and are living within our means.
- 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.
- Our arrangements for buying goods and services will be considered to be efficient and provide ongoing savings.
- 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.

- Our performance as an organisation will be managed effectively, with high standards being applied to the performance of staff and services.
- Poor performance will be dealt with, and good service performance will be highlighted and shared.
- We will be collecting more of the money due to us for the services we provide.
- More money will be going towards 'spend to save' initiatives, providing resources to fund innovative ways of working that save money but help us achieve our desired outcomes
- 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 have a better understanding of the number of assets we can afford with the resources we have available, and will have reduced the number of buildings we have staff in.
- We will have prioritised spending on building and maintaining assets and be clear on the whole-of-life costs of those activities, to make sure funding is being targeted in the best way to help achieve the outcomes set out in this plan and the community plan.

Achievements in 2017/18

4.8   During 2017/18, achievements of Corporate Services and Executive Services included:
- A clean financial bill of health from our External Auditors, reflecting the continued strong and active financial management in place across the Council.
- The Finance Service supported the Orkney and Shetland Valuation Joint Board, ZetTrans and the Shetland Island Council Pension Fund in their financial management arrangements and received positive feedback and unqualified audit opinions.
- As the Administering Authority for the Shetland Islands Council Pension Fund a high level of customer satisfaction was achieved.
- A comprehensive review of the Medium Term Financial Plan and Long Term Financial Planning assumptions was completed and the Council approved these establishing the financial framework for future service planning and budget setting decisions.
- The Council successfully managed its finances and achieved an under spend against its approved budget, ensuring that resources were controlled and well managed.
- Corporate Services supported the Shetland Community Health & Social Care Partnership Integration Joint Board (IJB), advising and guiding the IJB on governance and decision making and providing financial management services including the preparing the IJB's annual accounts.
- The Executive Manager – Audit Risk and Improvement undertook the duties of Chief Internal Auditor for the IJB and delivered audit assurance in relation to the approved IJB internal audit plan.
- The Finance Service met with and helped people in financial hardship through processing various benefit claims (Housing and Council Tax for example) and supporting those in immediate need by providing crisis and welfare grants, which benefited the most vulnerable in our community.
- The Director of Corporate Services leads the Business Transformation Programme with progress made against all work streams (see separate report).
- Work to implement the General Data Protection Regulations is well advanced.

- The Council approved proposals for a significant change in insurance arrangements to primarily self-insurance. This project has been completed with implementation from 1 April 2018.
- A range of HR policies have been reviewed/refreshed.
- ILearn – the Councils e-learning platform has been developed further delivering a significant proportion of all training for staff. This will be featured at a national conference organised by the Scottish Digital Office.
- The local authority elections were conducted successfully in May 2017 followed by a comprehensive induction programme for all Councillors.
- Work continued on the Our Islands Our Future project with significant input to the Islands Bill and work on an Islands Deal. Recently, Corporate and Executive Services have taken the lead on a work that will contribute to the national Review of Local Governance.
- Public Sector Secure Network certification gained providing assurance on ICT security.
- The Building Better Business Cases methodology has been supported across the Council.
- Support has been provided for numerous capital projects, including the new AHS and Eric Gray Resource Centre
- Enabled procurement savings of £500K across the Council
- Completed a programme of risk checks throughout the Council. This programme provided support to services and corporate assurance that risks were identified, managed and monitored effectively.
- Joint audit carried out by Internal Audit and Risk Management of Risk Assessments and Fire Risk Assessments.
- Additional audit work on contracts procured from Audit Glasgow.
- 90% of the Internal audit plan was achieved.
- Partnership Agreement with NHS Shetland established to share cost and usage of the Council's Performance Management System.
- Presented consolidated and considered report with regard to first 6 Best Value Audits of Scottish local authorities to Policy & Resources Committee. A similar report will be presented later on this financial year for the local authorities currently under review.

Risk and Service Challenges

4.9 Performance monitoring and performance reporting must also consider items which have not progressed as planned. This includes addressing unanticipated challenges/work demands. A number of areas that affected Corporate and Executive Services in 2017/18 are listed below.

- **8 North Ness** –Substantial additional technical and legal resources have been required to safeguard the Council's interests. Work on the contractual issues and plans to return the building to full use will continue to be a feature of the work of Corporate Services in 2018/19. Meanwhile services continue to operate from a number of locations across Lerwick.
- The **Scottish Government funding settlement** posed significant challenges; the additional funding towards the running costs of the internal ferry services was welcome however it was insufficient to meet the costs, no contribution towards capital costs and the arrangement is for one year only. Work on Fair Funding for Ferries will continue in 2018/19.
- Work to support the review of **Tertiary Education** has continued with significant input from HR, Finance and Legal services. This will continue on 2018/19.

- Ensuring the **Council ICT network** is secure, guarding against new cyber-attacks, and responding to breaches requires vigilance from across the Council and support from all areas of Corporate Services.
- Looking forward to 2018/19, Corporate and Executive Services will be required to support the **Service Redesign Programme**; the resource implications are unknown at this stage.

5.0	Exempt and/or confidential information:

5.1   None

6.0	Implications :

6.1 Service Users Patients and Communities:	Effective performance management and continuous improvement are important duties for all statutory and voluntary sector partners in maintaining appropriate services for the public. The Council uses customer feedback and complaint analysis, both internal and external to drive service change and service improvement.
6.2 Human Resources and Organisational Development:	There are a number of actions in the Council's Service Plans that have staffing implications. Care is taken to ensure that staff are involved and informed about changes that might affect them, that HR are closely involved and that relevant Council policies are followed. Ensuring staff feel valued and supported especially through periods of challenge and change is a key consideration for the Corporate and Executive Services Management Team.
6.3 Equality, Diversity and Human Rights:	The Council uses Equalities Impact assessments to ensure its services are supporting those most in need and not making inequalities worse.
6.4 Legal:	The Council has a statutory duty to report its progress in achieving Best Value. This report is integral to complying with that obligation.
6.5 Finance:	There are no direct implications arising from this report, however increased effective planning and performance management will increase the financial efficiency of the organisation. The actions, measures and risk management described in this report have been delivered within existing approved budgets.
6.6 Assets and Property:	A number of the items in the Directorate and Corporate Plans refer to Council property assets, however, there are no implications for assets and property arising directly from this report.

6.7 ICT and new technologies:	A number of the items in the Directorate and Corporate Plans refer to ICT assets, access and security. Digital First is a key work stream of the Council's Business Transformation Programme, which is the subject of a separate report on today's agenda.
6.8 Environmental:	There are no implications arising directly from this report.
6.9 Risk Management:	Embedding a culture of continuous improvement and customer focus are key aspects of the Council's improvement activity. Effective performance management is an important component of that which requires the production and consideration of these reports. Failure to deliver and embed this increases the risk of the Council working inefficiently, failing to focus on customer needs and being subject to negative external scrutiny.

Risk management is a key component of the performance cycle and the Directorate Plan actions are undertaken to ensure risks are managed effectively.

This report includes information regarding challenges and risks that have been addressed by Corporate and Directorate Services during 2017/18 and the Risk Register is the subject of a separate report on today's agenda. |
| **6.10 Policy and Delegated Authority:** | The Council's Scheme of Administration and Delegations states:

2.3   Functional Committees

2.3.1   (1)   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 noted below and manage performance

and

2.2   Policy and Resources Committee

2.2.1.4 Ensure the effectiveness of the Council's planning and performance management framework.

The Terms of Reference for Policy and Resources Committee also includes responsibility for decisions with regard to the functions carried out by Corporate and Executive Services. |
| **6.11 Previously considered by:** | *None* |

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29 April 2018

Appendices:
Appendix 1 – Corporate and Executive Services Infographics
Appendix A – Projects and Actions
Appendix B – Council Wide Performance Indicators
Appendix C – Complaints Summary
Appendix D – Service Plan Actions

Background Documents:
Corporate Services Directorate Plan 2017/18
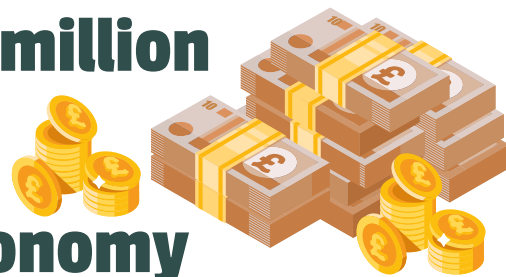Executive and Corporate Services 2018/21 Directorate

FINANCE - PAYROLL

£7 million per month in staff and pension payments

ALMOST £1 million per week invested in the local economy

220 people supported through **Scottish Welfare Fund**

HUMAN RESOURCES

Learning and development for more than 3,000 STAFF

45 Modern Apprentices including plumbers ,electricians, social care workers, engineers, mechanics and builders. We employ over **1800 staff** in **Lerwick** and **Scalloway** and almost **1200 outwith**

ICT SERVICES

Free Wi-Fi in over 100 different locations including

70 outside Lerwick connecting around **5,000** people every day

2,200 computers in Shetland schools used by **3,400 pupils**

We support 325 staff in 26 third sector organisations

Voluntary Action Shetland

MAREEL

shetland recreational trust

NHS Shetland

and provide the **ICT Service Desk** for NHS Shetland

EXECUTIVE SERVICES

576 tweets and **1,262,434** impressions on the SIC Twitter account almost **double** the year before

CAPITAL PROGRAMME

Supported delivery of 9 significant Capital projects **total value £70 million** including the **new AHS** and the **new Eric Gray Centre**

55 procurement exercises valued at **£23 million** saving over **£500,000** for the Council

GOVERNANCE AND LAW

1,119 F.O.I. requests received **94%** responded within **20 days** compared to **89%** the previous year

f.o.i

AUDIT RISK AND IMPROVEMENT

19 INTERNAL AUDITS

OUR PERFORMANCE MATTERS

Appendix A - PPMF Projects and Actions - Chief Executive and Corporate Services Directorate

Shetland Islands Council

Generated on: 03 May 2018

OUR PLAN 2016-2020

D) COMMUNITY STRENGTH

2)	Empowerment	People in Shetland feeling more empowered, listened to and supported to take decisions on things that affect them and make positive changes in their lives and in their communities.

Code & Title	Description	Long-term Outcome	Dates		Progress	Progress Statement
DP160 Participatory budgeting expectations	Embed within the budget setting process the participatory budgeting expectations of the Scottish Government for 1% of the Budget to be directed and decided upon by communities	People in Shetland will be feeling more empowered, listened to and supported to take decisions on things that affect them, and to make positive changes in their lives and their communities	Planned Start	01-May-2017	▶	Project being taken forward through the Community Choices Board, with initial meetings having taken place. Work needs to be focused on the options for mainstreaming participation so that this can be developed and aligned with the budget setting process
			Actual Start	01-May-2017	5%	
			Original Due Date	30-Sep-2019	Expected success	
Lead			Due Date	30-Sep-2019	✓	
Finance			Completed Date		Likely to meet target	

E) CONNECTION & ACCESS

2)	Broadband	More people will have access to high-speed broadband and reliable mobile connections, helping to connect people, communities and businesses throughout Shetland.

Code & Title	Description	Long-term Outcome	Dates		Progress	Progress Statement
DP075 Work to improve broadband availability and bandwidth to SIC sites	By liaising and coordinating the activities of the ICT Service, Economic Development's "Shetland Telecom" Project, HIE BDUK Next Generation Broadband Project and Community Broadband Scotland through the ICT Network Strategy Programme Board	High-speed broadband availability will ensure that Shetland businesses can compete on a global basis and Shetland households can have full use of the increasing number of bandwidth-intensive services that use broadband as a delivery mechanism.	Planned Start	01-Apr-2014	▶	Discussions ongoing with SG, particularly regarding how R100 will address the most remote areas. BT are still to make some additional provision available through extra cabinets at the end of the HIE contract. A bid has been made for LFFN (Local Full Fibre Network) funding, through the DCMS, for fibre to Unst and Yell, the result of this bid will be known in March 18.
			Actual Start	01-Apr-2014	60%	
			Original Due Date	31-Mar-2015	Expected success	
Lead			Due Date	31-Mar-2020	⚠	
Information & Communication Technology			Completed Date		Experiencing issues, risk of failure to meet target	

F) OUR "20 BY '20"

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01) Leadership & Management
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.

Code & Title	Description	Long-term Outcome	Dates		Progress	Progress Statement
DP153 Implement Workforce Strategy	Implement the strategy across the council and to carry out a review of the workforce requirements in corporate and executive services.	The Council will have a workforce that is sustainable, flexible and affordable	Planned Start	01-Apr-2017	▶	The HR deliverables within the workforce strategy are being delivered through the Business Transformation Programme. Progress has been made on approximately 65% of the Improvement Actions within the Strategy.
			Actual Start	25-Oct-2016	65%	
			Original Due Date	31-Mar-2020	Expected success	
Lead			Due Date	31-Mar-2020	✓	
Human Resources			Completed Date		Likely to meet target	

02) Staff value & motivation
Our staff will feel valued for their efforts and want to stay with us because they feel motivated to do their very best every time they come to work.

Code & Title	Description	Long-term Outcome	Dates		Progress	Progress Statement
DP159 Viewpoint Plan	Support the implementation of the Viewpoint Plan	Corporate Services staff feel valued and listened to and are supported to reach their full potential	Planned Start	01-Apr-2018	▶	2017/18 survey completed. results circulated to all services with a view to develop Service and Directorate Plans by end March 2018.

Council-wide Viewpoint Plan will be refreshed following that. |
			Actual Start	05-Mar-2018	30%	
			Original Due Date	31-Mar-2021	Expected success	
Lead			Due Date	31-Mar-2021	✓	
Human Resources			Completed Date		Likely to meet target	

Code & Title	Description	Long-term Outcome	Dates		Progress	Progress Statement
DP160 Employee Engagement	Develop the employee benefits package available to council employees	The council is seen as an attractive employer that is able to recruit and retain its staff	Planned Start	01-Dec-2017	▶	Viewpoint survey completed and analysis done. Viewpoint Plan to be refreshed to take account of employee feedback on what makes the Council a good place to work
			Actual Start	01-Dec-2017	50%	
			Original Due Date	31-Mar-2021	Expected success	
Lead			Due Date	31-Mar-2021	✓	
Human Resources			Completed Date		Likely to meet target	

03) Shetland's "voice"
We will have made Shetland's voice heard, with regular and meaningful lobbying of Scottish and UK governments and EU bodies on important issues affecting the islands.

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Code & Title	Description	Long-term Outcome	Dates		Progress	Progress Statement
DP037 Council's Constitutional Reform project and OIOF campaign	Take a lead role in managing the support to the Council's Constitutional Reform project and OIOF campaign	We will have made Shetland's voice heard, with regular and meaningful lobbying of Scottish and UK governments and EU bodies on important issues affecting the islands.	Planned Start	01-Apr-2013	▶ 50%	Islands Bill passed Stage 2. Once enacted, expect to be involved in development of National Islands Plan and Island Proofing Guidelines.

Developing thinking around Review of Local Governance.

Progressing work on Crown Estate. |
			Actual Start	01-Apr-2013		
			Original Due Date	31-Mar-2018	Expected success	
Lead			Due Date	31-Mar-2022	✓	
Executive Services			Completed Date		Likely to meet target	

04) IT equipment & systems   Modern IT equipment and systems will be supporting new ways of working, helping services run efficiently and effectively.

Code & Title	Description	Long-term Outcome	Dates		Progress	Progress Statement
DP078 New HR ICT system	Implement new HR CHRIS 8 system	Ensuring our Council-wide workforce information system can fully support our business	Planned Start	01-Apr-2015	▶ 60%	Ongoing problems with the latest versions of the CHRIS system have meant that the supplier, Frontier Software, has agreed that Scottish local authorities can delay upgrade and will release a year end version of the current system at no cost to SIC. There will be no further testing until a more robust system is confirmed by Scottish local authorities.
			Actual Start	10-Apr-2015		
			Original Due Date	30-Apr-2017	Expected success	
Lead			Due Date	01-Oct-2018	⚠	
Information & Communication Technology			Completed Date		Experiencing issues, risk of failure to meet target	

05) Standards of governance   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.

Code & Title	Description	Long-term Outcome	Dates		Progress	Progress Statement
DP156 Information Management & Improvement	Information Management Improvement Programme	5 year Outcome - A cohesive approach to the management of records and information. Year 1 outcomes - • Agreed Project Documentation • Regular meetings of the Information Governance Board	Planned Start	01-Apr-2017	✓ 100%	• Information Governance Board met on 23 January 2018 • Risk Register and Communication Plan agreed. • Project Team meetings held on 16 January, 12 February and 20 March • Departmental work on completing the Information Asset and GDPR Registers has commenced – good progress is being made in most areas, and interim registers due to be received by 30 March. • Regular meetings held with GDPR Project Manager • Regular meetings held with Customer First Project Manager • Monthly meetings held with NHS Project Manager • All high level targets have been met. Year 2 targets groundwork has commenced.
			Actual Start	20-Mar-2017		
			Original Due Date	31-Mar-2018	Expected success	
Lead			Due Date	31-Mar-2018	✓	
Governance & Law			Completed Date	21-Mar-2018	Likely to meet target	

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06) Financial management
Excellent financial management arrangements will make sure we are continuing to keep to a balanced and sustainable budget, and are living within our means.

Code & Title	Description	Long-term Outcome	Dates		Progress	Progress Statement
DP161 Medium Term Financial Plan	Develop the MTFP to reflect the chosen priorities of the Council by refining the modelling and incorporate the medium term Service Redesign Programme into the financial plans	Excellent financial-management arrangements will make sure we are continuing to keep to a balanced and sustainable budget, and are living within our means	Planned Start	01-Feb-2018	▶	
			Actual Start		0%	
			Original Due Date	30-Jun-2019	Expected success	
Lead			Due Date	30-Jun-2019	✔	
Finance			Completed Date		Likely to meet target	

07) Procurement
Our arrangements for buying goods and services will be considered to be efficient and provide ongoing savings.

Code & Title	Description	Long-term Outcome	Dates		Progress	Progress Statement
DP152 Commissioning & Procurement Framework	Establish new procedures to maximise efficient procurement	Embed a culture of robust, effective and efficient procurement and commissioning that delivers best value in relation to the goods and services the council needs	Planned Start	16-Apr-2018	▶	Not yet started
			Actual Start		0%	
			Original Due Date	22-Mar-2019	Expected success	
Lead			Due Date	22-Mar-2019	✔	
Capital Programme			Completed Date		Likely to meet target	

Code & Title	Description	Long-term Outcome	Dates		Progress	Progress Statement
DP216 Complete Commissioning Guidance	Create concise commissioning and procurement guidance	Embed a culture of robust, effective and efficient procurement and commissioning that delivers best value in relation to the goods and services the council needs	Planned Start	01-Mar-2017	▶	All background research complete. This is now with the Executive Manager to compile guidance from research.
			Actual Start	01-Mar-2017	20%	
			Original Due Date	27-Jun-2018	Expected success	
Lead			Due Date	27-Jun-2018	✔	
Capital Programme			Completed Date		Likely to meet target	

08) Efficient
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.

Code & Title	Description	Long-term Outcome	Dates		Progress	Progress Statement
DP155 Digital First	Investigate enablers for Digital Service Delivery and implement	We will be working in a more effective way, allowing us to cope with reduced resources. We will be an organisation that encourages creativity, expects co-operation between services and supports the development of new ways of working.	Planned Start	01-Apr-2017	▶	A number of processes have been identified which are suitable for implementation on the Firm Step jplatform. Forms have already been designed, some of which will be live by the start of 2018/19, and the expectation is that, as Services engage with the Service Redesign process more and more transactions will be identified that can be carried out digitally. Plans are being developed for the replacement of the Council website. The Paperless Council workstream has been amalgamated into the Digital First stream, as the work is closely linked.
			Actual Start	11-Apr-2017	70%	
			Original Due Date	31-Mar-2018	Expected success	
Lead			Due Date	31-Jul-2019	✅	
Information & Communication Technology			Completed Date		Likely to meet target	

Code & Title	Description	Long-term Outcome	Dates		Progress	Progress Statement
DP151 Customer First	Embed strategy and charter to ensure that the Council is a customer focused organisation	People who use our services will experience excellent standards of care.	Planned Start	01-Apr-2017	▶	New strategy and charter in draft. Customer survey completed. Public performance reporting actions in progress. Project on track to deliver required outcomes. Target presentation to P&R on 18 June 2018.
			Actual Start	01-Apr-2017	30%	
			Original Due Date	31-Mar-2018	Expected success	
Lead			Due Date	31-Mar-2020	✅	
Executive Services			Completed Date		Likely to meet target	

10) Communication   Our staff and the public will feel more informed about the council's activities, through excellent communications systems.

Code & Title	Description	Long-term Outcome	Dates		Progress	Progress Statement
DP206 Communications	Deliver the Communications Team Action Plan 2018-19	Our staff and the public will feel more informed about the Council's activities, through excellent communications systems.	Planned Start	01-Apr-2017	▶	Seven regular internal communications produced. Development of digital communications - Twitter, YouTube channel and promotions.
			Actual Start	01-Apr-2017	50%	
			Original Due Date	31-Mar-2018	Expected success	
Lead			Due Date	31-Mar-2019	✅	
Executive Services			Completed Date		Likely to meet target	

11) Risk management   Our approach to managing the risks we face will have resulted in a more risk-aware organisation that avoids high-risk activities.

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Code & Title	Description	Long-term Outcome	Dates		Progress	Progress Statement
DP220 Insurance project	Implement the decision of the Council to redesign their insurances	Systems are in place for the efficient operation of the Councils insurance arrangements from 1/4/18	Planned Start	30-Aug-2017	▶	To prepare the end of project report and identify the work plan for going forward to complete it.
			Actual Start	30-Aug-2017	95%	
			Original Due Date	31-Mar-2018	Expected success	
Lead			Due Date	23-May-2018	✓	
Governance & Law			Completed Date		Likely to meet target	

Code & Title	Description	Long-term Outcome	Dates		Progress	Progress Statement
DP221 General Data Protection Regulation (GDPR)	Prepare the council for the implementation of the General Data Protection Regulation in May 18	People who use our services know what personal information we hold and how it will be used	Planned Start	01-Dec-2017	▶	PID has been developed and initial scoping work undertaken. Plan for implementation has been prepared and initialised
			Actual Start	01-Dec-2017	15%	
			Original Due Date	30-May-2018	Expected success	
Lead			Due Date	30-May-2018	✓	
Governance & Law			Completed Date		Likely to meet target	

15)	Assets	We will have a better understanding of the number of assets we can afford with the resources we have available, and will have reduced the number of buildings we have staff in.

Code & Title	Description	Long-term Outcome	Dates		Progress	Progress Statement
DP035 Future use of existing AHS site at Knab	Investigate options for future use of existing AHS site at Knab	Continuity of use of site and retained buildings	Planned Start	01-Apr-2014	▶	Legal issues clarified. Masterplanning consultant appointed and work underway.
			Actual Start	10-Apr-2015	50%	
			Original Due Date	31-Mar-2016	Expected success	
Lead			Due Date	31-May-2018	✓	
Capital Programme			Completed Date		Likely to meet target	
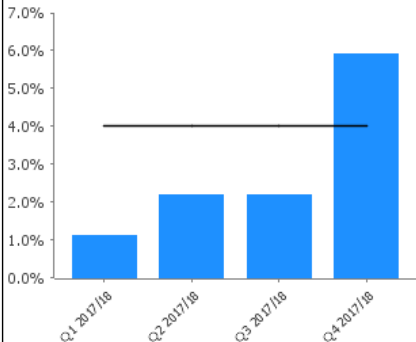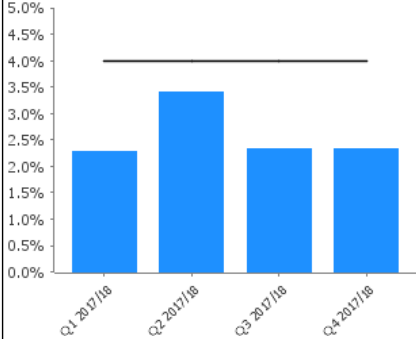
Code & Title	Description	Long-term Outcome	Dates		Progress	Progress Statement
DP162 Property rationalisation	Service redesign project to rationalise and make best use of the properties which the Council operates	We will have a better understanding of the number of assets we can afford with the resources we have available, and will have reduced the number of buildings we have staff in	Planned Start	01-Mar-2017	▶	Review of space requirements has resulted in one external lease not being renewed from April 2018 and further work is being undertaken on business cases to take advantage of other opportunities, including the options in relation to returning 8 North Ness to operational use.
			Actual Start	01-Mar-2017	10%	
			Original Due Date	31-Mar-2021	Expected success	
Lead			Due Date	31-Mar-2021	✓	
Capital Programme			Completed Date		Likely to meet target	

6
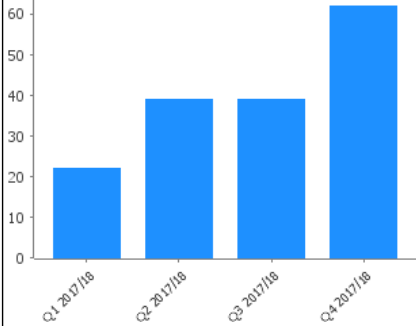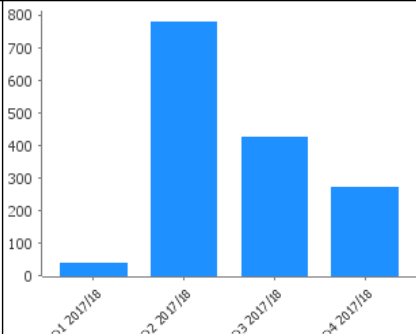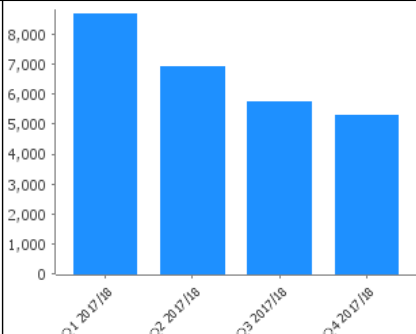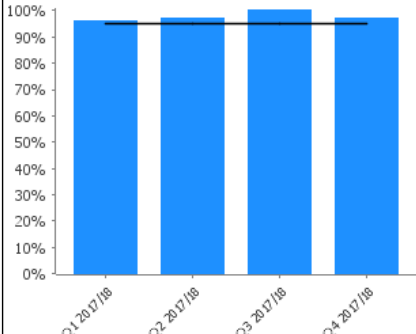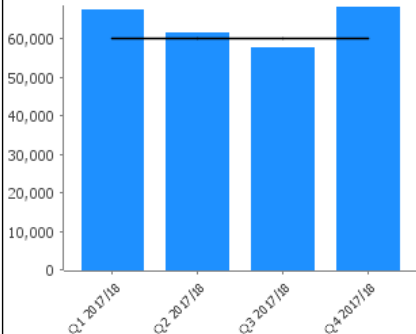
Appendix B - PPMF Performance Indicators (Quarterly)- Chief Executive and Corporate Services Directorate
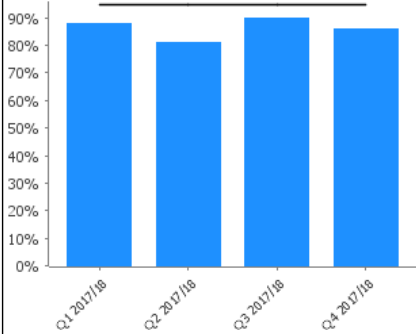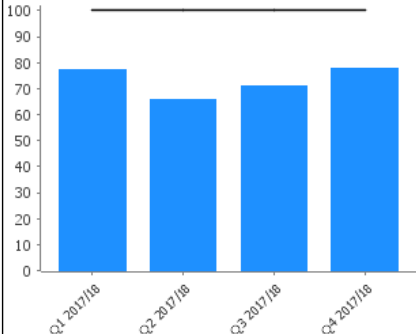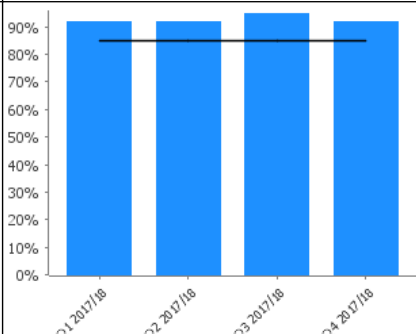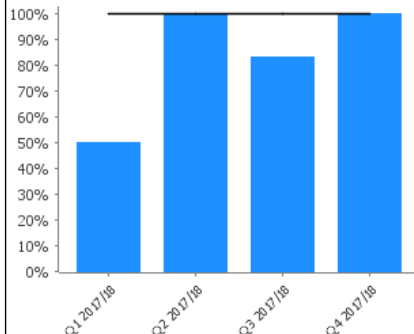
Shetland Islands Council

Code & Short Name	Previous Years		Quarters				Q4 2017/18	Graphs	Past performance & future improvement Statements
	2016/17	2017/18	Q1 2017/18	Q2 2017/18	Q3 2017/18	Q4 2017/18	Q4 2017/18		
	Value	Value	Value	Value	Value	Value	Target		
OPI-4C-A Sick %age - Chief Executive's "Directorate"	1.2%	2.9%	1.1%	2.2%	2.2%	5.9%	4.0%		Performance can be impacted upon by a single longer-term absence. However, these figures are at a positive level and well below the Council target that we expect to maintain. **Improvement**: We will continue to monitor closely and hope to maintain these good results.
OPI-4C-F Sick %age - Corporate Services Directorate	1.9%	2.6%	2.3%	3.4%	2.3%	2.3%	4.0%		**Performance**: Slight decrease in Q3 sickness levels since last Q3 (2.3% compared to 2.5%). **Improvement**: We continue to apply the Council's "maximising attendance" policies and procedures and we predict that the levels in the Directorate will remain below target and well below the average for the Council for 17/18.

Code & Short Name	Previous Years		Quarters				Q4 2017/18	Graphs	Past performance & future improvement Statements
	2016/17	2017/18	Q1 2017/18	Q2 2017/18	Q3 2017/18	Q4 2017/18	Q4 2017/18		
	Value	Value	Value	Value	Value	Value	Target		
OPI-4E-A Overtime Hours - Chief Executive's "Directorate"	187	162	22	39	39	62			**Performance:** The change in this year is due to the Town Hall being closed as a venue while work on the windows is undertaken. **Improvement:** These hours relate to overtime that is necessary to provide staff for evening hires at the Town Hall. The cost of these hours is covered through income.
OPI-4E-F Overtime Hours - Corporate Services Directorate	1,262	1,810	398	488	517	407			**Performance**: Increases in Q3 are mainly due to the extra work of the new Anderson High project. **Improvement**: Current action is cost effective and no improvement action is planned.
OPI-4G-A Employee Miles Claimed - Chief Executive's "Directorate"	1,732	1,509	38	776	424	271			

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Code & Short Name	Previous Years		Quarters				Q4 2017/18	Graphs	Past performance & future improvement Statements
	2016/17	2017/18	Q1 2017/18	Q2 2017/18	Q3 2017/18	Q4 2017/18	Q4 2017/18		
	Value	Value	Value	Value	Value	Value	Target		
OPI-4G-F Employee Miles Claimed - Corporate Services Directorate	24,414	26,635	8,669	6,928	5,751	5,287			**Performance:** Extra mileage due to the move from 8 North Ness, the situation is being monitored. **Improvement:** The increased mileage due to the North Ness move is being monitored. Mileage claimed is within budget and only used when necessary to deliver the service. Managers continue to follow the council's policy on employee mileage.
AX04 % of press releases featured in the local media	97.5%	97.5%	96%	97%	100%	97%	95%		**Performance**: The figure for % of press releases featured in the local media remains consistently above target. **Improvement**: Continue to produce high quality press releases that attract coverage.
AX05 Number of unique visits to the Council's internet site (1000s)	231,344	254,532	67,317	61,507	57,582	68,126	60,000		**Performance**: March 2018's figure of over 25,000 exceeded our target and is the second highest figure recorded. This was mainly due to the period of wintry weather attracting visitors to our 'Adverse Weather' page. **Improvement**: Continue efforts to drive traffic to our website to not only meet but continue to exceed 20,000 unique visits per month.

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Code & Short Name	Previous Years		Quarters					Graphs	Past performance & future improvement Statements
	2016/17	2017/18	Q1 2017/18	Q2 2017/18	Q3 2017/18	Q4 2017/18	Q4 2017/18		
	Value	Value	Value	Value	Value	Value	Target		
F01 FOISA responded to within 20 day limit - Corporate & Executive Services	88.75%	86.25%	88%	81%	90%	86%	95%		115 out of 128 - OSIC Rating = Good
FA10 Performance System Usage - Number of individual users actively using the Council's Performance System	76	73	77	66	71	78	100		**Performance**: Useage has levelled off to a number of "core" users of the system. Many users no longer have to log-on to the system due to new reporting arrangements e.g. web-published scorecards **Improvement**: Targets will be re-examined to asses appropriate levels of usage and encouraging some users to be "expert users" for their areas
FI02 Percentage % of ICT projects which are on time and within budget	93.5%	92.75%	92%	92%	95%	92%	85%		2 out of 24 projects out of exception

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Code & Short Name	Previous Years		Quarters					Graphs	Past performance & future improvement Statements
	2016/17	2017/18	Q1 2017/18	Q2 2017/18	Q3 2017/18	Q4 2017/18	Q4 2017/18		
	Value	Value	Value	Value	Value	Value	Target		
FL01 Data Subject Requests - % responded to within 40 days	81.38%	83.25%	50%	100%	83%	100%	100%		3 out of 3

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Appendix B (cont) - Sickness Absences - All Directorates (for comparison)

NOTE: Sickness absences are seasonal, therefore quarters are compared to the same quarters in previous years

Generated on: 03 May 2018

Short Name	Years				2 years ago	Last year	This year
	2014/15	2015/16	2016/17	2017/18	Q4 2015/16	Q4 2016/17	Q4 2017/18
	Value	Value	Value	Value	Value	Value	Value
Sickness Percentage - Whole Council	4.2%	3.7%	3.1%	4.0%	4.0%	4.1%	5.0%
Sick %age - Chief Executive's "Directorate"	2.4%	3.5%	1.2%	2.9%	7.3%	2.0%	5.9%
Sick %age - Children's Services Directorate	3.7%	2.9%	2.5%	3.5%	3.4%	3.3%	5.0%
Sick %age - Community Health & Social Care Directorate	6.0%	5.6%	5.2%	6.3%	5.6%	7.4%	6.7%
Sick %age - Corporate Services Directorate	2.4%	1.8%	1.9%	2.6%	2.4%	2.4%	2.3%
Sick %age - Development Directorate	4.2%	3.5%	2.9%	2.8%	3.4%	3.1%	3.6%
Sick %age - Infrastructure Directorate	4.0%	3.8%	2.4%	3.2%	4.1%	2.7%	4.4%

Appendix C - Complaints - Chief Executive & Corporate

This shows all complaints that were open during the Quarter.
Frontline complaints should be closed within 5 working days
Investigations should be closed within 20 working days

Generated on: 03 May 2018

Failure to provide a service

ID	Stage Title	Received Date	Status	Closed Date	Service/Directorate	Days Elapsed	Complaint Upheld?
COM-17/18-709	Investigation	19-Jan-2018	Closed	13-Mar-2018	Governance & Law	36	Partially Upheld

Standard of service received

ID	Stage Title	Received Date	Status	Closed Date	Service/Directorate	Days Elapsed	Complaint Upheld?
COM-17/18-719	Investigation	22-Jan-2018	Closed	22-Feb-2018	Human Resources	25	

Appendix D - Summary of ALL Service Plan actions for the Directorate for 2017/18

Generated on: 03 May 2018

Audit, Risk & Improvement

Code & Title	Start Date	Due Date	Progress
SP340 Agree risk based audit plan for 17/18 in conjunction with CMT & Directors	27-Jan-2017	21-Jun-2017	100%
SP596 Revise Covalent user security.	14-Jun-2016	30-Jun-2017	100%
SP623 Publish 2017/18 Service Plans on Internet	01-Mar-2017	30-Jun-2017	100%
RM008 Develop CORE data management & bespoke reporting to suit wide range of users	15-Jun-2016	31-Aug-2017	100%
SP622 2016/17 Public Performance Reporting Submission	01-Sep-2017	31-Aug-2017	100%
SP630 Initiate Quarterly Risk Reporting	18-Jul-2017	27-Sep-2017	100%
SP627 Set up 2018/19 Service Plans on Covalent	29-Mar-2017	28-Feb-2018	100%
SP628 Carry out 17/18 risk check programme.	03-Apr-2018	31-Mar-2018	100%
SP634 CORE system development	03-Apr-2018	31-Mar-2018	100%
SP626 Agree risk based audit plan for 18/19 in conjunction with CMT & Directors	29-Mar-2017	30-Apr-2018	100%
SP621 Internal Audit - 2017/18 Plan	19-Jun-2017	31-May-2018	98%
SP624 Performance Management reviews of Services	01-Feb-2018	31-May-2018	40%
SP025 Performance Management Framework	15-Jan-2016	01-Jun-2018	50%
SP597 Covalent policies and procedures revised and developed.	29-Mar-2017	30-Jun-2018	50%
SP632 Assess risk management against national performance standard.		31-Jul-2018	0%
SP631 Report on organisations progress against Risk Management Startegy	25-Jun-2017	30-Sep-2018	40%
SP753 Trial Pentana as replacement for FOI database	15-Mar-2018	30-Oct-2018	20%

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Capital Programme

Code & Title	Start Date	Due Date	Progress
SP355 Perishable Groceries and Provisions	01-May-2017	30-Sep-2017	100%
SP669 Market Street conversion	01-Mar-2017	30-Sep-2017	100%
SP670 Lerwick Library Refurbishment	01-Sep-2016	30-Sep-2017	15%
SP357 Aids for Daily Living	18-Apr-2016	02-Oct-2017	100%
SP673 Contract Standing Orders and Procurement Strategy roll-out	27-Jul-2017	30-Nov-2017	100%
SP675 Supplier development seminar	14-Sep-2017	14-Dec-2017	100%
SP676 Commissioning & Procurement Framework	01-Apr-2017	31-Mar-2018	35%
SP671 AHS Gressy Loan site	01-Apr-2017	30-May-2018	0%
DP035 Future use of existing AHS site at Knab	10-Apr-2015	31-May-2018	50%
DP217 Property rationalisation	18-Feb-2015	31-May-2018	80%
DP216 Complete Commissioning Guidance	01-Mar-2017	27-Jun-2018	20%
DP162 Property rationalisation	01-Mar-2017	31-Mar-2021	10%

Executive Services

Code & Title	Start Date	Due Date	Progress
SP650 Member Induction	01-Nov-2016	31-Mar-2018	100%
DP206 Communications	01-Apr-2017	31-Mar-2019	50%
DP151 Customer First	01-Apr-2017	31-Mar-2020	30%
SP512 Islands Deal	01-Apr-2016	31-Mar-2020	20%
SP514 Town Hall Marketing and Promotion	01-Apr-2017	31-Mar-2020	50%
DP037 Council's Constitutional Reform project and OIOF campaign	01-Apr-2013	31-Mar-2022	50%
SP515 Member Development Programme	01-Feb-2017	31-Mar-2022	20%

Finance

Code & Title	Start Date	Due Date	Progress
SP480 Implement Integra Mobile	01-Apr-2016	30-Sep-2017	100%
SP619 Electronic RSCW Timesheet	24-Nov-2017	30-Sep-2017	100%
SP614 Auto-enrolment	01-Sep-2017	01-Oct-2017	100%
SP622 8 North Ness Repatriation	22-Feb-2018	31-Jul-2018	5%
SP068 Migration from CHRIS 7 to CHRIS 8.	10-Apr-2015	01-Oct-2018	60%
SP620 E-invoicing	04-Jun-2018	30-Nov-2018	0%
SP485 Digital First	04-Jun-2018	31-Dec-2018	0%
SP617 Payroll Intranet Page	15-Feb-2018	31-Dec-2018	50%
SP482 Pension Reform - GMP Reconciliation	01-Apr-2016	31-Mar-2019	20%
SP615 Business Transformation Progress	01-Apr-2017	31-Mar-2019	0%
SP618 Pensions Website	15-Feb-2018	31-Mar-2019	5%
DP161 Medium Term Financial Plan		30-Jun-2019	0%
DP160 Participatory budgeting expectations	01-May-2017	30-Sep-2019	5%
SP616 Pension Member Self Service Facility		31-Dec-2020	0%
SP059 Welfare Reform changes	10-Apr-2015	31-Mar-2022	30%
SP621 Building Better Business Cases	07-Jan-2018	31-Dec-2023	0%

Governance & Law

Code & Title	Start Date	Due Date	Progress
SP708 Court Training - Customer Focus Strategy	01-Apr-2017	30-Nov-2017	100%
SP701 Business Transformation Programme (Customer Focus)	01-May-2017	31-Dec-2017	100%
SP706 High standards of governance	01-Apr-2016	31-Dec-2017	100%

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Code & Title	Start Date	Due Date	Progress
SP499 Tender Process for Insurance Business	07-Nov-2016	28-Feb-2018	100%
SP700 Customer Focus Strategy	01-Apr-2017	30-Mar-2018	5%
DP156 Information Management & Improvement	20-Mar-2017	31-Mar-2018	100%
DP220 Insurance project	30-Aug-2017	23-May-2018	95%
DP221 General Data Protection Regulation (GDPR)	01-Dec-2017	30-May-2018	15%
SP072 Community Resilience across Shetland	20-Oct-2015	31-Aug-2018	25%
SP493 Licensing Board Policy	22-Sep-2017	30-Nov-2018	20%
SP501 Covalent Access		31-Dec-2018	0%

Human Resources

Code & Title	Start Date	Due Date	Progress
SP367 Produce Equal Pay Audit Action Plan	04-Mar-2016	01-Apr-2017	100%
DP042 Develop CHRIS workforce development module	10-Apr-2015	30-Apr-2017	100%
SP375 Job Evaluation Scheme - 3rd edition	23-May-2016	31-May-2017	100%
SP373 New Workforce Development procedures	23-Feb-2016	31-Aug-2017	100%
SP369 Work to develop and deliver 'Aspiring managers and leaders' programme	25-Oct-2016	31-Jan-2018	100%
SP642 GDPR	05-Mar-2018	31-May-2018	35%
SP644 Launch council-wide approach to workforce planning	05-Mar-2018	31-May-2018	25%
SP380 New Occupational Road Risk Policy	21-Nov-2015	29-Jun-2018	60%
SP641 Employee Benefits Package	02-Oct-2017	29-Mar-2019	30%
SP640 Digital Leadership Skills	05-Mar-2018	30-Apr-2019	60%
DP153 Implement Workforce Strategy	25-Oct-2016	31-Mar-2020	65%
SP710 Employability	05-Jun-2017	31-Mar-2020	40%

Code & Title	Start Date	Due Date	Progress
DP160 Employee Engagement	01-Dec-2017	31-Mar-2021	50%

Information & Communication Technology

Code & Title	Start Date	Due Date	Progress
BG S2081 Yammer/Jabber project to create connections between staff	07-Dec-2016	16-Jun-2017	100%
BG S2064 Mobile devices in schools	17-Mar-2017	25-Jun-2017	100%
AP S3746 AHS - Computer Suite Software Installation by Pupils	17-May-2017	13-Oct-2017	100%
JC 9480 AHS ICT Provision	31-Mar-2017	31-Oct-2017	100%
SP504 New Anderson High School – ICT works	28-Sep-2016	31-Oct-2017	100%
AP 24154 Office365 for Schools	21-Nov-2016	01-Dec-2017	100%
SP511 Data Protection Guidance Review	12-Jan-2016	31-Dec-2017	100%
AP 1674 Integra Mobile	07-Oct-2015	23-Feb-2018	70%
AH S3640 Digital First	09-May-2017	28-Feb-2018	80%
SP510 Public Facing Website Review and Content Management System Project	02-May-2017	31-Jul-2018	5%
DP078 New HR ICT system	10-Apr-2015	01-Oct-2018	60%
SP512 Social Care System Replacement		31-Mar-2019	0%
DP155 Digital First	11-Apr-2017	31-Jul-2019	70%
DP075 Work to improve broadband availability and bandwidth to SIC sites	01-Apr-2014	31-Mar-2020	60%

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		Agenda Item
Shetland Islands Council		**2**

Meeting(s):	Policy and Resources Committee Shetland Islands Council	22 May 2018 23 May 2018
Report Title:	Management Accounts for Community Health and Social Care 2017/18 – Draft Outturn	
Reference Number:	F-034	
Author / Job Title:	Jonathan Belford, Executive Manager - Finance	

1.0 Decisions / Action required:

1.1 The Policy and Resources Committee NOTES the Management Accounts for the Community Health and Social Care Directorate showing the draft outturn position for 2017/18*;*

1.2 NOTE the proposed budget carry-forwards, which will be included in the overall Draft Outturn report to be presented for approval at Policy & Resources Committee on 18 June 2018; and

1.3 The Policy and Resources Committee RECOMMENDS to the Council that they approve an increase in the payment for 2017/18 to the Community Health and Social Care Partnership Integration Joint Board of £0.140m, recognising the transfer of Cost Pressure and Contingency budget held by the Council in respect of Apprentice Levy costs and other minor budget changes, as detailed at 4.2 below. This will increase the payment for 2017/18 to £20.924m.

2.0 High Level Summary:

2.1 The purpose of this report is to enable the Policy and Resources Committee to note the financial performance of services within the Community Health and Social Care Directorate. This report shows the financial consequences of the service performance detailed in the Community Health and Social Care Directorate performance report (reported to the Integration Joint Board (IJB)) and will be subject to final accounting and audit adjustments as part of the year-end accounts process.

2.2 This report forms part of the financial governance and stewardship framework which ensures that the financial position of the Council is acknowledged, understood and quantified on a regular basis. It provides assurance to the Corporate Management Team and the Committee that resources are being managed effectively.

2.3 Since the approval of the 2017/18 budget, revisions to the budget have been incorporated. Therefore, this report refers to the revised budget.

2.4 The Council delegated the functions of the Community Health and Social Care

Directorate to the IJB. The Council and NHS Shetland approve a contribution to the IJB, and then receive a distribution of those resources from the IJB to carry out services as directed by it. Management accounts showing the financial position for all delegated functions of the IJB are prepared and presented by the Chief Financial Officer (CFO) to the IJB on a quarterly basis to ensure adequate financial monitoring can be performed by the IJB.

3.0	Corporate Priorities and Joint Working:

3.1   There is a specific objective in the Corporate Plan that the Council will have excellent financial management arrangements to ensure that it continues to keep a balanced and sustainable budget, and is living within its means; and that the Council continues to pursue a range of measures which will enable effective and successful management of its finances over the medium to long term. This involves correct alignment of the Council's resources with its priorities and expected outcomes, and maintaining a strong and resilient balance sheet.

3.2   The IJB's vision, aims and strategic objectives are set out in the Integration Scheme and the Strategic Plan 2017-20. The IJB is provided with quarterly Financial Monitoring Reports to enable the IJB to manage in year financial performance of the integrated budget and to monitor performance against the Strategic Commissioning Plan.

4.0	Key Issues:

4.1   This report presents the draft outturn position for 2017/18 against the revenue budgets distributed by the IJB as at the end of the financial year.   The report also presents the draft capital outturn position for the Community Health and Social Care Directorate as at the end of the financial year. The capital budgets are not delegated to the IJB.

4.2   The Council has approved a contribution to the IJB of £19.216m in February 2017, forecasting that it would receive £20.494m in order to deliver the range of services, as defined by the IJB's Strategic Plan. In June 2017, a further contribution of £620k was agreed in respect of revenue budget carry-forwards. In March 2018, it was agreed to further increase the contribution by £932k based on the application of cost pressure and contingency budget and various other minor budget changes. A final increase of £140k is proposed to the contribution based on the application of cost pressure and contingency budget and various other minor budget changes, which will increase the budget delegated to the IJB to £20.924m.

4.3   The draft revenue outturn position against the revised budgets delegated to the IJB is an underspend of £509k, after anticipated cost pressure and contingency budget is applied. The draft outturn includes specific grant funding which was not spent in full during the year and will required to be carried to 2018/19 totalling £154k.

4.4   The projected capital outturn position for the Community Health and Social Care Directorate is an overspend of £342k against the revised budget.

4.5   See appendices 1 and 2 attached for detailed information on the revenue and capital outturn positions.

4.6   In line with the Council's budget carry forward scheme, services have requested specific revenue budget carry-forwards of £154k.

4.7	It is proposed that Cost Pressure and Contingency budget of £94k be applied to Community Health and Social Care Directorate's overall budgets, to recognise the costs of the apprenticeship levy. Minor budget changes within the Community Health and Social Care Directorate which amount to a total increase in the budget of £46k are also proposed.
4.8	The strategic planning and distribution of funding for the services of the Community Health and Social Care Directorate for 2017/18 has been delegated to the IJB. The focus of this report is to allow Members to understand the Council's performance in managing the financial aspects of service delivery. This is different from the overall financial position of the IJB. The overall position of the IJB is relevant however in terms of the impact that the financial position might have on the Council. An example of this is where overspending has occurred by one, or both of the partners, then with reference to the Integration Scheme there is a process that requires to be followed. This is of relevance to the Council, as a partner and a funder.
4.12	The draft outturn report for the IJB overall is attached at Appendix 3 for reference.
4.13	Members will note there is a projected overspend in the NHS Shetland (NHSS) arm of the IJB budget (£2.329m) and a projected underspend in the Council arm of the IJB budgets. £0.509m.
4.14	The Integration Scheme sets out how over/under spends affecting the budgets allocated for the delegated functions will be addressed.
4.15	The IJB has a Recovery Plan in place (see Appendix 4) to address the efficiency savings required within NHSS delegated budget in 2017/18. It should be noted that, despite the overspend forecast in the NHSS arm of the IJB budget at the end of the year, NHSS have a small draft underspend overall and has agreed to provide the IJB with an additional one-off payment to balance their arm of the budget.
4.16	The Council draft underspend is fortuitous, and as such, a one-off repayment will be made by the IJB to balance our arm of the budget.

5.0	Exempt and/or confidential information:
5.1	None.

6.0	Implications :
6.1 Service Users, Patients and Communities:	There are no implications.
6.2 Human Resources and Organisational Development:	There are no implications.
6.3 Equality, Diversity	There are no implications.

and Human Rights:	
6.4 **Legal:**	There are legal implications with regard to the delegation of statutory functions of the Council and NHSS to the IJB by each Party in order to deliver the delegated functions for that Party. These are set out in the Public Bodies (Joint Working) (Scotland) Act 2014, the associated Regulations and Guidance. The Council, NHSS and the IJB must adhere to the terms of the Integration Scheme approved by the Scottish Government under the terms of the Public Bodies Act. This includes a section on Finance with details regarding the treatment of under/overspends.
6.5 **Finance:**	The overall draft outturn for the Council does not require a draw on reserves in excess of the returns that the fund managers can make on average in a year, and therefore demonstrates that the Council is living within its means. The Directorate of Community Health and Social Care is spending less than its revised budget.
6.6 **Assets and Property:**	There are no implications.
6.7 **ICT and new technologies:**	There are no implications.
6.8 **Environmental:**	There are no implications.
6.9 **Risk Management:**	The recovery plan, put in place due to the overspends that are inherent in NHSS delegated functions, poses a risk to the Council as a partner, because the level of savings required has not been achieved in successive years, with reliance required on non-recurring savings in-year in order for NHSS to breakeven. This risk was mitigated in 2016/17 as NHSS have agreed to make an additional contribution to cover this overspend, however NHSS have indicated that they may not be able to do so in future years. There is also a risk to the Council that the redistribution of resources from service redesign projects, transferring care from acute hospital services within NHSS to community care, will not happen. The Community Health and Social Care Directorate maintains its own Risk Register and includes consideration of the actions which may be used to mitigate the risk not achieving full use of the Integrated Care Fund. The Integration Scheme includes a dispute resolution mechanism which should be followed where either of the Parties fails to agree with the other on any issue related to the

	Integration Scheme, including financial issues.
6.10 Policy and Delegated Authority:	Section 2.1.2(3) of the Council's Scheme of Administration and Delegations states that the Committee may exercise and perform all powers and duties of the Council in relation to any function, matter, service or undertaking delegated to it by the Council. The Council approved both revenue and capital budgets for the 2017/18 financial year. This report provides information to enable the Committee to ensure that the services within its remit are operating within the approved budgets. The Council's Financial Regulations state that the Executive Manager - Finance has a responsibility to ensure that detailed monitoring by Directors and Executive Managers is carried out and that the Council will determine the reporting content, timescale, frequency and receiving committee(s) required for monitoring statements and the Executive Manager - Finance will be responsible for ensuring compliance with this.	
6.11 Previously considered by:	*n/a*	*n/a*

Contact Details:

Sheila Duncan, Management Accountant, sheila.duncan@shetland.gov.uk, 22 May 2018

Appendices:

Appendix 1 - Community Health and Social Care Directorate Draft Revenue Outturn Position for 2017/18
Appendix 2 - Community Health and Social Care Directorate Draft Capital Outturn Position for 2017/18
Appendix 3 - Overall Draft Outturn Position for the Integration Joint Board for 2017/18
Appendix 4 - Draft Outturn Position for the IJB Recovery Plan

Background Documents:

SIC Budget Book 2017/18, SIC 15 February 2017
http://www.shetland.gov.uk/coins/submissiondocuments.asp?submissionid=20520

Community Health and Social Care

1. Projected Revenue Outturn Position 2017/18

Revised 2017/18 Approved Delegated Budget Q3 £000	Cost Pressure & Contingency Budget Applied Qtr 4 £000	Misc Budget Changes Qtr 4 £000	IJB Service Heading	2017/18 Revised Delegated Budget £000	Draft Outturn (inc central costs) 2017/18 £000	Draft Outturn Variance 2017/18 £000
516	2	143	Mental Health	661	616	45
223	-	-	Substance Misuse	223	196	27
1,066	1	(516)	Directorate	551	233	318
79	0	-	Pensioners	79	76	3
5,078	22	86	Adult Services	5,186	5,099	87
2,472	5	43	Adult Social Work	2,520	2,394	126
10,714	60	211	Community Care Resources	10,985	11,255	(270)
26	1	-	Criminal Justice	27	16	11
1,446	3	49	Occupational Therapy	1,498	1,472	26
426	0	30	Scottish Government Additionality Funding	456	320	136
22,046	**94**	**46**	**Total Controllable Costs** - including specific grant to be carried forward	**22,186**	**21,677**	**509**
			Specific Grant to be carried forward:			
			Scottish Government Additionality Funding*			(136)
			Carers Support Funding			(10)
			Self-Directed Support Funding			(8)
			Total Controllable Costs			**355**

This funding carry-forward will be recognised as an underspend for the IJB for 2017/18 and transferred to their Reserve.

The above table shows the draft outturn variance for 2017/18, after the application of Cost Pressure and Contingency Budgets to the Community Health and Social Care Directorate and reflecting the impact of other minor budget changes increasing the overall budget by £94k and £46k, respectively in quarter 4. The Cost Pressure and Contingency Budget is proposed to be applied in respect of apprenticeship levy costs and address other minor budget changes. The details of proposed specific budget carry-forwards are also included above for reference.

1.1 Directorate – draft outturn underspend of £318k (58%)

The draft underspend mainly relates to:

- the inability to use the full 2016/17 carry-forward funding due to delays in getting projects and recruitment underway, £129k;
- training budgets for the year have been held centrally within Directorate but costs have been applied to service areas. Although projected underspend of £128k is shown in the Directorate, actual expenditure across the services means this is fully spent.

All savings are deemed one-off.

1.2 Adult Services – draft outturn underspend of £87k (2%)

There are no signficicant individual draft underspends in this service. The overall underspend relates to minor underspending in employee cost, payments to third sector organistions and some overachievement in charging income.

All savings are deemed one-off.

1.3 Adult Social Work – draft outturn underspend of £126k (5%)

The draft underspend mainly relates to:

Projected underspend on employee costs due to maternity leave not back-filled, a vacant post within the Admin Team and the impact of staff who are new to posts starting on a lower grade than budgeted, £96k.

1.4 Community Care Resources – draft outturn overspend of (£270k) (2%)

The draft overspend is mainly due to:

- projected overspend in employee costs in many of the care homes (£187k), notably Edward Thomason House (£92k) and Wastview (93k) due to long-term staff sickness. This has been off-set by smaller projected underspending in employee costs at Overtonlea, Isleshavn

and Nordalea, totalling £66k, due to less demand for care at home services at times allowing these staff to be used to back-fill residential shifts, avoiding the use of relief staff. Difficulty in recruiting staff has led to temporary bed closures during the year at both Wastview and Isleshavn, also impacting on staffing costs;

- projected underspend in employee costs in Care At Home Central, £151k, due to vacant posts which have proved difficult to recruit to. Demand for care at home services have been less than budgeted during the year, but the vacancies have led to some unmet need, particularly in home help services;
- projected cost of agency staff employed in areas where we are having difficulty recruiting and have experienced significant sickness levels, (£198k);
- projected underachievement of Board and Accommodation income which can vary significantly from budget as it is dependent on the financial circumstances of those receiving care. Charging income has also been reduced due to legislation which requires charges to be waived where the care is for the benefit of the carer, rather than the person receiving care, (£69k).

1.5 Scottish Government Additionality Funding – draft outturn underspend £136k (30%)

The IJB was allocated £1.474m 'Additionality Funding' from the Scottish Government (SG) for 2017/18. As per SG guidance, £852k of the overall funding will be used to help meet a range of continuing cost pressures faced by local authorities in the delivery of effective and high quality health and social care services. This allocation is distributed by the NHS Shetland to the IJB rather than from the Council. The remaining £622k is provided to support additional spend on expanding social care to support the objective of integration. In 2017/18 £456k of the remaining funding has been allocated to the Council.

It was agreed that £348k of this funding would be used to support the increased demand for Self-Directed Support packages. This is however difficult to predict as packages can vary greatly in value, so the addition of further packages or changes to existing packages can have a significant financial impact. A draft underspend of £136k is expected for the year.

A further £78k allocation of this funding has been allocated to cover the cost of one full-time social worker and one full-time administration worker who specifically focus on expediting timely hospital discharges. It is anticipated that this funding will be fully spent.

Finally, £30k of one-off funding in respect of Carers Implementation was allocated to the Council. It is anticipated that this funding will be spent in full.

Community Health and Social Care

2. Draft Capital Outturn Position 2017/18

Overall Projected Outturn Variance £000	Service	2017/18 Revised Budget £000	2017/18 Draft Outturn £000	2017/18 Draft Variance £000	Slippage Required in 2018/19 £000	2017/18 Overall Draft Outturn Variance £000
0	Director of Community Care	8	8	0	0	0
0	Adult Services	2,757	3,079	(322)	0	(322)
(35)	Community Care Resources	0	20	(20)	0	(20)
(35)	**Total Controllable Costs**	**2,765**	**3,107**	**(342)**	**0**	**(342)**

An explanation for the main draft outturn variances by service are set out below.

2.1   Adult Services – draft outturn overspend (£322k) (12%)

The replacement Eric Gray Resource Centre project is running ahead of schedule and is still on track to be delivered within overall budget. The draft overspend therefore relates to payments being due to the contractors sooner than expected. This will result in lower capital expenditure in 2018/19.

2.2   Community Care Resources – draft outturn overspend of (£20k) (100%)

The projected overspend relates to Capital Projects time allocated to the Edward Thomason and Taing House Extension project for snagging and preparation of the final account. The overspend is to be funded as part of the spend to save project.

Community Health and Social Care

3. Draft Overall Outturn Position for the Integration Joint Board

Service Headings	2017/18 Approved Delegated Annual Budget £000	2017/18 Revised Delegated Annual Budget £000	Draft Outturn for 2017/18 £000	Budget v Draft Outturn Variance (Adv)/ Pos £000
Mental Health	1,972	2,090	2,260	(170)
Substance Misuse	676	625	568	57
Oral Health	3,123	3,317	3,248	69
Pharmacy & Prescibing	6,698	6,349	6,346	3
Primary Care	4,571	4,497	5,318	(821)
Community Nursing	2,330	2,669	2,710	(41)
Directorate	535	645	223	422
Pensioners	78	79	76	3
Sexual Health	38	44	46	(2)
Adult Services	5,010	5,240	5,146	94
Adult Social Work	2,386	2,520	2,394	126
Community Care Resources	10,032	10,985	11,255	(270)
Criminal Justice	18	27	16	11
Speech & Language Therapy	83	71	72	(1)
Dietetics	112	104	97	7
Podiatry	225	223	218	5
Orthotics	143	140	120	20
Physiotherapy	603	551	544	7
Occupational Therapy	1,555	1,668	1,641	27
Health Improvement	310	232	203	29
Unscheduled Care	3,190	2,976	3,534	(558)
Renal	145	188	214	(26)
Scottish Government Additionality 16/17	512	512	331	181
Scottish Government Additionality 17/18	110	110	53	57
Integrated Care Funding	410	447	400	47
Recovery Plan	(2,529)	(2,055)	(450)	(1,605)
Total Controllable Costs	**42,336**	**44,254**	**46,583**	**(2,329)**

3.1 Draft outturn overspend at 31 March 2018 (£2.329m) (5%)

The current projected outturn to the end of March 2018 for the IJB is an overall adverse variance of £2.329m which represents a projected underspend of £509k in the Council arm of the budget, and a projected overspend in NHS Shetland arm of (£2.838m).

Community Health and Social Care

4. Draft Outturn Position for the IJB Recovery Plan for 2017/18

	Directly Managed Services £000	Set-Aside Services £000	TOTAL £000
Full savings required by Recovery Plan	2,079	450	2,529
Savings achieved	(474)	(450)	(924)
Unachieved savings	**1,605**	**0**	**1,605**

4.1 Of the £924k savings identified above, £745k represents recurring savings and £179k are non-recurrent.

4.2 The IJB has a Recovery Plan in place to address the efficiency savings required within NHSS delegated budgets in 2017/18. Despite the draft overspend forecast in the NHSS arm of the IJB budget at the end of the year, NHSS has a small draft underspend overall for 2017/18 and has agreed to provide the IJB with an additional one-off payment to balance their arm of the budget.

Meeting(s):	Policy and Resources Committee	22 May 2018
Report Title:	Management Accounts for **Policy and Resources** Committee: 2017/18 – Draft Outturn	
Reference Number:	F-045–F	
Author / Job Title:	Jonathan Belford, Executive Manager - Finance	

1.0   Decisions / Action required:

1.1   The Policy and Resources Committee **NOTES** the Management Accounts showing the draft outturn position for 2017/18; and

1.2   Note the proposed budget carry-forwards, which will be included in the overall Draft Outturn report to be presented for approval at Policy & Resources Committee on 18 June 2018.

2.0   High Level Summary:

2.1   The purpose of this report is to enable the Policy and Resources Committee to note the financial performance of services within its remit for the 2017/18 financial year. This report shows the financial consequence of the service performance for the year detailed in the Executive and Corporate Services Directorate performance report, and will be subject to final accounting and audit adjustments as part of the year-end accounts process.

2.2   This report forms part of the financial governance and stewardship framework, which ensures that the financial position of the Council is acknowledged, understood and quantified on a regular basis. It provides assurance to the Corporate Management Team and the Committee that resources are being managed effectively.

2.3   Since the approval of the 2017/18 budget, revisions to the budget have been incorporated. Therefore, this report refers to revised budgets.

3.0   Corporate Priorities and Joint Working:

3.1   There is a specific objective in the Corporate Plan that the Council will have excellent financial management arrangements to ensure that it continues to keep a balanced and sustainable budget and is living within its means. In addition, the Council continues to pursue a range of measures, which will enable effective and successful management of its finances over the medium to long term. This involves correct alignment of the Council's resources with its priorities and expected outcomes, and maintaining a strong and resilient balance sheet.

4.0   Key Issues:

4.1   This report presents the draft outturn position for 2017/18 for revenue and capital.

4.2 The draft revenue outturn position for the Policy and Resources Committee is an underspend of £530k (4.0%) against the revised budget. However, this includes specific grant income for DWP Initiatives, the Scottish Welfare Fund and Discretionary Housing payments, and other general items totalling £237k which have not been utilised in 2017/18, and will require to be carried forward into 2018/19. This means that services have underspent their budgets by £293k. There were no recurring savings identified. Fund Manager Fees are non-controllable and are £77k underspent.

4.3 The draft capital outturn position for the Policy and Resources Committee is an underspend of £698k, with a requirement for budget carry-forward for slippage of £804k to 2018/19 resulting in a final overspend of £106k (4.5%) against the revised budget.

4.4 In line with the Council's budget carry forward scheme, services have requested revenue budget carry-forwards of £237k on revenue, and £804k on capital.

4.5 The detailed information on the Revenue and Capital draft outturn positions, recurring savings, slippage and carry-forward requests are attached as Appendices 1 and 2 to this report.

5.0	Exempt and/or confidential information:
5.1	None.

6.0	Implications :
6.1 Service Users, Patients and Communities:	There are no implications.
6.2 Human Resources and Organisational Development:	There are no implications.
6.3 Equality, Diversity and Human Rights:	There are no implications.
6.4 Legal:	There are no implications.
6.5 Finance:	The overall 2017/18 draft outturn for the Council does not require a draw on reserves in excess of the returns that the fund managers can make on average in a year, and therefore demonstrates that the Council is living within its means. This Committee is collectively spending less than their revised budget.
6.6 Assets and Property:	There are no implications.

6.7 ICT and new technologies:	There are no implications.	
6.8 Environmental:	There are no implications.	
6.9 Risk Management:	There are no implications.	
6.10 Policy and Delegated Authority:	Section 2.1.2(3) of the Council's Scheme of Administration and Delegations states that the Committee may exercise and perform all powers and duties of the Council in relation to any function, matter, service or undertaking delegated to it by the Council. The Council approved both revenue and capital budgets for the 2017/18 financial year. This report provides information to enable the Committee to ensure that the services within its remit are operating within the approved budgets.

The Council's Financial Regulations state that the Executive Manager - Finance has a responsibility to ensure that detailed monitoring by Directors and Executive Managers is carried out and that the Council will determine the reporting content, timescale, frequency and receiving committee(s) required for monitoring statements and the Executive Manager - Finance will be responsible for ensuring compliance with this. | |
| 6.11 Previously considered by: | *n/a* | *n/a* |

Contact Details:

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steven.brown@shetland.gov.uk
14 May 2018

Appendices:
Appendix 1 - Policy and Resources Committee Revenue Draft Outturn Position for 2017/18
Appendix 2 - Policy and Resources Committee Capital Draft Outturn Position for 2017/18

Background Documents:
SIC Budget Book 2017/18, SIC 15 February 2017
http://www.shetland.gov.uk/coins/submissiondocuments.asp?submissionid=20520

Policy & Resources Committee

1. Revenue Draft Outturn Position 2017/18

Budget v Proj. Outturn Variance Q3 £000	Service	Revised Annual Budget 2017/18 £000	Draft Outturn at Quarter 4 (Adv)/Pos £000	Budget v Draft Outturn Variance at Quarter 4 (Adv)/ Pos £000
33	Executive Services	1,187	1,136	51
42	Council Members	617	570	48
0	Director of Corporate Services	279	278	2
43	Capital Programmes	416	439	(23)
187	Finance	2,911	2,668	243
6	Joint Valuation Board	313	294	18
11	Governance & Law	891	861	31
14	Human Resources	1,434	1,415	20
60	ICT	1,498	1,496	2
27	Audit, Risk & Improvement	382	346	36
	Collective Council Budgets:			
0	Insurance	1,378	1,379	(1)
0	Training	641	663	(22)
0	Office Recharges	1,854	1,882	(28)
0	**Less:** Collective Council Budgets recharged to Harbour Account, Pension Fund, HRA & VJB	(514)	(670)	156
423	**Total Controllable Costs -** Including specific grants to be carried forward	**13,287**	**12,757**	**530**
	Carried Forward Specific Grants:			
(54)	Finance			(71)
	Other Carry-Forward Requests:			
0	Executive Services			(36)
0	Finance			(81)
0	Governance & Law			(1)
0	ICT			(32)
0	Audit, Risk & Improvement			(16)
369	**Total Controllable Costs**	**13,287**	**12,757**	**293**
70	Fund Manager Fees	895	818	77
70	**Total Non-Controllable Costs**	**895**	**818**	**77**

Included in the above table are the projected variances presented as at Quarter 3. The main differences are explained as follows:

- Capital Programmes – (£66k) difference due to office accommodation costs being estimated at budget (note overall outturn costs were lower, however 40% of these are non-controllable).
- Finance - £56k difference due to revised outturns for ring fenced revenue grant funding (DWP Initiatives, Scottish Welfare Fund and Discretionary Housing Payments) and Housing Benefits (Rent Allowances).
- ICT – (£58k) difference to revised outturns for Computer Maintenance and Licence agreements which have arisen primarily due to changes in accounting treatment (increased minimum accrual threshold).

An explanation of the significant outturn variances by service at Quarter 4 are set out below:

1.1   Executive Services – Draft Outturn underspend £51k (4.3%)

This variance is due to:

- Employee Cost savings due to staffing vacancies and a post that was unfilled - £47k.

1.2   Finance – **Draft Outturn underspend £243k (8.3%)**

This variance is due to:

- Employee Cost savings due to long term sick leave, staff members reducing their contracted hours and a post that was unfilled - £54k;
- Some upgrade projects did not progress as planned due to technological, or staffing issues - £61k; and
- Spending on specific ring fenced revenue grant funded projects such as DWP Initiatives, Scottish Welfare Fund and Discretionary Housing Payments is less than budget, however elements of this (£71k) are required to be carried forward into the new financial year - £142k.

1.3   All other service areas have no significant variances

1.4   Fund Manager Fees – **Draft Outturn underspend £77k (8.6%)**

Black Rock introduced a new fee structure which reduced the level of fees paid. Fund Manager Fees are based on the value of the full range of managed investments the Council has for the year, and reflect market valuations and fund manager performance. For financial management purposes they are defined as non-controllable.

Policy & Resources Committee

1.   **Capital Draft Outturn Position 2017/18**

Budget v Projected Outturn Variance at Quarter 3 (Adv)/Pos £000	Service	Revised Annual Budget at Quarter 4 £000	Draft Outturn at Quarter 4 £000	Budget v Draft Outturn Variance at Quarter 4 (Adv)/Pos £000	Slippage Required in 2018/19 £000	Overall Draft Outturn Variance at Quarter 4 (Adv)/Pos £000
578	Capital Programme	1,954	1,218	736	(804)	(68)
0	ICT	414	452	(38)	0	(38)
578	**Total Controllable Costs**	**2,368**	**1,670**	**698**	**(804)**	**(106)**

An explanation of the main variances by service is set out below:

1.1   Capital Programme – Draft Outturn overspend (£68k) (3.5%)

The draft overspend relates to Market St redevelopments which were £68k over budget because the tender for the works came in higher than originally anticipated.

Slippage

A total of £804k budget will be slipped into 2018/19 as follows:

- Lerwick Library Redevelopment – Works delayed until office accommodation issues are resolved and Montfield Offices are available for the decant of Library Staff £690k;
- Town Hall Conservation Project – Outstanding internal work still required to be completed £114k;

1.2   ICT – Draft Outturn overspend (£38k) (8.9%)

No significant variances.

Agenda Item
4

Shetland Islands Council

Meeting(s):	**Policy & Resources Committee** **Shetland Islands Council**	**22 May 2018** **23 May 2018**
Report Title:	**Shetland Islands Council 2017/18 Draft Outturn**	
Reference Number:	**F-038-F**	
Author / Job Title:	**Jonathan Belford** **Executive Manager - Finance**	

1.0	**Decisions / Action required:**

1.1 The Policy & Resources Committee RECOMMENDS that the Council RESOLVES to:
- NOTE the 2017/18 draft outturn position; and
- APPROVE the 2017/18 proposed revenue and capital carry forwards, as detailed in section 7 of Appendix 1 "2017/18 Financial Review".

2.0	**High Level Summary:**

2.1 The purpose of this report is to present the overall draft outturn position for Shetland Islands Council for 2017/18. This is attached as Appendix 1 of the report.

2.2 The draft outturn position has exceeded the target set out in the Medium Term Financial Plan for the year and this successful management of the overall financial resources for 2017/18 is a continuing crucial element of aligning expenditure with available resources, which is a corporate objective.

2.3 With reference to page 4 of Appendix 1 the Council's use of reserves to fund expenditure can be summarised for financial year 2017/18 as follows:
- The total net draw from reserves is £8.500m. This is £8.665m less than the revised net budgeted draw from reserves of £17.165m.
- The General Fund requires a draw of £19.248m;
- The Asset Investment Plan requires a draw of £1.332m; and
- Spend to Save projects a draw of £0.292m.
- The Harbour Account contributes £11.324m; and
- The Housing Revenue Account contributes £1.048m to the Council reserves at the year end.

2.4 All the different Council accounts more than achieved their budgets either through lower service costs or increased income.

2.5 Most significantly the main underspend is on the General Fund which is £3.605m less than the revised budget. This has been achieved through a combination of reduced service spending, underspend of the cost pressure and contingency budget and increased income, in particular from economic development investments.

2.6   The Harbour Account and the Housing Revenue Account both exceeded their budgeted contributions by £1.948m and £1.532m respectively, again through a combination of reduced spending, particularly in relation to the funding of capital expenditure from revenue, and from increased income, an example being the additional income received through the Shetland Gas Plant agreement.

2.7   In relation to using funding from reserves in the future – as a consequence of underspending in 2017/18 - Services have requested carry forwards in line with the Carry Forward Scheme of £6.808m, of which £2.209m is for revenue services, £4.599m for capital projects (including Spend to Save projects).

2.8   In addition there are capital project carry forwards from Services that will be funded from borrowing and these requests amount to £2.655m. This means a total of £9.643m in carry forward commitments will be funded in 2018/19.

2.9   The financial review of the 2017/18 draft outturn position is set out in Appendix 1 to this report. This will be subject to final accounting and audit adjustments as part of the year end accounts preparation process.

2.10   In terms of whether this has been a good year in financial terms then the answer has to be a measured yes.

2.11   It is absolutely clear that the financial limitations defined by the budgets have not been exceeded and there is a positive impact on the financial reserves position of the Council at the year end.

2.12   Investment returns have been positive too at 6.6%, but fall short of the required long-term return rate of 7.3% per annum in order to sustain their use into the future, taking account of inflation. Compensating for this in 2017/18 has been the positive budget outturns and reduced draw from reserves that means the Council is not adversely affected by investment returns of this value in a single year.

2.13   Dig into the detail in the General Fund and additional costs of accommodating children on and off island, and the cost of staffing schools must be seen as a concern for future resource requirements. Similarly the cost of energy, fuel and supplies such as bitumen all appear to be rising with little means of control other than using less of them. Offsetting rising costs are annual savings on staff in some areas due to a shortage of staff wanting to work in those areas or simply because there aren't experienced or qualified people available. Also it is notable that there has for a number of years been an underspend on the economic development grants schemes due to a buoyant economy in Shetland however recent reports indicate a change, which will need to be monitored, as this has been a reliable source of savings which may start to be less certain.

2.14   There were a number of grants that were not utilised during the financial year, either carried forward from previous years or received in 2017/18, for example monies for road repairs and pupil equity funding, which are being carried into 2018/19. A combination of factors contributes to this happening and the Council needs to find ways of delivering on commitments that require to be fulfilled by this funding. It is important for the Council to do so as it would appear that more and more funding is being distributed that is ring-fenced for specific purposes.

2.15   Finally the Asset Investment Plan has again seen slippage in achieving all that was set out to be achieved, with delays [for very real and legitimate reasons] means

that millions of pounds of capital investment has not been achieved during the year, in the General Fund and Harbour Account capital programmes especially. This is offset by very positive progress on the Eric Gray Centre and savings achieved in awarding contracts, for example in roads projects.

2.16   It has been a good year financially and the Council starts into 2018/19 with a budget that is achievable, a lower cost base than it expected in setting the budget, but with challenges ahead to manage demand and the areas of the budget that have proved to be consistently overspending. At the same time the uncertainty of pay award costs in 2018/19 is another aspect will add to the complexity of another financial year.

3.0	Corporate Priorities and Joint Working:

3.1   There is a specific objective in the Corporate Plan on which Finance leads and relates to how the Council seeks to achieve its objectives. This is "Excellent financial-management arrangements will make sure we are continuing to keep to a balanced and sustainable budget, and are living within our means."

3.2   The Council continues to pursue a range of measures which will enable effective and successful management of its finances over the medium to long term. This involves correct alignment of the Council's resources with its priorities and expected outcomes, and maintaining a strong and resilient balance sheet.

4.0	Key Issues:

4.1   The net draw from reserves is substantially less than the target set out in the MTFP which will help to support the Plan going forward.

4.2   This year the value of Council investments has increased by 6.6% which is much lower than last year where there was growth of 22.9%. Overall the investment returns withdrawal policy included in the MTFP remains robust due to its long-term nature, which means that the Council can maintain annual contributions to the revenue budget in the medium to long term despite not achieving the targeted 7.3% return in a single year.

4.3   The carry forwards proposed can be met from the 2017/18 underspend and therefore will not negatively impact upon the MTFP going forward.

4.4   The review of the Council accounts and financial position as at the end of 2017/18 is contained within the "2017/18 Financial Review" attached as Appendix 1.

5.0	Exempt and/or confidential information:

5.1   None.

6.0	Implications:

6.1 Service Users, Patients and Communities:	There are no implications arising from this report, any issues will be highlighted in the service committee reports.

6.2 **Human Resources and Organisational Development:**	There are no implications arising from this report, any issues will be highlighted in the service committee reports.
6.3 **Equality, Diversity and Human Rights:**	There are no implications arising from this report, any issues will be highlighted in the service committee reports.
6.4 **Legal:**	There are no implications arising from this report, any issues will be highlighted in the service committee reports.
6.5 **Finance:**	There is a net draw on reserves required to balance the budget in 2017/18 of £8.500m (unaudited figure) which is £8.665m less than the revised net budget of £17.165m. Services have requested £9.463m of carry forwards for both revenue and capital projects. This will require funding from Council reserves of £6.808m and borrowing of £2.655m. The Council is committed to providing an ongoing contribution from reserves to balance its budget in the medium to long-term and to do this must manage those reserves, and the investments that are funded by them, effectively to ensure this is both achievable and is delivered so that front-line services can be supported on an ongoing basis by the Council. Using Council reserves will therefore continue to feature as part of budget setting however the inevitability of rising costs and expected reductions in government funding means that there is a continuing need to identify savings, efficiencies and income generation, to ensure that the Council can demonstrate its ability to live within its means year on year over the medium to long term.
6.6 **Assets and Property:**	There are no implications arising from this report, any issues will be highlighted in the service committee reports.
6.7 **ICT and new technologies:**	There are no implications arising from this report, any issues will be highlighted in the service committee reports.
6.8 **Environmental:**	There are no implications arising from this report, any issues will be highlighted in the service committee reports.
6.9 **Risk Management:**	There are no implications arising from this report, any issues will be highlighted in the service committee reports.
6.10 **Policy and Delegated Authority:**	Section 2.1.2(3) of the Council's Scheme of Administration and Delegations states that the Committee may exercise and perform all powers and duties of the Council in relation to any function, matter, service or undertaking delegated to it by the Council. The Council approved both revenue and capital budgets for the 2017/18 financial year. The Policy &

	Resources Committee has delegated authority for securing the co-ordination, control and proper management of the financial affairs of the Council, and has referred authority to make recommendations to the Council as to the level of any expenditure not provided for in the annual budgets.
6.11 Previously considered by:	Not applicable.

Contact Details:
Hazel Tait, Team Leader Accountancy, Hazel.Tait@Shetland.gov,uk, 4 May 2018

Appendices:
Appendix 1 – 2017/18 Financial Review: The Council's Draft Outturn Position

Background Documents:
Report: F-034-F Management Accounts for Community Health and Social Care: 2017/18 – Draft Outturn
Report: F-036-F Management Accounts for Development Committee: 2017/18 – Draft Outturn
Report: F-037-F Management Accounts for College Board: 2017/18 – Draft Outturn
Report: F-041-F Management Accounts for Environment & Transport Committee: 2017/18 – Draft Outturn
Report: F-042-F Management Accounts for Harbour Board: 2017/18 – Draft Outturn
Report: F-045-F Management Accounts for Policy & Resources Committee: 2017/18 – Draft Outturn
Report: F-047-F Management Accounts for Education & Families Committee: 2017/18 – Draft Outturn

END

Shetland Islands Council

2017/18 Financial Review

The Council's Draft Outturn Position

Contents

1.0   Executive Summary

1.01   The 2017/18 draft outturn report sets out the actual spending position for the Council.

1.02   The draft outturn position has exceeded the target set out in the Medium Term Financial Plan for the year and this successful management of the overall financial resources for 2017/18 is a crucial step to evidencing the organisation's ability to live within its means and aligning expenditure with available resources, which is a corporate objective.

1.03   This improved financial performance from that which was approved as the budget for 2017/18, has been delivered in an environment that was challenging for the public sector and in the face of increasing costs and changing needs and demands being placed upon it.

1.04   The underspend on revenue and delays experienced in capital expenditure mean that funds require to be carried forward from 2017/18 into 2018/19. The total value of this is £9.463m, of which £2.655m will be funded by borrowing and the balance coming from the Council's own resources, made up from income received but not yet used and Council reserves (£6.808m).

1.05   The total net draw on reserves to balance the budget in 2017/18 of £8.5m, (unaudited figure) is due mainly to underspends across revenue and capital. With the exception of 2015/16 when there was a net contribution to reserves of £5.8m, in the previous 5 years, the draw on reserves were as follows; £5.8m in 2016/17, £2.0m in 2014/15, £14.9m in 2013/14 and £21.5m in 2012/13. The continued good progress is evident with the Council using its reserves at a level that is both affordable and if it were continued at this level would be sustainable.

1.06   The Council has a financial strategy of prioritising the use of its investment returns and the surpluses it generates from the Harbour Account to support front-line services and because of this there is a continuing requirement to draw from reserves – this being the mechanism to access those returns and surpluses. Using Council reserves will therefore continue to feature as part of budget setting however the inevitability of rising costs and expected reductions in government funding means that there is a continuing need to identify savings, efficiencies and income generation, to ensure that the Council can demonstrate its ability to live within its means year on year over the medium to long term.

2017/18 Draft Movement (to)/from Reserves Summary

1.07   The table below shows a draft draw from reserves of £8.5m against a targeted draw of £17.165m giving a reduction in the use of reserves against the revised budget of £8.665m. Also shown is a summary of the carry-forwards that relate to the use of reserves, a sum requested of £6.808m, which will result in an additional draw from reserves in 2018/19, over and above the approved budgets. This is affordable because of the underspend that was achieved in 2017/18.

Spending Area - Reserves	2017-18 Revised Budget £m	2017-18 Actual £m	2017-18 Variance £m	2017-18 Proposed Carry Forwards £m	2017-18 Revised Variance £m
General Fund	22.853	19.248	3.605	1.832	**1.773**
Harbour Account	(9.376)	(11.324)	1.948	1.440	**0.508**
Housing Revenue Account	0.484	(1.048)	1.532	0.157	**1.375**
Asset Investment Plan (Capital Programme)	2.334	1.332	1.002	2.734	**(1.732)**
Spend to Save (Capital and Revenue)	0.870	0.292	0.578	0.645	**(0.067)**
TOTAL DRAW ON RESERVES	**17.165**	**8.500**	**8.665**	**6.808**	**1.857**

Investments Health Check

1.08   The value of the externally invested funds stood at £345.4m on 31 March 2018 (£333.8m 31 March 2017). The valuation of funds invested as at the 31 March 2018 has increased by £11.6m since 31 March 2017; this includes £10m withdrawn from investments to fund cash flow requirements during the year. Having adjusted for those withdrawals, the overall investment return for the financial year was 6.6%.

1.09   The cash flow requirement during the year from investments of £10m was to fund both revenue and capital expenditure.

1.10   The financial year 2015/16 resulted in poor investment returns, and a fall in the value of those investments by 1.2%, which meant that Council investments returns fell behind the anticipated future long term return rate that is required to fund the medium and long-term funding assumptions. In the 2016/17 and 2017/18 financial years, this position was reversed and provides the Council with confidence that it can maintain annual contributions to the revenue budget in the long term.

1.11   That said, the investment return of 6.6% for 2017/18 is below the 7.3% rate needed to grow the investment values sufficiently to contribute to the budget annually and allow that sum to be protected against inflation. It serves as a reminder of the uncertain nature of investment returns and that they never move forward following a smooth path, the Council needs to be prudent in ensuring investment returns will be recurring over the long term.

1.12   The latest values will be reflected in the updated Medium Term Financial Plan in June 2018. However, it is important to recognise that stock market values will fluctuate from year to year, and this should not form a basis for altering the current course so that the Council can continue to set affordable budgets and address the medium to long-term financially sustainability challenges.

2.0   The 2017/18 General Fund

2.01   The 2017/18 General Fund budget and actual comparison is set out in the table below:

Line No.	Description	2017-18 Revised Budget £000	2017-18 Actual £000	2017-18 Variance £000	2017-18 Proposed Carry Forwards £000	2017-18 Revised Variance £000
1	Chief Executive & Cost of Democracy	1,805	1,706	99	36	63
2	Children's Services	40,007	40,417	(410)	165	(575)
3	Community Health & Social Care	20,784	20,386	398	18	380
4	Corporate Services	8,126	7,797	329	200	129
5	Development Services	14,723	13,997	726	200	526
6	Infrastructure Services	19,193	18,737	456	621	(165)
	Centrally Managed Budgets:					
7	Energy	2,463	2,632	(169)	0	(169)
8	Water	322	347	(25)	0	(25)
9	Building Maintenance	2,217	1,878	339	0	339
10	Grass Cutting	146	148	(2)	0	(2)
11	FMU	725	723	2	0	2
12	Insurance	946	782	164	0	164
13	Training	571	586	(15)	0	(15)
14	Office Buildings	1,843	1,882	(39)	0	(39)
15	Fund Manager Fees	895	818	77	0	77
16	**GENERAL FUND SERVICES NET EXPENDITURE (lines 1-15)**	**114,766**	**112,836**	**1,930**	**1,240**	**690**
17	Allocation to the Integrated Joint Board (IJB)*	22,186	21,677	509	136	373
18	Contribution from the Intergrated Joint Board	(23,449)	(22,970)	(479)	0	(479)
19	**NET CONTRIBUTION FROM THE IJB**	**(1,263)**	**(1,293)**	**30**	**136**	**(106)**
20	Contingencies & Budget Pressures	2,153	1,079	1,074	538	536
21	Interest on Revenue Balances	(27)	(14)	(13)	0	(13)
22	Economic Development Investment Income	(900)	(1,527)	627	45	582
23	Spend to Save Unallocated	123	0	123	250	(127)
24	Support Recharges to Other Council Accounts, e.g. Harbour, HRA, Pension Fund	(1,991)	(2,091)	100	0	100
25	**TOTAL NET GENERAL FUND EXPENDITURE (line 16 plus lines 19-24)**	**112,861**	**108,990**	**3,871**	**2,209**	**1,662**
	Funded by:					
26	GRG/NNDR (Scottish Government Allocation)	(80,755)	(80,700)	(55)	0	(55)
27	Council Tax	(9,003)	(9,042)	39	0	39
28	**TOTAL CORE FUNDING (lines 26-27)**	**(89,758)**	**(89,742)**	**(16)**	**0**	**(16)**
	Deficit to be funded from Reserves:					
29	Draw on Reserves - General Fund	(12,927)	(7,924)	(5,003)	(1,832)	(3,171)
30	Draw on Reserves - Harbour Account Surplus	(9,376)	(10,339)	963	0	963
31	Draw on Reserves - Shetland Gas Plant	(550)	(985)	435	0	435
32	Draw on Reserves - Spend to Save	(250)	0	(250)	(377)	127
33	**TOTAL FUNDING FROM RESERVES (lines 29-32)**	**(23,103)**	**(19,248)**	**(3,855)**	**(2,209)**	**(1,646)**
34	**TOTAL FUNDING (line 28 plus line 33)**	**(112,861)**	**(108,990)**	**(3,871)**	**(2,209)**	**(1,662)**
35	**Balanced budget (lines 25 plus 34)**	**0**	**0**	**0**	**0**	**0**

*   Includes IJB centrally managed costs as well as direct Health & Social Care costs.

Net Expenditure

2.02 The General Fund Services Net Expenditure was budgeted to be £114.766m in 2017/18 as shown at Line 16 in the table above, actual expenditure of £112.836m has been incurred resulting in an underspend for the year of £1.930m. This expenditure represents the spending on the day to day costs of Council services. Detailed variances are included in the individual committee reports. A high level summary of the main variances is set out below:

2.03 Chief Executive & Cost of Democracy **(£0.09m or 5% underspend)**

- There are no significant variances.

2.04 Children's Services **(-£0.41m or -0.1% overspend)**

- Overspend on Directorate due to moving to the new AHS (£123k) offset by the annual service payment for the AHS reduction of £68k due to performance failure deductions.

- Overspend on Children's Residential and off-island service due to increased need (£444k);

- Overspend on Quality Improvement/Schools service (£439k) due to an increase in staffing in primary and secondary settings as a result of increasing rolls, sickness and maternity cover, an increase in pay entitlement for supply teachers (under a national agreement) and their holiday pay entitlement. This was offset by a reduction in property rates £231k and efficiencies within the school catering service £73k.

2.05 Community Care Services (**£0.4m or 2% underspend**)

- Underspend on the 16/17 budget carry forward £129k due to delays in getting projects and recruitment underway;

- Staffing underspends across the service £122k;

- Underspend on Self Directed Support packages £136k which was allocated by the IJB from the Scottish Government "Additionality Funding".

2.06 Corporate Services **(£0.33m or 4% underspend)**

- Grant income from DWP Initiatives, Scottish Welfare Fund and Discretionary Housing Payments, amounted to awards £142k of which £71k will be carried forward to be used in 2018/19;

2.07 Development Services **(£0.73m or 5% underspend)**

- An amendment to the date when FE Credit payments were introduced has resulted in increased grant payments to NAFC and this is offset by savings in payments to Shetland College, finalising the position for financial year 2015/16. There is also the provision for stability funding to NAFC which was not budgeted for in 2017/18– (£197k).

- Underspend on Community Planning due to additional European funding received for projects dating back to 2015 £189k;

- Underspend on Economic Development due to a low update in grants £195k;

- Underspend on staffing across the department £310k;

2.08   Infrastructure Services (**£0.45m or 2% underspend**)

- Underspends due to remedial works funded by TOTAL, for damage to roads as a result of increased traffic to the Gas Plant, which were unable to be scheduled in 2017/18 £339k;

- Underspends on Spend to Save building distribution system and storage heating projects approved in 2017/18 with the majority of work to be done in 2018/19 £221k;

- Overspend as a result of increased bitumen costs (£200k);

- Underspend on building maintenance with reduced requirement at AHS and Halls of Residence £145k;

- Overspend on Energy due to unit price increases in electricity (£176k).

2.08   Fund Managers Fees (**£0.08m or 8% underspend**)

- Black Rock introduced a new fee structure which reduced the level of fees paid. Fund Manager Fees are based on the value of the full range of managed investments the Council has for the year, and reflect market valuations and fund manager performance. For financial management purposes they are defined as non-controllable.

Funding

2.10   The Scottish Government allocation is the Council's General Revenue Grant and the level of income that the Council will receive from the National Non-Domestic Rates Pool, this totalled £80.7m, a decrease from last year of £1.7m.

2.11   The increase in Council Tax collected of £39k is due to growth in the number of properties over that estimated in the budget.

2.12   The remainder of the funding required to balance the General Fund has to come from the Council's resources and the mechanism for this is to use its reserves. This was £19.248m in 2017/18 (Line 33 in the table at 2.01) against a budgeted draw of £23.103m, and is reflective of the overall reductions in expenditure as explained in the previous section.

Summary

2.13   The underspend on the General Fund of £3.871m will be added to the General Fund Reserve at the year end and a sum of £2.209m will be added to the 2018/19 budget to fund grant funded projects and outstanding work in accordance with the Council carry-forward scheme. All sums carried forward are non-recurring.

3.0   The 2017/18 Harbour Account

3.01   The 2017/18 Harbour Account budget and actual comparison is set out in the table below:

Line No.	Description	2017-18 Revised Budget £000	2017-18 Actual £000	2017-18 Variance £000	2017-18 Proposed Carry Forwards £000	2017-18 Revised Variance £000
1	Sullom Voe	12,647	10,844	1,803	716	1,087
2	Scalloway	1,452	878	574		574
3	Other Piers	674	606	68	5	63
4	Jetties & Spur Booms	2,070	3,902	(1,832)		(1,832)
5	Terminals	1,648	1,219	429	719	(290)
6	**HARBOUR OPERATIONS SERVICES EXPENDITURE (lines 1-5)**	**18,491**	**17,449**	**1,042**	**1,440**	**(398)**
	Income:					
7	Harbour Fees and Charges	(22,202)	(20,688)	(1,514)		(1,514)
8	Terminal Berthing Charges	(3,045)	(3,198)	153		153
9	Jetties & Spur Booms	(2,070)	(3,902)	1,832		1,832
10	**HARBOUR OPERATIONS INCOME (lines 7-9)**	**(27,317)**	**(27,788)**	**471**	**0**	**471**
11	**TOTAL HARBOUR OPERATIONS NET INCOME (line 6 plus line 10)**	**(8,826)**	**(10,339)**	**1,513**	**1,440**	**73**
12	Shetland Gas Plant	(550)	(985)	435		435
13	**TOTAL HARBOUR ACCOUNT NET INCOME (line 11 plus 12)**	**(9,376)**	**(11,324)**	**1,948**	**1,440**	**508**
	Contributions (from)/to Reserves:					
14	Contribution to Reserves – Reserve Fund	9,376	11,324	(1,948)	(1,440)	(508)
15	**TOTAL FUNDING FROM/(TO) RESERVES (lines 13-14)**	**9,376**	**11,324**	**(1,948)**	**(1,440)**	**(508)**
16	**Balanced budget (line 13 plus line 15)**	**0**	**0**	**0**	**0**	**0**

3.02   The Harbour Account budgeted for a contribution to the Reserve Fund of £9.376m in 2017/18 and this was over achieved by £1.948m resulting in contribution of £11.324m, comprising:

- Reduction in tanker traffic for several offshore production interruptions in the East Shetland Basin (£653k);

- Additional overtime and training costs for Towage staff to inspect the new MT30 Tug prior to charter and for 4th crew tug cover (£271k);

- Timing of initial MT29 Tug principal borrowing repayment, due in 2018/19 following the year borrowing commences; and charter charges for MT30 Tug not required in 2017/18 as charter period commenced later than anticipated £487k;

- Other changes to capital programme works which has reduced the impact on revenue either through slippage £1.440m, funding changes such as use of capital receipts £459k or savings/overspends on tenders £171k;

- Additional income from fish and salmon landings in line with general increase in fishing industry activity at Scalloway and other piers £483k;

- Additional Shetland Gas Plant income of £435k has been achieved due to an increase in gas prices.

3.03 The Ports and Harbours operations draft outturn position is an increase in surplus of £1.513m, this outturn position includes £1.440m of revenue funding that had been budgeted to fund capital projects. Lower than anticipated capital expenditure, resulting in slippage, means that to complete these capital works £1.440m is required as additional budget for 2018/19. Therefore on removal of this budget the resulting increase in surplus is £73k, which means that the budgeted surplus to reserves has been achieved.

4.0 The 2017/18 Housing Revenue Account Budget

4.01 The 2017/18 Housing Revenue Account budget and actual comparison is set out in the table below:

Line No.	Description	2017-18 Revised Budget £000	2017-18 Actual £000	2017-18 Variance £000	2017-18 Proposed Carry Forwards £000	2017-18 Revised Variance £000
	Expenditure					
1	Supervision & Management	817	721	96		96
2	Repairs & Maintenance	1,884	2,306	(422)		(422)
3	Void Rents & Charges	165	149	16		16
4	Garages	30	27	3		3
5	Capital Funded from Current Revenue	2,692	1,261	1,431	157	1,274
6	Capital Charges - Dwellings	1,711	1,324	387		387
7	**TOTAL EXPENDITURE (lines 1-6)**	**7,299**	**5,788**	**1,511**	**157**	**1,354**
	Income					
8	Interest on Revenue Balances	(1)	(1)	0		0
9	Rents - Dwellings	(6,623)	(6,577)	(46)		(46)
10	Rents - Other i.e. garages/sites etc	(191)	(258)	67		67
11	**TOTAL INCOME (lines 8-10)**	**(6,815)**	**(6,836)**	**21**	**0**	**21**
11	Contribution to/(from) Housing Repairs Account Working Balance	(484)	1,048	(1,532)	(157)	(1,375)
12	**TOTAL FUNDING (line 11 plus line 12)**	**(7,299)**	**(5,788)**	**(1,511)**	**(157)**	**(1,354)**
13	**Balanced budget (line 7 plus line 12)**	**0**	**0**	**0**	**0**	**0**

4.02 The Housing Revenue Account (HRA) delivered against its 2017/18 budget. There was a contribution to the Housing Revenue Account working balance of £1.048m. Detailed information is contained in the Development Committee report. The main variances was:

- Underspend due to less funding from current revenue (rental income) being required for capital expenditure £1.431m. This was possible because Capital Receipts income was used instead, which was the result of higher than expected Council House sales for the year due to Right to Buy ending on 1 August 2016;

- There has also been a reduction in the cost of borrowing against budget due to a reduced interest rate £387k;

- Underachievement of internal income as a result of vacant posts and increased spending on materials and stores has resulted in an overspend on the repairs and maintenance costs (£386k).

4.03 There has been slippage on three capital projects namely heating replacement programme, the housing quality standards and the vehicle replacement programme funded from revenue in the Asset Investment plan which require a combined carry forward of £157k.

5.0 The Asset Investment Plan (Capital Programme) Budget

5.01 The 2017/18 Asset Investment Plan budget and actual comparison is set out in the table below:

Line No.	Description	2017-18 Revised Budget £000	2017-18 Actual £000	2017-18 Variance £000	2017-18 Proposed Carry Forwards £000	2017-18 Revised Variance £000
	Expenditure:					
1	New Developments Projects	20,149	17,682	2,467	3,064	(597)
2	Maintenance of Existing Assets	11,418	7,041	4,377	3,765	612
3	Spend to Save Projects	491	0	491	268	223
4	Housing Revenue Account Projects	2,913	3,035	(122)	157	(279)
5	**TOTAL EXPENDITURE (lines 1-4)**	**34,971**	**27,758**	**7,213**	**7,254**	**(41)**
	Income:					
6	Capital Grant/External Funding	(8,946)	(7,638)	(1,308)	0	(1,308)
7	Capital Funded from Current Revenue (GF/Harbour/HRA)	(6,213)	(1,528)	(4,685)	0	(4,685)
8	Capital Receipts (GF/Harbour/HRA)	(600)	(2,079)	1,479	0	1,479
9	**TOTAL INCOME (lines 6-8)**	**(15,759)**	**(11,245)**	**(4,514)**	**0**	**(4,514)**
	Funded by:					
10	Spend to Save – Draw on Reserves	(491)	0	(491)	(268)	(223)
11	General Fund - Draw on Reserves	(2,334)	(1,332)	(1,002)	(2,734)	1,732
12	HRA - Draw on Reserves	0	0	0	(157)	157
13	Reserve Fund - Draw on Reserves	0	0	0	(1,440)	1,440
14	Borrowing – GF and Harbour Account	(16,387)	(15,181)	(1,206)	(2,655)	1,449
15	**TOTAL DEFICIT FUNDING REQUIRED (lines 10-14)**	**(19,212)**	**(16,513)**	**(2,699)**	**(7,254)**	**4,555**
16	**TOTAL FINANCING (lines 9 plus 13)**	**(34,971)**	**(27,758)**	**(7,213)**	**(7,254)**	**41**
17	**Balanced Asset Investment Plan**	**0**	**0**	**0**	**0**	**0**

5.02 The Asset Investment Plan underspent against its revised expenditure budget for 2017/18 by £7.213m. This underspend is across 76 projects, the largest underspends are set out below:

- Underspends on the Halls of Residence and Clickimin works due to payments not being drawn down as fast as originally anticipated £1.154m;

- Scalloway Fish Market Replacement £1.86m, Recycling Sorting Shed and Equipment £739k, Lerwick Library £539k due to work commencing on site later than planned;

- Delays in ferry replacements/life extension works £754k and Tug Jetty Cathodic Protection £467k.

5.03 There is a requirement to request a carry forward of £7.254m.

6.0   Spend to Save Budget

6.01   The 2017/18 Spend to Save budget and actual comparison are included in the General Fund and Asset Investment Plan above.

6.02   The 2017/18 revenue spend to save budget was underspent due to fewer revenue projects coming to fruition in the year as originally anticipated, however services are reviewing how they currently operate and projects are likely to be forthcoming in 2018/19. A revenue budget carry forward of £377k has been requested to prepare the Council to meet the cost those projects being brought forward and approved under the terms of the Spend to Save scheme.

6.03   A capital carry forward of £268k has been requested to meet a committed project included in the Asset Investment Plan.

7.0   2017/18 Carry Forwards into 2018/19

7.01   The 2018/19 revenue budget, approved in February 2018, did not include any carry forward allocations; this is a matter to be considered following the end of the financial year. In line with the carry forward scheme there are a number of carry forward requests by Directorates into the new financial year. The table below sets these items out:

Revenue Carry Forwards Directorate	Reason	2017/18 Carry Forward Request £000	2018/19 Proposed Addition to Directorate Budget £000
Executive & Corporate	Committed Expenditure	71	
	50% Underspend	166	237
Children's Services	External Funding	165	165
Community Care	External Funding	154	154
Development	Committed Expenditure	115	
	External Funding	50	
	50% Underspend	35	200
Infrastructure	External Funding	494	494
Contingency & Cost Pressure	50% Underspend	537	537
Economic Development Investment Income	Committed Expenditure	45	45
Spend to Save	General	250	
	Committed (Infrastructure)	127	377
TOTAL EXPENDITURE			**2,209**
Funded by:			
Draw on General Fund Reserve in 2018/19			(1,832)
Draw on Spend to Save Reserve in 2018/19			(377)
TOTAL FUNDING			**(2,209)**
Balanced Carry Forwards			**0**

7.02   The 2017/18 outturn figures have been adjusted so that the revised variances in this report take account of the items above.

7.03   Similarly the 2018/19 Asset Investment Plan (capital budget) does not include any carry forward, but needs to take account of the ongoing nature of these projects to ensure that they are completed and funded. In line with the carry forward scheme only committed project underspends can be carried forward. The carry forward requests by Directorates into the new financial year are set out in the table below:

Capital Carry Forwards Directorate	Reason	2018/19 Proposed Addition to Directorate Budget £000
Children's' Services	Committed Projects	943
Executive and Corporate Services	Committed Projects	804
Development (HRA)	Committed Projects	157
Infrastructure	Committed Projects	2,050
Ports & Harbours	Committed Projects	3,300
TOTAL EXPENDITURE		**7,254**
Funded by:		
Draw on General Fund Capital Reserves in 2018/19		(2,734)
Draw on HRA Reserves in 2018/19		(157)
Draw on Reserve Fund Reserves in 2018/19		(1,440)
Draw on Spend to Save Capital Reserves in 2018/19		(268)
Borrowing		(2,655)
TOTAL FUNDING		**(7,254)**
Balanced Carry Forwards		**0**

7.04 The 2017/18 outturn figures have been adjusted so that the revised variances in this report take account of the items above.

	Agenda Item
Shetland Islands Council	**1**

Meeting:	**Education and Families Committee**	**21 May 2018**
	Policy and Resources Committee	**22 May 2018**
	Shetland College Board	**23 May 2018**
	Shetland Islands Council	**23 May 2018**
Report Title:	**Effective and Sustainable Tertiary Education, Research and Training in Shetland Project – Strategic Outline Case**	
Reference No:	**DV-21-18-F**	
Author/Job Title:	**Neil Grant – Director of Development Services**	

1.0 Decisions/Action required:

1.1 That the Education and Families Committee, Policy and Resources Committee and Shetland College Board RECOMMENDS that the Council RESOLVES to:

   a) APPROVE merger of tertiary education, research and training services as the preferred way forward as identified in the Strategic Outline Case (SOC) for the Effective and Sustainable Tertiary Education, Research and Training in Shetland Project (hereafter referred to as 'the Project'), attached as Appendix 1;

   b) NOTE: that the preferred way forward contains two options; namely Option 5 ('Host' NAFC) and Option 6 (New College);

   c) DELEGATE authority to the Chief Executive (or her nominee) to take any action and decisions required to develop the Full Business Case for the preferred option, which will be reported to Committees, Board and Council for a decision in October 2018;

   d) DELEGATE authority to the Chief Executive (or her nominee) to procure and engage any specialist legal or other services required to develop and finalise the Full Business Case;

   e) Agree that the delegation of authority granted to the Shetland College Board on 29 June 2016 [Min. Ref. SIC 53/16] to support potential further stages of the Project remains in place until September 2019; and

   f) DELEGATE authority to the Director of Development (or his nominee), in consultation with the Chair of Shetland Fisheries Training Centre Trust (SFTCT), to extend the Interim and Joint management arrangements up to the end of the 2018/19 academic term (July 2019).

2.0	High Level Summary:	

2.1 Shetland's Development Partnership have developed The 10 Year Plan to Attract People to Live, Work, Study and Invest in Shetland". Within the plan, there are priorities to increase Full Time Equivalent (FTE) student numbers and Modern Apprentices studying and practising in Shetland.

2.2 The efficient and effective delivery of tertiary education, research and training in Shetland is very important for the delivery of Shetland's community plans, increasing the number of young people and ensuring businesses have access to the skilled workforce they require and ensuring people in Shetland can reach their full potential. A Colleges Integration Liaison Group, which is made up of Board representatives from the NAFC and College, was set up to provide guidance to the Interim Joint Principal in helping to integrate the activities of Shetland College, NAFC Marine Centre and Train Shetland and provide a more joined up Shetland tertiary education, research and training offering. To this end the Joint Strategic Plan 2017-19 and Joint Operating Plan 2017-19 were agreed. More recently, discussions between the Liaison Group and the strategic and funding stakeholders Scottish Funding Council (SFC) and the University of the Highlands and islands (UHI), have resulted in a commitment to develop a Full Business Case analysis of an effective and sustainable model for tertiary education, research and training in Shetland. This SOC concerns the future operating and governance options for the Shetland Tertiary Education, Research and Training sector.

2.3 The purpose of the SOC is to:

- establish the strategic context for the Project
- make the case for change
- identify and agree measureable Critical Success Factors
- identify and agree a long list of options
- review the long list options against the Critical Success Factors
- agree the preferred way forward
- approve the preferred options to be taken forward in the Full Business Case.

2.4 The Strategic Outline Case has identified the preferred way forward as being a merger of the services involved in delivering tertiary education, research and training in Shetland. The preferred options to realise this were chosen following an appraisal of shortlisted options against the Critical Success Factors, with each option given a score based on their ability to achieve crucial elements of the CSFs, including financial sustainability, quality management, effective governance and business development. This process was undertaken by staff from SIC and NAFC Marine Centre, and is described more fully in Appendices 1-5.

2.5 The preferred options chosen on the basis of the above process are as follows:

- Option 5 ('Host' NAFC) - Independent organisation comprised of operations of Shetland College, NAFC Marine Centre and Train Shetland, which is part of the UHI network, with SFTCT as the 'host' organisation.
- Option 6 (New College) - Creation of a new, independent organisation comprised of operations of Shetland College, NAFC Marine Centre and Train Shetland, which is part of the UHI network.

2.6 Detailed delivery plans are being prepared for work on the Full Business Case.

2.7	The Full Business Case is planned to be reported to Committees, Board and Council for a decision in October 2018.

3.0 Corporate Priorities and Joint Working:

3.1 The Project is in line with Our Plan 2016-2020, which states:

"A stronger economy which has well-paid jobs available to more people has the potential to produce a more prosperous and fairer society in Shetland. The long-term community plan aim is for Shetland to have good places to live as well as sustainable economic growth with employment opportunities, and for our residents to have the skills they need to benefit from those opportunities."

The Project addresses the following key aims of the Plan:

Economy and Housing

- The tertiary education, research and training project will have created an effective model for providing excellent services to our learners
- We will 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.

3.2 A key objective for the Shetland Community Planning Partnership is to develop and implement a ten-year action plan to attract people to live, work, study and invest in Shetland. This plan is predicated on the link between a healthy demographic balance and the ability to sustain communities and services, and compete economically.

The vision of the plan is:

"In 2028 Shetland will:

- *Be an island of opportunity for young people, businesses and investors;*
- *Be a vibrant and positive student destination;*
- *Have a more balanced demographic profile and a growing population underpinned with more private sector jobs."*

In order to achieve this vision, one of the objectives of the plan is:

- Foster an environment that supports entrepreneurship and sustainable learning and research

3.3 A joint strategic plan for the tertiary education services in Shetland, comprising Shetland College, NAFC Marine Centre and Train Shetland, was developed in 2017 as a response to the requirement for a closer integration of services, with a view to integration of management structures in the future. The *Tertiary Education Sector in Shetland: Strategic Plan 2017-2019* describes the following vision:

"NAFC Marine Centre, Shetland College and Train Shetland will work together to help build the future of Shetland through education, training and research".

The joint strategic plan identifies six strategic goals for the period up to 2019:

- Respond to the needs of Shetland
- Deliver high quality learning experiences and successful outcomes for all learners
- Carry out high quality research
- Provide high quality governance, leadership and management structures
- Grow our business
- Build sustainability

4.0   Key Issues:

4.1   The main issues associated with the report are:

- Presentation of a Strategic Outline Case for the Effective and Sustainable Tertiary Education, Research and Training in Shetland project
- Approval of a preferred way forward that addresses the Critical Success Factors identified for the project
- The preferred way forward identified is a merger of tertiary education, research and training services
- Confirmation of arrangements and resources required to develop a Full Business Case by October 2018, with the need for a funding body to be submitted to the Scottish Funding Council.

5.0   Exempt and/or Confidential Information:

5.1   None

6.0   Implications:

6.1 Service Users, Patients and Communities:	Students, businesses, services users and staff groups will continue to be consulted in the Development of the Full Business Case.
6.2 Human Resources and Organisational Development:	Extension of interim and joint arrangements will be required to ensure the continued operation of the current tertiary configuration. It is clear that the preferred options described in the SOC would involve significant change for staff involved in the tertiary sector. The Full Business Case will have to consider these changes and assess the implications for staff, from structures and management to morale and commitment, as these may have a material impact on the final recommendation.

6.3 **Equality, Diversity and Human Rights:**	Integrated Equalities Impact assessment will be carried out as part of the development of the preferred option.
6.4 **Legal:**	No immediate legal issues arise from this report. However, if approved, there are significant employment, pension, contract, procurement, conveyancing and other legal issues to be planned and addressed. Much if the work required will be carried out in-house by Legal Service, but some matters may require external specialist legal advice. Procurement of those services would be carried out by Legal Service. A project of this nature requires adequate time to consider, plan and address all issues thoroughly.
6.5 **Finance:**	The extension of Interim and Joint management arrangements will be managed within existing budgets. At the 'All Party' meeting on 16 April 2018, chaired by Tavish Scott MSP, the Chair of the SFTCT described the need for continuing financial support through the process of preparing the Full Business Case and any implementation phase that follows that decision point. This request is unquantified at this time and information, such as the 2018/19 budget and assumptions, the 2017/18 year-end outturn and draft accounts will be required to enable officers to advise the Council on the subject at a future meeting. Financial support, in the form of stability funding of £130k, provided to the NAFC Marine Centre in 2016/17, with a further £200k available for 2017/18, has provided the stability required to ensure that this project is not impacted. The Shetland Islands Council Pension Fund is potentially impacted by changes to its Employers, and this will have to be addressed in the Full Business Case.
6.6 **Assets and Property:**	None at this stage, but the SOC describes a complex property arrangement that will have to be considered in more detail in the Full Business Case.
6.7 **ICT and New Technologies:**	None at this stage.
6.8 **Environmental:**	None at this stage.
6.9 **Risk Management:**	There are a number of significant risks associated with this project: • Short timescales for development of the Full Business Case • Maintaining positive staff relations at all stages of developing the Full Business Case, and ensuring effective and timely communication with staff

	- Ensuring the key requirements of various stakeholders, including funding stakeholders, SFC and UHI, are met. - Continuing to provide high quality service provision, to students and businesses in the meantime, and - Ensuring required resources are made available to the project and prioritised. These and other risks will be managed in the development of the Full Business Case.
6.10 Policy and Delegated Authority:	The Education and Families Committee has delegated authority for strategic matters relating to the Shetland College and Train Shetland.

Policy and Resources Committee has delegated authority to take decisions on matters relating to Organisational Restructuring supported by a recommendation from the Education and Families Committee.

The role of the Shetland College Board is to support the Interim Joint Principal of Shetland College / Train Shetland / NAFC Marine Centre in carrying out his roles and to monitor progress against objectives approved by the Board or which have been set by the Council, including: -

a Strategic direction for Shetland College: specifically, the Board shall have the delegated authority to approve immediate short and medium term joint strategic plans with reference to the Council's agreed deliverables and milestones until June 2018. Approval of long-term plans shall be reserved to SIC and Education and Families Committee as a component of their longer-term vision wider strategic remit for learning at all stages of life.

b Ascertaining the needs of users and promoting access between school, work, research and further and higher education, including approval for submission of annual, strategic and operational plans to UHI on behalf of the Council.

c   Developing resources, including financial resources, to support the learner.

d Authority to review and develop structure plans to provide the staffing required for the College and to meet needs and provision for staff development and career review.

e To provide direction on matters of quality assurance and improvement.

f To monitor and provide assurance that the College operates sound financial management, including developing budgets and pursuing credit funding. |

	g Liaising with UHI and other appropriate bodies, e.g. SQA, Scottish Funding Council and Education Scotland. h Take such decisions as appropriate to support the Interim Joint Principal in meeting the Council approved integration milestones. 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.	
6.11 Previously Considered by:	N/A	

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16 May 2018

Appendices:

Appendix 1 - Strategic Outline Case – Effective and Sustainable Tertiary Education, Research and Training in Shetland Project
Appendix 2 – Long List
Appendix 3 – Scoring Breakdown
Appendix 4 – Financial Projections
Appendix 5 – Financial Assumptions

Background Documents: None

Effective and Sustainable Tertiary Education, Research and Training in Shetland Project

Strategic Outline Case (SOC)

Version: FINAL

Issue Date: 18 May 2018

1. THE STRATEGIC CASE

1.1 Introduction

This Strategic Outline Case (SOC) for the Effective and Sustainable Tertiary Education, Research and Training in Shetland Project forms the first stage of the process to identify the best value option for future delivery of tertiary education, research and training in Shetland. The Project is seeking the best value model for delivery of these services, which includes those services currently delivered by Shetland College UHI, NAFC Marine Centre UHI and Train Shetland. The SOC presents the case for change and identifies a series of options for the way forward.

The purpose of the Strategic Case is to explain how the scope of the proposed project or scheme fits within existing business strategies, and to identify the preferred way forward by providing a compelling case for change, in terms of existing and future operational needs.

1.2 Part A: The strategic context

1.2.1 Organisational overview

Shetland

The 2017 Mid-Year Population Estimates for Scotland estimated Shetland's population at 23,080, spread across 16 inhabited islands, with the main population centre of Lerwick home to roughly 7,000 inhabitants[1].

Employment in Shetland is dominated by public administration, which accounts for 21.2% of full-time equivalent (FTE) employment. The next largest sectors in terms of employment are wholesale/retail (12.5%) and construction (8.1%)[2].

The most recent economic survey conducted in Shetland found the overall value of the local economy (based on combined output from all sectors) to be £1,091.4m, of which around £198m can be attributed to public services and £310.5m can be attributed to combined fisheries operations (fish catching, aquaculture and fish processing)[3].

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[1] https://www.nrscotland.gov.uk/statistics-and-data/statistics/statistics-by-theme/population/population-estimates/mid-year-population-estimates/mid-2017

[2] Shetland Employment Survey 2017, Shetland Islands Council

[3] Dyer, G. and Roberts, D. *An Analysis of the Shetland Economy Based on Regional Accounts 2010-11,* p.6

Shetland Islands Council

Shetland Islands Council is the local authority for Shetland, established by the Local Government (Scotland) Act 1973. The Council delivers services including, but not limited to, education, environmental health, roads and ferries, port services, planning, community development, economic development and social care.

The Council is structured around five Directorates:

- Children's Services
- Community Health and Social Care Services
- Corporate and Executive Services
- Development Services
- Infrastructure Services

The above Directorates encompass the various services the Council operates to deliver on its responsibilities and priorities.

Shetland Fisheries Training Centre Trust

Shetland Fisheries Training Centre Trust (SFTCT) promotes the development of the Shetland fisheries and maritime sectors, including fish catching, fish processing, fish farming, marine engineering, navigation, seamanship, research and all related ancillary activities. It does this through advice, support, training and research.

SFTCT is a registered charity governed by a Board of Trustees; the Board is comprised of three representatives of the local seafood industry and seven independent appointees, and is responsible for operating NAFC Marine Centre UHI.

Shetland College UHI

Originating in 1970 as the Shetland College of Further Education, Shetland College is a partner of the University of the Highlands & Islands (UHI) and a part of Shetland Islands Council's Development Directorate.

The College offers a wide range of study options, from national certificates to postgraduate degrees, across a variety of subjects, including creative industries, ICT, business & hospitality, health & social care and construction.

Facilities at the College include an Apple Mac suite, video conferencing facilities and construction workshops, as well as the Textile Facilitation Unit, which hosts three Shima Seki knitting systems and a range of finishing equipment. The College also hosts the UHI Chair in Rural Creativity and the Centre for Nordic Studies, and maintains a Service Level Agreement with Shetland Arts Development Agency for delivery of music courses in Mareel.

Shetland College operations are under the authority of the Shetland College Board, while overall strategic authority remains with the Education & Families Committee. Staffing issues are under the authority of the Policy and Resources Committee.

The College employs 32.6 FTE lecturing staff and 24.8 FTE support staff.

Shetland College's main campus is located at the Gremista Industrial Estate in Lerwick. The College also operates rural learning centres in Yell, Unst, Whalsay, Brae and Lerwick.

NAFC Marine Centre UHI

NAFC Marine Centre is an educational and scientific institute which supports training and development in Shetland's maritime industries, including the seafood sector. The Centre is a partner of UHI and is operated by SFTCT.

NAFC delivers a range of training and qualifications related to maritime industries – this includes qualifications in the engineering, fish catching and aquaculture sectors (including Modern Apprenticeships), and courses to train and qualify seafarers, including the Merchant Navy Cadet Programme.

NAFC carries out a range of applied research and development projects in subjects relevant to the fishing and aquaculture industries, marine spatial planning and the marine environment in general. These include the assessment of shellfish stocks, analysis of fish catching trends, provision of fisheries management advice in support of policy development, and the preparation of the Shetland Islands Marine Spatial Plan and associated guidance. Research can be provided on a contract or consultancy basis.

Facilities at NAFC include a ship bridge simulator, research/teaching laboratories, a marine hatchery and engineering workshops. The NAFC Marine Centre operates a number of vessels for research, survey, training and other purposes – these include a 12m fishing vessel and a 12.5m survey/training vessel which is equipped to carry out sea-bed and hydrographic survey work and benthic sampling, as well as for nautical training.

NAFC employs 17.2 FTE staff in Marine Sciences, 19.4 FTE staff in Training and 9.6 staff in Central Services.

The NAFC Marine Centre campus is located at Port Arthur in Scalloway.

Train Shetland

Train Shetland is part of the Council's Development Directorate and is comprised of two distinct services: Short Courses and Vocational Training.

Short Courses delivers a range of training courses to employers in Shetland across various disciplines, including first aid, business management, ICT, health & safety

and construction. The centre is accredited by a number of compliance bodies including Highfield ABC, REHIS and OCR, and is the local Construction Plant Competency Scheme (CPCS) centre. Short Courses provides business and related training as part of the local Business Gateway service, and also operates as an examination centre for professional bodies and further/higher education institutes outside of Shetland.

Vocational Training co-ordinates Modern Apprenticeships in Shetland across a range of industries, including construction, business & administration, health & social care, engineering, vehicle maintenance, agriculture, hospitality and services. This is done through an annual delivery contract with Skills Development Scotland.

The service employs 5 FTE staff in Short Courses and 4.7 FTE staff in Vocational Training.

Train Shetland operations are under the authority of the Shetland College Board, while overall strategic authority remains with the Education & Families Committee. Staffing issues are under the authority of the Policy and Resources Committee.

Train Shetland is based at the Gremista Industrial Estate, adjacent to Shetland College.

Tertiary Education Sector in Shetland: Strategic Plan 2017-2019[4]

A joint strategic plan for the tertiary education services in Shetland, comprising Shetland College, NAFC Marine Centre and Train Shetland, was developed in 2017 as a response to the requirement for a closer integration of services, with a view to integration of management structures in the future. The plan describes the following vision:

"NAFC Marine Centre, Shetland College and Train Shetland will work together to help build the future of Shetland through education, training and research".

The joint strategic plan identifies six strategic goals for the period up to 2019:

- Respond to the needs of Shetland

- Deliver high quality learning experiences and successful outcomes for all learners

- Carry out high quality research

- Provide high quality governance, leadership and management structures

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[4] https://www.nafc.uhi.ac.uk/t4-media/one-web/nafc/about-us/document/staff/publications/Strategic-Plan---2017-19---FINAL.pdf

- Grow our business

- Build sustainability

The Tertiary Education in Shetland Operating Plan 2017-2019 identifies a series of key actions scoped to deliver against each strategic goal.

A summary of the 2017/18 estimated outturn for the combined tertiary education services is provided below:

Table 1.1 Summary of combined SC, NAFC and TS draft outturn 2017/18

INCOME	£000
Scottish Further Education Funding Council	2,618
Tuition Fees, Contracts & Grants	1,512
Research Grants and Contracts	925
Sale of Meals	62
Consultancy	89
Management & Service Fees	426
Other Income	512
Bank Interest	3
Total Income	**6,147**
EXPENDITURE	**£000**
Employee Costs	4,894
Premises Costs	1,314
Boats	10
Equipment & Materials	196
Operating Costs	873
Grants to Individuals/Organisations	9
Marketing	14
Professional and Financial Fees	447
Travel/Vehicle Expenses	151
Total Expenditure	**7,908**
Net Funding Surplus/(Deficit)	**(1,761)**

1.2.2 Business strategies

Local

Shetland Islands Council: Our Plan 2016 to 2020[5]

Ensuring inclusive growth through developing the skills of local people and creating well-paid jobs is a core part of the Council's vision. The Council's Plan states:

"A stronger economy which has well-paid jobs available to more people

has the potential to produce a more prosperous and fairer society in

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[5] http://www.shetland.gov.uk/documents/OurPlan2016-20final.pdf

Shetland.

The long-term community plan aim is for Shetland to have good places

to live as well as sustainable economic growth with employment

opportunities, and for our residents to have the skills they need to benefit

from those opportunities."

The Council's Plan highlights the following as priorities for improving the economy and quality of life in Shetland:

- The tertiary education, research and training project will have created an effective model for providing excellent services to our learners

- There will be 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

- We will 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.

Shetland's Partnership Plan 2018-2028[6]

The Shetland Partnership, of which the Council is a key member, is the Community Planning Partnership for Shetland. The Shetland Partnership Plan 2018-2028 reflects the shared vision of the local area and the partner organisations:

"Shetland is a place where everyone is able to thrive; living well in

strong resilient communities; and where people and communities are

able to help plan and deliver solutions to future challenges."

The Shetland Partnership Plan sets out the shared priorities of the Shetland Partnership for 2018-2028, which are as follows:

- People
  o Individuals and families can thrive and reach their full potential
- Participation
  o People can participate and influence decisions on services and use of resources
- Place
  o Shetland is an attractive place to live, work, study and invest
- Money
  o All households can afford to have a good standard of living.

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[6] http://www.shetland.gov.uk/communityplanning/ShetlandPartnership.asp

The following targets will be addressed by maintaining and developing a sustainable tertiary education sector in Shetland:

- 98% of school leavers will be participating in learning, training or work in 2021 rising to 100% by 2028 (currently 97.4%)
- Grow the FTE student population by 5% by 2021 and by 20% by 2028 (currently 178 FE & HE students)
- 15% of businesses are struggling to fill vacancies due to a lack of local labour in 2021 and none in 2028 (currently 20%).

The relevant ten-year outcomes from the Plan are as follows:

- People will be accessing employment, education and services in new and innovative ways designed to minimise barriers to involvement such as distance, childcare availability, and digital capability and capacity
- Shetland will be attracting and retaining the people needed to sustain our economy, communities and services
- The economy will be diversifying and growing with an increase in the working age population throughout Shetland and innovative approaches to developing a low carbon economy, skills, technology, and community capacity.

<u>10 Year Plan to Attract People to Live, Study, Work and Invest in Shetland</u>

A key objective for the Shetland Community Planning Partnership is to develop and implement a ten-year action plan to attract people to live, work, study and invest in Shetland. This plan is predicated on the link between a healthy demographic balance and the ability to sustain communities and services, and compete economically.

The vision of the plan is:

"In 2028 Shetland will:

- *Be an island of opportunity for young people, businesses and investors;*

- *Be a vibrant and positive student destination;*

- *Have a more balanced demographic profile and a growing population underpinned with more private sector jobs."*

In order to achieve this vision, one of the objectives of the plan is:

- Foster an environment that supports entrepreneurship and sustainable learning and research.

Under this objective, the plan identifies the following key priorities:

- Expansion of Modern Apprenticeship programmes across all disciplines, and access funding from the Apprenticeship Levy

- Development of FE programmes in developing skills areas, and work with local businesses and community partners to develop a skills investment plan

- Further develop HE programmes which retain and attract in students e.g. the performing arts programme with Shetland Arts in Mareel

- Facilitate the provision of student accommodation

- Provision of short courses for businesses

- Priority will be given to highly applied, industry specific research that supports sectors of local economic importance

- A vibrant post-graduate research community will be developed within Shetland.

Regional

Highlands and Islands Skills Investment Plan[7]

In October 2014, Skills Development Scotland (SDS), the Scottish Funding Council (SFC) and Highlands and Islands Enterprise (HIE) launched the *Skills Investment Plan (SIP) for Highlands and Islands.* This was the culmination of discussion, research and consultations on finding the best way to realise the ambitions of the three agencies to position the Highlands and Islands as a region with outstanding skills and the potential for development, in light of emerging economic opportunities.

The Skills Investment Planning approach[8] is intended to bring skills demand and supply closer together, and to contribute to a vibrant economy by supporting individuals to develop the skills needed by industry. The H & I SIP sets out:

- the region's economic performance and sectoral and local assets
- the performance of the regional labour market and associated demographic challenges
- skills issues facing employers within the region

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[7] http://www.skillsdevelopmentscotland.co.uk/media/35679/highlands_and_islands_digital_skills_investment_plan.pdf

[8] https://www.skillsdevelopmentscotland.co.uk/what-we-do/skills-planning/skills-investment-plans/

- opportunities and challenges related to future economic and employment growth
- assessment of current education and training provision.

This extensive and robust evidence base is used as the basis for a framework for future regional action on skills issues. Five key themes were identified as priorities for action with a range of specific interventions and activities identified for each. The themes are:

- Meeting the current skills needs of employers
- Planning for the future
- A region for young people
- People attraction and place attractiveness
- Strengthening the employer voice in the skills system.

The actions set out in the SIP are intended to have an impact on:

- numbers of young people entering positive destinations on leaving school
- numbers of young people staying within the Highlands and Islands on leaving school, college and university as a result of good quality education, training and employment opportunities being on offer
- reducing the number of businesses reporting difficulties accessing skills training
- increasing the number of businesses reporting growth in their workforce
- the scale and range of continuing professional development provision available within the Highlands and Islands.

The SIP is helping guide skills planning and investment decision-making within the Highlands and Islands. However, the Highlands and Islands is a large and diverse area, and employment and skills issues are often local in their focus – reflecting the boundaries of local labour markets, and the specifics of local economies.

In response to the above, a local Skills Investment Plan is currently under development.

University of the Highlands and Islands: Strategic Vision and Plan 2015-2020[9]

The University of the Highlands and Islands is an integrated university comprised of 13 academic partners across the Highlands and Islands region of Scotland, which include Shetland College and NAFC Marine Centre.

The strategic vision for UHI comprises the following themes:

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[9] https://www.uhi.ac.uk/en/about-uhi/strategic-plan/

- The university will act as a force for economic, social and cultural change across the region by connecting and collaborating with businesses, public and third sector partners and communities

- The university will continue to meet the needs of learners within the region, while targeting growth in our share of young entrants and students from beyond the region

- The university's research will be recognised internationally, nationally and regionally for its quality and for its contribution to our remit of transforming and enhancing lives, the environment and the economy.

National

Scotland's Economic Strategy[10]

Scotland's Economic Strategy describes the actions the Scottish Government plan to take to develop the priority of sustainable growth. These include:

"Invest in Scotland's people at all stages of life to ensure that we have a well skilled, healthy and resilient population and an innovative, engaged and productive workforce;

Support the development of highly innovative businesses across the Scottish economy;

Encourage more of Scotland's diverse business base to engage in innovation and research and development as part of their day-to-day activities;

Continue to support the high-impact, world-class research of Scotland's Universities and improve levels of commercialisation of academic research."

The future

Growing the working age population and developing Shetland as a destination of choice to live, work, study and invest are core aims for community planning partners in Shetland. In order to achieve these aims, it is essential to establish and maintain a tertiary education, research and training sector which is financially

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[10] http://www.gov.scot/economicstrategy

sustainable, student-focused, delivers a high quality learning experience and which is properly engaged with learners, businesses and communities.

The political priorities of the Council, community planning partners and government are clear in placing tertiary education, research and training services at the heart of economic policy, given their vital role in delivering improvements to the economy through skills development, training, research and providing varied and high quality options for school leavers. The tertiary education, research and training sector is crucial to the ambitions of the Shetland Partnership Plan and the 10 Year Plan, not least in the targets of creating new private sector jobs, growing the student population and increasing the number of local Modern Apprentices.

Current tertiary education, research and training services are expensive to maintain, and are operated separately in a manner which is not conducive to implementing a cohesive strategy for the local sector. In order to reduce the draw on public finances which support the separate institutions, and to develop a more sustainable, responsive and learner-friendly sector to grow the student population and take advantage of economic opportunities, restructuring is required.

Demand for a more highly skilled workforce is borne out from the results of the Shetland Employment Survey 2017, which showed that 20% of employers cannot fill vacancies due to a lack of local labour, while 23% said that the basic employability of candidates for vacancies is a problem. Only 27% of local employers said that they were able to source all their training needs in Shetland.

Uncertainty over the future of tertiary education, research and training services in Shetland has ongoing negative impacts for the sector, including loss of key staff, inability to invest for the future, difficulties in cultivating and maintaining strategic relationships and the lack of coherent long-term planning. For those reasons it is essential to identify a suitable option for delivery of these services and provide a clear direction of travel for the future.

At a joint meeting of representatives from Shetland College, NAFC Marine Centre, Scottish Funding Council (SFC) and UHI on 17 April 2018, it was agreed that a business case be prepared examining options for a restructuring of the organisations involved in delivering tertiary education, research and training in Shetland.

1.3   Part B: The case for change

1.3.1   Project objectives

The last few years have seen considerable efforts undertaken to determine the future of the tertiary education, research and training sector in Shetland, specifically with regard to the future governance and operation of Shetland College UHI, NAFC Marine Centre UHI and Train Shetland. Currently, services are financially unsustainable and are encumbered with complex governance arrangements – these are issues which must be resolved in order to encourage growth in the sector

and secure the benefits which the tertiary education, research and training sector delivers for the future.

In order to grow the student population, to increase income and impact from research and development, and to continue to provide positive impacts to the local population through improving skills, it is necessary to develop a financially sustainable model which is business-driven and responsive to local needs, and which can retain and develop the resources required to deliver high quality learning and research services.

In terms of scale, it is calculated that the combined cost of delivering tertiary education in Shetland through the aforementioned services is £7.9m, with a combined income estimated at £6.1m. This has resulted in an estimated annual outturn deficit of £1.8m.

The spending objectives for this project have been developed to ensure that all key considerations are taken into account when scoring the long list of options for the future of the tertiary education, research and training sector in Shetland. These objectives are described below:

1) Develop a financially sustainable model for delivery of tertiary education, research and training in Shetland
   o Establish the most cost effective way to deliver the services in Shetland
   o Reduce the level of annual subsidy from Shetland Islands Council

2) Maintain and enhance quality standards in all aspects of service delivery
   o Ensure the ability of services to meet quality requirements set by government and service delivery partners

3) Maximise future income
   o Ability to achieve income targets from students, learners, research and business services
   o Ability to respond quickly to income generating activity

4) Commit to a single clear, consistent and effective voice for the tertiary education, research and training sector in Shetland
   o Develop a targeted business development and marketing strategy for the sector, with clear targets for growth and engagement
   o One clear, strong and focused voice at regional and national tables

5) Maintain local tertiary education, research and training presence, and build strong relationships with resource enablers and strategic partners
   o Maintain physical presence in Shetland
   o Build strong relationships with external organisations vital to the successful delivery of services

6) Simplify governance arrangements, and establish effective management structure
   o Ensure appropriate management structure
   o Developed simplified governance structure for the sector

1.3.2   Existing arrangements

Shetland College UHI is managed by the Interim Joint Principal and is part of the Council's Development Directorate. The College reports directly to Shetland College Board on operational matters and Education and Families Committee on wider strategic matters. Staffing issues are a matter for the Policy and Resources Committee.

NAFC Marine Centre is managed by the Interim Joint Principal. SFTCT has overall authority for NAFC Marine Centre.

Train Shetland is managed by the Interim Joint Principal and is part of the Shetland College service under the Council's Development Directorate. Train Shetland reports directly to Shetland College Board on operational matters and Education and Families Committee on wider strategic matters. Staffing issues are a matter for the Policy and Resources Committee.

The Interim Joint Principal reports to both Shetland College Board and SFTCT. Directly reporting to the Interim Joint Principal are an Acting Depute Principal (with responsibility for academic and quality management), NAFC Head of Central Services, Interim Shetland College Operations Manager (shared post) and Shetland College Administration Manager. Respective interim managers for both parts of Train Shetland also report to the Interim Joint Principal.

Finance, legal, human resources and other support services for Shetland College and Train Shetland are currently managed by the relevant Council departments. These services are managed in-house by NAFC Marine Centre.

The main campus and office locations of each service are leased by Shetland Islands Council (in the case of Shetland College, Train Shetland and parts of NAFC Marine Centre) and SFTCT (remaining parts of NAFC Marine Centre) from Shetland Leasing and Property Ltd. (SLAP).

1.3.3   Business needs

The combined tertiary education, research and training sector is currently financially unsustainable. The total funding deficit identified on the basis of the estimated outturn for 2017/18 is £1.8m. Given the continuing pressures on Council budgets, it is essential that a delivery model be established which allows the sector to become financially sustainable.

Governance arrangements differ across the different services, but the requirements for Shetland College and Train Shetland to fit within the Council directorate

structure (with authority ultimately coming from Council committees), and the requirement for Council funding to support NAFC Marine Centre, mean that arrangements are complex and not conducive to collaborative strategic planning, timely decision-making or the development of a single 'voice' with which to market and promote the sector. Simplification of governance and management is required to enable a more entrepreneurial, stable and business-driven environment.

There is a pressing requirement to develop, formalise and recruit a suitable management team to oversee current operations and to drive change. Arrangements at almost all levels of management in the respective services are currently on an interim basis either utilising short term and/or acting up contracts to fill key gaps, or leaving posts unfilled. This must be replaced with a fit-for-purpose management structure populated by appropriately skilled personnel.

The ability to deliver on strategic goals for the local sector is hampered by the complexity of current arrangements and the overall instability and uncertainty faced by the sector. Delivering the maximum benefit for people and businesses in Shetland, and promoting a high quality, innovative environment to schools, employers and partners with a single voice is essential for the future of the sector and the realisation of economic goals for Shetland. Future strategic planning must include a strategy for business development and marketing which emphasises growth and employer engagement.

A single voice is also essential for the maintenance of relationships with key strategic partners and enablers, with particular emphasis on UHI and SFC. UHI are keen that the instability relating to its affiliated partners in Shetland is resolved to the good of the sector and to business in Shetland, while the SFC have made it clear that the current situation of funding two institutions in Shetland is undesirable and unsustainable, and will not continue to support it. The resolution of this is vital for the future of skills and training delivery in Shetland, while the maintenance of quality standards set by other delivery partners, including the Scottish Qualifications Authority (SQA), SDS (through whom Modern Apprenticeship contracts are managed), Seafish, CSCS, REHIS and others is essential for the current functioning and future development of the services.

1.3.4 Potential business scope and key service requirements

It is essential that the options selected for analysis have been scoped to cover the full extent of the project brief. The long list of options described in the Economic Case capture the most relevant methods of organising tertiary education, research and training provision operation, and include minimum and fully resourced, internal and external methods and maintaining the existing services as is.

The Project Scope includes:

- All existing tertiary education, training and research services operated by the Council as part of Shetland College and Train Shetland

- All existing tertiary education, training and research services operated by SFTCT as part of NAFC Marine Centre
- All staffing directly related to the above services
- All property and assets required for operation of the above services
- Existing and new contracts with service delivery partners and business customers
- All academic and vocational accreditations and certifications held by the services in question.

The Project Scope excludes:

- Tertiary education and training operated by the Council as part of SIC Workforce Development or Adult Learning.

1.3.5 Main benefits criteria

The Benefits Criteria are based on the aspects of project delivery which will best achieve the Critical Success Factors. Evaluations contained in this Strategic Outline Case have considered the impact of the Critical Success Factors for the various options described.

1.3.6 Main risks

The main project risks are considered in relation to each of the Critical Success Factors.

1.3.7 Constraints

The following have been identified as constraints within which the Project must operate:

- Quality standards of key service delivery partners (e.g. UHI, SFC, SQA)
- Council spending limits
- Timescales – preferred option required in May 2018 with Full Business Case to be completed in October 2018

1.3.8 Dependencies

The main external influence on the project is the requirement to maintain funding from the Scottish Funding Council for tertiary education delivery in Shetland.

The project must remain a strategic and political priority for Shetland Islands Council and appropriate resources (e.g. staff time) allocated towards this at the direction of the Chief Executive.

2. THE ECONOMIC CASE

2.1 Introduction

In accordance with the Capital Investment Manual and requirements of HM Treasury's Green Book (A Guide to Investment Appraisal in the Public Sector), this section of the SOC documents the long list of options that have been considered in response to the business needs and project scope identified within the Strategic Case.

2.2 Critical success factors

The critical success factors (CSFs) shown within the Strategic Case as spending objectives were as follows:

1) Develop a financially sustainable model for delivery of tertiary education, research and training in Shetland
   - Establish the most cost effective way to deliver the services in Shetland
   - Reduce the level of annual subsidy from Shetland Islands Council

2) Maintain and enhance quality standards in all aspects of service delivery
   - Ensure ability of services to meet quality requirements set by government and service delivery partners

3) Maximise future income
   - Ability to achieve income targets from students, learners, research and business services
   - Ability to respond quickly to income generating activity

4) Commit to a single clear, consistent and effective voice for the tertiary sector in Shetland
   - Develop a targeted business development and marketing strategy for the sector, with clear targets for growth and engagement
   - One clear, strong and focused voice at regional and national tables

5) Maintain local tertiary education, research and training presence, and build strong relationships with resource enablers and strategic partners
   - Maintain physical presence in Shetland
   - Build strong relationships with external organisations vital to the successful delivery of services

6) Simplify governance arrangements, and ensure the retention and attraction of appropriately skilled staff
   - Ensure appropriate management structure
   - Developed simplified governance structure for the sector

These critical success factors are considered to be essential in the context of the project achieving the strategic objectives detailed in the Strategic Case.

2.3   The long-listed options

The long list of options developed as part of this SOC are as follows:

Table 2.1 Summary of long list options and findings

Options		Definition
1	Do Nothing	No further action is taken to change governance, management and funding arrangements of Shetland College, NAFC Marine Centre and/or Train Shetland.
2	Status Quo	Maintain existing governance, with joint management posts regularised, joint strategic plan adhered to and joint curriculum developed as per interim arrangements. Requirements for operational efficiencies would continue.
3	Create a single tertiary education, research and training centre within the Council ('Host SIC')	NAFC Marine Centre becomes part of the Council. Employment of staff is transferred, and all assets and liabilities are taken on by the Council.
4	Create a single tertiary education, research and training centre within UHI ('Host UHI')	Shetland College, NAFC Marine Centre and Train Shetland transfer from existing arrangement to organisational and operational control of UHI. Staff, governance and management transfer to UHI.
5	Create a single independent tertiary education, research and training centre, which is part of the UHI network ('Host NAFC')	Creation of independent organisation comprised of operations of Shetland College, NAFC Marine Centre and Train Shetland, which is part of the UHI network, with SFTCT as the 'host' organisation.
6	Create a single independent tertiary education, research and training centre, which is part of the UHI network ('New College')	Creation of a new, independent organisation comprised of operations of Shetland College, NAFC Marine Centre and Train Shetland, which is part of the UHI network.
7	Shetland College and Train Shetland remain within SIC as part of Education & Families Committee; NAFC Marine Centre remains as is	Strategic oversight of Shetland College and Train Shetland is more closely aligned with SIC Children's Services. NAFC remains as per status quo.
8	Provide only minimum amount of tertiary education, research and training in Shetland	No further investment from SIC in tertiary education, research and training. UHI and SFC fund only basic services.
9	Provide no tertiary education, research and training in Shetland	Disestablishment of Shetland College and Train Shetland by the Council. Core funding to NAFC Marine Centre discontinued.

2.4 Short-listed options

Prior to scoring the options against the Critical Success Factors, a brief scoping exercise was carried out against each option. This judged whether or not each option was capable of achieving the basic aims of each Critical Success Factor, how this impacted on achievability and affordability, and whether or not each option could demonstrate a fit with the business needs and strategic objectives as described in the Strategic Case.

The results of the scoping exercise are as follows:

Table 2.2 Summary of scoping exercise

	Option								
	1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**
	Do Nothing	Status Quo	Host SIC	Host UHI	Host NAFC	New	E&F	Minimum	No Provision
CSF1	×	×	?	?	?	?	×	?	×
CSF2	?	?	?	✓	✓	✓	?	?	×
CSF3	?	?	?	?	?	?	?	×	×
CSF4	×	×	?	✓	✓	✓	×	×	×
CSF5	×	?	✓	✓	✓	✓	?	×	×
CSF6	×	×	?	✓	✓	✓	×	×	×
Potential affordability	×	×	?	?	?	?	×	?	?
Potential achievability	?	✓	?	?	?	?	✓	?	?
Business need	×	×	?	✓	✓	✓	×	×	×
Strategic fit	×	?	?	✓	✓	✓	?	×	×
Summary	Discounted	Discounted	Possible	Possible	Possible	Possible	Discounted	Discounted	Discounted

Options 3, 4, 5, and 6 could all demonstrate either a potential or direct fit with the Critical Success Factors, potential affordability and achievability, and fit with the Strategic Case. For that reason, these options remained in the process at this stage and were subject to scoring against the Critical Success Factors.

As shown above, Options 7, 8 and 9 were considered to be unable to achieve some or all of the Critical Success Factors, and were unable to demonstrate affordability, achievability or a fit with the Strategic Case. For that reason, these options were discounted at this stage and not subject to the detailed scoring against the Critical Success Factors.

While Options 1 (Do Nothing) and 2 (Status Quo) were also unable to show achievements or fit with the above criteria, these options are important comparators for the remainder of the Business Case process, particularly the Status Quo, against which any preferred option must be judged. For that reason, these options remained in the process at this stage and were subject to scoring against the Critical Success Factors.

2.5 Options appraisal

In order to provide a ranking of options, a scoring mechanism was developed by the project team. This mechanism provided a score of 0 (low)-5 (high) based on the potential ability of each option to deliver against the Critical Success Factor.

Each Critical Success Factor contained two categories against which options were scored (with the exception of CSF2, which was weighted by a factor of 2 to bring the available score in line with the other CSFs).

The outcome of the detailed scoring process is as follows:

Table 2.3 Summary of scoring process

	Option					
	1	**2**	**3**	**4**	**5**	**6**
	Do Nothing	**Status Quo**	**Host SIC**	**Host UHI**	**Host NAFC**	**New College**
CSF1	0	0	3	4	10	10
CSF2	2	8	8	10	10	10
CSF3	2	6	2	8	10	10
CSF4	0	5	8	6	10	10
CSF5	6	6	7	8.25	10	10
CSF6	2	2	5.5	7	9	9
TOTAL	**12**	**27**	**33.5**	**43.25**	**59**	**59**

The scoring process has shown that two options from the shortlist are clearly preferable. These are:

- Option 5 – 'Host' NAFC
- Option 6 – New College

The outcome of the Economic Case is that a preferred way forward for the Effective and Sustainable Tertiary Education, Research and Training in Shetland Project has been clearly identified. The preferred way forward is a merger of the tertiary education, research and training services outwith Shetland Islands Council, and the SOC has identified the two options which are most suitable to realise this merger.

The Strategic Outline Case therefore recommends that Option 5 ('Host' NAFC) and Option 6 (New College) be developed further in the Full Business Case.

3. THE COMMERCIAL CASE

3.1 Introduction

The purpose of the Commercial Case is to describe the proposed deal in relation to the preferred option outlined in the Economic Case.

3.2 Required services

The required service to be delivered as part of the proposed deal is a model for delivery of tertiary education, research and training in Shetland which:

- o is financially sustainable
- o incorporates a model of governance and management which is appropriate to local conditions and is fit-for-purpose
- o delivers a high quality learning and training experience, maintaining and enhancing current quality standards
- o delivers high quality research services to the benefit of local industry
- o is responsive to local needs and delivers against strategic targets as identified in the Strategic Case
- o is physically located in Shetland
- o consists of a single consistent identity for the tertiary sector in Shetland
- o is capable of delivering a clear business development and marketing strategy emphasising engagement and growth.

3.3 Potential for risk transfer

The general principle is that risks should be passed to the service best able to manage them, subject to value for money.

Risk transfer will be developed more fully in the Full Business Case.

Table 3.1 risk transfer matrix

Risk Category	Potential allocation		
	SIC	SFTCT	Other Stakeholder
1. Design risk			
2. Construction and development risk			
3. Transition and implementation risk			
4. Availability and performance risk			
5. Operating risk			
6. Variability of revenue risks			
7. Termination risks			
8. Technology and obsolescence risks			
9. Control risks			
10. Residual value risks			
11. Financing risks			
12. Legislative risks			

3.4 Proposed charging mechanisms

tbc

3.5 Proposed contract lengths

tbc

3.6 Personnel implications (including TUPE)

Personnel implications will be dependent on the preferred option and will be developed more fully in the Full Business Case.

TUPE – Transfer of Undertakings (Protection of Employment) Regulations 1981 will apply where the preferred option requires transfer of staff from one entity to another, be that an existing or new entity.

The recommendation to explore the preferred options of an entity outside of the Council means this is a significant and important part of the Full Business Case.

3.7 Procurement strategy and implementation timescales

Implementation milestones for the project are tbc.

4.   THE FINANCIAL CASE

4.1   Introduction

The purpose of this section is to set out the forecast financial implications of the preferred option (as set out in the Economic Case) and the proposed deal (as described in the Commercial Case).

4.2   Impact on the organisation's income and expenditure account

The following table summarises the combined income and expenditure of Shetland College, Train Shetland and NAFC Marine Centre on the basis of the outturn for 2017/18. This summary provides the financial basis for the status quo options and identifies the funding deficit arising from existing arrangements.

Table 4.1 Summary of combined SC, NAFC and TS draft outturn 2017/18

INCOME	£000
Scottish Further Education Funding Council	2,618
Tuition Fees, Contracts & Grants	1,512
Research Grants and Contracts	925
Sale of Meals	62
Consultancy	89
Management & Service Fees	426
Other Income	512
Bank Interest	3
Total Income	**6,147**
EXPENDITURE	**£000**
Employee Costs	4,894
Premises Costs	1,314
Boats	10
Equipment & Materials	196
Operating Costs	873
Grants to Individuals/Organisations	9
Marketing	14
Professional and Financial Fees	447
Travel/Vehicle Expenses	151
Total Expenditure	**7,908**
Net Funding Surplus/(Deficit)	**(1,761)**

4.3   Overall affordability

The above financial summary demonstrates the resources required to maintain the status quo option. Affordability of the preferred option must be determined during development of the Full Business Case. See Step 6 – 'Ascertaining affordability and funding requirement.'

4.4   Comparison with Status Quo

To be undertaken following establishment of preferred options. See Step 6 – 'Ascertaining affordability and funding requirement.'

5. THE MANAGEMENT CASE

5.1 Introduction

This section addresses the 'achievability' of the project; it sets out in more detail the actions that will be required to ensure the successful delivery of the project in accordance with best practice.

5.2 Project management arrangements

The project will be managed in accordance with PRINCE 2 methodology.

5.3 Project reporting structure

The reporting organisation and the reporting structure for the project are as follows:

Table 5.1 Project Board

Executive Officer	Director of Development Services
Project Team	
Project Manager	
Project Reviewer	

5.3.1 Project roles and responsibilities

These are as follows:
- Director of Development Services – is in charge of the project, will chair the board meetings and is responsible for defining the work required to complete the project. The role also requires obtaining the Chief Executive's approval for the preferred option and any changes to the SOC.
- Other roles tbc

5.3.2 Project plan

The Outline Project Plan below provides a broad outline of the development milestones for the Business Case process:

Table 5.2 Outline Project Plan

Milestone Activity	Timescale
Strategic Outline Case	
Agreement of Critical Success Factors and Long List of Options	May 2018
Development of Strategic Outline Case	May 2018
Stage 2/Full Business Case	
Selection of Preferred Option	21 May 2018
Undertake Economic Appraisals	May-Oct 2018
Identify achievability, affordability and management of proposed deal	
Full Business Case	Oct 2018
Full Implementation of Preferred Option	**TBC**

5.4 Outline arrangements for change and contract management

tbc

5.5 Outline arrangements for benefits realisation

tbc

5.6 Outline arrangements for risk management

tbc

5.7 Outline arrangements for post project evaluation

The outline arrangements for post implementation review (PIR) and project evaluation review (PER) have been established in accordance with best practice and are as follows.

5.7.1 Post implementation review (PIR)

The review will ascertain whether the anticipated tangible and intangible benefits have been delivered. The review will take place 12 months following full implementation of the preferred option.

5.7.2 Project evaluation reviews (PERs)

PERs appraise how well the project was managed and delivered compared with expectations and are timed to take place 6 months following full implementation of the preferred option.

5.7.3 Gateway review arrangements

Gateway 1 is to be scheduled for 21 May 2018.

5.8 Risk potential assessment

The impacts/risks associated with the project scored against the risk potential assessment (RPA) is Very High.

APPENDIX 2 – Long List

Option	Entity	Governance	Management	SC	NAFC	TS	Retention of physical locations in Shetland	Staffing	Potential funding implications
1 Do Nothing	As per current arrangements	As per current arrangements	As per current arrangements until cessation of temporary contracts, at which point temporary posts are unfilled	As per current arrangements; potential/probable impacts from loss of temporary posts	As per current arrangements; potential/probable impacts from loss of temporary posts	As per current arrangements; potential/probable impacts from loss of temporary posts	Yes	Temporary contracts time out, other staffing as per existing arrangements	Withdrawal or reduction of SFC funding, continued draw on Council funding
2 Status Quo	As per current arrangements	As per current arrangements	As per current arrangements	As per current arrangements	As per current arrangements	As per current arrangements	Yes	Temporary contracts regularised, other staffing as per existing arrangements	Withdrawal or reduction of SFC funding, continued draw on Council funding
3 Create a single tertiary education, research and training centre within the Council ('Host' SIC)	Shetland College and Train ceases trading as a charitable trust and is incorporated as part of the local authority.	Shetland College Board provides operational management team established within SIC Development Directorate	Joint principal and senior management team established within SIC Development Directorate	As per current arrangements	As per current arrangements	As per current arrangements	Yes	Shetland College and Train Shetland staff as per current arrangements; NAFC Marine Centre staff transfer to Shetland Islands Council	Maintenance of SFC funding; continued draw on Council funding; taxation implications from wind-up of SFCT
4 Create a single tertiary education, research and training centre within UHI ('Host' UHI)	Shetland transfer out of the local authority and into UHI. NAFC ceases trading and is incorporated as part of UHI. All employment, assets, obligations and liabilities of the three services transfer to UHI.	Governance of sector moves to UHI	Joint principal and senior management team established within UHI	Delivery of services will be responsibility of UHI	Delivery of services will be responsibility of UHI	Delivery of services will be responsibility of UHI	Yes	All staff transfer to UHI	Maintenance of SFC funding; potential increase in funding from rural credits uplift; reduced draw on Council funding; tax implications from wind-up of SFCT
5 Create a single independent tertiary education, research and training centre which is affiliated UHI ('Host' NAFC)	NAFC Marine Centre acts as the 'host' into which Shetland College and Train Shetland transfers - employment, assets, obligations and liabilities of these services transfer to NAFC. SFTCT Trust Deed amended to incorporate this change.	Independent governance arrangement, i.e. board of management, established	Joint principal and management team established by board of management	Opportunities for new income streams and increased revenue to be explored through business development and marketing strategies.	Opportunities for new income streams and increased revenue to be explored through business development and marketing strategies.	Opportunities for new income streams and increased revenue to be explored through business development and marketing strategies. Shared services, such as combining short course admin, MA co-ordination, and MA contracting will lead to efficiencies and opportunities to divert resources to business	Yes	All staff transfer to 'host' organisation	Maintenance of SFC funding; potential increase in funding from rural credits uplift; reduced draw on Council funding.
6 Create a single independent tertiary education, research and training centre which is NOT affiliated UHI ('New College' option)	Shetland College and Train Shetland transfer out of the local authority and into new independent organisation. NAFC ceases trading as a charitable trust and is incorporated as part of independent organisation. All employment, assets, obligations and liabilities of the three services transfer to new organisation.	Independent governance arrangement, i.e. board of management, established	Joint principal and management team established by board of management	Opportunities for new income streams and increased revenue to be explored through business development and marketing strategies.	Opportunities for new income streams and increased revenue to be explored through business development and marketing strategies. Shared services, such as combining short course admin, MA co-ordination, and MA contracting will lead to efficiencies and opportunities to divert resources to business growth	Opportunities for new income streams and increased revenue to be explored through business development and marketing strategies. Shared services, such as combining short course admin, MA co-ordination, and MA contracting will lead to efficiencies and opportunities to divert resources to business growth	Yes	All staff transfer to new organisation	Maintenance of SFC funding; potential increase in funding from rural credits uplift; reduced draw on Council funding.
7 Shetland College and Train remain within SIC as part of Education & Families Committee; NAFC Marine Centre remains as is	As per current arrangements	Operational and strategic governance of SC/TS taken on by Education & Families Committee; NAFC remains as per current arrangements	As per current arrangements	As per current arrangements	As per current arrangements	As per current arrangements	Yes	As per current arrangements	Withdrawal or reduction of SFC funding; continued draw on Council funding
8 Provide only minimum amount of tertiary education, research and training in Shetland	As per current arrangements	Joint principal post established; management team scaled to minimum delivery requirements	Joint principal post established; management team scaled to minimum delivery requirements	Courses which are deemed to be non-viable will be discontinued; no business development or marketing will be undertaken; short courses will be provided only in service of internal Council requirements; research will be based on requirements to deliver on Marine Spatial Planning only.	Courses which are deemed to be non-viable will be discontinued; no business development or marketing will be undertaken; short courses will be provided only in service of internal Council requirements; SIC MA contracts will not be retendered for,	Courses which are deemed to be non-viable will be discontinued; no business development or marketing will be undertaken; short courses will be provided only in service of internal Council requirements; research will be based on requirements to deliver on Marine Spatial Planning only.	Yes	Redundancy/redeployment required for a number of staff as services reduce or are discontinued; temporary contracts time out.	Withdrawal or reduction of SFC funding; continued draw on Council funding; reduced income from service delivery
9 Provide no tertiary education, research and training in Shetland	Shetland College and Train Shetland restructured out of SIC. Funding to NAFC discontinued	None (SC/TS); NAFC as per current arrangements	None (SC/TS); NAFC as per current arrangements	Cessation of all service delivery	Service delivery scaled to take into account withdrawal of SIC funding	Cessation of all service delivery	No (SC/TS); Yes (NAFC)	Redundancy required for all staff as services are discontinued	Withdrawal of SFC funding; continued draw on Council funding to finance redundancies; no or reduced income from service delivery;

Option 1 - Do Nothing

CSF 1 — Develop a financially sustainable model for delivery of tertiary education, research and training in Shetland

Points Allocation Info	0	1	2	3	4	5
a — Establish the most cost effective way to deliver the services in Shetland:	No positive benefits					Positive benefits accrued after 1 year
Demonstrates net positive benefits	**0**					
b — Reduce the level of annual subsidy from Shetland Islands Council	Increase or no change in annual Council subsidy	1%-20% decrease in Council subsidy	21%-40% decrease in Council subsidy	41%-75% decrease in Council subsidy	76%-99% decrease in Council subsidy	No subsidy required
Impact on Council subsidy at Year 1	**0**					

CSF 2 — Maintain and enhance quality standards in all aspects of service delivery

Points Allocation Info	0	1	2	3	4	5
c — Ensure the ability of services to meet quality requirements set by government and service delivery partners:	No service delivery	Inability to deliver on quality standards and requirements of service delivery partners	Measureable impacts on ability to deliver on quality standards and requirements of service delivery partners		Status quo	Capacity to exceed requirements set by government and service delivery partners and deliver ongoing and sustained quality improvements
Impact on quality standards and ability to meet requirements		**1**				

CSF 3 — Maximise future income

Points Allocation Info	0	1	2	3	4	5
d — Ability to achieve income targets from students, learners, research and business services	No income	No ability to meet income targets		Ability to achieve income, but likely to fall short of targets		Fully able to meet income targets and grow business
Ability to achieve targets		**1**				
e — Ability to respond quickly to income generating activity	No response	Lack of effective response		Can respond in good time, but potential to be hampered by decision-making structure		Ability to respond quickly and effectively to income generating activity
Impact on responsiveness		**1**				

CSF 4 — Commit to a single clear, consistent and effective voice for the tertiary education, research and training sector in Shetland

Points Allocation Info	0	1	2	3	4	5
f — Develop a targeted business development and marketing strategy for the sector, with clear targets for growth and engagement:	No business development and marketing strategy for colleges sector	Minimal reference to business development and marketing strategy	Business development and marketing strategy remains separated between services, with no overall resource management	Business development and marketing strategy developed with minimal resources	Business development and marketing strategy for colleges sector with staffing resources	Business development and marketing strategy for colleges sector, fully resourced with strategic direction from senior management team. Development of strong independent brand.
Impact on business development and marketing	**0**					
g — One clear, strong and focused voice at regional and national tables:	No regional presence	Inability to articulate clear regional voice due to lack of overall strategic direction and management resource	Regional voice articulated but not directed in service of single, defined college sector in Shetland	Status quo	Ability to fully articulate needs of Shetland at regional level with clear strategic goals for whole sector	Ability to fully articulate needs of Shetland at regional level with clear strategy goals for whole sector, and influence regional development
Impact on regional voice and presence	**0**					

CSF 5 — Maintain local tertiary education, research and training presence, and build strong relationships with resource enablers and strategic partners

Points Allocation Info	0	1	2	3	4	5
h — Maintain physical presence in Shetland:	No					Yes
College campus in Shetland						5
Modern Apprenticeships co-ordinated in Shetland						5
Individuals and business can access training facilities at locations in Shetland						5
Research facilities supporting industry are located and provided in Shetland						5
Impact on access to tertiary education, research and training in Shetland			5			
i — Build strong relationships with external organisations vital to the successful delivery of services:	No relationships with relevant external organisations	Negative impacts on relationships with external organisations	Minimal relationships with external organisations	Status quo	Capacity to enhance local impacts through the development of services through improved strategic relationships	Capacity to deliver significant local impacts through the development of services through improved strategic relationships and influence policy development
Impact on relationships with external organisations and service delivery partners		**1**				

CSF 6 — Simplify governance arrangements, and establish effective management structure

Points Allocation Info	0	1	2	3	4	5
j — Ensure effective management structure:	No management	No clear management structure		Management structure as per status quo		Fully resourced management structure appropriate for the scale of the sector and strategic requirements, with capacity to attract key talent to local sector
Impact on management structure		**1**				
k — Develop simplified governance structure for the sector:	No decision-making	Length of committee cycle (6-8 weeks)		Departmental meeting cycle (2-4 weeks)		Decision-making is appropriate to due consideration of spending and strategic proposals - instantaneous decisions can be made where desirable
Average length of time taken for decision-making		**1**				
	No decision-making	4 or more bodies involved in decision making		3 or more bodies involved in decision-making		Decision-making comprised of SMT and board of management
Number of different bodies involved in strategic/operational decision-making		**1**				
Impact on governance structure		1				

Option 2 - Status Quo

CSF 1 — Develop a financially sustainable model for delivery of tertiary education, research and training in Shetland

	Points Allocation Info	0	1	2	3	4	5
a	Establish the most cost effective way to deliver the services in Shetland: Demonstrates net positive benefits	No positive benefits					Positive benefits accrued after 1 year
		0					
b	Reduce the level of annual subsidy from Shetland Islands Council	Increase or no change in annual Council subsidy	1%-20% decrease in Council subsidy	21%-40% decrease in Council subsidy	41%-75% decrease in Council subsidy	76%-99% decrease in Council subsidy	No subsidy required
	Impact on Council subsidy at Year 1	**0**					

CSF 2 — Maintain and enhance quality standards in all aspects of service delivery

	Points Allocation Info	0	1	2	3	4	5
c	Ensure the ability of services to meet quality requirements set by government and service delivery partners:	No service delivery	Inability to deliver on quality standards and requirements of service delivery partners	Measureable impacts on ability to deliver on quality standards and requirements of service delivery partners		Status quo	Capacity to exceed requirements set by government and service delivery partners and deliver ongoing and sustained quality improvements
	Impact on quality standards and ability to meet requirements					**4**	

CSF 3 — Maximise future income

	Points Allocation Info	0	1	2	3	4	5
d	Ability to achieve income targets from students, learners, research and business services	No income	No ability to meet income targets		Ability to achieve income, but likely to fall short of targets		Fully able to meet income targets and grow business
	Ability to achieve targets				**3**		
e	Ability to respond quickly to income generating activity	No response	Lack of effective response		Can respond in good time, but potential to be hampered by decision-making structure		Ability to respond quickly and effectively to income generating activity
	Impact on responsiveness				**3**		

CSF 4 — Commit to a single clear, consistent and effective voice for the tertiary education, research and training sector in Shetland

	Points Allocation Info	0	1	2	3	4	5
f	Develop a targeted business development and marketing strategy for the sector, with clear targets for growth and engagement:	No business development and marketing strategy for colleges sector	Minimal reference to business development and marketing strategy	Business development and marketing strategy remains separated between services, with no overall resource management	Business development and marketing strategy developed with minimal resources	Business development and marketing strategy for colleges sector with staffing resources	Business development and marketing strategy for colleges sector, fully resourced with strategic direction from senior management team. Development of strong independent brand.
	Impact on business development and marketing			**2**			
g	One clear, strong and focused voice at regional and national tables:	No regional presence	Inability to articulate clear regional voice due to lack of overall strategic direction and management resource	Regional voice articulated but not directed in service of single, defined college sector in Shetland	Status quo	Ability to fully articulate needs of Shetland at regional level with clear strategic goals for whole sector	Ability to fully articulate needs of Shetland at regional level with clear strategy goals for whole sector, and influence regional development
	Impact on regional voice and presence				**3**		

CSF 5 — Maintain a local presence, and build strong relationships with resource enablers and strategic partners

	Points Allocation Info	0	1	2	3	4	5
	Maintain physical presence in Shetland:	No					Yes
	College campus in Shetland						**5**
	Modern Apprenticeships co-ordinated in Shetland						**5**
h	Individuals and business can access training facilities at locations in Shetland						**5**
	Research facilities supporting industry are located and provided in Shetland						**5**
	Impact on access to tertiary education, research and training in Shetland				**5**		
i	Build strong relationships with external organisations vital to the successful delivery of services:	No relationships with relevant external organisations	Negative impacts on relationships with external organisations	Minimal relationships with external organisations	Status quo	Capacity to enhance local impacts through the development of services through improved strategic relationships	Capacity to deliver significant local impacts through the development of services through improved strategic relationships and influence policy development
	Impact on relationships with external organisations and service delivery partners		**1**				

CSF 6 — Simplify governance arrangements, and establish effective management structure

	Points Allocation Info	0	1	2	3	4	5
j	Ensure effective management structure:	No management	No clear management structure		Management structure as per status quo		Fully resourced management structure appropriate for the scale of the sector and strategic requirements, with capacity to attract key talent to local sector
	Impact on management structure		**1**				
k	Develop simplified governance structure for the sector:						
		No decision-making	Length of committee cycle (6-8 weeks)		Departmental meeting cycle (2-4 weeks)		Decision-making is appropriate to due consideration of spending and strategic proposals - instantaneous decisions can be made where desirable
	Average length of time taken for decision-making		**1**				
		No decision-making	4 or more bodies involved in decision making		3 or more bodies involved in decision-making		Decision-making comprised of SMT and board of management
	Number of different bodies involved in strategic/operational decision-making		**1**				
	Impact on governance structure				**1**		

Option 3 - 'Host' SIC

CSF 1 — Develop a financially sustainable model for delivery of tertiary education, research and training in Shetland

Points Allocation Info	0	1	2	3	4	5
a Establish the most cost effective way to deliver the services in Shetland:	No positive benefits					Positive benefits accrued after 1 year
Demonstrates net positive benefits	**0**					
b Reduce the level of annual subsidy from Shetland Islands Council	Increase or no change in annual Council subsidy	1%-20% decrease in Council subsidy	21%-40% decrease in Council subsidy	41%-75% decrease in Council subsidy	76%-99% decrease in Council subsidy	No subsidy required
Impact on Council subsidy at Year 1				**3**		

CSF 2 — Maintain and enhance quality standards in all aspects of service delivery

Points Allocation Info	0	1	2	3	4	5
c Ensure the ability of services to meet quality requirements set by government and service delivery partners:	No service delivery	Inability to deliver on quality standards and requirements of service delivery partners	Measurable impacts on ability to deliver on quality standards and requirements of service delivery partners		Status quo	Capacity to exceed requirements set by government and service delivery partners and deliver ongoing and sustained quality improvements
Impact on quality standards and ability to meet requirements					**4**	

CSF 3 — Maximise future income

Points Allocation Info	0	1	2	3	4	5
d Ability to achieve income targets from students, learners, research and business services	No income	No ability to meet income targets		Ability to achieve income, but likely to fall short of targets		Fully able to meet income targets and grow business
Ability to achieve targets		**1**				
e Ability to respond quickly to income generating activity	No response	Lack of effective response		Can respond in good time, but potential to be hampered by decision-making structure		Ability to respond quickly and effectively to income generating activity
Impact on responsiveness		**1**				

CSF 4 — Commit to a single clear, consistent and effective voice for the tertiary education, research and training sector in Shetland

Points Allocation Info	0	1	2	3	4	5
f Develop a targeted business development and marketing strategy for the sector, with clear targets for growth and engagement:	No business development and marketing strategy for colleges sector	Minimal reference to business development and marketing strategy	Business development and marketing strategy remains separated between services, with no overall resource management	Business development and marketing strategy developed with minimal resources	Business development and marketing strategy for colleges sector with staffing resources	Business development and marketing strategy for colleges sector, fully resourced with strategic direction from senior management team. Development of strong independent brand.
Impact on business development and marketing					**4**	
g One clear, strong and focused voice at regional and national tables:	No regional presence	Inability to articulate clear regional voice due to lack of overall strategic direction and management resource	Regional voice articulated but not directed in service of single, defined college sector in Shetland	Status quo	Ability to fully articulate needs of Shetland at regional level with clear strategic goals for whole sector	Ability to fully articulate needs of Shetland at regional level with clear strategy goals for whole sector, and influence regional development
Impact on regional voice and presence					**4**	

CSF 5 — Maintain a local presence, and build strong relationships with resource enablers and strategic partners

Points Allocation Info	0	1	2	3	4	5
h Maintain physical presence in Shetland:	No					Yes
College campus in Shetland						5
Modern Apprenticeships co-ordinated in Shetland						5
Individuals and business can access training facilities at locations in Shetland						5
Research facilities supporting industry are located and provided in Shetland						5
Impact on access to tertiary education, research and training in Shetland	5					
i Build strong relationships with external organisations vital to the successful delivery of services:	No relationships with relevant external organisations	Negative impacts on relationships with external organisations	Minimal relationships with external organisations	Status quo	Capacity to enhance local impacts through the development of services through improved strategic relationships	Capacity to deliver significant local impacts through the development of services through improved strategic relationships and influence policy development
Impact on relationships with external organisations and service delivery partners			**2**			

CSF 6 — Simplify governance arrangements, and establish effective management structure

Points Allocation Info	0	1	2	3	4	5
j Ensure effective management structure:	No management	No clear management structure		Management structure as per status quo		Fully resourced management structure appropriate for the scale of the sector and strategic requirements, with capacity to attract key talent to local sector
Impact on management structure					**4**	
k Develop simplified governance structure for the sector:						
	No decision-making	Length of committee cycle (6-8 weeks)		Departmental meeting cycle (2-4 weeks)		Decision-making is appropriate to due consideration of spending and strategic proposals - instantaneous decisions can be made where desirable
Average length of time taken for decision-making		**1**				
	No decision-making	4 or more bodies involved in decision making		3 or more bodies involved in decision-making		Decision-making comprised of SMT and board of management
Number of different bodies involved in strategic/operational decision-making			**2**			
Impact on governance structure	1.5					

Option 4 - 'Host' UHI

CSF 1 — Develop a financially sustainable model for delivery of tertiary education, research and training in Shetland

Points Allocation Info	0	1	2	3	4	5
a Establish the most cost effective way to deliver the services in Shetland:	No positive benefits					Positive benefits accrued after 1 year
Demonstrates net positive benefits	**0**					
b Reduce the level of annual subsidy from Shetland Islands Council	Increase or no change in annual Council subsidy	1%-20% decrease in Council subsidy	21%-40% decrease in Council subsidy	41%-75% decrease in Council subsidy	76%-99% decrease in Council subsidy	No subsidy required
Impact on Council subsidy at Year 1					**4**	

CSF 2 — Maintain and enhance quality standards in all aspects of service delivery

Points Allocation Info	0	1	2	3	4	5
c Ensure the ability of services to meet quality requirements set by government and service delivery partners:	No service delivery	Inability to deliver on quality standards and requirements of service delivery partners	Measurable impacts on ability to deliver on quality standards and requirements of service delivery partners		Status quo	Capacity to exceed requirements set by government and service delivery partners and deliver ongoing and sustained quality improvements
Impact on quality standards and ability to meet requirements						**5**

CSF 3 — Maximise future income

Points Allocation Info	0	1	2	3	4	5
d Ability to achieve income targets from students, learners, research and business services	No income	No ability to meet income targets		Ability to achieve income, but likely to fall short of targets		Fully able to meet income targets and grow business
Ability to achieve targets						**5**
e Ability to respond quickly to income generating activity	No response	Lack of effective response		Can respond in good time, but potential to be hampered by decision-making structure		Ability to respond quickly and effectively to income generating activity
Impact on responsiveness				**3**		

CSF 4 — Commit to a single clear, consistent and effective voice for the tertiary education, research and training sector in Shetland

Points Allocation Info	0	1	2	3	4	5
f Develop a targeted business development and marketing strategy for the sector, with clear targets for growth and engagement:	No business development and marketing strategy for colleges sector	Minimal reference to business development and marketing strategy	Business development and marketing strategy remains separated between services, with no overall resource management	Business development and marketing strategy developed with minimal resources	Business development and marketing strategy for colleges sector with staffing resources	Business development and marketing strategy for colleges sector, fully resourced with strategic direction from senior management team. Development of strong independent brand.
Impact on business development and marketing					**4**	
g One clear, strong and focused voice at regional and national tables:	No regional presence	Inability to articulate clear regional voice due to lack of overall strategic direction and management resource	Regional voice articulated but not directed in service of single, defined college sector in Shetland	Status quo	Ability to fully articulate needs of Shetland at regional level with clear strategic goals for whole sector	Ability to fully articulate needs of Shetland at regional level with clear strategy goals for whole sector, and influence regional development
Impact on regional voice and presence			**2**			

CSF 5 — Maintain a local presence, and build strong relationships with resource enablers and strategic partners

Points Allocation Info	0	1	2	3	4	5
h Maintain physical presence in Shetland:	No					Yes
College campus in Shetland					**4**	
Modern Apprenticeships co-ordinated in Shetland				**3**		
Individuals and business can access training facilities at locations in Shetland						**5**
Research facilities supporting industry are located and provided in Shetland						**5**
Impact on access to tertiary education, research and training in Shetland	**4.25**					
i Build strong relationships with external organisations vital to the successful delivery of services:	No relationships with relevant external organisations	Negative impacts on relationships with external organisations	Minimal relationships with external organisations	Status quo	Capacity to enhance local impacts through the development of services through improved strategic relationships	Capacity to deliver significant local impacts through the development of services through improved strategic relationships and influence policy development
Impact on relationships with external organisations and service delivery partners					**4**	

CSF 6 — Simplify governance arrangements, and establish effective management structure

Points Allocation Info	0	1	2	3	4	5
j Ensure effective management structure:	No management	No clear management structure		Management structure as per status quo		Fully resourced management structure appropriate for the scale of the sector and strategic requirements, with capacity to attract key talent to local sector
Impact on management structure						**5**
k Develop simplified governance structure for the sector:						
	No decision-making	Length of committee cycle (6-8 weeks)		Departmental meeting cycle (2-4 weeks)		Decision-making is appropriate to due consideration of spending and strategic proposals - instantaneous decisions can be made where desirable
Average length of time taken for decision-making		**1**				
	No decision-making	4 or more bodies involved in decision making		3 or more bodies involved in decision-making		Decision-making comprised of SMT and board of management
Number of different bodies involved in strategic/operational decision-making				**3**		
Impact on governance structure	**2**					

Option 5 - 'Host' NAFC

CSF 1 — Develop a financially sustainable model for delivery of tertiary education, research and training in Shetland

Points Allocation Info	0	1	2	3	4	5
a Establish the most cost effective way to deliver the services in Shetland:	No positive benefits					Positive benefits accrued after 1 year
Demonstrates net positive benefits						5
b Reduce the level of annual subsidy from Shetland Islands Council	Increase or no change in annual Council subsidy	1%-20% decrease in Council subsidy	21%-40% decrease in Council subsidy	41%-75% decrease in Council subsidy	76%-99% decrease in Council subsidy	No subsidy required
Impact on Council subsidy at Year 1						5

CSF 2 — Maintain and enhance quality standards in all aspects of service delivery

Points Allocation Info	0	1	2	3	4	5
c Ensure the ability of services to meet quality requirements set by government and service delivery partners:	No service delivery	Inability to deliver on quality standards and requirements of service delivery partners	Measurable impacts on ability to deliver on quality standards and requirements of service delivery partners		Status quo	Capacity to exceed requirements set by government and service delivery partners and deliver ongoing and sustained quality improvements
Impact on quality standards and ability to meet requirements						5

CSF 3 — Maximise future income

Points Allocation Info	0	1	2	3	4	5
d Ability to achieve income targets from students, learners, research and business services	No income	No ability to meet income targets		Ability to achieve income, but likely to fall short of targets		Fully able to meet income targets and grow business
Ability to achieve targets						5
e Ability to respond quickly to income generating activity	No response	Lack of effective response		Can respond in good time, but potential to be hampered by decision-making structure		Ability to respond quickly and effectively to income generating activity
Impact on responsiveness						5

CSF 4 — Commit to a single clear, consistent and effective voice for the tertiary education, research and training sector in Shetland

Points Allocation Info	0	1	2	3	4	5
f Develop a targeted business development and marketing strategy for the sector, with clear targets for growth and engagement:	No business development and marketing strategy for colleges sector	Minimal reference to business development and marketing strategy	Business development and marketing strategy remains separated between services, with no overall resource management	Business development and marketing strategy developed with minimal resources	Business development and marketing strategy for colleges sector with staffing resources	Business development and marketing strategy for colleges sector, fully resourced with strategic direction from senior management team. Development of strong independent brand.
Impact on business development and marketing						5
g One clear, strong and focused voice at regional and national tables:	No regional presence	Inability to articulate clear regional voice due to lack of overall strategic direction and management resource	Regional voice articulated but not directed in service of single, defined college sector in Shetland	Status quo	Ability to fully articulate needs of Shetland at regional level with clear strategic goals for whole sector	Ability to fully articulate needs of Shetland at regional level with clear strategy goals for whole sector, and influence regional development
Impact on regional voice and presence						5

CSF 5 — Maintain a local presence, and build strong relationships with resource enablers and strategic partners

Points Allocation Info	0	1	2	3	4	5
h Maintain physical presence in Shetland:	No					Yes
College campus in Shetland						5
Modern Apprenticeships co-ordinated in Shetland						5
Individuals and business can access training facilities at locations in Shetland						5
Research facilities supporting industry is located and provided in Shetland						5
Impact on access to tertiary education, research and training in Shetland				5		
i Build strong relationships with external organisations vital to the successful delivery of services:	No relationships with relevant external organisations	Negative impacts on relationships with external organisations	Minimal relationships with external organisations	Status quo	Capacity to enhance local impacts through the development of services through improved strategic relationships	Capacity to deliver significant local impacts through the development of services through improved strategic relationships and influence policy development
Impact on relationships with external organisations and service delivery partners						5

CSF 6 — Simplify governance arrangements, and establish effective management structure

Points Allocation Info	0	1	2	3	4	5
j Ensure effective management structure:	No management	No clear management structure		Management structure as per status quo		Fully resourced management structure appropriate for the scale of the sector and strategic requirements, with capacity to attract key talent to local sector
Impact on management structure						5
k Develop simplified governance structure for the sector:						
	No decision-making	Length of committee cycle (6-8 weeks)		Departmental meeting cycle (2-4 weeks)		Decision-making is appropriate to due consideration of spending and strategic proposals - instantaneous decisions can be made where desirable
Average length of time taken for decision-making				3		
	No decision-making	4 or more bodies involved in decision making		3 or more bodies involved in decision-making		Decision-making comprised of SMT and board of management
Number of different bodies involved in strategic/operational decision-making						5
Impact on governance structure				4		

Option 6 - New College

CSF 1 — Develop a financially sustainable model for delivery of tertiary education, research and training in Shetland

	Points Allocation Info	0	1	2	3	4	5
a	Establish the most cost effective way to deliver the services in Shetland:	No positive benefits over lifetime of project	Positive benefits accrued after 10 years or more	Positive benefits accrued after 7 years	Positive benefits accrued after 5 years	Positive benefits accrued after 2 years	Positive benefits accrued after 1 year
	Demonstrates net positive benefits						5
b	Reduce the level of annual subsidy from Shetland Islands Council	Increase or no change in annual Council subsidy	1%-20% decrease in Council subsidy	21%-40% decrease in Council subsidy	41%-75% decrease in Council subsidy	76%-99% decrease in Council subsidy	No subsidy required
	Impact on Council subsidy at Year 1						5

CSF 2 — Maintain and enhance quality standards in all aspects of service delivery

	Points Allocation Info	0	1	2	3	4	5
c	Ensure the ability of services to meet quality requirements set by government and service delivery partners:	No service delivery	Inability to deliver on quality standards and requirements of service delivery partners	Measureable impacts on ability to deliver on quality standards and requirements of service delivery partners		Status quo	Capacity to exceed requirements set by government and service delivery partners and deliver ongoing and sustained quality improvements
	Impact on quality standards and ability to meet requirements						5

CSF 3 — Maximise future income

	Points Allocation Info	0	1	2	3	4	5
d	Ability to achieve income targets from students, learners, research and business services	No income	No ability to meet income targets		Ability to achieve income, but likely to fall short of targets		Fully able to meet income targets and grow business
	Ability to achieve targets						5
e	Ability to respond quickly to income generating activity	No response	Lack of effective response		Can respond in good time, but potential to be hampered by decision-making structure		Ability to respond quickly and effectively to income generating activity
	Impact on responsiveness						5

CSF 4 — Commit to a single clear, consistent and effective voice for the tertiary education, research and training sector in Shetland

	Points Allocation Info	0	1	2	3	4	5
f	Develop a targeted business development and marketing strategy for the sector, with clear targets for growth and engagement:	No business development and marketing strategy for colleges sector	Minimal reference to business development and marketing strategy	Business development and marketing strategy remains separated between services, with no overall resource management	Business development and marketing strategy developed with minimal resources	Business development and marketing strategy for colleges sector with staffing resources	Business development and marketing strategy for colleges sector, fully resourced with strategic direction from senior management team. Development of strong independent brand.
	Impact on business development and marketing						5
g	One clear, strong and focused voice at regional and national tables:	No regional presence	Inability to articulate clear regional voice due to lack of overall strategic direction and management resource	Regional voice articulated but not directed in service of single, defined college sector in Shetland	Status quo	Ability to fully articulate needs of Shetland at regional level with clear strategic goals for whole sector	Ability to fully articulate needs of Shetland at regional level with clear strategy goals for whole sector, and influence regional development
	Impact on regional voice and presence						5

CSF 5 — Maintain a local presence, and build strong relationships with resource enablers and strategic partners

	Points Allocation Info	0	1	2	3	4	5
	Maintain physical presence in Shetland:	No					Yes
	College campus in Shetland						5
	Modern Apprenticeships co-ordinated in Shetland						5
h	Individuals and business can access training facilities at locations in Shetland						5
	Research facilities supporting industry are located and provided in Shetland						5
	Impact on access to tertiary education, research and training in Shetland	5					
i	Build strong relationships with external organisations vital to the successful delivery of services:	No relationships with relevant external organisations	Negative impacts on relationships with external organisations	Minimal relationships with external organisations	Status quo	Capacity to enhance local impacts through the development of services through improved strategic relationships	Capacity to deliver significant local impacts through the development of services through improved strategic relationships and influence policy development
	Impact on relationships with external organisations and service delivery partners						5

CSF 6 — Simplify governance arrangements, and establish effective management structure

	Points Allocation Info	0	1	2	3	4	5
j	Ensure effective management structure:	No management	No clear management structure		Management structure as per status quo		Fully resourced management structure appropriate for the scale of the sector and strategic requirements, with capacity to attract key talent to local sector
	Impact on management structure						5
k	Develop simplified governance structure for the sector:	No decision-making	Length of committee cycle (6-8 weeks)		Departmental meeting cycle (2-4 weeks)		Decision-making is appropriate to due consideration of spending and strategic proposals - instantaneous decisions can be made where desirable
	Average length of time taken for decision-making				3		
		No decision-making	4 or more bodies involved in decision making		3 or more bodies involved in decision-making		Decision-making comprised of SMT and board of management
	Number of different bodies involved in strategic/operational decision-making						5
	Impact on governance structure	4					

Income and Expenditure Review	Outturn fo Annual Costs for Sector*	Option 1 Do Nothing	Option 2 Status Quo	Option 3 Host - SIC	Option 4 Host - UHI	Option 5 Host - NAFC	Option 6 New Organisation
	£000	£000	£000	£000	£000	£000	£000
Employee Costs	4,894	4,854	4,894	4,594	4,594	4,594	4,594
Premises Costs	1,314	1,314	1,314	744	534	534	534
Boats	10	10	10	10	10	10	10
Equipment & Materials	196	146	196	196	196	196	196
Operating Costs	873	437	873	773	773	773	773
Grants to Individuals/Organisations	9	9	9	9	9	9	9
Marketing	14	10	14	40	40	40	40
Professional and Financial Fees	447	447	447	247	297	249	249
Travel/Vehicle Expenses	151	76	151	156	176	156	156
VAT Cost				200	200	200	200
TOTAL EXPENDITURE	**7,908**	**7,293**	**7,908**	**6,769**	**6,829**	**6,761**	**6,761**
Scottish Further Education Funding Council	2,618	2,618	2,618	2,693	2,993	2,993	2,993
Tuition Fees, Contracts & Grants	1,512	750	1,512	1,521	1,710	1,782	1,782
Research Grants and Contracts	925	925	925	463	1,018	1,018	1,018
Sale of Meals	62	62	62	70	70	70	70
Consultancy	89	89	89	80	93	89	89
Management & Service Fees	426	85	426	400	400	400	400
Other Income	512	384	512	512	538	538	538
Bank Interest	3	2	3	6	7	7	7
VAT Reclaim				83			
TOTAL INCOME	**6,147**	**2,235**	**6,147**	**5,828**	**6,828**	**6,896**	**6,896**
Surplus / (Deficit)	**(1,761)**	**(5,058)**	**(1,761)**	**(942)**	**(1)**	**135**	**135**

* Estimated Outturns for 2017/18 have been amended as follows:

NAFC – Residential Accommodation I&E has been removed

Transactions relating to previous years have been excluded

APPENDIX 5 – Financial Assumptions

Income and Expenditure	Option 1 Do Nothing	Option 2 Status Quo	Option 3 Host - SIC
Employee Costs	Less - £40k cessation of temporary contracts	Status Quo	Less - £300k staff rationalisation
Premises Costs	Status Quo	Status Quo	Less - £150k efficiency & £515k lease costs; add NAFC rates £95k = Less £570k
Boats	Status Quo	Status Quo	Status Quo
Equipment & Materials	Less - £50k FE/HE related	Status Quo	Status Quo
Operating Costs	Less - 50% FE/HE related	Status Quo	Less - 5% efficiency & internal services
Grants to Individuals/Organisations	Ceases	Status Quo	Status Quo
Marketing	Reduce - £10k	Status Quo	Increase - £40k
Professional and Financial Fees	Status Quo	Status Quo	Less - £200k NAFC fees
Travel/Vehicle Expenses	Less 50% FE/HE related	Status Quo	Add - £5k Lerwick/Scalloway commuting
Scottish Further Education Funding Council	Ceases	Status Quo	Add - £75k Growth in students
Tuition Fees, Contracts & Grants	Reduce - £750k Short Courses & MAs only	Status Quo	Less - 30% NAFC Lecturing conditions & impact on commercial abilities, Add - £217k business training needs
Research Grants and Contracts	Status Quo	Status Quo	Less - 50% ability to commercially tender for research compromised
Sale of Meals	Ceases	Status Quo	Increase - 70k
Consultancy	Status Quo	Status Quo	Less - 10% Commercial independence compromised
Management & Service Fees	Less - 80% Temp arrangements time out, SDS contract ceases	Status Quo	Reduce - £400k Additional funding for MAs & some services now internal
Other Income	Less - 25%	Status Quo	Status Quo
Bank Interest	Pro Rata on income	Status Quo	Pro Rata on income
Additonal Considerations			NAFC VAT - £83k Income (additional reclaim)

Income and Expenditure	Option 4 Host - UHI	Option 5 Host - NAFC	Option 6 New
Employee Costs	Less - £300k staff rationalisation	Less - £300k staff rationalisation	Less - £300k staff rationalisation
Premises Costs	Less - £150k efficiency, £115k SC rates & £515k lease costs = Less £780k	Less - £150k efficiency, £115k SC rates & £515k lease costs = Less £780k	Less - £150k efficiency, £115k SC rates & £515k lease costs = Less £780k
Boats	Status Quo	Status Quo	Status Quo
Equipment & Materials	Status Quo	Status Quo	Status Quo
Operating Costs	Less - 5% efficiency & internal services	Less - 5% efficiency & internal services	Less - 5% efficiency & internal services
Grants to Individuals/Organisations	Status Quo	Status Quo	Status Quo
Marketing	Increase - £40k	Increase - £40k	Increase - £40k
Professional and Financial Fees	Less - £200k NAFC fees, Add - £50k UHI costs	Less - £248k SIC costs, Add - £50k NAFC fees	Less - £248k SIC costs, Add - £50k NAFC fees
Travel/Vehicle Expenses	Add - £25k regional travel & Lerwick/Scalloway commuting	Add - £5k Lerwick/Scalloway commuting	Add - £5k Lerwick/Scalloway commuting
Scottish Further Education Funding Council	Add - £375k Rural Uplift & Growth in students	Add - £375k Rural Uplift & Growth in students	Add - £375k Rural Uplift & Growth in students
Tuition Fees, Contracts & Grants	Less - 10% NAFC Lecturing conditions, Add - £217k business training needs, £50k SIC income (currently not charged)	Less - 10% NAFC Lecturing conditions, Add - 5% improved commercial abilities, £217k business training needs, £50k SIC income (currently not charged)	Less - 10% NAFC Lecturing conditions, Add - 5% improved commercial abilities, £217k business training needs, £50k SIC income (currently not charged)
Research Grants and Contracts	Add - 10% improved commercial abilities	Add - 10% improved commercial abilities	Add - 10% improved commercial abilities
Sale of Meals	Increase - 70k	Increase - 70k	Increase - 70k
Consultancy	Add - 5% UHI support	Status Quo	Status Quo
Management & Service Fees	Reduce - £400k Additional funding for MAs & some services now internal	Reduce - £400k Additional funding for MAs & some services now internal	Reduce - £400k Additional funding for MAs & some services now internal
Other Income	Add - 5%	Add - 5%	Add - 5%
Bank Interest	Pro Rata on income	Pro Rata on income	Pro Rata on income
Additonal Considerations	SIC VAT - £200k Cost (assuming recovery of 5% of VAT following transfer to organisation without special VAT status)	SIC VAT - £200k Cost (assuming recovery of 5% of VAT following transfer to organisation without special VAT status)	SIC VAT - £200k Cost (assuming recovery of 5% of VAT following transfer to organisation without special VAT status)

Shetland Islands Council

Meeting(s):	Policy & Resources Committee	22 May 2018
Report Title:	Business Transformation Programme Update	
Reference Number:	CRP-07-18-F	
Author / Job Title:	Christine Ferguson, Director of Corporate Services	

1.0	Decisions / Action required:

1.1   That the Policy & Resources Committee NOTE the information presented in this report and ADVISE the Director of Corporate Services of their views regarding:

   1.1.1   The updated content of the Business Transformation Programme

   1.1.2   The progress reported against each work stream.

2.0	High Level Summary:

2.1   The Business Transformation Programme aims to implement a range of measures that will revolutionise how we work with and for our community, responding to and anticipating a digital cultural paradigm.

2.2   The Business Transformation Programme comprises eight strands which are interlinked, to streamline processes using digital advances and strategic thinking. Whilst a proportion of the savings required will be realised as a result of the Business Transformation Programme, the majority of savings over the next five years will be the focus of the Service Redesign Programme.

2.3   The purpose of this report is to present an update on progress, advising of work streams that have been completed or become business as usual and those which have been added.

2.4   It was recognised at its inception that the Programme would run continuously and that work streams would change over time to reflect the priorities of the Council and the Council's partners as set out in the Council's Corporate Plan and the Shetland Partnership Plan. Business Transformation needs to be a constant priority recognising that the only constant for the foreseeable future is change. Work is in hand to reshape the Programme and a revised Programme structure will be presented at the meeting of Policy and Resources Committee on 18 June 2018.

3.0	Corporate Priorities and Joint Working:

3.1   Shetland Islands Council's "Our Plan 2016 – 2020" aspires for services to work together in a smarter way to achieve the highest possible standards. The Business Transformation Programme contributes towards the following objectives in the Plan:

- "Modern IT equipment and systems will be supporting new ways of working, helping services run efficiently and effectively."
- "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."
- "People who use our services will experience excellent standards of customer care."

4.0   Key Issues:

Customer First

4.1   The Customer First strand has made significant progress. The embedding process of the Customer Strategy and Charter has begun to facilitate a business as usual approach, reflecting the Council's Values. Tools are in place to negate the need to continue monitoring through the BTP. The BTP will retain a focus on the Complaints Review and Public Performance Reporting as further development work is needed in both these areas. Project highlights for Customer First include:

- Following comments from the Leadership Network, the draft Customer Strategy and Charter were revised and have been well received.
- CMT agreed the draft Customer Strategy and Charter at their meeting on 27 March 2018.
- The Chairs meeting on 29 March 2018 discussed the drafts and survey results providing very positive feedback, with senior Members recognising the importance of the piece of work, linked to business transformation.
- Comments on the drafts were sought from HRPG at their meeting on 29 March 2018. Unions agreed to take the documents away to consider them further and were supportive of the suggestion, made at CMT, that time should be taken to raise awareness with staff and managers before submitting the Strategy and Charter to Policy and Resources Committee for final approval.
- It is likely that the draft Customer Strategy and Charter will be presented for approval at the Policy and Resources Committee scheduled on 18 June 2018.
- An Implementation Plan has been drafted in response to the move towards the 'embedding' phase, this will be managed by Executive Services.

Commissioning/Procurement Framework

4.2   The Commissioning and Procurement Framework, the revised Gateway Process for investment/disinvestment proposals and the 2017-20 Procurement Strategy have been approved and are under implementation. Work to promote the Framework and to support services across the Council is undertaken by the Council's Capital Programme Service in consultation with colleagues in Legal and Finance. Further work is needed on commissioning in partnership and with the Third Sector. These elements will continue to be included in the BTP going forward. Highlights from the Commissioning/Procurement Framework strand include:

- Summary guidance is being drafted with implementation planned for June 2018. Comments will be sought from Legal Services in relation to the regulatory regime.
- The Building Better Business Case methodology is being used to provide comprehensive information and advice to the Council regarding investment and disinvestment decisions; this is being extended beyond purely capital projects recognising the inter-dependencies and revenue implications, for example with regard to social care service models.
- Strategic Outline Cases (SOC) initially in brief are being used to develop the

Service Redesign Programme (SRP) priorities; this is the subject of a separate report on today's agenda.

Workforce Strategy

4.3 Highlights from the Workforce Strategy strand include:
- Co-Wheels Car Club (a pay-as-you-go car hire scheme) has visited Shetland as part of an initiative to widen the Employee Benefits package, whilst supporting the Travel at Work Project.
- Early scoping of proactive developments with Community Health and Social Care on growing the recruitment pool has been completed.
- Research has been completed for a replacement Learning Management System (previously Brightwave) and work is underway in identifying a recommendation for a Change Fund application.
- Research is underway to develop a more flexible and sustainable approach to delivering occupational health.
- A draft of the revised Organisational Restructure Policy has been completed.
- A successful bid to the Change Fund to part-fund a Digital Learning Project Manager post has been successful.
- ViewPoint survey results have been analysed. Reports have been circulated to teams for action planning at Service and Directorate level.
- The "Her Invitation" programme, as part of targeting female development and improving the Council's equality Statutory Performance Indicator, has been delivered.

A workforce planning session with senior managers will identify key areas of work relevant to the BTP objectives and it is anticipated that these will feature in the SRP projects rather than in the BTP as we move forward. For example, there will be specific HR project work required for the Tertiary Review and health and social care projects.   It is proposed that the BTP will include a work stream on shared services in 2018/19 and HR projects will form part of that work stream.

Asset Strategy

4.4 It is proposed to split the Asset Strategy strand of BTP given the significance of the remaining projects, namely the Knab Road Site Redevelopment and the 8NN Future Plans. Highlights from the Asset Strategy strand include:
- The Long Term Asset Investment Plan (AIP) is reviewed on a regular basis informs the 5 year AIP and specific pieces of work such as the work on Fair Funding for Ferries.
- Following expected completion of the Knab Masterplan in May 2018, a consultation period will apply; this project is being managed separately from the BTP.
- Work is in hand to return the Council's office accommodation to full use and a number of staff have returned to the building.
- A Steering Group has been meeting since January 2018 to discuss ideas to maximise the use of the accommodation at 8NN.

Broadband and Connectivity

4.5 The elements of this strand remain largely unchanged. However, focus is now on the development of a new Digital Strategy for Shetland. Highlights from the Broadband and Connectivity strand include:
- EE have installed 22 masts which are still to be switched on but this should provide for a significant upgrade to mobile coverage across Shetland.
- In relation to R100, the Council has been informed that because of bidding

requirements, tenders will not be complete until this time next year. Therefore no work will begin until these have been concluded, providing a tight timescale of 2 years for installation.

- The Scottish Government has announced £600m of funding for the R100 Programme, with £400m being spent in the Highlands and Islands.
- The UK government has given a commitment of 10MB per second by 2020 but it remains unclear how this will be delivered.
- Whilst a bid to the UK Challenge Fund was unsuccessful, another round of submissions opens in July. Feedback will be sought on the previous bid, to help ensure that the next submission secures a successful outcome.

Information Management and Improvement

4.6 Significant progress has been made in respect of General Data Protection Regulations (GDPR) compliance. Highlights from the Information Management and Improvement strand include:

- The Information Governance Board (IGB) agreed the Risk Register and Communication Plan at their meeting on 23 January 2018.
- Departmental work on completing the Information Asset and GDPR Registers has commenced – good progress is being made in most areas, and all interim registers received by 30 March.

Digital First and Paperless Council

4.7 Highlights from the Digital First strand include:

- Technical work to set up Firmstep allowing departments to build customised forms was completed at the end of last year.
- Several internal forms within Human Resources and Community Outreach and Living have been created that will, subject to departmental approval, be live and accessible from our intranet over the next few weeks.
- Subject to approval from the Project Board, Development Plans and Heritage will be launching the first public facing online form in relation to their Call to Sites Programme.

4.8 In order to support the BTP and to provide effective co-ordination of all the projects within the Programme the following allocations were made from the contingency budget during 2017/18:

- £27k to provide overall administration support
- £48k in programme support costs.

5.0	Exempt and/or confidential information:

5.1 None

6.0	Implications :

6.1 Service Users, Patients and Communities:	Service users and their communities have an expectation that the Council will make best use of resources. A streamlined approach to service delivery will be enabled by the progression of the BTP.

6.2 **Human Resources and Organisational Development:**	There are no Human Resources or Organisational Development implications arising directly from this report.
6.3 **Equality, Diversity and Human Rights:**	There are no equality, diversity or human rights implications arising directly from this report.
6.4 **Legal:**	There are no legal implications arising directly from this report.
6.5 **Finance:**	There are no direct financial implications arising from this report, which is for noting In order to create a sustainable budget, the Council must make savings of £20m over the next five years. As part of the budget setting process for 2018/19, service redesign savings of £1.9m were identified. These savings have either already been approved or will be taken forward for final decision making by the Council in due course. The BTP will also deliver processes and systems that will facilitate with the Service Redesign Programme. Further more detailed information will be available in future update reports.
6.6 **Assets and Property:**	There are no assets and property implications arising directly from this report.
6.7 **ICT and new technologies:**	There are no ICT implications arising directly from this report.
6.8 **Environmental:**	There are no environmental implications arising directly from this report.
6.9 **Risk Management:**	Risks have been identified and are actively monitored by SROs using the JCAD Core system. The Business Transformation Programme Risk Register is regularly updated and considered on a quarterly basis by the Business Transformation Board and the Business Transformation Programme Sounding Board. The BTP Risk Register is attached at Appendix B.
6.10 **Policy and Delegated Authority:**	In accordance with Section 2.2.1(7) of the Council's Scheme of Administration and Delegations, the Policy and Resources Committee has delegated authority to secure the coordination, control and proper management of the financial affairs of the Council.

Previously considered by:	*N/A*	

Contact Details:

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27 April 2018

Appendices

Appendix A: Business Transformation Programme Structure

Appendix B   Business Transformation Risk Register

BUSINESS TRANSFORMATION PROGRAMME 2016-20

BUSINESS TRANSFORMATION BOARD	—	PROGRAMME SOUNDING BOARD

1 CUSTOMER FIRST (needs strategy)	**2** COMMISSIONING/ PROCUREMENT FRAMEWORK	**3** WORKFORCE STRATEGY	**4** ASSET STRATEGY	**5** BROADBAND AND CONNECTIVITY	**6** INFORMATION MANAGEMENT & IMPROVEMENT (Info Mngmnt Strategy)	**7** DIGITAL FIRST (needs strategy)	**8** PAPERLESS COUNCIL (Digitally Able) (needs strategy)
Project Board	Project Board	Project Board	Project Board	Project Board	Project Board (Info Governance Group)	Project Board	Project Board
SRO Peter Peterson	SRO Robert Sinclair	SRO Denise Bell	SRO Robert Sinclair	SRO Neil Grant	SRO Jan Riise	SRO Susan Msalila	SRO Susan Msalila
Project Manager Louise Shearer	Project Manager Vacant	Project Managers Elaine Murphy*/ Jac Bates**	Project Manager TBC	Project Manager Susan Msalila	Project Manager Anne Cogle/Records Manager	Project Manager Alistair Hall	Project Manager ICT Analyst
Work streams	**Work streams**	**Work streams**	**Work streams**	**Work streams**	**Work streams**	**Work streams**	**Work streams**

1 – CUSTOMER FIRST – Work streams
1. Customer First Strategy
2. Customer Charter
3. Complaints Review
4. Public Performance Reporting

2 – COMMISSIONING/PROCUREMENT FRAMEWORK – Work streams
1. Online system and templates
2. 2017/18 Procurement Strategy
3. Training & Implementation Programme
4. Third Sector Interface Project
5. Commissioning in Partnerships

3 – WORKFORCE STRATEGY – Work streams
1. **Right Shape***
   - Accessible council-wide HR system to support workforce information management
   - Electronic case and records management
2. **Right Skills****
   - E-learning Strategy and plans
   - Using technology to support continuous improvement
   - Identifying and addressing digital skills gap
3. **Right Culture***
   - Accessible HR self-service to improve employee and manager user experience
   - Supporting remote and flexible working
   - Accessible council-wide Health & Safety management system
   - Communicating with our workforce digitally

4 – ASSET STRATEGY – Work streams
1. Long Term Asset Investment Plan
2. Knab Road Site Redevelopment
3. 8 North Ness – future plans

5 – BROADBAND AND CONNECTIVITY – Work streams
1. Lobby Scottish Govt for 100% coverage High Speed Broadband (30Mbps) as part of Govt's 'R100' programme
2. Lobby Scottish Govt for 4G mobile coverage
3. Evaluate the case for investment in a Public Sector network
4. Develop a Digital Strategy for future council service provision, including education and care
5. Decide on best business model for Shetland Telecom project

6 – INFORMATION MANAGEMENT & IMPROVEMENT – Work streams
1. Governance and risk
2. Info and records lifecycle management
3. Info preservation
4. Info security and systems management
5. Business continuity and disaster recovery
6. Culture and training
7. Knowledge, re-use and performance

7 – DIGITAL FIRST – Work streams
1. Give our customers the option to really self serve by investing in a content management system and responsive website & online forms
2. Take advantage of the 'MyGovScot' My Account
3. Participate in any joint scheme driven by the new Chief Digital Officer
4. Create a multi-functional digital team – transforming the way we work digitally
5. Open data
6. Engage digitally (inc social media)
7. New Intranet

8 – PAPERLESS COUNCIL – Work streams
1. Paperless councillors / council meetings
2. Piloting paperless / paper light with selected service
3. Audit of printing – ensuring best value when printing is necessary
4. Review ICT access and security policies – Bring Your Own Device, social media and Cloud

Risk Register - Business Transformation Board

Risk & Details	Triggers and Consequences	Current			Current and Planned Control Measures	Target			Responsible Officer
		Likelihood	Impact	Risk Profile		Probabilty	Impact	Risk Profile	
The Programme needs to deliver quantifiable, recurring financial savings with the first savings achieved in 2017/18. There is a risk of failure to meet timescales - the financial pressures are such that quantifiable, recurring financial savings need to be achieved in 2017/18. Risk type : Budget control failure Reference - BTP010001	Triggers: Workload pressures Increased service need Low morale Loss of key staff Further reduction in funding from Scottish Government Brexit Consequences: Failure to support SRP objectives Failure to achieve quantifiable, recurring financial savings Reduction in resources Inreased pressure on other services to make savings in order to achieve a sustainable budget position	Possible	Significant	Medium	• Budget accountability for Programme resources through Spend to Save, Funding for Change and carry forwards from 2016/17 •Programme Sounding Board including Leader and Depute Leader to provide challenge and support •Informal meetings of the Programme Board are held on a monthly basis.	Unlikely	Minor	Low	Christine Ferguson Corporate Services
The successful delivery of the BTP requires support and buy-in across the organisation. Lack of support for the Programme and/or individual change projects within the Council Risk type : Staff number/skills shortage Reference - BTP010003	Trigger: Workload Staff absences Loss of key staff Low morale Fear of change Poor staff management Unwillingness from staff and/or Members Limited access to electronic systems/broadband No investment in new technologies Consequences: Delays or failure to delvier BTP in timescales set Processes not being followed Failure to acheive savings Press on all service areas to make additional savings Continuing need for filing/storage/archive facility for paper records or additional resource/cost to convert to digital Failure to achieve efficiencies in some processes Opportunity costs due to the involved process of paper records Need for change is not recognised or understood, and hence becomes more difficult to initiate and implement, challenge to moticate becomes greater.	Almost Certain	Significant	High	• Engagement Strategies for BTP in place BTP Managers cascading information to colleagues Involvement of staff in working groups Secondments available for staff to work on BTP Engaging with the national Digital Transformation Programme including the Chief Digital Officer for Scottish local government Maintaining ICT systems up to date with changes in technologies to enable digital solutions to be implemented	Likely	Minor	Medium	Christine Ferguson Corporate Services
For the BTP to succeed, the co-operation of key partners is essential. There is a risk of lack of co-operation from partner agencies; the most significant in this regard will be NHS Shetland and the IJB. There is a risk of lack of co-operation from Third Sector, e.g. with regard to charges in joint commissioning and partnership arrangements. Risk type : Other bodies - relations with Reference - BTP010005	Trigger: Lack of priority given to the BTP Delays in decision making Lack of understanding Conflicting priorities from external/national bodies Consequences: Failure to achieve savings/streamline processes Additional pressure on all departments of the Council both in terms of workload and the need to make savings Duplication of processes	Possible	Significant	Medium	• Aligning workstreams with community planning initiatives set out in the LOIP •NHS Shetland colleagues on the BTP Programme Board and involved in the various work streams	Unlikely	Minor	Low	Christine Ferguson Corporate Services
The BTP requires to be delivered within existing resources. There is a risk that a change in focus or priorities, or changes in financial resources available e.g. from external organisations or through a change in priorities for expenditure within the Council, will impact upon the progress or delivery of the BTP Risk type : Govt. Funding issues Reference - BTP010006	Trigger: Brexit Further reduction in Scottish Government settlement Service need Legislation changes Additional savings required on top of £20m already identified Consequences: Failure to deliver BTP Lack of funded resources Additional savings required on top of £20m already identified	Likely	Major	High	• Financial initiatives to maximise income from other sources e.g. investments being considered/proposed •Involvement in discussion on finance at a national level Support for elected Members negotiating at COSLA and with Scottish Government	Possible	Significant	Medium	Jonathan Belford Corporate Services

	Trigger:	Unlikely	Extreme	High		Unlikely	Significant	Medium	Neil Grant
High speed connectivity; the national broadband project R100, aims to have high speed Broadband connections available to all households by 2021. However, Scottish Government has stated that there will be an "outside-in" approach, which should mean earlier implementation in Shetland Risk type : Technological - Other Reference - BTP010007	Trigger: Lack of funding for R100 Lack of investmetn in new technologies e.g. handheld devices, technical infrastructure inadequate Change in approach Difficulties in connecting outlying households Withdrawal of support from Scottish Government/last workstream in the Programme i.e. not achieved until 2021 Consequences: Delays or failure to deliver BTP digital objectives Additional funding required from SIC	Unlikely	Extreme	High	• Funding bid to Local Full Fibre Network to install fibre in Unst, Yell and Fetlar •BT are currently upgrading mobile coverage in Shetland •Articulate Needs of Remote and Rural LocationWorking with Chief Digital Officer and others to articulate needs of remote and rural location. Shetland is the furthest "outside" so should be first if SG policy is "outside in". OIOF influencing SG to islands policies	Unlikely	Significant	Medium	Neil Grant Corporate Services
There is a risk that the BTP will fail to deliver the objectives set out in the PID. This will have an effect on the SRP which is dependant on the success of the BTP. The full level of savings cannot be realised without the SRP. Risk type : Deadlines - failure to meet Reference - BTP010008	Triggers: Workload pressures Increased service need Loss of key staff Further reduction in funding from Scottish Government Brexit Consequences: Failure to support SRP objectives Failure to achieve quantifiable, recurring financial savings Reduction in resources Increased pressure on other services to make savings in order to acheive a sustainable budget position	Likely	Major	High	• SRP Control Measures -Move towards early implementation for Digital First using Firmstep Discuss/provide updates at HRPG and Management Network Encourage Services to contact BTP workstreams to promote their service redesign projects	Unlikely	Minor	Low	Christine Ferguson Corporate Services

Shetland Islands Council

Meeting(s):	Policy & Resources Committee Shetland Islands Council	22 May 2018 23 May 2018
Report Title:	Service Redesign Programme Update	
Reference Number:	CRP-09-18-F	
Author / Job Title:	Christine Ferguson, Director Corporate Services	

1.0 Decisions / Action required:

1.1 That the Policy & Resources Committee NOTE the information presented in this report and its appendices and RECOMMEND that the Council AGREES that the:

1. Service Redesign Programme (SRP) projects are linked / integrated as appropriate with other strategic change programmes across community planning partners to ensure congruence with the Shetland Partnership Plan and best use of shared resources to achieve agreed Council and Shetland Partnership strategic outcomes;

2. SRP projects are linked to the Business Transformation Programme (BTP) so that SRP projects are early adopters of the new ways of working being developed through the BTP;

3. Key decision points for SRP projects are built into the Council's Business Programmes with monitoring of progress against SRP projects a standing item on the agenda for Policy and Resources Committee; and

4. APPROVES the membership of the SRP Sounding Board set out in the SRP Programme Initiation Document (PID) at Appendix 1.

2.0 High Level Summary:

2.1 This report presents information regarding the Council's Service Redesign Programme (SRP). The Programme Initiation Document (PID) is attached at Appendix 1.

2.2 The need for the SRP has been discussed with the Council on a number of occasions including at the 2018/19 budget setting meeting on 14 February 2018 (Min Ref F-014-F).
At that meeting, the Council approved a recommendation to:
"Instruct the Corporate Management Team to develop proposals and options for Service Redesign/change in the form of Strategic Outline Cases (SOCs) *to address the continuous improvement and financial challenges that lie ahead";* and that
"This should be done in the context of Council priorities and its contribution to local outcome aspirations, national policy and statutory duties, in a timescale of no more than 3 months (mid-May 2018)".
Work on the Strategic Outline Cases (SOCs) is in hand and a summary of progress

is attached at Appendix 2.

3.0	Corporate Priorities and Joint Working:

3.1   Shetland Islands Council's "Our Plan 2016 – 2020" aspires for services to work together in a smarter way to achieve the highest possible standards. The SRP and BTP will contribute towards the following objectives in the Plan:
- "Modern IT equipment and systems will be supporting new ways of working, helping services run efficiently and effectively."
- "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."
- "People who use our services will experience excellent standards of customer care."

3.2   The DRAFT Shetland Partnership Plan has at its heart the key aspirations of prevention, early intervention and tackling inequalities through partnership working.

3.3   A separate Transformation Programme is being managed by NHS Shetland and it is essential that we maintain strong links across all our transformation activities to make the best use of all our resources.

4.0	Key Issues:

4.1   The Council's Medium Term Financial Plan (MTFP) sets out the financial challenges that lie ahead for the Council. In simple terms, based on the information currently available, we need to achieve a reduction of £20M / year on revenue spending by 2021/22. This equates to a reduction of 4.5% year on year. This means that the SRP must deliver significant changes in what we do and the BTP in how we do it.
Shetland NHS Board and Shetland's Integration Joint Board (IJB) face greater financial pressures with an underlying budget deficit in NHS budgets. Therefore we must work collaboratively with NHS Shetland on our joint commitments through the IJB.

4.2   The Council's priorities for service delivery continue to be children's services, social care and infrastructure/transport. However, in the current financial climate, the aim is to deliver the required outcomes for the community with less resources through service redesign focussing on prevention and early intervention; and the maintenance and rationalisation of existing assets.

4.3   The BTP of itself cannot deliver change on the scale required i.e. continuing to do all the same things but using digital solutions and restructuring the workforce through the implementation of the Workforce Strategy. Nor can the BTP make savings without services adopting new ways of working.

4.4   Currently the SRP has identified redesign projects with an estimated £14.4M savings over 5 years leaving a further £5.6M unidentified. Saving targets are in addition to absorbing increasing costs from salary increases, inflation, energy costs etc. Therefore there is more to do to identify areas where savings can be made.
It is also important to note that a large proportion of the £14.4M identified to date depends on decisions out with the Council's control e.g. increased funding year on year for internal ferry services from Scottish Government.

4.5	No reduction in budget in the Council's priority service areas is not an option. The entire budget for the remaining three departments, Corporate, Executive and Development, is approximately £19M, therefore, there simply is not enough money in those areas to deliver savings on the scale required. Also, these departments provide a range of essential support functions for the activities and services provided by all Council departments. They also fulfil the requirements of a number of core statutory duties. This is evident in the performance reports presented to the Council's Committees in this cycle.
4.6	There is limited capacity within the organisation to develop and manage the change programmes whilst continuing to deliver services therefore we must focus our programme/project management capacity on things that will make a significant contribution to the change programmes. We must also encourage everyone to challenge things that do not add value, both large and small and to say, "No", more often or at least explain what other things will not get done if a lower priority task is undertaken.

5.0	**Exempt and/or confidential information:**
5.1	None

6.0	**Implications :**

6.1 **Service Users, Patients and Communities:**	Service users and their communities have an expectation that the Council will make best use of resources. A streamlined approach to service delivery will be enabled by the progression of the BTP. Service redesign will be done in consultation with service users, stakeholder representatives and communities as proposals are being developed recognising that co-production will ensure innovative community-led solutions are at the heart of service redesign.
6.2 **Human Resources and Organisational Development:**	Reduced revenue spending on the scale required will inevitably mean fewer jobs in the Council. Service redesign will mean jobs will be different. Staff engagement will be key to the success of the SRP and BTP and these programmes will be discussed regularly at departmental forums and with union representatives at the Council's Human Resources Partnership Group (HRPG). The Workforce Strategy will support service redesign projects looking at workforce requirements in terms of, "Right Shape, Right Skills, Right Culture". A key priority will be the retention of existing staff, retraining staff as job requirements change and using the natural turnover of staff numbers to prevent compulsory redundancies. The Council's Organisational Restructure Policy is currently being revised in consultation with trades unions.
6.3 **Equality, Diversity and Human Rights:**	There are no equality, diversity or human rights implications arising directly from this report. These issues will be considered for each service redesign proposal.
6.4 **Legal:**	There are no legal implications arising directly from this report.

6.5 **Finance:**	There are no direct financial implications arising from this report. In order to create a sustainable budget, the Council must make savings of £20m over the next five years. As part of the budget setting process for 2018/19, service redesign savings of £1.9M were identified. These savings have either already been approved or will be taken forward for final decision making by the Council in due course. The SRP must escalate the rate of change if we are to achieve our longer term financial targets.
6.6 **Assets and Property:**	There are no assets and property implications arising directly from this report, however, it is anticipated that there will be fewer buildings/infrastructure used for service delivery as service redesign projects are implemented and the number of buildings required by the Council for office accommodation in Lerwick will reduce as staff return to 8 North Ness.
6.7 **ICT and new technologies:**	There are no ICT implications arising directly from this report however, the changing use of ICT as the work on "Digital First" goes forward will make a significant contribution to the SRP.
6.8 **Environmental:**	There are no environmental implications arising directly from this report.
6.9 **Risk Management:**	The Business Transformation Programme Risk Register is regularly updated and considered on a quarterly basis by the Business Transformation Board and the Business Transformation Programme Sounding Board. A separate Risk Register will be developed for the SRP.
6.10 **Policy and Delegated Authority:**	In accordance with Section 2.2.1(7) of the Council's Scheme of Administration and Delegations, the Policy and Resources Committee has delegated authority to secure the coordination, control and proper management of the financial affairs of the Council. The SRP is required to deliver significant reductions in Council spend over the next 5 years and therefore this report is being presented to Policy and Resources Committee for their consideration and recommendation to the Council.
Previously considered by:	*N/A*	

Contact Details:

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4 May 2018

Appendices

Appendix A: Service Redesign Programme – Programme Initiation Document (PID)
Appendix B   Service Redesign Programme Strategic Outline Cases Progress Summary

Shetland Islands Council

Programme Initiation Document (PID)

Service Redesign Programme

2017/2020

1.	**Programme Initiation Document Authorisation**

This document requires approval from the Chief Executive of the Council.

	Signature	**Date**
Chief Executive Shetland Islands Council	**Maggie Sandison**,	13 March 2018

The Vision

The Vision for the Council is set out in the Corporate Plan,
"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*".

"*Over the next few years we expect further substantial reductions in government funding. With rising costs each year, we will always face pressure to live within our means. The challenge we set as a community planning partnership is to 'achieve the same or more with fewer resources' and to 'maintain Shetland's high level of performance relative to many national comparisons and indicators'.*
"We need to work together in a smarter way to achieve that.
*"Through this plan we aim to make sure the resources we **do** have are spent in the most effective way possible.*"

Programme Aim:

To implement an ambitious programme of service redesign that will mean the Council can achieve the outcomes required in order to support and protect the most vulnerable people in our community and deliver excellent universal services as required by statute in a way that is financially sustainable in the long term.

Programme Objectives:

1. To identify areas of Council business that will be prioritised for a strategic review and build these into a work programme for the next 4 years i.e. from 2017 to 2021.
2. To focus on areas where significant change is required/ anticipated/ possible with a view to reducing the revenue cost while continuing to achieve the outcomes required.
3. To draw on the work of the Business Transformation Programme in all redesign projects.
4. To follow the Commissioning and Procurement Framework approved in June 2016 for each project initiated through the Programme.
5. To work in collaboration with community planning partners looking at options for joint commissioning; maximising opportunities for developing solutions focussed on prevention, early intervention and tackling inequalities.
6. To identify early implementer projects that will show the way so that continually challenging what we are doing and how we do it becomes the norm throughout the organisation.
7. Together with the Business Transformation Programme, deliver at least £20M recurring financial savings by April 2021.

2.	**Programme Brief**

Background:	The Council approved its corporate plan "Our Plan 2016-2020" on 22 September 2015 The Plan sets out the Council's priorities over 5 years and includes commitments as to the Council's development priorities and how the Council will work in the community to deliver those priorities[1]. The Council's vision is explicit regarding the need for sustainable services into the future. The "20 by '20" commitments in Our Plan 2016-2020 will underpin our Business Transformation Programme (BTP), which will support and facilitate service redesign projects prioritised through the Service Redesign Programme (SRP). The SRP will bring together a number of service redesign projects in order to ensure there are links between the projects and that the work required to support the projects is planned and properly resourced. At a CMT away day on 28 March 2017, a number of areas of Council business were proposed for strategic review through the SRP. These are listed below in the section on Method of Delivery and set out with indicative timescales in the Outline Programme Plan at Appendix 1. **On 14 February 2018, the Council set the budget for 2018/19 and approved a recommendation to:** • *"Instruct the Corporate Management Team to develop proposals and options for Service Redesign/change in the form of Strategic Outline Cases (SOCs) to address the continuous improvement and financial challenges that lie ahead"; and that* • *"This should be done in the context of Council priorities and its contribution to local outcome aspirations, national policy and statutory duties, in a timescale of no more than 3 months (mid-May 2018)".* **This instruction gives renewed impetus to the Service Redesign Programme and this Programme Initiation Document (PID) has been updated to include this decision and bring other aspects of the PID up to date for the start**

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[1] Shetland Islands Council "Our Plan 2016-2020"
http://www.shetland.gov.uk/documents/OurPlan2016-20final.pdf

	of the incoming financial year 2018/19.

Principles for Change	Any change proposals will be assessed to see if they deliver against the following principles: • A focus on outcomes • Impact assessment involving customers • Evolution, building on what has been achieved so far • Improved efficiency and value for money • Reduction in bureaucracy; eliminating duplication and improving the speed of decision making • Adoption of one system and using national systems where they provide Best Value These principles are also included in the BTP.
Scope	Within Scope • Major service redesign projects underpinned by strategic planning for frontline service delivery covering all areas of Council business including the Council's contribution to and support for community planning activities and other partnerships e.g. Shetland's Health and Social Care Partnership Integration Joint Board, Shetland Community Safety and Resilience Board Linked Programmes/Projects • Business Transformation Projects which will be linked by a separate, complementary Business Transformation Programme (BTP). • NHS/IJB transformation projects will link with the Council's SRP primarily through the IJB Strategic (Commissioning) Plan and the NHS Transformation Programme. Outwith Scope • OIOF and the Islands Deal

Business Case	Benefits include: • Improved outcomes for customers through improved Value for Money; achieving the required outcomes in a sustainable way within diminishing resources • Improved access to services for customers through digital systems (see BTP) • Recurring financial savings amounting to a reduction in revenue spend of at least £20M by April 2021 are required if the Council is to achieve financial sustainability in the longer term • The ability to become more flexible and responsive to

	change imposed upon us and to be more proactive and drive change locally
Constraints:	- Budget constraints and increasing pressure on financial resources anticipated over the lifetime of the Programme - Limited project resources, in particular project management and project team resources - Demographic profile of Shetland population and remote islands localities and the increasing demands/pressure on current systems and services - National systems and legislation
Customers:	- The Shetland Community - People using public services in Shetland - Shetland Islands Council Members and staff - NHS Shetland - The Third and Independent Sectors locally and nationally - Shetland Charitable Trust - Other Community Planning Partners
Deliverables:	Each work stream will identify its own deliverables and the timescales for activities. The Programme will deliver - A Programme Delivery Plan - A Communications and Reporting Framework for the Programme as a whole The expectation is that the Programme will run continuously and that work streams will change over time to reflect the priorities of the Council and the Council's partners as set out in the Council's Corporate Plan and the Local Outcomes Improvement Plan. The SRP is a critical part of the work required to achieve the Council's statutory duty to deliver Best Value.
Method of delivery	The Programme will be delivered through a number of projects. The projects listed below were identified in July 2017 and an initial programme outline was prepared. This is attached at Appendix 1. The projects were identified in approved Directorate Plans for 2017-2020. The list of projects was reviewed by Corporate Management Team (CMT) at a meeting on 13 March 2018 and it was agreed that a brief outline should be prepared for each by 17 April 2018 in readiness for a CMT away day on 24 April 2018. The outline will be based on the format of a SOC. The officer responsible for preparing the briefing is identified below. The aim will be to refine the list and timescales for all

redesign/service development projects in the SRP at CMT away days. With this understanding CMT agreed the list.

- Transport reviews: 1) internal ferries, 2) internal flights and 3) bus contracts (Director Development)
- Gritting Review   (Director Infrastructure)
- Paperless Council meetings   (Director Corporate Services)
- Shared services   (Director Corporate Services)
- Facilities Management Review (Director Infrastructure)
- Northern Alliance (Education)   (Director Children's Services)
- Closing the Attainment Gap (Education)   (Director Children's Services)
- Digital/ e-Schools   (Director Children's Services)
- Emotional Well-being (Education) (Director Children's Services)
- Early Learning and Childcare   (Director Children's Services)
- Children's Resources   (Director Children's Services)
- Schools' Estate   (Director Children's Services)
- Receptions – Single Service Point   (Director Corporate Services)
- "Outliers"   (Director Development)
- Learning Disability services   (Director Community Health & Social Care)
- Mental Health services   (Director Community Health & Social Care)
- Community Care Resources   (Director Community Health & Social Care)
- Community Area Structures   (Director Community Health & Social Care)
- Colleges Review   (Director Development)

In approving the Budget for 2018/19 on 14 February 2018, the Council noted the redesign projects that must deliver savings in 2018/19 of £1.89M as part of the work to achieve a balanced budget.
These projects are:

1. **Insurance Redesign**   **£500k**
2. **Accommodation Rationalisation**   **£750k**
3. **Mental Health**   **£200k**
4. **Tertiary Sector Redesign**   **£250k**
5. **Promote Shetland Redesign**   **£40k**
6. **Waste Recycling Redesign**   **£150k**
7. **Gritting Review……………………………TBA**

	These projects are reflected in the Directorate Plans 2018-2021 approved by the Council in March 2018. **The SRP timeline needs to be reviewed in light of these decisions and the decision to develop SOCs for redesign projects by mid-May 2018.** The SRP will be linked to and supported by the 8 work streams of the BTP (see Appendix 2). Full details on the BTP are available separately. The 8 work streams of the BTP are: 1. Customer First 2. Commissioning and Procurement Framework 3. Workforce Strategy 4. Asset Strategy 5. Broadband and Connectivity 6. Information Management and Improvement 7. Digital First 8. Paperless Council
Risks:	• **Timescales**; the financial pressures are such that the Programme needs to deliver quantifiable, recurring financial savings with the first savings achieved in 2017/18 • **Failure to reach agreement** on service redesign proposals e.g. colleges review • **Lack of support for the Programme within the Council** - e.g. from departments and services too busy with the day job • **Lack of support from the Council** following the May 2017 local government elections e.g. a shift in priorities when the new LOIP is developed and the Council's corporate plan is refreshed during 2017/18. • **Lack of co-operation from partner agencies**; the most significant in this regard will be NHS Shetland and the IJB with regard to health and social care redesign projects • **Changes in financial resources available** e.g. from external organisations or through a change in priorities for expenditure within the Council. • **Technical infrastructure inadequate** – e.g. high speed connectivity; the national broadband project R100, aims to have high speed Broadband connections available to all households by 2021. However, Scottish Government has stated that there will be an "outside in" approach, which should mean earliest implementation will be in Shetland. Each work stream will record and manage the risks to that work stream and highlight any risks to other elements of the

	Programme.
Assumptions	- Staff will ensure "business as usual" as the programme goes forward so that there will be no adverse impact on services - Staff, including senior managers, will be able to dedicate time and energy to the Programme as a priority. - There will be additional resources available to support the Programme; e.g. ICT technical support/systems, HR, financial and legal support for projects.
Resources:	- Chief Executive as Programme Executive - Dedicated programme manager plus project manager and project officer resources for the Programme work streams. - Implementation teams drawn from the Council and partner agencies as appropriate - Staff time in Corporate and Executive Services including Communications, HR, Finance, Capital Programme, ICT, Governance and Law, Risk Management, Performance and Improvement to support service redesign projects, - Input from elected members of the Council, representatives and staff of Shetland NHS Board and the IJB and representatives of third sector organisations, service users and the wider public. - Input from external specialists as required
Budget:	- Dedicated project resources and any external support may be funded from the Funding for Change and /or Spend to Save Budgets. This will be subject to the normal application process through the Executive Manager Finance. - All other costs will be met from within existing resources across the Council and partner agencies where this is appropriate and agreed as part of the work going forward.

Communications	*"A Communications and Reporting Framework for the Programme as a whole"* is one of the Deliverables identified in this PID. The SRP Communications and Reporting Framework will include the formal reporting requirements to the Council and other agencies as well as a commitment to providing regular information about the Programme to staff and other stakeholders. At Programme level, information about the Programme will be provided to all stakeholders as determined by the Programme Board. Project Managers will be responsible for maintaining separate communications plans for their work streams.

3.   Organisation and Reporting Structure

ROLES	
Shetland Islands Council	• To lead the Programme making sure that it is consistent with and supports the outcomes of the Council and the Shetland Partnership • To implement the decisions of the Council with regard to the Programme
Service Committees and the IJB	• To direct the elements of the Programme that fall within the remit of the Committee or the IJB • To monitor progress and make recommendations to Policy and Resources Committee and the Council as required
Policy and Resources Committee	• To consider any policy and resources issues arising from the Programme. • To receive reports on the progress made against the objectives of the Programme • To ensure any recommendations for change have been properly consulted upon with relevant stakeholders including staff • To receive proposals from the Council's service committees and/or the IJB and make decisions on recommendations for change that lie within the delegated authority of P&R e.g. with regard to staffing and financial implications of change proposals • To advise the Council regarding the work of the Programme with regard to changes in policy and resource allocations across the Council and make recommendations for approval by the Council where these are outwith the authority of P&R

Programme Structure

Programme Sounding Board	• To maintain an overview of the Programme • To support and advise the Programme Executive.
Steven Coutts deputising	Council Leader and Chair Policy and Resources
Alastair Cooper	Chair Development Committee
George Smith	Chair Education & Families Committee
Ryan Thomson	Chair Environment & Transport Committee
Allison Duncan	SIC Policy Lead Health and Social Care, Vice-chair IJB
Maggie Sandison	Chief Executive and SRP Programme Executive
Jonathan Belford	Executive Manager Finance and SIC S95 Officer
Jan Riise	Executive Manager Governance and Law and SIC Monitoring Officer
Programme Board	Responsible for: • The co-ordination of the work streams • Delivery of the Programme objectives on time • Reporting to Policy and Resources Committee and the Council • Effective participation of all stakeholders as the Programme develops
Programme Board Chair	The Programme Board will be chaired by the Programme Executive The Chair may nominate a depute to cover any absence.
Maggie Sandison	Chief Executive
Programme Board Membership	CMT
In attendance at the Programme Board	SROs for the Programme Work Streams as required

Programme Team	Membership and attendance at Programme Team meetings will comprise the Programme Manager as Chair and the SROs and Project Managers of each work stream as required by the Chair to support the agenda. In the absence of the Programme Manager, the Programme Executive or their nominee will chair the Programme Team.
Project Teams	There will be a number of Project Teams / Groups / Sub-groups within each work stream as required by the relevant Project Manager in order to carry out the work plans under each work stream in the most efficient manner .

4.   Project Authority

Schedule	Planned (Y/N)	Comments
Service Redesign Programme PID	Y	Drafted July 2017 Revised March 2018
Service Redesign Programme plan	Y	First draft attached at Appendix 1, incorporating work streams from across corporate, departmental and service plans approved by the Council. **Revised SRP plan required by mid-May 2018 supported by SOCs** Detailed programme plans that set out the work schedule for the Programme will be developed and maintained by the Programme Manager.
Update reports to: 1. Programme Sounding Board, 2. SIC service committees and IJB 3. Policy and Resources Committee and 4. The Council	Y	As determined by the Council and IJB Business Programmes to deliver against the Council's Corporate Plan and the IJB Strategic Plan

Ends

Service Redesign Programme

Generated on: 21 May 2018

Code & Title	Description	Desired Outcome	Dates		Progress	Progress Statement
SP219 FM Review - Phase 1 **Lead** Carl Symons	Phase 1 will analyse current Facilities Management operations and option appraise choices for the future. The primary aim is to avoid duplication of both effort and resources (management & supervision) while identifying both financial and operational efficiency savings. Phase 2 would see the implementation of the recommended option.	Revised Facilities Management arrangements that meet Best Value objectives and the needs of both customers and employees.	Planned Start	03-Apr-2017	▶	Budget now in place following successful Business Justification Case bid and Council report. Moving to implementation in January 2018. Scope as appended to this action item. Update Feb 2018: APSE were appointed to deliver the project with the first series of meetings held late January to gauge scope, scale and membership. Workshops are due to be held mid Feb with an output report on track for delivery in March. Feedback from Consultants to Project Board will take place on 16 May 2018 and a Members Seminar will be held to discuss the next steps.
			Actual Start	12-Jan-2018	50%	
			Original Due Date	31-Mar-2018	Expected success	
			Due Date	31-Mar-2021	✅	
			Completed Date		Likely to meet target	

Code & Title	Description	Desired Outcome	Dates		Progress	Progress Statement
SRP Service Redesign Programme **Lead** Maggie Sandison	To implement an ambitious programme of service redesign that will mean the Council can achieve the outcomes required in order to support and protect the most vulnerable people in our community and deliver excellent universal services as required by statute in a way that is financially sustainable in the long term.		Planned Start	16-Aug-2016	▶	
			Actual Start	16-Aug-2016	5%	
			Original Due Date	31-Mar-2022	Expected success	
			Due Date	31-Mar-2022		
			Completed Date			

Code & Title	Description	Desired Outcome	Dates		Progress	Progress Statement
SRP1.1 Internal Ferries **Lead** Neil Grant (Director)	The proposed development would be to establish a means of ensuring revenue and capital funding is available to support the continued provision of inter-island ferry services and, where proven to be a viable alternative, the provision of fixed links.		Planned Start	14-Feb-2018	▶	Strategic Outline Case (SOC) in progress. To be discussed at CMT.
			Actual Start	14-Feb-2018	0%	
			Original Due Date	31-Mar-2022	Expected success	
			Due Date	31-Mar-2022		
			Completed Date			

Code & Title	Description	Desired Outcome	Dates		Progress	Progress Statement
SRP1.2 Internal Flights	The proposed development would be to establish what is required in terms of a sustainable network of inter-island air services and supporting infrastructure in the longer term.		Planned Start	14-Feb-2018	▶	Strategic Outline Case (SOC) in progress. To be discussed at CMT.
			Actual Start	14-Feb-2018	0%	
			Original Due Date	31-Mar-2022	Expected success	
Lead			Due Date	31-Mar-2022		
Neil Grant (Director)			Completed Date			

Code & Title	Description	Desired Outcome	Dates		Progress	Progress Statement
SRP1.3 Bus contracts	The proposed development would be to explore the opportunities for reducing the costs of providing public bus services in Shetland.		Planned Start	14-Feb-2018	▶	Strategic Outline Case (SOC) in progress. To be discussed at CMT.
			Actual Start	14-Feb-2018	0%	
			Original Due Date	31-Mar-2022	Expected success	
Lead			Due Date	31-Mar-2022		
Neil Grant (Director)			Completed Date			

Code & Title	Description	Desired Outcome	Dates		Progress	Progress Statement
SRP2 Gritting Review	Approval is sought for the potential investment of up to an estimated 800,000 to provide salt barns to store the road salt used for the gritting of Shetland's roads during the winter months.	• Better value procurement options. • Able to ensure accountability • Less waste from leaching	Planned Start	14-Feb-2018	▶	Strategic Outline Case being developed
			Actual Start	14-Feb-2018	0%	
			Original Due Date	31-Mar-2022	Expected success	
Lead			Due Date	31-Mar-2022		
Maggie Sandison			Completed Date			

Code & Title	Description	Desired Outcome	Dates		Progress	Progress Statement
SRP3 Paperless Council meetings	The proposed development would be to "go paperless" for all Council/Committee meetings as a high profile statement and commitment on aspiring to be a paperless Council.	• Best value • Savings target tbc • Increase awareness of digital and confidence in digital solutions	Planned Start	14-Feb-2018	▶	First draft Strategic Outline Case prepared
			Actual Start	14-Feb-2018	5%	
			Original Due Date	31-Mar-2022	Expected success	
Lead			Due Date	31-Mar-2022		
Christine Ferguson			Completed Date			

2

Code & Title	Description	Desired Outcome	Dates		Progress	Progress Statement
SRP4 Shared services	The proposed development would be to explore the opportunities for shared service solutions for a range of Council services.	• Best value • Reduce reliance on in-house service provision • Increased resilience • Shared risks	Planned Start	14-Feb-2018	▶	First draft Strategic Outline Case prepared and discussed at CMT. Project being included in refresh of the Business Transformation Programme.
			Actual Start	14-Feb-2018	5%	
			Original Due Date	31-Mar-2022	Expected success	
Lead			Due Date	31-Mar-2022		
Christine Ferguson			Completed Date			

Code & Title	Description	Desired Outcome	Dates		Progress	Progress Statement
SRP5 Facilities Management Review	Review of "hard" and "soft" Facilities Management, Energy, Procurement and Fleet services	• Reduced cost. • Removal of duplication	Planned Start	14-Feb-2018	▶	Review in progress with external facilitation from APSE (Association of Public Sector Excellence)
			Actual Start	14-Feb-2018	15%	
			Original Due Date	31-Mar-2022	Expected success	
Lead			Due Date	31-Mar-2022		
Maggie Sandison			Completed Date			

Code & Title	Description	Desired Outcome	Dates		Progress	Progress Statement
SRP6 Northern Alliance (Education)	The Northern Alliance is a collaboration between eight local authorities, across the North and West of Scotland**:** Aberdeen City, Aberdeenshire, Argyll and Bute, Eilean Siar [Western Isles], Highland, Moray, Orkney Islands and Shetland Islands. Our shared vision is to improve the educational and life chances of our children and young people. To remove the barriers to learning and improve children's outcomes**,** the collaborative seeks to build on the strengths of shared service development, create professional networks and deliver continuous professional development. The Northern Alliance exists to make a difference to the lives of children and young people by ensuring that the professionals who work with them collaborate for improvement and impact.		Planned Start	16-Aug-2016	▶	
			Actual Start	16-Aug-2016	0%	
			Original Due Date	31-Mar-2022	Expected success	
Lead			Due Date	31-Mar-2022		
Helen Budge			Completed Date			

3

Code & Title	Description	Desired Outcome	Dates		Progress	Progress Statement
SRP7 Closing the Attainment Gap (Education)	Response to national priorities and targets	Closing the attainment gap for Shetland's young people	Planned Start	14-Feb-2018	(green arrow)	
			Actual Start	14-Feb-2018	0%	
			Original Due Date	31-Mar-2022	Expected success	
Lead			Due Date	31-Mar-2022		
Helen Budge			Completed Date			

Code & Title	Description	Desired Outcome	Dates		Progress	Progress Statement
SRP8 Digital/ e-Schools	Remote Teaching and Online Learning forms Work Stream 4 of the Children's Services Quality Improvement Framework (QIF). The QIF was set up in 2016 to raise attainment further in Shetland, and to establish a more efficient model of education.	• Efficiency savings • Improved attainment levels	Planned Start	14-Feb-2018	(green arrow)	Project in progress
			Actual Start	14-Feb-2018	10%	
			Original Due Date	31-Mar-2022	Expected success	
Lead			Due Date	31-Mar-2022		
Helen Budge			Completed Date			

Code & Title	Description	Desired Outcome	Dates		Progress	Progress Statement
SRP9 Emotional Well-being (Education)	This project aims to tackle the impact of adverse childhood experiences on the children, and consequently, the adults in the Shetland Community. The project will take a whole systems approach to emotional wellbeing and resilience and will link closely with other projects taking place regarding family support and community development in this area.	Prevention and early intervention reducing poor outcomes for children and young people and families.	Planned Start	14-Feb-2018	(green arrow)	Project in progress. SOC discussed at CMT.
			Actual Start	14-Feb-2018	15%	
			Original Due Date	31-Mar-2022	Expected success	
Lead			Due Date	31-Mar-2022		
Helen Budge			Completed Date			

Code & Title	Description	Desired Outcome	Dates		Progress	Progress Statement
SRP10 Early Learning and Childcare	The Scottish Government has committed to fund the expansion of ELC, securing an increase in entitlement for each eligible child, from 600 hours to 1140 hours by 2020.	Meet Scottish Government policy initiative/targets.	Planned Start	14-Feb-2018	(green arrow)	Project in progress. Fundng requirements and capital projects under consideration
			Actual Start	14-Feb-2018	15%	
			Original Due Date	31-Mar-2022	Expected success	
Lead			Due Date	31-Mar-2022		
Helen Budge			Completed Date			

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Code & Title	Description	Desired Outcome	Dates		Progress	Progress Statement
SRP11 Children's Resources	The proposed development seeks to increase capacity in Shetland to provide placements for children and young people who are looked after and accommodated by the local authority.	Reduced numbers of looked after children accommodated outwith Shetland. Improved performance for looked after children.	Planned Start	14-Feb-2018	▶	Strategic Outline Case developed for discussion. Business Case well advanced.
			Actual Start	14-Feb-2018	15%	
			Original Due Date	31-Mar-2022	Expected success	
Lead			Due Date	31-Mar-2022		
Helen Budge			Completed Date			

Code & Title	Description	Desired Outcome	Dates		Progress	Progress Statement
SRP12 Schools' Estate	Strategic plan for Schools Estate to ensure population predictions are catered for.	Reduction of inequalities in access to educational opportunities. Maintain high levels of performance.	Planned Start	14-Feb-2018	▶	Strategic Outline Case to be developed, linked to Strategic Plans including Community Plan.
			Actual Start	14-Feb-2018	0%	
			Original Due Date	31-Mar-2022	Expected success	
Lead			Due Date	31-Mar-2022		
Helen Budge			Completed Date			

Code & Title	Description	Desired Outcome	Dates		Progress	Progress Statement
SRP13 Receptions – Single Service Point	The proposed development would be to establish a single reception point in Lerwick for all Council services.	• Reduction in cost. • Simplified access to Council Services for the public.	Planned Start	14-Feb-2018	▶	First draft of Strategic Outline Case prepared. Work subsumed into Asset Investment Plan and development of activities at 8NN.
			Actual Start	14-Feb-2018	10%	
			Original Due Date	31-Mar-2022	Expected success	
Lead			Due Date	31-Mar-2022		
Christine Ferguson			Completed Date			

Code & Title	Description	Desired Outcome	Dates		Progress	Progress Statement
SRP14 "Outliers"	Examine outliers from national benchmarking to identify areas to explore for savings/improvement.	• Reduced costs. • Best Value/Best Practice.	Planned Start	14-Feb-2018	▶	
			Actual Start	14-Feb-2018	0%	
			Original Due Date	31-Mar-2022	Expected success	
Lead			Due Date	31-Mar-2022		
Neil Grant (Director)			Completed Date			

Code & Title	Description	Desired Outcome	Dates		Progress	Progress Statement
SRP15 Learning Disability services	The purpose of the project is to review the Council funded Adult Services for adults with learning disability (LD), autism (ASD), complex needs and unpaid carers, and redesign where necessary to; • ensure fair and equitable access to resource and service where eligible need has been assessed; • ensure sustainable resource and services delivery in an area of demographic rise; • consider support for adults with assessed need not related to LD or ASD e.g. acquired brain injury (ABI)	Reviewed Adult Services (Learning Disability and Autism) arrangements that meet eligible need; reduce inequality; support people to maintain and improve their own health and wellbeing and quality of life; meet base value objectives.	Planned Start	14-Feb-2018	▶	
			Actual Start	14-Feb-2018	0%	
			Original Due Date	31-Mar-2022	Expected success	
Lead			Due Date	31-Mar-2022		
Simon Bokor-Ingram			Completed Date			

Code & Title	Description	Desired Outcome	Dates		Progress	Progress Statement
SRP16 Mental Health services	The purpose of the Project is to review and redesign the Council funded community mental health support services, provided from Annsbrae.	• Reduced cost • More appropriate service provision leading to better outcomes for individuals and less reliance on services.	Planned Start	14-Feb-2018	▶	Strategic Outline Case discussed by CMT. Detailed review work started.
			Actual Start	14-Feb-2018	5%	
			Original Due Date	31-Mar-2022	Expected success	
Lead			Due Date	31-Mar-2022		
Simon Bokor-Ingram			Completed Date			

Code & Title	Description	Desired Outcome	Dates		Progress	Progress Statement
SRP17 Community Care Resources	This Business Case seeks approval to invest an estimated £500-600,000 of revenue funding in support of early intervention and preventative services, to further develop the objective of enabling people to live independently in their own home for as long as it is safe to do so.	Sustainable services across Shetland supporting people to be independent and able to live at home in the community.	Planned Start	14-Feb-2018	▶	Strategic Outline Case discussed at CMT. Business Case being prepared for investment in earlier implementation projects.
			Actual Start	14-Feb-2018	10%	
			Original Due Date	31-Mar-2022	Expected success	
Lead			Due Date	31-Mar-2022		
Simon Bokor-Ingram			Completed Date			

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Code & Title	Description	Desired Outcome	Dates		Progress	Progress Statement
SRP18 Community Area Structures	To strengthen the cohesiveness of locality working across Shetland between health & social care, and to draw in the necessary enablers to support individuals to remain living in their communities.	Sustaining people to continue living in their communities and in their own homes.	Planned Start	14-Feb-2018		
			Actual Start	14-Feb-2018	0%	
			Original Due Date	31-Mar-2022	Expected success	
Lead			Due Date	31-Mar-2022		
Simon Bokor-Ingram			Completed Date			

Code & Title	Description	Desired Outcome	Dates		Progress	Progress Statement
SRP19 Colleges Review	This concerns the future option for the Shetland Tertiary Education, Research and Training sector.	• Reduced costs. • Maintain local tertiary education, research and training programme supporting Community Planning outcomes.	Planned Start	14-Feb-2018		Strategic Outline Case prepared. Project work has produced an initial scope/draft Business Case for a merger of the colleges.
			Actual Start	14-Feb-2018	0%	
			Original Due Date	31-Mar-2022	Expected success	
Lead			Due Date	31-Mar-2022		
Neil Grant (Director)			Completed Date			

Shetland Islands Council

Meeting(s):	Policy and Resources Committee	22 May 2018
Report Title:	Local Government in Scotland, Performance and Challenges 2018	
Reference Number:	F-035-F	
Author / Job Title:	Jonathan Belford Executive Manager – Finance	

1.0	**Decisions / Action required:**

1.1 That the Policy and Resources Committee NOTE the content of the report and RESOLVE to instruct the Corporate Management Team to take account of the key findings and messages in their work across the Council.

2.0	**High Level Summary:**

2.1 Each year the Accounts Commission publish 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.

2.2 The purpose of this report is to provide an overview of what the Accounts Commission see are the challenges Councils face and how they respond to operating in an increasingly demanding environment from continued reductions in their funding from Scottish Government and greater demands for services. The report is a tool to enable Councillors and officers to stand back and assess their Council's progress.

2.3 A copy of the report is attached at Appendix 1 and the key messages contained in the report are:

2.3.1 Local Government in Scotland continues to operate in a complex and changing environment that involves increasing levels of uncertainty. While details of the terms for the UK's withdrawal from the European Union are not yet clear, there will be significant and profound implications for all 32 councils. Meanwhile, the Scottish Government remains committed to a significant pace of public sector reform, with some major changes for local government at key stages of implementation. These events are taking place in the overall context of substantial reductions in public spending alongside increasing demand for many local public services.

2.3.2 Developing new ways of working – or transformational change – is now an essential part of the agenda for councils as they respond to these challenges. Delivering savings is becoming increasingly critical, with forecast funding gaps higher than current levels of reserves for some councils. Where councils have properly scoped, resourced and managed their transformational work, they are more likely to successfully deliver sustainable service change. Cohesive,

decisive leadership is required that brings officers, councillors and their communities together to address the major challenges councils face.

2.3.3 Councils are engaging with the increasingly difficult task of managing the competing priorities of reducing costs and maintaining services for an ageing population. Under current arrangements, some councils can expect to see government funding fall further than others as their total population declines while their older population grows and demand for key services, such as social care, increases. Councils are also implementing significant policy and legislative changes, some of which increase expectations on, or the duties of, councils and many will have additional resource implications. The detail of what these changes will mean is not yet clear in some cases.

2.3.4 Councils have done a considerable amount to manage the impact of continued budget reduction, and national indicators suggest they have maintained or improved performance in a number of areas. However, there is also evidence that budget cuts are having an impact on services, and customer satisfaction levels have fallen. Some services are not keeping demand and there is a risk that quality is being affected. Smaller services, which often include important regulatory functions, have borne the brunt of funding reductions although the impact of this on these services is not always made clear. In making difficult choices, councils need to continue to work with communities to understand the impact of reduced spending on services and communities and to clearly report this to the public.

3.0 Corporate Priorities and Joint Working:

3.1 The Corporate Plan places a great deal of emphasis on governance and management of the Council. This report supports core priorities in relation to "Excellent financial management arrangements will make sure we are continuing to keep to a balanced and sustainable budget, and are living within our means."

3.2 There is a clear emphasis in the Accounts Commission report to long term planning and prioritisation and the reference points for the Council in considering its priorities are the Corporate Plan and the Shetland Local Outcomes Improvement Plan.

4.0 Key Issues:

4.1 The Accounts Commission report provides a high-level, independent view of challenges Councils' face, how well they are addressing these and what more they can do. It is aimed primarily at Councillors and senior Council officers as a source of information and to support them in their complex and demanding roles. It is in three parts:

Part 1 (page 10) focuses on the current and future challenges facing Councils;

Part 2 (page 21) how councils are responding to these challenges; and

Part 3 (page 28) looks at the impact on performance in key service areas and public satisfaction.

4.2 The 2017 local government elections resulted in many new Councillors in place. To support those new to the role, Audit Scotland have the following supplements 'A scrutiny tool for Councillors' and 'An interactive online tool'.

4.3 The report has a number of recommendations to meet challenges and improve performance. Council's should ensure they are continuously improving their work in key areas by:

4.3.1 Looking to the future:

- continuing to improve understanding on how the landscape within which their council operates may change, by considering its demographics, the public spending environment and policy changes;

- using this information to inform council priorities;

- developing long-term financial and scenario planning that takes these factors into account and considers the impact on all their services and their users;

- considering how to make the most of new technology, for example streamlining processes and communicating differently with service users;

4.3.2 Working with communities:

- so that they are actively involved in decision-making, know the effect decisions are expected to have on services and communities and see the impact of community empowerment

4.3.3 Focusing on the delivery of priority outcomes through:

- working with communities to understand their needs

- establishing effective cross-party relationships to work together and make the sometimes difficult decisions needed to achieve the council's priorities

- clearly linking budgets to plans and outcomes

4.3.4 Establishing robust change strategies and developing realistic plans for transforming services, which incorporate:

- effective leadership and good governance arrangements;

- robust options appraisal;

- strong financial management;

- properly scoped and resourced plans.

4.3.5 Ensuring change strategies are supported by:

- realistic savings plans with long-term implications and mitigation against unintended impact on other services and communities;

- effective workforce planning to retain and recruit people with the right skills to deliver sustainable future services;

- income generation plans;

- workforce and member support, training and development.

4.3.6 Evaluating and reporting:

- the impact that significant budget reductions, savings, workforce changes and service redesign are expected to have and have had on service delivery and quality;

- using the data collected and monitored to report publicly on the quality of services, as well as user satisfaction with those services.

4.4   Officers have reviewed each of the recommendations and has provided information on how each of these points have either been addressed, are being addressed or where there are areas for improvements in the Council.

4.4.1   The Shetland Islands Council has in place a number of strategic and operational plans i.e. the Corporate Plan, the Long Term Financial Plan (LTFP), the Medium Term Financial Plan (MTFP), all of which are or will be aligned to the Shetland Partnership Plan (LOIP) and are reviewed periodically. This allows the Council to take account of known or predicted changes in spending patterns, asset replacement requirements, legislation, income generation, external funding, partnership working etc and to direct resources in line with Council priorities. These overarching plans are used to inform other council wide plans and activities including the annual revenue and capital budget process, Directorate Plans, Service Plans, Team Plans and individual Personal Development Plans.

4.4.2   The Council has put in place the Community Asset Transfer policy and the Participation Request Policy under the Community Empowerment (Scotland) Act 2015 to support communities to deliver services which meets the area's objectives and outcomes. The Council engages with communities through consultations and through participatory budgeting.

4.4.3   The Medium Term Financial Plan is used as the financial framework for the annual budget process for both revenue and capital. It is updated annually to take account of any changes both internal and external which affect both income and service allocations. The budget process is use to revise budgets to reflect future spending priorities and discussions taken. Monthly financial monitoring is undertaken routinely and reported quarterly to service committees and Council. This encompasses both revenue and capital expenditure and income. Over 160 Budget Responsible Officers provide input to the financial management arrangements supported by a skilled accounting team. A strong control environment is audited regularly by internal audit and the Council has received positive feedback from External Auditors.

4.4.4   The Council's Workforce Strategy 2016-2020 provides direction for managing our workforce and is designed to support and is aligned to the delivery of agreed priorities. There are improvement activities led by HR across 3 themes of Right Shape, Right Skills and Right Culture that includes workforce profiling and planning.   Our Corporate Plan also includes specific aims for our workforce in its 20 by 20 that are reflected in HR Service Plans. There is a Joint Organisational and Workforce Development Protocol to support Health and Social Care integrated services.

4.4.5   Accurate data on staff numbers and demographics is captured and reported through the Council's HR system and is provided to services to manage and monitor their staffing levels. Workforce planning is currently carried out at service and directorate level through the service planning process however,

organisational wide workforce profiling and planning guidance is under development for use by all Council services. National initiatives on workforce planning limit local flexibility to alter the shape of the workforce such as the Scottish Government's commitment to teacher numbers and the National Workforce Plan for Health and Social Care.

4.4.6   The Council has processes to evaluate business transformation and service redesign projects. All capital projects are required to follow the Gateway Process for the Management of Capital Projects. Depending on the size of the project, for large projects this will require completion of the 5-case model or for smaller projects a business justification case. For revenue projects, a business justification case is required to access spend to save or change fund monies for business transformation or redesign. These processes require the inclusion of impacts and expected outcomes as part of the process.

4.4.7   The Council's Community Learning & Development (CLD) Plan 2015-18 outlines how CLD will be delivered in the Shetland area to empower people, individually and collectively, to make positive changes in their lives and in their communities, through learning. This will be refreshed in line with the Shetland Partnership Plan. Key areas of work include developing community participation through Shetland Community Choices (a participatory budgeting project), Community Asset Transfer policy under the Community Empowerment (Scotland) Act 2015 and the Shetland Place Standard. CLD is an integral part of the revised Shetland Partnership Plan, which is anticipated will be formally adopted by Partners during June. It is intended that the CLD Plan will be to ensure people in communities actively participate and influence decisions on services and use of resources in partnership with public service providers.

4.4.8   Each Council committee has 4 meetings per year dedicated to performance reporting and monitoring. Directorate and Service plans contain up-to-date action lists, all of which are linked directly to our Corporate Plan commitments. These plans are published on our website and kept up to date by officers via our performance management software. All Performance Indicators contain narrative explaining performance and predictions/plans for improvement. Where performance is likely to decline because of reduced resources, this is highlighted. Officers continue to review the variations in unit costs and performance, particularly when highlighted through benchmarking e.g. corporate and democratic core costs, comparisons with other authorities e.g. cost per pupil, and when reviewing overall costs of the Council e.g. service cost comparisons. As a result of this review process, more understanding of how other authorities operate in comparison to the Council is gathered, evaluated and adopt good practices. Networking membership of benchmarking organisations e.g. APSE, membership / participation in national groups e.g. Northern Alliance, all add to the experience from other Councils, on which Shetland can draw.

4.5   Overall the findings are helpful in explaining at a high level the challenges facing Councils, the need for continuous performance improvement and the strategic leadership and strategies required to successfully manage these challenges. It is clear that the involvement and participation of communities is an increasingly important factor for Councils and how they conduct their business.

4.6   Corporate Management Team will seek to continuously improve in line with the recommendations of the Accounts Commission.

5.0   Exempt and/or confidential information:

5.1   None

6.0 Implications :	
6.1 **Service Users, Patients and Communities:**	There are no implications arising directly from this report. However addressing the challenges that are described in this report will have an impact on customers, service users and communities and appropriate consideration will be given to this at the appropriate time.
6.2 **Human Resources and Organisational Development:**	There are no implications arising directly from this report. However addressing the challenges that are described in this report will have an impact on staff and appropriate consideration will be given to this at the appropriate time.
6.3 **Equality, Diversity and Human Rights:**	There are no implications arising directly from this report.
6.4 **Legal:**	Shetland Islands Council has a duty in respect of community planning and Best Value under the Local Government in Scotland Act 2003.
6.5 **Finance:**	There are no implications arising directly from 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.
6.6 **Assets and Property:**	There are no implications arising directly from this report. However 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 and 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.
6.7 **ICT and new technologies:**	There are no implications arising directly from this report.
6.8 **Environmental:**	There are no implications arising directly from this report.
6.9 **Risk Management:**	The Audit Scotland reports highlight a number of challenges facing Councils and the risk of failing to meet these. The Council has in place plans to meet the challenges identified but still has some work to do. 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.

6.10 **Policy and 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.	
6.11 **Previously considered by:**	*None*	

Contact Details:

Hazel Tait, Team Leader Accountancy, hazel.tait@shetland   1 May 2018

Appendices:

Appendix 1 – Accounts Commission report. Local Government in Scotland: Performance and challenges 2018

Background Documents:

Supplementary Scrutiny Tool for Councillors and An Interactive Online Tool is available at at: Local Government in Scotland: Challenges and Performance 2018

Local government in Scotland

Challenges and performance 2018

ACCOUNTS COMMISSION

The Accounts Commission

The Accounts Commission is the public spending watchdog for local government. We hold councils in Scotland to account and help them improve. We operate impartially and independently of councils and of the Scottish Government, and we meet and report in public.

We expect councils to achieve the highest standards of governance and financial stewardship, and value for money in how they use their resources and provide their services.

Our work includes:

- securing and acting upon the external audit of Scotland's councils and various joint boards and committees
- assessing the performance of councils in relation to Best Value and community planning
- carrying out national performance audits to help councils improve their services
- requiring councils to publish information to help the public assess their performance.

You can find out more about the work of the Accounts Commission on our website: www.audit-scotland.gov.uk/about-us/accounts-commission

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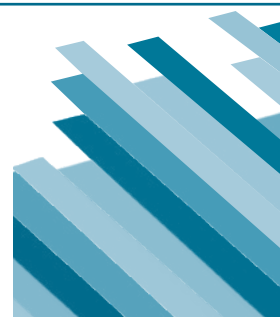
Links

⬇ PDF download

↖ Web link

Exhibit data

When viewing this report online, you can access background data by clicking on the graph icon. The data file will open in a new window.

❓

These question mark icons appear throughout this report and represent questions for councillors.

Audit team

The core audit team consisted of:
Carol Calder, Sally Thompson, Claire Richards, Ashleigh Madjitey and Ruth Azzam, with support from other colleagues and under the direction of Ronnie Nicol.

Chair's introduction
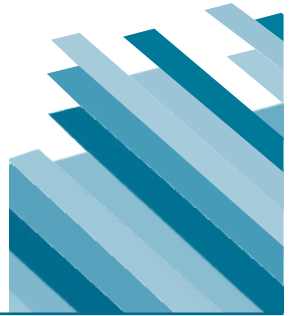
This year's local government overview report, *Local government in Scotland: Challenges and performance 2018*, complements the Commission's *Local government in Scotland: Financial overview 2016/17* ⬇ published in November 2017. This overview focuses on the wider challenges and issues facing councils as well as their performance and the impact of reduced financial resources.

Councils continue to face challenges on a number of fronts, not least the challenge of continuing to deliver a wide range of services to local communities with reducing budgets. Councils have done much to reduce spend and at the same time continue to deliver services for their local communities. Transformational change is increasingly important to councils as they seek to improve local outcomes with less money. Implementing successful transformation is not easy and audit work shows progress across the 32 councils is mixed. The scale of the challenge means the pace of change needs to improve in some councils. Successful transformation requires robust planning, clear and coherent leadership and suitably skilled staff. Some councils may need to invest in the short term to save in the long term.

Another challenge is the changing landscape in which councils operate. These changes introduce significant uncertainty as well as increasing complexity. For example, the UK's decision to leave the European Union could have a significant impact on Scotland's councils, but the detail of this is not known. Both Scottish Government's review of education and of local governance could have a significant impact on the role councils play, but again the details are not yet evident. Similarly, the creation of economic partnerships could impact on each council's role in the important area of economic regeneration and growth.

The Accounts Commission recognises the difficulties such uncertainty and pressure bring to councils and the added challenge these represent for medium and long-term planning. However, these same uncertainties mean that planning has never been more important. Robust plans that project how council outcomes and priorities will be delivered and funded within reducing budgets are essential to ensure the sustainability of services for the public.

Last year was the first full operational year for Integration Joint Boards. This represented a major shift for local government and it is clear that councils, and their IJB partners, have a significant task in providing social care and support for those in need.

The impact of increasing social care demands from an ageing population on council budgets is clear and means a higher proportion of council money being spent on social care services. This has reduced the amount councils have to spend on other areas and going forward, this has the potential to cause tensions between local and national priorities and risk the viability of some services.

Good work is being done across local government, and there is much councils can learn and share with each other. Looking ahead, councillors and senior management, working closely with their communities, will continue to be faced with difficult decisions on where limited resources should be allocated. It is now more important than ever that these decisions are taken in a planned and coordinated way, and that the impact of decisions on communities and outcomes is transparent and understood.

I hope you find this overview useful, and would welcome any feedback you may have.

Graham Sharp
Chair of the Accounts Commission

Summary
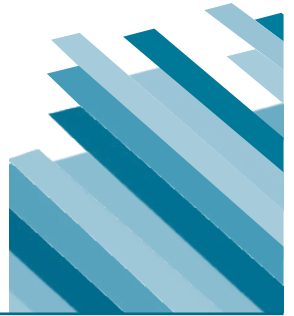
Key messages

1 Local government in Scotland continues to operate in a complex and changing environment that involves increasing levels of uncertainty. While details of the terms for the UK's withdrawal from the European Union are not yet clear, there will likely be significant and profound implications for our 32 councils. Meanwhile, the Scottish Government remains committed to a significant pace of public sector reform, with some major changes for local government at key stages of implementation. These events are taking place in the overall context of substantial reductions in public spending alongside increasing demand for many local public services.

2 Developing new ways of working – or transformational change – is now an essential part of the agenda for councils as they respond to these challenges. Delivering savings is becoming increasingly critical, with forecast funding gaps higher than current levels of reserves for some councils. Where councils have properly scoped, resourced and managed their transformational work, they are more likely to successfully deliver sustainable service change. Cohesive, decisive leadership is required that brings officers, councillors and their communities together to address the major challenges councils face.

3 Councils are engaging with the increasingly difficult task of managing the competing priorities of reducing costs and maintaining services for an ageing population. Under current arrangements, some councils can expect to see government funding fall further than others as their total population declines while their older population grows and demand for key services, such as social care, increases. Councils are also implementing significant policy and legislative changes, some of which increase expectations on, or the duties of, councils and many will have additional resource implications. The detail of what these changes will mean is not yet clear in some cases.

4 Councils have done a considerable amount to manage the impact of continued budget reductions, and national indicators suggest they have maintained or improved performance in a number of areas. However, there is also evidence that budget cuts are having an impact on services, and customer satisfaction levels have fallen. Some services are not keeping up with demand and there is a risk that quality is being affected. Smaller services, which often include important regulatory functions, have borne the brunt of funding reductions although the impact of this on these services is not always made

clear. In making difficult choices, councils need to continue to work with communities to understand the impact of reduced spending on services and communities and to clearly report this to the public.

Recommendations

While councils have done much to reduce spend, deliver services differently and work with their communities, financial and population pressures are likely to continue. Effective leadership and robust planning is more important than ever to ensure council services remain sustainable.

Councils should ensure they are continuously improving their work in key areas by:

- looking to the future:

  – continuing to improve understanding on how the landscape within which their council operates may change, by considering its demographics, the public spending environment and policy changes

  – using this information to inform council priorities

  – developing long-term financial and scenario planning that takes these factors into account and considers the impact on all their services and their users

  – considering how to make the most of new technology, for example streamlining processes and communicating differently with service users

- working with communities - so that they are actively involved in decision-making, know the effect decisions are expected to have on services and communities and see the impact of community empowerment

- focusing on the delivery of priority outcomes through:

  – working with communities to understand their needs

  – establishing effective cross-party relationships to work together and make the sometimes difficult decisions needed to achieve the council's priorities

  – clearly linking budgets to plans and outcomes

- establishing robust change strategies and developing realistic plans for transforming services, which incorporate:

  – effective leadership and good governance arrangements

  – robust options appraisal

  – strong financial management

  – properly scoped and resourced plans

- ensuring change strategies are supported by:
    - realistic savings plans with long-term implications and mitigation against unintended impact on other services and communities
    - effective workforce planning to retain and recruit people with the right skills to deliver sustainable future services
    - income generation plans
    - workforce and member support, training and development

- evaluating and reporting:
    - the impact that significant budget reductions, savings, workforce changes and service redesign are expected to have and have had on service delivery and quality
    - using the data collected and monitored to report publicly on the quality of services, as well as user satisfaction with those services.

About this report

1. This report provides a high level, independent view of the challenges facing councils in Scotland, how councils are responding to these challenges and how service performance has been affected. It draws on findings from *Local Government in Scotland: Financial Overview 2016/17* ⬇, local government audit work in 2017 (including annual audits, Best Value Assurance reports and national performance audits) and published performance data. All national and individual council audit reports are available on our **website** ⬉.

2. The report is not intended to be a comprehensive review of all issues facing councils. It highlights key challenges councils face and looks at some of the main ways councils are responding to increasing demand and reduced funding. Where specific examples of council activities or circumstances are referenced, the implication is not that the named councils are the only ones engaging in these activities or experiencing these circumstances. The report is intended to inform the public and its representatives and, in particular, local government councillors and senior council officers to support them in their complex and demanding roles. It covers three areas:

- **Part 1**, the current and future challenges facing councils.

- **Part 2**, how councils are responding to these challenges.

- **Part 3**, the impact on performance in key service areas and public satisfaction.

3. The 2017 local government elections resulted in many new councillors and changes to the political make-up of councils. To help councillors, we have produced the following supplements to accompany this report.

- A scrutiny tool for councillors – this has example questions that councillors could ask to help them understand their council's position, scrutinise performance and assist in making difficult decisions. Councillors should feel

they fully understand, and are satisfied with, the answers to the questions that are most relevant to them in their role within the council.

- An interactive online tool ⬁ which contains performance information for individual councils. It is designed to allow councillors, officers and members of the public to better understand how their council is performing compared to others.

4. Where possible we have used financial information from Scottish Local Government Statistics as these provide a breakdown of spending by service. Where this has not been possible we have used figures from councils' annual accounts. We refer to real-term changes in the report, meaning that financial figures are adjusted for inflation. Our analysis of local government funding adjusts figures into 2018/19 prices to reflect the current year. Where the report focuses on council performance in 2016/17, figures have been adjusted to 2016/17 prices.

Part 1

The challenges for councils
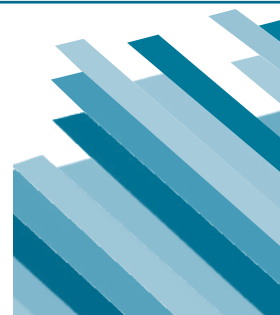
Key messages

1   Councils are operating in a complex, changing and increasingly uncertain environment. The sector faces potentially significant change from the UK's decision to leave the European Union. The review of local governance announced by the Scottish Government and COSLA aims to give people more say in local decision-making, and may have a significant impact on councils.

2   Council revenue funding from the Scottish Government has fallen in real terms by 9.6 per cent between 2010/11 and 2018/19. This has presented councils with a major challenge in delivering services and making savings. However, some national policies, and ongoing spending commitments such as pension and debt costs, mean there are limitations on where councils can make savings. Smaller service areas, which often include important regulatory functions, have seen the biggest budget reductions, while education and social care services take up a growing proportion of council spend.

3   Scotland's population is getting older, leading to increased demand for social care services and fewer working age people to fund public services. Population change brings different challenges to different councils and also has financial implications. Under current arrangements, some councils can expect to see Scottish Government funding fall further than others as their total population declines, while their older population grows and demand for services increases.

4   New legislation involves councils developing fresh approaches to community empowerment. There are some examples of good work taking place, including new ways in which councils consult with, listen to and work with local people and communities. However, they are still at the early stages of realising the ambitions of the Community Empowerment Act and there are signs that these approaches do not reach everyone. In 2016, only 23 per cent of adults agreed that they can influence decisions affecting their local area.[1]

Councils are operating in an increasingly complex and uncertain landscape

5. Councils provide a wide range of important services for local residents and communities. Increasingly councils are working in partnership with other public, private and third sector organisations as they work to find the best way to deliver services in the future.

6. In recent years, the role of Scotland's councils and the services they provide have been subject to significant legislative and national policy changes from UK and Scottish governments. Some changes increase expectations on or duties of councils. Some change councils' role. Some have significant financial implications, while the implications of others are not clear. All of this means additional work for councils to understand these changes and manage and implement them accordingly Exhibit 1

Have you considered how policy and legislative change will affect how your council operates?

Exhibit 1

Implications for councils of key UK and Scottish legislative and policy changes
Legislative and policy changes often lack clarity or detail but can require substantial change.

Increased expectation | Change the role of council | Lack of clarity | Financial implications

Implication	Changes			
	⬆	🔄	❓	£
Withdrawal from the European Union			✓	✓
Impact of UK's decision to leave the European Union (EU) is unknown but could be significant for councils in terms of funding (Scotland has been allocated € 940 million in funding from the EU for 2014 to 2020) and workforce (19,000 EU nationals are employed in education, health and public administration).[1,2]				
City region deals and growth deals	✓	✓	✓	✓
In its 2017/18 programme, the Scottish Government committed over £1 billion over the next ten to 20 years to five city region deals (Aberdeen, Edinburgh and the South East, Inverness, Glasgow, Stirling and Tay Cities).[3] The UK Government and councils are also contributing significantly to the deals.				
City deals will require strong partnership working between councils and a wide range of public and private partners. Councils will need to determine roles and responsibilities, accountability and performance reporting. We will report on city deals in 2019/20.				
Integration of health and social care	✓	✓	✓	
All integration joint boards (IJBs) were operational in 2016/17. IJBs are responsible for commissioning health and social care services, so councils are no longer wholly responsible for social care services. Arrangements for financial planning, budget monitoring, risk and performance management vary and continue to evolve. We will audit the effectiveness of health and social care integration in 2018.				
Education reform	✓	✓	✓	
The Scottish Government aims to create a school and teacher led education system, where decisions and funding will be at school level and Regional Improvement Collaboratives (RICs) will provide support to schools.				
Under proposals, councils would retain their duty to improve the quality of school education but would do this through the RICs rather than directly. It is not clear yet how this would affect councils' roles in education or their ability to scrutinise performance. The financial implications of these proposals for councils are also unclear. The Scottish Government has also consulted on the funding model for school education.				

Cont.

Exhibit 1 (continued)

⬆ Increased expectation	🔄 Change the role of council	❓ Lack of clarity	💷 Financial implications

Implication	Changes			
	⬆	🔄	❓	💷
Barclay review of non domestic rates (NDR) In 2017/18, NDR made up 28 per cent of revenue funding from Scottish Government to councils. In August 2017, the Barclay review published 30 recommendations on NDR to better support business growth and long-term investment, and to better reflect changing marketplaces. The Scottish Government accepted most of the recommendations. There are expectations that implementing these could cost an additional £80 million a year. It is not yet clear who is responsible for these costs.[4]			✓	✓
Enterprise and skills review The Scottish Government's review of the enterprise and skills system in 2016 recommended the creation of regional economic partnerships be led by councils. The implementation of this is still at an early stage but changes will impact on councils' work to support local businesses and business gateways.	✓	✓	✓	
Early Learning and Childcare The Scottish Government is committed to extending free childcare for all three-and four-year-old children and some two-year-olds from 600 hours to 1,140 hours by 2020. Councils had to produce plans for the expansion by September 2017 without knowing the full details about funding or how the scheme will work. Our report *Early learning and childcare* ⬇ found that there are significant risks that councils will not be able to deliver the additional hours by 2020.[5]	✓		✓	✓
Community Empowerment Act See paragraphs 8 to 13 below	✓	✓		
Named Person provision Under current Scottish Government plans every child in Scotland would have a named person responsible for helping them get the support they need. In many cases, these will be teachers. However, there are delays to the scrutiny of the Bill introducing the named person provision after the Supreme Court ruling against the scheme in July 2016.	✓	✓	✓	✓
Local Governance review The Scottish Government aims to strengthen local decision-making and democratic governance in ways that improve outcomes for local communities and give greater control to those who live and work in the area. The Scottish Government and COSLA launched a review in December 2017 to consider how decisions are made about Scotland's public services with the aim of devolving more power to communities. The review's findings will contribute to a Local Democracy Bill which will be introduced before the end of the Parliament in 2021.	✓	✓		

Cont.

Exhibit 1 (continued)

	Increased expectation		Change the role of council		Lack of clarity		Financial implications

Implication	Changes			
	⬆	🔄	❓	£
Islands Bill	✓	✓		
The Islands (Scotland) Bill was introduced to the Scottish Parliament in June 2017. It contains a number of measures to ensure a sustained focus on the needs of Scotland's island communities. Once in place, the Islands Bill will require public bodies to prepare an Island Impact Assessment when introducing new or revised policy, strategies or services that may impact island communities differently to other communities. This will require councils to identify the direct and indirect consequences and adjust their proposals accordingly. They will also be required to report every year on the impact of island proofing on their functions.				
Scottish Crown Estate Bill	✓	✓		✓
Crown Estate assets include most of the seabed, 590 square kilometres of foreshore, rural land, commercial property and the rights to wild salmon fishing and naturally occurring gold and silver. The Scottish Crown Estate Bill allows public bodies, including councils and community organisations, to manage the Crown Estate in Scotland. The Crown Estate will remain property of the Queen and any revenue will be paid to the Scottish Government. This would be an additional role for councils to manage which is likely to have financial and staffing implications.				

Notes:
1. European funding in Scotland 2014-20, Scottish Parliament Information Centre, November 2016.
2. EU nationals living in Scotland, Scottish Parliament Information Centre, November 2016.
3. A Nation With Ambition: The Governments Programme for Scotland 2017/18.
4. Debate in Scottish Parliament, 12 September 2017.
5. *Early learning and childcare* ⬇, Audit Scotland, February 2018.

Source: Audit Scotland

Councils and their partners are developing fresh approaches to empowering local communities and actively involving them in making decisions

7. Councils are now required to fulfil the expectations of the Community Empowerment Act (Scotland) 2015. This seeks to ensure communities are actively involved in deciding how public services are planned and provided and seeks to empower community bodies through transferring ownership of land and buildings. It intends to enhance outcomes for communities by improving the process of community planning, involving communities at all stages and ensuring that local service providers work with communities to meet the needs of the people using the services.

8. Community empowerment is a complex area and will require new ways of thinking about what constitutes good and effective community empowerment and how to work most effectively with the range and diversity of local communities. Underpinning

❓

How are you involving local communities and empowering them to design and deliver services that suit local need?

the Act is the intention to reduce inequalities. The Act could have staffing and funding implications as councils seek to work more closely with disadvantaged harder-to-reach groups or could provide savings where communities take over council services. Public sector partners will benefit from working together and sharing their learning experiences across sectors and organisations where possible.

9. All Community Planning Partnerships (CPPs) published a Local Outcome Improvement Plan (LOIP) for the first time in October 2017 setting out their local priorities. It will be important for CPPs to use a robust evidence base to target those groups of people in greatest need and reduce inequalities. Clackmannanshire Council and its partners worked closely with communities in developing the new LOIP. This includes a more focused set of priorities for specific geographic areas and particular groups of people such as children and women and these will provide a clear basis for prioritising resources in the future.[2] It is too early to assess the full impact of LOIPs. The Improvement Service will publish an overview of LOIPs in 2018, summarising the LOIPs and identifying good practice.

10. Best Value Assurance reports (BVARs) show that councils are committed to community empowerment and there are some examples of good work taking place. However, they are still at the early stages of realising the ambitions of the Act. Councils will need to continue to develop their approaches to community empowerment and there is some evidence that there is room for improvement. For example, in 2016 only 23 per cent of adults agreed that they could influence decisions affecting their local area; this figure has remained relatively static since 2009.[3]

11. Councils continue to use mainly traditional approaches of community engagement to find out local people's views, for example citizen's panels and periodic consultations on specific issues. However, there is also evidence that councils are starting to engage differently with their communities. Orkney Islands Council is providing a closer link with remote communities through its Empowering Communities project. The council funds two pilot 'Island Link Officers' on the islands of Papa Westray and Stronsay and has established a 'community office' on each island. This gives communities more influence on policies, decisions and services that affect them and also enables services to be more efficient and responsive to local issues and needs.

12. In addition to the Act, the Scottish Government and COSLA announced that by 2022 communities would decide how at least one per cent of local government budgets (around £100 million) will be spent. Councils are already adopting a range of approaches. For example, East Renfrewshire Council has set aside a £600,000 repair fund for residential roads. Community participants have ranked their top two preferences for which roads should be repaired first. Glasgow's Participatory Budgeting Evaluation Group, PB Consulting and What Works Scotland have produced a range of participatory budgeting guides and an evaluation toolkit to help councils.

The 2017 local government elections resulted in significant changes for councils
13. The 2017 elections resulted in significant changes for councils:

- A large number of councillors elected were new to the role. In some councils, for example City of Edinburgh Council, more than half of councillors were new.

- Three-quarters of councils are now run by different political groupings.

Does your council have regular discussions with communities about service priorities and what level of service the council can afford to provide in the future? What is your role as a councillor in this?

- There is no single majority political party in charge in any council - 16 councils are run by coalitions and 13 are minority administrations. The three island councils have a majority of independent councillors.

- For the first time since 1997, three political parties each have over 20 per cent of the vote.

14. These changes can bring additional pressures affecting how a council operates, during the transition period from one administration to another, or as political arrangements are established and bed in. Indeed, the administrations established in both Clackmannanshire and East Dunbartonshire Councils following the elections resigned during 2017. Having no single majority party in a council will often require more complex negotiations in the decision-making process to ensure sufficient support across all councillors. Whatever the result of democratic elections, councillors must continue to work together with senior management to address their corporate responsibilities in running a complex organisation that faces significant challenges in service delivery.

15. One of the Accounts Commission's strategic priorities relates to councillors having the right knowledge and skills to scrutinise council performance and decision making. This is particularly important for councils with a large number of new councillors with no experience of the role. Our BVARs show that councils were generally providing significant amounts of training for councillors. However, it is essential that councillors attend the training offered to gain the benefits intended, and there is evidence that attendance at training sessions is poor in a few areas.

16. It is important for a healthy democracy that councils represent and reflect the make-up of their communities in terms of gender, ethnicity and other socio-demographic characteristics. Yet, only 30.5 per cent of councillors elected in May 2017 were female and Comhairle nan Eilean Siar had no female councillors.[4] Female representation at council level is below that at the Scottish Parliament (36 per cent) and UK Parliament (32 per cent). National data is not available on ethnicity and other socio-demographic characteristics of councillors. However, councils should explore how representative their elected bodies are and what, if anything, they can do to improve this.

Scottish Government funding has fallen in real terms in recent years and it is more difficult to make savings in some areas

17. Scottish Government funding is the largest source of income for councils. Revenue funding, that is funding for day-to-day services, from the Scottish Government increased by 0.2 per cent in real terms from £9,793 million in 2017/18 to £9,814 million in 2018/19. Between 2010/11 and 2018/19, revenue funding has fallen by 9.6 per cent in real terms.[5]

18. The reductions in funding from the Scottish Government present councils with a major challenge to continue to make savings and deliver services at current levels. However, there are limitations in where and how councils can make savings. For example, councils must make repayments on their borrowing and meet employee pension costs each year.

19. Councils and IJBs also deliver key Scottish Government policies and priorities, such as in education and free personal care for older people. Councils must spend some of the money they receive delivering these priorities. For example, the Scottish Government provided £51 million in 2017/18 to councils, on the basis

Do you know what training is available to help you fulfil your duties?

Does the training meet your needs? If not, do you know who to speak to?

that it would be spent on helping to maintain teacher-pupil ratios. The amount of money not for specific purposes has fallen at a faster rate than total revenue funding (10.5 per cent compared to 9.6 per cent since 2010/11). This could cause tensions for councils in delivering local and national priorities.

20. At the same time councils face increasing spending obligations through UK and Scottish Government policy priorities for which they do not always receive additional funding. In addition to those set out in Exhibit 1 (pages 11 to 13), there are a number of additional cost pressures:

- The end to the public sector pay cap - a one per cent increase to council staff wages would cost around £70 million a year.[6]

- The apprenticeship levy - requires a 0.5 per cent levy on organisations with wage bills above £3 million. This affects all councils and the trade union Unison estimates it could cost an additional £25 million a year.[7]

- Equal pay claims - 27 councils had 27,000 outstanding equal pay claims in September 2016. The cost to councils in settling these is unknown but could be significant.[8]

- Any future increases in national insurance contributions.

Smaller services have borne brunt of service cuts

21. In 2017/18, councils allocated 76 per cent of their budgets to education and social care services. Although it is possible to make efficiencies in these areas, national policies, specific funding and demand for services mean it is more difficult to do so. As we reported in the *Financial overview 2016/17* ⊕, the pattern has been one of larger reductions to relatively smaller service areas in recent years, although these often include important regulatory functions. Over the last five years, planning and development services have seen a 20 per cent reduction in spending and culture services 11 per cent compared with no change in real terms to social care and education spending.[9]

22. At an individual council level, North Ayrshire Council reports that it has made savings of 25 per cent to its base budget over the last eight years. This affected different services in different ways. The council has delivered savings of 16 per cent in education, 20 per cent in social care services and 50 per cent in economy and communities over this period.[10]

23. If current trends for spending on education and social care services continue, councils will have significantly less to spend on other services in future years. We have forecast councils' future spending patterns. For this, we assumed local government funding increases in cash terms in line with recent years (2012/13 to 2015/16); an increase in social care spend in line with the increased demand due to a higher number of people of a pensionable age in the population; an increase in education spend in line with recent years; and no service redesign or policy changes. This modelling shows that councils would spend 80 per cent of budgets on education and social care by 2025/26. This would leave only 20 per cent of budgets for all other council services such as road repairs, refuse collection and environmental health in 2025/26, seven per cent less than in 2011/12. planning and leisure and culture services Exhibit 2 (page 17).

Exhibit 2
Forecast of council spending patterns

Without service redesign or policy changes our modelling suggests that councils could spend 80 per cent of their budgets on education and social care by 2025/26.
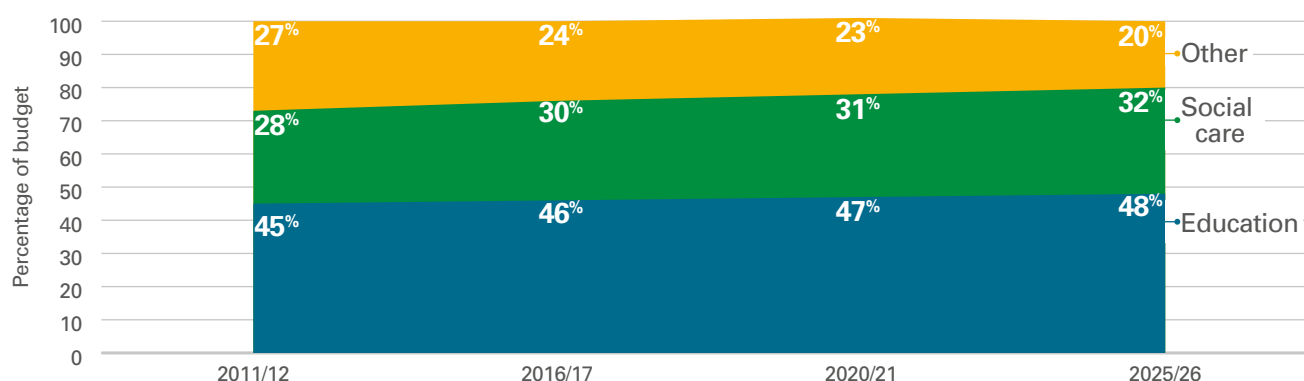
Note: Calculations are based on cash terms.

Source: *Scottish Local Government Finance Statistics 2016/17* Audit Scotland, November 2016

Population change affects demand for services and council funding

24. Scotland's population is predicted to grow by three per cent between 2016 and 2026 and five per cent between 2016 and 2041. This growth is entirely from inward migration as deaths will outnumber births in each year. The UK's decision to leave the European Union may have an impact on inward migration which could affect the predictions, particularly for the number of working age people.[11] Scotland's population is ageing. Over the next ten years the number of people aged 75 and over is predicted to increase by 27 per cent and by 79 per cent within the next 25 years Exhibit 3 (page 18).

25. Predicted population change has significant implications:

- The sharp increase in the rise of older people is expected to lead to increased demand for social care services. The majority of over-65s in Scotland have two or more long-term conditions such as diabetes or heart disease and the majority of over-75s have three or more long-term conditions.[12] The Scottish Affairs Committee at Westminster concluded this will significantly increase demand for social care services.[13]

- There will be fewer working age people compared to people of pensionable age and school children. Working age people generate more money for public spending through taxation, while older people and children generally use more public services such as social care and education. In 2016, there were 574 people of pensionable age and school children for every 1,000 working age people. This is known as the dependency ratio. This is expected to increase to 640 people of pensionable age and children for every 1,000 people of working age by 2041.[14] The Scottish Affairs Committee also concluded that demand for funding for services for an ageing population will grow quicker than generated income due to slower growth of the working age population.

Exhibit 3
Scotland's population projections, 2016-2026 and 2016-2041
Scotland's population is predicted to age significantly.
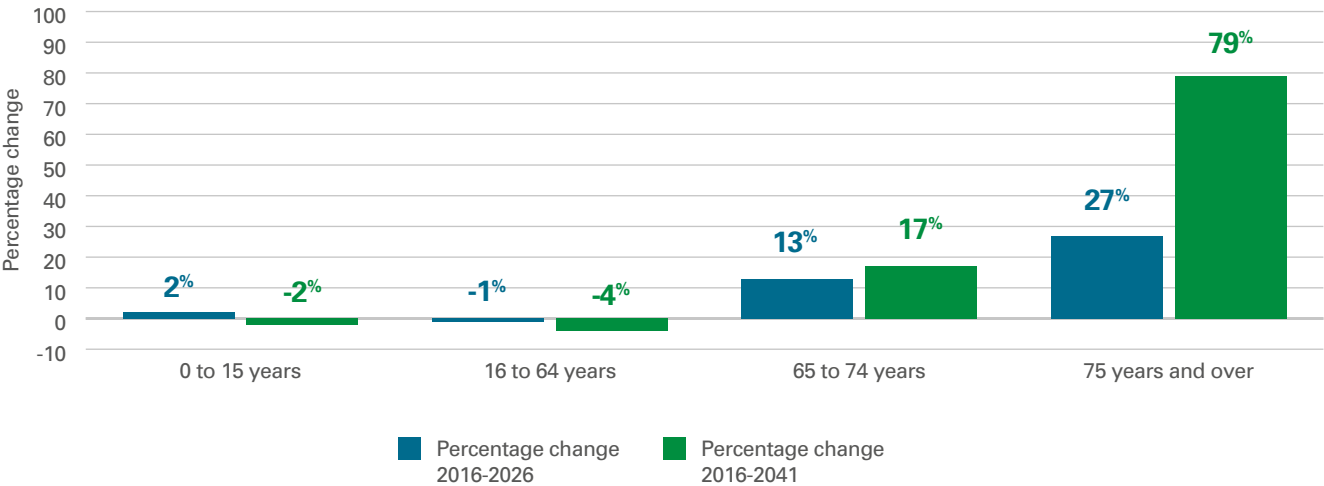
Source: National Records for Scotland, 2016 population projections

Population change brings different challenges for different councils

26. Predicted population change is not uniform across councils, meaning different councils face different challenges Exhibit 4 (page 19). Between 2014 and 2039, the population is expected to increase in 21 councils and decrease in 11. Midlothian Council is expected to see the biggest increase (26 per cent) and Comhairle nan Eilean Siar the biggest decrease (14 per cent).

27. The one constant trend across all Scottish councils is that the number of people of a pensionable age and over is expected to increase. This varies from a 48 per cent increase in West Lothian Council to an eight per cent increase in Dundee City Council. This will have differing impacts on demand for social care services.

28. In seven councils (Renfrewshire, Orkney Islands, Scottish Borders, Highland, Angus, South Lanarkshire, Moray) projected population increase is made up entirely of elderly population growth. For example in the Moray Council, the population is expected to grow by four per cent but the working age population and child population to fall by three per cent and eight per cent respectively. The population of a pensionable age and over will grow by 33 per cent over the same period.

29. There is significant variation in the predicted change in the population of children (defined as aged 0-15):

- Twenty councils are expected to see a decrease. These range from a 28 per cent reduction in Comhairle nan Eilean Siar to 0.1 per cent in Scottish Borders Council.

- Twelve councils are expected to see an increase. These range from 25 per cent in Midlothian Council to two per cent in Fife Council (Exhibit 4).
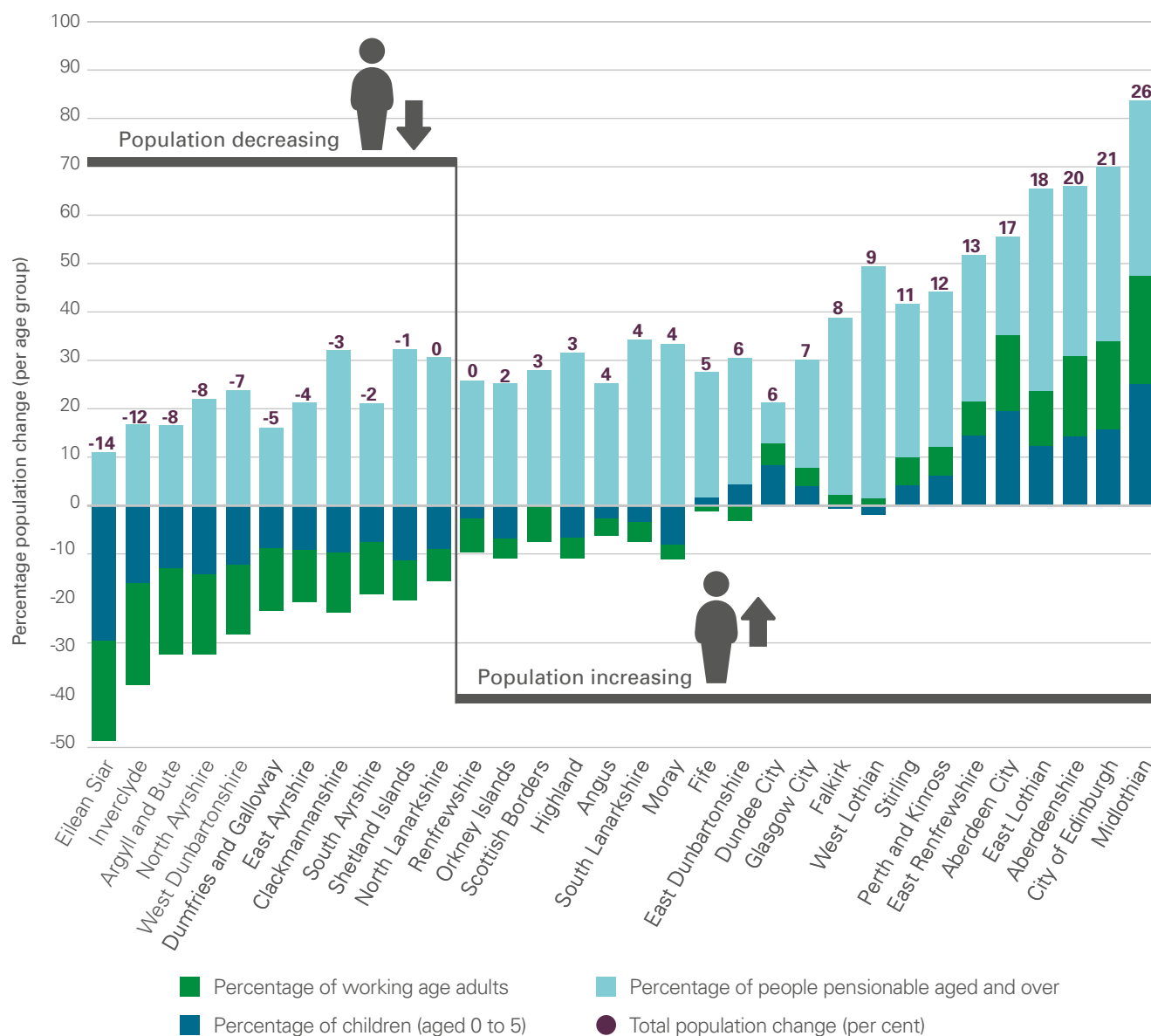
Have you considered the demographics of your council and how this will impact on service delivery and funding in the future?

Exhibit 4
Councils face different challenges relating to population change, 2014 to 2039
Eleven councils face predicted population decline by 2039.

Population decreasing

Population increasing

- Percentage of working age adults
- Percentage of children (aged 0 to 5)
- Percentage of people pensionable aged and over
- Total population change (per cent)

Source: National Records for Scotland, 2014 population projections; and Audit Scotland

30. Changes to the number of children will pose different challenges for councils as they continue to deliver education services. Some may have to build new schools and recruit additional teachers while others will have to manage their school property estate and teacher-pupil ratios as their school population shrinks. This will be particularly challenging for Comhairle nan Eilean Siar and other island and rural councils.

Population change also has financial implications for councils
31. The implications for councils with a decreasing population include: fewer people to pay council tax, a lack of local workforce which may make the area less attractive to businesses, and low population figures making some local services harder to sustain.

32. In our 2017 local government financial overview report, we outlined how the Scottish Government funding formula is largely based on the size of council's populations, although under proposals to review funding for education, this may change (Exhibit 5). Currently, those councils with a projected decrease in population can expect to see greater reductions to their budgets compared to councils with increasing populations.

Exhibit 5
Total population and share of key element of Scottish Government funding
The amount of funding councils receive from the Scottish Government is closely linked to their population.
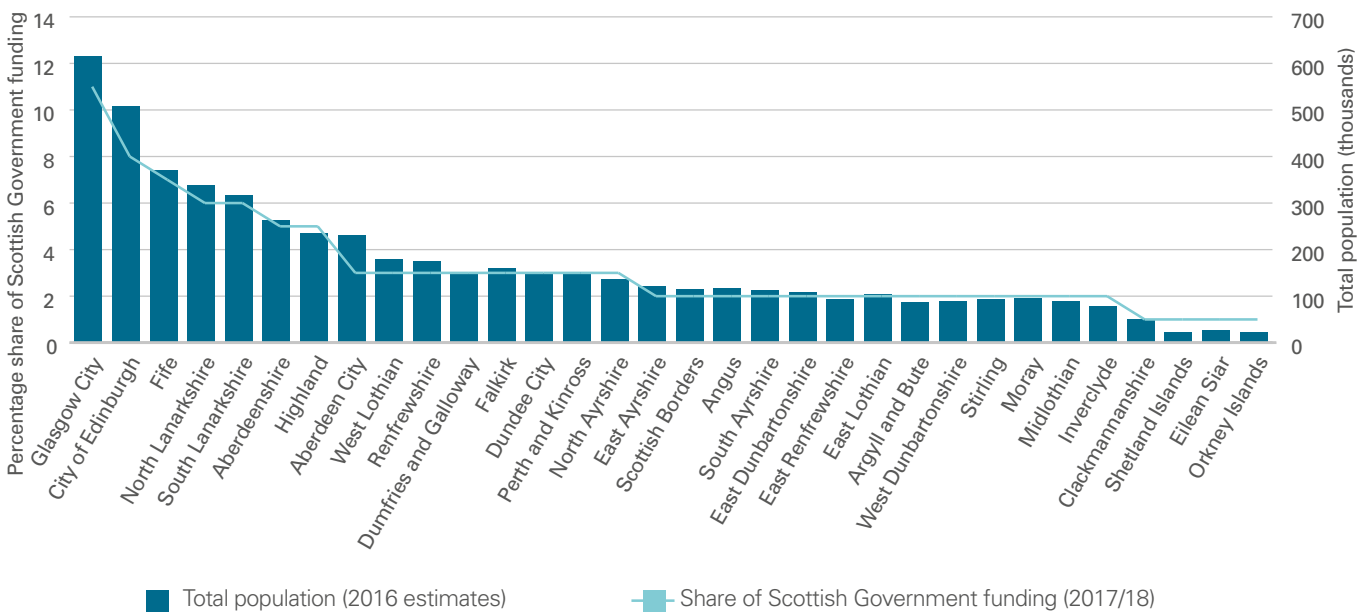

Note: Scottish Government funding is Grant Aided Expenditure and Special Island Needs Allowance.

Sources: Audit Scotland; the Scottish Government - the green books

33. However, all 11 councils which are expected to have reduced total populations are expected to have increases in the number of people of a pensionable age and over (Exhibit 4). These councils will therefore have a higher dependency ratio and a consequent increased demand for services at a time of reduced funding. Many of these councils are also rural which poses an additional challenge in delivering services as cost effectively as urban councils. We recommended in our 2016/17 local government financial overview that the Scottish Government and COSLA should assure themselves that the funding formula remains fit for purpose in a changing landscape for local government.

Part 2

Councils' response to the challenges
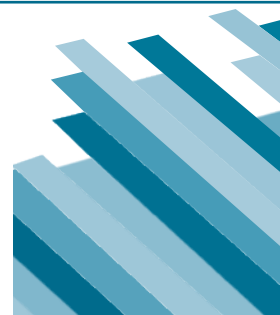
Key messages

1 Councils are increasingly using their reserves. Some councils have higher forecast funding gaps than their current levels of reserves. For these councils, the delivery of savings is critical. Long-term financial planning is not easy but is vital in helping councils deliver sustainable services.

2 Reducing staff numbers has been one of the main ways councils have reduced their spending and, in some councils, this is set to continue. Given the changes in workforce to date and the expected new demands on councils, robust workforce planning is essential to ensure councils have the right people, who have the right training and skills, to deliver their priorities. However, not all councils have organisation-wide workforce plans and the quality of these varies.

3 Achieving transformational change is increasingly vital to councils as they respond to reductions in funding. Councils need to ensure they have effectively planned and invested to deliver their transformational programmes and that staff have the necessary skills. Cohesive and decisive leadership is essential to address the significant challenges councils face.

Councils are increasingly using their reserves and for some delivering savings is now critical

34. All councils hold reserves. These are funds that councils can spend if they need to meet an unexpected cost, bridge a gap in funding or if they wish to invest in some initiative or specific activity. A council can only use reserves once, they are not a way to sustain services year on year. As we reported in our financial overview, 19 councils drew on their revenue reserves in 2016/17, an increase from the eight councils that did so in 2015/16. In 2016/17, 13 councils used more reserves than they had planned. Overall council revenue reserves fell by about £32 million in 2016/17.[15]

35. Some council financial plans for 2017/18 relied more heavily than others on using reserves to bridge funding gaps. Forecast funding gaps remain higher than current levels of reserves for a number of councils, making the delivery of savings critical. Continuing to use reserves at the current rate is not an option for some councils as they would run out of reserves within two to three years if they continued to use them at the level planned for 2017/18.[16]

36. Robust medium-term financial strategies and savings plans are vital for the financial sustainability of councils. For councils with lower levels of reserves, financial plans need to be increasingly detailed and robust. This will mean more work for officers and members in clearly identifying achievable savings.

37. Evidence from councils' annual audit reports generally demonstrates good medium-term (three to five years) financial planning, with some councils using scenario planning to provide a range of options. However, more work needs to be done to link budgets to plans and outcomes, establish sustainable long-term (beyond five years) planning arrangements and demonstrate that outcomes and strategic priorities are being delivered.

38. The Accounts Commission recognises the challenge to medium-and long-term planning of the Scottish Government providing funding figures for a single year, without indicative figures for future years. However, the absence of indicative funding for future years should not prevent councils projecting future income and spending, and planning accordingly. Indeed, uncertainty increases the need for councils to plan ahead.

Councils have adopted a range of approaches to reduce spending and increase income

39. For most councils, achieving savings while continuing to deliver services requires a mixed approach. This includes reducing workforces and services, taking measures to increase income, and digitising services; along with more transformational changes to service delivery or stopping some services altogether. In practice, these different approaches are interdependent. Councils need effective leadership and governance, strong financial management, and a workforce with the right skills to successfully deliver change.

Reducing workforce size has been one of the main ways councils have reduced their spending but workforce planning is poor in some councils

40. Most councils have reduced their workforce in recent years.[17] Overall, staff numbers have fallen every year since 2009. Nationally, the biggest reductions in staff numbers were in the years 2009 to 2012, when the total council workforce fell by 21,000 (nine per cent).[18] Since then, overall staff numbers have continued to decrease at a relatively steady rate. Between 2012 and 2017, councils' total workforce fell by a further five per cent (10,000 staff); including a one per cent (2,500 staff) drop from 2016 to 2017.[19]

41. Our analysis by council over the period 2011–2017 suggests that some councils have relied more heavily than others on staff reductions to make savings (Exhibit 6, page 23). However, because we are unable to track staff moving to arm's-length external organisations (ALEOs), it is difficult to draw clear conclusions about changing workforce numbers nationally. For example, it is likely that the workforce reductions recorded by Highland and Scottish Borders Councils are partially due to large numbers of staff transferring to ALEOs during this period.

42. Data for quarter 3 in 2017 was the first since quarter 2 in 2008 to report an increase in staff numbers compared to the previous year.[20] However, it is too early to comment on whether this indicates any upward trend overall, and evidence from the first year of BVARs suggests that the long-term trend of reducing staff numbers to meet funding gaps is set to continue in some councils. For example Inverclyde Council has reduced its staff by just over 500 (13 per cent of workforce) in the last seven years.[21] It estimates that it will need to reduce its staff by a further 80 to 130 staff over the next two years (this is between two to four per cent of its workforce).[22] East Renfrewshire Council needs to reduce its workforce by an average of 100 staff a year over the next three years. This is around three per cent of its workforce in the first year.

Does your council have medium and long-term financial plans in place?

Does your council link budgets to plans and outcomes and report on these?

Does your council have the right structures in place to ensure that all your efficiency, improvement and transformational approaches are working together to maximise savings?

Exhibit 6
Changes in council budgets and workforce 2011 to 2017
The use of staff reductions to make savings varies across councils.

Legend:
■ Percentage change in workforce 2011 to 2017 ■ Percentage change in budget 2010/11 to 2017/18
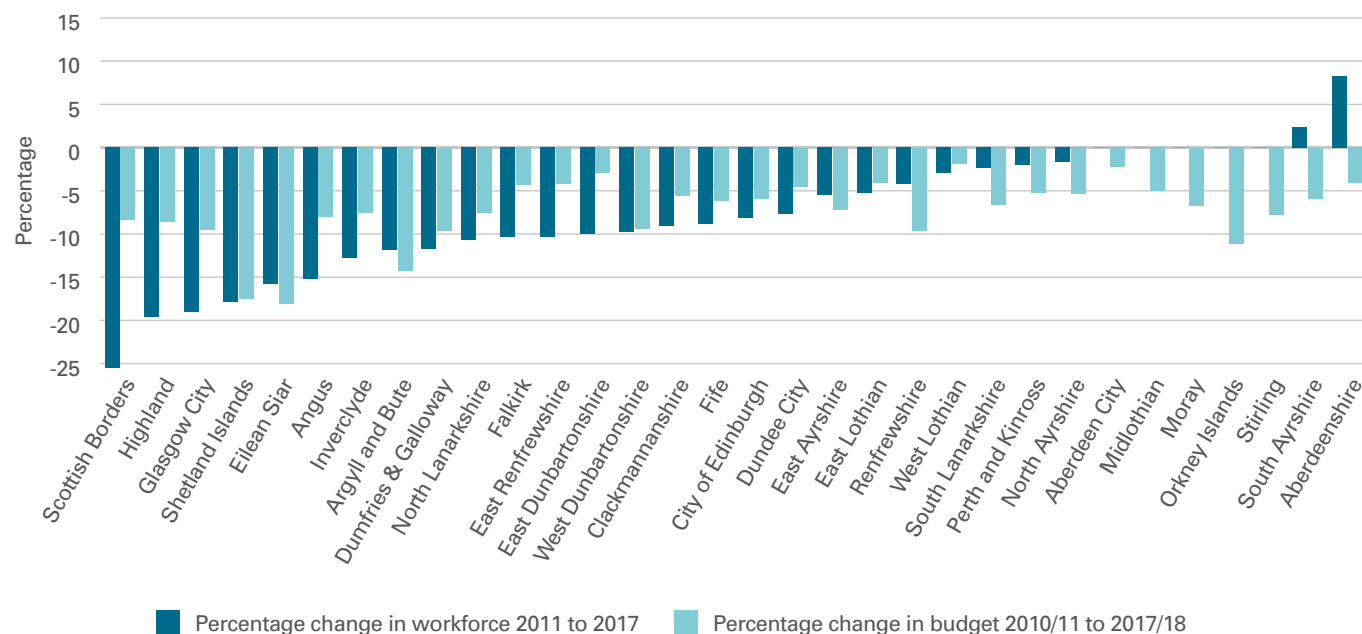
Notes:
1. Budget is defined as general revenue grant and non-domestic rates, in real terms.
2. Workforce change is from Q1 2011 to Q1 2017.

Source: Audit Scotland and Joint Staffing Watch, Scottish Government

43. It is critical that councils carefully manage workforce reductions and that each council ensures it has people with the skills required to deliver its priorities now and in the future. Workforce planning is complex and councils face a number of challenges:

- The council workforce is ageing. The Scottish Social Services Council reported that the median age amongst public sector social care employees is 48 years.[23] UNISON also report high proportions of staff over the age of 45 years in building standards, school support and home care workers.[24] Councils will need to consider if and how to replace these experienced workers.

- Many councils struggle to recruit and retain employees. Councils in rural areas report difficulties recruiting staff to some roles due to their remote location. Several councils have reported that education and social care staff are particularly difficult to recruit. Others report difficulties recruiting staff in specialist or professional roles such as engineers and accountants. Our Clackmannanshire Council Annual Audit report highlights that the council has found it difficult to recruit suitably qualified and experienced finance staff. The UK's decision to leave the European Union could create further difficulties in staff recruitment.

- Council workforces must be able to adapt to deliver council priorities and meet future challenges. National early learning and childcare commitments will have significant implications for council staffing. Councils will also need to ensure they have staff with the right skills to maximise the potential of new digital technology.

Does your council have an organisation-wide workforce plan?

Does it contain information about the numbers, costs, and skills of the actual and desired workforce?

How is your council looking to maximise income?

- Strong leadership is essential for councils to effectively manage transformation and develop new ways of delivering services within reduced budgets. Yet there can be difficulties recruiting to the top team as salaries are often lower than the private sector at senior levels.[25],[26] The Improvement Service's report on Talent Management in the Public Sector highlights that public sector bodies need to do much more to develop their approach to managing talent.[27]

44. Despite its importance, only half of councils had organisation-wide workforce plans last year.[28] Workforce plans vary in quality. For example, not all provide critical planning information, such as:

- the numbers, cost and skills of the current and the desired workforce

- how the move from the current to the desired workforce will take place and when it will be achieved.

45. Some workforce plans are short term in nature and only consider workforce needs for the current year, for example, the *Best Value Assurance Report: Inverclyde Council* ⊕ reports that longer-term forecasts need to be developed. Councils also need to ensure workforce plans will help to deliver corporate priorities, transformation plans and financial plans.

Councils have sought to increase income

46. There are opportunities for councils to raise income through council tax and fees and charges. However, there are limits on how much can be raised.[29]

47. The council tax freeze ended in 2017/18. Twenty-four councils increased council tax, including 21 that raised rates by the maximum three per cent allowed by the Scottish Government. This rise increased council income by around £53 million.[30] Proportionately this represents a small increase to council budgets. It is possible that public satisfaction with services will decline if the service delivered is not perceived to improve in line with higher taxes.

48. It is difficult to accurately tell how much income is generated through fees and charges in Scotland. The Scottish Parliament Information Centre (SPICe) Briefing on Local Government Finance used Local Financial Returns (LFRs) to analyse how councils have raised income through fees and charges to people using services. It found that revenue from fees and charges had fallen by 4.5 per cent in real terms between 2011/12 and 2015/16, from £569.7 million to £544.2 million.[31] However, the data provided in the LFRs is self-reported and there can be differences with how councils categorise income and expenditure. For example, some councils may not record income generated by ALEOs in the same way that they record income generated directly by the council.

49. While it is not possible from the data currently available to assess nationally how councils use their ability to generate income to offset the impact of reduced Scottish Government funding, there are indications that councils are increasing income through fees and charges. For example, the RAC Foundation reported that total income for Scottish councils from parking fees was £79.3 million in 2015/16, a five per cent increase over the previous year.[32] Citizens Advice Scotland has found that burial charges increased in 25 councils in 2016/17, with an average increase of £64.31 (5.5 per cent).[33]

50. Councils must consider the impact that increased fees could have on inequality within their communities, as higher charges are likely to have a disproportionate effect on deprived and vulnerable communities. All seven councils that submitted evidence to the Parliament's scrutiny of the draft budget indicated that they considered inequalities when making decisions about fees and charges.[34]

51. Councils are also getting together to share ideas and approaches to maximising income and many are involved in a network on 'commercialisation' led by the Association for Public Sector Excellence (APSE). This work is at an early stage but could lead to councils generating additional income from a range of activities.

Transformation is increasingly important to councils

52. By transformation we mean significant programmes of activity that radically change the services councils provide and how they are delivered. This involves making services more efficient and achieving better outcomes for people who use services and for communities. Good transformation will be based on robust option appraisal. It should reflect the needs of communities, consider alternative service delivery models and seek to reduce long-term demands on services.

53. Planning for and delivering transformational savings will become increasingly important to councils if funding continues to fall and decisions about spending priorities become increasingly difficult. Options appraisal is an important tool to help councils make an informed decision on what their transformation priorities should be.

Transformation needs to be properly scoped and resourced for it to deliver the desired savings

54. Some councils use formal and explicit transformation plans to deliver their strategy for change. Other councils integrate transformation into developing how services are delivered without using a specific transformation plan. Both approaches can be effective if the right leadership and management are in place. Cohesive and decisive leadership is essential to address the significant challenges councils face.

55. Councils need to ensure that they are investing the right time and resources to deliver the scale of the planned transformation. Real transformation takes time and to be successful councils should:

- set priorities - councils cannot transform everything at once

- conduct robust option appraisals - councils should consider a wide range of options

- have a clear strategy and a realistic savings target which is properly monitored

- have proportionate governance structures

- assess the impact on equality of access and opportunity and whether change may have a disproportionate impact on more vulnerable or poorer communities or individuals.

56. Transformation needs:

- effective leadership from councillors and the senior management. In Dumfries and Galloway Council, progress is reported regularly to the Business Transformation board and Business Transformation steering group

?

Does your council compare its policies and priorities to raise income with other councils?

Does your transformation activity contain plans for truly transformational change? Will it improve services and save money?

- staff who have the time to work exclusively on transformation. West Lothian Council has 15 full-time equivalent staff (including senior and specialist staff) on secondment working on the scoping stage of their transformation plan.

- staff with the skills to achieve council priorities and make the required changes to services. At Inverclyde Council, 100 employees took part in a senior management leadership development course which emphasised delegating operational decisions to front-line managers. East Renfrewshire Council has recognised that there is limited supply of some skills in the council. In response it has designed and delivered a Scottish Qualifications Authority (SQA) accredited course in project management and a course in change management.

57. Councils should ensure that planned savings are realistic and achievable. Councils that are already under significant financial strain need to be especially careful about this. For example, Midlothian and Clackmannanshire Councils have low general fund reserves and high savings targets for their transformation plans, which will be challenging to meet. Not delivering expected savings could mean their general fund reserves fall.

58. There is a high level of risk involved in transformation projects. These include expected savings not being delivered (with consequent effects on a council's reserves and financial position); alternative models of service delivery not achieving the expected service standards and outcomes and there being insufficient staff time and skills deployed. Not all transformation activity will have the desired effect. Councils need to be willing to take some risk, within an effective risk management framework, in their approaches to transformation.

59. Councils are sharing successful new approaches. The Innovation Exchange website, which is supported by the Society of Local Authority Chief Executives (SoLACE) and the Improvement Service, brings together innovative projects from across all councils. It allows councils to share good practice and improve how services are provided.

Councils recognise the potential of digital solutions to deliver savings and make services more efficient

60. Digital solutions are a key element of most councils' transformation activity. When we talk about digital, we are not just talking about technology. We are talking about how digital technologies and solutions are affecting and changing human interactions. Some of the ways that councils are adopting digital solutions include:

- introducing new technology to allow front-line staff to access and process information wherever they are working, for example home carers

- making better use of data by linking and integrating data across departments

- streamlining and automating processes to make them more straightforward for citizens and more efficient for the council, for example completing forms and making payments

- ensuring the security of data and information held by the council

- making information more accessible to residents through websites.

? Have you invested in the right resources for your transformation activity to achieve its planned savings?

Does your council have the necessary governance structures to effectively oversee and monitor its transformation activity?

What is your council's risk appetite for transformational change? Are risks properly monitored?

What will the financial implications be for your council if your transformation strategy fails to meet its savings targets?

61. Councils are incorporating digital solutions in a variety of ways. As councils become more mature users of digital, they are adopting more innovative ways of integrating digital into how they deliver services. Thirty councils have signed up to the Local Government Digital Partnership programme, which aims to strengthen councils' use of digital.[35]

62. Many councils are pursuing greater efficiency by integrating digital into how they deliver their services. For example, the Moray Council reports it has made its housing repair service more efficient by introducing mobile working. This has cut travel time to jobs, reduced missed appointments, and allowed seven team members to be reallocated to other areas. North Ayrshire Council increased customer satisfaction from 91 per cent to 98 per cent by improving the digital channels that people can use to access services.

63. Some councils are working to make their digital infrastructure more efficient. This involves joining up systems and data that are held by different services and creating systems that are able to share data. Aberdeen City Council has developed a digital transformation programme that prioritises these tasks. One of the anticipated outcomes of this programme is that customers will only have to provide information once to the council, and this information will automatically update data already held by the organisation.

64. Our *Principles for a digital future* ⊕ report provides guidance on the core principles for successfully planning digital projects.[36] It identifies the following principles for success:

- comprehensive planning setting out what will be achieved and how it will be done

- active governance providing appropriate control and oversight

- putting users at the heart of the project

- clear leadership that sets the tone and culture and provides accountability

- individual projects set in a central framework of strategic oversight and assurance.

65. Councils need to balance improving digital access to services with an awareness that not everyone can access or operate digital technologies. Others will be limited in how they can access digital technology; for example, some may only have access to the internet using their mobile phone. Limited access to digital technology is most likely to affect vulnerable and excluded groups. Digital should not become the only way to access council services, but it should be an efficient and easy option of communication for those who choose to use it.
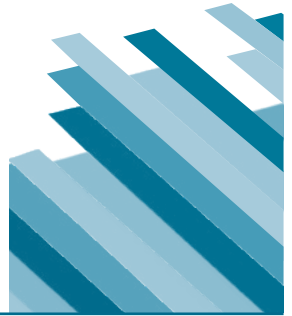
Does your council follow the core principals for successfully planning digital projects outlined in our *Principles for a digital future* report?

Part 3
The impact on council services

Key messages

1 At a national level, indicators suggest that councils have maintained or improved performance in a number of areas despite funding reductions. However, there is considerable variation between councils that is not always easily explained. Our audit work has found that councils articulate their strategic priorities and plans well but often do not report how these connect to actual performance and outcomes.

2 However, there is also some evidence that budget reductions are impacting on services. Public satisfaction is falling. There is evidence that social care services for older people are not keeping up with demand, and there is a general risk to the quality of services. The impact of budget reductions on smaller services could be significant but there is limited evidence on this. Councils need to understand and clearly set out the impact budget reductions have had on service delivery and use this to inform future decision making.

Despite funding reductions a number of national indicators of performance continue to improve

66. The Accounts Commission has previously stated that given the challenges facing local government, not least the future financial challenges, it does not expect to see performance improving in all measures for all councils. It is up to individual councils and their communities to agree local priorities and make the difficult decisions about which services to focus time, skills and money on. Effective public performance reporting should reflect those decisions and explain performance variance within that context. Councils will need to continue to have conversations with their communities to understand and explain the impact of budget cuts.

67. The Scottish Government's National Performance Framework measures and reports progress towards the Scottish Government's Purpose and national outcomes. The Improvement Service reports on progress against 18 outcomes, supported by 16 performance measures, through the Community Planning Outcomes Profile. Councils work with partners and communities through, for example, CPPs and IJBs to improve outcomes for communities. Changes in outcomes will be influenced by factors wider than council activity so cannot be solely linked to council activity. These measures are designed for use at a community or council level, but we have presented them at a Scotland level for this report. The 16 performance measures suggest that the majority of outcomes are improving across Scotland .

Exhibit 7
Changes in performance measures for Scotland's outcomes 2006/7 to 2016/17
Performance measures suggest that the majority of outcomes for Scotland's communities are improving.

Health

Early mortality: European Age Standardised Rate of deaths for persons under 75[1] — **-6.9%**

Emergency department attendance rates per 100,000 people[1] — **-7.9%**

Emergency admissions for age 65 and over per 100,000 — **3.9%**

% of primary 1 children who have body mass index classified as a healthy weight[1] — **0%**

% of babies at a healthy birthweight — **0.9%**

Education

S4: Average tariff score – all pupils[1] — **14.6%**

% of school leavers entering positive destinations[1] — **7.1%**

Employment

Survival of newly born enterprises (3 year survival)[1] — **-5.8%**

Median weekly earnings for residents in CPP area who are employed — **15.5%**

Employment rate — **-0.6%**

% of population (aged 16-64) in receipt of out of work benefits — **-2.2%**

Environment

CO_2 emissions (tonnes per capita)[1] — **-34.4%**

Community safety

Number of dwelling fires per 100,000 population[1] — **14.2%**

Total crimes per 10,000 population — **-37.2%**

Other

% of children in poverty[1] — **-3.2%**

Fragility[2,3] — **1.6%**

Percentage point change – raw data is not available therefore absolute changes are shown.

Notes:
1. Imputed and projected data has been calculated by the Improvement Service using different methodologies for measures where raw data is not yet available.
2. Fragility is a weighted combination of three indicators: de-population, rural de-population and old age dependency ratio.
3. Data uses rolling three year averages. All figures are based on community level data and so may have some discrepancies due to rounding.
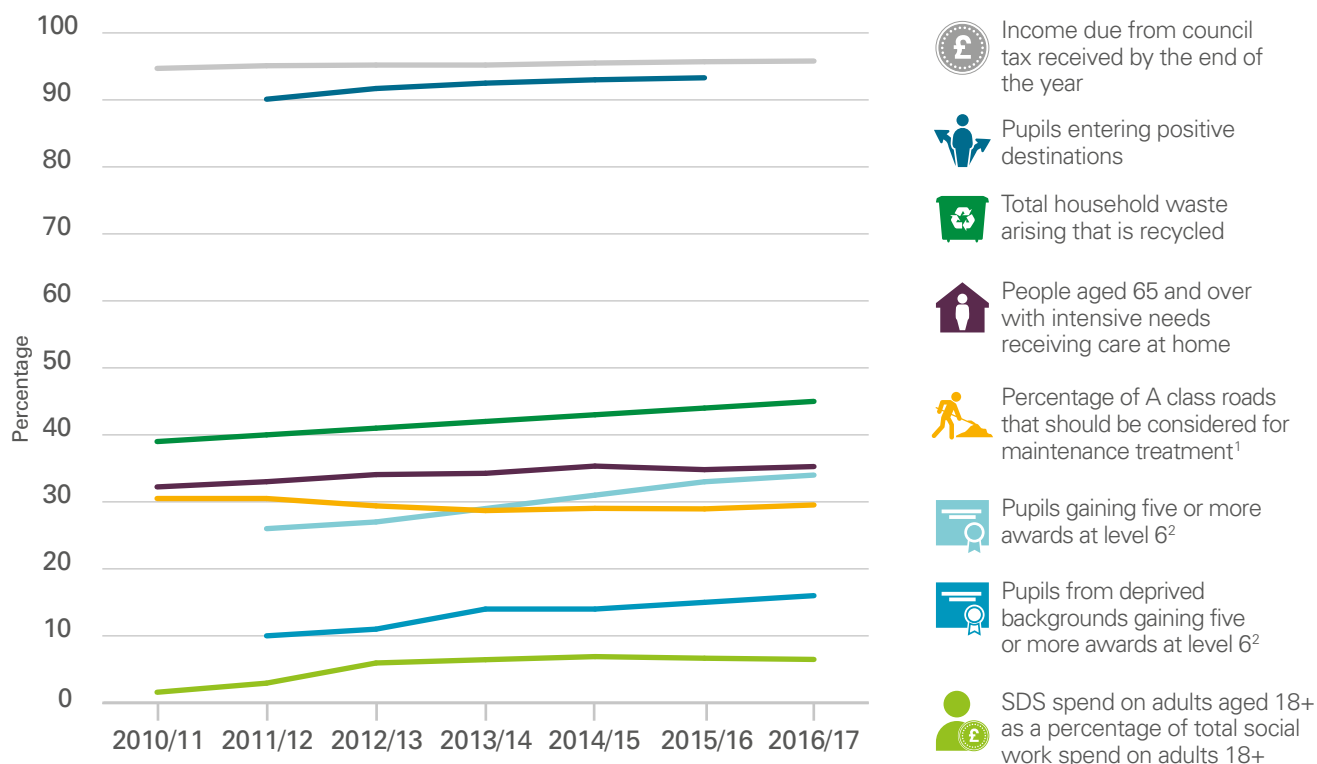
Source: *Community planning outcomes profile*, Improvement Service, 2016/17

68. The Improvement Service, in partnership with councils, also collates and reports on the Local Government Benchmarking Framework (LGBF) to provide comparative performance information for councils to help them improve. The framework includes over 70 performance indicators. While these are not designed to comprehensively cover performance across all council activities, they are spread over a broad range of service areas. We selected for further analysis, a sample of eight measures which give an indication of council performance in services likely to be of significant interest to the public.[37] This shows that councils' performance for these indicators over the last six years has remained the same or improved, except for the proportion of social work spend on self directed support (SDS) which dropped slightly between 2015/16 and 2016/17 (Exhibit 8).

Exhibit 8
Performance against selected indicators, 2010/11 to 2016/17
Performance has been maintained or improved.

- Income due from council tax received by the end of the year
- Pupils entering positive destinations
- Total household waste arising that is recycled
- People aged 65 and over with intensive needs receiving care at home
- Percentage of A class roads that should be considered for maintenance treatment[1]
- Pupils gaining five or more awards at level 6[2]
- Pupils from deprived backgrounds gaining five or more awards at level 6[2]
- SDS spend on adults aged 18+ as a percentage of total social work spend on adults 18+

Notes:
1. The percentage of A class roads that should be considered for maintenance treatment indicator is measured over two year periods, for example 2009-11 is plotted in 2010/11.
2. 2016/17 data is not available, national data is modelled to provide proxy measure.

Source: Audit Scotland; and *Local Government Benchmarking Framework 2016/17*, Improvement Service

69. We have also analysed council spending against indicators to see what impact funding reductions have had on performance at a national level. This shows that despite spending less in most service areas, councils have maintained or improved performance on most of the selected measures (Exhibit 9, pages 31-32). It is important to note that a number of factors other than spend will impact on how services perform, and individual performance indicators do not show overall quality of a service.
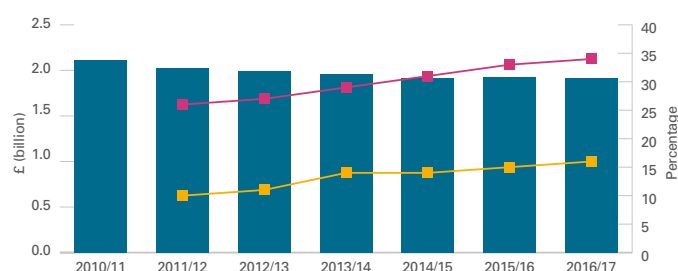
Exhibit 9
Performance and spend in key service areas, 2010/11 to 2016/17

Councils are spending less on secondary schools but pupils' attainment continues to improve.[1]

■ Gross expenditure on secondary schools (£ billion)

■— Percentage of pupils gaining five or more awards at level 6

■— Percentage of pupils from deprived backgrounds gaining five or more awards at level 6

Since 2010/11 the amount spent on homecare has increased at a faster rate than the number of home care hours.

■ Total expenditure on homecare (£ million)

■— Homecare hours per year
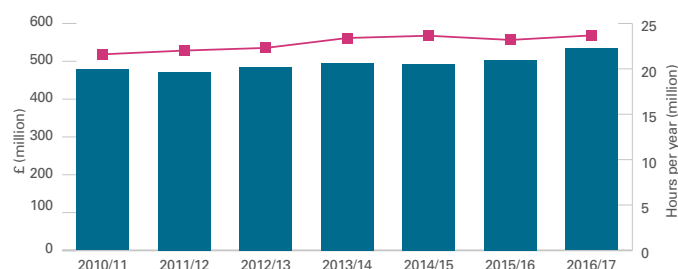
Spending on residential care homes for older people has remained constant since 2012/13. The number of residents has remained at a similar level since 2010/11.[2]

■ Net expenditure on care homes for older people (£ million)

■— Number of long-stay residents aged 65+ supported in care homes
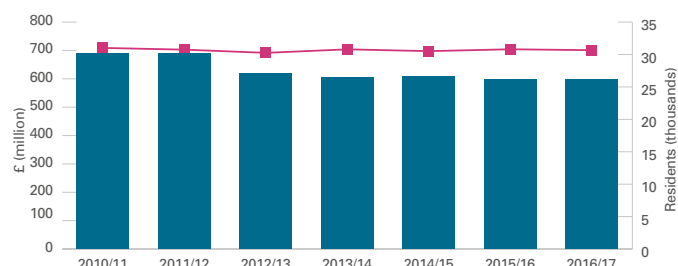
Libraries, sports facilities and museums have all reduced spending but report increased visitor numbers.

■ Total expenditure on culture and leisure (£ million)

■— Number of attendances at sports facilities

■— Number of library visits

■— Number of museum visits
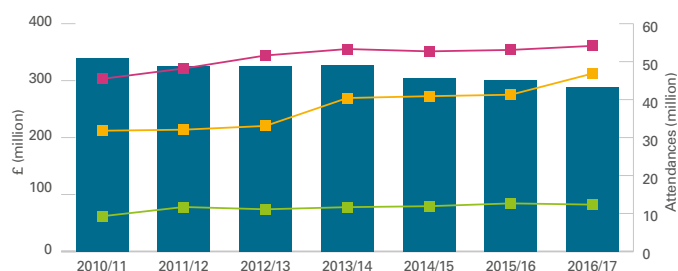
Councils spend 20 per cent less on road maintenance but the percentage of roads classified as needing to be considered for maintenance has remained constant.

■ Gross expenditure on roads and winter maintenance (£ million)

■— Percentage of A class roads that should be considered for maintenance treatment

■— Percentage of B class roads that should be considered for maintenance treatment

Cont.

- 203 -
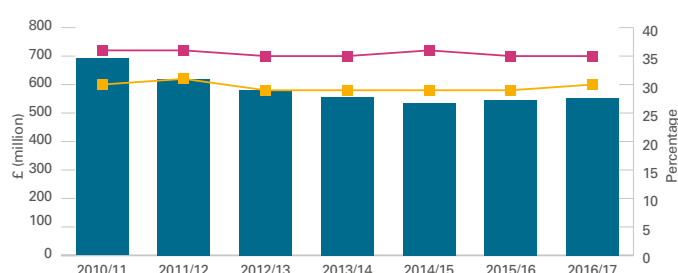
Exhibit 9 (continued)

The amount councils spend on collecting council tax has decreased by 41 per cent since 2010/11 but the percentage collected by the end of the year has remained at around 96 per cent.

■ Cost per dwelling of collecting council tax (£)

■— Percentage of income due from council tax received by the end of the year
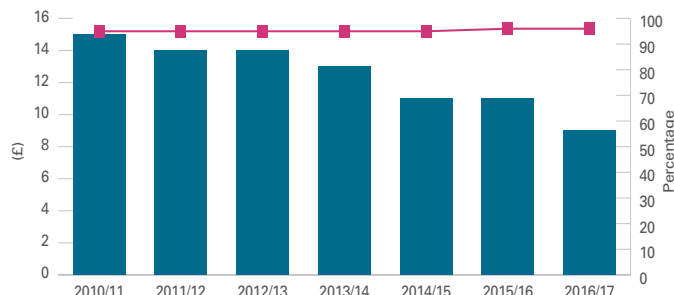
Despite a 30 per cent reduction in the net cost of street cleaning per 1000 people since 2010/11, street cleanliness scores have only decreased by three percentage points.

■ Net expenditure on street cleaning (£ million)

■— Street cleanliness score
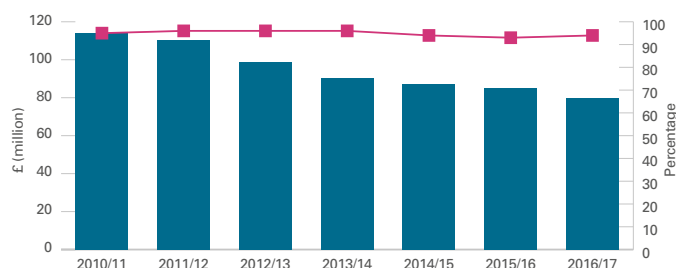
Notes:
1. 2016/17 data is not available, national data is modelled to provide proxy measure.
2. 2010/11 and 2011/12 expenditure includes supports costs and so is not directly comparable to later years.
3. The percentage of A class roads that should be considered for maintenance treatment indicator is measured over two year periods, for example 2009-11 is plotted in 2010/11.

Source: Audit Scotland; and *Local Government Benchmarking Framework 2016/17*, Improvement Service

Council performance varies, sometimes significantly

70. A range of factors, such as levels of deprivation, rurality, demographics and local priorities and policy choices will have an impact on how services perform. The quality and effectiveness of leadership and management are also important factors. Analysis of LGBF data shows that there continues to be significant variation in performance among councils. For example in 2016/17:

- The amount of waste recycled varies from eight per cent in the Shetland Islands Council to 61 per cent in East Renfrewshire Council.

- The percentage of people aged 65 and over with intensive needs being cared for at home varies from 23 per cent in Scottish Borders Council to 50 per cent in North Lanarkshire Council.

- The percentage of pupils gaining five or more awards at level six varies from 22 per cent in Clackmannanshire Council to 63 per cent in East Renfrewshire Council.

71. The link between performance and spend also varies. For example between 2015/16 and 2016/17, 21 councils increased the amount of waste that was recycled. Of these ten increased the cost of waste collection while 11 reduced their costs (Exhibit 10, page 33). Fife Council have reduced the net cost of waste collection per premise by 25 per cent in real terms from £57 to £42, while increasing the percentage of waste recycled from 52 per cent to 55 per cent. Of the ten councils which are recycling less, seven had increased costs.
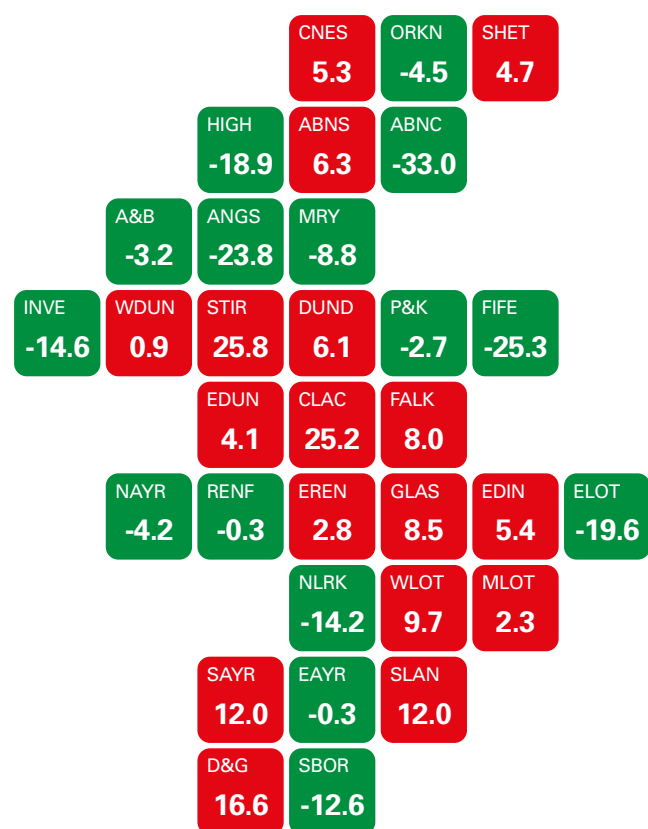
Exhibit 10

The cost of waste collection and the percentage of waste recycled, 2015/16 to 2016/17

Twenty-one councils increased the amount of waste that was recycled. Of these ten increased the cost of waste collection while eleven reduced their costs.

£ **Percentage change in cost of waste collection**

CNES 5.3	ORKN -4.5	SHET 4.7
HIGH -18.9	ABNS 6.3	ABNC -33.0
A&B -3.2	ANGS -23.8	MRY -8.8

INVE -14.6	WDUN 0.9	STIR 25.8	DUND 6.1	P&K -2.7	FIFE -25.3

EDUN 4.1	CLAC 25.2	FALK 8.0

NAYR -4.2	RENF -0.3	EREN 2.8	GLAS 8.5	EDIN 5.4	ELOT -19.6

NLRK -14.2	WLOT 9.7	MLOT 2.3

SAYR 12.0	EAYR -0.3	SLAN 12.0

D&G 16.6	SBOR -12.6

% **Percentage point change of waste recycled**

CNES 2.9	ORKN 0.2	SHET -1.3
HIGH 0.0	ABNS -0.2	ABNC 0.5
A&B 0.1	ANGS -2.5	MRY 1.6

INVE -1.3	WDUN 2.1	STIR 0.9	DUND 0.3	P&K 0.5	FIFE 2.4

EDUN -2.2	CLAC 8.4	FALK -2.6

NAYR -0.7	RENF 4.6	EREN 4.4	GLAS -0.8	EDIN 2.4	ELOT 0.4

NLRK 1.2	WLOT 1.1	MLOT 5.6

SAYR -1.6	EAYR 0.3	SLAN 4.0

D&G -0.4	SBOR 1.7

Reduced performance Cost increase or less recycling

No change

Improved performance Cost decrease or more recycling

Councils

ABNC	Aberdeen	**EDIN**	Edinburgh	**ORKN** Orkney Islands
ABNS	Aberdeenshire	**CNES**	Eilean Siar	**P&K** Perth and Kinross
ANGS	Angus	**FALK**	Falkirk	**RENF** Renfrewshire
A&B	Argyll and Bute	**FIFE**	Fife	**SBOR** Scottish Borders
CLAC	Clackmannanshire	**GLAS**	Glasgow	**SHET** Shetland Islands
D&G	Dumfries and Galloway	**HIGH**	Highland	**SAYR** South Ayrshire
DUND	Dundee	**INVE**	Inverclyde	**SLAN** South Lanarkshire
EAYR	East Ayrshire	**MLOT**	Midlothian	**STIR** Stirling
EDUN	East Dunbartonshire	**MRY**	Moray	**WDUN** West Dunbartonshire
ELOT	East Lothian	**NAYR**	North Ayrshire	**WLOT** West Lothian
EREN	East Renfrewshire	**NLRK**	North Lanarkshire	

Note: Due to inconsistencies with published data Glasgow and Shetland Islands councils have provided their own figures.

Source: Audit Scotland; and *Local Government Benchmarking Framework 2016/17*, Improvement Service

72. Variation in performance and spend suggests councils have the potential to deliver further improvements and efficiencies. For example, as we reported last year, if councils reduced staff sickness absence this would help increase productivity. Nationally the average number of sickness days for non-teaching staff has increased slightly from 10.63 in 2015/16 to 10.92 in 2016/17. Sickness absence rates for non-teaching employees vary from an average of 8.8 days in East Ayrshire Council to 16.5 days in Clackmannanshire Council. If councils with high absence levels could reduce these to be in line with the top eight performing councils, they would gain the equivalent staff time of about 730 full-time employees across Scotland.

73. Sickness absence rates for teachers improved slightly from 2015/16 to 2016/17 from 6.09 to 6.06 days per teacher. This also varied by council from an average of 4.1 days in East Ayrshire Council to 9.8 days in Clackmannanshire Council. If councils with high teacher absences could reduce these to be in line with the top eight performing councils, they would gain the equivalent of about 260 full-time teachers in Scotland.

74. There may be valid reasons for the variation between performance and spend at a council level. Councils should continue to learn from each other through benchmarking groups and work to understand reasons for variation in performance and cost, identify any options for efficiencies, savings and service redesign. Councils have a duty to clearly report performance to local people. Our audit work has found that councils articulate their strategic priorities and plans well but often do not report how these connect to actual performance and outcomes. Good performance reporting includes clearly stating how performance and spend is linked to the council's priorities and using local indicators which demonstrate quality of service and public satisfaction.

Not all variation in education performance can be explained by deprivation

75. Improving school attainment and closing the gap between the achievements of the richer and poorer pupils is a Scottish Government priority and one shared by councils. Nationally pupil attainment has been increasing each year since 2010/11 across all measures (Exhibit 9). However, this still masks significant variation between individual councils. Using the measure of average tariff score, an overall measure of secondary attainment, the attainment gap between the most deprived and least deprived pupils has decreased by six per cent in the last six years.[38] However, the most deprived pupils are still performing only half as well as the least deprived pupils.

76. Councils with lower deprivation levels tend to have more children gaining five or more awards at level 5 and 6 and higher overall average tariffs than councils that have higher deprivation levels (Exhibit 11, page 35). East Renfrewshire Council and East Dunbartonshire Council have the lowest levels of deprivation and are performing considerably better on this measure than any other council. However, some councils (Aberdeenshire, Aberdeen City, and the Moray councils) might be expected to perform better than they are when their lower levels of deprivation are taken into account. Inverclyde Council has high levels of deprivation but higher attainment than similarly deprived areas. We examined the various factors which influence pupil attainment in our 2014 report on *School education* ⊕, and are planning a further audit of the sector in 2019/20.[39]

77. Councils should continue to work to understand the variations in performance between them, learn what has been successful in other councils and, where appropriate, apply these lessons to their own services.
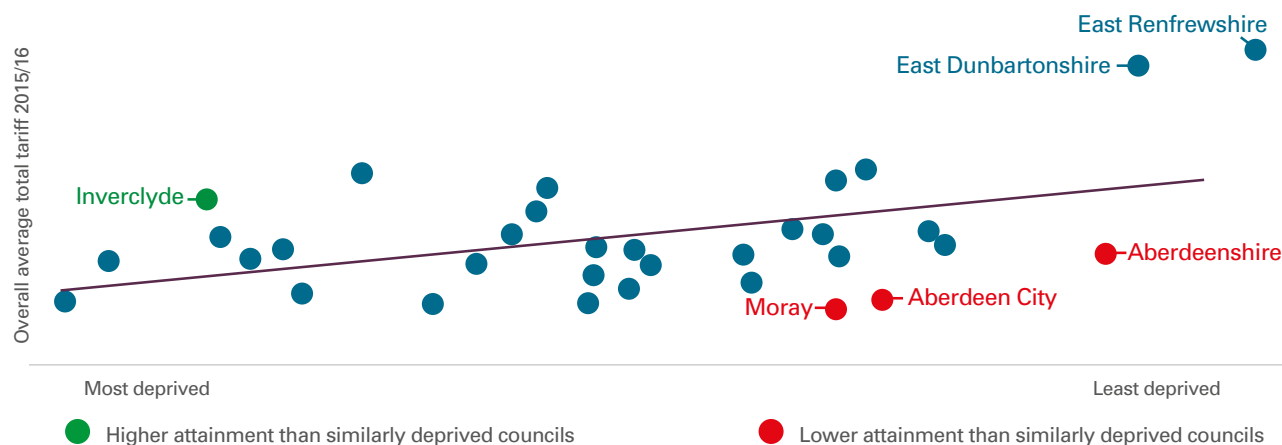
How well does your council report performance to local communities? Is there a link to outcomes, priorities and budgets in your performance reporting?

Have you considered what lessons you can learn from other councils who are delivering services well?

Exhibit 11
Overall tariff scores for secondary school children compared with deprivation levels 2015/16
The link between attainment and deprivation varies across councils.

Most deprived

Least deprived

● Higher attainment than similarly deprived councils   ● Lower attainment than similarly deprived councils

Notes:
1. The line shows the relationship between overall average total tariff and deprivation levels.
2. We have used 2015/16 attainment data. Data is not currently available by council for 2016/17.

Source: Audit Scotland; and *Local Government Benchmarking Framework 2015/16*, Improvement Service

There is some evidence that spending reductions and increasing demand are impacting on services

Public satisfaction is falling
78. Different sources show public satisfaction is falling:

- LGBF indicators mostly show a decline in public satisfaction between 2010 and 2017, for example satisfaction with the following services is down:

  – local schools from 83 to 73 per cent

  – libraries from 84 to 73 per cent

  – museums and galleries from 76 to 70 per cent

  – leisure facilities from 75 to 73 per cent

  – street cleaning from 73 to 70 per cent

  – refuse collection from 81 to 79 per cent.

Some satisfaction levels have been maintained or improved:

  – parks and open spaces has increased from 83 to 87 per cent.

- In 2016, the Scottish Household Survey found that only 56 per cent of adults were satisfied with three local public services (local health services, schools and public transport). This is the lowest level since it was first measured in 2007, and down ten percentage points in five years.[40]

- In a poll by PricewaterhouseCoopers in 2017, only 12 per cent of respondents in Scotland agreed that their council had become more effective over the last five years.[41]

How can you better engage with local communities to understand why public satisfaction is declining?

There is evidence that adult social care services are not keeping up with demand

79. Adult social care services are a main and growing area of spend for councils. These services are now commissioned by IJBs. Social care services for older people are a key pressure area for councils and IJBs as Scotland's population ages. Between 2010/11 and 2016/17:

- The number of people aged 65 and over (and more likely to have two or more long-term conditions) increased by 13.2 per cent.

- The number of people aged 75 and over (and, more likely to have three or more long-term conditions) increased by 9.4 per cent.

80. Older people in need of support are cared for either in a residential care home or in their own home by visiting home care workers. Since 2011, the policy of many councils and the Scottish Government has been to move more care to a home setting.

81. National data suggests that spending on residential care is generally keeping up with the number of residents, while spending on caring for people at home has increased at a faster rate than the amount of care provided. National data on quality shows that care homes assessed by the Care Inspectorate as good or better has increased from 66 per cent in 2014/15 to 72 per cent in 2016/17 and home care services from 81 per cent to 83 per cent.

82. Despite an increase in the number of homecare hours, the number of people aged 65 and over who receive care at home fell by nine per cent. The Scottish Government reports that this is due to a focus on people with higher needs meaning that fewer people get more hours.[42] Although this means that councils can focus care on those with the highest needs, it does mean others no longer receive support. This has implications for early interventions which could improve peoples' quality of life and save money in the long-term by preventing people developing more complex needs.

83. Recent local inspections have raised significant concerns about social care services' ability to meet demand from older people and about the quality of care provided. The inspections at City of Edinburgh Council and Scottish Borders Council found that older people faced long waits for an assessment of their needs and a further wait to receive their care package following an assessment.

- In Edinburgh people waited 100 days for an assessment and 16 per cent of cases had an unreasonable delay after assessment. Often, this meant that the person's condition had deteriorated by the time they received their service so it was no longer adequate. These delays impacted on other health and social care services, especially hospitals, as people could not return home until care had been arranged for them.[43]

- In the Scottish Borders there was a nine week wait for top priority cases and a 15 week wait for the second level of priority. Even some people assessed as critical could struggle to get the support when they needed it. Overnight care for people at the end of their life who wanted to die at home was especially problematic. Inspectors found that staffing problems had led to a lack of consistency of care and although always treated with respect, some individuals had 24 different carers in a three-month period.[44]

84. We reported in our 2016 *Social work in Scotland* ⊕ audit, that people receiving care were most unhappy with the limited length of visits. In the survey, one person described facing a choice of breakfast or a shower as the carer could not provide both in the 15-minute appointment slot. A survey of home care workers by Unison in 2016, found that 80 per cent felt that their service had been affected by budget reductions and many staff described this as a focus on 'quantity not quality'.[45] The Care Inspectorate reported that the number of complaints upheld for adult care homes increased by five per cent between 2014/15 and 2016/17.

85. East Lothian Council has also reported a backlog of residents waiting for a care package due to a lack of capacity within care providers.[46] It is unlikely that these are isolated examples as elderly populations are growing in all council areas in Scotland and this trend is set to continue (Exhibit 4). The Competition and Markets Authority concluded recently that the model for residential care was unsustainable without additional funding.[47] Councils and IJBs face significant challenges in delivering social care. They will need to consider how to transform their social care services so that older people are able to access the care they need.

How are your council and IJB managing demand for social care services? What preventative measures are available in your council?

There is a risk that reduced spending in education is affecting pupils' learning experience and staff morale

86. Education is the largest area of council spend. Spending on schools, including pre-schools, has been increasing since 2015/16 when the Scottish Government introduced its School Attainment Challenge. Despite this, national data shows that since 2010/11 spending on schools has not kept up with trends in pupil numbers:

- Spending on primary education has reduced by two per cent despite pupil numbers increasing by nine per cent.

- Spending on secondary education has reduced by nine per cent while pupil numbers have fallen by seven per cent.

87. Teacher-to-pupil ratios are protected by Scottish Government policy and funding. Since 2012/13, teacher-to-pupil ratios have increased slightly in primary schools and stayed the same in secondary schools, while the number of class room assistants increased by 13 per cent over that period. However, since 2012/13:

- administration and clerical support staff have been reduced by 11 per cent

- library staff have been reduced by 16 per cent

- music instructors have been reduced by 30 per cent

- additional support needs care workers have been reduced by 13 per cent despite a 44 per cent increase in children with additional support needs over the same period.[48]

88. There is no national data showing the impact of these staffing changes. However, there is a risk that unless alternatives are provided, the reduction in library and music staff could result in a less rich and varied learning experience. Similarly, the reductions in additional support staff could mean some children are not receiving the support they need.

89. A study for the Educational Institute of Scotland in 2017 found that 40 per cent of teachers were considering leaving their job in the next 18 months. They found the

main cause of stress was an excessive administration workload and lack of preparation time.[49] In a 2017 survey by UNISON, 60 per cent of support staff reported that morale was low and 40 per cent claimed to work unpaid overtime every week.[50]

90. Some councils are reporting difficulties recruiting staff and some schools cannot offer higher level exams in some subjects due to a lack of suitably qualified staff.[51]

Smaller services are affected more by budget cuts but the impact of this is not always clear

91. Smaller services have experienced greater levels of budget reductions. Although nationally published data does not break down staff by department, there is evidence that sizeable staff reductions have affected these service.

- The Royal Town Planning Institute Scotland identified a 23 per cent reduction in staffing of planning teams in local government since 2009.[52]

- The Society of Chief Officers of Environmental Health in Scotland reported an eight per cent fall in environmental health services posts between 2016 and 2017.[53]

- COSLA reported a 20 per cent decrease in the workforce for trading standards, but did not specify over which time period.[54]

92. These departments and others provide important services to communities, such as inspecting building standards and public health; there is a risk that staffing pressures and budget cuts could lead to errors with potentially serious consequences to the public. As the Commission reported in 2013, the long-term viability of councils' trading standards services is under threat, potentially leaving consumers without important protection.[55]

93. Keep Scotland Beautiful reports that overall local environmental quality has reached its lowest point in over a decade. This is after a marked increase in the presence of litter, fly tipping, graffiti and weeds in communities over the last 18 months.[56] Councils also report that fly tipping has increased from 6.22 incidents per 1000 households in 2014/15 to 9.23 incidents in 2016/17.[57]

94. Funding for Money Advice Services reduced by around 15 per cent in 2015/16 and this is set to continue. Although councils have sought to minimise the impact of cost reductions to the Money Advice Service by transforming services, these cuts have also reduced the availability of locally based services. These types of reductions could disproportionately affect the most disadvantaged and vulnerable as 80 per cent of people using these services have a household income of under £15,000.[58] Limiting access to this service can diminish the wellbeing of people who might use them. It could also make it more likely they will require help from other council services such as social care and homelessness services.

95. We recognise that councils will prioritise some services over others to reflect their strategic priorities. Our audit work has found that generally councils are good at setting clear strategic priorities but that links to how these will achieve improved performance and outcomes are poor. Councils should be able to clearly set out the impact sizeable budget reductions have had on performance and outcomes so that decisions on funding are based on solid evidence. This is an area we plan to examine further in our 2019 report.

Do you know how budget cuts have affected your smaller services?

Do you know the impact of spending reductions on the services your council provides?

Endnotes
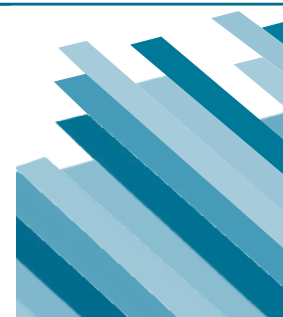
◄ 1 *Scottish Household Survey*, Scottish Government, 2016.

◄ 2 *Best Value Assurance Report: Clackmannanshire Council* ⊕, Audit Scotland, January 2018.

◄ 3 *Scottish Household Survey*, Scottish Government 2016.

◄ 4 Local Government Elections 2017. Scottish Parliament Information Centre, May 2017.

◄ 5 Revenue funding includes the general revenue grant, non-domestic rate income and specific revenue grants. Figures for 2017/18 and 2018/19 are based upon the annual totals set out by the Scottish Government in 'Local Government Finance Circular No. 4/2018' and we have compared 2017/18 outturn to the 2018/19 budgeted funding. These totals reflect a £34.5 million redetermination of funding in 2017/18 being classified as funding to councils for 2018/19. We will consider any implications of this funding arrangement for councils during both the 2017/18 annual audit process and our subsequent financial overview of local government.

◄ 6 *Local Government in Scotland: Financial overview 2016/17* ⊕, Audit Scotland, November 2017.

◄ 7 Unison submission to the local government and communities committee's scrutiny of the 2018/19 budget.

◄ 8 Angus, Dumfries and Galloway, East Lothian, Orkney and Renfrewshire had no live claims in September 2016.

◄ 9 Local Government Finance Statistics 2016/17, Scottish Government.

◄ 10 North Ayrshire Council's submission to the local government and community committee's scrutiny of the 2018/19 budget.

◄ 11 Additional predictions by the National Records for Scotland consider the impact on population growth if migration from the EU changed. Scotland's predicted population growth to 2041 varied from seven per cent if immigration from the EU increased by 50 per cent to two per cent growth if there was no immigration from the EU. This affected working age people and children more than the elderly.

◄ 12 Barnett K, Mercer SW, Norbury M, Watt G, Wyke S, Guthrie B. *Epidemiology of multi-morbidity and implications for health care, research, and medical education: a cross-sectional study.* The Lancet, 2012.

◄ 13 *The demography of Scotland and the impact of devolution*, Scottish Affairs Committee, Westminster.

◄ 14 'Dependency' ratios are a useful way to examine the relative age structure of the population but the reality is more complex than they suggest, many people of typically working age are not economically active (for example students) and many retired people are financially independent.

◄ 15 *Local government in Scotland: Financial overview 2016/17* ⊕, Audit Scotland, November 2017. This contains further information on reserves.

◄ 16 Ibid.

◄ 17 Joint Staffing Watch figures, Scottish Government. All staffing figures are in Full Time Equivalent (FTE). Figures for most councils are rounded to the nearest 100. Figures for Aberdeen City and Glasgow City Councils are rounded to the nearest 1,000.

◄ 18 Joint Staffing Watch figures show 226,800 FTEs in Q1 2009 and 205,800 in Q1 2012.

◀ 19 Joint Staffing Watch figures show 205,800 FTEs in Q1 2012, 198,300 in Q1 2016, and 195,800 in Q1 2017.

◀ 20 Joint Staffing Watch figures show 196,600 FTEs in Q3 2017, 196,200 in Q3 2016, 229,000 in Q2 2008 and 228,500 in Q2 2007.

◀ 21 Joint Staffing Watch figures for Inverclyde Council show 3,900 FTEs in Q1 2010.

◀ 22 Joint Staffing Watch figures for Inverclyde Council show 3,400 FTES in Q1 2017.

◀ 23 *Scottish Social Service Sector: Report on 2016 Workforce Data*, Scottish Social Service Council, September 2017.

◀ 24 Information comes from three Unison reports: *A Unison survey of building control staff*, June 2017; *A survey of Scotland's school support staff*, January 2017; *A survey of care workers in Scotland*, July 2017.

◀ 25 Office for National Statistics, *Analysis of factors affecting earnings using Annual Survey of Hours and Earnings: 2016.*

◀ 26 The Smith Institute. *From pay squeeze to a staffing crisis: a study of recruitment and retention in the NHS and local government, 2015.*

◀ 27 *Talent Management in Public Services in Scotland*, Improvement Service, 2017.

◀ 28 *Local Government in Scotland: Performance and challenges* ⊕, Audit Scotland, March 2017.

◀ 29 *Local Government in Scotland: Financial overview 2016/17* ⊕, Audit Scotland, November 2017.

◀ 30 Ibid.

◀ 31 *Local Government Finance: Fees and Charges 2011-12 to 2015-16*. Scottish Parliament Information Centre, 2017.

◀ 32 *Local Authority Parking Finances in Scotland 2015-16,* RAC Foundation for Motoring, 2017.

◀ 33 *The Cost of Saying Goodbye,* Citizens Advice Scotland, 2017.

◀ 34 Evidence to Local Government and Communities Committee for scrutiny of 2018/19 draft budget.

◀ 35 The Moray Council and Clackmannanshire Council are not currently involved in this project.

◀ 36 *Principles for a digital future* ⊕, Audit Scotland, May 2017.

◀ 37 The full range of indicators includes unit costs and public satisfaction. These are available on the Improvement Service website – **www.improvementservice.org.uk/benchmarking/** ⬉

◀ 38 The average tariff score is a summary measure which calculates the latest and best achievements of pupils in the senior phase of secondary school.

◀ 39 *School Education* ⊕, Audit Scotland, June 2014.

◀ 40 Scottish Household Survey. Scottish Government, 2016.

◀ 41 PricewaterhouseCoopers (PwC) publish an annual report on local government in the UK based on surveys of council chief executives, finance directors, council leaders and 2,007 members of the public.

◀ 42 *Social Care Scotland 2016,* Scottish Government, 2017.

◀ 43 Joint Inspection of services for older people in Edinburgh, Care Inspectorate and Healthcare Improvement Scotland, 2017.

◀ 44 Joint inspection of services for older people in Scottish Borders, Care Inspectorate and Healthcare Improvement Scotland, 2017.

◀ 45 *We care, do you?* A survey of care workers in Scotland, Unison, July 2016.

◀ 46 Auditor returns, November 2017.

◀ 47 Care homes market study, Competition and Markets Authority, 2017.

◄ 48 Teacher Census, Scottish Government, December 2016.

◄ 49 *Working conditions of Scotland's teachers*, Educational Institute of Scotland, 2017.

◄ 50 *Hard Lessons*, A survey of Scotland's school support staff. Unison, 2017.

◄ 51 Joint response to the MAC Call for Evidence on the Partial review of the Shortage Occupation List: Teachers, Scottish Government and COSLA, September 2016.

◄ 52 Royal Town Planning Institute's submission to the Local Government and Communities Committee's enquiry into the 2018/19 Draft Budget.

◄ 53 Correspondence with the Society of Chief Officers of Environmental Health in Scotland.

◄ 54 Budget briefing, COSLA, December 2017.

◄ 55 *Protecting consumers* ⬇, Audit Scotland, January 2013.

◄ 56 Local environmental quality in decline, an update, Keep Scotland Beautiful 2017.

◄ 57 APSE performance network, 12 councils reported data on fly tipping.

◄ 58 *The Future of Money Advice Services in Scotland*, Improvement service, 2017.

Local government in Scotland
Challenges and performance 2018

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	Agenda Item
Shetland Islands Council	**9**

Meeting(s):	**Policy and Resources Committee**	**22 May 2018**
Report Title:	**Policy and Resources Committee Business Programme – 2018/19**	
Reference Number:	**CRP-10-18-F**	
Author / Job Title:	**Christine Ferguson, Director Corporate Services**	

1.0 Decisions / Action required:

That the Policy and Resources Committee:

1.1 CONSIDERS the business planned for Policy and Resources Committee in the financial year 2018/19;

1.2 ADVISES the Director of Corporate Services of any changes required including new items where the timescale will be confirmed at a later date;

2.0 High Level Summary:

2.1 The purpose of this report is to facilitate discussion of the Business Programme of the Committee for the financial year 1 April 2018 to 31 March 2019 including items where the date is still to be determined.

2.2 The Business Programme 2018/19 will be presented to Policy and Resources Committee at least quarterly to ensure that it is kept up to date incorporating new items as work programmes across the Council are taken forward. The expectation is that over the next 3 years, reports requiring decisions with regard to the Council's Service Redesign and Business Transformation Programmes will be a regular feature.

3.0 Corporate Priorities and Joint Working:

3.1 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*".
Maintaining a Business Programme for each Committee/Board of the Council contributes to an effective governance framework for the Council.

4.0	Key Issues:

4.1 The Council approved the schedule of meetings for 2018/19 at its meeting on 13 December 2017 (Min Ref: 85/17) and it was agreed that the Business Programmes for each Committee/Board would normally be presented to the Planning and Performance Management Framework (PPMF) meetings for discussion and approval.

4.2 The manner in which meetings have been scheduled is described below:

- Ordinary meetings have been scheduled, although some have no scheduled business at this stage. Where there is still no scheduled business within two weeks of the meeting, the meeting will be cancelled;

- Special meetings may be called on specific dates for some items and other agenda items can be added, if time permits;

- PPMF meetings have been called for all Committees and for the Council once per quarter. These meetings are time restricted, with a specific focus on PPMF therefore no other business will be included on those agendas unless under exceptional circumstances;

- Budget setting meetings for Committees, including Policy and Resources Committee, will normally only include those reports required in order to present the budget proposals for recommendation to the Council for final approval. Other agenda items can be added, if time permits, or if required as part of the budget setting process; and

- The date, time, venue and location of any meeting may be changed, or special meetings added if required through consultation with the Chair, relevant Members, the Lead Officer for the Committee and the Chief Executive.

4.3 Policy and Resources Committee agreed on 30 April 2018 that the Business Programme for each Committee/Board will normally be prepared by the Lead Officer for the Committee, in consultation with the Chair and Committee Services; hitherto, Committee Services prepared and presented the Business Programmes for each committee.

5.0	Exempt and/or confidential information:

5.1 None

6.0	Implications :
6.1 **Service Users, Patients and Communities:**	The Business Plan provides the community and other stakeholders with important information regarding the planned business for the coming year. The Business Programme complements the Council's Corporate and Directorate Plans and the Shetland Partnership Plan.
6.2 **Human Resources and Organisational Development:**	None arising directly from this report. Any implications for staff arising from individual reports in the Business Programme will be addressed through the work on those reports.

6.3 **Equality, Diversity and Human Rights:**	None arising directly from this report. Any implications in this regard arising from individual reports in the Business Programme will be addressed through the work on those reports.
6.4 **Legal:**	The Business Programme supports the governance framework of the Council which is underpinned by statute.
6.5 **Finance:**	None arising directly from this report. Any financial implications arising from individual reports in the Business Programme will be addressed through the work on those reports. Ensuring the budget setting and PPMF meetings are scheduled well in advance should help Members to keep these dates/times clear in their diaries so that they are able to contribute to financial decision making and quarterly budget monitoring.
6.6 **Assets and Property:**	None arising directly from this report. Any implications in this regard arising from individual reports in the Business Programme will be addressed through the work on those reports. An update on the Asset Investment Programme will be presented to each PPMF meeting.
6.7 **ICT and new technologies:**	None arising directly from this report. Any implications in this regard arising from individual reports in the Business Programme will be addressed through the work on those reports. The Council's ICT Strategy will be presented annually to Policy and Resources Committee for approval.
6.8 **Environmental:**	None arising directly from this report. Any implications in this regard arising from individual reports in the Business Programme will be addressed through the work on those reports.
6.9 **Risk Management:**	The risks associated with setting the Business Programme are around the challenges for officers meeting the timescales required, and any part of the business programme slipping and causing reputational damage to the Council. Equally, not applying the Business Programme would result in decision making being unplanned and haphazard; aligning the Council's Business Programmes with the objectives and actions contained in its corporate plans could mitigate against those risks.
6.10 **Policy and Delegated Authority:**	Maintaining a Business Programme ensures the effectiveness of the Council's PPMF. The Business Programme supports each Committee's role, as set out in paragraph 2.3 of the Council's Scheme of Administration and Delegations.
Previously considered by:	The last Business Programme was presented to this Committee on 30 April 2018 (Min. Ref. 38/18).

Contact Details:
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14 May 2018

Appendices:
Appendix 1 – Policy and Resources Committee Meeting Dates and Business Programme 2018/19

Background Documents:
None

Policy and Resources Committee - Meeting Dates and Business Programme 2018/19 as at Wednesday, 16 May 2018

Quarter	Date / Type of Meeting	Agenda Item	Notes
Quarter 1 1 April 2018 To 30 June 2018	**30 April 2018 Ordinary 10am**		
		Asset Investment Plan Business Cases	
		Policy and Resources Committee Business Programme 2018/19	
		Sullom Voe Harbour Area – Development Planning	
		Approval of Local Fire Plan 2018/2019	
		Access for Wheelchair Users to Taxis and Private Hire Cars	
		Local Government Benchmarking Framework	
		Restructuring of Building Standards Business Support	exempt
	22 May 2018 PPMF 2017/18 Q4 10am	Corporate and Chief Executive Services Departments - Performance Overview 2017/18 Quarter 4 / EOY	
		Management Accounts for Policy and Resources Committee 2017/18 – Draft Outturn at Quarter 4 / EOY	
		Management Accounts for Community Health and Social Care Directorate 2017/18 – Draft Outturn at Quarter 4 / EOY	
		Overall SIC Management Accounts 2017/18– Draft Outturn at Quarter 4 / EOY	
		Business Transformation Programme – Update Report	
		Service Redesign Programme – Update Report	
		Corporate Risk Register	
		Policy and Resources Committee Business Programme 2018/19	
		EA164 Audit Scotland – Local Government in Scotland: Challenges and performance 2016	
		Corporate Services Risk Register	exempt
		Effective and Sustainable Tertiary Education, Research and Training in Shetland Project Strategic Outline Case (SOC)	
Quarter 1 1 April 2018 to 30 June 2018	**18 June 2018 Ordinary 10am**	Lerwick Library Refurbishment	
		Shetland Partnership Plan 2018 – 2021	
		Irrecoverable Debt	
		Accounts Commission national reports re Financial Overview 16/17	
		Customer First Strategy	
		Disclosure Policy	

Quarter	Date / Type of Meeting	Agenda Item	Notes
		Trade Union Facilities Agreement	
		Occupational Road Risk Policy	
		Mental Health & Well-being Policy	
		EA160 Audit Scotland – 2016/17 audit of Dundee City Council report on a significant fraud	
		Audit Scotland Report on Edinburgh Schools	
		Knab Masterplan	
		Asset Investment Plan Business Cases	
		Property Matter	
Quarter 2 1 July 2018 to 30 Sept 2018	**28 August 2018 PPMF 2018/19 Q1 10am**	Corporate and Chief Executive Services Departments – Performance Overview 2018/19 Quarter 1	
		Management Accounts for Policy and Resources Committee 2018/19 – Projected Outturn at Quarter 1	
		Management Accounts for Community Health and Social Care Directorate 2018/19 – Projected Outturn at Quarter 1	
		Overall SIC Management Accounts 2018/19– Projected Outturn at Quarter 1	
		Council Investments Review 2018/19 – Quarter 1	
		Asset Investment Plan – Progress Report 2018/19 – Quarter 1	
		Business Transformation Programme – Update Report	
		Service Redesign Programme – Update Report	
		Corporate Risk Register	
		Policy and Resources Business Programme 2018/19	
		Performance Management Strategy and Policy	
		Confidential Corporate Risk Register	Exempt
Quarter 3 1 Oct 2018 to 31 Dec 2018	**Ordinary 8 October 2018 10am**	Agile Working Policy	
		Equality and Diversity Policy	
		Disciplinary Policy and Procedures	
		Policy for Organisational Restructure	
		Redeployment Policy	

Quarter	Date / Type of Meeting	Agenda Item	Notes
		Annual Report – Complaints 2017/18	
		Effective and Sustainable Tertiary Education, Research and Training in Shetland Project Full Business Case	
	11 December 2018 PPMF 2018/19 Q2 10am	Corporate and Chief Executive Services Departments – Performance Overview 2018/19 Quarter 2	
		Management Accounts for Policy and Resources Committee 2018/19 – Projected Outturn at Quarter 2	
		Management Accounts for Community Health and Social Care Directorate 2018/19 – Projected Outturn at Quarter 2	
		Overall SIC Management Accounts 2018/19– Projected Outturn at Quarter 2	
		Council Investments Review 2018/19 – Quarter 2	
		Asset Investment Plan – Progress Report 2018/19 – Quarter 2	
		Business Transformation Programme – Update Report	
		Service Redesign Programme – Update Report	
		Corporate Risk Register	
		Policy and Resources Committee Business Programme 2018/19	
		ECU/Travel at Work update	
		Confidential Corporate risk register	
Quarter 4 1 January 2019 to 31 March 2019	**January Ordinary 10am**	Financial Settlement Update	
		Workforce Strategy refresh	
	11 February Budget Setting 10am	2019/20 Budget	

Quarter	Date / Type of Meeting	Agenda Item	Notes
	5 March 2019 PPMF 2018/19 Q3 10 a.m.	Corporate and Chief Executive Services Departments – Performance Overview 2018/19 Quarter 3	
		Management Accounts for Policy and Resources Committee 2018/19 – Projected Outturn at Quarter 3	
		Management Accounts for Community Health and Social Care Directorate 2018/19 – Projected Outturn at Quarter 3	
		Overall SIC Management Accounts 2018/19– Projected Outturn at Quarter 3	
		Council Investments Review 2018/19 – Quarter 3	
		Asset Investment Plan – Progress Report 2018/19 – Quarter 3	
		Business Transformation Programme – Update Report	
		Service Redesign Programme – Update Report	
		Corporate Risk Register	
		Policy and Resources Committee Business Programme 2019/20	
		Annual Investment and Strategy 2019/20	
		Confidential Corporate risk register	

Planned Committee business still to be scheduled - as at Wednesday, 16 May 2018

Essential Car User and Travel at Work
Equal Pay Audit update
ICT Strategy Update 2017 - 2022
A Digital Strategy for Shetland
SIC Accommodation Review
Review of Sullom Voe Aquaculture Exclusion
MTFP Refresh 2018
SIC Investment Review 2018
Special meeting to set 2019/20 Budget

tbc = to be confirmed
PPMF = Planning and Performance Management Framework meetings – no other business to be added
Budget = Budget setting meetings – other items can be added if time permits
Ordinary = Ordinary meetings – other items can be added
Special = Special meetings arranged for particular item(s) – other items can be added if time permits

END OF BUSINESS PROGRAMME as at Wednesday, 16 May 2018

		Agenda Item
Shetland Islands Council		**10**

Meeting(s):	Policy and Resources Committee	22 May 2018
	Shetland Islands Council	23 May 2018
Report Title:	Corporate Risk Register report	
Reference Number:	IA-13-18-F	
Author / Job Title:	Director of Corporate Services	

1.0   Decisions / Action required:

1.1   That the Policy & Resources Committee and Council RESOLVE to:

    1.1.1   NOTE the changes to the Corporate Risk Register;

    1.1.2   NOTE key risks facing the Council at this time and the action taken to mitigate those risks; and

    1.1.3   COMMENT and ADVISE the Chief Executive and senior managers of their views and any changes required.

2.0   High Level Summary:

2.1   The Corporate Risk Register lists the high level risks that could impact upon the organisation's aims and stated plans. Risks are routinely reviewed by risk owners and relevant management teams. The appended document therefore presents a snapshot of the current, regularly-changing risk environment.

3.0   Corporate Priorities and Joint Working:

3.1   The Council's Corporate Plan 2016-2020 states as one of its key corporate priorities that
    • 'Our approach to managing the risks we face will have resulted in a more risk-aware organisation that avoids high-risk activities'.
    The ongoing identification and monitoring of risk is a key component of that approach.

4.0   Key Issues:

4.1   There are sixteen risks on the Corporate Risk Register, appended, with the current and planned control measures described in the second column of narrative in that document. Some risks can be viewed as standing items in that they are unlikely to be removed from the Corporate Risk Register, despite agreement that all reasonable control measures have been identified and implemented. These include:
    • Page 1 – ORG025 – risk of harm to a child because of a failure to manage unanticipated crisis. The control measures for this risk have been recently revised
    • Page 2 - ORG024 – risk of harm to a vulnerable adult

- Page 6 – ORG029 – Malicious cyber-attack
- Page 7 – ORG030 – Uncontrolled release of data/ loss of paperwork or data-storing technology

4.2 There are a number of risks that are currently significant but are likely to be removed once the risk has been managed down or no longer exists:
- Page 2 – ORG022 – STERT/ College merger – date for the business case has been pushed back from January 2018 to October
- Page 5 – ORG035 – Old AHS campus plans and works – master planning due May 2018
- Page 9 – ORG037 - Brexit and its impact

4.3 A number of risks relate to finances and financial planning, some of which are anticipated to remain on the Corporate Risk Register for the foreseeable future. The control measures identified for these risks feature key themes of strong financial governance, prudent stewardship and the drive towards sustainability through service redesign supported by the Business Transformation Programme. The identified risks are:
- Page 4 – ORG039 – Medium term financial planning, continued reductions to Government grant of an unanticipated or unknown magnitude
- Page 7 – ORG021 – The need for investment in Shetland's infrastructure
- Page 8 – ORG034 – Liabilities arising from the pension fund
- Page 9 – ORG042 – Failure of long term financial planning

4.4 The remaining risks can be viewed as inherent to the business of the Council at this time. A number of these risks are also reflected in the Corporate Services Risk Register, indicating that their significance and potential impacts are recognised from different perspectives, and that their control measures are actively considered by relevant forums:
- Page 3 – ORG032 – Increased workload, impact on planned work, conflicting demands
- Page 4 – ORG040 – Risks relating to partnerships
- Page 5 – ORG018 – Challenges around workforce change and demographics
- Page 6 – ORG031 – Missed opportunities from Viewpoint surveys
- Page 8 – ORG044 – Implications of the Equal Pay Audit

5.0 Exempt and/or confidential information:

5.1 None

6.0 Implications :

6.1 Service Users, Patients and Communities:	The effective identification and management of risk helps ensure that services and staff are protected from unanticipated impacts.
6.2 Human Resources and Organisational Development:	The Corporate Risk register takes account of issues that impact upon the workforce including the reported gender pay gap, recruitment challenges, and responses to the viewpoint survey.

6.3 **Equality, Diversity and Human Rights:**	An Equalities Impact Assessment is not required in relation to this report.
6.4 **Legal:**	While there are no direct legal implications from this report, some of the identified risks necessarily take account of relevant legal frameworks.
6.5 **Finance:**	There are no direct financial implications from the recommendations in this report. However, all of the risks in the Corporate Risk Register have the potential to have a financial impact.
6.6 **Assets and Property:**	Risks around the future of the AHS Knab site are highlighted in the Corporate Risk Register and are owned by the Executive Manager of Capital Programme, who is responsible for Assets and Property Service.
6.7 **ICT and new technologies:**	Cyber-attacks are a very real risk for any organisation and member of the public as we continue to increase our reliance on digital solutions for service delivery. This risk applies to every area of Council activity and it is incumbent on every member of staff to be vigilant to prevent any negative impacts. The Council's ICT service maintains security measures to meet national standards.
6.8 **Environmental:**	There are no direct environmental implications from this report. However, some of the risks such as those relating to the maintenance of ageing infrastructure, may well have an environmental aspect and this is given due consideration by virtue of the risk being on the organisation's highest level risk register.
6.9 **Risk Management:**	The Council's risks are measured using the organisation's agreed risk matrix.
6.10 **Policy and Delegated Authority:**	Policy & Resources Committee requires the Corporate Risk Register to be reported periodically [*Min. ref. 43/17*]. Risk Management Board reviews its Corporate Risk Register on a quarterly basis, as required by its Terms of Reference. 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 proper management of the Corporate Risk Register is therefore a delegated matter for the Policy and Resources Committee. However, the Council instructed that the Corporate Risk Register be reported to the Council quarterly as part of the Planning and Performance Management Framework (PPMF) cycle [*Min.Ref. SIC 20/16*] so that all Members are informed and involved in discussing the high level and strategic risks facing the Council alongside other performance information.

6.11 Previously considered by:	None	

Contact Details:

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Senior Risk Management Officer

14 May 2018

Appendices:
Appendix 1 – Corporate Risk Register

Shetland Islands Council

Date: 30 April 2018

Risk Register - Shetland Islands Council

| Risk & Details | Current | | | Current and Planned Control Measures | Target | | | Lead Officer |
	Likelihood	Impact	Risk Profile		Probability	Impact	Risk Profile	
Category				**Corporate**				
Corporate Plan				*A2. Young People - Vulnerable Children and young people's opportunities*				
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. The most significant current example of this risk relates to the failure to appropriately accommodate 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 undesirable and which comes at a high cost to the Local Authority. **Trigger :** Crisis or escalation of complex situation, usually unanticipated and which puts child at increased risk of harm. Shortage of foster placements and residential placements in Shetland. There are 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. **Consequences :** Failure to act quickly or to the extent that is required because of restricted resources can result in child being exposed to potentially more harm or to harm for a longer period of time, harm to child, impact on services, financial impact. Placements have to be sought away from Shetland, which come at a high cost to the Local Authority. **Risk type :** Physical - People / Property - Other **Reference - ORG0025**	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. The Child Protection Committee's Training Strategy, and the training sub-committee, ensure that a range of Child protection training is delivered to frontline staff. This Inter-agency training is led by Shetland Islands Council and training activity is reported quarterly to the Child Protection Committee. Children's Services is working to increase capacity in Shetland to provide accommodation for looked after children, where required. This includes growth in the Family Placement and Residential Childcare services, to reduce demand for more expensive out of area/off island placements.	Unlikely	Major	Medium	Helen Budge Shetland Islands Council

Corporate Plan				B2. Older People - Independent Living				
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. **Trigger :** Statutory services fail to identify and take account of all vulnerable adults within their remit, systems failure means that information is not fully collated and/or shared **Consequences :** Vulnerable adult is not given access to full range of services that they need, delay in access to services leads to harm to vulnerable adult, reputational risk to organisation, potential for HSE action, Care Commission/ external advisors' negative report, civil action. **Risk type :** Communications failure **Reference - ORG0024**	Possible	Major	High	• There are well established mechanisms in place to support the detection of risk with an active Adult Protection Committee overseeing the work. There is good multi-agency working within formal arenas to discuss individual cases causing concern. Transitions group in place for Learning Disability Services to manage childhood support to adult support. Ongoing work to review services to make effective use of limited and reducing budgets.	Unlikely	Major	Medium	Simon Bokor-Ingram Shetland Islands Council

Corporate Plan				F1. Our "20 by '20" - Leadership & Management				
Failure to deliver the College merger would result in an unsustainable tertiary sector. The time frame and responsibilities for the project have been revised with the UHI tasked with leading the business case development of a merged, single governance organisation for Tertiary Education, research and training. Business case was to be complete by 29 January 2018 with targeted implementation was initially August 2018. However, discussions with the UHI and SFC are ongoing with respect to a Business Case for Colleges Merger with the updated business case due date of 31 October 2018. **Trigger :** Project management failure, partner failure, project resources **Consequences :** Failure to deliver a sustainable and affordable model for Tertiary Education, training and Research. **Risk type :** Professional - Other **Reference - ORG0022**	Unlikely	Significant	Medium	• University of Highlands & Islands(UHI) has been funded by Scottish Funding Council (SFC) to lead the business case development of a merged, single governance organisation for Tertiary Education, research and training. Discussions with the UHI and SFC are ongoing with respect to a Business Case for Colleges Merger with a revised due date of 31 October 2018.	Unlikely	Minor	Low	Neil Grant Shetland Islands Council

Recent Council activities plus local / national issues have led to an increased workload for Services across the Council and within Corporate Services - and particularly for Finance, Governance and Law, Capital Programme and Human Resources. There is a limit to how much additional work staff can absorb - staff and services are considered to be at capacity. The implemented move from 8 North Ness was disruptive and there is an ongoing increase in workload caused by the work arounds required so that the Council can continue to operate from other locations. **Trigger :** Main triggers include: revised budget post Scottish Govt settlement, budget setting challenges - the requirement to make savings now and in the future, implementing various pay and conditions requirements plus 3rd edition of JE scheme, specific problems associated with CHRIS 8 transition (Payroll, HR, ICT), the tertiary review is a significant on-going piece of work, as are the various tasks and activities around the establishment and operation of the IJB. Governance and law workload includes governance reviews and organisation-wide project work. Service redesign work also requires significant staff time. **Consequences :** Impact on planned work including in particular important corporate/ strategic reviews and strategy development: there is a risk that work will not be scheduled or will not be completed on time, leading to missed opportunities and/or increased costs. Teams at capacity, stress on staff, potential sickness absence, any reduction in resources, e.g. from absences, or resources diverted, can lead to missed opportunities or deadlines/ impact on quality of work as well as difficulty in meeting timescales. Significant work/ strategic planning/ long-term vision is affected or displaced by urgent tasks, short deadlines, reactive work and external demands. Impact on quality of work, missed information, failure to take adequate account of all relevant information, poor quality input / information can lead to poor decision-making. **Risk type :** Corporate/Community plan - failure to meet **Reference - ORG0032**	Possible	Signifi-cant	Medium	• The effects of the move from 8 North Nessare being monitored and adjustments made where possible to ensure minimal disruption to services. ▪Our Plan 2016-20 has been agreed. This explains the outcomes that the SIC wants to achieve by April 2020. Our financial planning process is more robust and in line with other planning processes. The risks to Directorate and Service plans are articulated and considered in reports. The Risks for new initiatives including the allocation of resources are considered at Project start up and kept under review.	Unlikely	Minor	Low	Christine Ferguson Shetland Islands Council

The Medium Term Financial Plan covers the period from 2016 to 2022 and as an instrument to direct the organisation's budget setting and expenditure is prudent and in line with available resources. Over 70% of the Council budget is funded by the Scottish Govt. The local authority's annual grant from the Scottish Govt has reduced by a greater percentage than anticipated for the last two years. It is expected to continue to reduce in the short and medium term but is currently un-quantified, and has been estimated at between 6% and 16% over the next 5 years. The MTFP scenario assumes grant reduction at 7.4% over 5 years. **Trigger :** Organisation's failure to plan or put in place sustainable services for future years, continued reductions to govt grant of an unanticipated or unknown magnitude. **Consequences :** If there is no adequate planning to take account of grant reduction then the Council will be unable to respond to the uncertainty presented by austerity which could result in knee-jerk decisions being made to balance budgets and/ or an unsustainable draw from Council reserves. **Risk type :** Economic climate **Reference - ORG0039**	Possible	Extreme	High	• Impact of 2018/19 financial settlement. The settlement is better than had been expected and this provides the Council with a period of time to address the underlying challenges of falling government grant and rising costs. ◌Service redesign across all areas to identify and implement sustainable levels of service going forward. Implementation of business transformation programme to support service redesign.	Unlikely	Major	Medium	Jonathan Belford Shetland Islands Council

	Likelihood	Impact	Rating	Controls	Likelihood	Impact	Rating	Owner
Shetland Islands Council and specific Directorates, Services and sections are in a number of partnerships. Some have a legislative element and have a strategic directing role (the Community Planning Partnership, SADP, etc), some are entered into for the purpose of delivering services (Community Health and Social Care/ IJB, SIC Housing Service and Hjaltland Housing Association). Many are contractual but for some, the partnership may exist only through an informal agreement. There is no formal list of the council's partnership arrangements or agreements. **Trigger :** Partner fails (legally, financially, is wound up, becomes insolvent or goes into administration) or is no longer able to provide their part of the partnership. Grant or funding is cut to partner. Board resignation, difficulty in recruiting board members, failure to achieve buy-in from essential partners, volunteer fatigue. **Consequences :** If a partner fails, the responsibility to deliver service or function for which the partnership was formed, may fall to Shetland Islands Council. Contractual obligations such as leases may become the (moral or financial) responsibility of Shetland Islands Council. Financial responsibilities such as for pensions, may fall to Shetland Islands Council. Civil liabilities such as through claims, may fall to Shetland Islands Council in the event that joint liability exists. **Risk type :** Partnership working failure **Reference - ORG0040**	Possible	Extreme	High	• Various controls in place.All new admitted bodies comply with current requirements, all contracts are scrutinised by Legal Services / Governance and Law/ Finance staff. Assurance required that managers engage with Corporate Services BEFORE commencing service redesign programmes. Managers must adhere to Commissioning and Procurement framework.	Unlikely	Major	Medium	Maggie Sandison Shetland Islands Council

The Council is required to manage changes and challenges in its workforce and in some services across the organsiation there are considerable challenges in recruitment, such as social work, teaching and other technical and professional posts. These difficulties are not limited to Shetland. Services must review the demands on services, consider strategies to attract and retain employees and they need accurate and timely data and analysis from the council's HR system to inform their decision making. Human Resources must ensure that effective use is made of information management and reporting to support services to enable effective workforce and succession planning. HR and Council services must work together to develop and review policies, procedures and the employment offer from the Council to minimise the risks of having insufficient staff to deliver council services. **Trigger :** Increase in staff turnover and inability to recruit staff to vacant posts . **Consequences :** Posts remaining unfilled due to failure to recruit which places strain on services to deliver and increases pressure on existing workforce. The relocation and interview expenses budget increases with the increasing need to recruit from outwith Shetland. We are also having to advertise more frequently with teaching posts in particular being difficult to fill. Services must engage proactively with HR in order to analyse the reasons why staff leave to minimse staff turnover. Working patterns, and terms and conditions of service should also be reviewed by services to remove any unnecessary barriers to employment. **Risk type :** Employment issues **Reference - ORG0018**	Likely	Minor	Medium	• HR continually reviews the council's HR policies and processes to ensure policies and procedures support the organisation to become more responsive and flexible in the deployment of existing staff. The Council's Workforce Strategy provides a framework to focus attention and prioritise work streams that identify and develop talent as well as increase the number of ways young people can join the organisation. The Council's Market Forces Policy can be applied in appropriate circumstances.	Unlikely	Minor	Low	Denise Bell Shetland Islands Council

The current Anderson High School campus is a large open site with a number of buildings on it. There are various access points to the campus and it is surrounded by residential properties. The school was vacated in Sept/ Oct 2017 when the service/ staff/ pupils, etc moved to the new build at the Clickimin.	Unlikely	Extreme	**High**	• The Council is undertaking a master-planning exercise for this site. It is hoped this will be complete by May 2018.

Trigger : Failure to properly plan for the future of the site

  Consequences : A failure to plan for the future of the site could lead to missed opportunities to capitalise on this asset, . There will be on-going costs associated with the site, rates, maintenance etc. and a risk of vandalism or other damage. There is also a risk of reputational damage if the site is not developed.

Risk type : Missed opportunities

Reference - ORG0035

Unlikely	Significant	**Medium**	Robert Sinclair Shetland Islands Council

Corporate Plan				F2. Our "20 By '20" - Staff Value & Motivation				
An organisation-wide Staff Viewpoint Survey was carried out in January 2015 and again in late 2017 for the purpose of gauging staff opinions. The returns were analysed with the issues prioritised, and that information was reported to Directors, Managers and staff. Managers and Directors were then tasked with putting in place a range of measures to address the specific issues raised. The comments made reflect concerns about the Council, recent changes, and the impact of those changes. In general you suggested things such as: •better communication, •listening more, •being clear about Council strategy and sticking to it, •having better training for Managers, •Senior Leaders spending more time on the "shop floor". **Trigger :** Perception (real or imagined) that organisation, senior management or specific manager(s) will not/ have not acted upon the findings of the survey. No change evidenced, status quo despite assurances or promises to the contrary. Failure to communicate change to front-line staff, failure to embed change, so situation reverts to that which led to dis-satisfaction. **Consequences :** Disillusioned/ unhappy / disengaged staff, increased disillusionment following the expectation that the survey would make a difference, no confidence in manager or organisation, demotivated staff, poor commitment to Service, impact on Service and/or productivity. Staff retention issues - Increased turnover of staff with resulting recruitment costs and service impacts. Reputational damage, staff more likely to raise grievances. Stress, increase in sickness absence, perception that the whole exercise was a waste of public money. **Risk type :** Missed opportunities **Reference - ORG0031**	Possible	Significant	Medium	• Check and ensure good communication between staff and management. Managers must ensure effective communication methods are in place between managers and staff. The Council's Workforce Strategy, Staff Development Policy and Personal Development Plan Policy set out clear direction and framework to ensure the tools are in place to make sure this happens. Directorate Consultation Forums have been put in place to bring together senior managers and staff representatives at least 4 times a year to exchange information and maintain communication throughout the organisation.The 2015 Viewpoint Action Plan has led to the launch of a new set of Council Values & Behaviours which have been launched and promoted council-wide. The second Viewpoint Survey was completed in January 2018 that shows improvement in all factors. Action planning is now underway to inform the next Council-wide Viewpoint Plan. Check and ensure good communication between staff and management. ERD's and training needs are implemented All managers must ensure effective communication methods are in place between managers and staff. The Council's Workforce Strategy, Staff Development Policy and Personal Development Plan Policy set out clear direction and framework to ensure the tools are in place to make sure this happens. The 2015 Viewpoint Action Plan has led to the launch of a new set of Council Values & Behaviours which have been launched and promoted council-wide. An on-going publicity campaign is in place to make sure there is continuing awareness. New Directorate Consultation Forums have been put in place to bring together senior managers and staff representatives at least 4 times a year to exchange information and maintain communication throughout the organisation.	Rare	Significant	Low	Denise Bell Shetland Islands Council
Corporate Plan				F4. Our "20 By '20" - It Equipment & Systems				
Malicious cyber attack 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, or what any attack has looked at/ taken/ copied. Any attack could result in compromise /damage to systems or reputation, data leak, loss of data or system downtime. **Trigger :** Attack on the Council's network resulting in compromise/damage to systems or reputation, data leak, etc **Consequences :** Loss of data, system downtime **Risk type :** Malicious damage/ vandalism/sabotage **Reference - ORG0029**	Unlikely	Major	Medium	• Anti-virus and firewall defences, ICT security policy, boundary appliance scan all incoming e-mail; Corporate anti-virus installed on all servers and workstations; Corporate firewalls, Systems support team ensure software and hardware are patched to the latest secure versions; Annual penetration testing; Unsupported hardware and software removed from the network; Fortnightly Security Review meetings discuss and evaluate threats	Rare	Significant	Low	Susan Msalila Shetland Islands Council

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 ageing and will need to be replaced, however, the financial situation is now tighter which will mean that it will be challenging to finance this. **Trigger :** Need for Investment in Shetland's infrastructure **Consequences :** Challenge to finance the maintenance and/or replacement of existing infrastructure **Risk type :** Physical - People / Property - Other **Reference - ORG0021**	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. Other measures in place include: MTFP, budget monitoring and scrutiny, clear and robust roles and responsibilities for managers and financial procedures & regs. A report on Long Term Asset Investment planning has been prepared and presented to the Council. It identifies the extent of future programmes, which will inform funding options. LTAI planning highlights the significant challenges - for example fair funding for ferries is a challenge that is larger than is manageable by the SIC and requires national input and support. Lobbying of Scottish Govt to be undertaken.	Likely	Major	High	Christine Ferguson Shetland Islands Council
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. **Trigger :** Data is released in an uncontrolled manner, accidentally or deliberately, and potentially without the knowledge of the organisation, because of a lack of training/ understanding, poor security, loss of paperwork or data-storing technology. **Consequences :** Release results in 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. **Risk type :** Breach of Legislation - Data Protection, Human Rights, Employment Practice, Health and Safety etc **Reference - ORG0030**	Unlikely	Major	Medium	• Current and planned controls -Current: There are already robust systems and procedures in place to prevent the loss of data and information. To date, over 600 staff have accessed training in basic Data Protection and Freedom of Information principles, including attendance at a conference provided by the Assistant Information Commissioner in 2015, and by the Office of the Scottish Information Commissioner in 2016, and by accessing online training through iLearn/Brightwave. Planned: Information management and improvement is a strand of the Business Transformation Programme 2016-2020. This is supported by an Information Management Strategy, which provides a framework for improvement and development of information management policies and procedures to ensure our services can work together in a smarter way. The Improvement Programme includes a number of work streams, including information security, business continuity, culture and training, all of which will contribute to further reducing the risks inherent with maintaining and processing large amounts of information, and will aim to keep these considerations at the forefront of business transformation projects. Governance, accountability and strategic direction for the Information Improvement Programme is provided by the Information Governance Board. The Board includes those who have management responsibility, accountability and ownership of information assets and this will be supplemented by the continued raising of awareness amongst, and further training of, managers, administrators and other staff in the proper handling of information.	Rare	Major	Medium	Christine Ferguson Shetland Islands Council

	Possible	Major	High		Unlikely	Significant	Medium	Denise Bell Shetland Islands Council

The Equal Pay Audit carried out on 2015/16 pay resulted in a published pay gap of 11.21% in favour of men. This is calculated on basic pay, and when other pay elements and allowances, except non-contracted overtime are included the gap increases to 16.23%. when non-contracted overtime is included the gender pay gap increases further to 20.05%. The Equality and Human rights Commission advise that any gender pay gap greater than 5% is of concern and action should be taken to address the gap.

Trigger : Failure to address the identified issues, public / media scrutiny, equal pay claim from a member of staff, scrutiny by EHRC.

Consequences : There is a risk that not addressing the equal pay gap identified in the Equal Pay Audit 2016 could lead to equal pay claims being made where pay inequalities exist. There is a risk that recruitment and retention of staff is detrimentally impacted by a failure to address barriers from gender, disability and race inequalities, and that this will impact on service delivery. A failure to realise the benefits of greater diversity in employment represents a waste of talent and an opportunity to address workforce and skills shortages. Occupational segregation means the clustering of employees with a particular protected characteristic into particular occupations or different levels of work. The published Equal Pay Statement 2017-2021 provides analysis that shows 97% of employees in the Marine occupational category are men, while 89% of employees in the Care occupational category are female. The data also shows an under representation of male employees in lower grades relative to their share of total employees, and an over representation at higher grades, with the reverse that case for female employees.

These will also place a demand on resources and require specialist legal input, there will be financial pressure from legal costs and any damages, reputational damage and negative media coverage should there be equal pay claims, and a detrimental impact on staff confidence and morale. Increased recruitment and retention difficulties are likely.

Risk type : Economic - Other
Reference - ORG0044

• The Equal pay Statement 2017-2021, approved at P&R 7 March 2017 describes the Council's commitment to the principle of equal pay for all employees. It sets out how, regardless of protected characteristic, employees should receive equal pay for the same or broadly similar work, work rated as equivalent and for work of equal value. It also describes how the Council operates a pay and grading system which is transparent, based on objective criteria and is free from bias, by using an analytical Job Evaluation system for SJC staff, and teaching promoted staff are subject to job sizing. It notes Council's commitment to address equal pay gaps and reduce occupational segregation. The Equal Pay Audit 2016 action plan sets out a number of actions to address occupational segregation including a programme of work experience that challenges gender norms and stereotyping; identifying barriers in significantly occupationally segregated roles and carrying out remedial action as necessary; taking positive action to develop and encourage females into management roles; and carrying out an Equality Impact Assessment of wider terms and conditions of employment given the increased gender pay gap when all allowances are included.

The Council's Workforce Strategy 2016-2020 underlines the priority given to Equality and Diversity, and the HR service will work with trades union representatives and stakeholders to identify and address inequalities.

Corporate Plan				F6. Our "20 By '20" - Financial Management				
The SIC Pension Fund is currently not 100% funded. At 31 March 2017 triennial evaluation the Fund was 90% funded. The SIC Pension Fund, as well as the Council has a number of Scheduled and Admitted Bodies that have liabilities to fund over the long term. Admitted bodies failing or being unable to meet their contributions places risk from these arrangements on the Council, as the largest contributor to the Pension Fund. **Trigger :** Any circumstance that triggers a liability to crystalise **Consequences :** Financial impact, significant long term obligations on pension fund employers **Risk type :** Customer / Citizen - Other **Reference - ORG0034**	Almost Certain	Major	High	• The 2017 Triennial valuation has been completed, along with a revised Funding Strategy Statement (FSS). This provides an up-to-date funding position for the SIC Pension Fund along with a revised FSS to ensure the Funds deficit can be met over the long term. Deficits are estimated to be recovered over a period of less than 20 years. For Bodies seeking admission to the Pension Fund they now have to be supported in doing so by the Council (as a Schedule 1 Body) and also provide a guarantee / bond to meet any liabilities should they default in the future. This mitigates the risk to the Fund in relation to new employers.	Rare	Extreme	High	Jonathan Belford Shetland Islands Council

Corporate Plan				F8. Our "20 by '20" - Efficient				
Long term financial planning - fulfilling the Council duty of best value has been defined (in part) by the Accounts Commission as addressing and doing more long term planning. Failure to recognise the longer term factors that impact on Council finance and service delivery obligations and challenges may result in serious criticism from Audit Scotland and the Accounts Commission, while at the same time impacting on customers and the organisation at large. **Trigger :** Failure to prepare and take account of longer term scenario planning and to make informed assumptions about the impact of those on services and finance. A trend in the one-off use of reserves to balance revenue budgets. Use of invested capital for one-off or recurring expenditure and failing to recognise the cost of that capital and the impact on future budgets. **Consequences :** If the Council operates unsustainably and without intervention it will have to increasingly rely on its reserve, the compounding effects of this eventually resulting in the depletion of reserves/investments and being no longer able to provide additional funds to support services in the General Fund budget. Reputational damage, the current expectations of customers not met and the Council outcomes not achieved. **Risk type :** Economic / Financial - Other **Reference - ORG0042**	Rare	Extreme	High	• Strong financial management arrangements in place, with MTFP refreshed and the LTFP assumptions reviewed and reported to Council in March 2017. A clear and robust financial cycle of annual budget process, regular monitoring and annual accounts in place, with positive feedback from external auditors. Long term financial planning assumptions have been tested and capital expenditure has reduced from historic levels.	Unlikely	Major	Medium	Jonathan Belford Shetland Islands Council

On 23rd June 2016, a country-wide referendum was held to identify whether the UK wished to remain in, or leave, the European Union. Following the immediate political turmoil, there has been ongoing economic and political uncertainty. Various organisations in Shetland receive EU funding and this could be (and in some cases, has been) removed. The Shetland Islands Council receives EU finding for a number of purposes. **Trigger :** Referendum result, post referendum political and economic uncertainty or change **Consequences :** Short-term - Withdrawal of funding, political and economic uncertainty, potential impact on recruitment, uncertainty for non-UK EU nationals employed by SIC/ in Shetland - the potential impact on the councils workforce planning of the uncertainties that Brexit creates, will add to the already complex arrangements put in place by the UK Borders Agency in relation to preventing illegal working. There is much speculation about the impact on employment in the UK which HR are monitoring to ensure the council responds appropriately. Impact on partner organisations and partner-funded bodies. Does the SIC have a lobbying role?; Medium term: Withdrawal of funding, political and economic uncertainty, legislative change, regulatory uncertainty, impact on pension fund and Council investments, issues round fish quotas/ market/ pelagic fleet, economic impact, uncertainty for non-UK EU nationals employed by SIC/ in Shetland, potential impact on recruitment (of staff/ students),/ on SIC's workforce planning particularly given the already complex arrangements put in place by the UK Borders Agency in relation to preventing illegal working potential for further legislative, political and structural change, opportunity to influence direction and shape of new legislation, impact on partner organisations and partner-funded bodies, requirement to consider risks around capital expenditure. What is the SIC's role and priorities?; Long-term: Uncertainty, impact on longer term planning for organisation, potential for further legislative, political and structural change. **Risk type :** Political - Other **Reference - ORG0037**	Likely	Major	High	• Development Services are providing regular updates, preparing regular update papers to Committee and Community Planning board. An EU Engagement and Brexit Sounding Board has been agreed by the Development Committee as its 12 June 2016 meeting, and will meet regularly to help inform the Council and Community Partners of opportunities and risks.	Possible	Minor	Medium	Maggie Sandison Shetland Islands Council

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