

MINUTES

A & B - Public

**Special Policy and Resources Committee
Council Chamber, Town Hall, Lerwick
Tuesday 11 December 2018 at 10.00am**

Present:

A Cooper	S Coutts
S Leask	E Macdonald
R McGregor	I Scott
C Smith	G Smith
T Smith	R Thomson

Apologies:

A Duncan

In Attendance:

M Sandison, Chief Executive
C Ferguson, Director of Corporate Services
N Grant, Director of Development Services
D Bell, Executive Manager – Human Resources
J Manson, Executive Manager - Finance
J Riise, Executive Manager – Governance and Law
J Thomason, Management Accountant – Project Team
T Coutts, Project Manager
P Wishart, Solicitor
D Evans, Human Resources Adviser
C Anderson, Senior Communications Officer
L Adamson, Committee Officer

Advisers:

A Cameron, Anderson Strathern [by phone]
C Healy, Deloitte LLP
S Kirker, HISA Vice President

Also In Attendance:

P Campbell, Chair of Shetland College Board
A Williamson, Project Team
J Clark, Project Team

Chairperson

Mr Coutts, Leader of the Council, presided.

Circular

The circular calling the meeting was held as read.

The Chair welcomed Ms A Cameron, Anderson Strathern, who was linking to the meeting by phone, and also the attendance at the meeting of Mr P Campbell, Chair of the Shetland College Board.

Declarations of Interest

None

Effective and Sustainable Tertiary Education, Research and Training in Shetland Project - Full Business Case

The Committee considered a report by the Chief Executive (DV-46-18), which presented information on the Full Business Case for the Effective and Sustainable Tertiary Education, Research and Training in Shetland Project. (A letter from UHI and the Scottish Funding Council on the merger to form a single college in Shetland, was tabled at the meeting (Record Appendix A)).

In her introduction, the Chief Executive advised that this key project is part of the Council's Service Redesign Programme (SRP). She advised that the External Auditors in considering the SRP commented on their confidence that the Council will see through the SRP to ensure progress and delivery of those projects, and that the merger of the Colleges is an opportunity in that regard. She reported that the Tertiary Sector is absolutely critical to the 10 Year Plan for Shetland, to attract people to live, work, study and invest in Shetland. Education is key to deliver the outcomes as a community, where a strong community needs a strong education sector, particularly to address inclusion and equality. It is also known that education is significant in terms of wellbeing outcomes of individuals throughout their lives. She said that managing change and the decision making process is critical for staff at Train Shetland and at the College, where the process of review and change needs to conclude and to move ahead with a decision of the Council. In that regard, she advised that a decision on the tertiary education sector is critical to demonstrate the Council is a best value authority. The Chief Executive referred to the hard work undertaken by the Project Team to deliver the comprehensive report and supporting papers, and she said that the merger would be the best for Shetland.

The Project Manager gave a presentation entitled "Efficient and Sustainable Tertiary Education, Research and Training in Shetland" (copy of slides attached as Record Appendix B), which informed on the background to the project, and detailed the strategic, economic, commercial and management cases for the preferred option, the new College model. The presentation also included a video where students advised on their positive experiences of studying in Shetland. In referring to the joint response from the Scottish Funding Council and UHI tabled at the meeting, the Project Manager highlighted their support to create the new merged college. He also advised on the outcomes from reporting the project to the Employees JCC and College Lecturers JCC. During the presentation, the Management Accountant – Project Team advised on the financial case, and Mr Healy, Deloitte, provided an overview from the Financial Assurance report, at Appendix 3. In concluding the presentation, the Project Manager advised on the support for the merger at recent meetings of the Shetland College Board and Education and Families Committee, and in that regard he presented the recommendation to the Policy and Resources Committee.

The Chair thanked the Project Manager, Management Accountant – Project Team and Mr Healy, Deloitte, for the information provided.

(The Committee adjourned at 10.55am, and reconvened at 11.05am).

In responding to a request for clarity on the change of date on the joint letter from the UHI and SFC, as tabled at the meeting, the Chief Executive explained that she had been provided with early sight of the draft unsigned letter on 7 December to

make sure it covered the requirements to present to elected Members. The letter was subsequently signed on 10 December. Comment was made that it was disappointing that the letter had not been presented at yesterday's Education and Families Committee, where it was advised that the level of assurance from the UHI and SFC was now less than what had been alluded to at yesterday's Committee. In responding, the Chief Executive advised from the negotiations to transfer the operating costs to the SFC and UHI. She outlined the process whereby a detailed bid would be submitted to the SFC, through the UHI, to determine the level of funding for Shetland, which she anticipated would be considered in a very positive light.

During the discussion, and in responding to questions, the Project Manager reported on the findings from recent skill surveys of employers from a range of sectors and sizes. He advised that the main issues raised in terms of local recruitment were the low uptake and standard of candidates coming forward for interview, where the key requirements identified were communication skills, timekeeping and working in partnership. Regarding the uptake of courses run by the College, and on industry needs for the future, it was acknowledged that for certain courses, for example engineering, the equipment and skills set locally was no longer up to industry standards and this would be linked to the lack of investment and the capacity of courses to change. It was however advised that with a degree of focus and engagement with industry, courses could be altered to better meet industry needs, and the students who currently attend courses off-island could then study in Shetland. The Project Manager advised of the concern that in some instances employers are not contacting the College to find out the courses available, where he acknowledged that communication was an area for improvement. He added that while there had been some indication that courses are not taken up due to their timings, the quality of the courses has not been highlighted as an issue. The Project Manager clarified however that the curriculum of the new college will be the task of the Principal, with the supporting role of the Shadow Board.

In responding to a question, the Chief Executive advised from the discussions with UHI on the potential to develop summer schools in Shetland, particularly around the creative industries. She confirmed that the lecturers have been including the summer schools in their forward planning.

In response to questions relating to the cost of short courses provided by Train Shetland, it was advised that there will be savings through moving to the new model, but that the focus would be on continuing to provide quality courses. It was advised that while the Business Case provided some indication of costs, the future structure would not be a decision of the Council, but for consideration by the new Principal and Shadow Board. There was some discussion on the deficit in Train Shetland that has been included in the model and on the impact on the staff in Train Shetland. In that regard assurance was given on the increased support, staff engagement and pastoral support to students in the new model, where there will no longer be "Train Shetland", but a single organisation where skills will be required but used in different ways.

During the discussion, an update was given on proposals for research within the new model, where Shetland's involvement in Marine Spatial Planning was highlighted as a niche activity, and where there is potential for development.

In response to concerns raised, where comment was made on different advice received, clarification was provided on the current arrangements for funding and in terms of the ongoing support for Modern Apprenticeships in moving to the new model. In responding to questions, it was advised that the financial model does not specify numbers pertaining to Modern Apprentices, but includes a range of courses for all students to access. The Chief Executive advised on a key focus to develop the young workforce and for industry needs to be met. She said that the new college will have the potential to provide more on-island training than what has been built into the model, and that a focused Principal will engage with industry, and with support of Economic Development, will also develop the right solutions for off-island and on-line training. It was also reported on the need for early and in depth discussion and engagement between the new Principal and the Construction Industry Training Board (CITB). The Chief Executive confirmed that the new model college will not impact on the apprentice scheme for any employer, and that Modern Apprentices will continue to be a priority area. The Director of Development referred to the objective in the 10 Year Plan to achieve 175 Modern Apprentice starts each year, where at this time the numbers are above 135. He confirmed that the growth area of care, and other growth should be covered. He said that there was however a need to engage more with employees to promote the courses at the College, and he confirmed that Modern Apprenticeships will become more important going forward and represents huge opportunities for the College in Shetland.

In responding to a question relating to the lease arrangements between the Council and the new college, Mr Healy explained that it would not be in the Council's interest to set up the new college then start charging an inordinate rent. In that regard, he advised that while the rent of the building will be a future decision made by Council Members, the expectation is that a nominal rent will be set. It was also advised that the maintenance of the college building will be part of the operating costs on the occupier.

In responding to questions, the Committee were advised on the areas where adjustments have been made in the new model, and on the support services to be bought in and on recharges.

Mr G Smith advised on another area of concern, being the ability to set the salary for the post of Principal at a level to attract the calibre of person capable to take forward this huge change management. The Chief Executive reported from the HR work stream on the external expertise utilised to benchmark the post to attract candidates from within the tertiary education sector. She also advised that activity around the merger will be supported by an external Project Manager, the SFC and UHI, and a project team.

In responding to questions, it was confirmed that from considering all contingencies, a model of merging both the Shetland College and Train Shetland, without the NAFC Marine Centre, would be financially sustainable outwith the Council. The Chief Executive however referred to the Council's role to support the best outcomes for Shetland as a whole, and in that regard to support the merger with the NAFC Marine Centre. In that regard, she referred to the Council's outcomes in terms of workforce development, the importance of the marine sector to Shetland's economy, the huge demand in that sector, and the benefits to have the capacity for that training to be delivered locally.

Mr G Smith enquired on the Council's proposals going forward to be a competitor to the new college in terms of the delivery of e-learning. The Committee were informed on the support for the new college to deliver training in a manner required by the Council; the college would be encouraged to develop e-learning modules, and there would be a willingness to invest to get systems in place for the benefit of both organisations. It was acknowledged that this was an area of business development for the College, where there would be huge opportunities.

In responding to questions, the Chief Executive advised that engagement would take place with various bodies to access funds for research, and that again that would be an area for the Principal to be active in.

In responding to a question relating to pension cessation costs for the NAFC Marine Centre, the Chief Executive advised from earlier discussions as to whether the costs could be met from the SFC and UHI. However, she advised that it has now been confirmed the SFC and UHI are not legally bound to commit to the cessation costs or guarantee. There is an expectation that the Council may be the appropriate agency to address the cessation costs, provide the guarantee and address the issue of property, and that the Council would transfer the ongoing deficit funding to the SFC and the UHI. In terms of the pension cessation costs, Mr Cooper advised from his previous involvement in this area, and on the need to ensure this is a timeous process.

The Chief Executive said that as the cessation costs and guarantee had not been included in the financial model, that in terms of the Council's commitment to move ahead to resolve the pension liability, whether there was a need for her to be granted delegated authority in that regard. During the discussion, the Executive Manager – Governance and Law suggested that recommendation 1.2(f) adequately addressed the Chief Executive's level of delegated authority to achieve the merger. However, there was also a proposal on the need for a separate recommendation, with the cessation costs likely to be substantial, and on the need to move timeously to a financial close.

Mr G Smith made reference to what had previously been understood to be commitment from the SFC and UHI to support the new college, but in referring to the joint letter he said that the reality does not quite match up on the earlier sentiments expressed. In response to a question, Mr Healy, Deloitte, advised on the difficulty at this time for the SFC and UHI to commit on funding until it is known how much is being requested. The Chief Executive advised that a draft bid has been prepared through a joint process with the UHI and SFC which required minor adjustments to be made. She confirmed that the UHI and SFC will only refer to the bid process at this stage and the final bid will be worked up with the involvement of UHI and SFC. The Chief Executive advised that elected Members will be kept informed on the discussions, and advised that the bid will be approved before a move into the next stage of merger.

During debate, Mr Campbell, Chair of the Shetland College Board, spoke in support of the proposed merger, and he advised that yesterday's College Board was fortunate to have input from M Devenney, FE/HE Consultant, S Kirker, HISA Vice President and also S Drysdale, Scottish Funding Council. He advised on the significance of yesterday's meeting, being the most important meeting in terms of the decision made for the merger, which supports the aspiration if the Shetland Partnership Plan to grow the working population and for the retention and training of your people in Shetland. Mr Campbell referred to the support for the merger from

both the Shetland College Board and also Education and Families Committee, and he urged that Members of the Policy and Resources Committee and the Council do likewise.

Mr G Smith advised that following a fulsome discussion, yesterday's Education and Families Committee had taken a similar view to that of the Shetland College Board.

Mr Coutts, Leader of the Council, advised that the Policy and Resources Committee, through the Shetland College Board and Education and Families Committee have received assurance in terms of the curriculum led approach which he said is critical to the process. He advised however that it has been clear through the questions and answers today that there is uncertainty but also that the merger is a massive opportunity to do the best for the community. He said that the Chief Executive and officers have commented on the Service Redesign Programme and on the importance of this project to the community as a whole. The Leader advised on the need to prioritise the project at significant pace and commended the project team and all involved on the collaborative nature of the process. He advised that the Shadow Board and the Principal designate will have a key role in continuing this. The Leader advised on the opportunity costs aspect, and referred to the decision of the Council on the pension and property costs. He confirmed that the Council is very committed to the project, which is financially sustainable due to the commitment made by the Council in that regard. Mr Coutts moved that the Committee approve the recommendations as set out in Sections 1.1 and 1.2 of the report, and to take on board the delegation to the Chief Executive in terms to the pension cessation costs. In that regard, it was agreed for recommendation 1.2(g) to be amended to read, "approve the provision of a guarantee against the pension liability of the merged college to the Shetland Islands Pension Fund (SIPF); and if triggered, by a positive decision by the NAFC Marine Centre to also merge with the new College, that suitable arrangements be made for pension cessation costs".

Mr Cooper seconded.

Mr G Smith advised that he supported the recommendations going forward, where he referred to the very upbeat messages that have been relayed that will be realised by the merger to ensure a vibrant tertiary education sector. He said that in many ways the die has now been cast, and it is for the Principal and Shadow Board to work within the financial envelope which he hoped was big enough to realise the outcomes that the Council would want to achieve.

Mr Cooper commented that he would anticipate that some of the £12m savings will be used to upgrade the College and to provide courses that organisations will require. In responding, Mr Campbell advised on the opportunity to submit further bids to the SFC for specific investment.

Decision:

The Committee RECOMMENDED that the Council RESOLVES to:

- NOTE (a) the content of the Full Business Case (FBC) for the Effective and Sustainable Tertiary Education, Research and Training in Shetland Project (hereafter referred to as 'the Project'); and (b) supporting documents from the Project's financial and legal advisers confirming that the FBC has been prepared in accordance with best practice and that there are no material obstacles to merger; AND

- APPROVE the merger of Shetland College, NAFC Marine Centre and Train Shetland.
- DELEGATE authority to the Chief Executive (or her nominee) to procure and engage a Project Manager, specialist financial and legal services, and any other specialist services or advice required to implement the merger;
- DELEGATE authority to the Chief Executive (or her nominee), in partnership with the Chair of SFTCT, and in consultation with the Leader of Shetland Islands Council and the Chairs of the Shetland College Board and the Education & Families Committee, to take any actions and decisions required to establish and resource the recruitment panel for the Principal Designate, as described in the FBC;
- DELEGATE authority to the Chief Executive (or her nominee) to realise arrangements for property assets resulting in usage of the Council-owned properties for a minimal value transaction to the new college;
- DELEGATE authority to the Chief Executive (or her nominee), in consultation with the Leader of Shetland Islands Council and the Chairs of Shetland College Board and Education & Families Committee, to liaise with, negotiate, or otherwise engage with the other parties to the merger and with any regulatory, parliamentary, statutory or other bodies and generally to take any action and take any decision necessary to achieve the outcomes of the decision to fulfil the aims of the decision to merge;
- APPROVE the provision of a guarantee against the pension liability of the merged college to the Shetland Islands Pension Fund (SIPF); and if triggered, by a positive decision by the NAFC Marine Centre to also merge with the new College, that suitable arrangements be made for pension cessation costs;
- AGREE that the delegation of authority granted to the Shetland College Board on 29 June 2016 [Min. Ref. SIC 53/16] to support potential further stages of the Project remains in place until August 2020.

The meeting concluded at 12.45pm.

.....
Chair