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Date: 4 December 2018

Dear Sir/Madam

You are invited to the following meeting:

Development Committee
Council Chamber, Town Hall, Lerwick
Tuesday 11 December 2018 at 2pm

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

Yours faithfully

Executive Manager – Governance and Law

Chair: Alastair Cooper
Vice-Chair: Stephen Leask

AGENDA

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

- (d) Confirm the minutes of the meetings held on (i) 27 August 2018 and (ii) 1 October 2018 (enclosed)

ITEM

1. Development Services Directorate Performance Report - 6 Month/2nd Quarter 2018/19
DV-39-18
2. Management Accounts for Development Committee: 2018/19 – Projected Outturn at Quarter 2
F-82-18
3. Strategic Housing Investment Plan (SHIP) – 2019/20 – 2023/24
DV-41-18
4. Housing (Scotland) Act 2014 – Briefing Paper
DV-40-18
5. Economic Footprint Report 2018
DV-43-18



MINUTES

B - Public

**Development Committee
Council Chamber, Town Hall, Lerwick
Monday 27 August 2018 at 11.30am**

Present:

M Burgess	P Campbell
A Cooper	S Coutts
A Duncan	J Fraser
S Leask	A Manson
A Priest	T Smith

Apologies

None

In Attendance (Officers):

N Grant, Director of Development Services
D Irvine, Executive Manager – Economic Development
B Kerr, Communications Officer
I McDiarmid, Executive Manager – Planning
K Nicolson, Project Manager
J Macleod, Performance and Improvement Adviser
A Ross, Solicitor
L Geddes, Committee Officer

Chair:

Mr Cooper, Chair of the Committee, presided.

Circular:

The circular calling the meeting was held as read.

The Chair ruled that in accordance with Section 43 (2) of the Local Government in Scotland Act 2003, the attendance of Councillor Mark Burgess during the proceedings was permitted by telephone link.

Declarations of Interest

None

Minutes

The Committee approved the minutes of the meeting held on 11 June 2018 on the motion of Mr Fraser, seconded by Mr Priest.

**21/18 Development Services Directorate Performance Report – Three
Month/First Quarter 2018/19**

The Committee considered a report by the Director of Development Services (DV-27-18-F) summarising the activity and performance of the Development Directorate for the first quarter 2018/19.

The Director of Development Services summarised the main terms of the report, and outlined key areas of progress. He highlighted in particular the Council's key priority to attract more people to live and work in Shetland, and the work that had been taking place to increase the supply of housing across all tenures. He also advised that the Shetland Partnership Plan had recently been signed off by the key partners. There were still some governance issues to sort out, and a report would be presented to the Council. Work was currently taking place with partners to achieve a strong Islands Deal, and the resources committed to that would be increased so that everything was ready by the end of the year. The numbers accessing Business Gateway start up services had increased and the average time in temporary accommodation had decreased, although this figure remained high.

The Director of Development Services then responded to questions, and Members noted the following:

- There were a significant number of people on the housing waiting list, and all had points that prioritised their need. Therefore it would be difficult to set people coming into Shetland for work alongside those who had been identified as having a significant need for housing. The development of the mid-market rental market would be one way of meeting this need and the Strategic Housing Investment Plan - which looked at addressing the needs of private sector, social, and mid-market rentals - would be presented in the next two cycles.
- Investment in Shetland Telecom was aligned with what was going on nationally. A bid had been put together for the UK fibre network, but it had not been successful. Bidding for the second round was imminent and, if successful, a network would be put into the North Isles. If not successful, the Council would have to consider whether to invest directly, and the business case suggested that there was a good case for putting a fibre network into the North Isles.
- Work was taking place in Corporate Services to identify buildings that could be handed back or placed on the market and reduce estate costs. The move of Council staff back to the North Ness HQ would open up opportunities to do so.
- The resettlement of Syrian refugees locally was in its final stages, and should happen within the next few months.
- A full business case regarding the merger of tertiary education locally would be presented to the Council in October, but there was still work to be finalised before the business case could be completed.
- The Council was aware that the staffing profile at Sullom Voe Terminal was going through a period of change, and of the potential impact of this. Early discussions had taken place with the oil and gas industry to try and get more information so that an appraisal of the future could be carried out.

- Information was available regarding turnaround times for void properties, and this would be circulated to members.

Responding to a further question, the Executive Manager – Planning confirmed that the timescales for measuring the average days taken to obtain a building warrant did not take account of delays caused by agents. The average time would be reduced if this could be taken into account.

It was requested that consideration be given to presenting this information in two parts, so that the local authority aspect could be considered separately. It was understood that this was done in some other local authorities.

The Executive Manager – Planning agreed to look into this as it would present a more accurate picture, but he was not aware that it was done in other places. He understood that there was an issue with the systems involved being able to deliver the information, and it was something that was being discussed.

During the discussion that followed, it was commented that key worker accommodation had historically been provided across the Council, NHS and Police. It was felt that there was a need for it to be provided again, otherwise services that could be delivered to the community would be diminished. It was noted that there were schemes that could assist with the development of key worker accommodation, and it was something that was forming part of the considerations in the development of the Knab site. The shortage of housing was a recurring theme across Committees, but the Council did not have the resources to deal with it so would have to continue to make its case. It was pointed out that there had been a request at the Education and Families Committee for the relevant Committee Chairs and officers get together and explore creative solutions to provide housing for key workers so that posts could be filled. It was commented that it was heartening that the Scottish Housing Minister, during a recent visit to Shetland, had strongly hinted that more money could be made available for social housing in Shetland if other local authorities were unable to spend their full allocations. However it was an area of concern that the local building industry had indicated that they were experiencing difficulties in recruiting staff, so consideration would have to be given to including smaller contractors in projects.

It was also commented that it was vitally important that the Council was successful in its efforts to improve digital and mobile connectivity in Shetland, given the potential savings that could be made in the delivery of social care and health services. It had been estimated that the development of the fibre network in the North Isles could result in savings in the region of £100,000 to NHS Shetland.

It was requested that the Council take steps to express its displeasure to the Scottish Government regarding the reduction in national funding for English for Speakers of Other Languages (ESOL). As a result, there would be a negative impact on Shetland College, and on the opportunities for migrant workers to settle in Shetland. It was also requested that the

resettlement of Syrian refugees in Shetland take place sensitively with minimum fuss and publicity, in order that the families involved could maintain their privacy.

Decision:

The Committee NOTED the report.

22/18 **Management Accounts for Development Committee: 2018/19 - Projected Outturn at Quarter 1**

The Committee considered a report by the Executive Manager – Finance (F-67-18-F) which presented the management accounts showing the projected outturn position at Quarter 1.

The Team Leader – Accountancy summarised the main terms of the report, advising that the projected revenue outturn position was an overspend of £241,000, and that the projected contribution from the Housing Repairs and Renewals Fund was £39,000 less than the budgeted amount.

Responding to questions, the Director of Development Services advised that the main reasons for variance related to the Vacancy Factor Target, and because the intended savings from the merger of tertiary education would not be met in the current financial year. The Scottish Funding Council was considering a request for project funding from the Council for the tertiary education merger project. It was something which was taking up a lot of officer time, but the Council had not claimed for the associated costs up until now.

Decision:

The Committee reviewed the Management Accounts showing the projected outturn position at Quarter 1.

In order to avoid the disclosure of exempt information, Mr Cooper moved, Mr Coutts seconded, and the Committee agreed to exclude the public in terms of the relevant legislation during consideration of the following item of business.

(Mr Burgess left the meeting)

23/18 **Progress Report for Inshore Fisheries Management Support - Shetland Islands Regulated Fishery (Scotland) Order**

The Committee considered a progress report by the Project Manager – Economic Development.

The Project Manager – Economic Development summarised the main terms of the report and responded to questions from Members.

Decision:

The Development Committee approved the recommendations in the report.

The meeting concluded at 12.50pm.

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Chair

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MINUTES

B - Public

**Development Committee
Council Chamber, Town Hall, Lerwick
Monday 1 October 2018 at 2pm**

Present:

P Campbell	A Cooper
S Coutts	A Duncan
J Fraser	S Leask
A Priest	T Smith

Apologies

A Manson

In Attendance (Officers):

N Grant, Director of Development Services
A Jamieson, Executive Manager - Housing
J Manson, Executive Manager - Finance
C Bain, Treasury Accountant
T Coutts, Project Manager
W Grant, Project Manager
K Nicolson, Project Manager
A Ross, Solicitor
B Kerr, Communications Officer
L Adamson, Committee Officer

Chair:

Mr Cooper, Chair of the Committee, presided.

Circular:

The circular calling the meeting was held as read.

Declarations of Interest

None

24/18 Economic Development Strategy 2018-2022

The Committee considered a report by the Project Manager - Economic Development (DV-33-18-F) that presented the Economic Development Strategy 2018-2022.

In introducing the report, the Project Manager (T Coutts) advised on the main changes that have been made to the draft Strategy and Action Plan following consultation with stakeholders during July/August 2018.

In referring to the section "Our Ambitions" in the Strategy and to the Action Plan, a comment was made that a number of the targets set appeared to be fixed and quite restrictive, and in that regard it was suggested that the

targets should be prefixed with the wording “a minimum of” in order to strive to exceed targets. In responding, the Project Manager advised that the targets set would always be considered to be the minimum achievement. He advised also that a number of the targets were particularly ambitious, and there were projects where the Council will have to work in partnership and rely on different organisations for progress to be made.

In responding to questions relating to the outcome in the Action Plan to support links between businesses and graduates to engage graduate placements, the Project Manager explained that the scheme was in draft at this time, however following approval of the Strategy the detailed scheme would be worked up. He reported that while the Scheme was unlikely to be in operation this financial year, the aim would be to support three graduates during the next financial year, and annually thereafter.

In response to a question, the Director of Development Services advised on the uncertainty in terms of the worst case scenario for Shetland from the UK’s exit from the European Union, however he advised on the importance for Shetland to be proactive to develop projects and create certainty where they exist in order to mitigate negative impacts.

During debate, comment was made on the importance to secure all income streams to realise a prosperous economy at a time of reducing budgets. The Chair advised on his disappointment at the lack of engagement from industry sectors during the consultation period on the draft Strategy, and he stressed the need going forward for greater engagement and joint working with industry. Mr Cooper moved that the Committee approve the recommendation in the report. Mr Duncan seconded.

Decision:

The Committee RECOMMENDED to the Policy and Resources Committee approval of the Economic Development Strategy 2018-2022.

In order to avoid the disclosure of exempt information, Mr Cooper moved, Mr Leask seconded, and the Committee agreed to exclude the public in terms of the relevant legislation during consideration of the following item of business.

25/18 Business Loan Application

The Committee considered a report by the Project Manager – Economic Development seeking approval for an offer of loan to BA Builders (Shetland) Ltd.

The Project Manager (W Grant) summarised the main terms of the report.

Following discussion where the Project Manager responded to questions from Members, Mr Cooper moved that the Committee approve the recommendations as set out in Section 1.1 of the report. Mr Leask seconded.

Whilst Mr Duncan confirmed that he was not against the proposal for the development of new houses, and he would encourage more companies to build houses in Shetland, Mr Duncan moved as an amendment, that the Committee defer a decision to allow for further investigation on the information in 3.11 of Appendix 2, with a further report to follow.

Mr Duncan's amendment did not receive a seconder.

Decision:

The Committee RESOLVED to approve the recommendations as set out in Section 1.1 of the report.

The meeting concluded at 2.40pm.

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Chair

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Meeting(s):	Development Committee Environment and Transport Committee Shetland College Board	11 December 2018 11 December 2018 17 December 2018
Report Title:	Development Services Directorate Performance Report – 6 Month/2nd Quarter 2018/19	
Reference Number:	DV-39-18-F	
Author / Job Title:	Neil Grant - Director of Development Services	

1.0 Decisions / Action Required:

- 1.1 The Committee/Board should discuss the contents of this report and make any relevant comments on the achievements of the Directorate during the second quarter of 2018/19, progress against the priorities set out in the Directorate Plan and contribute to the planning process for future years.

2.0 High Level Summary:

- 2.1 This report summarises the activity and performance of the Development Directorate for the second quarter 2018/19, enabling Members to analyse its performance against the Directorate's Service objectives, the Corporate Plan outcomes, and the Shetland Partnership Plan 2018-28.

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.
- 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.

4.0 Key Issues:

- 4.1 The Directorate's objectives as detailed in the Directorate Plan are the outcomes the Directorate aims to deliver over the next 3 years to deliver on the priorities within the Council's Corporate Plan and Shetland's Partnership Plan. We said "**what we must do in 2018 - 21**" was:

PARTICIPATION

- Support implementation of all parts of the Community Empowerment Act. In relation to Part 2 – Shetland's Partnership Plan, Governance, and Delivery Plans.
- Enable a 10 year plan to attract people to Shetland to live, work, study and invest in Shetland
- Develop a shared policy approach and arrangements in relation to resilient rural communities.

- Continue to develop the Council's approach to Community Choices/Participatory Budgeting

PLACE

- Enable development to happen
 - Consider policy implications in response to the National Review of Planning
 - Develop a new Local Development Plan (LDP2)
 - Develop a Master Plan for the Knab site
- Increase the supply of housing across all tenures
 - Develop refreshed Local Housing Strategy
 - Deliver supply target of affordable housing through the Strategic Housing Investment Plan (SHIP)
 - Investigate incentives and initiatives to increase supply of affordable homes
 - Assist communities to develop bespoke housing solutions
 - Encourage appropriate private development
 - Work in partnership with developers, builders and allied trades, and utilities to deliver new build housing targets
- Support for local businesses and entrepreneurs
 - Work with partners to achieve a strong Islands Deal
 - Proactively research Brexit opportunities, risks and scenarios
 - Provide commercial lending and grant support funding to local businesses
- Develop Shetland's Skilled Workforce
 - Deliver a sustainable model for Tertiary Education Training and Research
 - Establish Shetland's unique selling points for attracting students to study in Shetland
 - Provision of Student and Key Worker Accommodation
 - Increase the level of school pupil interest in STEM subjects, and entrepreneurship, to influence career choices and gender balance of Shetland's young workforce.
 - Further increase the number of Modern Apprentices.
 - Access funding programmes and opportunities brought about by the Modern Apprenticeship Levy.
- Achieve High Speed Broadband and mobile coverage throughout Shetland.
 - Influence Scottish Government R100 programme, reaching 100% by 2021.
 - Progress opportunities to extend local networks, using external funding, and where there is a business case justification.
- Achieve sustainable and affordable internal and external transport links
 - Inter-Island transport service provision, including fair funding of Ferries and internal air services.
 - Influence External Transport provision, new North Isles Ferry Contracts, fares and charging structures
 - Develop and promote internal transport networks including new public bus services
 - Work with stakeholders to develop a system of fares within internal transport services which help to address inequalities

At the same time we will continue to:

- reliably and safely deliver our day to day services that meet the needs of our customers;
- meet our statutory requirements and deliver compliant services;
- deliver our objectives to ensure the Corporate Plan commitments are met;
- maintain our existing assets;
- protect the environment and reduce the environmental impact of our activities;
- address inequality- supporting those most in need and not making inequalities worse;
- provide best value for the public funds invested in our services and Development.

Progress on Directorate Plan Outcomes

4.2 A summary of progress on the Directorate Plan key outcomes at Q2 is as follows:

- **Shetland's Partnership Plan 2018-28**, has been adopted by all Schedule 1 community planning partners and the Plan was launched in August. Work on Governance Structures and Delivery Plans for each of the four priorities has also commenced.
- **Community Asset Transfer**: South Nesting, transfer of the old school, is an exemplar project from both a community and Council perspective.
- **'Building for the future in Shetland'**: structured engagement with housing developers, building companies and agents to enable new build housing is progressing, with workshops on agreed priorities, Procurement, Skilled Workforce and Business Development and Support having taken place. The Developing Young Workforce group are helping to connect the building sector with schools and the future young workforce. However, a shortage of Planning Officers is creating backlogs in Planning. Special effort is being applied to recruit and backfill Planning posts.
- **Local Development Plan** – Call for sites and adverts for submission of interest have been published and will run for a period of 6 months. Further promotion will be done during this period.
- **Knab Site Masterplan**: Work is progressing with 7N Architects and Architecture and Design Scotland, to develop the masterplan for the site which will be presented to Committee in February 2019.
- **Scalloway Making Places Project** is achieving very good community engagement and will help to establish the community priorities and how they can be achieved in future place and service plans.
- **Syrian Family Resettlement**: arrangements are now well advanced to receive two families and final details are being worked through with the Home Office.
- **Economic Development Strategy 2018-22** and action plan was adopted in August 2018.
- **Islands Deal** proposal is being developed, based on attracting young people to the islands to live, work, study. Timescales for delivery of the plan are tight and require all workstreams to be complete in December 2018.
- **Shetland Space Centre Project**: Development services are currently engaging with Shetland Space Centre Ltd, HIE, UK Space Agency and other key private sector stakeholders to identify how this very significant opportunity can best be supported and facilitated by the Council.
- **Colleges Merger**: The Full Business Case is planned to be reported during the December cycle of meetings.
- **Employability Services**: service redesign is being progressed with

implementation planned for 31 December 2018

- **Fair Funding of internal ferry services:** Outline Business Cases are being progressed in partnership with Transport Scotland to properly identify appropriate specifications for the inter-island transport network. In the meantime, Shetland's £7.9m revenue ask for 2019/20 is with Transport Scotland and Scottish Government for their consideration. Work continues on the case for funding to meet the full revenue deficit in providing ferry services in 2019/20. Council officers have agreed the financial details with Transport Scotland and they have confirmed that these details will be the basis for their budget projections to be considered by Scottish Ministers. The financial details include capital funding requirements as well as revenue. Peter Brett Associates have been contracted and are currently working on the Outline Business Cases (OBCs) for Fair Isle, Whalsay and the revenue options of inter-island ferry services, to be complete by 31 March 2019.
- **Public bus network:** Specification of the school and public bus network is being worked on with the intention to contract in specialist support. It is likely that an extension of existing contracts beyond the planned August 2019 start will be required.
- **Northern Isles Ferry Services:** ZetTrans officers have been facilitating consultation with Transport Scotland and local stakeholders on the specification of the new contracts which are planned to start in October 2019.

4.3 Appendix A shows progress on the key projects and actions the Directorate set out to complete or substantially progress in 2018/19. Appendix B shows the Council wide indicators and the Key Directorate Indicators to enable the Committee to monitor service delivery against our performance targets and our Directorate Objectives in 4.1.

Risk and Service Challenges

4.4 Performance monitoring and performance reporting must also consider the areas of risk arising from our operations, the service challenges the directorate faces, actions and projects which have not progressed as planned and where we don't meet Performance Indicator Benchmarks:

- Internal ferries – Fair Funding by Scottish Government – the implications of not achieving Fair Funding from the Scottish Government would likely result in a significant reduction in service.
- Colleges Integration - plans to present the Full Business Case this cycle, for agreement with implementation (vesting) of agreed single entity model planned for start of academic term 2020. The current distributed operating model is not sustainable. The Council and the stakeholder organisations are applying significant resources to this project to present a robust business case which can be supported by all parties.
- Homelessness and Temporary Accommodation - we continue to experience significant pressure on housing stock particularly in the Lerwick area, leading to long periods in temporary accommodation. New build housing is a Council, Community and Government priority.
- We continue to experience difficulty in recruiting to posts within the service notably Planning Service posts where there is an acute national shortage of qualified staff. The shortage of planning staff is now having serious knock on effects in the local economy and a short term project team is working through recruitment, workforce development and backfill actions to resolve the situation as quickly as possible.

4.5	The Directorate Risk Register in Appendix E sets out the strategic risks which might prevent the Directorate from achieving its objectives in 4.1. The Committee should consider whether additional control measures could be applied to reduce the risk of circumstances giving rise to a negative impact on Directorate Performance.
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 Directorate uses customer feedback and complaint analysis to drive service change and service improvement.
6.2 Human Resources and Organisational Development:	There are a number of actions in this service plan with 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 Directorate Management team. Recruitment continues to be an issue particularly acute in Planning Services.
6.3 Equality, Diversity and Human Rights:	The Directorate carries out Integrated and Equalities Impact Assessments to ensure its services are supporting those most in need and not making inequalities worse.
6.4 Legal:	The Directorate delivers statutory services, monitoring performance provides assurance that statutory requirements are met and the Council complies with its duties in delivering Services.
6.5 Finance:	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 actions in the Directorate Plan relate to maintenance and replacement of Development and Council assets to maintain delivery of services to the people of Shetland.
6.7 ICT and New Technologies:	Limitations of the Shetland wide Broadband and Mobile networks impact on delivery of services which require remote access to digital networks and databases.
6.8 Environmental:	The Directorate works closely with Infrastructure and other Directorates to reduce energy usage and carbon emissions.
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 determined to be priorities to manage the Directorate risks.	
6.10 Policy and Delegated Authority:	The Council's Constitution – Part C - Scheme of Administration and Delegations provides in its terms of reference for Functional Committees (2.3.1 (2)) that they; “Monitor and review achievement of key outcomes in the Service Plans within their functional area by ensuring – (a) Appropriate performance measures are in place, and to monitor the relevant Planning and Performance Management Framework. (b) Best value in the use of resources to achieve these key outcomes is met within a performance culture of continuous improvement and customer focus.”	
6.11 Previously Considered by:	None.	

Contact Details:

Neil Grant, Director of Development Services,
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 3 December 2018

Appendices:

- Appendix A - Progress on the Directorate Projects and Actions (Development Committee, Environment and Transport Committee, Shetland College Board)
- Appendix B – Key Directorate Indicators and Council Wide Indicators (Development Committee, Environment and Transport Committee, Shetland College Board)
- Appendix C – Complaints Summary (Development Committee Only)
- Appendix D – Risk Register (Development Committee Only)
- Appendix E – Financial Investment Fund (Development Committee Only)



Background Documents:

[Directorate Plan 2018-2021](#)



Appendix A - Projects and Actions - Development ->Development Committee

Generated on: 03 December 2018

Shetland Partnership Plan 2018-2028

. Participation								
People participate and influence decisions on services and use of resources								
Code & Title	Description	Long-term Outcome	Dates		Progress	Progress Statement		
SP568 Shetland Partnership	Development of Shetland's Partnership Plan, associated delivery plans and establishment of new governance arrangements	Community Strength: 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-Apr-2017		Shetland's Partnership Plan 2018-28 was formally signed off by all 14 statutory partners in July 2018 with publication and launch following in August 2018. Interim Management and Leadership arrangements have been put in place whilst the proposed Delivery Planning and Partnership Framework arrangements are being developed.		
			Actual Start	17-Aug-2017	<div><div>70%</div></div>			
			Original Due Date	31-Mar-2018	Expected success			
Lead					Due Date	31-May-2019	 Likely to meet target	Delivery groups are currently developing Delivery Plans for the four priority outcomes, and a networking session is being planned for Partners in December.
Community Planning & Development					Completed Date			

. Place	
Shetland is an attractive place to live, work, study and invest	

Code & Title	Description	Long-term Outcome	Dates		Progress	Progress Statement
DP200 Increase supply of housing across all tenures	Deliver refreshed Local Housing Strategy and Local Development Plan Main Issues Report in 2018, and increase confidence and engagement of developers to build in Shetland a) Local Development Plan 2 b) Knab site Master Plan c) Local Housing Strategy Refresh d) Strategic Housing Investment Plan e) Work closely with local builders developers and agents to increase house build.	Housing supply is facilitating an increased population	Planned Start	01-Apr-2017		a) LDP2 Call for sites is currently open, and is running for a 6 month period. b) Knab Master Plan is being progressed with 7N architects, but taking longer than planned, currently anticipated December 2018, with reporting to January Cycle. c) Housing Needs and Demand Assessment is currently being assessed by Scottish Government CHMA team d) SHIP update is being progressed, to maximise number of Social Rented new build properties, for presentation at December cycle. e) Working with builders and agents to discuss opportunities to increase public and private sector new build in Shetland. Procurement meeting held in October, and further meeting on business support planned for December. Acute shortage of staff in Planning and Building Standards is impacting on Planning Application and Building Warrant times but is being addressed.
			Actual Start	17-Aug-2017	<div><div>50%</div></div>	
			Original Due Date	01-Apr-2020	Expected success	
			Due Date	01-Apr-2020		
			Completed Date		Likely to meet target	
Lead						
Development Services Directorate						

Code & Title	Description	Long-term Outcome	Dates		Progress	Progress Statement
DP204 Digital and mobile connectivity	Work with Scottish Government to influence rollout of broadband and mobile services in Shetland under the Government R100 plan, and identify where there are business cases for council engagement in provision of services and infrastructure. a) Find means to develop fibre network in Yell Unst and Fetlar. b) Develop a Digital Strategy for the Council	Achieve 100% high speed broadband and mobile coverage throughout Shetland	Planned Start	01-Apr-2017		UK Government Full Fibre Challenge Fund bid for fibre network to North Isles is currently being considered by DCMS (Dept for Digital, Culture, Media) for decision in December 2018. April 2020 is the target date for the completion of the North Isles Fibre network. April 2021 is the target date for R100.
			Actual Start	17-Aug-2017	<div><div>50%</div></div>	
			Original Due Date	01-Apr-2021	Expected success	
			Due Date	01-Apr-2021		
			Completed Date		Experiencing issues, risk of failure to meet target	
Lead						
Development Services Directorate						

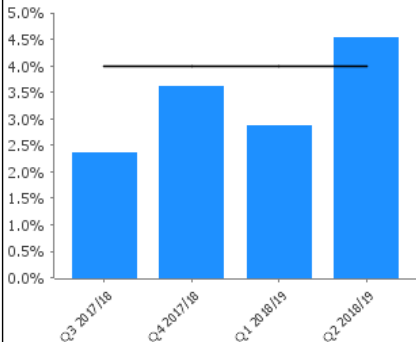
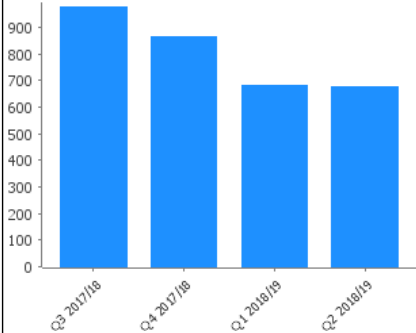
Code & Title	Description	Long-term Outcome	Dates		Progress	Progress Statement
DP208 The Council's future role in the port of Sullom Voe	Work with the Sullom Voe Terminal owners, Shetland gas Plant, and Oil & Gas Authority to develop future plans for the terminal	Maximise the economic life of the Terminal and the port of Sullom Voe.	Planned Start	31-Mar-2018		Early discussions held with Oil & Gas Authority.
			Actual Start	31-Mar-2018	<div><div>25%</div></div>	Work package to engage industry expert advice in appraisal of the future options for the terminal is being progressed.
			Original Due Date	01-Sep-2020	Expected success	
			Due Date	01-Sep-2020		Project led jointly between Development and Infrastructure on behalf of the Chief Executive
			Completed Date		Likely to meet target	
Lead						
Development Services Directorate						

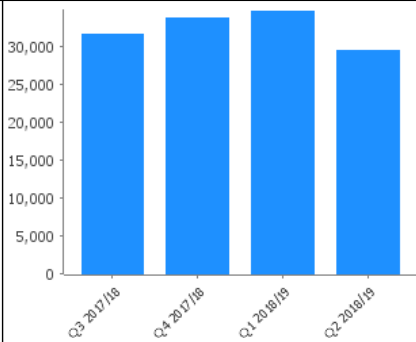
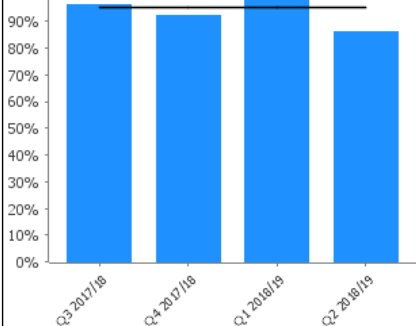
Money	All households can afford to have a good standard of living
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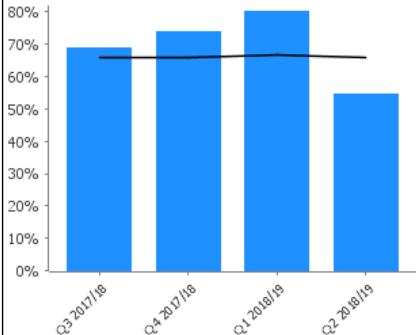
Code & Title	Description	Long-term Outcome	Dates		Progress	Progress Statement
DP203 Support for local businesses and entrepreneurs	Promote Enterprise and provide support for local businesses. a) Develop an Islands Deal along with Orkney and Western Isles. The deal will have a key focus on increasing Shetland's economically active population. b) Work with Community Planning Partners to Develop a 10 year plan to attract people to Shetland to live, work, study, invest c) Develop a plan to manage opportunities and risks created by Brexit. d) Develop a plan for the Council's engagement in Satellite launch and ground tracking centre in Shetland	Sustainable economy with access to skilled workforce	Planned Start	01-Apr-2017		a) The Islands Deal project is being progressed along with Orkney and Western Isles. Target timing for consideration in Government spring budget 2019
			Actual Start	17-Aug-2017	<div><div>50%</div></div>	
			Original Due Date	01-Apr-2019	Expected success	b) Various work streams are being progressed regarding talent attraction. Progress with Promote Shetland activities was reported during September.
			Due Date	01-Apr-2019		c) Meeting of Brexit Sounding Board to be arranged.
			Completed Date		Experiencing issues, risk of failure to meet target	d) The Council is working closely with the Shetland Space Centre, to develop satellite Tracking Ground Station and Launch Facilities.
Lead						
Development Services Directorate						

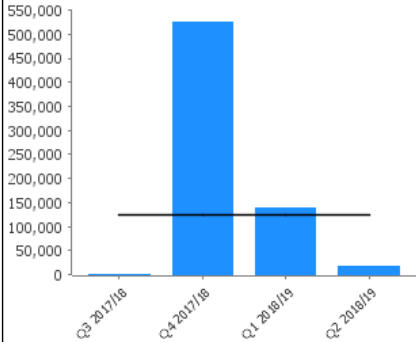
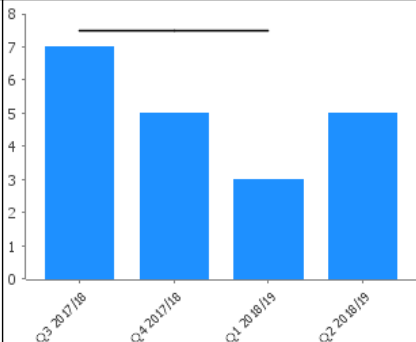
Appendix B Performance Indicators (Quarterly)- Development Directorate -> Development Committee

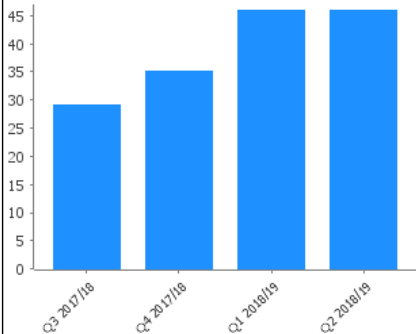
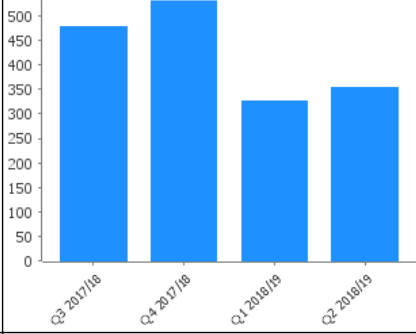
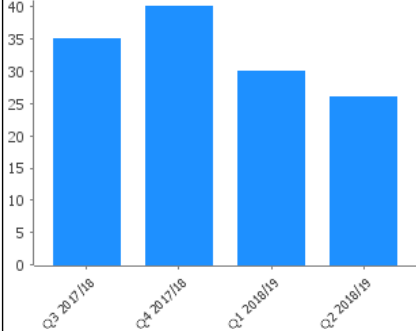
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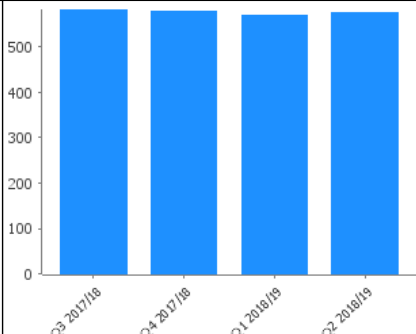
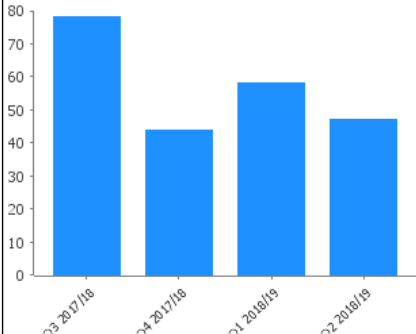
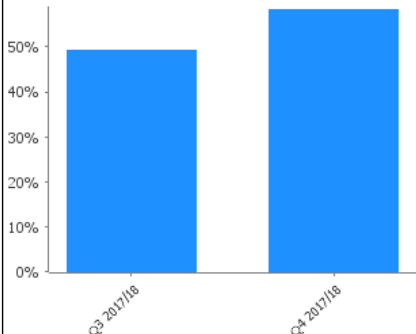
Code & Short Name	Previous Years		Quarters				Q2 2018/19	Graphs	Past performance & future improvement Statements
	2016/17	2017/18	Q3 2017/18	Q4 2017/18	Q1 2018/19	Q2 2018/19			
	Value	Value	Value	Value	Value	Value	Target		
OPI-4C-G Sick %age - Development Directorate	2.9%	2.8%	2.4%	3.6%	2.9%	4.5%	4.0%		The sickness level for the Development Directorate has increased to above the target of 4%. This is being monitored.
OPI-4E-G Overtime Hours - Development Directorate	3,366	3,204	978	867	682	677			The Development Directorate overtime hours have decreased. Overtime continues to be managed on a pre-authorisation basis.

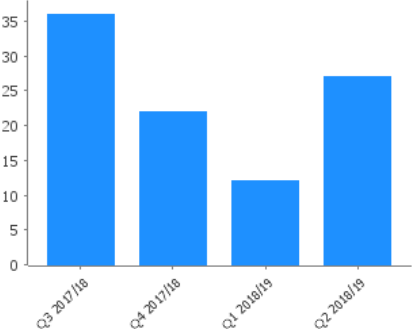
	Previous Years		Quarters						
Code & Short Name	2016/17	2017/18	Q3 2017/18	Q4 2017/18	Q1 2018/19	Q2 2018/19	Q2 2018/19	Graphs	Past performance & future improvement Statements
	Value	Value	Value	Value	Value	Value	Target		
OPI-4G-G Employee Miles Claimed - Development Directorate	112,437	128,880	31,689	33,784	34,677	29,436			Miles claimed is monitored regularly, with a recent decrease.
G01 FOISA responded to within 20 day limit - Development Services	92%	93.25%	96%	92%	98%	86%	95%		The Development completed a total of 50 FOISA requests in Q2. Of these, 43 were completed within the 20 day timescale. Part of the reason for failing to meet the target is staffing shortages in the Planning Service.

	Previous Years		Quarters						
Code & Short Name	2016/17	2017/18	Q3 2017/18	Q4 2017/18	Q1 2018/19	Q2 2018/19	Q2 2018/19	Graphs	Past performance & future improvement Statements
	Value	Value	Value	Value	Value	Value	Target		
GD-02 Success rate - external funding applied for by community groups (%)	65.63%	72.66%	69%	73.91%	80%	54.54%	66%	 <p>In Q2, staff in CP&D have assisted with 8 external funding bids. During the period 6 decisions were received, 2 successful applications with four bids rejected. This is a success rate of 33% for the quarter, with year to date success rate being 54.54%. Both of which are below target however CP&D staff are working closely with a number of other projects so anticipate further results to be reported later in the year.</p> <p>The External Funding Officer continues to be active liaising with various funding bodies. Advanced discussions are underway with Big Lottery Fund to hold a funding event in Shetland. It is anticipated the event will take place in late 2018, but details still to be finalised.</p> <p>External funding landscape continues to be very competitive.</p>	

Code & Short Name	Previous Years		Quarters				Q2 2018/19	Graphs	Past performance & future improvement Statements
	2016/17	2017/18	Q3 2017/18	Q4 2017/18	Q1 2018/19	Q2 2018/19			
	Value	Value	Value	Value	Value	Value	Target		
GD-03 External funding secured by Community Groups	280,486	1,116,110	500	525,409	138,585	18,581	125,000		<p><u>Performance</u></p> <p>8 applications have been submitted during quarter 2. A total of 6 decisions received during the period; 2 successful applications totalling funding of £18,581 with 4 bids rejected. At the end of the period there are 5 applications pending a decision.</p> <p>to date in 2018/19 a total of £157,166 has been secured for a range of local projects which is below target. However several larger funding bids are under consideration which if successful will put CP&D back on target.</p> <p><u>Improvement</u></p> <p>During the quarter, the Grants Unit issued a total of 27 updates to its funding mailing list. This mailing list reaches over 200 contacts from a wide range of community groups, partners and SIC officers.</p> <p>External Funding Officer (EFO) also has had discussions with various funding bodies. Advanced discussions are underway in connection to the Big Lottery Fund holding a funding event in Shetland during 2018. Details still to be confirmed.</p>
GD-04 Number of people moving into employment through Employability Pathway	25	27	7	5	3	5			<p>Improvement is limited by the current Pathway structure and processes. Change process is underway, which will lead to an improvement in performance.</p>

	Previous Years		Quarters						
Code & Short Name	2016/17	2017/18	Q3 2017/18	Q4 2017/18	Q1 2018/19	Q2 2018/19	Q2 2018/19	Graphs	Past performance & future improvement Statements
	Value	Value	Value	Value	Value	Value	Target		
GE-05 Numbers accessing Business Gateway Start Up Services	69	95	29	35	46	46			<p>Business Gateway is a Scottish Government resource that offers advice and guidance to start up and established companies across Scotland, and in Shetland is administered through SIC Economic Development Service.</p> <p>In quarter 2, 46 enquiries relating to start-up services have been dealt with by Business Gateway Shetland. This includes individuals undertaking the 2 day start-up course and enquiries received directly at the local office and those from the national enquiry fulfilment centre relating to Shetland.</p>
GH-05 Average length of time in temporary or emergency accommodation (Days)	491	500	477	529	325	355			<p>The average time in temporary accommodation has decreased from the overall average in 2017/2018 but still remains high. This demonstrates the pressure on housing stock and demand.</p>
GH-08 Number of Homeless Applications Made	114	127	35	40	30	26			<p>The number of homeless applications between April to September 2018 is 56. This compares to 52 homeless applications during the same time in 2017.</p>

	Previous Years		Quarters						
Code & Short Name	2016/17	2017/18	Q3 2017/18	Q4 2017/18	Q1 2018/19	Q2 2018/19	Q2 2018/19	Graphs	Past performance & future improvement Statements
	Value	Value	Value	Value	Value	Value	Target		
GH-09 The number of housing applications on housing register	661	578	582	578	571	575			The number of housing applications remains quite similar over the last few quarters, with a high demand for social housing.
GP-01 Average days taken to obtain a building warrant	63.16	54.22	78.15	44	58	47			During Q2, 57 warrant were issued however the average time taken has reduced to 47 days compared with Q1 (58 days). This is despite 2 applications taking particularly long due to the applicant/agent taking more than 6 months to respond to the first report. The average time taken to issue a building warrant for the year to date is 53 days.
GP-02 % planning applications dealt with within 2 months	46.6%	55.1%	49.3%	58.1%					Data for Q1 and Q2 is unavailable due to the change in Scottish Government reporting. At the moment, there are delays in processing planning applications due to staff shortages. Developers and agents have been informed of the situation and made aware of the expected delays.

	Previous Years		Quarters						
Code & Short Name	2016/17	2017/18	Q3 2017/18	Q4 2017/18	Q1 2018/19	Q2 2018/19	Q2 2018/19	Graphs	Past performance & future improvement Statements
	Value	Value	Value	Value	Value	Value	Target		
GP-10t Housing completions (Private & Affordable)	80	103	36	22	12	27		 <p>House building in Shetland continues. In Q2, 11 private properties and 16 affordable properties were completed. Over half completed within Q2 were within the Central area.</p>	

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 December 2018

Short Name	Years				2 years ago	Last year	This year
	2014/15	2015/16	2016/17	2017/18	Q2 2016/17	Q2 2017/18	Q2 2018/19
	Value	Value	Value	Value	Value	Value	Value
Sickness Percentage - Whole Council	4.2%	3.7%	3.1%	4.0%	2.6%	3.4%	3.5%
Sick %age - Chief Executive's "Directorate"	2.4%	3.5%	1.2%	2.9%	1.5%	2.2%	3.0%
Sick %age - Children's Services Directorate	3.7%	2.9%	2.5%	3.5%	1.8%	2.3%	2.3%
Sick %age - Community Health & Social Care Directorate	6.0%	5.6%	5.2%	6.3%	4.1%	5.6%	5.4%
Sick %age - Corporate Services Directorate	2.4%	1.8%	1.9%	2.6%	1.8%	3.4%	1.2%
Sick %age - Development Directorate	4.2%	3.5%	2.9%	2.8%	3.0%	3.1%	4.5%
Sick %age - Infrastructure Directorate	4.0%	3.8%	2.4%	3.3%	2.2%	2.9%	3.8%

Appendix C - Complaints - Development Directorate

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 December 2018

Failure to provide a service

ID	Stage Title	Received Date	Status	Closed Date	Service /Directorate	Days Elapsed	Complaint Upheld?
COM-18/19-848	Investigation	20-Aug-2018	Closed	10-Sep-2018	Housing	15	Upheld

Standard of service received

ID	Stage Title	Received Date	Status	Closed Date	Service /Directorate	Days Elapsed	Complaint Upheld?
COM-18/19-816	Investigation	27-Jul-2018	Closed	12-Nov-2018	Development Services Directorate	76	Partially Upheld
COM-18/19-842	Investigation	28-Sep-2018	Closed	29-Nov-2018	Housing	44	Partially Upheld
COM-18/19-849	Frontline	17-Sep-2018	Closed	21-Sep-2018	Housing	4	Not Upheld

Dissatisfaction with Council policy

ID	Stage Title	Received Date	Status	Closed Date	Service /Directorate	Days Elapsed	Complaint Upheld?
COM-18/19-826	Frontline	17-Sep-2018	Closed	24-Sep-2018	Housing	5	Partially Upheld
COM-18/19-845	Investigation	26-Jun-2018	Closed	09-Jul-2018	Housing	9	Not Upheld

Behaviour/Attitude of staff

ID	Stage Title	Received Date	Status	Closed Date	Service /Directorate	Days Elapsed	Complaint Upheld?
COM-18/19-791	Investigation	11-Jun-2018	Closed	09-Jul-2018	Planning	20	Partially Upheld
COM-18/19-846	Frontline	14-Aug-2018	Closed	15-Aug-2018	Housing	1	Not Upheld
COM-18/19-847	Frontline	15-Aug-2018	Closed	22-Aug-2018	Housing	5	Not Upheld

Failure to follow administrative process

ID	Stage Title	Received Date	Status	Closed Date	Service /Directorate	Days Elapsed	Complaint Upheld?
COM-18/19-786	Frontline	11-May-2018	Closed	05-Jul-2018	Planning	39	Not Upheld

Risk Register - Development Services

Risk & Details	Likelihood	Current Impact	Risk Profile	Current and Planned Control Measures	Probability	Target Impact	Risk Profile	Responsible Officer
Category	Directorate							
Corporate Plan	C1. Economy and Housing - Promote Enterprise							
Service reviews completed, Planning suffers from acute national shortage of qualified staff, general climate (v low unemployment) continues to impact to some extent. Key posts in some areas are difficult to recruit to, and exacerbated by national and local competition and limited local housing options. Trigger : Resignation, retirement, Consequences : Impact on service delivery, workload on staff and consequent impact. Risk type : Key staff - loss of Reference - C0017	Almost Certain	Significant	High	• Corporate wide Staff Survey (Viewpoint) - progressing Action Plan to address staff views raised in corporate wide 2017 staff survey (Viewpoint); *A corporate workforce development plan is progressing - HR workforce strategy has been approved. *Management to ensure that exit interviews are always completed, and to track exit interview statistics; *Ten year plan to attract people to live, work and study in Shetland has been adopted by the Shetland Partnership *Management to look to extending the 'grow your own/' trainee posts; *Careful monitoring of the impact of policy interventions such as market forces; *Consideration to be given to wider use of adjusted posts to 'fill gaps' on a temporary basis, and for temporary '2-way probation' or 'secondments' so that staff can try out an advertised post before committing.	Possible	Significant	Medium	Neil Grant Development Services
Development Service operates within a complex legislative environment and is expected to be an exemplar. Current controls include, e.g. ICT security policy, ICT automatic encryption of all laptops and USBs are auto-encrypted before any data can be downloaded. Trigger : Lack of training or understanding could lead to a breach of, for example, HSE/ Data protection/ human Rights/ employment practice, etc. Consequences : Investigation, censure/ prohibition notice/criminal prosecution/ fine, impact on workload, impact on staff, stress, bad publicity Risk type : Breach of Legislation - Data Protection, Human Rights, Employment Practice, Health and Safety etc Reference - C0018	Likely	Significant	High	• Ensure projects are a priority activity in achieving the Outcomes identified in the Corporate plan 2016-20, "Our Plan 2016-2020" and ensure proper process for identifying and allocating project resource; Train staff and adhere to standing orders, on-going staff training on employment practices, H & S, ensure risk assessments are current, communicated and complied with; All staff to make themselves aware of the ICT security policy - http://intranet2/Policy/Shared%20Documents/ICT%20SecurityPolicy%20v2_10.pdf (Exec summary on page 5).	Unlikely	Minor	Low	Neil Grant Development Services

Corporate Plan		E1. Connection and Access - Community transport solutions						
C0027 - Central Govt Funding Issues - Central Govt Funding Issues - Provision of Air and Ferry Services, Revenue and Capital Funding - subject to Inter-island Transport review, and work ongoing with Scottish Government and Transport Scotland. Trigger : Scottish Government decision not to support Revenue and Capital cost of service. Delay in Scottish Government's decision beyond next year. Islands Deal. Brexit also can affect this risk. Consequences : Council cannot afford current service levels or replacement of aging infrastructure, financial risk sits with Infrastructure for ferries and Development for air contract. Risk type : Central Govt Funding Issues Reference - C0027	Possible	Minor	Medium	<ul style="list-style-type: none"> *The Council has worked with the Scottish Government using Transport Methodology and Business Case planning to identify specification for inter island transport. *A joint statement on Fair Funding has been prepared by Shetland and Orkney Islands Councils to clarify funding amounts and timescales with Scottish Government Ministers. *Funding request for 2018/19 revenue budget and capital costs. 	Possible	Extreme	High	Neil Grant Development Services
Corporate Plan		F1. Our "20 by 20" - Leadership & Management						
Council commitment to partnership working. This became a statutory requirement following implementation of the Community Empowerment Act 2015. Trigger : There is a risk that the Council as lead for Shetland's Community Planning Partnership fails to engage effectively with all partners to develop a coherent Partnership Plan Consequences : Censure/ action against the Council for failing to comply with legislation, Failure to achieve the best outcomes for the community. Risk type : Partnership working failure Reference - C0030	Possible	Major	High	<ul style="list-style-type: none"> • Community Planning is supported by the Community Planning and Development Team in the Development Department. Seminars and wider engagement activities were delivered, including collaboration regarding locality working which informs strategic planning for Health & Social Care Services *A project board has been set up to progress Community Empowerment (Part 2) workstreams of Governance, Locality Planning and Engagement. *Target date for implementation of new Partnership Plan, Locality Plan and Governance arrangements is April 2018. 	Unlikely	Major	Medium	Neil Grant Development Services

<p>Failure to deliver the College merger would result in an unsustainable tertiary sector. The timeframe 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 to be complete by 12 December 2018 with targeted vesting date August 2020.</p> <p>Trigger : Project management failure, partner failure, project resources.</p> <p>Consequences : Failure to deliver a sustainable and affordable model for tertiary education, training and research.</p> <p>Risk type : Professional - Other</p> <p>Reference - C0031</p>	Unlikely	Significant	Medium	<p>• UHI has been funded by SFC to lead the business case development of a merged, single governance organisation for tertiary education, research and training.</p> <p>Business case to be complete by 12 December 2018</p>	Unlikely	Minor	Low	Neil Grant Development Services
Corporate Plan <i>F5. Our "20 by 20" - Standards of Governance</i>								
<p>Development Directorate is managing a number of significant projects of strategic importance, including Community Empowerment Act, Part 2, Colleges Merger; Internal and External Ferries; Outer Isles Transport; Economic Development Service, Commercial Lending; Participatory Budgeting; Strengthening Community Involvement; High Speed Broadband; Local Housing Strategy; Local Development Plan; Transport Strategy; Economic Development Strategy; Energy Strategy; Shetland's Partnership Plan 2018-2028</p> <p>Trigger : Focus or priority could be wrong</p> <p>Consequences : Wasted resources, negative impact on wider community, Financial cost, bad publicity</p> <p>Risk type : Strategic priorities wrong</p> <p>Reference - C0019</p>	Possible	Major	High	<p>• Ensure projects are a priority activity in achieving the Outcomes identified in the Corporate Plan</p> <p>Ensure projects are a priority activity in achieving the Outcomes identified in the Corporate plan 2016-20 and ensure proper process for identifying and allocating project resource.</p>	Unlikely	Significant	Medium	Neil Grant Development Services
<p>Development Service delivers a service with reducing resources and constraints including the MTFP.</p> <p>Trigger : Reduced and reducing budget, fewer staff - requirement to accommodate and work within 20% / (£20 million reduction across the organisation) in resources over 4 years</p> <p>Consequences : Impact on service, workload has to be managed by fewer staff, stress, impact on service users & communities</p> <p>Risk type : Economic / Financial - Other</p> <p>Reference - C0021</p>	Likely	Significant	High	<p>• Restructure implemented, strategic planning continuing, awareness of issues</p>	Possible	Significant	Medium	Neil Grant Development Services

<p>Development Service / the Council works in a number of areas and necessarily publishes information on its activities</p> <p>Trigger : Failure to share information, poor management of communications/ poor communication with service users/ members of the public/ media, or mis-perception by media.</p> <p>Consequences : Bad publicity, communities miss opportunities, finite resources spent on rectifying misunderstandings, staff morale impact, service users/ partners lose trust in services.</p> <p>Risk type : Communications poor</p> <p>Reference - C0022</p>	Unlikely	Major	Medium	<ul style="list-style-type: none"> • Link to risk around corporate priorities ▫Adhere to corporate communications policy, Management team are aware ofthe issues and risks that fall to Dev MT and CMT. 	Rare	Significant	Low	Neil Grant Development Services
<p>One or more communities fail to be sustainable</p> <p>Trigger : Demographic and socio-economic problems on remote communities</p> <p>Consequences : Depopulation of remote areas, sudden impact on development services</p> <p>Risk type : Economic climate</p> <p>Reference - C0026</p>	Possible	Significant	Medium	<ul style="list-style-type: none"> • Impact of connectivity from broadband and transport links, working with communities to develop sustainable plansProgressing 'Islands with small populations' project 	Unlikely	Significant	Medium	Neil Grant Development Services

DV-39-18 Appendix E

Shetland Investment Fund (Development Committee only) 6 month/1st and 2nd Quarter 2018/19

Activity (April-September 2018):

New Approvals	None in the period
Amended Agreements	1 rescheduling following lump sum repayment
Completed Investments	1 loan ended and 2 guarantee obligations met
Decommitted investments	None in the period
New Enquiries	2 enquiries

Investment Portfolio (as at 30 September 2018):

Investment Type	Number
Loans	7
Hire Purchase Agreements	1
Equity Holdings	4
Loan Guarantees	1
Fishing Licences (Kilowatt Licences)	5 (1,200 kilowatts)
Quota (Fixed Quota Allocation Units)	143,448

Financial Position (as at 30 September 2018):

Excluded from the table below is the value of equities, fishing licences, quota and contingent liabilities relating to loan guarantees.

	£m	£m
Shetland Investment Fund		15.00
<u>Less:</u>		
Loans & Hire Purchase Balance	- 1.63	
Committed Loans	- <u>0.00</u>	
Total Value of Loans Made and Committed Which Remain Outstanding		- <u>1.63</u>
Balance Invested in Managed Funds		<u>13.37</u>



Meeting(s):	Development Committee	Date: 11 December 2018
Report Title:	Management Accounts for Development Committee: 2018/19 – Projected Outturn at Quarter 2	
Reference Number:	F-082-F	
Author / Job Title:	Jamie Manson, Executive Manager - Finance	

1.0 Decisions / Action required:

- 1.1 The Development Committee RESOLVES to review the Management Accounts showing the projected outturn position at Quarter 2.

2.0 High Level Summary:

- 2.1 The purpose of this report is to enable the Development Committee to monitor the financial performance of services within its remit, to ensure that Members are aware of the forecast income and expenditure and the impact that this will have with regard to delivering the approved budget. This report shows the projected financial consequence of the service performance detailed in the Development Directorate's performance report and allows the Committee the opportunity to provide instruction to officers to address any forecast overspends in order that the budget is delivered by the year-end.
- 2.2 On 14 February 2018 (SIC Min Ref: 5/18) the Council approved the 2018/19 revenue and capital budgets for the Council (including the General Fund, Harbour Account, Housing Revenue Account and Spend to Save) requiring a draw from reserves of £11.734m. It is vital to the economic wellbeing of the Council that its financial resources are managed effectively and expenditure and income is delivered in line with the budget, as any overspends will result in a further draw on reserves and would be evidence that the Council is living beyond its means.
- 2.3 This report forms part of the financial governance and stewardship framework which ensures that the financial position of the Council is acknowledged, understood and quantified on a regular basis. It provides assurance to the Corporate Management Team and the Committee that resources are being managed effectively and allows corrective action to be taken where necessary.
- 2.4 Since the approval of the 2018/19 budget, revisions to the budget have been incorporated for the Council's budget carry-forward scheme. Therefore this report refers to the revised budget that is now in place for each of the services.

3.0 Corporate Priorities and Joint Working:

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

4.0 Key Issues:

- 4.1 This report presents the projected outturn position for 2018/19 as at the end of the second quarter for revenue and the Housing Revenue Account. The forecasts have been determined by Finance Services after consultation with the relevant budget responsible officers.
- 4.2 The projected revenue outturn position for the Development Committee is an overspend of £110k, which means the services in this Committee area are collectively projected to spend more than their approved revenue budget. Recurring savings of £92k p.a. have been identified within the Development Department.
- 4.3 The Director of Development will seek to address the projected overspend through action under the following points:
- Management of the Colleges Merger project and project funding from the Scottish Funding Council;
 - Planning Service Recruitment;
 - Implementation of the Review of Economic Development Services;
 - Finding further efficiencies across all services;
 - Sharing of project costs with Community Planning partners; and
 - Pursuing commercial opportunities relating to telecoms infrastructure
- 4.4 Included within the service revenue budget are the following service redesign saving proposals:
- £250k – Tertiary Sector Redesign: Ongoing work to produce the full business case for this proposal anticipates that savings will not be achieved until 2019/20. Actions being taken include prioritising this project to ensure that it can be delivered in 2019/20; minimising costs associated with the project by obtaining funding from the Scottish Funding Council; and seeking efficiencies across the Development Directorate over the course of the year to meet the 2018/19 shortfall.
 - £40k – Promote Shetland Contract: this contract has been awarded, and savings of £33k per annum realised. Action to achieve the remaining £7k saving will be taken across all budget heads as the year progresses.
- 4.5 The projected contribution from the Housing Revenue Account Reserve is £1.077m, which is £212k less than budgeted.
- 4.6 Appendices 1 and 2 are attached for detailed information on the Revenue and Housing Revenue Account outturn position.

4.7	Provision was made in the Council's 2018/19 Budget for cost pressures and contingencies. This is held centrally by the Executive Manager - Finance.
4.8	Cost pressures are recurring in nature and increase the base cost of the service being delivered, e.g. apprenticeship levy, whereas contingency items are deemed non-recurring and likely to vary year on year, e.g. ferry breakdown costs.
4.9	This approach assists the Council to mitigate any spending risks. However, it is expected that services will endeavour, in the first instance, to meet any additional costs from within existing resources.
5.0 Exempt and/or confidential information:	
5.1	None.
6.0 Implications :	
6.1 Service Users, Patients and Communities:	Any implications in relation to the actions and service provision in this report will be included in the Director of Development Performance Management report also presented at this meeting.
6.2 Human Resources and Organisational Development:	Any implications in relation to the actions and service provision in this report will be included in the Director of Development Performance Management report also presented at this meeting.
6.3 Equality, Diversity and Human Rights:	Any implications in relation to the actions and service provision in this report will be included in the Director of Development Performance Management report also presented at this meeting.
6.4 Legal:	Any implications in relation to the actions and service provision in this report will be included in the Director of Development Performance Management report also presented at this meeting.
6.5 Finance:	<p>The 2018/19 Council budget 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.</p> <p>For every £1m of reserves spent in excess of a sustainable level will mean that the Council will have to make additional savings of £73k each year in the future as a result of not being able to invest that £1m with fund managers to make a return. It is therefore vital that the Council delivers its 2018/19 budget.</p> <p>This report demonstrates that the services under the remit of the Development Committee are projecting to spend more than their Council approved budget.</p>

6.6 Assets and Property:	Any implications in relation to the actions and service provision in this report will be included in the Director of Development Performance Management report also presented at this meeting.
6.7 ICT and new technologies:	Any implications in relation to the actions and service provision in this report will be included in the Director of Development Performance Management report also presented at this meeting.
6.8 Environmental:	Any implications in relation to the actions and service provision in this report will be included in the Director of Development Performance Management report also presented at this meeting.
6.9 Risk Management:	<p>There are numerous risks involved in the delivery of services and the awareness of these risks is critical to successful financial management.</p> <p>From a financial perspective, risks are an integral part of planning for the future, as assumptions are required to be made. These assumptions can be affected by many internal and external factors, such as supply and demand, which may have a detrimental financial impact.</p> <p>There are no significant risks identified within the services reporting to this committee.</p> <p>This report is part of the framework that provides assurance, or recognition of any deviation from the budget that may place the Council in a financially challenging position and requires remedial action.</p> <p>The Council makes provision within its budget for cost pressures and contingencies that may arise. This approach provides additional confidence for the Council to be able to mitigate any adverse financial circumstances.</p> <p>A strong balance sheet and the availability of usable reserves ensure that the Council is prepared for significant unforeseen events.</p> <p>Any draw on reserves beyond the Council's sustainable level would have an adverse impact on the level of returns from the Council's long-term investments. This situation would require to be addressed quickly to ensure no long term erosion of the investments.</p>
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 2018/19 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:	<i>n/a</i>	<i>n/a</i>

Contact Details:

Ivor Johnson, Senior Assistant Accountant, ivor.johnson@shetland.gov.uk,
22 November 2018

Appendices:

Appendix 1 – Development Committee Projected Revenue Outturn Position 2018/19
Appendix 2 – Housing Revenue Account Projected Outturn Position for 2018/19

Background Documents:

SIC Budget Book 2018/19, SIC 14 February 2018
<http://www.shetland.gov.uk/coins/submissiondocuments.asp?submissionid=22032>

Development Committee

1. Projected Revenue Outturn Position 2018/19

Budget v Projected Outturn Variance at Quarter 1 (Adv)/ Pos £000	Service	2018/19 Revised Annual Budget £000	2018/19 Projected Outturn at Quarter 2 £000	Budget v Projected Outturn Variance at Quarter 2 (Adv)/ Pos £000
(463)	Director of Development	2,480	2,719	(239)
22	Community Planning & Development	953	913	40
77	Economic Development	1,571	1,542	29
47	Housing	1,540	1,480	60
76	Planning	1,045	1,045	0
(241)	Total Controllable Costs	7,589	7,699	(110)

Explanations for the main outturn variances by service at Quarter 2 are set out below:

1.1 Director of Development - Projected outturn overspend (£239k) (10%)

The main reasons for the projected outturn variance are:

- Work is ongoing to produce the Effective and Sustainable Tertiary Education, Research and Training in Shetland Full Business Case, which anticipates savings will be delayed until 2019/20, therefore the intended savings target in 2018/19 will not be achieved (£250k);
- Salary costs of seconded staff to the project team to deliver the Business Case are projected at an unfavourable variance of (£70k); offset by
- The grant awarded to the Shetland College for its property costs in 2018/19 is expected to be £99k less than originally calculated.

1.3 Housing - Projected outturn underspend £60k (4%)

The main reason for the projected outturn variance is:

- Estimated savings in salary costs of £64k due to staff vacancies including a Senior Housing Officer (now recruited to); a vacant Quality & Standards Officer; and vacant Community Housing Support workers (1.27 FTE).

1.4 Planning – Projected outturn to break even.

Whilst the Planning Service is expected to conclude the year to its budget, there are significant variances within the service:

- The expected shortfall in income in Building Warrants and Planning Applications are expected to be less than previously anticipated (£51k); offset by
- A general shortage in professional planning posts nationwide and difficulties in recruitment to Shetland has resulted in a range of temporary vacant professional posts, a team leader position and an instance of maternity leave, resulting in projected saving in salary costs, £73k.

Restructuring of posts within Development Services are expected to result in recurring savings of £92k per annum.

Housing Revenue Account

1.0 – Projected Housing Revenue Account Outturn Position 2018/19

Description	2018/19 Revised Annual Budget £000	2018/19 Projected Outturn at Quarter 2 £000	Budget v Projected Outturn Variance at Quarter 2 (Adv)/ Pos £000
Expenditure:			
Supervision & Management	853	818	35
Repair & Maintenance	2,164	2,160	4
Void Rents & Charges	167	187	(20)
Garages	31	31	-
Capital Funded from Current Revenue	-	-	-
Capital Charges - Dwellings	1,330	1,268	62
Total: Expenditure	4,545	4,464	81
Income:			
Interest on Revenue Balances	(1)	(1)	-
Rents - Dwellings	(6,730)	(6,730)	-
Rents - Other ie garages/sites etc	(229)	(235)	6
Total: Income	(6,960)	(6,966)	6
Net HRA Revenue - (Income)/Expenditure	(2,415)	(2,502)	87
HRA Capital Expenditure	3,734	3,609	125
HRA Capital Receipts	(30)	(30)	-
Net HRA Capital - (Income)/Expenditure	3,704	3,579	125
Contribution to/(from) HRA Reserve	(1,289)	(1,077)	(212)
Overall Total	-	-	-

Included in the above table are the projected variances presented at Quarter 2.

Explanation of the main projected variances at quarter 2 are set out below:

1.1 Capital Charges – Dwellings – Draft outturn underspend £62k (5%)

HRA borrowing costs for the year are projected to be less than budgeted due to better than expected interest rate.

1.2 Contribution to HRA Reserve – Draft outturn underspend £212k (16%)

The projected reduction in contribution from the HRA Reserve is due to the projected borrowing costs for HRA being less than budget due and an underspend of £125k in capital projects for the year, as detailed below in 2.0.

2.0 - Draft Capital Outturn Position 2018/19

Capital Projects	2018/19 Revised Annual Budget £000	2018/19 Draft Outturn at Qtr 2 £000	Budget v Draft Outturn Variance at Qtr 2 (Adv)/ Pos £000
Heating Replacement Program	787	787	-
Housing Quality Standard	2,425	2,425	-
Vehicle Replacement Programme	172	172	-
Structural Remedial Works	200	150	50
Accessible Adaptions	150	75	75
			-
Total Controllable Costs	3,734	3,609	125

An explanation for the significant outturn variances by service is set out below.

2.1 Structural Remedial Works – projected outturn underspend - £50k (25%)

The projected underspend is due to collation of survey information resulting in phasing of programme of works and slippage into future periods.

2.2 Accessible Adaptions – projected outturn underspend - £75k (50%)

The projected underspend is due to fewer properties being identified as requiring accessible adaptations during the year.



Meeting(s):	Development Committee	11 December 2018
Report Title:	Strategic Housing Investment Plan (SHIP) 2019-2024	
Reference Number:	DV-41-18-F	
Author / Job Title:	Anita Jamieson / Executive Manager - Housing	

1.0	Decisions / Action Required:
1.1	That the Development Committee: <ul style="list-style-type: none"> 1.1.1 APPROVES the Strategic Housing Investment Programme 2019/20–2023/24 as set out in Appendices 1a and 1b for submission to Scottish Government. 1.1.2 GRANTS delegated authority to the Director of Development Services (or his nominee) to assign approved projects from the SHIP to meet programme variations e.g to pull forward an approved project from later years if additional funding becomes available.
2.0	High Level Summary:
2.1	The Strategic Housing Delivery Plan (SHIP) is the key document to show how resources would be applied and prioritised in delivering the outcomes contained in the Local Housing Strategy, in line with Scottish Government guidance.
2.2	The SHIP looks ahead over a five year time period and is reviewed and reported annually.
3.0	Corporate Priorities and Joint Working:
3.1	The key priority themes of the Local Housing Strategy are reflected in the Local Outcome Improvement Plan (LOIP) and increasing supply of housing is a key priority in the Corporate Plan.
3.2	The SHIP is developed through a partnership approach involving Housing, Planning, Community Planning and Development and Capital Programme Services together with Hjaltsland Housing Association.
4.0	Key Issues:
4.1	The SHIP as presented continues to deliver new housing supply in line with the Local Housing Strategy. The Government has set an ambitious target to deliver 50,000 new homes over the term of this parliament and is committed to providing additional funding to support the delivery of housing supply. New funding streams to support the delivery of new housing have been introduced and are being

accessed locally.	
4.2	This plan looks to deliver 342 units of accommodation across Shetland over the next 5 years, and seeking support of just under £30M of Scottish Government funding.
5.0 Exempt and/or Confidential Information:	
5.1	None.
6.0 Implications :	
6.1 Service Users, Patients and Communities:	The Local Housing Strategy (LHS) identifies housing needs across all tenures, based on the evidence from the Housing Need and Demand Assessment (HNDA) and was the subject of extensive community consultation. The SHIP Is the delivery agent for the LHS.
6.2 Human Resources and Organisational Development:	None.
6.3 Equality, Diversity and Human Rights:	The Local Housing Strategy has had a full equalities impact assessment carried out.
6.4 Legal:	The local authority is the statutory enabling body for identifying housing needs in the area.
6.5 Finance:	The Scottish Government hold and manage the budget for housing supply centrally. Indicative 3 year resource planning assumptions have been issued with guidance on minimum assumption levels for years 4 and 5.
6.6 Assets and Property:	None.
6.7 ICT and New Technologies:	None.
6.8 Environmental:	None – the LHS was exempt from Strategic Environmental Assessment.
6.9 Risk Management:	The SHIP seeks to put in place a deliverable programme of affordable housing development within the context of existing local and strategic priorities and resources available. The delegated authority sought allows a degree of flexibility to make changes to the programme to maximise external resources.

6.10 Policy and Delegated Authority:	In accordance with Section 2.3.1 of the Council's Scheme of Administration and Delegations, the Development Committee has delegated authority to take decisions in relation to those functions within its remit which includes Housing.	
6.11 Previously Considered by:	n/a	

Contact Details:

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3 December 2018

Appendices:

Appendix 1a & 1b – Strategic Housing Investment Plan – 2019/20 – 2023/24 (Text and Tables)

Background Documents: n/a



Shetland Islands Council

Strategic Housing Investment Plan

2019/20 – 2023/24

Shetland Islands Council – Strategic Housing Investment Plan (SHIP) – 2019/20-2023/24

1.0 Introduction

- 1.1 The Strategic Housing Investment Plan (SHIP) is the key document to show how resources would be applied and prioritised in delivering the outcomes contained in the Local Housing Strategy (LHS). The guidance on SHIPs requires the plan to look ahead over a 5 year time period. The Scottish Government has announced resource planning assumptions for three years and guidance on the assumed level for the two years beyond. The SHIP will be updated and reported annually and is seen as the key document in identifying strategic housing projects to assist in the achievement of the Scottish Government's current target of delivering 50,000 affordable homes in the lifetime of this Parliament.

2.0 Strategic Links

- 2.1 The strategic framework for the production of this document is based on the Local Housing Strategy (LHS) and is linked to the Local Outcomes Improvement Plan (LOIP). This link is explicit through the Shetland Partnership Plan¹ and housing has strong links to the four identified Partnership Plan themes of : People, Place, Participation and Money.
- 2.2 Housing is also a key contributor through the LHS and SHIP to the approved 10-year plan to encourage people to live, work, study and invest in Shetland. The 10 year plan is essential to ensure that the projected demographic imbalance in Shetland is addressed and that sufficient working-age population is attracted and retained to maintain sustainable communities throughout Shetland. The Corporate Plan has a key aim of increasing housing supply in Shetland across all tenures.
- 2.2 The Council used the Place Standard methodology in 2016 to carry out a Shetland-wide survey² into community views on the places they live and the priorities for their 'place'. Housing ranked highly in the overall responses, being one of the top three priorities for all communities

¹ <http://www.shetland.gov.uk/communityplanning/documents/180801SPPforWebFINAL.pdf>

² <https://www.shetland.gov.uk/documents/ShetlandPlaceStandardFinalReportMar17.pdf>

3.0 Methodology

- 3.1 The SHIP has been developed through a partnership approach between the Council's Housing Service, Planning Service, Capital Programme Service, Hjaltsland Housing Association, Health & Care and Highlands and Islands Enterprise (HIE).
- 3.2 The LHS 2011-2016 was approved by Council in August 2011 and was submitted to the Scottish Government. The LHS is in the process of being updated and refreshed with the intention of submitting a revised strategy in 2019. The LHS is based on the evidence contained in the Housing Needs and Demand Assessment (HNDA). The HNDA has been updated and submitted to the Scottish Government for assessment. Once the assessment is confirmed as 'robust and credible' the LHS will be refreshed. The data for the SHIP is based on the updated information gathered in the updated version of the HNDA.
- 3.3 The LHS is the basis for the Council's future housing investment and was developed using a multi-agency approach. The LHS identified five key theme areas and these remain relevant in moving to the 2019 refresh;
- A – Future Supply of Housing
 - B – Fuel Poverty
 - C – Housing Support/Housing for an Ageing Population
 - D – Homelessness
 - E – Private Sector Housing
- 3.4 There are close strategic links between the Local Development Plan and the LHS in terms of identifying land supply to meet housing needs. Both documents draw on the robust and credible evidence contained in the HNDA. The recent update and production of the Housing Land Audit is of great value to ensuring that useable land supply is available in the areas where housing need is greatest.
- 3.5 The Local Development Plan revision is in process with a Call for Sites currently being carried out in Shetland. Land supply in the right places is absolutely key to continued development of housing in the areas where there is demand. The Call for Sites helps to identify available land where there is a willingness to develop.

4.0 Resources

- 4.1 The Resource Planning Assumption (RPA's) for the coming years have been advised as follows by the Scottish Government. It should be noted that these have been formally advised to the end of 2021 (the term of the current parliament) and that the guidance advises local authorities to use the 2020/21 level as the basis of future funding for planning purposes. These are minimum levels and give a total of £25.5M funding across the programme. Guidance suggests that a slippage factor should be built in to the programme to allow flexibility, recommended at 25% in the first two years :

2019/20 - £4.855M

2020/21 - £5.179M

2021/22 - £5.179M

2022/23 - £5.179M

2023/24 - £5.179M

Indicative Total RPA for SHIP - **£25.571M**

- 4.2 The programme put forward exceeds the RPA levels at £27.9M, although RPA's are stated as a *minimum* level and the guidance recommends inclusion of slippage particularly in the first two years. There is a level of challenge in delivering the increased number of units set out in the national target. Lead-in time for projects can be up to 2 years. We are fortunate in having two large projects (Staneyhill and Knab) in the programme as they will provide a degree of flexibility in managing the programme. These projects have the ability to be re-phased to fit with funding availability. There is scope to also allow new windfall sites in other areas of priority and the development of a strong shadow programme will assist to maximise take-up of funding.
- 4.3 The Council and Hjaltsland Housing Association have developed a very effective working partnership and have a track record in finding innovative funding mechanisms locally to enable the development programme to continue. In order to maximise external funding for new build housing and to capitalise on opportunities to attract any potential programme slippage, it is proposed to continue to develop this partnership approach.
- 4.4 Opportunities to consider other funding streams to assist with affordable housing supply should also be pursued. For example, this could be through community benefit policies, the Islands Deal etc.
- 4.5 Second Homes Council Tax is ring-fenced for enhancing housing provision. Locally we have developed a delegated development top-up

scheme which has allowed Hjalmland HA to progress with projects where the gap between the benchmark funding and the cost of delivery is greater than private finance can bridge. This has been particularly effective in ensuring that projects can be delivered. We have also applied this funding to enable the Council to carry out a conversion of two semi-detached 3 bedroom houses into 4 one-bedroom flats to meet the prevailing demand in an area where the stock was almost entirely comprised of three-bedroom properties.

- 4.6 Through the establishment of an approved Housing Revenue Account business plan, the Council has sought to ensure that the financial balance of the account is sustainable in to the future. The immediate priority is to invest in our existing stock to ensure that quality standards are met. The Council is keeping its financial position under review and is keen to develop its own new build programme as resources allow. The business planning framework will enable this to be kept under regular review and it is anticipated that the opportunities to complement the existing programme and to address some of the key market gaps will become available through the development of the Knab Site in particular. In that regard, consideration is being given to options for delivery of mixed tenure options by the Council.

5.0 Delivery

- 5.1 The HNDA has been updated and will form the key evidence base for both the LHS and the LDP. The evidence has demonstrated the clear need for further affordable housing supply in Shetland. Demand continues to outstrip supply. It is evident that the greatest housing need and housing demand pressure in Shetland is in the central mainland area and is particularly concentrated in Lerwick, Scalloway and the immediate surrounding areas. This is reflected in the current programme, with the majority of projects centred on those areas, but there are also projects in Sandwick, Aith, and Walls as well as Tingwall, Scalloway and Gulberwick in the SHIP as presented.
- 5.2 We will continue to work closely with Hjalmland Housing Association to ensure that we can continue to have a programme of new housing supply that can deliver the much-needed units of accommodation in the most efficient way and to the advantage of both partners.
- 5.3 The Scottish Government has set an ambitious target for the delivery of 50,000 new homes across Scotland in the term of this parliament with 70% of that target being for social rent. This represents a 67% increase in affordable housing supply and is backed by a £3 billion financial commitment. This provides the Council with a real opportunity

to shape a programme for housing in Shetland that will meet identified needs.

- 5.4 It is important to recognise that not all affordable housing needs to be 'social rented.' There is a need to ensure that the aims of the LHS can deliver in tandem with the Community Plan themes in sustaining confident and thriving communities across Shetland. Evidence, from the work carried out through the HNDA process suggests that a number of alternative tenure options could provide appropriate solutions where social rented housing may not be available or where demand for social rented housing is limited and other tenures better meet the identified housing needs. New funding streams have been implemented which are specifically aimed at stimulating and enabling new housing supply.
- The Infrastructure Fund – offers a five-year fund of grants and loans to allow priority sites to be unlocked. This is a welcome addition to enabling projects to move ahead in a more practical way that removes the financial constraints previously linked to provision of infrastructure on sites. Hjaltsland HA have bid to the fund for grant funding to enable the infrastructure for the Staneyhill site to be carried out for all phases. This is reflected in the detail of the SHIP. Loan funding may be available to developers subject to eligibility criteria.
 - The Rural and Islands Fund – the Government has identified a £25M Rural Housing fund and a ring-fenced £5M Islands fund to support housing solutions in rural and islands areas. Locally two community groups (in Walls and Northmavine) have been supported by the Council to access grant for a feasibility study into housing need at local area level. The study identified how local housing needs can be best addressed. Two sites have been identified for possible housing solutions and the community groups are considering how to take the recommendations forward. The results of the feasibility study also provides useful evidence in considering how this might be used in other areas of Shetland.
 - Self-build Bridging Finance – following a successful pilot in the Highland area, it was announced in September 2018 that a £4M self-build loan fund was to be made available nationally and would be administered by the Highland Small Communities Housing Trust, who ran the initial pilot. This is something that has been identified as a local need for some time and could enable a number of people to access the funding to proceed with a self-build project. This also provides additional opportunity for projects under the Rural and Islands Fund where the indicative demand is more for self-build solutions.

- 5.5 Opportunities to do 'rental off the shelf'(ROTS) or open-market repurchase within agreed parameters is also a potentially successful means of achieving incremental increases in stock to meet particular needs. Any proposals for ROTS are subject to a number of locally agreed financial and strategic criteria and can be done by either the Council or Hjaltland. ROTS was successfully used by the Council recently to acquire properties to meet the Council's commitment to resettle families from Syria.
- 5.6 The work on the HNDA has again shown the evidence of the need for more diverse and alternative tenures. Through the programme we need to assess and find alternatives to meet those market needs, such as mid-market rent options and low cost home ownership options. Mid-market rent has not been used locally to date and would potentially provide a solution to the identified group of people who traditionally are priced out of the home-buyer market but are unable to demonstrate the level of housing need to secure social rented tenure in a pressurised housing market. Key worker housing and student accommodation are also a current and significant gap. The Knab site provides an exciting opportunity to look at meeting some of these alternative tenures, and the Council is currently evaluating the options for taking alternative tenures forward.
- 5.7 One area of housing supply identified as an area for action is opportunities for first time buyers and low cost home ownership. The Council and Hjaltland would like to develop more options to meet this need by further investigating schemes such as a rent to buy or developer incentives. Developing these options would lead to more mixed tenure developments which is seen as a positive in terms of sustainable communities.
- 5.8 The LHS identified a need for between 53 and 72 units of affordable accommodation to be added to the housing supply each year for the next ten years. The proposed SHIP shows that we currently have plans for 342 units including projects currently on site and not completed. This gives an average of 68 units per annum which is within the annual target level and should make a significant difference to available housing supply.

Particular needs

- 5.9 The LHS also identified the need for additional housing options to meet the needs of an ageing population. There is increasing demand for a range of options to meet the needs of the elderly, disabled, people with long term, progressive health conditions and people with a dementia diagnosis. The Housing Contribution Statement to the IJB's Strategic

Commissioning Plan sets out how the Housing Service will contribute to meeting those needs.

- 5.10 The King Harald Street development will signify the first move to create a 'Homes for Life' housing option in Shetland. The proposal is that 10 of these flats will have built-in future proofing to enable them to meet the needs of ambulant disabled people or people with progressive conditions being supported to live independently in their own tenancies. This will also inform and influence future provision of innovative, flexible supported accommodation, moving away from traditional generic 'labels' on types of accommodation to modern, accessible accommodation benefiting from latest technology and innovation to allow tenants to maintain their independence.
- 5.11 Key worker and student accommodation is also highlighted as a specific gap in the local housing market. While there are differences in the target market, there are some similarities in the types of accommodation needed and further work is needed to fully understand the level of demand. For students, recent attempts to find a Highlands and Islands model for the University of the Highlands and Islands that can be replicated in island areas have not come to fruition. This type of accommodation is closely linked to the 10 year plan and opportunities for Council involvement in this type of provision will form part of the Knab masterplan.

Homelessness and RRTP

- 5.12 Homelessness is a continuing issue locally and is one of the themes in the LHS. Although the number of homeless presentations are reducing, the length of time spent in temporary accommodation remains one of the highest averages among our peer benchmarking groups. This is because of the demand for single person accommodation with 92% of our homeless applicants in temporary accommodation only wishing to be accommodated in Lerwick and requiring predominantly one/two bedroom properties. This is being addressed through the SHIP in trying to re-balance the proportion of stock of the right size. Through the preparation of our Rapid Rehousing Transition Plan we will identify our approach to moving to provision of settled accommodation with appropriate support for those who find themselves homeless.

Contractor Capacity and Procurement

- 5.13 Following the contractor capacity issue which was highlighted during consideration of last years SHIP, we have held a series of workshops locally and sought expert input on a number of areas that were highlighted as concerns by the industry. The three key areas identified were: a) procurement ,b) training and skills and c)business development. From those workshops, further work is ongoing and

possible solutions are being evaluated, including consideration of a procurement framework linked to the delivery of the SHIP. The workshops were positively received by the industry and we will seek to continue the dialogue to ensure that Shetland has the ability to deliver on the SHIP.

Land Supply and Masterplans

- 5.14 Meeting future housing needs will require further work to be done to identify suitable land for housing development and to develop opportunities which can meet housing need, attract external funding and continue to support sustainable communities in Shetland into the future. The Local Development Plan will be key to identifying future land supply.
- 5.15 Through effective joint working between Housing, Planning, Asset and Properties and Hjaltsland Housing using the information from the Call for Sites as part of the Local Development Plan, it is vital that the Council identifies sufficient land supply in the areas of housing demand. Through the Call for Sites process, landowners and developers will identify sites for future development. In order to ensure that we have sufficient land in the right places, strategic land-banking opportunities should be considered and pursued through the HRA.
- 5.16 Masterplanning of the two major sites in the programme has progressed since the last SHIP report.
- The Staneyhill masterplan commissioned by Hjaltsland HA has now been finalised and formally adopted as Supplementary Guidance to the Local Development Plan. Procurement of the design team is underway. This project will be of a greater overall scale than anything previously undertaken locally, but the masterplanning and phasing of the project breaks that scale down in to manageable, inter-related chunks as reflected in the SHIP.
 - The Knab site masterplan has been through the informal, community consultation stages and it is planned that it will report for approval by the end of 2018/19. Again with a project of this scale, appropriate phasing will see delivery over a long period of time as shown in the SHIP. The Knab project is also included in the Islands Deal and this has potential to attract additional funding streams to the projects due to the multi-disciplinary opportunities presented alongside new housing supply.

6.0 Strategic Environmental Assessment

- 6.1 A Strategic Environmental Assessment (SEA) screening report was submitted for the LHS in June 2011. It was agreed that a full SEA was not required on the LHS. As the SHIP is effectively the resources annex to the LHS it is considered to be covered by the SEA screening report.

7.0 Equalities

- 7.1 The Council is committed to ensuring that equal opportunities are central to all its strategies and service provision. Much work has been done on ensuring access to a range of quality housing information is available to anyone in the community and beyond. The Council recognises particular groups who may be disadvantaged and takes a partnership approach to ensuring inclusion.
- 7.2 All new build properties are built to current building regulation standards.
- 7.3 The LHS considered the needs of equalities groups at all stages of its development and the refreshed LHS will continue to keep equalities on the agenda.
- 7.4 In line with Scottish Government guidance, an Equality Impact Assessment was carried out on the LHS.

8.0 Priorities and Partnership Working

- 8.1 Priorities for housing in Shetland are clearly articulated in the LHS and the update of the LHS in 2019 will reinforce those aims (as stated at 2.3) with updated evidence from the HNDA. The main themes in the LHS will not change in the refreshed version, but the detail of how to address the themes for the coming five years will be reviewed taking account of the evidence of changing needs and opportunities.
- 8.2 The Council and Hjaltsland HA continue to work jointly to address the relentless challenges of meeting housing demand in Shetland through the framework of the LHS. The adoption of the SHIP strengthens and formalises that partnership. It is important, in the spirit of that partnership, that we recognise the organisational challenges that each

other faces in delivering new housing and find ways of ensuring that our programme can be delivered efficiently and sustainably.

- 8.3 The Local Development Plan will contribute to the lifetime of this plan by assisting with identification of suitable sites for housing development. Identification of future land supply will greatly assist in ensuring a strategic land bank is available to support delivery of housing supply and to enable a robust shadow programme in future SHIPs. A shadow programme enables maximum utilisation of programme funding and having projects ready to accelerate in the programme can make a huge difference in delivering the much-needed housing.
- 8.4 Community partnership and empowerment is also important in ensuring that sources of funding can be fully explored and used to meet additional local needs with locally appropriate solutions. The use of masterplanning on the larger sites has provided structured opportunities for the community to be involved. The work done on the Rural and Islands fund projects provides an important baseline for taking forward community based housing solutions.

9.0 Conclusions

- 9.1 The Council is committed to increasing the supply of affordable housing for rent and low cost home ownership across Shetland. With only one housing association in Shetland, the Council is committed to working in partnership with Hjaltland HA to ensure that investment in housing in Shetland is maximised and that the identified projects are delivered.
- 9.2 Through the ongoing development of the LHS, the Housing Service and its strategic partners will be looking at a range of housing solutions to try to address the continuing housing need in Shetland. There is a need to maximise the application of new funding to address the identified gaps in the housing market and to find locally appropriate solutions. A broader range of tenure options is essential to provide a balanced future housing market that can adapt and sustain the communities of Shetland, in line with the Partnership Plan aims and particularly in support of the 10 year plan.
- 9.3 The SHIP programme puts forward an ambitious programme designed to meet the housing needs of our community and to maximise the opportunities that we currently have in terms of available funding.

AMJ/SHIP19/20
9th November 2018

Project Reference Number	Name	Post Code	Developer	Estimated/ Actual Approval Date	Total Units	SG Funding Year 1 (£)	SG Funding Year 2 (£)	SG Funding Year 3 (£)	SG Funding Year 4 (£)	SG Funding Year 5 (£)	SG Funding Total (£)
P40244	HJALT LAND HA - AHSP - GAET-A-GOTT PHASE 3	ZE2 9FJ	Hjaltland HA Ltd	29 Jan 2018	24	364,571	1,996,139	0	0	0	2,360,710
T36654	HJALT LAND HA - AHSP - LERWICK, KING HARALD STREET	ZE1 0EQ	Hjaltland HA Ltd	13 Mar 2018	27	290,846	2,277,054	826,244	0	0	3,394,144
P42161	HJALT LAND HA - AHSP - WORMADALE, WHITENESS	ZE2 9LJ	Hjaltland HA Ltd	25 Jan 2019	3	0	0	0	0	0	0
T35960	HJALT LAND HA - AHSP - SANDWICK, HOULLAND	ZE2 9UJ	Hjaltland HA Ltd	13 Feb 2019	12	1,171,015	0	0	0	0	1,171,015
P42328	CHB - SHETLAND - NORTH ROAD, LERWICK	ZE1 0PR	SIC	11 Mar 2019	6	342,000	0	0	0	0	342,000
P40803	HJALT LAND HA - AHSP -UPPER SCALLOWAY - RENT	ZE1 0TX	Hjaltland HA Ltd	12 Aug 2019	26	1,659,463	1,544,791	0	0	0	3,204,254
P42143	HJALT LAND HA - AHSP - UPPER SCALLOWAY, SCALLOWAY - SHARED EQUITY	ZE1 0TX	Hjaltland HA Ltd	12 Aug 2019	6	0	300,000	0	0	0	300,000
P42145	HJALT LAND HA - AHSP - BREVIK HOUSE, LERWICK	ZE1 0TG	Hjaltland HA Ltd	25 Oct 2019	28	1,851,147	0	0	0	0	1,851,147
P42154	HJALT LAND HA - AHSP - WALLS	ZE2 9QX	Hjaltland HA Ltd	24 Apr 2020	4	0	447,700	0	0	0	447,700
P42323	CHB - SHETLAND ISLANDS COUNCIL - THE KNAB PHASE 1 - SHARED EQUITY	ZE1 0YB	SIC	08 Jun 2020	6	0	150,000	150,000	0	0	300,000
P42320	CHB - SHETLAND ISLANDS COUNCIL - THE KNAB PHASE 1 - RENT	ZE1 0YB	SIC	08 Jun 2020	14	0	420,000	420,000	0	0	840,000
P42147	HJALT LAND HA - AHSP - STANEYHILL, LERWICK, PHASE 1	ZE1 0QW	Hjaltland HA Ltd	19 Jun 2020	40	0	2,293,978	750,547	0	0	3,044,525
P42158	HJALT LAND HA - AHSP - HEATHERY PARK, GULBERWICK	ZE2 9GD	Hjaltland HA Ltd	25 Jun 2020	12	0	1,273,003	0	0	0	1,273,003
P42153	HJALT LAND HA - AHSP - LADIES MIRE, BRAE	ZE1 9TZ	Hjaltland HA Ltd	30 Apr 2021	2	0	0	251,179	0	0	251,179
P42151	HJALT LAND HA - AHSP - MARTHASTOON, AITH	ZE2 9GZ	Hjaltland HA Ltd	30 Apr 2021	6	0	0	585,435	0	0	585,435
P42155	HJALT LAND HA - AHSP - WISTA, LERWICK - PHASE 2	ZE1 0NZ	Hjaltland HA Ltd	31 May 2021	6	0	0	585,375	0	0	585,375
P42325	CHB - SHETLAND ISLANDS COUNCIL - THE KNAB PHASE 2 - SHARED EQUITY	ZE1 0YB	SIC	11 Oct 2021	6	0	0	150,000	150,000	0	300,000
P42324	CHB - SHETLAND ISLANDS COUNCIL - THE KNAB PHASE 2 - RENT	ZE1 0YB	SIC	11 Oct 2021	14	0	0	420,000	420,000	0	840,000
P42148	HJALT LAND HA - AHSP - STANEYHILL, LERWICK, PHASE 2	ZE1 0QW	Hjaltland HA Ltd	18 Nov 2021	40	0	0	839,324	2,236,494	307,595	3,383,413
P42326	CHB - SHETLAND ISLANDS COUNCIL - THE KNAB PHASE 3 - RENT	ZE1 0YB	SIC	11 Apr 2022	14	0	0	0	420,000	420,000	840,000
P42327	CHB - SHETLAND ISLANDS COUNCIL - THE KNAB PHASE 3 - SHARED EQUITY	ZE1 0YB	SIC	11 Apr 2022	6	0	0	0	150,000	150,000	300,000
P42149	HJALT LAND HA - AHSP - STANEYHILL, LERWICK, PHASE 3	ZE1 0QW	Hjaltland HA Ltd	15 May 2023	40	0	0	0	0	2,384,260	2,384,260
					342	5,679,042	10,702,665	4,978,104	3,376,494	3,261,855	27,998,160



Meeting(s):	Development Committee	11 December 2018
Report Title:	Housing (Scotland) Act 2014 – Briefing Paper	
Reference Number:	DV-40-18-F	
Author / Job Title:	Anita Jamieson, Executive Manager – Housing	

1.0 Decisions / Action Required:

- 1.1 That the Development Committee RESOLVES to approve the tenant and applicant consultation timetable, as detailed at 4.27.

2.0 High Level Summary:

- 2.1 The Housing (Scotland) Act 2014 received Royal Assent on 1 August 2014, with Parts One & Two of the legislation of particular importance to the local authority Housing Service.
- 2.2 Part One of the Act is the only section, at this stage, to be fully enacted. As described in the Act, the tenant's Right to Buy was abolished on 1 August 2016, allowing local authorities to retain their assets, and have a fixed minimum stock number with which to plan future services.
- 2.3 Part Two of the Act relates to Social Housing allocations and Tenancy Management, including additional powers to tackle anti-social behaviour. This section of the Act will be implemented in two phases, over the next 12 month period.
- 2.4 All local authorities are now legally required to consult on any proposed changes to an Allocation Policy. There is not an expectation that all applicants will be consulted, but a proportion, including tenants, should have a platform to help shape policy.
- 2.5 Once consultation has been completed, the Housing Service will compile a summary report, before presenting recommendations to Elected Members. Applicants will then be notified of any formal alteration to the Allocation Policy.
- 2.6 This briefing paper will summarise the main implications of the Act, and timetable tenant and applicant consultation with a view to a revised Allocation Policy being presented before members of the Development Committee in May 2019.

3.0 Corporate Priorities and Joint Working:

- 3.1 This report is delivering in line with the Single Outcome Agreement Local Indicator – 'Improve access to suitable housing options for those in housing need', and on the Corporate Plan statement section 'Helping build a healthy economy and strong communities'.

4.0 Key Issues:

Allocations and Reasonable Preference

- 4.1 There are currently five categories for 'reasonable preference', when prioritising housing need to assist in the allocation of local authority properties;
- Homeless/threatened with homelessness
 - Unsatisfactory living conditions
 - Below tolerable standard
 - Over-crowding
 - Large families
- 4.2 The 2014 act amends section 20 of the Housing (Scotland) Act 1987, reducing 'reasonable preference' to three categories;
- Homeless/threatened with homelessness
 - Unsatisfactory living conditions
 - Under-occupying existing tenants
- 4.3 The current Allocation Policy will be reviewed in light of this. There are currently 17 areas where an applicant can receive an award of points to represent their level of housing need, the majority of which relate to 'unsatisfactory living conditions'.
- 4.4 As part of the consultation exercise, all pointed criteria within the Allocation Policy will be reviewed to ensure it remains in keeping with the legislation.

Suspensions

- 4.5 Suspension is not an exclusion from a housing register, which is illegal. A suspension is having an active application, where housing need is assessed and advice provided, but not being considered for the allocation of a property for a certain period of time.
- 4.6 The 2014 Act introduces new legislation for suspending applications, referred to in Section 20B. This permits landlords to suspend applications when they are first submitted, in certain circumstances, and is a power, not a duty. Therefore, there will be a consultation exercise to consider including these into the Allocation Policy. The Act grants a power to suspend in the following circumstances;
1. Applicant has acted in an antisocial manner
 2. Applicant has certain previous convictions
 3. Applicant has an order of recovery on certain grounds against them
 4. Previous tenancy was terminated on the grounds of abandonment/neglect
 5. Outstanding debts relating to a previous tenancy
 6. Making a false statement in an application
 7. Applicant refused one or more reasonable offers of accommodation
- 4.7 There are two situations where you cannot suspend under section 20b;
- Where there is evidence conduct has already been used for a suspension (to avoid duplication)
 - Where the local authority has a duty under homeless legislation

- 4.8 Whilst the new grounds increase opportunity for suspensions, it is incumbent on us to minimise suspensions where possible, and consider alternatives, such as short Scottish Secure Tenancies (SST) and additional support for vulnerable tenants.

Home Ownership

- 4.9 The Act gives local authorities a power to take home ownership into account when allocating properties, and this is an area where there will be consultation with tenants and applicants. Should there be a will to consider home ownership as a factor, new criteria within the Allocation Policy will need to be established.
- 4.10 Home ownership will be disregarded in the following scenarios;
- Where the property is not let out, but the owner can't access it. An example would be where the property was uninhabitable, or there were illegal occupants present.
 - Where occupation or continued occupation could lead to abuse or harassment.
 - Where continued occupation could damage health, with no viable option to remedy this.

Assignations, Sub-lets, Joint Tenancies & Successions

- 4.11 There are a number of amendments to the terms and conditions of the SST Agreement, all of which are designed to ensure a Local Authority can make the best use of their stock.
- 4.12 The main changes relate to Assignations (passing on a tenancy from one person to another), Sub-lets, Joint tenancy requests and Successions (following the death of a tenant). There is now a 12-month qualifying period before any such tenancy change can be granted, and this is also conditional on the local authority being fully informed of any change to members of the household.
- 4.13 We have provided all current tenants with information on how these changes will affect them, once fully enacted in November 2019. We have also written out to all tenants, requesting they provide us with up to date information on their household make-up.
- 4.14 This is a change to legislation, and will not require further tenant consultation.

Streamlined Eviction for Criminal or Anti-social Behaviour

- 4.15 The criteria for seeking eviction due to criminal or anti-social behaviour has not changed, but the process of obtaining an eviction in such circumstances has been simplified.
- 4.16 Paragraph 2, schedule 2 of the 2001 Act states the following ground on which the Court may order recovery of possession;
- The tenant (or any one of joint tenants), a person residing or lodging in the house with, or subtenant of, the tenant, or a person visiting the house has been convicted of—
- (a) using the house or allowing it to be used for immoral or illegal purposes, or
- (b) an offence punishable by imprisonment committed in, or in the locality of, the house.
- 4.17 Where there is a relevant conviction, landlords can consider using a streamlined eviction process, ensuring the action is **necessary and proportionate**, taking into account the impact the behaviour had on the surrounding community.

4.18 Guidance sets out what is punishable by imprisonment, which includes;

- Breach of ASBO
- Threatening & abusive behaviour
- Breach of the peace
- Offences related to the use of offensive weapons
- Serious drug related offences

4.19 This is a change to the legislation, and will not require further tenant consultation.

Short SST for Anti-social Behaviour

4.20 A short SST provides a tenant with many of the features of a full SST, but without unlimited tenure and without the ability for the tenancy to be succeeded. A short SST can be used where a prospective or current tenant is subject to an Anti-Social Behaviour Order (ASB), or where a prospective tenant has been evicted within the last 3 years, due to Anti-Social Behaviour.

4.21 The Act has created additional ways in which an authority may wish to use a short SST.

4.22 New grounds -

- New or existing tenant may be issued with short SST if there has been ASB in the last 3 years
- Initial 12 month term (increased from 6 months)
- No requirement for criminal conviction or court proceedings before issuing a short SST
- Landlords can now convert full SST to short SST

4.23 This is a change to the legislation, and will not require further tenant consultation.

Repossession of Properties Designed or Adapted for Special Needs

4.24 This part of the legislation has enhanced a local authorities' ability to repossess a property that has been significantly adapted, where a member of the current household does not require the specialist attributes. In this scenario, the current tenant would be offered an alternative property that would meet their needs and in an area of their choice.

4.25 This is a change to legislation, and will not require further tenant consultation.

4.26 Timetable for consultation -

Legislation Change	Implementation Date	Consultation Required	Consultation Period
Reasonable Preference	May 2019	Yes	February/March 19
Framework for suspensions	May 2019	Yes	February/March 19
Home Ownership	May 2019	Yes	February/March 19
Criteria change for Assignment, Sub-let, Variations, Successions	1 November 2019	No	N/A
Streamlined eviction process for criminal or ASB	1 November 2019	No	N/A
Short SST for ASB	1 November 2019	No	N/A
Repossession of adapted properties	1 November 2019	No	N/A

5.0 Exempt and/or Confidential Information:		
5.1	None.	
6.0 Implications		
6.1 Service Users, Patients and Communities:	Service users and tenants will be consulted in line with legislative requirements, and will be provided with an opportunity to shape the services they receive.	
6.2 Human Resources and Organisational Development:	None.	
6.3 Equality, Diversity and Human Rights:	The Council’s Housing Allocation Policy meets the requirements of equalities and human rights legislation.	
6.4 Legal:	This report relates to the implementation of extensive legislative changes. Advice and assistance will be obtained from the Council’s Legal Service as required.	
6.5 Finance:	None.	
6.6 Assets and Property:	None.	
6.7 ICT and New Technologies:	None.	
6.8 Environmental:	None.	
6.9 Risk Management:	In terms of risk, there is no direct financial risk associated with this report. However, there may be legal implications, along with regulatory scrutiny, should the Council not fulfil its legal obligations in relation to this new piece of legislation.	
6.10 Policy and Delegated Authority:	Under section 2.3.1 of the Scheme of Administration and Delegations the Development Committee has the remit for matters relating to housing, and has responsibility for monitoring and reviewing the achievement of key outcomes in the Service Plan, as part of its Planning and Performance Management Framework.	
6.11 Previously Considered by:	n/a	

Contact Details:

Anita Jamieson, Executive Manager – Housing, anita.jamieson@shetland.gov.uk

01595 744 360

Date Cleared – 28 November 2018

Appendices: None

Background Documents: None



Meeting:	Development Committee	11 December 2018
Report Title:	Economic Footprint Report 2018	
Reference Number:	DV-43-18-F	
Author / Job Title:	Neil Grant / Director of Development Services	

1.0 Decisions/Action Required:

- 1.1 That the Development Committee NOTES the Economic Footprint Report 2018 and its recommendations.

2.0 High Level Summary:

- 2.1 The Economic Footprint Report (Appendix 1) was developed in partnership between the Improvement Service and the Council. The report is designed to support councils to further enhance their economic impact, particularly by focusing on economic levers that the Council can directly influence.
- 2.2 The attached report presents an assessment of the Council's "economic footprint" in relation to the Council's role as an employer, a procurer of goods and services, an asset owner and as a service provider and how this impacts the local economy.
- 2.3 Effective economic development and improved economic outcomes can have a strong positive impact on a broad range of life and social outcomes for local communities and the wider population. This assessment includes a number of recommendations concerning opportunities for the Council to both further enhance its economic impact and minimise the negative economic impact of public sector cuts.

3.0 Corporate Priorities and Joint Working:

- 3.1 The Economic Footprint Report 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."

- 3.2 The report also supports the vision and priorities of Shetland's Partnership Plan 2018-2028 and provides information as to how the work of the Economic Development Service will directly address the shared priorities of the Shetland Partnership. The shared vision of the community planning partners, articulated in the Plan, is:

"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 Economic Footprint Report addresses all aspects of Shetland's Partnership Plan, but is particularly relevant to the Place priority:

"Shetland is an attractive place to live, work study and invest."

- 3.3 A key objective for Shetland's Partnership Plan 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, the plan articulates the following objectives:

- Targeted support for industry growth sectors and areas of skills shortage in the public sector
- Foster an environment that supports entrepreneurship and sustainable learning and research.

4.0 Key Issues:

- 4.1 Shetland Islands Council is a key employer in Shetland, employing over 3,345 people in 2016/17 and, therefore, has a significant ability to enhance the already very positive impact it has on the local economy. See recommendations on page 7 of Economic Footprint Report which will be followed up and reported back to relevant Committees in performance reports.

4.2	The Council procured goods and services to the value of £61m in 2016/17. Of these, 44% were procured locally which is 15% above the Scottish Average. Further recommendations are made on page 8 of the Economic Footprint Report which would increase further opportunities for effective local procurement.
4.3	The Council has a very significant asset management role and the report contains recommendations on page 8 to enhance the Council's positive impact on the local economy.
4.4	It is notable that of the recommendations made in the attached report, the Council is already active and at an advanced stage in most of these.
5.0 Exempt and/or Confidential Information:	
5.1	None.
6.0 Implications:	
6.1 Service Users, Patients and Communities:	The attached report contains recommendations for the Council to enhance its already positive impact on the local economy and community.
6.2 Human Resources and Organisational Development:	There are recommendations to be investigated in the attached report.
6.3 Equality, Diversity and Human Rights:	The recommendations in the attached report make a positive contribution.
6.4 Legal:	None identified.
6.5 Finance:	There are no direct financial implications arising from this report.
6.6 Assets and Property:	There are recommendations to be investigated and followed up in the attached report.
6.7 ICT and New Technologies:	N/A
6.8 Environmental:	N/A

6.9 Risk Management:	N/A	
6.10 Policy and Delegated Authority:	In accordance with Section 2.3.1 of the Council's Scheme of Delegations, the Development Committee has delegated authority to implement decisions within its remit. This report is for information only so there are no Policy and Delegated Authority issues to be addressed.	
6.11 Previously considered by:	None.	

Contact Details:

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3 December 2018

Appendices:

Appendix 1 – Economic Footprint

Background Documents:

None

END

Shetland Islands Council

Economic Footprint Report



2018

Improvement Service

i-Hub

Quarrywood Court

Livingston

EH54 6AX

ABOUT THIS REPORT

This is the 'Economic Footprint' report for Shetland Islands Council, which has been developed in partnership between the Improvement Service and the council. The report is designed to support councils to further enhance their economic impact, particularly by focusing on economic levers that the council can directly influence.

ACKNOWLEDGMENTS

Douglas Irvine of Shetland Islands Council acted as local lead officer for this work, providing input, time and expertise and co-ordinating further valuable input from other council colleagues.

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EXECUTIVE SUMMARY

INTRODUCTION

This report provides an assessment of Shetland Island Council's 'economic footprint' in relation to the Council's role as an employer, a procurer of goods and services, an asset owner, and as a service provider, and how this impacts the local economy. Effective economic development and improved economic outcomes can have a strong positive impact on a broad range of life and social outcomes for local communities and the wider population. This assessment includes a number of recommendations concerning opportunities for the Council to both further enhance its economic impact and minimise the negative economic impact of public sector cuts.

The Economic Outcomes programme focuses on "inclusive growth", as set out in Scotland's Economic Strategy. Inclusive Growth involves building:

"a more cohesive economy that improves the opportunities, life chances and wellbeing of every citizen in our country; [it] not only improves outcomes for individuals and households but is a critical driver of economic performance over the longer term".

Within this context, this project aims to maximise the Council's ability to exert a positive influence on the local economy, in terms of creating more and better paying jobs, supporting local businesses, and providing an attractive environment for inward investment.

MAIN FINDINGS

Council Employment Analysis

- Shetland Council employ 3,345 people¹;
- Over 99% of these were Shetland Island residents;
- The Council employs 23% of the working age population, underlining the critical economic role the Council plays;
- £65m annual salary spend on employees (almost all of this is with employees resident in the Shetland Islands);
- The Council has a very high rate of part-time employment, with 2,058 (61.5%) of employees working on a part time basis;
- 1,435 employees (c.43%) earn less than £15,000 per annum (all part time); and
- Most employees are drawn from areas that fall within mid-range employment deprivation deciles (only a small part of population falls within lower employment deprivation deciles).

Council Procurement Analysis

- Significant local spend of £27m in 2016/17 (c.44% of total procurement spend);

¹ Based on employment / salaries data as at 31/3/15 provided by the Council

- Significantly higher proportion of spend is local in comparison with all Scottish councils (15% higher in 2016/17)
- The percentage share of local spend in Shetland Islands was around 23 percentage points higher than the Scottish average across the past decade (51% vs 28%).
- There were 548 local suppliers to the Council in 2016/17;
- Local spend by Shetland Islands Council is greatest for Construction (45%), followed by 'Travel & Accommodation' (16%), and 'Transport' (10%). These sectors are relatively localised and aggregation in these sectors could impact on local employment and wealth retention;
- In 2016/17, spend by the Council with Small Companies was higher than the Scottish average (48% vs 34%);
- Local suppliers and spend are mostly concentrated in one area of the Shetland Islands - the largest area of local spend (72%) was the ZE1 postcode area (Lerwick). This concentration has potential consequences for service and employment access; and
- Aberdeen City is the single largest local authority area for non-local spend by Shetland Islands Council. There may be potential scope for strategic targeting (or at least monitoring) of such spend in terms of impact on priority groups or areas in those neighbouring locations (e.g. through CBCs).

Council Asset Management

- The Council has a capital investment programme totalling £74m for the 5-year period 2016-2021;
- This includes investment of £35m for maintenance of existing assets, as well as £25m of investment in new developments, including schools; and provides a potential focus for supplier development as well as employability outcomes;
- Shetland's Partnership Plan for 2018-2028 is currently under development and will most likely place an increased emphasis on the role of the corporate asset management function in supporting a range of Council and CPP objectives; and
- Community Asset Transfer policy is well defined, with the council having agreed a new Community Asset Transfer policy in early 2017. However, a refreshed and accessible asset inventory would assist in maximising opportunities for community socio-economic development via asset transfer activities.

CONCLUSIONS

The economy in Shetland has performed relatively well, with the Council and partners having focused upon developing a strong economic performance for many years. The current challenge facing Shetland Islands Council is to consolidate the economic benefits enjoyed by the community and to work to ensure that these benefits are spread to those from more disadvantaged backgrounds / areas.

One of the main priorities from the recently published Local Outcomes Improvement Plan (LOIP) is for the Council and its Community Planning Partners to focus upon those families in low and very low-income bands, the proportion of which has increased since 2008. For poorer families, the

increase in the number of low paid jobs is compounded by the fact that the cost of living in Shetland is notably higher than in the rest of the UK.

The work undertaken by Shetland's Commission on Tackling Inequalities has provided much evidence to highlight the lives of those in Shetland who are not enjoying the economic prosperity and high standard of living experienced by many Shetland residents. Given the low levels of unemployment and economic prosperity in Shetland, those who do face difficulties in gaining employment in Shetland can face very challenging issues around deprivation, health and mental issues.

Economic outcomes are central to achieving a wide range of other outcomes, such as obtaining sustainable employment and, at the same time, reducing the need for other Shetland Council (and partner) interventions such as for housing support, social work, etc.

Accordingly, improving economic outcomes is a key element of the prevention agenda and can play a major role in managing down long-term demand for a wide range of public services in Shetland (and the associated demand on Shetland Council budgets).

The report highlights that Shetland Council controls and influences a range of levers that impact on economic outcomes. This includes its role as major employer, procurer of goods and services, and asset owner (as well as deliverer of a wide range of other services and policies that impact on the local economy).

As such, this report provides Shetland Council with a perspective on its current 'economic footprint' and identifies a number of potential areas for further enhancing economic impact.

In doing so, this report aims to focus on activities that complement and add value to the mainstream economic development activities of the Council and also emphasises the strategic importance of placing economic development centrally as a key corporate function of the local authority, in a way that goes beyond a 'traditional' approach to economic development activities in local government.

RECOMMENDATIONS

Based on the analysis of data and comparisons with other local authorities, there are a range of actions Shetland Islands Council might consider to further enhance the positive impact that it has on the local economy. These include:

Employer role

1. The Council could consider becoming an accredited Scottish Living Wage employer (along with Shetland Island CP partners);
2. The structure of the Modern Apprenticeship programme provides an opportunity to target opportunities within the council (and CP partners) towards more disadvantaged groups, for example young people who are in the employability pipeline at present;
3. The Council could consider ways to expand the Care at Home and Early Years Workforce through partnership with schools, the DYW programme and Shetland College;
4. The Council could consider introducing a supported training programme, for looked after children to support their employment outcomes;
5. The Council could consider the level of support required by young people requiring particular assistance to gain positive outcomes. This might entail training, employment or work experience opportunities with the Council and CP partners;

6. Consider implications of Welfare Reform for significant number of low paid Council staff, who are likely to be impacted.

Procurement role

7. There is scope to introduce an internal working group to facilitate closer alignment between business support services/ Business Gateway and the corporate procurement team - with a particular focus on the delivery of the Council's procurement strategy and relevant economic development strategy / LOIP aims. This could also include further use of the Supplier Development Programme;
8. More generally, there is the potential to establish a strategic group to align economic development and Council procurement activity to facilitate increased local contracting opportunities for companies and social enterprises;
9. The development of Locality Plans has the potential to facilitate more focused engagement with SMEs in more remote areas in relation to procurement;
10. The Council could seek to share its approach to procurement with key community planning partners, with a view to agreeing common approaches that would help advance LOIP objectives;
11. Linked to the previous recommendation, the Council could promote its good practice in terms of the use of Community Benefits to local Community Planning partners;

Asset Management role

12. Ensure the use/mobilisation of all assets to maximise their role in supporting Council economic growth, and support the wider regeneration and reducing inequalities agendas;
13. There is the potential for the Council to collaborate more closely with its Community Planning partners in terms of the wider management of the public-sector estate;
14. Consider scope for further use of Community Asset Transfer involving target groups/areas to reduce surplus properties, and provide support to encourage uptake;
15. The Council could review its asset strategy in line with refreshing its economic strategy to ensure greater co-ordination between the two (including reviewing potential impact on inclusive growth of the future closure of Council assets);
16. There is the potential for greater collaboration between services areas in relation to the use of assets to support local economic growth; and
17. Complete the review of the Asset Register to provide an updated list of land and properties to support those in the community who may be able to make better use of such assets in a community setting through a community asset transfer.

1 INTRODUCTION

1.1 THE PURPOSE OF THE ECONOMIC FOOTPRINT REPORT

The Economic Footprint report includes several recommendations and opportunities for the Council to both further enhance its economic impact and minimise the negative economic impact of public sector cuts.

The Council's Economic footprint is considerable. For example, the Council:

- Employed 3,345 people, 22.7% of the total working age population of the Islands;
- Had a payroll expenditure of £65m, over 99% of which goes to employees who are resident of the Shetland Islands; and
- Procured Goods and Services totalling £62m, £27m (43.5%) of this was spent with local contractors (2016/17).

Shetland Islands Council is a major employer, procurer of goods and services and provider of services to support and improve economic outcomes in the area. The Economic Footprint report considers some of the key economic features of the Council, in terms of employment, procurement, assets and service delivery.

One of the most significant features of any discussion around economic outcomes, and the role of a local authority to support their improvement, is the reduction in budgets that have taken place across local authorities and the further ongoing reductions anticipated in the coming years.

The Economic Footprint of the Council will generally tend to reduce as budgets are cut, the number of employees falls and procurement and capital budgets are also reduced. Nevertheless, despite a context of overall reducing resources for local authorities, councils should continue to strive to have as large an economic footprint as possible. Steps can be taken both to maximise that economic impact and to reduce potentially adverse economic impacts of cuts.

1.2 THE ECONOMIC OUTCOMES PROGRAMME

The Economic Outcomes Programme draws its focus from the concept of 'inclusive growth' as set out in the Scottish Government's Economic Strategy. The Strategy states that Inclusive Growth means

"a more cohesive economy that improves the opportunities, life chances and wellbeing of every citizen in our country, and not only improves outcomes for individuals and households but is a critical driver of economic performance over the longer term."

Within the context of the inclusive growth agenda, economic outcomes are about understanding and using the economic levers that the Council directly controls as a:

- Major employer;
- Procurer of goods and services;
- Asset owner; and
- Deliverer of a wide range of services and policies that impact on the local economy.

There is an opportunity to utilise these levers to maximise the economic impact the Council has for the good of the wider local economy, in terms of more and better paying jobs, thriving local businesses and providing an attractive environment for inward investment.

It is also the case that economic outcomes are central to achieving a wide range of other outcomes, for example improved health and well-being, reduced levels of child poverty and so on. Improving the economic circumstances of an individual or family can improve their life outcomes overall and, consequently, lead to a reduced demand on public services.

Most Council and local partnership economic strategies tend to focus on economic development service delivery rather than the above-noted direct economic levers. The Economic Outcomes Programme is, therefore, intended to complement existing local economic strategies by encouraging a focus on these other ways that a council can help create a positive economic impact.

In summary, the key messages of the Economic Outcomes Programme are:

- Economic outcomes can provide a building block for improving a much wider range of life outcomes;
- Improving economic outcomes is a key element of the prevention agenda and can play a major role in managing down long-term demand for a wide range of public services; and
- Councils, and Community Planning partners, control and influence a range of levers that impact on Economic Outcomes.

Accordingly, this Economic Footprint report has been developed with the Council to assess its current economic impact and identify ways that this positive impact might be further enhanced.

1.3 APPROACH

Further background information on the Economic Outcomes Programme, and the approach taken in developing the Economic Footprint, is indicated in the Appendices.

2 ECONOMIC PROFILE, CHALLENGES AND PRIORITIES

2.1 ECONOMY AND BUSINESS BASE

Shetland Islands Council has one of the smallest economies in terms of GVA in Scotland at £673 million or 0.5% of the Scottish total, however it is one of the highest in terms of GVA per working age person at £46,210 (see Table 2.1). Between 2006 and 2016, GVA growth was 48.2%, which was substantially higher than the Scottish rate of 30.2%, and the second highest growth amongst Scottish local authorities.

The number of business units in Shetland Islands was 1,805 or 778 per 10,000 people in 2016. This was a very high density and was aided by the excellent business survival rate within the area of 70.6%. Across all local authorities this was second only to Aberdeen and significantly better than the Scotland or UK rates of 62.1% and 60.8% respectively.

Table 2.1 Economy and Business base

Measure	Shetland Islands	Scotland	Source
Gross Value Added (GVA – Balanced Approach) £m, 2016	£673 <i>(0.5% of Scottish Total)</i>	£134,038	ONS
GVA Percentage Change 2006-16	48.2%	30.2%	ONS
GVA per Working Age Person, 2016	£46,210	£38,407	ONS
Number of Businesses (Local Units), 2016	1,805	218,470	ONS
<i>Micro Businesses (0-9 Employees)</i>	<i>1,485</i>	<i>177,410</i>	ONS
<i>Small Businesses (10-49 Employees)</i>	<i>270</i>	<i>33,455</i>	
<i>Medium Businesses (50-249 Employees)</i>	<i>45</i>	<i>6,560</i>	
<i>Large Businesses (250+ Employees)</i>	<i>5</i>	<i>1,050</i>	
Business Density per 10,000 People, 2016	778	404	ONS
Business Births, 2016	85	22,270	ONS
Business Births per 10,000 Working Age Residents, 2016	58	64	ONS
Business Survival Rate, 2013-16	70.6%	62.1%	ONS
Self-Employment (as % of Working Age Employment), 2016/17	10.0%	11.7%	APS

2.2 POPULATION AND DEPRIVATION

Shetland Islands Council covers the second smallest population in Scotland, with 23,200 people in 2016. Since 2006, it has also seen below average population growth of 4.5%, which has been concentrated mainly amongst the elderly population, but there has also been modest growth of 1.7% in the working age population, which now constitutes 62.8% of the total population of the islands (see Table 2.2). Growth is projected to remain low at just 0.9%, which is below the Scotland projections, but lies at the median across all local authorities.

According to the SIMD, Shetland Islands Council has a low concentration of deprivation with none of its data zones in the 10% most deprived in Scotland. That does not mean that there is no deprivation within Shetland, however, but reflects the weakness of SIMD in capturing deprivation in rural and sparsely populated areas where deprivation tends to be less concentrated geographically. Although the area's rate of deprivation, as measured by these indicators, is lower than average, area-based approaches to measuring deprivation (such as the SIMD) often fail to fully capture disadvantage within rural areas. Poverty and disadvantage within rural areas tends to be more dispersed than within urban areas making it less visible when using spatial indicators. Data zones are not necessarily small enough to identify pockets of rural deprivation and, alone, do not provide an accurate understanding of rural disadvantage. Key issues can also differ between rural and urban contexts, with out-migration of young people and social exclusion becoming more predominant factors in rural communities.

Regardless, Shetland is expected to be one of the least affected areas by welfare reform, with an annual impact of £2 million per annum lost as a result of welfare reform by 2020/21. This works out to £160 per head per year, which is the lowest in Scotland at around half the Scottish average

Table 2.2 Population and Deprivation

Measure	Shetland Islands	Scotland	Source
Total Population, 2016	23,200 (0.4% of Scottish Total)	5,404,700	ONS
Population Change 2006-16	990 (4.5%)	271,600 (5.3%)	ONS
Projected Population, 2026	23,399	5,548,442	NRS
Projected Population Change 2016-2026	199 (0.9%)	143,742 (2.7%)	NRS
Working Age Population, 2016	14,564 (62.8%)	3,489,931 (64.6%)	NRS
Number of Data Zones in Scotland's 10% Most Deprived, 2016	0	698	SIMD
Proportion of Local Data Zones in 10% Most Deprived, 2016	0%	-	SIMD
Share of National Data Zones in 10% Most Deprived, 2016	0%	100%	SIMD
Workless Households, 2016	*	330,000	APS
Welfare Reform Impact by 2020-21 p.a.	£2m	£1,040m	Scottish Parliament

2.3 EMPLOYMENT, UNEMPLOYMENT AND SKILLS

In employment terms, Shetland Islands performs very well relative to other Scottish councils. Its employment rate of 86.2% is the second highest after Orkney Islands Council and is far above the

Scottish rate of 73.4% (see Table 2.3). Employment growth in Shetland Islands has been relatively modest at 1.7% since 2006/07, but still above the Scottish rate, which is impressive given that the area was starting from a higher base employment level.

Employees in the council have very high median earnings at £606 for residents and £604.60 on the workplace-based measure. High earnings in Shetland Islands are somewhat offset by a high cost of living, however, which has been estimated to be as much as 40% higher than mainland Scotland².

Skill levels in Shetland are also high with a very low percentage of the population with no qualifications: at just 2.5% compared to a Scottish rate of 10%. This figure has also improved rapidly in Shetland since 2010 when it was 10.6%.

The percentage of school leavers going into positive destinations in Shetland Islands has fallen over the last two years and is now below the Scotland rate, at 92.6%.

Table 2.3 Employment, Unemployment and Skills

Measure	Shetland Islands	Scotland	Source
Resident Employment, 2016-17	12,300 (0.5% of Scottish Total)	2,504,600	APS
Resident Employment Rate	86.2%	73.4%	APS
Percentage Change Resident Employment 2006/07-16/17	1.7%	1.2%	APS
Median Weekly Gross Pay (Full Time workers by place of residence) 2016-17	£606.00	£547.70	ASHE
Median Weekly Gross Pay (Full Time workers by place of work) 2016-17	£604.60	£547.30	ASHE
Economically Inactive 2016-17	1,400 (9.5%)	787,100 (23.1%)	ONS
Resident Unemployment, 2016-17	600 (0.5% of Scottish Total)	120,700	APS
Percentage Change Resident Unemployment 2006/07-16/17	*	-6.9%	APS
Resident Unemployment Rate, 2016/17	4.7%	4.6%	APS
Out of Work Benefit Claimants, 2016	820	356,850	NOMIS
Working Age Population with No Qualifications, 2016	2.5%	10%	APS
Percentage of School Leavers Going on to Positive Destinations, 2016/17	92.6%	93.7%	Scottish Government
Modern Apprenticeship Starts, 2016/17	135	26,262	Skills Development Scotland
Employability Fund Starts, 2016/17	45	11,717	Skills Development Scotland
Number of Unemployed People that have Progressed to Employment as a Result of Participation in Council Funded or operated Employability Activities, 2016/17	N/A	17,020	SLAED

² <http://www.scottish-islands-federation.co.uk/cost-of-living-on-islands-still-40-higher>

2.4 INVESTMENT

Available investment related statistics for Shetland indicate substantial Council economic development expenditure. 26 local companies were assisted by SDI in 2016/17. (see Table 2.4).

Table 2.4 Investment

Measure	Shetland Islands	Scotland	Source
Immediately Available Employment Land 2016/17	N/A	38.4%	SLAED
Number of Planned New Jobs from Completed Inward Investment Projects, 2016/17	0	4426	SLAED
Number of Planned Safeguarded Jobs from Completed Inward Investment Projects, 2016/17	0	3414	SLAED
Number of Companies Assisted by Scottish Development International (SDI), 2016/17	26	2344	SLAED
Leverage of External Funding: £ Levered per £1 Spend, 2016/17	£0.22	£1.54	SLAED
Town Vacancy Rates 2016/17	N/A	10.2%	SLAED
Council Economic Development Expenditure, 2016/17	£2,644,885	£255,930,290	SLAED
<i>Capital Spend</i>	£0	£106,464,686	
<i>Revenue</i>	£2,644,885	£149,465,604	
Business Expenditure on Research & Development, 2016/17 (£'000s)	*	£1,072,134	Scottish Government
BERD per Head, 2016	*	£198	Scottish Government

2.5 PRIORITIES AND EMERGING ISSUES

The priorities identified for Shetland by the Council and Community Planning Partners are set out in Shetland's **Local Outcome Improvement Plan 2016-2020**. This sets out the activity of the Shetland Partnership to deliver the Shetland Community Plan. The LOIP has 5 priority outcomes these are:

1. Outcome A: Ensuring that the needs of our most vulnerable children and young people are met;
2. Outcome B: Improve mental health and resilience;
3. Outcome C: Reduce the harm caused by alcohol;
4. Outcome D: Make the best use of existing assets, infrastructure and human capital for sustainable economic development; and
5. Outcome E: To protect and enhance our natural environment and promote the benefit to society (including health) that it provides.

In relation to Outcome D, the partnership has identified 3 key areas for work to progress Shetland's economy. These are:

1. Attracting more people to Shetland to work, study and invest;
2. Making the best use of existing assets, infrastructure and human capital for sustainable socio-economic development; and
3. Supporting the development of a digital, diverse and innovative business base.

It is noted in the LOIP that the focus in recent years has been upon maximising economic prosperity for Shetland. The focus is now upon consolidating this prosperity and taking action to improve the lives and economic prospects for those from poorer backgrounds in Shetland.

The Council is structured around 5 directorates, reporting to the Chief Executive. These are:

1. Children's Services
2. Community Health and Social Care
3. Corporate Services
4. Development Services
5. Infrastructure Services

Economic Development Services sit within the **Development Services Directorate**, alongside housing, planning and transport. The Council has an **Economic Policy Statement 2013-17**, which is integrated with the Council plan and a range of other Council strategies and policies. The aim of the policy statement is;

"To improve the economic well-being of Shetland by promoting an environment in which newer industries develop alongside thriving traditional industries."

Underpinning this aim are 5 objectives:

1. Link skills and knowledge development to economic need;
2. Develop the economic health of local communities and a more diverse business base, through encouraging innovation and sustainable growth;
3. Encourage research and adoption of enabling technologies and infrastructure;
4. Develop local control and management of resources; and
5. Improve the reputation of Shetland as an attractive place to live, work, study, visit and invest.

While the LOIP and the economic policy of the Council clarify the priorities and objectives for the Council and Community Planning Partners until 2020, a number of emerging issues have been identified and are laid out in

Table 2.5 below.

Table 2.5 Emerging Issues

Issue	Outline
City / Region Growth Deals	<p>Shetland Islands is working with Orkney Islands Council and Comhairle nan Eilean Siar on the “Our Islands Our Future” programme. This programme looks to devolve greater power and resources to the Island authorities. This could include:</p> <ul style="list-style-type: none"> • Control of the sea bed around the islands, allowing revenues currently paid to the Crown Estate to be channelled into local needs • New grid connections to the Scottish mainland to allow world class wave, tidal and wind energy resources to generate maximum benefits for the islands • New fiscal arrangements to allow the islands to benefit more directly from the harvesting of local resources, including renewable energy and fisheries <p>The Islands (Scotland) Bill is currently being debated in the Scottish Parliament.</p>
Procurement Acts 2014 2017	<p>2014 Act places a ‘Sustainable Procurement Duty’ on public authorities, including councils, to consider how procurement can ‘improve the economic, social and environmental well-being of an authority’s area; facilitate the involvement of small medium enterprises, third sector bodies and supported businesses in the procurement process and to promote innovation. In addition, for contracts over £4 million, authorities have a duty to consider whether to include ‘Community Benefit requirements’. (Councils can also choose to do so for contracts of a lesser value). Authorities are also required to publish a procurement strategy and an annual procurement report</p>
Developing Scotland’s Young Workforce	<p>The Scottish Government’s strategy was developed to respond to the Commission for Developing Scotland’s Young Workforce (DYW), published in June 2014. This is a 7-year national programme to implement the Commission’s recommendations. These recommendations include the Scottish Government working jointly with local authorities to ensure school pupils access learning which is directly relevant to getting a job, improving and extending careers advice and work experience and ensuring that learning is ‘shaped and supported’ by employers.</p> <p>Key targets for the programme include: reducing youth unemployment by 40% by 2021; increasing the percentage of employers recruiting young people directly from education to 35% by 2018 and; reducing to 60% the percentage of Modern Apprenticeship frameworks where the gender balance is 75:25 or worse by 2021.</p> <p>As 1 of the 21 industry led DYW Regional Groups, a Board or team is still to set up to deliver expected outcomes in Shetland.</p>
Workforce Issues for Care at Home and Early Years Expansion	<p>The key vision for the Health and Social Care Partnership stated in their Annual Performance Report 2016-17 is that <i>by 2020 everyone in Shetland is able to live longer healthier lives at home, or in a homely setting...we will focus on supporting people to be at home or in their community with as much specialist care provided in Shetland and as close to home as possible.</i> However, it is getting increasingly difficult to recruit and maintain people who want to work in service areas such as Care at Home, so critical to support older people to live independently in their own home.</p> <p>This issue may be exacerbated by the expansion of hours provided in Early Years services. It may be that both services will be competing for an ever-declining pool of staff in the next few years.</p>
Community Empowerment Act	<p>The act covers a large number of policy areas, a number of which have a key relevance to Economic Outcomes. These Include: extending the statutory duty to a range of partners to participate in Community Planning; a focus on improving outcomes and tackling inequalities; joint resourcing and the development of Local Outcome Improvement Plans (LOIPs) which focus on: Community Right to Buy; Asset Transfer requests; and Non-Domestic Rates.</p>
Integration of Health & Social Care	<p>Health and Social Care Integration is enshrined within the Public Bodies (Joint Working) (Scotland) which came into force in April 2014. The Act provides a framework for the effective integration of adult health and social care services. The Act includes an emphasis on anticipatory care and prevention, promoting physical activity and introducing technology and rehabilitation interventions</p>

Issue		Outline
Welfare Legislation	Reform	Welfare reform describes a wide range of changes which the UK Government has been implementing in phases since 2013. A consistent conclusion from each piece of literature reviewed by the IS is that Welfare Reform will have a major impact on Scotland. It is likely that significant spending power will be taken out of the economy and this will have an adverse impact at a number of levels – on individuals, households and the economy as a whole.
Education (Scotland) Act 2016, and Education (Scotland) Bill 2017		These new and emerging pieces of legislation will place a duty on local authorities to provide education in a way that is designed to reduce inequality of outcomes for pupils experiencing socio-economic disadvantage. The 2016 Act also requires regular update reports on progress. The new legislation now going through the Scottish Parliament includes a significant transfer of powers to individual schools. and the establishment of Regional Education Collaboratives.
Final report of the Scottish Government Enterprise and Skills review		The report clarifies Scottish Government aspirations and expectations of future Regional Economic Partnerships and, within this framework, invites regions to develop bespoke delivery models. The importance of City / Growth / Islands Deals as platforms for further development is recognised, as is the leadership role of local government in facilitating the involvement of wider partners. Recommendations also suggest scope to better integrate Regional Partnerships/City Deals with spatial planning and transport mechanisms. The Scot Govt defines the tests of robust Regional Partnerships as requiring: leadership; strategy; understanding; and purpose.
Financial		<ul style="list-style-type: none"> • Severe financial constraints • Increasing cost pressures
Technological		<ul style="list-style-type: none"> • Electronic service delivery • Mobile / flexible working • Opportunities for efficiency / productivity • McClelland Report (use and strategic management of information and communications technology within the public sector in Scotland)
Social & Demographic		<ul style="list-style-type: none"> • Ageing population • Shrinking population, particularly younger people leaving the area. • Increased demand for key services
Political		<ul style="list-style-type: none"> • Public service reform • Political uncertainty arising from UK exit from EU “Brexit”
Economic		<ul style="list-style-type: none"> • Potential economic downturn resulting from” Brexit”

2.6 CONCLUSION

The section has set out a brief economic profile of Shetland, as well as the nature of challenges faced and identified priorities and actions for the Council.

While the economy in Shetland performs well across a number of economic indicators compared to Scotland as a whole, the priorities identified in the LOIP reflect a number of the findings from Shetland’s Commission on Tackling Inequalities and critically focus upon consolidating the economic success in the area to support those from deprived socio-economic backgrounds back into the workforce to fulfil their personal and economic potential.

The remainder of this report considers three dimensions of the Council’s economic footprint (as employer, buyer, and asset manager) and associated actions within these areas that may be considered to further enhance the Council’s economic footprint and role in promoting inclusive growth.

Council Employment Analysis

Summary

- Shetland Council employ 3,345 people³;
- Over 99% of these were Shetland Island residents;
- The Council employs 23% of the working age population, underlining the critical economic role the Council plays;
- £65m annual salary spend on employees (almost all of this is with employees resident in the Shetland Islands);
- The Council has a very high rate of part-time employment, with 2,058 (61.5%) of employees working on a part time basis;
- 1,435 employees (c.43%) earn less than £15,000 per annum (all part time); and
- Most employees are drawn from areas that fall within mid-range employment deprivation deciles (only a small part of population falls within lower employment deprivation deciles).

2.7 INTRODUCTION

A key element in the economic footprint of Shetland Islands Council is analysis of council payroll spend. The purpose of this section is to analyse where employees live, how much money the Council spends on salaries by area and the proportion of employees and spend in relation to the most deprived areas in the Shetland Islands. The policy relevance of this analysis is significant in the context of Scotland's Economic Strategy priority of promoting inclusive growth, which has the objectives of:

- Promoting Fair Work and building a labour market that provides sustainable and well-paid jobs; and
- Addressing long-standing barriers in the labour market so that everyone could fulfil their potential.

2.8 DIRECT EMPLOYMENT NUMBERS⁴

Shetlands Islands Council is one of the biggest employers in the area. As at 31st March 2015, the Council employed a total of 3,345 people, the great majority of whom, 99.1% of the total workforce,

³ Based on employment / salaries data as at 31/3/15 provided by the Council

⁴ The direct effects of council employment presented do not include any additional or 'knock-on' effects that may accrue to those who are not directly employed by the council.

Employment by local authorities also has a positive indirect and induced employment effect on the local economy in terms of retail, leisure and a range of other service areas through what are termed multiplier effects. These can occur in two ways:

- *Supplier linkage effects (sometimes referred to as indirect effects or Type I multipliers) arise as employees increase their demands for goods and services from supplier businesses based within the council area and further afield. These businesses, in turn, increase their demands for goods and services and so on down the supply chain; and*
- *Income multiplier effects (sometimes referred to as induced multipliers or Type II multipliers) arise from the additional spending by those employed through direct or supplier linkage effects, on goods and services from suppliers based in Shetland Islands and beyond.*

In this way, it is important to recognise the Council employees spend a very large proportion of their salaries in the local economy, supporting shops and businesses in the local area, as well as the wider regional economy.

also lived in the Shetland Islands. As Table 2.6 shows, virtually all employees are resident in the Shetland Islands.

It is worth noting that the Council, with 3,316 employees is not only the largest single employer on the Islands, it also employs approximately 22.7% of all the working age people on the Islands. This reinforces the crucial importance of the local authority to the economy of the Islands.

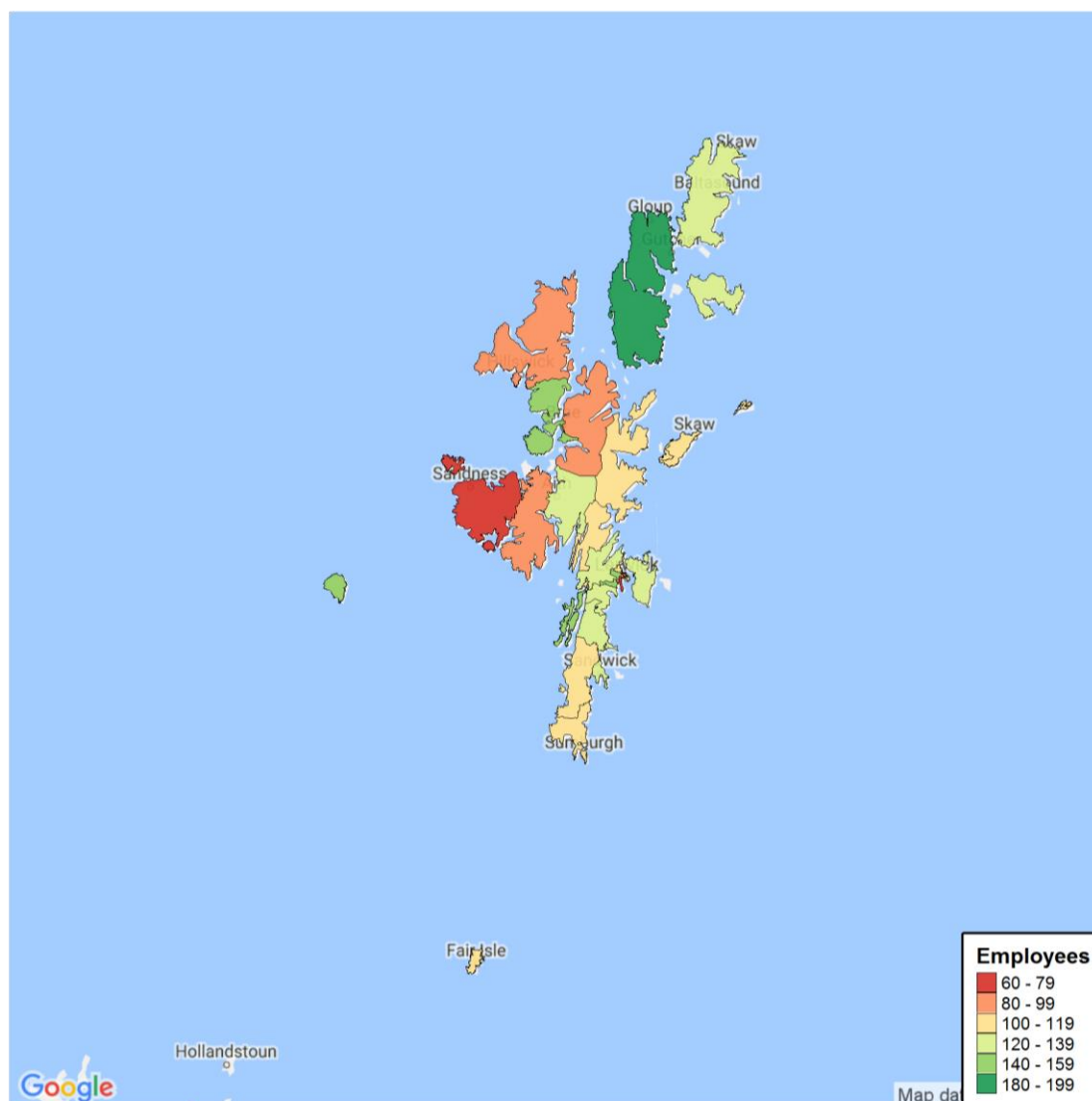
Table 2.6 Shetland Island Council Employees by residence (local authority area)

Council Area	Employees (number)	Employee (percentage)
Shetland islands	3,316	99.1
Orkney islands	8	0.2
Other	21	0.7
Total	3,345	100

The estimation of indirect and induced employment from direct council employment is beyond the scope of the EOP project.

Error! Not a valid bookmark self-reference. shows the distribution of Shetland Islands Council employees, resident in Shetland Islands, by data zone.

Map 2.1 Distribution of Shetlands Islands Council Employees Within Shetland Islands by Data Zone, Total Number of Employees (2001 Data Zones)



2.9 EMPLOYMENT SPEND

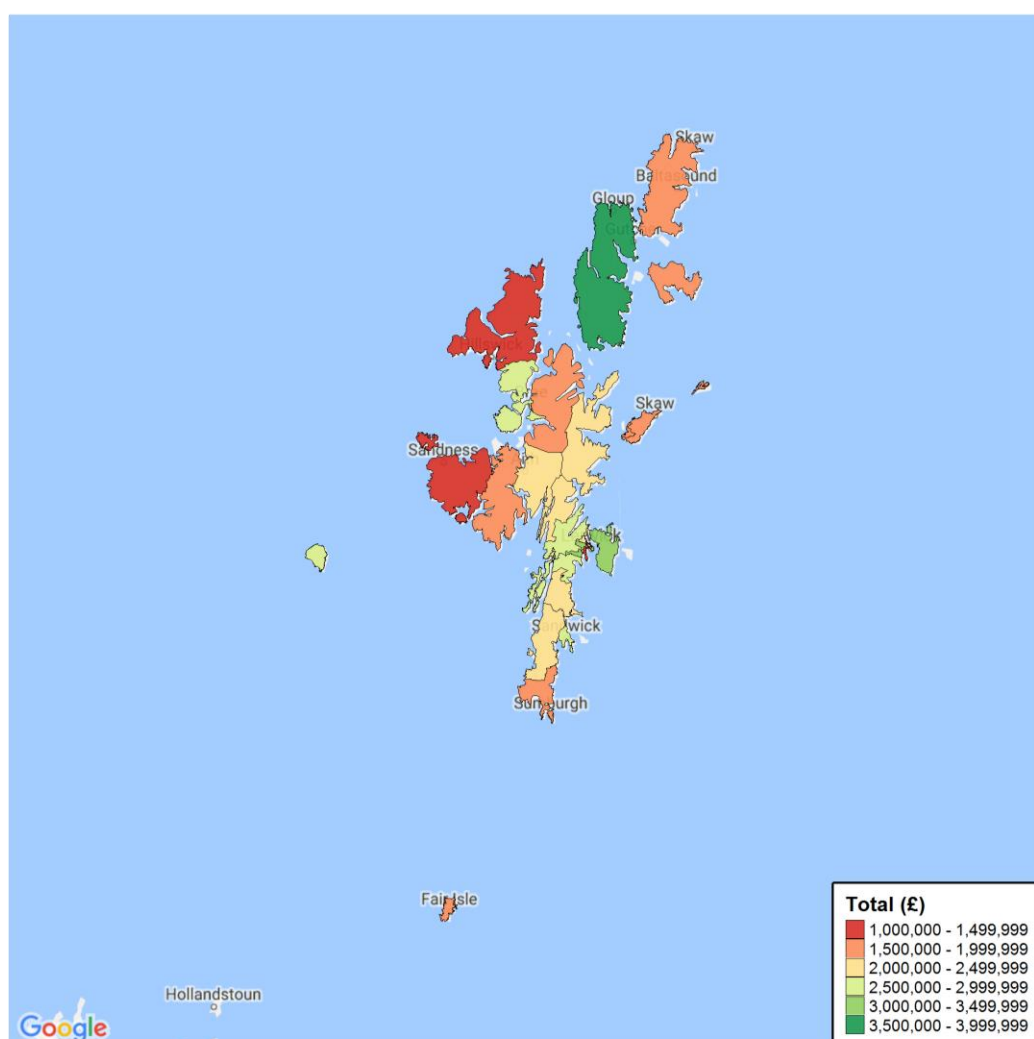
Table 2.7 below summarises Shetland Islands Council annual salary spend by the local authority residence of employee. It shows that c.£65m of the Council's annual salary costs went to employees resident in the Council area. The next most significant local authority area in terms of Council's salary spend is the Orkney Islands. It should be noted that this is a very small number of staff and salary spend who are not residents of Shetland Islands. The table also shows the mean salary for employees by local authority of residence; with mean salary for Council employees resident in Shetland Islands of £19,334.

Table 2.7 Summary of actual annual salary by Local Authority of employee residence, 2014/15

Local Authority	No. of Employees	Sum of Salary Spend (£)	Mean Annual Salary (£)
Shetland islands	3,316	64,111,534	19,334
Orkney Islands	8	224,757	28,094
Other	21	519,425	24,737
Total	3,345	64,855,716	

Error! Not a valid bookmark self-reference. shows the salary spend on Shetland Island resident employees by data zone.

Map 2.2 Salary Spend by Shetland Island Data Zone, Total Actual Net Salaries (£) (2001 Data Zones)



2.10 NATURE OF DIRECT EMPLOYMENT

2.10.1 HOURS WORKED

Table 2.8 below, indicates that, from a total workforce of 3,345, some 1,287, or 38.5%, of employees work full time. In turn, 2,058 employees, or 61.5%, of the Shetland Island workforce work part time. The significant prevalence of part time working is the major factor in the relatively low median wage for Council employees. Shetland island's Council has one of the higher rates of part time working across the Scottish local authorities.

Table 2.8 Summary of full and part time employees by Shetland Islands Residence

Area	Full time	%	Part time	%
Shetland Islands	1,287	38.5	2,058	61.5

2.10.2 SALARY SCALE

Table 2.9 provides a breakdown of Shetland Island Council's staffing compliment, by £5k salary intervals. The purpose of this table is to illustrate the salary spread across the Council's workforce and to identify the number and proportion of staff within individual salary ranges. The table indicates that the Council has a large number of relatively low earning employees. The Council has 1,435 employees, from a total of 3,345, or c.43%, who earn less than £15,000 per annum (all these staff are part time). However, just 78 full time staff earn less than £20,000 per annum.

Table 2.9 Number and percentage of Shetland Island Council Employees by salary scale

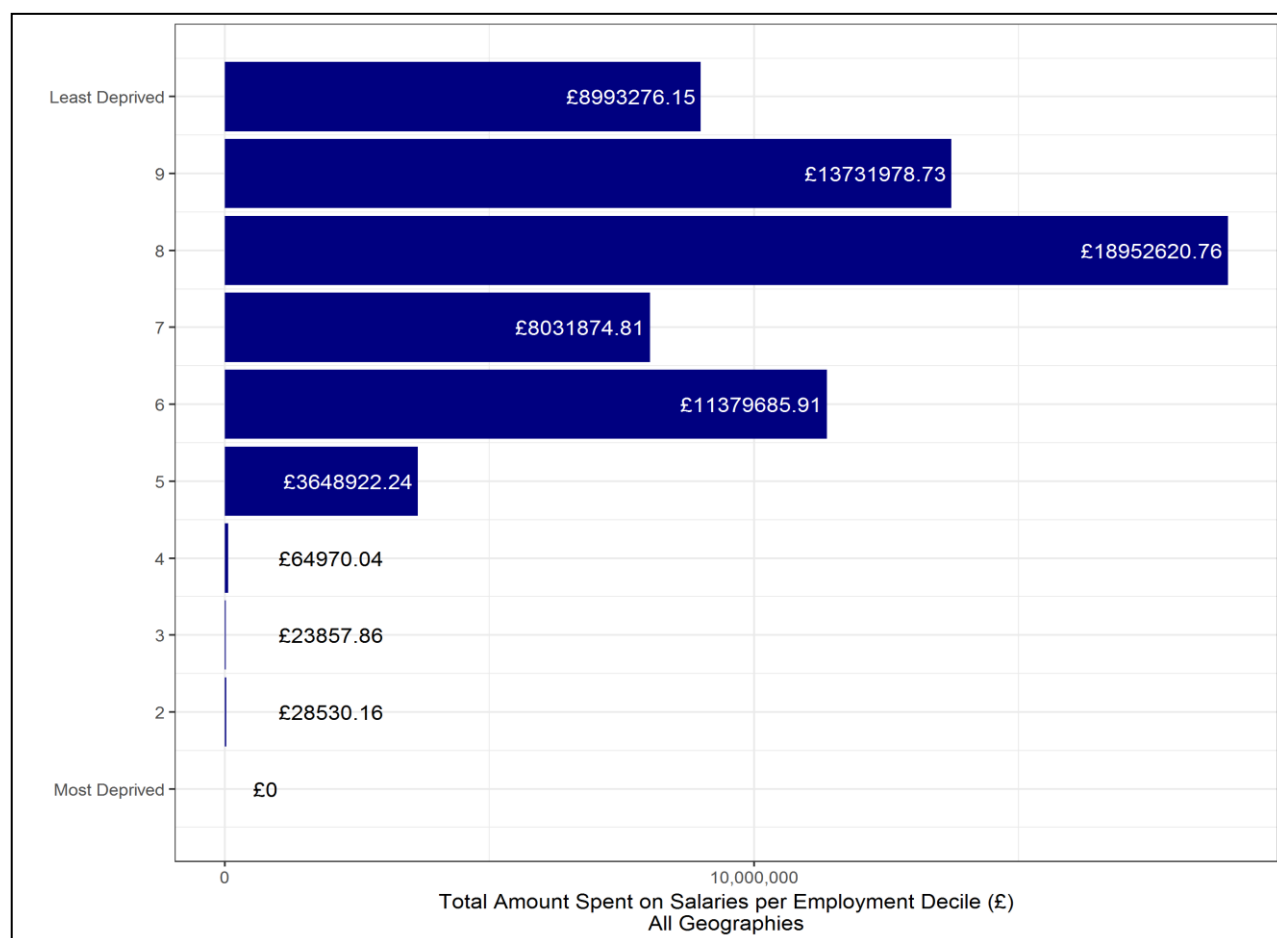
Salary (£000s)	Intervals	Full time employees	Percent	Part Time	Percent
0 to 4.9		0	0	578	38.6
5 to 9.9		0	0	409	12.2
10 to 14.9		0	0	448	13.4
15 to 19.9		78	2.3	379	11.3
20 to 24.9		225	6.7	168	5.0
25 to 29.9		283	8.4	57	1.7
30 to 34.9		149	4.4	13	0.4
35 to 39.9		303	9.1	4	0.1
40 to 44.9		101	3.1	1	0.0
45 to 49.9		65	1.9	0	0
50 to 54.9		35	1.1	0	0
55 to 59.9		24	0.7	0	0
60 to 64.9		8	0.2	0	0
65 to 69.9		6	0.2	0	0
75 to 79.9		3	0.1	0	0
80 to 84.9		2	0.1	0	0
85 to 94.9		0	0	0	0
95 to 99.9		0	0	0	0
100-104.9		1	0.0	0	0
Total		1,287	38.8	2,058	61.2

2.10.3 EMPLOYMENT SPEND BY LOCATION

Analysis of payroll data indicates where Shetland Island Council draws its employees from, in relation to its most and least deprived communities. It should be noted that the Scottish Index of Multiple Deprivation is of less utility in small rural areas such as the Shetland Islands - where poverty is more dispersed and not necessarily geographically concentrated. There are very few areas (and associated populations) that fall within 'most deprived' status in the Shetlands.

Nonetheless, Figure 2.1, shows spend on Shetland Islands Council employees, by the Scottish Index of Multiple Deprivation (SIMD) employment deprivation decile. Figure 2.1, indicates that the vast majority of the Council's employees are drawn from the least deprived data zones on the Islands. There are virtually no Shetland Island employees who are resident in the most employment deprived data zones in Shetland.

Figure 2.1 Total amount spent on salaries per employment decile, for all geographies



2.11 DISCUSSION OF EMPLOYMENT ANALYSIS

There is an opportunity to explore the reasons for these patterns and to assess whether alternative recruitment policies and practices could result in a higher proportion of disadvantaged residents accessing employment opportunities with the Council. This might, for example include: positive action; training; employment; and work experience programmes

Such approaches could help disadvantaged individuals and families to achieve improved economic and wider social outcomes, potentially resulting in reduced longer-term demand for a range of social services, thereby resulting in sustainable savings to the Council and partners.

Understanding the impacts for those from deprived socio-economic backgrounds and how to support people into employment have been widely raised by Shetland's **Commission on Tackling Inequalities** (2016). This considerable body of work focused attention on those from poorer backgrounds and those facing mental health and other debilitating conditions in Shetland. Research commissioned by Shetland Partnership in 2006 also highlighted the plight of people living in Shetland who had unfortunately not benefited from the economic prosperity enjoyed by many. One recommendation was for Community Planning Partners to raise the issue of deprivation and social exclusion and that people living in these conditions should be developed to raise their ability to participate in the local

economy. The research also highlighted the problems facing those with debilitating health / mental health issues and how this has inhibited entry into the workforce.

The Commission on Tackling Inequalities has achieved much in raising these issues to the extent that these are now LOIP priorities for the Council and Community Planning Partners. The local EOP Reference Group noted that, while numbers of young people who are unemployed are low, they can often have high levels of need and face debilitating issues such as mental health, anxiety and self-esteem. As such, it is particularly important to support the work done by the Council and Shetland College with young people facing a range of issues, to allow them to fulfil their personal and economic potential in the Shetland economy. Supporting such targeted work with young people is at the heart of raising the prospects of hard to reach individuals identified in the Community Empowerment legislation.

2.12 LEVERAGING COUNCIL EMPLOYMENT FOR INCLUSIVE GROWTH

The table below identifies a number of dimensions of council practice in terms of leveraging its role as employer to promote inclusive growth (Table 2.10)⁵.

Table 2.10 Dimensions of Council Practice as Employer

Issue	Practice	Opportunities
1. Does Council explicitly identify role as employer (in influencing socio-economic development) in strategy along with associated action plan/s?	Moderate: Role identified in main council strategy documents and/or allied documents, but SMART targets generally not defined	Scope to further define the direct role of Council and partners as employer in influencing socio-economic development in area with the development SMART targets. The Council could become an accredited Scottish Living Wage employer.
2. Is there a clear and consistent approach to economic development within the council?	Moderate: The Council has an economic development policy statement for 2013-17 which sets out the key aims and outcomes the Council has for the local economy.	The Council could look to refresh its economic development strategy for 2018 onwards, with the potential for a sharper focus on inclusive growth and the role of the council and CP partners as economic actors.
3. Are target groups/areas engaged in developing solutions to improve employment opportunities/ early interventions?	High: The Council and Community Planning Partnership produced a report "on da level-achieving a fairer Shetland" from the Shetland Commission on Tackling Inequalities. This Report includes a section on early intervention and prevention to support people and communities	Ongoing implementation of the recommendation of the Shetland Commission on tackling inequalities.
4. Engagement with relevant Community Planning Partners	High: The Council works closely with key Community Planning Partners to deliver on the outcomes set out in the LOIP.	There is potential for all the key Shetland Island CPP partners to become Scottish Living Wage accredited employers.

⁵ See Appendix for indicators of practice

Issue	Practice	Opportunities
5. Coordination between Procurement; Asset Management; and Economic Development/ Employability Teams	Moderate: The Council is part of the Supplier Development Programme and the Council's procurement strategy is explicit in terms of its support for local companies to bid for Council procurement contracts	There is scope to introduce an internal working group to facilitate closer alignment between business support services/ Business Gateway and the corporate procurement team- with a particular focus on the delivery of the Council's procurement strategy.
6. Availability, Scale and Character of Internal Modern Apprenticeship Programme	Moderate. The Modern Apprenticeship programme for Shetland Islands is operated through TrainShetland Vocational training. At any one time 130 people will be participating in the Modern Apprenticeship programme across a range of apprenticeships, including construction, engineering, hospitality, horticulture, business services and children's learning and development.	The structure of the MA programme provides an opportunity to target opportunities towards more disadvantaged groups, for example you people who are in the employability pipeline at present. Opportunities to consider extending Council MAs, particularly targeted at disadvantaged.
7. Targeting of Recruitment (to Council) from Priority Groups/Areas	Moderate: There is a moderate level of targeted recruitment with target areas/groups. Shetland has low levels of worklessness and high labour market participation, so the people engaging with employability services tend to be more distant from the labour market and have substantial barriers to employment such as poor mental health, learning disabilities and addiction problems.	See above. Opportunity for council and CP partners to provide employment, training and work experience for priority groups.
8. Council Employability Approaches	Moderate: The Council operates a 5-stage employability pipeline which targets people with 2 or more barriers to employment. As noted above, Shetland has low levels of worklessness and high labour market participation, so the people engaging with employability services tend to be more distant from the labour market and have substantial barriers to employment such as poor mental health, learning disabilities and addiction problems. The employability service is small	Consideration of how the Council's current 5 stage employability pipeline works with the new Scottish Government funded employability programmes which start operations in April 2018. The Council could consider introducing a supported training programme for, example, looked after children to support their employment outcomes.
9. Monitoring of Recruitment from Target Groups/Areas	Moderate: The Council undertakes monitoring of recruitment by equality group.	The introduction of the socio-economic duty by the Scottish Government this year underpins recruitment monitoring by socio-economic characteristics.

3 LOCAL PROCUREMENT PROFILE

Summary

- Significant local spend of £27m in 2016/17 (c.44% of total procurement spend);
- Significantly higher proportion of spend is local in comparison with all Scottish councils (15% higher in 2016/17)
- The percentage share of local spend in Shetland Islands was around 23 percentage points higher than the Scottish average across the past decade (51% vs 28%).
- There were 548 local suppliers to the Council in 2016/17;
- Local spend by Shetland Islands Council is greatest for Construction (45%), followed by 'Travel & Accommodation' (16%), and 'Transport' (10%). These sectors are relatively localised and aggregation in these sectors could impact on local employment and wealth retention;
- In 2016/17, spend by the Council with Small Companies was higher than the Scottish average (48% vs 34%);
- Local suppliers and spend are mostly concentrated in one area of the Shetland Islands - the largest area of local spend (72%) was the ZE1 postcode area (Lerwick). This concentration has potential consequences for service and employment access; and
- Aberdeen City is the single largest local authority area for non-local spend by Shetland Islands Council. There may be potential scope for strategic targeting (or at least monitoring) of such spend in terms of impact on priority groups or areas in those neighbouring locations (e.g. through CBCs).

3.1 INTRODUCTION

This section presents an analysis of local procurement spend by Shetland Islands Council, informing the wider 'Economic Footprint' analysis of the area. The purpose of this section is to help:

- Assess the volume and type of local procurement spend;
- Assess the trend in local spend over time; and
- Provide a comparison of some key features of local spend patterns with the Scottish average.

The analysis permits stakeholders to consider further how local Council spend may link with other local economic development activity, contributing to meeting local social and economic development goals. The data is sourced from Shetland Islands Council via the Scottish Procurement Information Hub (SPIH) ⁶.

See notes below for main spend categories⁷.

⁶ Hosted by Spikes Cavell.

⁷ **Trade Supply** is defined as 'commercial suppliers'. The spend is deemed to be a commercial, arms-length agreement for the supply of goods and/or services on terms and conditions of supply that may be influenced by the purchaser in negotiation with the seller.

Non-Trade Supply is defined as 'non-commercial suppliers' (i.e. other public-sector suppliers). The spend is deemed non-negotiable.

Above de minimis is defined as a supplier with whom the organisation spends over £1,000 in aggregate in the year of analysis. Note that **Core Trade** defined as 'above de minimis trade suppliers and social care providers'. Social Care providers are classified by Spikes Cavell as Non-Trade suppliers which means that they are not considered to be commercial suppliers. They are included in the Core Trade definition because the spend with them can be influenced.

Also note that the SPIH reports only council spend for suppliers with whom the council spend is over £1,000 in aggregate in the year of analysis.

3.2 LOCAL SUPPLIERS

3.2.1 SPEND AND NUMBER OF SUPPLIERS

Some 44% (548) of the Shetland Islands recorded suppliers to the Shetland Islands Council in 2016/17 were locally based (within Shetland Islands Council area), accounting for just over £27m spend in the local economy (see Table 3.1). Of this amount, just under £24m was Trade Supply (commercial). In 2016/17, the proportion of Local Spend was significantly higher in Shetland Islands Council, at 45%, than for all Scottish council areas as a whole (at 28%) (see Table 3.2 and Figure 3.1).

Table 3.1 Spend Distribution Summary, 2016/17

Scotland Total Spend (£ Thousands)	Local Suppliers	Shetland Islands Total Local Spend (£ Thousands)	Shetland Islands Total Local Suppliers
1,944,830	30,014	27,027	548

Source: SPIH, accessed 2018

Table 3.2 Spend by Location, Shetland Islands Council, 2016/17

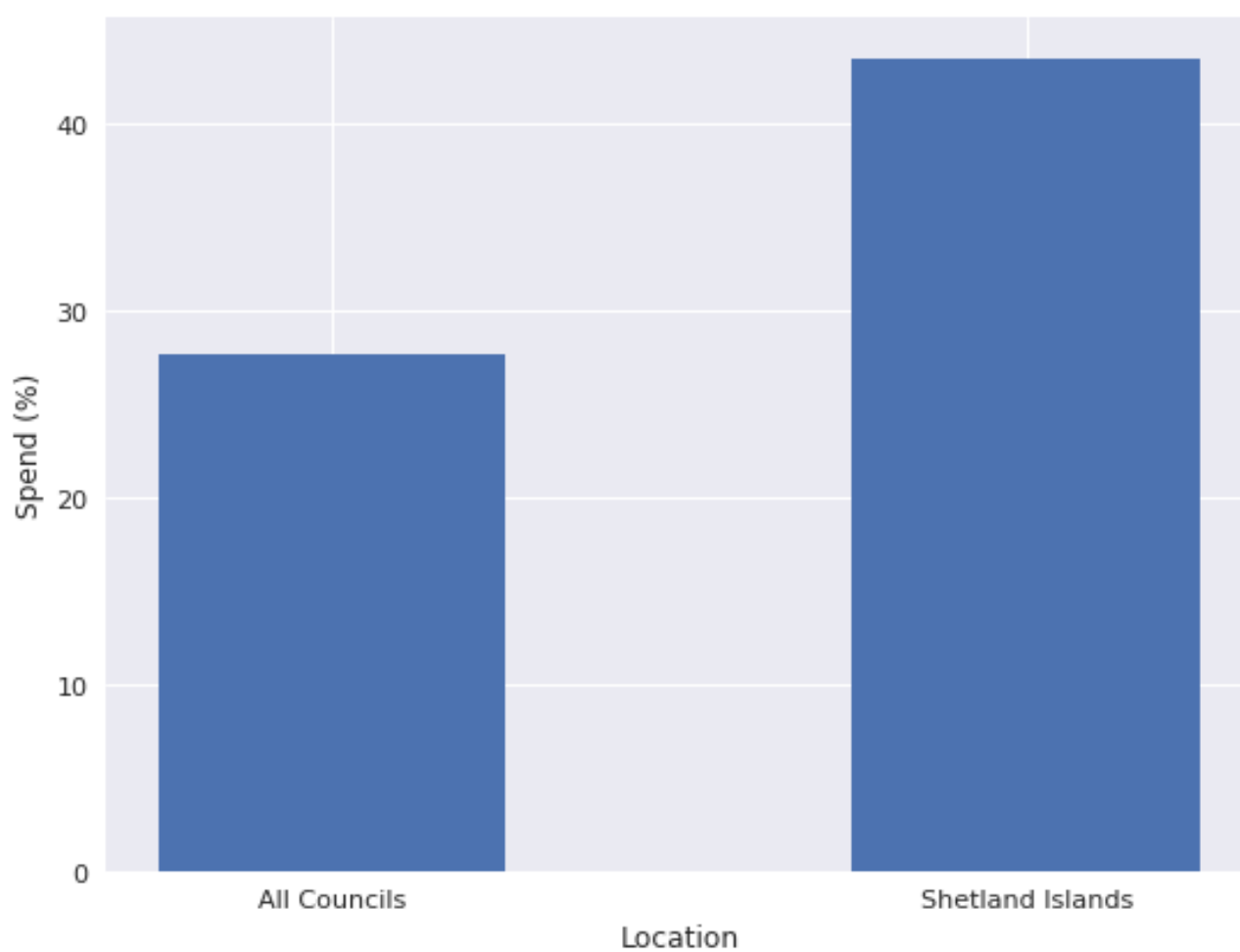
Location	% Shetland Islands	% Scotland	% of Spend Variance
Unknown	6	1	+5
Local	45	28	+17
Elsewhere	50	71	-21

Source: SPIH, accessed 2018

Excluded is spend which has been excluded, as it should not be analysed, for example it includes personal names, or relates to benefit or pension payments.

Unclassified is spend that cannot be classified as either Trade or Non-Trade.

Figure 3.1 Local Spend in Shetland Islands Council and Scotland, 2016/17

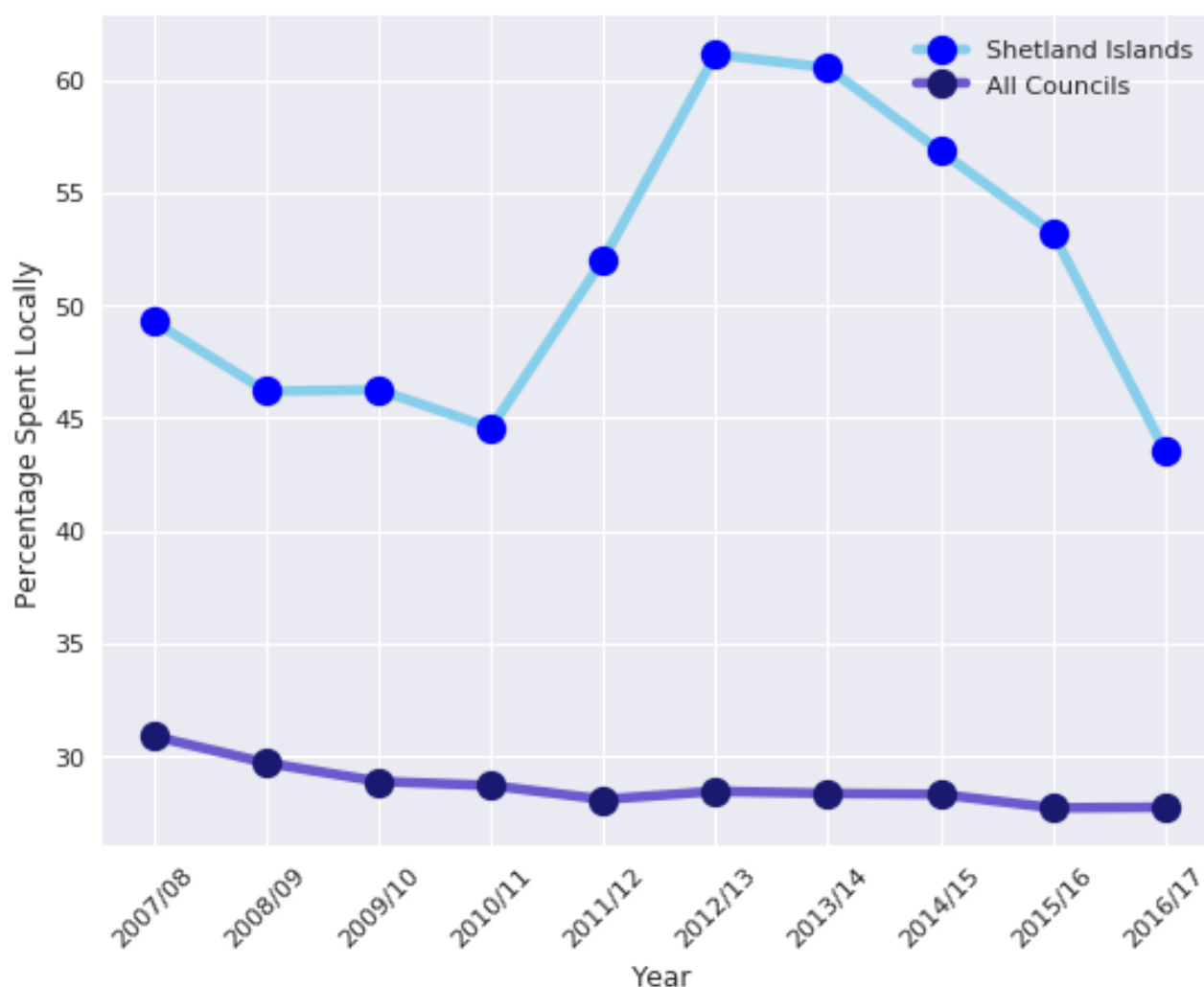


Source: SPIH, accessed 2018

3.2.2 TREND

Looking at local trade, the share of local spend in Shetland Islands Council increased to its peak of 61% in 2012/13 before decreasing to its current rate of 44% in 2016/17 (see Figure 3.2). The percentage share of local spend in Shetland Islands was around 23 points higher than the Scottish average for the ten-year period (51% vs 28%).

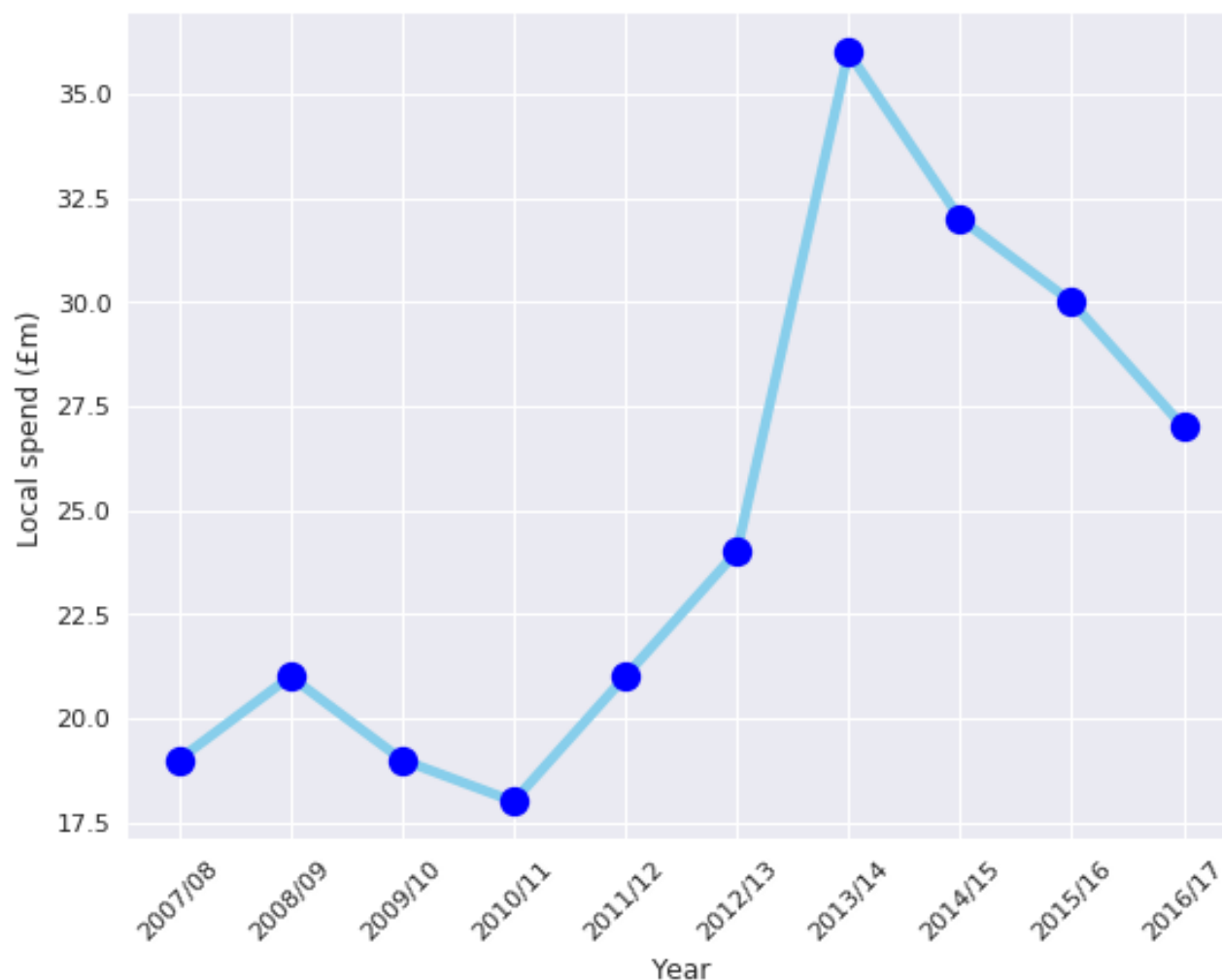
Figure 3.2 Change in % Local Spend, Shetland Islands Council from 2007/08 to 2016/17



Source: SPIH, accessed 2018

Local spend is indicated in Figure 3.3. This peaked at just over £36m in 2013/14 before decreasing to its current level of just over £27m in 2016/17. The share of local spend was variable over the period, with a low value of just over £18m in 2010/11 and a high value of just over £36m in 2013/14.

Figure 3.3 Local Spend, Shetland Islands Council from 2007/08 to 2016/17

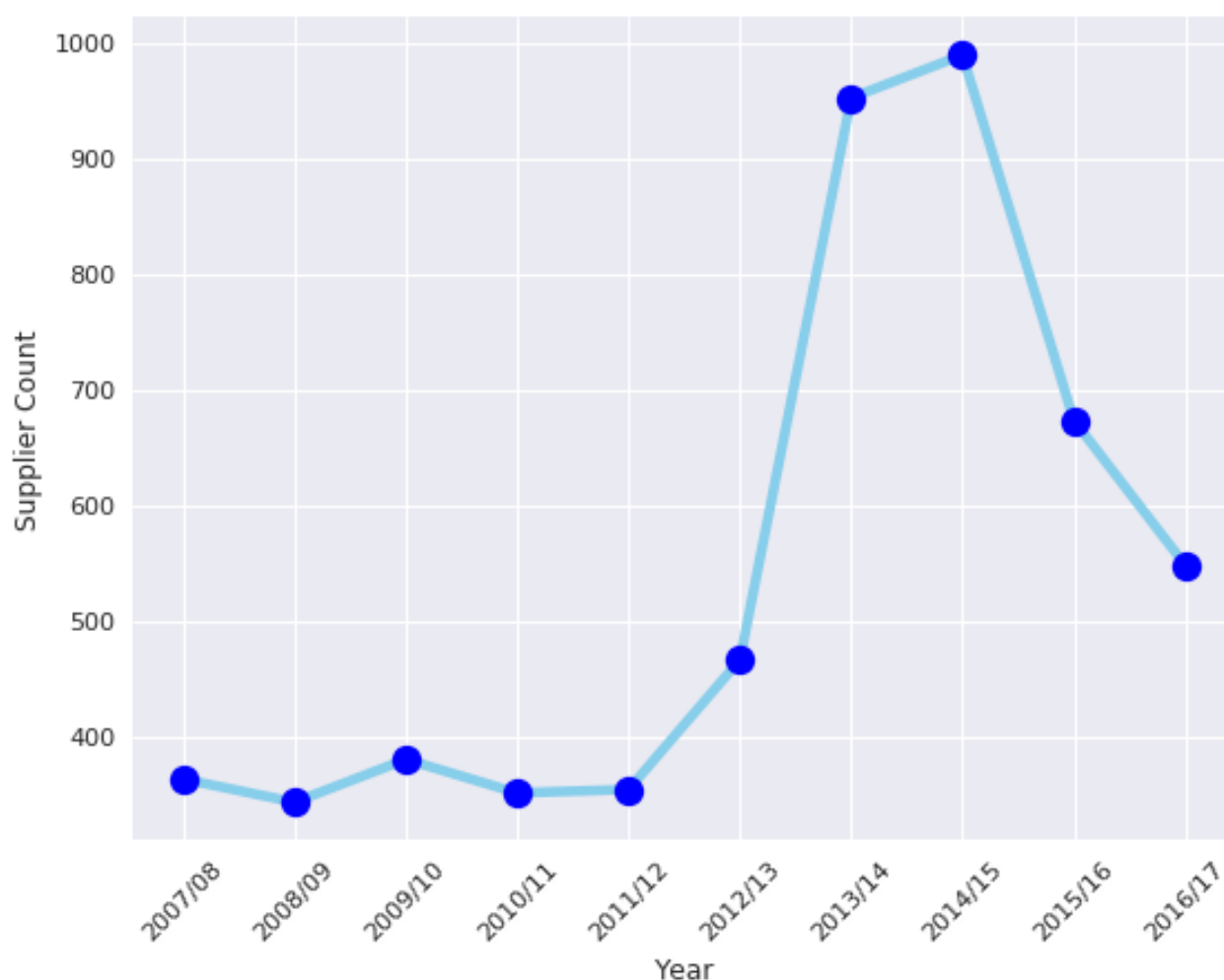


Source: SPIH, accessed 2018

This trend in number of local suppliers is indicated in Figure 3.4. This shows that local supplier numbers peaked at 989 in 2014/15 before decreasing to its current level of 548 in 2016/17. The number of local trade suppliers in 2014/15 has since shown a 44% decrease to the current financial year 2016/17.

It is noted that SPIH figures do not include spend with suppliers below £1000 in aggregate in a given year, which may under-represent local supply

Figure 3.4 Number of Local Suppliers, Shetland Islands Council from 2007/08 to 2016/



Source: SPIH, accessed 2018

3.2.3 SUPPLIER SECTOR

Local spend by Shetland Islands Council is greatest for Construction: the largest spend sector at 45%, followed by 'Travel & Accommodation' (16%), and 'Transport' (10%) (see Table 3.3). The largest amount of 'Construction' spend is on Construction Consultants (at just over £4m) and the travel component of 'Travel & Accommodation' receives the greatest share of spend at just over £4m.

It is worth noting that local supplier spend on Construction, Facilities Management, Retail and Wholesale and Financial Services has decreased from 2014-15. In particular, Facilities Management and Financial Services have seen particular reductions. However, Travel and Accommodation and

Vehicles have seen an increase in local spend over this period, with notable increases in local spend in Arts, Sport and Leisure and Waste and Environmental Services.

It is also worth noting that local spend on Social Care and Services has reduced from £510,000 to £485,000, with the percentage of suppliers reducing from 5% to 2% over this period.

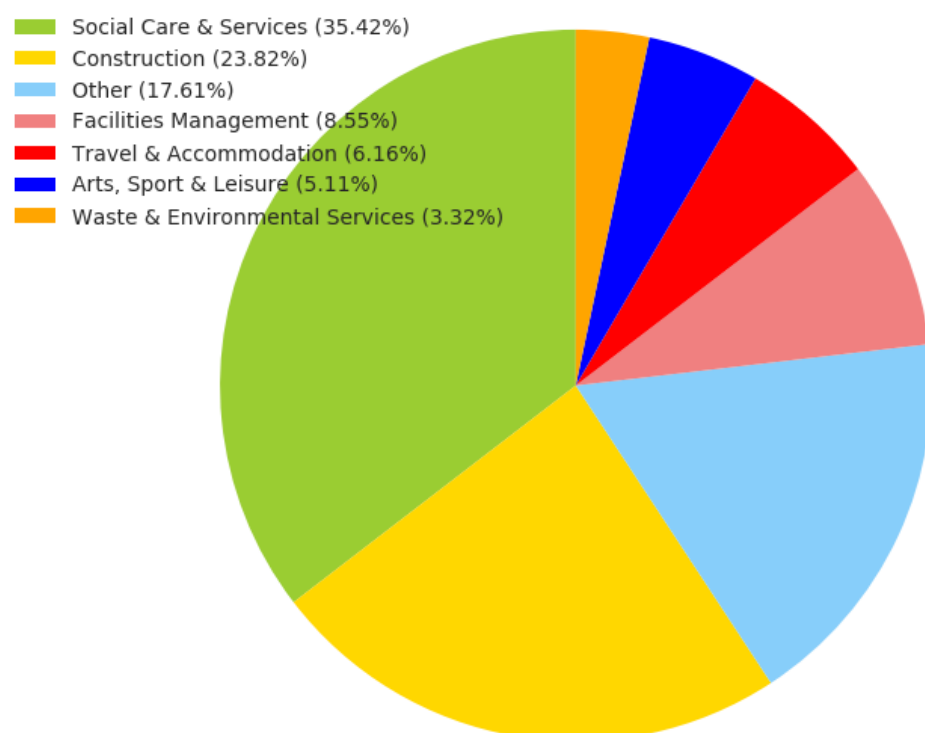
Table 3.3 Shetland Islands Council, Local Supplier Spend by Business Sector, 2016/17

Sector	No of Suppliers (Shetland Islands)	Total Spend (Shetland Islands) (£ Thousands)	% of Spend	% of Suppliers
Unknown	323	1,326	5	59
Construction	66	12,272	45	12
Travel & Accommodation	23	4,375	16	4
Facilities Management	19	1,179	4	3
Vehicles	19	1,146	4	3
Food, Beverage & Catering	14	382	1	3
Retail & Wholesale	13	688	3	2
Social Care & Services	9	485	2	2
Marketing & Media	8	94	0	1
Transport	7	2,737	10	1
Arts, Sport & Leisure	7	220	1	1
Animals & Farming	7	159	1	1
Healthcare	5	510	2	1
Human Resources	4	170	1	1
ICT	3	89	0	1
Business Support Services	3	26	0	1
Waste & Environmental Services	2	564	2	0
Security Equipment & Services	2	126	0	0
Other Goods & Services	2	103	0	0
Professional Services	2	38	0	0
Charitable & Religious Activity	2	23	0	0
Education	2	12	0	0
Utilities & Energy	2	6	0	0
Financial Services	1	280	1	0
Clothing	1	6	0	0
Personal Care	1	5	0	0
Legal	1	3	0	0
Total	548	27,024	98	96

Source: SPIH, accessed 2018

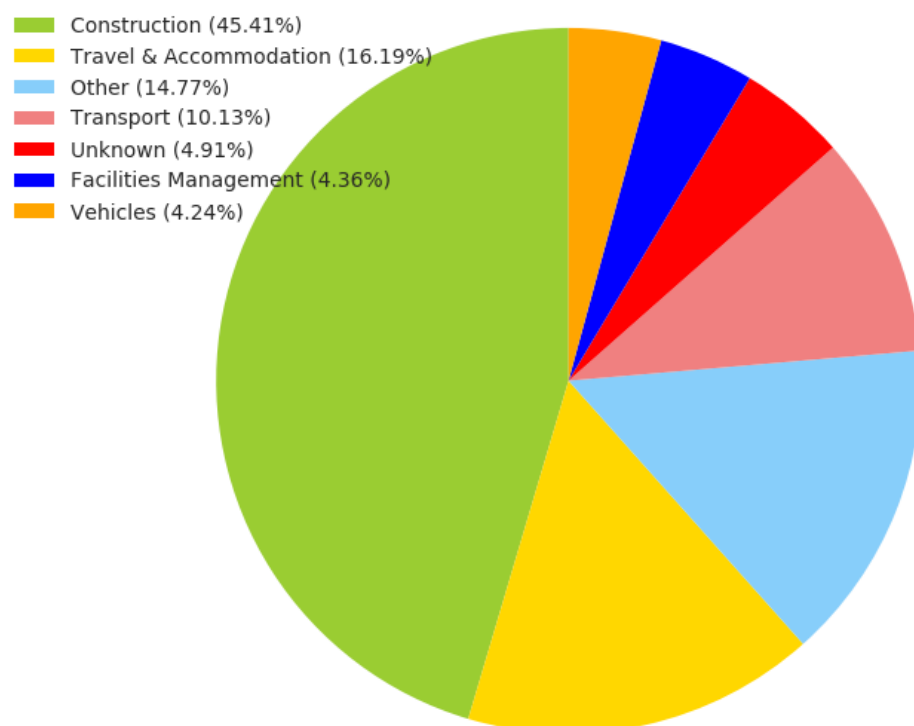
The top local spend sectors are compared to those of Scotland in Figure 3.5 and Figure 3.6.

Figure 3.5 Local Supplier Spend by Business Sector, All Scottish Councils, 2016/17



Source: SPIH, accessed 2018

Figure 3.6 Local Supplier Spend by Business Sector, 2016/17 Council, Shetland Islands



Source: SPIH, accessed 2018

3.2.4 SIZE OF SUPPLIERS

While the size of the majority of locally based suppliers in Shetland Islands are 'Unknown' (64%), these account for only 20% of spend. Small companies make up 31% of suppliers and 48% of the total spend (against Scotland averages 34%) (see Table 3.4).

Spend with Small Companies by Shetland Islands is higher than the Scottish average, but the percentage of Small Company Suppliers is lower. Spend with Medium Company by Shetland Islands is lower than the Scottish average, and the percentage of Medium Company Suppliers is also lower.

Table 3.4 Local Supplier Spend by Company Size, Shetland Islands and Scotland, 2016/17

Company Size	Total Spend (Shetland Islands) (Percent %)	No of Suppliers (Shetland Islands) (Percent %)	Total Spend (Scot) (Percent %)	No of Suppliers (Scot) (Percent %)
Small Company	48	31	34	33
Medium Company	30	5	36	7
Unknown	20	64	6	57
Large Company	2	1	24	2

Source: SPIH, accessed 2018

Some 8% of local suppliers in Shetland Islands Council have between one and four employees (see **Error! Not a valid bookmark self-reference.**) and these also account for 4% of spend (lower than Scottish Councils (5%) on average). Only 3% of local spend by Shetland Islands Council was with larger employers (200+ employees), compared with 35% for Scottish Councils as a whole.

Table 3.5 Local Spend by Employees, Shetland Islands Council and Scotland, 2016/17

Number of Employees	Total Spend (Shetland Islands) (Percent %)	No of Suppliers (Shetland Islands) (Percent %)	Total Spend (Scot) (Percent %)	No of Suppliers (Scot) (Percent %)
1 to 4 Employees	4	8	5	9
5 to 9 Employees	11	7	5	7
10 to 19 Employees	7	7	7	7
20 to 49 Employees	23	6	16	7
50 to 99 Employees	4	2	14	3
100 to 199 Employees	25	2	12	2
200 to 249 Employees	1	0	11	1
240 to 499 Employees	0	0	3	0
500 Employees or More	2	1	21	2
Unknown	23	68	9	61

Source: SPIH, accessed 2018

3.2.5 LOCATION OF SUPPLIERS

Local suppliers and spend are mostly concentrated in one area in Shetland Islands Council (see Table 3.6). The largest area of local spend (72%) was the ZE1 postcode area (Lerwick). This area also accounts for 46% of local suppliers.

Table 3.6 Local Spend by Postcode, Shetland Islands Council, 2016/17

Post Code District	Total Spend (Shetland Islands) (£ Thousands)	No of Suppliers (Shetland Islands)	% Spend	% Suppliers
ZE1	19,432	250	72	46
ZE2	7,019	289	26	53
ZE3	577	9	2	2

Source: SPIH, accessed 2018

Shetland Islands Council's non-local spend occurs across the UK, but with 'Aberdeen and North East' accounting for the largest share (35%), followed by 'North West' (15%). Other areas of significant spend for Shetland Islands Council are 'South West', 'South East' and 'Edinburgh and Lothians'. Together these regions account for 23% of spend and 26% of suppliers (using Spikes Cavell region classification) (see **Error! Not a valid bookmark self-reference.**).

Table 3.7 Elsewhere Spend by Region Shetland Islands Council, 2016/17

Region	No of Suppliers (Shetland Islands)	Total Spend (Shetland Islands) (£ Thousands)	No of Suppliers (Shetland Islands) perc	Total Spend (Shetland Islands) perc
Scotland - Aberdeen and North East	90	11,037	9	35
North West	78	4,670	7	15
South West	66	2,862	6	9
South East	132	2,320	12	7
Scotland - Edinburgh and Lothians	86	2,034	8	7
London	70	1,846	7	6
Yorkshire and The Humber	66	1,353	6	4
Scotland - Glasgow and Strathclyde	100	1,247	9	4
West Midlands	83	815	8	3
Scotland - Highlands and Islands	37	620	4	2
East of England	75	579	7	2
North East	25	546	2	2
Scotland - Tayside Central and Fife	28	440	3	1
East Midlands	71	324	7	1
Scotland - Forth Valley	25	273	2	1
Wales	15	230	1	1
Northern Ireland	7	174	1	1
Scotland - South	4	18	0	0

Source: SPIH, accessed 2018

The top 10 local authority areas for non-local spend by Shetland Islands Council are indicated in **Error! Not a valid bookmark self-reference.**: Aberdeen City, Exeter, City of Edinburgh, Wyre, and Liverpool account for the most significant portions of spend (57%) but a much smaller share of suppliers (13%).

Table 3.8 Breakdown of Spend by Local Authority in Shetland Islands Council, 2016/17

Local Authority	No of Suppliers (Shetland Islands)	Total Spend (Shetland Islands) (£ Thousands)	Total Spend (Shetland Islands) (Percent %)	No of Suppliers (Shetland Islands) (Percent %)
Aberdeen City	64	10,081	32	6
Exeter	3	2,436	8	0
City of Edinburgh	70	1,970	6	7
Wyre	3	1,852	6	0
Liverpool	1	1,533	5	0
Aberdeenshire	26	956	3	2
City of London	10	908	3	1
Wirral	2	637	2	0
Mole Valley	1	601	2	0
Highland	21	578	2	2

Source: SPIH, accessed 2018

3.3 DISCUSSION

Shetland Islands Council makes a significant impact on the local economy through direct procurement of just over £27m in goods and services from locally based suppliers (2016/17). This represents 44% of Shetland Islands Council's total procurement spend of just over £62m.

The value of Shetland Islands Local Spend, as a share of total spend has increased over the period, but it is also on average 23% higher than the average for all Scottish Councils as a whole. The value of Shetland Islands Council's local spend increased from just over £19m in 2007/08 to just over £27m in 2016/17, with a number of fluctuations throughout the decade.

Similarly, the number of local suppliers has increased by roughly 50% from 2007/08 to 2016/17, compared to a 41% decrease in the number of local suppliers to Scottish councils as a whole over the same period: a trend which is likely to have had positive implications for local area wealth retention.

Shetland Islands Council draws heavily on local suppliers to deliver in certain sectors, particularly 'Construction', 'Travel & Accommodation' and related services. There may be implications for these local sectors should procurement aggregation pursued in these strongly 'localised' sectors.

It is noted that, like many Councils, a large proportion of non-local spend is within other Scottish council areas. There may be an opportunity for dialogue with these councils in terms of the strategic impact of that spend on neighbouring priority groups and areas, and to what extent is there scope to target that spend within existing procurement regulations.

4 COUNCIL ASSET MANAGEMENT

Summary

- The Council has a capital investment programme totalling £74m for the 5-year period 2016-2021;
- This includes investment of £35m for maintenance of existing assets, as well as £25m of investment in new developments, including schools; and provides a potential focus for supplier development as well as employability outcomes;
- Shetland's Partnership Plan for 2018-2028 is currently under development and will most likely place an increased emphasis on the role of the corporate asset management function in supporting a range of Council and CPP objectives; and
- Community Asset Transfer policy is well defined, with the council having agreed a new Community Asset Transfer policy in early 2017. However, a refreshed and accessible asset inventory would assist in maximising opportunities for community socio-economic development via asset transfer activities.

4.1 INTRODUCTION

Assets are defined as “anything owned by an organisation that has a monetary value” (Audit Scotland 2009) and the fixed assets of local authorities include property assets (buildings and the land they occupy), vacant land, infrastructure assets (such as roads and bridges), vehicles, plant and machinery and information technology hardware. After payroll costs, the largest cost to a local authority is expenditure upon fixed assets and this is therefore a significant area to consider as part of the Council's Economic Footprint. This is underpinned by the Prudential Code and the Best Value arrangements required by the Local Government (Scotland) Act 2003.

Strategic management of these assets can yield efficiencies and directly or indirectly improve the delivery of services and wider economic outcomes. As an asset manager, a council can leverage this role to promote inclusive growth. This council-wide approach identifies the role of the asset portfolio in influencing socio-economic development in conjunction with associated action plans, clearly and consistently across the council, with a particular focus upon geographical concentrations of assets related to service accessibility to target groups and also with regard to strategic development opportunities.

There are many and fast-changing trends that are impacting upon strategic asset management, with the key drivers being austerity and funding pressures that require innovative solutions, new partnerships and a particular focus on the strategic management of assets to support the delivery of social and economic outcomes defined in high-level council plans and strategies.

New national-level sources of funding, such as City Deal / Grpwth Deal / ‘Islands Deal’.

European-level funding for regeneration. European Structural and Investment funds are managed by the Scottish Government, with the aim of increasing economic activity and employment across the European Union, over the period 2014 to 2020. The focus is upon Smart, Sustainable and Inclusive

Growth, increasing economic activity and employment. The Scottish Government also manages the European Regional Development Fund and the European Social Fund.

Specific regeneration funding. The Scottish Government manages a Regeneration Capital Grant Fund (£25m per year) in partnership with COSLA and local government, with annual rounds of application. There are some 24 projects, promoted by 17 organisations, within the fifth funding round for 2018 to 2019.

Fund raising and increased borrowing, such as the raising of funds through council bonds and borrowing from the Public Works Loan Board, notwithstanding the inherent risks and the obligations of the Prudential Code.

The need for consolidation and disposal of assets. Budgetary pressures, coupled with the extent of vacant and unused assets, provide considerable impetus to consolidate assets and dispose of those that are surplus or unused. This includes the focus of investment in the highest-priority assets. However, this must be balanced with the risk of social exclusion if local services are withdrawn as part of the consolidation process. This can be mitigated by transfer of assets to other partners, the third sector or communities, to meet local needs, and also via the sharing of services at the local level. Moreover, this should not compromise the scope for support of economic development, particularly of strategic sites.

Sharing of services. Increased collaboration with community planning partners over recent years has provided the opportunity for sharing services, particularly through community hub-type models sharing the same premises and allowing asset consolidation by local authorities and partners without the loss of services.

Strategic development of key available assets. Some sites may offer significant economic potential but may be constrained by major remediation or infrastructure requirements.

Inclusive Growth. The UK-level Inclusive Growth Commission has four key sets of recommendations that put inclusive growth at the heart of public policy and finance.

- Place-based industrial strategies including collaboration between city regions.
- A fundamental reset of the relationship between central and local government.
- Inclusive growth at the heart of public investment.
- Making inclusive growth the working definition of economic success.

The Scottish Government also promotes the concept of inclusive growth in some more detail in the Labour Market and Economic Strategies by:

- Promoting fair work and good-quality jobs;
- Promoting equality and tackling inequality;
- Closing the attainment gap; and
- Place and regional cohesion.

4.2 COUNCIL APPROACH

The asset functions of Shetland Islands Council fall within the **Infrastructure Services** directorate, under **Estate Operations**. The **Policy and Resources Committee** is responsible for overseeing corporate asset management, including across departments.

Shetland Islands Council has a **Property Asset Management Plan** dated 2014, which covers a three-year period. The objectives of this plan are aligned with the council's wider organisational objectives, particularly those of the Planning and Performance Management Framework, which includes:

- Shetland's Single Outcome Agreement [now LOIP];
- Corporate Plan 2013-17;
- Service Plans;
- Strategic Budget Plan;;
- Medium Term Financial Plan 2016/21
- Asset Investment Strategy 2016-2021

The plan also seeks to ensure overall efficient and effective use of assets in the medium/long term and provide:

- A platform for structured and rigorous forward thinking;
- A basis for corporate and consultative strategy development;
- An explicit description of the direction of the organisation; and
- A clear statement for communicating the strategy to the organisation.

Further elements include a **Communications Strategy**, an **Asset Strategy Implementation Plan** and an **Asset Transformation Programme**, which has the following council-wide key objectives and strategies:

- Capital investment programme;
- Acquisitions programme;
- Supporting Regeneration - to transform assets in priority areas in need of social, economic or environmental needs and to provide investment, vitality and prosperity and opportunities for the Private Sector;
- Partnerships - to lead and participate in a range of geographic and sector collaboration opportunities for sharing accommodation and property resources primarily with the aim of improving public services and also the use of public estate. This has been established within the Shetland Multi Agency Property Group;
- Property Disposals programme, including developing Community Asset Transfer policy with community groups, community development companies and those organisations in the third sector; and
- Capital Receipt versus Recurring Revenue Income considerations.

A particular feature of the Shetland Islands Council area is the need for 'island proofing' in terms of estate rationalisation and service delivery, given the sparse population dispersed across a large number and area of islands.

Shetland's Partnership Plan for 2018-2028 is currently under development and out to consultation, and this will inevitably impact upon corporate asset management.

4.2.1 COUNCIL'S MEDIUM TERM FINANCIAL PLAN

The Council has a **Medium Term Financial Plan** for the period 2016/21 which sets out the framework for capital expenditure. The key elements of this are:

1. All capital expenditure to be focussed on the maintenance of existing assets rather than the creation/purchase of new assets (with the exception of a new Anderson High School and high-speed broadband);
2. To only use income from the Scottish Government, other capital grants and capital receipts to fund the Asset Investment Plan;
3. To borrow for specific capital projects that are consistent with the priorities of the Council;
4. Before making a draw on reserves for capital projects, a full investment appraisal process should be completed considering whether use of reserves or borrowing provides the Council with the best value for money option; and
5. Focus on selling existing assets that are surplus to requirements to free up resources to fund new capital projects.

The **Asset Investment Strategy** which underpins this plan adheres to these objectives. The detail of the investment plan is set out below.

4.2.2 ASSET INVESTMENT STRATEGY

The Council has a 5-year Asset Investment Strategy 2016-2021. Planned expenditure against category is set out in the table below (see Table 4.1).

Table 4.1 Shetland Island Council 5-year Investment Strategy

Project	2016/17	2017/18	2018/19	2019/20	2020/21	Total for 5 years
Building maintenance and vehicle replacement	£2.802m	£3.430m	£2.550m	£2.250m	£2.250m	£13.282m
ICT equipment	£675K	£675K	£675k	£675K	£675K	£3.375m
Ferry vessel maintenance	£500K	£1m	£2m	£1.8m	£0	£5.3m
Bridge repair/ replacement	£405k	£415K	£378k	£161K	£200K	£1.559m
Street lighting replacement	£175K	£200K	£175k	£175K	£196k	£921k
Street lighting removal	£21k	£26K	£26K	£24K	£3k	£100k
Road reconstruction	£584K	£590K	£590K	£590K	£590K	£2.943m
Other road projects	£486k	£435K	£470K	£385K	£425k	£2.200m
Ports and harbour projects	£2.465m	£900k	£890K	3390K	£360K	£5.095m
Total Maintenance of Existing Assets	£8.113m	£7.761m	£7.754m	£6.450m	£4.699m	£34.778 m
New Developments Total	£3.522m	£5.334m	£4.229m	£6.150m	£6.100m	£25.407m
Total Spend to save projects	£91k	£0	£0	£0	£0	£91k
Total Housing Revenue Account projects	£2.242m	£2.812 m	£2.812m	£2.812m	£2.812m	£13.492m
Total Asset Investment plan expenditure	£13.970m	£15.970m	£14.806m	£15.412m	£13.611m	£73.768m

4.2.3 COMMUNITY ASSET TRANSFER POLICY

The role of **Community Asset Transfers** in the disposals programme is reinforced by a strategic objective to review all council-owned community assets and assess long term options for their use, including the consideration of community asset transfer and alternative uses.

The council agreed a new Community Asset Transfer policy in early 2017, in line with the Duties contained in the Community Empowerment (Scotland) Act. The Policy is based on the following principles:

- Informal dialogue to establish shared understanding of needs, circumstances and ways forward is the foundation upon which successful asset transfer is built;
- Proposed asset transfer should support Local Outcomes Improvement Plan outcomes, and should not to be to the detriment of other strategies and policies;
- The Council and has an important role in supporting community bodies, but also acknowledge their stewardship of publicly owned assets;
- Arrangements for asset transfer strike a balance between rights and responsibilities to ensure the best possible outcome for Shetland;
- The transfer of assets will be carried out in a transparent, equitable and accountable way;
- A strategic approach will be adopted for all assets, in accordance with the Council's Asset Strategy and associated Implementation Plan;
- All Council services will support the Council's Policy on the community transfer of assets and assist in delivering the aims and objectives contained in this Policy, and;
- All assets being transferred for less than market value will be subject to satisfying the terms and conditions of the Disposal of Land by Local Authorities (Scotland) Regulations 2010.

The policy sets out the key elements of the asset transfer process, including eligibility, the application process, valuation of the asset, submitting a formal transfer request and the decision-making procedure.

4.3 ASSET INVENTORY

The **Asset Investment Strategy** also sets out the net book value for the assets owned by the Council. These are set out in the table below (see Table 4.2). Asset management could be usefully supported by the completion of the review of the Asset Register to identify all council property assets. This updated Register would help support those in the community who wish to own or control land and buildings to achieve their own goals.

A baseline study in 2012 identified 2,740 community assets owned by community bodies, when asset transfer schemes were done on a voluntary basis. Now that the Act establishes a right for community bodies to make requests about asset transfers, an Asset Register would greatly facilitate this process for communities wishing to pursue this approach.

Table 4.2 Shetland Island Council Asset Net Book Value of Assets 2014

Asset Classification	Net Book Value (£)
Council Dwellings - HRA	71,851,553
Council Dwellings - Non-HRA	3,661,211
Community Assets	6,911,374
Infrastructure - Transport	20,565,786
Infrastructure - Roads	71,776,981
Infrastructure - Ports	25,753,451
Non-Operational - Surplus	758,891
Non-Operational - Assets Under Construction	12,797,709
Non-Operational - Assets Under Construction - HRA	1,848,835
Other Land & Buildings - Social Service Homes	12,869,436
Other Land & Buildings - Offices	12,824,738
Other Land & Buildings - Public Conveniences	683,163
Other Land & Buildings - Schools	64,956,896
Other Land & Buildings - Land Only	4,504,653
Other Land & Buildings - Other	44,345,573
Other Land & Buildings - HRA	970,199
Vehicles Plant & Equipment - Aircraft	119,629
Vehicles Plant & Equipment - Equipment	3,798,811
Vehicles Plant & Equipment - Plant	2,200,753
Vehicles Plant & Equipment - Vehicles	1,797,393
Vehicles Plant & Equipment - Vessels	36,014,830
Intangible Assets	574,523
Assets Held for Sale - HRA	110,757
Assets Held for Sale - Non-HRA	764,002
Heritage Assets	4,742,875
Overall Total	407,204,023

4.4 LEVERAGING COUNCIL ASSET MANAGEMENT FOR INCLUSIVE GROWTH

Table 4.3 below identifies a number of dimensions of council practice in terms of leveraging its role as asset manager to promote inclusive growth.

Shetland Islands Council should look to the expiry of the 2011-2014 Property Asset Management Plan and the preparation of the forthcoming Partnership Plan for 2018-2028, as opportunities to define corporate asset management procedures and objectives in more detail, including linkages between asset management and socio-economic outcome, geographic profiling of assets against needs and opportunities (with particular regard to the 'island proofing' approach) and promotion of community asset transfer, including publication of the council asset register.

Table 4.3 Dimensions of Council Practice in Asset Management

Issue	Practice	Opportunities
1. Does Council explicitly identify role of asset portfolio (in influencing socio-economic development) in strategy along with associated action plan/s?	<p>Moderate: The Council and CPP have identified 'Making the best use of existing assets, infrastructure and human capital for sustainable socio-economic development' as one of the 3 main priorities to deliver by 2020.</p> <p>However, the Council's asset strategy and investment plan is not explicit on how the asset portfolio could be used to support local economic growth across the Shetland Islands.</p> <p>While specific reference is made to supporting regeneration within the Asset Transformation Programme, although there is limited detail on the wider relationship between asset management and socio-economic development.</p>	<p>The Council could review its asset strategy in line with refreshing its economic strategy to ensure greater co-ordination between two.</p> <p>Examine progress made across asset-related actions developed in the LOIP to achieve Outcome D: Shetland has sustainable economic growth and all our people have the chance to be part of island life.</p>
2. Is there a clear and consistent approach to strategic use of assets within the council?	<p>Moderate: The Council has a clearly defined asset strategy and capital investment plan which are aligned with the medium term financial plan for the Council. Council oversight is by way of the Policy and Resources Committee, which has a cross-departmental change role in asset management, and there is council-wide guidance linked to wider strategic objectives.</p>	<p>There is potential for the Council to collaborate more closely with its Community Planning partners in terms of the wider management of the public-sector estate.</p>
3. Coordination between Asset Management and Economic Development/ Employability Teams	<p>Low: The Council's asset strategy and the economic development policy statement do not demonstrate clear linkages between the two areas.</p>	<p>There is potential for greater collaboration between services in relation to the use of assets to support local economic growth.</p>
4. Geographical concentration of Asset Portfolio	<p>Moderate: There are no details of geographic profiling but the "island proofing" requirement for services to dispersed communities is highlighted within the Council's strategy. However, it is presumed the Council's large asset portfolio is geographically dispersed across the Islands.</p>	<p>The potential impact on inclusive growth of the future closure of Council assets needs to be considered as part of the asset management process.</p>
5. Use of Community Asset Transfers	<p>Moderate: The Council has a community asset transfer policy (and guidance) in place, in line with the Community Empowerment (Scotland) Act 2015, but there is no council asset register available for public use and the extent of past transfers is not clear.</p>	<p>As yet, there is limited evidence of the impact of the community asset transfer policy in terms of its use in supporting local economic activity across the Shetland Islands</p>

5 CONCLUSIONS

Council Employment Analysis

- Shetland Council employ 3,345 people⁸;
- Over 99% of these were Shetland Island residents;
- The Council employs 23% of the working age population, underlining the critical economic role the Council plays;
- £65m annual salary spend on employees (almost all of this is with employees resident in the Shetland Islands);
- The Council has a very high rate of part-time employment, with 2,058 (61.5%) of employees working on a part time basis;
- 1,435 employees (c.43%) earn less than £15,000 per annum (all part time); and
- Most employees are drawn from areas that fall within mid-range employment deprivation deciles (only a small part of population falls within lower employment deprivation deciles).

Council Procurement Analysis

- Significant local spend of £27m in 2016/17 (c.44% of total procurement spend);
- Significantly higher proportion of spend is local in comparison with all Scottish councils (15% higher in 2016/17)
- The percentage share of local spend in Shetland Islands was around 23 percentage points higher than the Scottish average across the past decade (51% vs 28%).
- There were 548 local suppliers to the Council in 2016/17;
- Local spend by Shetland Islands Council is greatest for Construction (45%), followed by 'Travel & Accommodation' (16%), and 'Transport' (10%). These sectors are relatively localised and aggregation in these sectors could impact on local employment and wealth retention;
- In 2016/17, spend by the Council with Small Companies was higher than the Scottish average (48% vs 34%);
- Local suppliers and spend are mostly concentrated in one area of the Shetland Islands - the largest area of local spend (72%) was the ZE1 postcode area (Lerwick). This concentration has potential consequences for service and employment access; and
- Aberdeen City is the single largest local authority area for non-local spend by Shetland Islands Council. There may be potential scope for strategic targeting (or at least monitoring) of such spend in terms of impact on priority groups or areas in those neighbouring locations (e.g. through CBCs).

Council Asset Management

- The Council has a capital investment programme totalling £74m for the 5-year period 2016-2021;

⁸ Based on employment / salaries data as at 31/3/15 provided by the Council

- This includes investment of £35m for maintenance of existing assets, as well as £25m of investment in new developments, including schools; and provides a potential focus for supplier development as well as employability outcomes;
- Shetland's Partnership Plan for 2018-2028 is currently under development and will most likely place an increased emphasis on the role of the corporate asset management function in supporting a range of Council and CPP objectives; and
- Community Asset Transfer policy is well defined, with the council having agreed a new Community Asset Transfer policy in early 2017. However, a refreshed and accessible asset inventory would assist in maximising opportunities for community socio-economic development via asset transfer activities.

CONCLUSIONS

The economy in Shetland has performed relatively well, with the Council and partners having focused upon developing a strong economic performance for many years. The current challenge facing Shetland Islands Council is to consolidate the economic benefits enjoyed by the community and to work to ensure that these benefits are spread to those from more disadvantaged backgrounds / areas.

One of the main priorities from the recently published Local Outcomes Improvement Plan (LOIP) is for the Council and its Community Planning Partners to focus upon those families in low and very low-income bands, the proportion of which has increased since 2008. For poorer families, the increase in the number of low paid jobs is compounded by the fact that the cost of living in Shetland is notably higher than in the rest of the UK.

The work undertaken by Shetland's Commission on Tackling Inequalities has provided much evidence to highlight the lives of those in Shetland who are not enjoying the economic prosperity and high standard of living experienced by many Shetland residents. Given the low levels of unemployment and economic prosperity in Shetland, those who do face difficulties in gaining employment in Shetland can face very challenging issues around deprivation, health and mental issues.

Economic outcomes are central to achieving a wide range of other outcomes, such as obtaining sustainable employment and, at the same time, reducing the need for other Shetland Council (and partner) interventions such as for housing support, social work, etc.

Accordingly, improving economic outcomes is a key element of the prevention agenda and can play a major role in managing down long-term demand for a wide range of public services in Shetland (and the associated demand on Shetland Council budgets).

The report highlights that Shetland Council controls and influences a range of levers that impact on economic outcomes. This includes its role as major employer, procurer of goods and services, and asset owner (as well as deliverer of a wide range of other services and policies that impact on the local economy).

As such, this report provides Shetland Council with a perspective on its current 'economic footprint' and identifies a number of potential areas for further enhancing economic impact.

In doing so, this report aims to focus on activities that complement and add value to the mainstream economic development activities of the Council and also emphasises the strategic

importance of placing economic development centrally as a key corporate function of the local authority, in a way that goes beyond a 'traditional' approach to economic development activities in local government.

RECOMMENDATIONS

Based on the analysis of data and comparisons with other local authorities, there are a range of actions Shetland Islands Council might consider to further enhance the positive impact that it has on the local economy. These include:

Employer role

1. The Council could consider becoming an accredited Scottish Living Wage employer (along with Shetland Island CP partners);
2. The structure of the Modern Apprenticeship programme provides an opportunity to target opportunities within the council (and CP partners) towards more disadvantaged groups, for example young people who are in the employability pipeline at present;
3. The Council could consider ways to expand the Care at Home and Early Years Workforce through partnership with schools, the DYW programme and Shetland College;
4. The Council could consider introducing a supported training programme, for looked after children to support their employment outcomes;
5. The Council could consider the level of support required by young people requiring particular assistance to gain positive outcomes. This might entail training, employment or work experience opportunities with the Council and CP partners;
6. Consider implications of Welfare Reform for significant number of low paid Council staff, who are likely to be impacted.

Procurement role

7. There is scope to introduce an internal working group to facilitate closer alignment between business support services/ Business Gateway and the corporate procurement team - with a particular focus on the delivery of the Council's procurement strategy and relevant economic development strategy / LOIP aims. This could also include further use of the Supplier Development Programme;
8. More generally, there is the potential to establish a strategic group to align economic development and Council procurement activity to facilitate increased local contracting opportunities for companies and social enterprises;
9. The development of Locality Plans has the potential to facilitate more focused engagement with SMEs in more remote areas in relation to procurement;
10. The Council could seek to share its approach to procurement with key community planning partners, with a view to agreeing common approaches that would help advance LOIP objectives;
11. Linked to the previous recommendation, the Council could promote its good practice in terms of the use of Community Benefits to local Community Planning partners;

Asset Management role

12. Ensure the use/mobilisation of all assets to maximise their role in supporting Council economic growth, and support the wider regeneration and reducing inequalities agendas;
13. There is the potential for the Council to collaborate more closely with its Community Planning partners in terms of the wider management of the public-sector estate;
14. Consider scope for further use of Community Asset Transfer involving target groups/areas to reduce surplus properties, and provide support to encourage uptake;
15. The Council could review its asset strategy in line with refreshing its economic strategy to ensure greater co-ordination between the two (including reviewing potential impact on inclusive growth of the future closure of Council assets);
16. There is the potential for greater collaboration between services areas in relation to the use of assets to support local economic growth; and
17. Complete the review of the Asset Register to provide an updated list of land and properties to support those in the community who may be able to make better use of such assets in a community setting through a community asset transfer.

6 APPENDICES

APPENDIX 1: ABOUT THE ECONOMIC OUTCOMES PROGRAMME

The Economic Outcomes Programme (EOP) has been developed to help local authorities understand their significance as economic actors within their local area, and more widely across Scotland. Building on that understanding, the EOP seeks to work with Councils to identify how they can enhance their economic impact and improve economic outcomes. This “economic footprint” report and associated recommendations and action plan forms the central output of the EOP.

Local authorities have faced and will continue to face very significant financial and budgetary challenges, given the reduction in Council funding and increasing demand for services, particularly for care services from Scotland’s ageing population. Given the degree of this challenge, the importance of improving economic outcomes becomes even more critical if local authorities and their Community Planning partners are to deliver their dual aim of improving key outcomes and reducing inequalities for the communities they serve.

In addition, improving economic outcomes; more and better paying jobs, thriving and sustainable businesses, regenerated town centres and so on need to be a central feature of Council and Community Planning Partnerships’ prevention agenda. By improving economic outcomes for their communities, local authorities and their partners will, over time, reduce demand for other often costly services, such as health, housing, social work and criminal justice services.

There are a large number of economic factors which are completely outwith the control of local authorities at the global, national and even local level. However, this does not mean that local authorities have no economic agency. Councils (and CPPs) can directly influence the economy:

- as major employers;
- as major procurers of goods and services;
- in how they utilise their assets; and
- in the way they join-up various services.

There are numerous instances of good practice in these areas. [The Scottish Local Authorities Economic Development Improvement Guide](#), published by the Improvement Service, contains a number of good practice case studies and self-assessment checklists.

However, the majority of Council / CPP economic strategies and LOIPs underplay the direct contribution that public sector partners can make. *(As well as Councils, there is scope for other partners such a NHS, Colleges, etc. to make a direct contribution to LOIP Economic Outcome targets).*

Evidence also highlights that much more can be done by the public sector in applying its economic levers.

A Scottish Government [review](#) of Community Benefit Clauses indicated that their use is patchy across the public sector in Scotland; that whilst many organisations have policy commitments on CBCs, this often is not enforced; and that CBCs are rarely used outwith construction;

Whilst Councils support looked after children and some progress has been made in this area, the [data](#) continues to highlight that this group fares poorly in securing positive destinations on leaving school. (Failing to deal with this, results in long term costs across a range of public services); and

Initial data analysis carried out by the IS on councils' wages & salaries spend, indicates that councils tend not to employ residents from their most disadvantaged communities and, where they do, it tends to be in low paid / part time jobs. Providing direct employment / training / work placement opportunities for disadvantaged residents has the potential to be a key component in prevention by reducing long term demand for a wide range of social services.

The Improvement Service is working with Councils and SLAED to identify and share instances of best practice in how Councils are maximising positive economic impact.

The 'economic footprint' approach explores opportunities for each Council to further enhance the positive impact they have on the economy (tailored to each area).

To facilitate this process, Council Chief Executives were asked to nominate local 'Lead Officers' for the EOP team to engage with. Their role is to help the team:

- review the key local issues / priorities;
- access the required local data (salaries, etc);
- pull in relevant local colleagues to discussions (e.g. from Procurement, HR, Economic development, etc.);
- review the draft economic footprint report; and
- arrange access to CMTs, where required, for the team to present and the economic footprint report and any recommendations regarding how economic impact might be further enhanced.

The process is designed to be light touch so as not to overburden local staff.

Appendix 2: Key Messages & Anticipated Outcomes of The EOP

Economic Outcomes are central to achieving a wide range of other outcomes, for example improved health and wellbeing, reduced levels of child poverty, and so on.

Improving economic outcomes is a key element of the prevention agenda and will play a major role in managing down long-term demand for a wide range of public services.

Councils and CPPs control and influence a range of levers that impact on Economic Outcomes. This includes their role as:

- Major employers,
- Procurers of goods and services,
- Asset owners; and
- Deliverers of a wide range of services and policies that impact on the local economy.

The EOP will work with Councils and CPPs to consider their current 'economic footprint' and identify potential areas for further enhancing their economic impact.

In doing so, the EOP focuses on activities that complement and add value to the mainstream economic development activities of Councils and CPPs.

Anticipated Outcomes

The Programme has been developed with the specific aim of improving economic outcomes within the context of the economic levers available to the Council. As part of this process the programme team developed examples of the kinds of opportunities that may be likely to feature in the footprint reports and subsequent facilitated sessions include:

- Better utilising the employer role of the public sector to significantly increase positive training, work placement and employment opportunities for disadvantaged citizens;
- Ensuring optimal use is made of the economic potential of procurement via the way that contracts are structured, through more pro-active usage of Community Benefit Clauses, etc.;
- Improving the joining-up and co-ordination of business-facing public services;
- Streamlining the operation and focus of economic partnerships;
- Exploiting fully the economic opportunities arising from the forecast growth of the care sector by helping create opportunities for private and social economy enterprises; local employment opportunities, etc.

Appendix 3: Approach and Methodology

Introduction

The Economic Footprint report methodology has four main, interlinked stages. These are:

1. A review of the Council's key strategic and operational documents.
2. An analysis of key data sources, including how the Council spends the bulk of its budget, via payroll and procurement.
3. Working with the lead officer and "reference group" of officers to develop a detailed understanding of the economic challenges and opportunities and the structure and focus of service delivery relating to economic outcomes.
4. Based on a synthesis and analysis of these stages, the Footprint Report includes a number of recommendations which can be the subject of discussion with the Council's Corporate Management Team, with a view to complementing the work ongoing within the Council to improve economic outcomes.

Economic Footprint Process- Sequential stages

1. Local Authority appoint a lead officer to be point of contact for the Economic Outcomes Programme (EOP).
2. EOP team undertake key strategy document review; LOIP, Economic Development Strategy and so on.
3. EOP programme manager and local lead officer establish a Reference Group of officers drawn from Economic Development, HR, Procurement, Employability and other key service areas to support the footprint development process.
4. Data gathering exercise - the Reference Group provides quantitative data on payroll, based on templates supplied by EOP.
5. EOP Programme Manager works with the Reference Group to gather qualitative data – semi structured interviews/ focus group work around a number of themes.
6. EOP team undertakes data analysis based on qualitative and quantitative returns.
7. EOP Programme Manager drafts the Economic Footprint document.
8. Draft footprint document is reviewed and amended by Council lead officer / Reference Group.
9. Economic footprint presentation / discussion offered to council.

Desk Research/ Data Analysis

The initial work undertaken by the EOP is to develop a full understanding of the Priorities, objectives, outcomes and indicators that the Council has in relation to the economy. This work entails a review of the key Council strategy and operational documents and action plans.

Key sources used in the report include the following:

- Shetland Islands LOIP 2016-2020
- Shetland Islands Economic Development Policy Statement 2013-17
- Shetland Island Asset Strategy
- Community Asset transfer policy 2017
- Asset Investment Strategy 2016-21
- Council Procurement Strategy 2017
- Shetland Island Council Plan
- Shetland Council Medium Term Financial Plan 2016-21
- “on da level- achieving a fairer Shetland” from the Shetland Commission on Tackling Inequalities 2016

APPENDIX 2: DIMENSIONS OF COUNCIL PRACTICE

Table 6.1 Dimensions of Council Practice as Employer

Issue	Indicators of Low Performance	Indicators of Moderate Performance	Indicators of High Performance
1. Does Council explicitly identify role as employer (in influencing socio-economic development) in strategy along with associated action plan/s?	Role not explicitly stated in main council strategy (council plan or community plan) or allied documents (e.g. economic development strategy)	Role identified in main council strategy documents and/or allied documents, but SMART targets generally not defined	Role identified in main council strategy documents and/or allied documents and appropriate SMART targets generally well defined
2. Is there a clear and consistent approach to economic development within the council?	Aims and objectives unclear in significant areas; mismatch across strategies/departments ; too many goals in relation to capacity; many priorities not addressed	Aims and objectives generally identified but with some a degree of mismatch across departments/ strategies; too many goals in relation to capacity; most priorities reflected	Clear and proportionate aims and objectives, and alignment across departments/partners; priorities effectively identified and targeted
3. Are target groups/areas engaged in developing solutions to improve employment opportunities/ early interventions?	There is not a clearly defined strategy for engaging target groups/areas and limited SMART targets.	There is a moderately developed strategy for engaging target groups/areas but limited SMART targets.	There is a well-developed strategy for engaging target groups/areas and associated SMART targets (e.g. via Local Outcome Improvement Plans, community asset transfer)
4. Engagement with relevant Community Planning Partners	There is low or partial engagement and coordination with community planning partners (including Health, Private Employers, Education) and limited definition of roles and responsibilities	There is a moderate level of engagement and coordination with community planning partners (including Health, Private Employers, Education) and somewhat defined roles and responsibilities	There is a high level of engagement and coordination with community planning partners (including Health, Private Employers, Education) and clearly defined roles and responsibilities
5. Coordination between HR /Health / and Economic Development/	There is a limited level of coordination between internal teams and poorly defined	There is a moderate level of coordination between internal teams and/or somewhat	There is a high level of coordination between internal teams and clearly defined roles and responsibilities

Issue	Indicators of Low Performance	Indicators of Moderate Performance	Indicators of High Performance
Employability Teams	roles and responsibilities	defined roles and responsibilities	
6. Availability, Scale and Character of internal Modern Apprenticeship Programme	There is no internal MA programme	There is an internal MA programme not specifically targeted to priority areas/groups; and/or small scale	There is an internal MA programme relevant to target areas/groups with a scale appropriate to need/capacity
7. Targeting of Recruitment on Priority Groups/Areas	There is a low level of targeted recruitment with target areas/groups	There is a moderate level of targeted recruitment with target areas/groups	There is a significant level of targeted recruitment with target areas/groups
8. Council Employability Approaches	There is not a clearly defined strategy for employability of target groups/areas and limited SMART targets.	There is a moderately developed strategy for employability of target groups/areas but limited SMART targets.	There is a well-developed employability strategy for target groups/areas and associated SMART targets (e.g. via council employability programmes)
9. Monitoring of Recruitment from Target Groups/Areas	There is no monitoring, analysis, response to relevant employee data	There is limited collection, analysis and response to relevant employee data.	Relevant data (e.g. residence/ SIMD residence data) is effectively collected, analysed and responded to.
10. The proportion of Employees in Target Areas/Groups	The proportion of Employees in Target Areas/Groups is low	The proportion of Employees in Target Areas/Groups is moderate	The proportion of Employees in Target Areas/Groups is high

Table 6.2 Dimensions of Council Practice in Procurement

Issue	Indicators of Low Performance	Indicators of Moderate Performance	Indicators of High Performance
1. Does Council explicitly identify role as buyer (in influencing socio-economic development) in strategy along with associated action plan/s?	Role not explicitly stated in main council strategy (council plan or community plan) or allied documents (e.g. procurement or economic development strategy)	Role identified in main council strategy documents and/or allied documents, but SMART targets generally not defined	Role identified in main council strategy documents and/or allied documents and appropriate SMART targets generally well defined
2. Is there a clear and consistent approach to procurement within the council?	Aims and objectives unclear in significant areas; mismatch across strategies/department; many goals in relation to capacity; some priorities not addressed	Aims and objectives generally identified but with some a degree of mismatch across departments/strategies; too many goals in relation to capacity; most priorities reflected	Clear and proportionate aims and objectives, and alignment across departments/partners; priorities effectively identified and targeted
3. Coordination between procurement and Economic Development/Employability Teams	There is a limited level of coordination between internal teams and poorly defined roles and responsibilities	There is a moderate level of coordination between internal teams and/or somewhat defined roles and responsibilities	There is a high level of coordination between internal teams and clearly defined roles and responsibilities
4. Share of procurement on Priority Groups/Areas	There is a low level of procurement with target areas/groups	There is a moderate level of procurement with target areas/groups	There is a significant level of procurement with target areas/groups
5. Use of Community Benefit Clauses	Minimal use of CBCs in statutory contracts and limited or no use in non-statutory contracts	CBCs routinely used with statutory contracts and occasional use in non-statutory contracts	CBCs routinely used with statutory contracts and well-developed approach for use in non-statutory contracts
6. Geographical concentration of Spend	Spend patterns not reflective of council population distribution and/or in centres not easily accessible to many target areas/groups	Spend patterns moderately reflective of council population distribution and/or in centres moderately accessible to target areas/groups	Spend patterns broadly reflective of council population distribution and/or in centres accessible to target areas/groups
7. Engagement with Target	There is a limited approach to local	There is a moderate amount of local	There is a well-developed approach

Issue	Indicators of Low Performance	Indicators of Moderate Performance	Indicators of High Performance
Groups/ Areas regarding supplier development	supplier development, and/or limited engagement with target groups/areas	supplier development, and/or moderate engagement with target groups/areas	to local supplier development, including engagement with target groups/areas

Table 6.3 Dimensions of Council Practice in Asset Management

Issue	Indicators of Low Performance	Indicators of Moderate Performance	Indicators of High Performance
1. Does Council explicitly identify role of asset portfolio (in influencing socio-economic development) in strategy along with associated action plan/s?	Role not explicitly stated in main council strategy (council plan or community plan) or allied documents (e.g. asset strategy/economic development strategy)	Role identified in main council strategy documents and/or allied documents, but SMART targets generally not defined	Role identified in main council strategy documents and/or allied documents and appropriate SMART targets generally well defined
2. Is there a clear and consistent approach to strategic use of assets within the council?	Aims and objectives unclear in significant areas; too many goals in relation to capacity; or many priorities not addressed	Aims and objectives generally identified; too many goals in relation to capacity; most priorities reflected - may be gaps	Clear and proportionate aims and objectives, and alignment across departments/partners; priorities effectively identified and targeted
3. Coordination between Asset Management and Economic Development/Employability Teams	There is a limited level of coordination between internal teams and poorly defined roles and responsibilities	There is a moderate level of coordination between internal teams and/or somewhat defined roles and responsibilities	There is a high level of coordination between internal teams and clearly defined roles and responsibilities
4. Geographical concentration of Asset Portfolio	Asset portfolio in areas not easily accessible to many target areas/groups (e.g. location of strategic employment sites)	Asset portfolio in areas moderately accessible to many target areas/groups	Asset portfolio in areas easily accessible to many target areas/groups
5. Use of Community Asset Transfers	Minimal or no use of CATs involving target groups/areas	CAT occasional use involving target groups/areas	CATs routinely used and well-developed approach for use with target groups/areas