



## **REPORT**

**To: Audit and Scrutiny Committee**

**19 November 2008**

**Shetland Islands Council**

**3 December 2008**

**From: Head of Finance**

### **Abstract of Accounts 2007/08 & Report by the Auditor**

**Report No: F-037-F**

#### **1. Introduction**

- 1.1 The 2007/08 Abstract of Accounts (Appendix A) is enclosed with this report.
- 1.2 Enclosed as Appendix B is the Report to Members and the Controller of Audit by the Council's external auditor, Audit Scotland, regarding the audit of the accounts for the year ended 31 March 2008.
- 1.3 The Assistant Director of Audit (Local Government) Fiona Mitchell-Knight and Audit Manager Mark Ferris from Audit Scotland will be at the Council meeting on 3 December 2008 to present their report to the Council and answer any questions from Members.
- 1.4 This report is intended to provide Members with a final version of the Abstract of Accounts 2007/08 and to provide any officer comment on the Audit Scotland's report.

#### **2. 2007/08 Abstract of Accounts**

- 2.1 This document is the final formal statement of the Council's financial affairs for the year ended 31 March 2008. It is this document which is subject to scrutiny by the external auditor and upon which there is comment in the audit certificate and the report to Members.
- 2.2 The enclosed Abstract represents the Council's attempt to comply with the continually changing requirements of the Code of Practice on Local Authority Accounting in the United Kingdom.

I am pleased to report that, as in the previous fourteen years, the Abstract was submitted to the Scottish Government and the external auditor in accordance with the statutory deadline.

- 2.3 As in 2006/07, the audit opinion on the Council's Abstract has been qualified on the issue of group accounts. The auditor was of the view that they should have included the Shetland Charitable Trust and the Shetland Development Trust.

### **3. Report to Members and the Controller of Audit**

- 3.1 As noted in 1.3, Audit Scotland staff will present their report to the Council and in doing so will highlight what they consider to be the major issues.
- 3.2 On the issue of group accounts and the audit qualification, as noted in the auditor's report on pages 8 and 9, the changes to the structure of the Shetland Development Trust and the re-establishment of a Development Committee will result in the Development Trust being included in the group accounts in 2008/09.

The situation with the Shetland Charitable Trust remains under review with any resolution for the Council also being conditional upon the agreement and co-operation of the Trust.

### **4. Financial Implication**

- 4.1 This report on the Abstract and Report to Members has no financial implications, at least in form of requiring decisions over proposals to incur expenditure.

### **5. Policy and Delegated Authority**

- 5.1 As the final statement of the Council's financial affairs for 2007/08, the Abstract of Accounts is presented to the Audit and Scrutiny Committee for the attention of Members, allowing them to express their view on it to the Council.

### **6. Conclusions**

- 6.1 I would wish to record my thanks to Audit Scotland and their staff for the work done.

### **7. Recommendations**

- 7.1 It is recommended that the Audit and Scrutiny Committee recommend to the Council that they should note the contents of this report, Appendix A and the Abstract of Accounts for 2007/08 and undertake to keep under review the issues raised in the report to Members by the external auditor and in particular the action plan contained therein.

Date: 11 November 2008

Our Ref: DAH/DS/A/9/30

Report No: F-037-D1

# **SHETLAND ISLANDS COUNCIL**

## **Abstract of Accounts**

**2007/08**

## Contents

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## **SHETLAND ISLANDS COUNCIL**

### **2007/08 Abstract of Accounts**

#### **EXPLANATORY FOREWORD**

1. **Introduction**

The Council's accounts and the Group accounts for the year ended 31st March 2008 have been prepared to comply with statutory requirements and also with reference to the Code of Practice on Local Authority Accounting in the United Kingdom 2007.

2. **Explanation of statements which follow, their purpose and relationships**

The following statements are contained in this Abstract of Accounts:

**Statement of Accounting Policies**

This statement explains the basis of the figures in the accounts, with particular reference to the treatment applied where more than one approach is possible.

**Income and Expenditure Account**

This statement reports the net cost for the year of all the functions for which the Council is responsible and demonstrates how that cost has been financed from general government grants and local taxation.

The net cost of services was £108.2m.

**Statement of Movement on the General Fund Balance**

This statement together with its accompanying note shows the adjustments required to the Income and Expenditure account for the statutory and non-statutory proper practices taken into account when determining the Council's budget and council tax demand.

**Statement of Total Recognised Gains and Losses**

This statement shows the gains and losses that do not arise from the Council's operating performance and are not included in the Income and Expenditure Account.

**Balance Sheet**

This statement shows the balances and reserves at the disposal of the Council at the year end. It also shows the Council's long term indebtedness, and the fixed and net current assets employed in its operations, together with summarised information on the fixed assets held.

The Balance Sheet includes the year end position of all funds covered in this abstract with the exception of the Pension Fund and other Trust Funds.

**Cash Flow Statement**

This statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes. It excludes the Pension Fund and other Trust Funds, apart from cash transfers between the Pension Fund and other Council funds.

**Housing Revenue Account**

The Housing Revenue Account shows the major elements of expenditure relating to Council housing, which include maintenance, administration, rent rebates and capital financing costs. The statement also shows how this expenditure is met by Council house rents, Housing Support Grant and other forms of income.

### **Council Tax Income Account**

The Council Tax Account shows the net income raised from Council taxes levied under the Local Government Finance Act 1992.

### **Non-Domestic Rate Income Account**

The Non-Domestic Rate Income Account shows the income from the rates levied under the Local Government (Scotland) Act 1975 as amended by the Local Government Finance Act 1992 on non-domestic property.

### **Pension Fund Account**

This statement gives a stewardship report on the financial transactions of the Pension Fund during the year, and the disposition of its assets at the year end.

### **Group Financial Statements**

These statements include an Income & Expenditure Account, Statement of Total Recognised Gains & Losses, Balance Sheet, Cash Flow Statement, Reconciliation of Council Surplus to Group Surplus and relevant notes that reflect the totality of service delivery undertaken by the Council and those entities in which it has a relevant interest.

### **Responsibilities for the Statements of Accounts**

This statement sets out the respective responsibilities of the Council and the Head of Finance for the accounts of the authority.

### **Statement on the System of Internal Financial Control**

This statement sets out the framework within which financial control is managed and reviewed.

## **3. Overall comparison of expenditure with budget**

The budget for the year on the General Fund envisioned a draw on reserves of £5m. In the event the draw was limited to £3.57m which included an unbudgeted cost of £1.72m in respect of Equal Pay settlements. Equal pay costs were not included in the original budget as it was expected that the single status agreement would have been implemented by April 2007, and therefore extinguish the need to make ongoing equal pay payments. The equal pay costs and the need for a reduced draw on reserves were due to under-spends on Education and Social Care staffing budgets where there were delays in recruitment and obtaining sufficient staff, a higher than expected level of income from fees and charges of £1.6m and a general focus by budget responsible officers on providing services more efficiently.

Housing Revenue Account net expenditure was £0.75m over budget due mainly to overspends on maintenance. This was offset by less spend on house purchases financed from revenue, resulting in the contribution from the Housing Repair and Renewal Fund of £1.52m being £0.22m under budget.

Harbour Account income was £2.85m higher than expected, including £1.4m extra on the Jetty Maintenance contract, but this was partly offset by increased capital and jetty maintenance costs. Income from the smaller harbours' dues was £0.65m greater than budget and there were revenue expenditure savings of £0.5m as a consequence of the drive for greater efficiencies. This resulted in a contribution to the Reserve Fund being £1.3m more than budget.

Overall, the Council's trading undertakings had another satisfactory year. The significant undertakings are judged on a three year rolling basis and both have achieved the break-even target.

## **4. Material assets acquired or liabilities incurred**

Significant major capital work during 2007/08 included work on the new AHS (£1.4m) and other major capital spend included work on the re-instatement of the Rova Head dump (£1.2m).

## **5. Comment on planned future developments, including a summary of revenue and capital investment plans.**

The Council has reaffirmed its commitment to work towards its long term financial policies of achieving:

a self-sustaining Capital Fund;

a self-sustaining Repairs and Renewals Fund;

a self-sustaining Reserve Fund;

investment in infrastructure by utilising reserves down to a minimum of £250m.

6. **Current borrowing facilities, actual borrowings, major financing transactions during the year**

The Council continued its Treasury Management policy in 2007/08 which consists of:

continuing to have external management arrangements for all major funds;

operating to a stringent set of borrowing and lending guidelines.

Within the Treasury Management policy, the Council currently finances its Housing Revenue Account from internal funds and balances and has no external borrowing.

During 2004/05 the Council conducted a tendering exercise with the result that a new banking contract was awarded to the Bank of Scotland from April 2005. The contract is for a period of five years and provides current overdraft facilities of £0.8m.

Major fixed asset disposals during 2007/08 occurred on Council house sales.

7. **Summary of Council internal and external sources of funds**

The Council has prudently built up extensive reserves of £305m to meet future financial requirements. As can be seen in the note on Movements in Reserves, the main individual reserves are the Capital Fund, Repairs and Renewals Fund and the Reserve Fund, which have a combined value at 31 March 2008 of £289m (£287.5m at 31 March 2007). The Council intends to preserve the value of these funds so far as is possible, so only the earnings on their investment are available to meet annual outgoings.

The Council received from the Scottish Executive £79.9m of general funding, consisting of revenue support grant and a share of non-domestic rates levied, and £2m to fund the Housing Revenue Account. The Council also receives a large number of specific grants including £2.5m to fund the payment of rent rebates and allowances.

The remaining sources of Council funding are levied locally, the most significant being the Council Tax which raised £8.2m, £5.4m from rents and charges to Council house and hostel tenants and £13.1m in charges to the users of Council harbours, principally Sullom Voe.

8. **Pension Liability**

In order to comply with Financial Reporting Standard no. 17 (Retirement Benefits), a valuation of the Council's Pension Fund was made by the Fund Actuary as at 31 March 2008. This indicated a net pension liability of £18.1m compared to a net liability of £35.1m as at 31 March 2007.

It is important to recognise that FRS 17 is an accounting standard that details the pension information to be included in these accounts. It prescribes a method of calculation and some of the assumptions used and reflects the position of the Fund only on one particular day, 31 March 2008.

The pension fund is a long term commitment and the triennial actuarial valuation uses an approach that reflects that. The last valuation at 31 March 2005 in fact recorded a funding level of 99% and the contributions the Council makes to the pension fund are in line with the actuary's valuation and recommendations.

9. **Statutory Trading Accounts**

The Local Government in Scotland Act 2003 repealed legislation relating to DSOs/DLOs and introduced new requirements to maintain trading accounts for significant trading operations which are required to break even over a rolling three year period. Further information is shown in note 7 to the Core Financial Statements.

10. **Trusts**

The Council's 2006/07 Accounts were qualified in respect of a failure, in the Auditor's opinion, of the Council to group its accounts with those of Shetland Development Trust and Shetland Charitable Trust. The Auditor's view was based upon the close relations between these organisations, whereas the Council's position was based upon the separation which exists between these bodies. The debate

on this difference of view has continued, but in practice changes in the governance of the Shetland Development Trust (which have brought it into closer connection with the Council) mean that the Council now accepts the need to group Council and Development Trust accounts, and that will be done at the earliest opportunity (in practice, in the 2008/09 Accounts). The difference of view about grouping Council and Charitable Trust accounts remains unresolved, and remains a practical impossibility while the Charitable Trust exercises its independence and withholds its cooperation.

11. **Change in Accounting Policies**

The Code of Practice on Local Authority Accounting in the United Kingdom 2007, usually referred to as the SORP, brought in three changes that affect the accounting policies of the Council. These are explained below with an indication of their effect on the accounts.

The system for capital accounting was again changed with the Fixed Asset Restatement Account and Capital Financing Account being replaced respectively by the Revaluation Reserve and the Capital Adjustments Account. The operation of these new reserves are similar to those they replace although the accounting entries required are now more UK GAAP compliant than previously. In particular, the Council is required to maintain a record of the depreciated historical cost of individual assets and the Revaluation Reserve records the gains on fixed assets arising from increase in value together with the part of depreciation charges that have been incurred as a consequence of revaluation. The Capital Adjustment Account records the write down of the historical cost of assets as they are consumed by depreciation and the resources set aside to finance capital expenditure. No prior year adjustment was required on the introduction of these new reserves but the closing balances of the Fixed Asset Restatement Account and the Capital Financing Account as at 31 March 2007 were combined to form the opening balance of the Capital Adjustment Account. Although these changes affect the capital accounting entries in the Council's Income and Expenditure Account and Balance Sheet, they have no effect on the available resources of the Council to provide services.

The SORP brought in a new treatment of financial assets and liabilities that in particular affected how the Council accounts for its investments, mainly held through external fund managers. These financial assets were previously shown at historic cost (i.e. what they cost to buy) in the Council's Balance Sheet but are now shown at fair or market value with the difference from historic cost held in a new reserve, the Available-for-sale financial instruments reserve.

The Council has for the first time disclosed intangible assets within its Balance Sheet. These are assets such as software or software licences that provide benefits beyond the year in which they are purchased. They are accounted for, written down and revalued in a manner similar to tangible fixed assets. As for tangible assets, the accounting entries have no ultimate effect on the resources the Council has available to provide services.



## STATEMENT OF ACCOUNTING POLICIES

### 1. **Introduction**

The accounting policies presented below apply to all statements, including the Group Accounts unless replaced by a separate group accounting policy, in this abstract, with the exception of the Pension Fund which has a separate statement of accounting policies.

The accounts have been prepared on a historic cost basis, other than changes resulting from the revaluation of certain categories of fixed assets.

### 2. **Debtors and creditors**

All known debtors and creditors have been provided for, on an actual or estimated basis, in the accounts as at 31 March 2008.

### 3. **Allocation of Central Support Costs**

All central support costs are fully allocated to services. Allocations are primarily done on the basis of estimates of staff time.

### 4. **Capital Charges**

General Fund services have been charged depreciation for the use of assets.

The charge to the Housing Revenue Account is equal to the principal, interest and expenses charged by the Council's Loans Fund.

Although the Harbour account, shown under Trading Services includes depreciation, the charges to the users of Council harbours and the balancing of the account by Reserve Fund contributions are based on actual capital charges as the account operates on a commercial basis with the oil industry.

### 5. **Fixed Assets and Depreciation**

All expenditure on the acquisition, creation or enhancement of fixed assets has been capitalised on an accruals basis, subject to a de-minimis limit for capital expenditure of £10,000. The £10,000 applies to individual assets or planned programmes where individual assets are below £10,000 but the programme exceeds £10,000, e.g. plant purchases.

Capital expenditure that does not provide a fixed asset or continuing benefit to the Council is written off to revenue in the year it is incurred.

Intangible assets have been included in the balance sheet for the first time. These are assets such as software that have no tangible existence but provide benefit to the Council beyond the year in which they are purchased. They have been included as a result of a change in the SORP and are included at historic cost.

Operational assets have been included in the balance sheet at the lower of net current replacement cost or net realisable value in existing use. Non-operational investment assets and surplus assets have been included in the balance sheet at the lower of net current replacement cost or net realisable value. Infrastructure, community assets and assets under construction have been included at historic cost.

Depreciation is charged to revenue, to the services that use the asset, on a straight-line basis over the useful life of the asset. Depreciation is not normally charged on freehold land, non-operational investment properties or assets under construction.

### 6. **Valuation Disclosure**

Except where noted below, most of the Council's properties which were due to be revalued this year were valued over a four month period to April 2008, and the effective date for the valuation was 1 April 2007 unless the property became operational after that date. There are a number of properties with a value of £5,000 or less where the effective date of valuation remains at 1 April 1996. These are being included within the programme of revaluations as resources permit.

Operational properties of a specialised nature were valued on the basis of what it would cost to reinstate the asset or to acquire a modern equivalent, adjusted to reflect the age, wear and tear and obsolescence of the existing asset. Operational properties of a non-specialised nature were valued by reference to the market value of equivalent assets of a similar type and condition, as evidenced by

recent market transactions, and on the assumption that they would continue in their existing use. Council dwellings have all been revalued as at 1 April 2007 based on 'beacon properties' in ward/geographical areas, adjusted for different numbers of apartments. The valuation has also been adjusted to reflect all disposals during 2007/08. Non-operational properties were valued by reference to their market value which has regard to both the existing use and any alternative use which may be sanctioned by planning permissions. Outstanding life and residual values have also been reviewed for all assets that have been revalued this year.

Full details of the valuation of each property are contained in Valuation Certificates which form the basis for the summary information in these accounts.

The valuations of the non-operational and operational properties (including Council dwellings) were carried out by Alan Rolfe MRICS of the Asset and Property Unit of the Council's Legal and Administrative Services.

7. **Stocks and Work in Progress**

Stock and work in progress brought into account is valued at average cost, except for Ferry and Port stock (latest price), fuel (FIFO basis) and aggregates (lower of selling price/production cost). The Ferry and Port stock is not valued in accordance with the SORP due to the stock system used being unable to provide such a valuation. However, the high value of items combined with a slow turnover is likely to mean that the valuation will not be significantly different from that required by the SORP.

8. **Financial Assets**

All investments are classified as Available-for-sale and are shown at fair value which is based on the quoted market bid price provided by the Council's external fund managers. Changes in fair value are balanced by an entry in the Available-for-sale financial instruments reserve and the gain/loss is recognised in the Statement of Recognised Gains and Losses.

9. **Interest in Companies**

Any interest in a company or other entity that have the nature of subsidiaries, associates or joint ventures is recorded in the Council's single entity accounts as an investment.

The Council has shareholdings in Shetland Towage and Viking Energy. Viking Energy has no assets and is not currently operational. The functions of Shetland Towage were transferred to the Council and it is also no longer operational. It has current assets of £0.2m but is likely to incur costs in the wind up of its pension scheme. As these assets are regarded as immaterial, its shares as well as those of Viking Energy have been valued at zero.

10. **Provisions**

The Council has made provision, where necessary, for bad and doubtful debts in respect of miscellaneous debtors, non-domestic rate debtors, council tax debtors and housing rent debtors. The Council made equal pay offers to staff but a number of them declined to accept these offers. The Council has accordingly made provision for possible costs should the staff who did not accept an offer pursue the matter at an Employment tribunal.

11. **Reserves**

The Council has set aside specific amounts as reserves for future policy purposes. These reserves are listed in and further information is provided in note 20 in the Notes to the Core Financial Statements.

Any expenditure that is to be financed from a reserve is charged to the appropriate service revenue account in the Net Cost of Services in the Income and Expenditure Account. The reserve contribution is then made back into the General Fund balance so that there is no net charge against council tax for the expenditure.

The Revaluation Reserve and Capital Adjustment Account, which replaced the Fixed Asset Restatement Account and the Capital Financing Account because of a change in accounting guidance, are kept for the purposes of fixed asset accounting and the Pension Reserve for the purpose of retirement benefits. These reserves do not represent usable resources for the Council.

Other than those mentioned above, reserves are invested in the Council's Loans fund and/or are invested by fund managers in bonds, equities and cash.

12. **Capital receipts**

Capital receipts are treated as capital income on an accruals basis and have been applied in accordance with the Council policy on debt redemption on all funds.

All long term debtors on the Balance Sheet have been financed by the Capital Fund, creating a Deferred Capital Receipt. This means that when the debts are paid the proceeds can be credited to the Capital Receipts Reserve, providing the potential for more flexible use than applies to the Capital Fund.

13. **Grants**

Revenue grants are treated as revenue income and credited to revenue in the year received.

Capital grants are treated as capital income, credited to the Government grants deferred account and released to individual service revenue accounts to match the charge for depreciation.

14. **Interest on balances**

Interest on revenue balances is charged or credited at fund level at the average seven day money market interest rate for each month, calculated from daily quotes obtained from several brokers.

Interest is charged or credited to internally held balances of Council reserves at varying rates, dependent on the nature of the reserve.

The interest charged or credited to Funds is calculated on the basis of monthly surpluses or deficits on those Funds, with interest on internally held reserves capitalised half yearly.

15. **Leases**

The Council accounts for leases as finance leases when substantially all the risks and rewards relating to the leased asset transfer to the Council. Assets acquired are capitalised together with a liability to pay outstanding rentals. Payments are apportioned between the finance charge and the reduction of the outstanding obligation with the finance charge being charged to revenue over the term of the lease.

Other leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals payable are charged to revenue in accordance with the terms of the lease.

16. **Provisions for pensions**

Pension assets and liabilities have been included in the accounts on the basis of Financial Reporting Standard No. 17. Assets of the Pension scheme have been included at fair value, generally mid-market value, and liabilities have been measured on an actuarial basis using appropriate estimates and assumptions. In particular, scheme liabilities have been discounted at a rate linked to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. Details are in note 28.

17. **Contingent Assets and Liabilities**

The Council has identified and disclosed any contingent assets and liabilities where the inflow of a receipt or economic benefit is probable or if there is a possible obligation which may require a payment or a transfer of economic benefits. The Council discloses the nature of the contingency, a brief description, an estimate of its financial effect where possible and any uncertainties relating to the amount or timing of any outflow.

Contingent assets and liabilities are shown as a note and are not recognised within the accounting statements.

# **SHETLAND ISLANDS COUNCIL**

## **2007/08 Abstract of Accounts**

### **INCOME AND EXPENDITURE ACCOUNT**

#### **YEAR ENDED 31 MARCH 2008**

2006/07		2007/08 Expenditure £000	2007/08 Income £000	2007/08 Net £000
£000				
2,776	Central services	3,056	(317)	2,739
37,877	Education services	46,257	(8,009)	38,248
4,924	Environmental services	9,951	(4,664)	5,287
665	Housing services	5,377	(3,652)	1,725
6,006	Cultural and related services	6,834	(1,364)	5,470
4,657	Planning and development services	9,116	(1,128)	7,988
10,073	Roads and transport services	12,006	(2,430)	9,576
9,058	Trading services	28,212	(18,437)	9,775
17,319	Social work	27,076	(7,878)	19,198
6,049	Corporate and democratic core	5,745	0	5,745
(3,909)	Non distributed costs	414	0	414
2,076	Police	1,947	(1)	1,946
2,042	Fire	2,099	0	2,099
(2,640)	Housing revenue account	5,437	(7,451)	(2,014)
1,127	Services acquired from the Islesburgh Trust	0	0	0
<b>98,100</b>	<b>Net Cost of Services</b>	<b>163,527</b>	<b>(55,331)</b>	<b>108,196</b>
(44)	(Gain)/Loss on disposal of fixed assets			(30)
3,047	Interest payable and similar charges			3,501
(14,770)	Interest and investment income			(25,803)
(277)	Net Surplus trading undertakings			(84)
(1,182)	Pension interest cost & expected asset return			(2,063)
<b>84,874</b>	<b>NET OPERATING EXPENDITURE</b>			<b>83,717</b>
(7,860)	Council Tax			(8,216)
(68,473)	Revenue Support Grant			(71,842)
(8,138)	Contribution from non-domestic rate pool			(8,031)
<b>403</b>	<b>(SURPLUS)/DEFICIT FOR THE YEAR</b>			<b>(4,372)</b>

## SHETLAND ISLANDS COUNCIL

### 2007/08 Abstract of Accounts

#### STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE.

The Income and Expenditure Account shows the actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However the Council is required to raise council tax on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed rather than when the fixed assets are consumed.
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

The General Fund balance compares the Council's spending against the council tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

This reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.

2006/07 £000		2007/08 £000
403	(Surplus)/Deficit on Income and Expenditure Account	(4,372)
	Net additional amount required by statute and non-statutory proper practices to be credited to the General Fund balance for the year	
<u>(403)</u>		<u>4,372</u>
0	Decrease in General Fund balance for the year	0
0	General Fund balance brought forward	0
<u>0</u>	General Fund balance carried forward	<u>0</u>

**SHETLAND ISLANDS COUNCIL**

**2007/08 Abstract of Accounts**

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

2006/07 £000		2007/08 £000
403	(Surplus)/Deficit on Income and Expenditure Account	(4,372)
4,579	Surplus arising on revaluation of fixed assets	(29,519)
0	Surplus arising on revaluation of available-for-sale financial assets	(7,825)
(17,986)	Actuarial (gains)/losses on pension fund assets and liabilities	(16,970)
(2,998)	Interest on Reserves	0
<u>(16,002)</u>	Total recognised gains for the year	<u>(58,686)</u>

# SHETLAND ISLANDS COUNCIL

## 2007/08 Abstract of Accounts

### BALANCE SHEET

#### AS AT 31 MARCH 2008

31 March 2007 £000		31 March 2008 £000	31 March 2008 £000
0	Intangible Assets		1,424
	<b>TANGIBLE FIXED ASSETS</b>		
	Operational assets		
40,833	Council dwellings	60,440	
96,913	Other land and buildings	97,409	
34,988	Vehicles, plant, furniture and equipment	39,331	
115,610	Infrastructure assets	115,784	
5,153	Community assets	5,104	
293,497			318,068
	Non-operational assets:		
4,193	Investment properties	4,444	
9,120	Assets under construction	15,360	
239	Surplus assets, held for disposal	245	
			20,049
307,049	TOTAL FIXED ASSETS		339,541
231,417	Long-term investments		241,125
4	Long-term debtors:Housing Loans		4
22	Long-term debtors:Other		18
538,492	TOTAL LONG-TERM ASSETS		580,688
	<b>CURRENT ASSETS</b>		
2,819	Stocks and work in progress	3,092	
11,131	Debtors, less bad debt provisions	11,243	
15,934	Short term investments	16,141	
6,470	Cash and bank	5,196	
36,354			35,672
574,846	TOTAL ASSETS		616,360
	<b>CURRENT LIABILITIES</b>		
(14,754)	Creditors		(12,312)
560,092	TOTAL ASSETS LESS CURRENT LIABILITIES		604,048
	<b>LONG-TERM LIABILITIES</b>		
(342)	Provision	(214)	
(7,783)	Government Grants-deferred	(10,207)	
(35,133)	Pension Asset/ (Liability)	(18,107)	
(43,258)			(28,528)
516,834	TOTAL ASSETS LESS LIABILITIES		575,520

**SHETLAND ISLANDS COUNCIL**

**2007/08 Abstract of Accounts**

**BALANCE SHEET**

**AS AT 31 MARCH 2008**

31 March 2007 £000		31 March 2008 £000	31 March 2008 £000
	<b><u>FINANCED BY:</u></b>		
(248,032)	Capital Adjustment Account		(252,323)
-	Revaluation Reserve		(28,012)
-	Available-for-sale Financial Instruments Reserve		(7,825)
35,133	Pension Reserve		18,107
0	Capital Receipts Reserve		0
<u>(26)</u>	Deferred Capital Receipts		<u>(22)</u>
(212,925)			(270,075)
(118,471)	Capital Fund	(116,545)	
(97,896)	Repairs and Renewals Fund	(101,413)	
(87,273)	Reserve Fund	(87,220)	
<u>(269)</u>	Insurance Fund	<u>(267)</u>	
(303,909)			(305,445)
	<b>Balances</b>		
0	General Fund		0
<u><u>(516,834)</u></u>	<b>TOTAL NET WORTH</b>		<u><u>(575,520)</u></u>

The unaudited accounts were issued on 30 June 2008 and the audited accounts were authorised for issue on 30 September 2008.

.....  
Graham Johnston B.Sc (Hons.) C.P.F.A.  
HEAD OF FINANCE



**SHETLAND ISLANDS COUNCIL**

**2007/08 Abstract of Accounts**

**CASHFLOW STATEMENT**

2006/07		2007/08	2007/08
£000		£000	£000
<b>REVENUE ACTIVITIES</b>			
<b>Cash Outflows</b>			
82,273	Cash paid to and on behalf of employees	85,088	
60,210	Other operating cash payments	68,061	
368	Housing Benefit paid out	398	
<u>4,482</u>	National Non-Domestic Rate payments to national Pool	<u>4,210</u>	
147,333			157,757
<b>Cash Inflows</b>			
(3,405)	Rents (after rebates)	(3,561)	
(7,047)	Council Tax receipts	(7,526)	
(10,363)	Non-domestic rate receipts	(12,180)	
(68,488)	Revenue Support Grant	(71,273)	
(364)	DSS grants for benefits	(417)	
(19,397)	Other government grants	(16,455)	
(24,685)	Cash received for goods & services	(27,404)	
<u>(8,535)</u>	Other operating cash receipts	<u>(10,002)</u>	
(142,284)			(148,818)
<u>5,049</u>	NET REVENUE CASH (IN)/OUTFLOW		<u>8,939</u>
<b>DIVIDENDS FROM JOINT VENTURES AND ASSOCIATES</b>			
<b>Cash Inflows</b>			
(3,709)	Dividends received		(2,214)
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>			
<b>Cash Inflows</b>			
(6,172)	Interest received		(6,413)
<u>(4,832)</u>	BALANCE c/f		<u>312</u>

**SHETLAND ISLANDS COUNCIL**

**2007/08 Abstract of Accounts**

**CASHFLOW STATEMENT (continued)**

2006/07		2007/08	2007/08
£000		£000	£000
(4,832)	BALANCE b/f		312
<b>CAPITAL EXPENDITURE &amp; FINANCIAL INVESTMENT</b>			
<b>Cash Outflows</b>			
40,954	Purchase of fixed assets	18,582	
149,353	Purchase of long-term investments	401,700	
<u>190,307</u>			420,282
<b>Cash Inflows</b>			
(1,258)	Sale of fixed assets	(1,767)	
(160,108)	Sale of long-term investments	(413,763)	
(2,212)	Capital grants received	(2,893)	
(6)	Other capital cash receipts	(4)	
<u>(163,584)</u>			(418,427)
<u>21,891</u>	Net cash inflow/outflow before financing		<u>2,167</u>
<b>MANAGEMENT OF LIQUID RESOURCES</b>			
(600)	Net Increase/decrease in short term deposits		(893)
<b>FINANCING</b>			
<b>Cash Outflows</b>			
50	Capital element of finance lease rental payments		0
<u>21,341</u>	NET INCREASE/DECREASE IN CASH		<u>1,274</u>

# SHETLAND ISLANDS COUNCIL

## 2007/08 Abstract of Accounts

### NOTES TO THE CORE FINANCIAL STATEMENTS

#### 1. RECONCILING ITEMS FOR THE STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

2006/07 £000		2007/08 £000	2007/08 £000
	Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year		
(10,433)	Depreciation	(13,221)	
350	Government Grants deferred amortisation	566	
44	Net gain/(loss) on sale of fixed assets	30	
2,337	Net charge made for retirement benefits in accordance with FRS17	56	
<u>(7,702)</u>		<u></u>	(12,569)
	Amount not included in the Income and Expenditure Account but required by statute to be included when determining the Movement on the General Fund Balance for the year		
1,989	Principal repayments	2,023	
1,640	Capital Expenditure financed from revenue	1,781	
<u>(4,073)</u>		<u></u>	3,804
	Transfers to and from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year		
2,515	Transfer to Capital Fund		5,149
0	Transfer to Pilot Boat Renewal Fund		48
5,460	Transfer to Repair & Renewals Fund		8,421
(393)	Transfer from Housing Repair & Renewal Fund		(432)
0	Transfer to Quarry Repair & Renewal Fund		8
(4,074)	Transfer from Reserve Fund		(363)
112	Transfer to Marine Fund		308
50	Transfer from Insurance Fund		(2)
<u>(403)</u>		<u></u>	<u>4,372</u>

## SHETLAND ISLANDS COUNCIL

### 2007/08 Abstract of Accounts

#### 2. Service Expenditure Analysis of Services

The service lines within the Net cost of services section of the Income and Expenditure account are as per the Service Expenditure Analysis set out in the Best Value Accounting Code of Practice. The Police and Fire categories mainly relate to the payment of requisitions to respectively the Northern Joint Police Committee and the Highlands & Islands Fire Board.

The current service cost, as required under FRS17, is contained within the service lines.

#### 3. Revenue effects of acquiring assets using finance and operating leases

Finance leases are agreements where the major features of ownership of the asset pass to the Council. These leases are distinguished by longer duration, options to buy at the end of the primary period, and maintenance being the Council's responsibility. Assets under such leases are included in Other Land and Buildings in the Council's Balance Sheet.

Operating leases leave the major responsibilities of ownership with the leasing company, and these leases are not subject to capital controls.

The following table summarises 2007/08 payments made for assets acquired under finance and operating leases.

##### Finance and Operating Lease Payments:

2006/07		2007/08 Land & Buildings £000	2007/08 Other Assets £000	2007/08 Total £000
£000				
50	Finance leases	0	0	0
1,498	Operating leases	1,727	193	1,920
<u>1,548</u>	<b>Total</b>	<u>1,727</u>	<u>193</u>	<u>1,920</u>

The future cash payments under operating leases are as follows:

	Land & Buildings	Other Assets	Total
2008/09	£1,231,298	£99,162	£1,330,460
2009/10- 2012/13	£4,317,979	£292,089	£4,610,068
2013/14 onwards	£10,577,461	£154,398	£10,731,859

#### 4. Publicity expenditure

Expenditure on publicity must be recorded under Section 5 of the Local Government Act 1986. The table below summarises 2007/08 expenditure.

##### Publicity expenditure

2006/07		2007/08
£000		£000
207	Recruitment advertising	133
176	Other advertising	209
<u>383</u>	<b>Total</b>	<u>342</u>

## 5. Agency expenditure

Below is a summary of Council income and expenditure under agency agreements, whereby the Council does work for other public bodies, or has work done on its behalf by other public bodies.

### Agency expenditure and income (included in the Income and Expenditure Account):

Net Income 2006/07 £000		Expenditure 2007/08 £000	Income 2007/08 £000	Net Income 2007/08 £000
(54)	Scottish Water	0	(57)	(57)
<u>(54)</u>	<u>Total</u>	<u>0</u>	<u>(57)</u>	<u>(57)</u>

## 6. Expenditure and Income under Goods and Services Act

Section 2 (2) of the Local Authorities (Goods and Services) Act 1970 allows the Council to provide goods and services to other public bodies and keep a separate account of agreements entered into under this legislation. The Council undertakes maintenance of police and fire properties on behalf of the Joint Boards. The table below shows the maintenance expenditure and the amounts billed to the Joint Boards by the Council.

### Expenditure and income under the Local Authority (Goods and Services) Act 1970:

Net Expenditure 2006/07 £000		Expenditure 2007/08 £000	Income 2007/08 £000	Net Expenditure 2007/08 £000
0	Northern Joint Police Committee	35	(35)	0
0	Highlands & Islands Fire Board	9	(9)	0
<u>0</u>	<u>Total</u>	<u>44</u>	<u>(44)</u>	<u>0</u>

## 7. **Significant Trading Operations**

Section 10 of the Local Government in Scotland Act 2003 requires the Council to maintain trading accounts for significant trading operations and that they should break even over a three year rolling period.

The Council has deemed as significant trading operations its Highways construction and repair undertaking and its Building Maintenance undertaking, concerned with the repair and maintenance of council houses, schools and public buildings.

The three year rolling basis cumulative total is shown in the table below and both operations have met the target.

	2005/06 £000	2006/07 £000	2007/08 £000	Cumulative Total £000
Highways				
Turnover	(6,676)	(7,561)	(6,618)	
(Surplus)/Deficit	(272)	(219)	(64)	(479)
Building Maintenance				
Turnover	(4,106)	(4,131)	(4,278)	
(Surplus)/Deficit	(163)	(218)	(83)	(440)

The figures for 2007/08 and 2006/07 exclude notional interest in accordance with the SORP. However the cumulative total includes notional interest as this was properly chargeable in 2005/06.

## 8. **Audit Costs**

The fees for audit services undertaken in accordance with the 'Code of Audit Practice' are paid to Audit Scotland and were as follows:-

2006/07 £000		2007/08 £000
186	External Audit fees	198
60	Audit Scotland Recharge	61
<u>246</u>		<u>259</u>

## 9. **Members' Allowances/Remuneration and Expenses**

Regulations made under section 50 of the Local Government (Scotland) Act 1973 require that the Council publish a record of Members' allowances/remuneration and expenses. This is done annually in a local paper. Summarised information is given below.

2006/07 £000		2007/08 £000
392	Allowances/Remuneration	365
128	Expenses	82
<u>520</u>		<u>447</u>

#### 10. **Officers' Emoluments**

The number of employees whose remuneration, excluding pension contributions, was £50,000 or more in bands of £10,000 were:

Remuneration Band	2006/07 No.	2007/08 No.
£50,000 - £59,999	41 (6)	47 (1)
£60,000 - £69,999	12 (7)	14 (10)
£70,000 - £79,999	1	2
£80,000 - £89,999	1	1
£90,000 - £99,999	-	-

The figures in brackets show the number of pilots, employed at the Sullom Voe Harbour operation, included in the totals.

#### 11. **Related Parties**

Related parties are organisations that the Council can control or influence or who can control or influence the Council. Central Government has effective control over the general operations of the Council, providing the statutory framework within which the Council operates and also providing the majority of funding in the form of various grants.

<u>Central Government Grants</u>	£'000
Revenue Support Grant	71,842
Non-domestic rates	9,342
Housing Benefit Subsidy	2,503
Council Tax Benefits Subsidy	791
Housing Support Grant	2,012
Other Government Grants	9,301

<u>Other Public Bodies Grants</u>	£'000
Scottish Further & Higher Education Council	1,984
Highlands & Islands Enterprise	324
Communities Scotland	353
Sports Scotland	332
Shetland Transport Partnership	447
Lottery Grants	65
Scottish Arts Council	158
Scottish Natural Heritage	61

During the year, the Council made payments of £4.33m to the Police, Fire and Valuation Joint Boards. The Council also made payments totalling £4.87m to bodies on which Council members are represented or for which they have declared an interest.

The Council is Trustee for its Pension Fund. During the year, it paid £7.39m in employers contributions and strain costs and charged the Fund £0.14m in administration costs.

## 12. Summary of Capital Expenditure and Fixed Asset Disposal

The table below analyses capital expenditure and income on fixed assets over the various categories of assets.

### Movements in fixed assets in 2007/08 were:

Operational Assets	Intangible Assets	Council Dwellings	Other Land and Plant, Furniture & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure	Community Assets	Investment Assets	Assets Under Construction	Surplus Assets	Total All Assets
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Certified valuation at 31 March 2007	0	40,783	104,480	44,391	131,616	5,159	4,417	9,120	239	340,205
Accumulated Depreciation & Impairment	0	50	(7,567)	(9,403)	(16,006)	(6)	(224)	0	0	(33,156)
Net book Value of assets at 31 March 2007	0	40,833	96,913	34,988	115,610	5,153	4,193	9,120	239	307,049

### Movement in 2007/08

Additions	1,864	1,628	2,091	3,835	3,162	9	0	7,915	0	20,504
Disposals	0	(1,465)	(6)	(53)	0	0	(17)	(282)	0	(1,823)
Revaluations	0	19,664	149	(445)	0	(57)	218	0	0	19,529
Depreciation in year	(440)	(664)	(3,168)	(2,808)	(3,158)	0	(68)	0	(4)	(10,310)
Depreciation written back	0	(40)	702	3,813	0	0	118	0	0	4,593
Transfers/Appropriations	0	485	728	0	170	0	0	(1,393)	10	0
Net Book Value of Assets at 31 March 2008	1,424	60,441	97,409	39,330	115,784	5,105	4,444	15,360	245	339,542

The intangible assets consist of purchased software and software licences.



The table below analyses the sources of finance utilised in 2007/08 to provide for the expenditure incurred.

**Sources of finance for capital accounts in 2007/08:**

2006/07 £000		2007/08 £000
1,977	Loans	0
1,264	Capital receipts	1,771
0	Capital receipts-used to repay debt	(211)
2,358	Grant receipts	2,989
15,419	Revenue/Other	14,236
<u>21,018</u>	Total	<u>18,785</u>

13. **Significant commitments under capital contracts beyond 31 March 2008:**

The following table sets out the amount of outstanding contractual commitments on capital projects as at 31 March 2008. These amounts relate to contracts commenced but not concluded by the end of the financial year.

	Outstanding Contractual Liability beyond 31/3//08  £000
Uyeasound Pier	2,500
Rova Head Reinstatement	1,900
Anderson High School	700
Sandwick ASN	500
Marinas	475
Cinema & music venue	300
Knab dyke	271
Oversund Junction	260
Mid Yell JHS	200
Feasability Studies	200
Total	<u>7,306</u>

14. **Progress of Valuation Rolling Programme**

The following statement shows the progress of the Council's rolling programme for the revaluation of fixed assets.

The valuations of the Operational and Non-operational properties have been carried out by Alan Rolfe MRICS of the Asset and Property Unit.

The basis for valuation is set out in the statement of accounting policies.

<b>GBV as at 31/03/08</b>	<b>Council Dwellings</b>	<b>Other land and Buildings</b>	<b>Vehicles, Vessels, Plant &amp; Equipment</b>	<b>Non-Operational Assets</b>	<b>Total All Assets</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Valued at historical cost	0	0	N/A	15,358	15,358
Valued at current value in:					
2007/08	60,321	8,448	N/A	1,380	70,149
2006/07	40,783	25,114	N/A	775	66,672
2005/06	41,739	2,200	N/A	0	43,939
2004/05	43,151	60,012	N/A	1,875	105,038
2003/04	42,976	8,659	N/A	187	51,822

Council Dwellings are revalued each year on an average cost calculated following the disposal of individual properties during the year. This method was refined to take account of geographical variations along the lines of the 'Beacon Principle'.

The figure valued at historical cost under Non-operational assets is in respect of work in progress assets.

15. **Information on Assets Held**

The Table below gives information on the numbers of some of the Fixed Assets held by the Council as at 31 March 2008.

<b>2007</b>		<b>2008</b>
1,956	<b>Council Dwellings</b>	1,920
	<b>Community Assets</b>	
32	Burial Grounds	32
20	Museum Exhibits:	16
1	Other Community Assets	1
	<b>Non Operational Assets</b>	
43	General Non Operational Assets	43
13	Industrial Estate	13
6	Commercial Properties	6
4	Non Operational - Other	4
1	Land awaiting development	1
	<b>Other Land and Buildings</b>	
1	Airstrips	1
1	Bus Stations	1
4	Car Parks	4
1	Town Hall	1
1	Leisure Facilities	1
1	Libraries	1
3	Museums	3
16	Offices	17
26	Public Conveniences	26
35	Schools	35
8	Social Services Homes	8
29	Other Misc Land and Bldgs	29
	<b>Intangible Assets</b>	
0	Software	25
	<b>Vehicles Plant, Furniture and Equipment</b>	
1	Aircraft	1
241	Vehicles	270
137	Plant	151
13	Ferries	13
11	Boats/Tugs	11
20	Computer Equipment	80
22	Other Equipment	0
	<b>Infrastructure Assets</b>	
1,047	Roads (km)	1,047
	<b>Investment Properties</b>	
250	Strategic Land Holdings (acres)	250

The entry for computer equipment reflects the fact that individual computers are not held within the Asset Register unless they are over the de-minimis sum.

## 16. Depreciation Methodologies

The Council provides for depreciation on all fixed assets with a finite useful life.

Depreciation is provided on a straight line basis over the useful life of the asset. Depreciation was charged on Council Dwellings for the first time in 2002/03. There are a number of non-operational assets that are not depreciated as the asset has not yet been brought into use.

The useful life of an asset has been determined by the officers of the Council in charge of the relevant asset. The life of the operational and non-operational properties have been determined by Alan Rolfe MRICS of the Asset and Property Unit.

The useful lives of various classes of assets are given below:

<b>Asset</b>	<b>Years</b>
Intangible Assets	3-7
Council Dwellings	30-45
Community Assets	100
Infrastructure Assets	0- 60
Other Land & Buildings	0- 120
Vehicles, plant, furniture & equipment	0- 50
Non-operational Land & Buildings	0- 60

The depreciation for the year and cumulative depreciation is shown below:

<b>Asset</b>	<b>Depreciation 2007/08 £000</b>	<b>Cumulative Depreciation £000</b>
Intangible Assets	440	440
Council Dwellings	664	655
Community Assets	0	7
Infrastructure assets	3,158	19,164
Other Land & Buildings	3,168	10,033
Vehicles, plant, furniture & equip	2,808	8,397
Non operational assets	72	178
	<b>10,310</b>	<b>38,874</b>

# 17. **Analysis of Debtors and Creditors**

This note shows the main constituents of debtors and creditors in the Balance Sheet.

31 March 2007 £000		31 March 2008 £000
	<b>Debtors:</b>	
3,010	Sundry Debtors	3,156
66	Recoverable Costs	122
1,325	Value Added Tax	1,628
671	Council Tax	646
548	Non Domestic Rates	376
451	Rents	505
47	Payroll	485
0	Government Grants	2,050
5,731	Other Debtors	2,966
<u>11,849</u>	Gross debtors	<u>11,934</u>
(237)	Bad debt provision - Sundry Debtors	(197)
(197)	Bad debt provision - Council Tax	(180)
(135)	Bad debt provision - Non domestic Rates	(137)
(149)	Bad debt provision - Rents	(177)
<u>11,131</u>	Net Debtors	<u>11,243</u>
	<b>Creditors:</b>	
(9,796)	Sundry Creditors	(6,812)
(459)	Non Domestic Rates	(454)
(1,966)	Government Grants	(41)
(691)	Employee	(1,018)
(524)	Council Tax	(580)
(1,318)	Other Creditors	(3,407)
<u>(14,754)</u>		<u>(12,312)</u>

# 18. **Movements in Provisions**

The Council has made provision for the risk of incurring bad debts on its General Fund and Housing Revenue Account. The provision has been determined by the Council's Income and Recovery Manager, using his professional judgement and experience.

The tables below show the movement in the provision.

2006/07 £000		2007/08 £000
(446)	Opening balance-General Fund	(544)
43	Miscellaneous Invoices written off	7
9	Non-domestic Rates written off	46
42	Council Tax written off	38
1	Community Charge written off	0
0	Cash received on debts written off	0
(193)	Charge to General Fund for new provision	(42)
<u>(544)</u>		<u>(495)</u>
(140)	Opening balance-Housing Revenue Account	(174)
10	Miscellaneous Income written off	14
24	Rents written off	10
(68)	Charge to HRA for new provision	(46)
<u>(174)</u>		<u>(196)</u>

The Council has also made a provision in respect of equal pay claims where the offer of settlement by the Council was not accepted. Equal pay offers were made to certain groups of staff, in particular those who had not received bonus payments. However some staff declined to accept these offers and have the right to take their case to an Employment Tribunal. The provision covers the anticipated payment the Council may have to make if it were to lose a Tribunal case in respect of the years up to 31 March 2008 for possible bonus payments.

2006/07 £000		2007/08 £000
0	Opening balance	(342)
(342)	Charge for new provision	0
0	Release of provision no longer required	128
<u>(342)</u>		<u>(214)</u>

19. **Analysis of net assets employed by the various funds**

The table below analyses the net assets employed by the Council over the various accounts of the Council.

**Analysis of net assets employed:**

31 March 2007 £000		31 March 2008 £000
248,032	Capital Adjustment Account	252,323
0	Revaluation Reserve	28,012
0	Available-for-sale Financial Instruments Reserve	7,825
(35,133)	Pension Reserve	(18,107)
0	Capital Receipts Reserve	0
26	Deferred Capital Receipts	22
203,419	General Fund	205,390
84,515	Reserve Fund	84,152
12,398	Housing Revenue Account	11,967
3,577	Harbour Accounts	3,936
<u>516,834</u>	Total	<u>575,520</u>

20. **Movements in Reserves**

	Balance as at 1/04/07	Gains or losses transferred from revenue or credited/ debited direct to reserve	Transactions with other reserves	Balance as at 31/03/08
	£000	£000	£000	£000
Capital Adjustment Account	(248,032)	12,457	(16,748)	(252,323)
Revaluation Reserve	0	(28,753)	741	(28,012)
Available-for-sale Financial Instruments Reserve	0	(7,825)	0	(7,825)
Pension Reserve	35,133	(17,026)	0	18,107
Capital Receipts Reserve	0	(1,767)	1,767	0
Deferred Capital Receipts	(26)	0	4	(22)
Capital Fund	(117,652)	(5,148)	7,123	(115,677)
Pilot Boat Renewal Fund	(819)	(49)	0	(868)
Repairs & Renewals Fund	(85,368)	(8,421)	4,577	(89,212)
Housing Repairs & Renewals Fund	(12,398)	(1,089)	1,520	(11,967)
Quarry Repairs & Renewals Fund	(130)	(8)	0	(138)
Central Energy Efficiency Fund	0	(96)	0	(96)
Reserve Fund	(84,515)	(9,370)	9,733	(84,152)
Marine Superannuation Fund	(2,758)	(353)	43	(3,068)
Insurance Fund	(269)	(22)	24	(267)
General Fund	0	7,733	(7,733)	0
Housing Revenue Account	0	1,051	(1,051)	0
	<b>(516,834)</b>	<b>(58,686)</b>	<b>0</b>	<b>(575,520)</b>

The Fixed Asset Restatement Account and the Capital Financing Account were replaced by a Revaluation Reserve and Capital Adjustment Account, with the closing balance on both transferred to the Capital Adjustment Account. Their balances vary with the accounting entries for capital expenditure and revaluation of assets. Neither account is available for use by the Council for its purposes.

Deferred capital receipts were created by the Capital Fund reimbursing the Loans Fund and are released to the Usable Capital receipts reserve as repayments are received. Receipts of £0.004m were released in the year.

The Capital Receipts Reserve was established for the purpose of financing capital expenditure and its capital can be applied for that purpose. Returns in the year are credited to the General Fund. The source of funding for the reserve is capital receipts not applied during the year. All receipts received in the year were applied to fund £1.62m of Housing Revenue Account and £0.15m of General Fund capital expenditure.

The Pension Reserve shows the surplus or deficit on pensions as calculated according to Financial Reporting Standard No 17 (Retirement Benefits). This balance is not available for use by the Council but it does give an indication of the long term solvency of the pension fund.

The Capital Fund was established under the Local Government (Scotland) Act 1975. This fund may be used to defray certain items of capital expenditure and for the repayment of the principal of loans. £7.12m of capital expenditure was funded during the year.

The Pilot Boat Renewal Fund was established by the Council, as Pilotage Authority in 1983 to defray expenditure on the building of vessels for boarding and landing duties. It has been funded by contributions from the Harbour Account. There was no expenditure during the year.

The Repairs and Renewals Fund was established under the provisions of the Local Government (Scotland) Act 1975 for the purpose of defraying expenditure in repairing, maintaining, replacing and renewing any buildings, works, plant, equipment or articles belonging to the Council. £4.58m of capital expenditure was funded during the year.

The Housing Repairs and Renewals Fund was established under the provisions of the Local Government (Scotland) Act 1975 for the purpose of defraying expenditure in repairing, maintaining, replacing and renewing any buildings, works, plant, equipment or articles belonging to the Council's Housing Revenue Account. During the year, a contribution of £1.52m was made to cover repairs expenditure. This effectively allowed the HRA to contribute £0.47m to the Capital adjustment account to fund capital expenditure and covered a deficit of £1.051m on the overall account.

The Quarry Repairs and Renewals Fund was established under the provisions of the Local Government (Scotland) Act, 1975 to fund environmental works at Council quarries. There was no expenditure during the year.

The Reserve Fund was established under Section 67(i) of the Zetland County Council Act 1974. This Act empowers the Council to transfer to the fund surpluses arising on the Harbour Account. The fund may be used to defray certain expenditure on the harbour undertaking and for any other purpose which is solely in the interest of the County and its inhabitants. During the year, a Harbour Account surplus of £4.55m was transferred to the fund and a transfer of £0.76m was made to the Capital Adjustment Account to fund capital expenditure. A transfer of £13.525m was made to the General Fund, consisting of £9.955m to cover a planned expenditure programmes and £3.57m to cover the General Fund's deficit for the year.

The Marine Superannuation Fund was established by contributions from the Harbour Account for the purpose of covering the unfunded element of pensions of Harbour staff. It made a contribution of £0.043m to the Harbour Account during the year.

The Insurance Fund may be used to make good loss or damage suffered by the Council as a result of an occurrence against the risk of which the Council can insure. It can also be used in paying premiums on a policy of insurance against the risk. It made a contribution to the General Fund in the year of £0.024m.

Under the Local Government (Scotland) Act 1973, the Council is permitted to carry forward balances on the General Fund.

It is Council policy to balance the Housing Revenue Account to zero by transfers to or from the Housing Repairs and Renewals Fund. A contribution of £1.051m was received for that purpose.



21. **Trust fund and third party funds administered by the Council**

The Council administers, as sole trustee, 8 trust funds related to specific services. These are varied in nature and relate principally to legacies left by individuals over a great many years. Funds are in the main held in deposit accounts with local banks. The funds do not represent assets of the Council and are not included in the Balance Sheet.

**Trust funds:**

Fund Balance at 31/3/07		Fund Balance at 31/3/08
£000		£000
(630)	Zetland Educational Trust	(642)
(49)	Gilbertson Trust	(50)
(3)	William Strong Bequest	(3)
(2)	Samuel Mullay Bequest	(2)
(4)	Other	(5)
<u>(688)</u>	Total	<u>(702)</u>

The Zetland Educational Trust, with an income of £35,433 and expenditure of £23,589, pays bursaries to university students, aids apprentices and supports educational trips. The Gilbertson Trust, with an income of £1,358, makes annual payments of £20 to deserving persons, mainly in Lerwick, amounting to £120 whilst the William Strong Bequest makes an annual payment to the ten oldest persons in Fair Isle. These and the Samuel Mullay Bequest are registered with the Office of the Scottish Charity Regulator. The other trusts are, due to their low annual income, dormant.

22. **Events after the Balance Sheet Date**

Recently the value of investments has fallen significantly. Investments made through external fund managers are reflected in these statements at a value of £257m for the Council's accounts. An estimate of the effect of the fall in investment values for the Council cannot be reliably made due to the ongoing volatility within the markets.

23. **Statement of Authorisation of Issue**

The unaudited accounts were issued on 30 June 2008 and the audited accounts were authorised for issue on 30 September 2008 by Graham Johnston B.Sc. (Hons) C.P.F.A., Head of Finance for the Council.

24. **Details of insurance provisions and the risk carried**

The Council operates an insurance fund to offset any uninsured losses and excesses on claims. The authority assesses its likely funding needs and this is reflected in the internal recharges, which take account of insurance premia, and all other permitted insurance costs incurred.

The Council carries some uninsured risks. These are:

- Theft cover (with the exception of computers and some specialised equipment);
- Gradually occurring pollution;
- Terrorism damage in excess of £100,000 per building.

25. **Contingent Assets and Liabilities**

The Council made a Single Status offer in 2006/07 proposing annual costs of £0.5m and one-off costs of £10m over the next five years for the settlement of Single Status. That offer was subsequently withdrawn after rejection in Union ballots. The Council is currently progressing an alternative approach to Single Status involving grouping similar types of posts in Job Families and re-designing jobs to mitigate possible loss of pay. Latest estimates indicate this approach may add around £4m to the Council's annual pay bill.

Whilst the Council has made provision for possible further costs in relation to Equal Pay claims where an offer had been made but not accepted, the uncertainty over the date of implementation of a Single Status agreement makes the Council vulnerable to further claims that cannot as yet be quantified.

The Council has provided security cover, in the form of a irrevocable letter of credit for £244,704, to National Grid Electricity Transmission plc in respect of its agreement with Viking Energy in relation to an inter connector cable to Shetland. The sum would only be payable if Viking Energy withdrew from the wind farm project and therefore would not need a grid connection.

## 26. **Pension Costs (Teachers)**

In 2007/08 the Council paid an employer's contribution of £2.2m (£2.0m in 2006/07) to the Scottish Public Pension Agency in respect of teachers' pension costs, which represented 12.5% of teachers' pensionable pay. In addition, the Council is responsible for all pension payments relating to added years it has awarded, together with the related increases. In 2007/08 these amounted to £0.67m (£0.64m in 2006/07), representing 4.0% of teachers pensionable pay (2006/07 4.0%).

## 27. **Pension Costs (Other Employees)**

The Local Government Pension Scheme is a funded defined benefit scheme to which the Council and its employees contribute at a rate determined by actuaries to the scheme such that the pension liabilities are balanced with investment assets.

The Council is required to recognise the cost of retirement benefits when they are earned by employees, rather than when the benefits are eventually paid. The following transactions have been included in the Income and Expenditure Account.

2006/07 £000		2007/08 £000
9,971	Current service costs	9,082
(4,438)	Past service costs	224
529	Curtailments and settlements	190
(12,258)	Expected return on assets	(14,311)
11,076	Interest cost	12,248
7,217	Actual employers contributions payable	7,489

## 28. **Pension Assets and Liabilities**

In accordance with Financial Reporting Standard No.17 (Retirement Benefits) the Council is required to disclose certain information concerning assets, liabilities, income and expenditure related to the pension scheme for its employees. Although these benefits will not actually be paid until employees retire, the Council's commitment to make such payments requires to be disclosed at the time employees earn their future entitlement.

The Council participates in two formal pension schemes, the Local Government Superannuation Scheme which it itself administers and the Teachers Pension Scheme administered by the Scottish Executive. In addition, the Council has liabilities for discretionary pension payments outside the main schemes.

The Local Government Superannuation (Scotland) Scheme is a funded scheme to which the Council and its employees contribute at a rate determined by actuaries to the scheme such that the pension liabilities are balanced with investment assets. In 2007/08, pension costs have been charged to the Income and Expenditure Account on the basis of the contributions payable for the year to the Pension Fund, based on the formal actuarial valuation as at 31 March 2005.

Although the net pension liability of £18.1m exceeds the General Fund balance which, by Council policy, is balanced to zero each year, the Council has other funds available including a Reserve Fund of £83.5m. The actuarial valuation sets the appropriate employer's contribution rates and this, together with returns on investments, will be utilised to meet the fund's commitments.

## Net Pension Liability

The Council's assets and liabilities amounted to:

2007 £'000		2008 £'000
187,924	Share of Pension Fund Assets	179,810
(202,373)	Less: Estimated liabilities in Pension Fund	(178,602)
(20,684)	Estimated liabilities for discretionary pensions	(19,315)
<u>(35,133)</u>	Net pension asset/(liability)	<u>(18,107)</u>

Assets are valued at fair value, principally market value for quoted investments and an estimate for unquoted investments, and consist of:

2007			2008			
	Market Value	Expected rate of return		Market Value	Expected rate of return	
%	£'000	%		%	£'000	%
89.9	168,823	7.8	Equity Investments	83.6	150,389	7.7
7.3	13,795	4.9	Bonds	5.8	10,452	5.7
0.0	0	5.8	Property	4.7	8,394	5.7
2.8	5,306	4.9	Cash	5.9	10,575	4.8
	<u>187,924</u>				<u>179,810</u>	

Liabilities are valued on an actuarial basis using the projected unit method which assesses the future liabilities of the fund discounted to their present value. The main assumptions used in the calculation are:

2007 %		2008 %
3.2	Price Increases	3.6
4.7	Salary Increases	5.1
3.2	Pension Increases	3.6
5.4	Discount Rate	6.9

The actuarial gains and losses shown as movements on the Pension Reserve can be analysed as follows, measured as absolute amounts and as a percentage of assets and liabilities.

31 March 2007 £000		31 March 2008 £000
1,773	Difference between the expected and actual return on assets	(28,053)
187,924	Value of assets	179,810
0.9%	Percentage of assets	15.6%
(1,128)	Experience gain/(loss) on liabilities	(112)
223,057	Present value of liabilities	197,917
0.5%	Percentage of the present value of liabilities	0.1%
17,341	Change in financial assumptions underlying the present value of liabilities	45,135
7.8%	Percentage of the present value of liabilities	22.8%

29. **Reconciliation of the movement in cash to the movement in Net Debt**

**Reconciliation to Net Debt**

2006/07		2007/08
£000		£000
21,341	(Increase)/decrease in Cash	1,274
0	Decrease in Debt Financing	0
4,200	(Increase)/decrease in Liquid Resources	(207)
<u>25,541</u>		<u>1,067</u>
(47,945)	Opening Net Debt as at 01/04/07	(22,404)
<u>(22,404)</u>	Closing Net Debt as at 31/03/08	<u>(21,337)</u>

**Analysis of Net Debt**

	Balance at 01/4/07	Cash Flow	Other Non Cash	Balance at 31/3/08
	£000	£000	£000	£000
Cash and bank	(6,470)	1,274	0	(5,196)
Overdraft	0	0	0	0
	<u>(6,470)</u>	<u>1,274</u>	<u>0</u>	<u>(5,196)</u>
Debt due after 1 year	0	0	0	0
Debt due within 1 year	0	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Current Investments	(15,934)	(1,323)	1,116	(16,141)
Total	<u>(22,404)</u>	<u>(49)</u>	<u>1,116</u>	<u>(21,337)</u>

30. **Reconciliation of the net deficit on the Income and Expenditure Account to the revenue activities net cash flow in the Cash Flow Statement**

2006/07		2007/08	2007/08
£000		£000	£000
403	(Surplus)/Deficit for Year	(4,372)	
	Net additional amount required by statute and non-statutory proper practices to be credited to the General Fund Balance		
<u>(403)</u>		<u>4,372</u>	
0			0
	<b><u>Non cash transactions</u></b>		
9,598	Contributions to/from reserves	11,968	
(1,939)	Loans Fund principal repayments	(2,023)	
<u>(1,640)</u>	Capital from current revenue	<u>(2,537)</u>	7,408
	<b><u>Items on an accruals basis</u></b>		
391	Movement in stocks	272	
2,232	Movement in debtors	1,236	
<u>(1,557)</u>	Movement in creditors	<u>1,919</u>	3,427
	<b><u>Items classified elsewhere</u></b>		
(50)	Finance lease capital	0	
0	Finance lease interest	0	
(2,571)	Interest paid	(2,721)	
<u>585</u>	Other	<u>825</u>	(1,896)
<u>5,049</u>			<u>8,939</u>

31. **Reconciliation of Relevant Movements within Financing and Management of Liquid Resources**

	Balance at 01/04/07 £000	Balance at 31/3/08 £000	Movement 2007/08 £000
<b>Management of Liquid Resources</b>			
Short Term Investments	15,934	16,141	(207)
<b>Financing</b>			
Bank Loans	0	0	0
Building Society Loans	<u>0</u>	<u>0</u>	<u>0</u>
	0	0	0
Principal element of finance lease rental			<u>0</u>
			<u>0</u>

**Definition of Liquid Resources**

Liquid resources are defined as short term investments.

32. **Analysis of government grants in the Cash Flow Statement**

**Government grants received in 2007/08:**

2006/07 £000		2007/08 £000	2007/08 £000
(68,488)	Revenue Support Grant		(71,273)
	Rebates Grants		
(831)	Council Tax Rebate	(781)	
(2,368)	Rent Rebate	(2,066)	
(364)	Rent Allowance	(417)	
<u>(72,051)</u>			(3,264)
	Other Revenue Grants		
(2,147)	Housing Support Grant	(2,012)	
(1,874)	Further Education Grant	(1,511)	
(383)	Training Grants	(267)	
(12)	Milk Subsidy	(14)	
(79)	Housing Benefit Administration	(88)	
(41)	Council Tax Administration	(46)	
(11,662)	Other	(9,670)	
<u>(16,198)</u>			(13,608)
<u>(88,249)</u>	Total Revenue Grants		<u>(88,145)</u>
(2,212)	Capital Grants		(2,893)
<u>(90,461)</u>	Total		<u>(91,038)</u>

### 33. Risks arising from Financial Instruments

The authority's investments and financial activities expose it to a variety of financial risks:

- Credit risk – the possibility that other parties might fail to pay amounts due to the authority
- Liquidity risk – the possibility that the authority might not have funds available to meet its commitments to make payments
- Market risk – the possibility that financial loss might arise for the authority as a result of changes in such measures as interest rates and stock market movements

The authority's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by the Treasury Service, under policies approved by the Council in the annual Treasury Management Strategy Statement.

#### Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the authority's customers. Deposits are not made with banks or financial institutions unless they meet one of the following categories:

- A Bank or Building Society with at least a –AA long term Fitch IBCA rating
- Bank of Scotland – Council's own bank
- Any bank which is a wholly owned subsidiary of the above
- Any Local Authority

The –AA long term rating is defined by Fitch IBCA (International Bank Credit Association) as a "low expectation of investment risk ..... adverse changes in business, economic or financial conditions may increase risk, albeit not very significantly".

The authority has a policy of not lending more than £3 million of its surplus balances to any single organisation at any one time, apart from the Council's own bank.

At the 31<sup>st</sup> March 2008 the Council only had deposits with the Council's own bank, amounting to £12.3 million. The Council's exposure to credit risk on these current deposits is very low based on the last five financial years experience, where no default or loss has occurred. No credit limits were exceeded during the reporting period and the authority does not expect any losses or default in relation to these current deposits.

#### Liquidity Risk

The authority has external investments with fund managers amounting to £257 million at the 31<sup>st</sup> March 2008. The authority has ready access to these funds, so there is no significant risk that it will be unable to meet its daily operating commitments.

There are no current capital borrowings and there is no requirement for capital borrowings during 2008/09. All trade and other payables are due to be paid in less than one year.

#### Market Risk

The authority is exposed to significant risk in terms of its exposure to cash interest rates, the bond market and the equity markets. Movements in interest rates, bond values and share prices have a complex impact on the authority's investments. To limit the effect of these movements the investment portfolio is diversified to reduce exposure to any one market. The investment portfolio at the 31<sup>st</sup> March 2008 is diversified between the following markets:

UK Equities	36%
Overseas Equities	20%
UK Government Bonds	31%
Overseas Bonds	5%
Corporate Bonds	2%
Cash	6%

Overseas equities comprise investments in North America, Europe, Japan, Pacific (ex Japan) and Emerging Markets.

The authority's external investments are all classified as 'available for sale', meaning that all movements in price will impact on gains and losses recognised by the Statement of Total Recognised Gains and Losses (STRGL). The largest investment is in UK Equities and any movement of the UK market will have the greatest impact on any gains or losses. A general shift of 5% in the UK Stock Market (positive or negative) would result in a gain or loss being recognised in the STRGL in the region of £4.6 million for 2007/08.

#### Foreign Exchange Risk

The authority has £62 million invested in overseas equities and bonds which are denominated in foreign currencies. The exposure to risk of loss in adverse movements in exchange rates are greatly reduced through the use of currency hedging strategies to specifically negate any currency movement impact.

### 34. Financial Investments

The investments disclosed in the Balance Sheet are made up of the following categories of financial investment.

	<b>Long-term</b>	<b>Current</b>
	31 March	31 March
	2008	2008
	£000	£000
Available - for-sale financial assets	241,125	16,141



**SHETLAND ISLANDS COUNCIL**

**2007/08 Abstract of Accounts**

**HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE ACCOUNT**

2006/07		2007/08	2007/08
£000		£000	£000
	INCOME		
(4,993)	Dwelling rents (gross)	(4,999)	
(372)	Non-dwelling rents (gross)	(371)	
(2,147)	Housing Support Grant	(2,012)	
<u>(94)</u>	Other income	<u>(69)</u>	
(7,606)	Total Income		(7,451)
	EXPENDITURE		
2,392	Repairs and maintenance	2,790	
381	Supervision and management	359	
1,613	Depreciation & impairment of fixed assets	1,643	
68	Bad or doubtful debts	47	
<u>512</u>	Other expenditure	<u>424</u>	
4,966	Total Expenditure		5,263
(2,640)	Net cost of HRA services per Authority Income and Expenditure Account		(2,188)
0	HRA share of Corporate & Democratic Core		<u>174</u>
(2,640)	Net Cost of HRA Services		(2,014)
(71)	Gain on sale of assets		(126)
2,489	Interest payable and similar charges		2,791
<u>(21)</u>	Pension interest cost & expected return on assets		<u>(54)</u>
<u>(243)</u>	(Surplus)/Deficit for the year on HRA services		<u>597</u>

## **STATEMENT OF MOVEMENT ON THE HRA BALANCE**

2006/07		2007/08
£000		£000
(243)	(Surplus)/Deficit on the HRA Income and Expenditure Account	597
243	Net additional amount required by statute to be debited or credited to the HRA balance for the year	(597)
<u>0</u>	(Increase)/decrease in the HRA balance	<u>0</u>
0	Housing Revenue account balance brought forward	0
<u>0</u>	Housing Revenue Account balance carried forward	<u>0</u>

## **NOTES TO THE HOUSING REVENUE ACCOUNT CORE FINANCIAL STATEMENTS**

### **Note to the Statement of Movement on HRA Balance**

2006/07		2007/08	2007/08
£000		£000	£000
	Items included in the HRA Income and Expenditure Account but excluded from the revenue on the HRA balance for the year.		
(1,627)	Depreciation of fixed assets	(1,647)	
0	Government Grants deferred amortisation	14	
71	Gain on sale of assets	126	
(29)	Net charge for external benefits under FRS17	12	
<u>(1,585)</u>		<u></u>	(1,495)
	Items not included in the HRA Income and Expenditure Account but included in the revenue on HRA balance for the year		
1,939	Loans Fund principal	1,949	
841	Transfer to Capital Adjustment Account	469	
(952)	Transfer to Housing Repair & Renewal Fund	(1,520)	
<u>243</u>		<u></u>	<u>898</u>
			<u>(597)</u>

## **Number and types of dwelling**

### **Housing stock:**

31 March 2007		31 March 2008
No.		No.
84	1 Apartment	84
409	2 Apartment	406
572	3 Apartment	561
741	4 Apartment	720
40	5 Apartment	40
1	6 Apartment	1
1	8 Apartment	2
<u>1,848</u>	Total	<u>1,814</u>

### **Amount of rent arrears**

The table below summarises the rent arrears position for Housing Revenue Account dwellings and the Ladies Drive hostel.

The trend shown below is of a drop in the number of properties in arrears by 85 and the total amount of arrears has fallen considerably.

### **Rent arrears:**

31 March 2007		31 March 2008
141	Amount (£000)	126
417	Number of properties in arrears (No.)	332
22.6	Properties in arrears as share of total stock (%)	18.3
339	Average amount per property in arrears (£)	379

### **Provision for bad debts**

The following table summarises the movements on the bad debt provision during 2007/08

### **Bad debt provision:**

2006/07 £000		2007/08 £000	2007/08 £000
(140)	Balance as at 1st April		(174)
	Bad rent debt written off		
12	Over £1,000 (Council approved)	8	
12	Under £1,000 (delegated authority)	<u>2</u>	
24			10
10	Miscellaneous bad debt written off		14
<u>(106)</u>			<u>(150)</u>
(68)	Contribution to/(from) Housing Revenue Account		(46)
<u>(174)</u>	Balance as at 31st March		<u>(196)</u>

## SHETLAND ISLANDS COUNCIL

### 2007/08 Abstract of Accounts

#### COUNCIL TAX INCOME ACCOUNT

2006/07		2007/08
£000		£000
(9,009)	Gross Council Tax levied and contributions in lieu	(9,460)
<u>(9,009)</u>		<u>(9,460)</u>
(41)	Council Tax benefits (net of Government grant)	(14)
45	Provision for bad and doubtful debts	21
1,114	Other discounts and reductions	1,189
31	Adjustment to previous years' Council Tax	48
<u>(7,860)</u>	Transfer to General Fund	<u>(8,216)</u>

#### 1. **Council tax base**

Overleaf is the analysis of the Council Tax base used to set the 2007/08 charges. The analysis sets out the number of chargeable dwellings in each valuation band, before and after adjustment for exemptions and discounts, with all figures also shown after conversion to band D equivalents.

#### 2. **Charge setting**

The analysis then sets out the tax yield and the charge per property in each band for the General Fund.

#### 3. **Deductions**

The gross charge to a given property may be affected by the following deductions:

##### Exemptions

Council Tax will be payable on almost all houses. A few however will be exempt. Houses where all the residents are students or are under 18 years old or are persons with a severe mental impairment will be exempt. So will some classes of empty property though in many cases only for a limited period.

##### Discounts

Council Tax bills can be reduced by discounts for dwellings with less than two adults. If only one adult lives there, the bill may be cut by 25%. If the property is unoccupied and is no ones sole or main residence, the bill may be cut by up to 50%. If the property is a second home or long term empty the discount will only be 10%. Certain persons will not be counted when establishing the number of residents, these are; students, student nurses, apprentices, YTS trainees, persons with a severe mental impairment, adults for whom child benefit is still payable, people absent in nursing homes or hospitals, prisoners, care workers, and members of religious communities.

##### Reliefs

If a house has been structurally altered for a disabled person, the Council Tax bill may be set at the next band lower in value than that shown in the Valuation List. A reduction is also available for houses in band A.

## COUNCIL TAX VALUATION BANDS 2007/08

	<b>BAND A</b> Subject to Disabled Relief	<b>BAND A</b> (£0 to £26,999.99)	<b>BAND B</b> (£27,000.00 to £34,999.99)	<b>BAND C</b> (£35,000.00 to £44,999.99)	<b>BAND D</b> (£45,000.00 to £57,999.99)	<b>BAND E</b> (£58,000.00 to £79,999.99)	<b>BAND F</b> (£80,000.00 to £105,999.99)	<b>BAND G</b> (£106,000.00 to £211,999.99)	<b>BAND H</b> (£212,000.00 to infinity)	<b>TOTAL</b>
Council Tax Weighting per Band	5	6	7	8	9	11	13	15	18	
Total Properties per Register (No.)		3,149	1,781	2,517	1,524	1,023	183	41	1	<b>10,219</b>
Gross Tax Base (Properties x Weighting)		18,894	12,467	20,136	13,716	11,253	2,379	615	18	<b>79,478</b>
Adjusted Properties (Band D Equivalents)		2099.33	1385.22	2237.33	1524.00	1250.33	264.33	68.33	2.00	<b>8,831</b>
Vacant Properties (No.):										
Mandatory Standard Exemptions		(188)	(74)	(53)	(27)	(16)	(2)	(1)	(1)	<b>(362)</b>
Chargeable Dwellings subject to Disabled Reduction (No.)		(10)	(7)	(13)	(11)	(6)	(1)	(1)	0	<b>(49)</b>
Dwellings Effectively Subject to Tax by Virtue of Disabled Relief (No.)	10	7	13	11	6	1	1	0	0	<b>49</b>
Class 18 (MoD) Dwellings (No.)	0	24	22	7	0	1	0	0	0	<b>54</b>
Revised Total Properties (No.)	10	2,982	1,735	2,469	1,492	1,003	181	39	0	<b>9,911</b>
Types of Property (No.):										
Single Discount (25%)	3	1,294	685	890	324	139	11	8	0	<b>3,354</b>
Double Discount (50%)	0	328	100	75	34	17	4	1	0	<b>559</b>
No Discount (0%)	7	1,336	928	1,497	1,134	846	166	30	0	<b>5,944</b>
	10	2,958	1,713	2,462	1,492	1,002	181	39	0	<b>9,857</b>
Properties Subject to Council Tax (No.)	9.25	2,470.50	1,491.75	2,202.00	1,394.00	958.75	176.25	36.50	0.00	<b>8,739.00</b>
Net Tax Base (Properties x Weighting)	46	14,823	10,442	17,616	12,546	10,546	2,291	548	0	<b>68,858</b>
Adjusted Properties (Band D Equivalents)	5.14	1,647.00	1,160.25	1,957.33	1,394.00	1,171.81	254.58	60.83	0.00	<b>7,650.94</b>
<b>COUNCIL TAX 2007/08:</b>										
<b>General Fund Charge</b>										
Tax Yield (£)	6,494	1,734,291	1,221,743	2,061,072	1,467,882	1,233,911	268,076	64,058	0	<b>8,057,527</b>
<b>Charge per Property (£)</b>	<b>702.00</b>	<b>702.00</b>	<b>819.00</b>	<b>936.00</b>	<b>1,053.00</b>	<b>1,287.00</b>	<b>1,521.00</b>	<b>1,755.00</b>	<b>2,103.00</b>	

**SHETLAND ISLANDS COUNCIL****2007/08 Abstract of Accounts****NON-DOMESTIC RATE INCOME ACCOUNT**

2006/07		2007/08
£000		£000
(14,806)	Gross rates levied and contributions in lieu	(14,555)
<u>(14,806)</u>		<u>(14,555)</u>
39	Provision for bad and doubtful debts	48
0	Payment of interest	2
2,422	Reliefs and other deductions (net)	2,346
<u>(12,345)</u>	Contribution to national non-domestic rate pool	<u>(12,159)</u>

**1. Analysis of rateable values**

The table below sets out the number of subjects liable for General Rates and the rateable values at start of the year.

The amount paid for Non-Domestic Rates is determined by the rateable value agreed by the Assessor multiplied by the rate per £ (rate poundage) that is announced annually by the Scottish Government. The national Non-Domestic Rate poundage set for 2007/08 was £0.441 (2006/07 £0.449). The Small Business Rates Relief Scheme was introduced in April 2003 and currently applies to properties with a rateable value of £11,500 or less. It is funded by a supplement to the rate poundage of businesses with a rateable value of more than £29,000. For 2007/08, the supplement was 0.30p (0.40p in 2006/07).

Category	No. of Subjects	Rateable Value
		£000
Commercial	570	6,270
Industrial	485	18,257
Other	795	8,467
TOTAL	<u>1,850</u>	<u>32,994</u>

**SHETLAND ISLANDS COUNCIL**

**2007/08 Abstract of Accounts**

**PENSION FUND ACCOUNT 2007/08**

**FUND ACCOUNT FOR THE YEAR ENDED 31 MARCH 2008**

2006/07		Notes	2007/08	2007/08
£000			£000	£000
	<b>Dealings with members, employers and others directly involved in the scheme</b>			
	<b>Contributions receivable</b>			
	From Employers			
(7,089)	Normal	6	(7,385)	
(414)	Additional		(278)	
<u>(7,503)</u>				(7,663)
	From Members			
(2,988)	Normal	6		(3,111)
	<b>Transfers in</b>			
(1,909)	Individual transfers in from other schemes		(2,356)	
<u>(1,909)</u>				(2,356)
	<b>Other income</b>			
(20)	Other income			(21)
	<b>Benefits Payable</b>			
3,965	Pensions	6	4,363	
1,530	Commutation of pension and lump sum retirement benefits	6	1,691	
99	Lump sum death benefits	6	13	
5,594				6,067
	<b>Payments to and on account of leavers</b>			
16	Refunds of contributions		16	
16	State Scheme Premiums		22	
300	Group transfers out to other schemes		0	
947	Individual transfer out to other schemes		422	
1,279				460
	<b>Administrative expenses</b>			
182	Administrative expenses	8		172
<u>(5,365)</u>	<b>NET (ADDITIONS)/WITHDRAWALS FROM DEALINGS WITH MEMBERS</b>			<u>(6,452)</u>

**SHETLAND ISLANDS COUNCIL**

**2007/08 Abstract of Accounts**

**PENSION FUND ACCOUNT 2007/08**

**NET ASSETS STATEMENT AS AT 31 MARCH 2008**

2006/07		Notes	2007/08	2007/08
£000			£000	£000
<b>RETURNS ON INVESTMENTS</b>				
<b>Investment income</b>				
(230)	Quoted UK - interest on fixed interest securities		(167)	
(5,597)	Quoted UK - dividends from equities		(4,521)	
(962)	Quoted overseas - dividends from equities		(1,640)	
0	Unquoted UK - income from pooled investment vehicles		(51)	
(245)	Interest on cash deposits		(688)	
(45)	Other		(154)	
<u>(7,079)</u>				(7,221)
(9,042)	<b>Change in market value of investments</b>			24,481
65	<b>Taxation - irrecoverable withholding tax</b>			78
901	<b>Investment management expenses</b>	8		1,071
<u>(15,155)</u>	<b>Net returns on investments</b>			<u>18,409</u>
(20,520)	<b>Net (increase)/decrease in the fund during the year</b>			11,957
(191,198)	Add : Opening net assets of the scheme			(211,718)
<u>(211,718)</u>	<b>Closing net assets of the scheme</b>			<u>(199,761)</u>



SHETLAND ISLANDS COUNCIL

2007/08 Abstract Accounts

PENSION FUND ACCOUNT 2007/08

NET ASSETS STATEMENT AS AT 31 MARCH 2008

2006/07		Notes	2007/08	2007/08
£000			£000	£000
<b>INVESTMENT ASSETS</b>				
(5,323)	Fixed interest securities (Public sector)		(3,147)	
(175,097)	Equities		(152,283)	
(23,171)	Pooled Investment Vehicles (Unit Trusts)		(11,934)	
0	Pooled Investment Vehicles (Property Unit Trusts)		(9,030)	
0	Other investment		(3,293)	
<u>(203,591)</u>		5	<u>(179,687)</u>	
	Other investment balances-			
(72)	Interest receivable		(27)	
(886)	Dividends receivable		(1,018)	
<u>(14)</u>	Tax recoverable		<u>(68)</u>	
			(1,113)	
(204,563)	Total investment assets			(180,800)
Net current assets and liabilities				
(6,081)	Bank and cash - external		(12,446)	
(1,002)	Bank and cash - internal		(5,870)	
(1,044)	Debtors	10	(1,196)	
<u>972</u>	Creditors	11	<u>551</u>	
(7,155)	Net current assets			(18,961)
<u>(211,718)</u>	<b>Net Assets</b>			<u>(199,761)</u>

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## **SHETLAND ISLANDS COUNCIL**

### **2007/08 Abstract of Accounts**

#### **NOTES TO PENSION FUND ACCOUNT**

##### **1. Introduction**

The Pension Fund is a pool into which employees' and employers' contributions and income from investments are paid and from which pensions and other lump sum benefits are paid out in accordance with the provisions of the Local Government Pension Scheme (Scotland) regulations.

The Council is Trustee for a Pension Fund covering 3,206 members (2006/07 3,127) including 361 (2006 /07 336) who are members of other admitted bodies and 14 (2006/07 13) who are members of a scheduled body, 756 (2006/07 703) pensioners, 153 (2006/07 149) dependents and 939 (2006/07 838) deferred members. These figures do not include teachers, who are covered by the Scottish Teachers Pension Scheme.

The scheduled body is:

Orkney and Shetland Valuation Joint Board

The admitted bodies are:

Lerwick Port Authority  
Shetland Amenity Trust  
Shetland Arts Development Agency  
Shetland Recreational Trust  
Shetland Fisheries Training Centre Trust  
Shetland Islands Tourism  
Shetland Enterprise Company  
Shetland Alcohol Trust  
ABA Services  
Shetland Youth Information Service  
Shetland Seafood Quality Control Ltd  
Advocacy Shetland  
Shetland Voluntary Care Forum  
Disability Shetland  
Shetland Development Trust  
Shetland Charitable Trust  
Atlantic Ferries (closed Agreement)

The Council manages the Fund in terms of the Local Government Pension Scheme (Scotland) Regulations 1998. The Council discharges this duty by appointing a Pension Fund Management Consultative Committee comprising three councillors, one representative of the Admitted Bodies' employers, three employee representatives (one representing the Admitted Bodies' employees) and a retired beneficiary. The Management Committee is advised by relevant officers of the Council as appropriate and meets approximately twice a year.

##### **2. Accounting Policies**

The transactions of the Fund are accounted for on an accruals basis, thereby taking into account all known and determinable amounts due by and due to the Fund in 2007/08.

Valuations of all the investments have been carried out by the custodian, The Northern Trust Company, at mid market values on 31 March 2008.

Items denominated in foreign currency have been translated into sterling at the closing exchange rate as at 31 March 2008.

##### **3. Accounting treatment**

The accounts, which have been prepared with regard to statute and the Code of Practice on Local Authority Accounting in the United Kingdom (which includes all the presentational and disclosure requirements contained in Section 2 of the Pension SORP), summarise the transactions and net assets of the Fund and do not take account of liabilities to pay pension and other benefits in the future.

##### **4. Administration, operation, management of the Fund**

The Pension Fund is funded by contributions from employees and employers, as well as investment income, and pays pensions and lump sum benefits to members. The contributions from employees are fixed by statute and the employers contributed, during 2007/08, an additional £2.40 (admitted bodies paying between £2.00 and £3.40) for every £1 paid by employees. The last actuarial valuation of the Fund carried out as at 31st March 2005 indicated a funding level of 99%. As a result, the rate of employer's contribution for Shetland Islands Council will be £2.40 for the three years commencing 1 April 2006 and the rate of employer's contribution for admitted bodies will vary according to certain circumstances peculiar to the individual employers (in line with the Funding Strategy Statement.) The method of calculating the employer's rate of contribution is known as the "Projected Unit" method.

This method determines the future contribution rate required by considering the benefits accruing over the following three years. The employer's contribution rate is set to ensure that the assets of the Fund are sufficient to cover the expected benefits. In order to determine the contribution rate, a number of assumptions are made based on the historical performance of the Fund and on forecasts for the future.

These assumptions were:

Investment returns	4.0% p.a.
Salary increases	2.8% p.a.
Pension increases	2.5% p.a.
Inflation	2.5% p.a.

Actuarial valuations and fund management advice are provided by Hymans Robertson. At the date of the last actuarial valuation (31 March 2005) the market value of the Scheme's assets was £149.5m.

## 5. Investments

Record Currency Management and Schroders who were appointed 28 June 2007 and 11 July 2007 respectively and Capital International currently manage the Fund's investments. In addition to making presentations to the Management Committee at least annually they provide detailed quarterly reports and weekly valuations of all assets to the Finance Service, which are used to monitor Fund activity and performance on an ongoing basis.

The investment strategy which has been adopted is to invest in a portfolio that aims for a split along the following guidelines: U.K. Equities 38.75%; Overseas Equities 38.75%; Bonds 10%; Property 10%; and Currency 2.5%.

This is reflected in the investments held, with the introduction of Property Unit Trusts and Currency Unit Trust during this financial year.

The Fund also uses the services of a custodian, The Northern Trust Company.

The table below gives details of investments held, and of movements during the year.

### **Investments held:**

Market Value at 31.3.07 £'000	Investment Sector	Market Value at 31.3.08 £'000
(5,323)	Fixed interest securities - public sector	
	Quoted - UK	(3,147)
	Equities	
(121,410)	Quoted - UK	(75,540)
(53,687)	Quoted - Overseas	(76,743)
	Pooled Investment Vehicles (Unit Trusts)	
(12,383)	Unquoted - UK	(8,604)
(10,788)	Unquoted - Overseas	(3,330)
	Pooled Investment Vehicles (Property Unit Trusts)	
0	Unquoted - UK	(6,164)
0	Unquoted - Overseas	(2,866)
	Other Investments	
0	UK	(3,293)
<b>(203,591)</b>		<b>(179,687)</b>

6. **Contributions receivable and benefits payable**

The total contributions receivable and benefits payable during the year were as follows:-

	Administering Authority £000		Scheduled Body £000		Admitted Bodies £000	
	2008	2007	2008	2007	2008	2007
Contributions receivable						
employers	(6,336)	(6,036)	(63)	(62)	(986)	(991)
members	(2,670)	(2,563)	(20)	(20)	(421)	(405)
Benefits payable						
pensions	3,856	3,702	17	16	261	247
lump sums	1,563	1,378	-	-	127	152
lump sum	13	99	-	-	-	-
death benefits						

7. **Purchases and sales during the year**

The value of purchases and sales in 2007/08 were £155.0m and £154.0m respectively as compared to £76.3m and £68.0m in 2006/07.

8. **Fund administration costs**

Expenses of the Fund in 2007/08 include an administration charge from the Council of £142,947 (2006/07 £139,755). This represents the time spent by the staff of the Council (principally in Finance) in administering the Fund.

Capital International's management fee for 2007/08 amounted to £800,130 (2006/07 £755,367).

The fees for Recorder Currency Management Limited were £105,183 and Schroder Fund £21,583

There are also management fees to be paid to The Northern Trust Company as the Fund's custodian. The total paid to them in 2007/08 amounted to £100,348 (2006/07 £77,743). This is calculated on the basis of the number of transactions undertaken during the period and also a charge levied on the basis of the assets held per country.

9. **Investment return**

Capital International achieved a return for 2007/08 of -8.8% versus the benchmark return of -4.2%. Recorder Currency Management achieved a return of -34.5% versus the benchmark of +4.4%. Schroders achieved a return of +1.2% versus the benchmark of -11.8%.

10. **Debtors**

The figure for debtors includes amounts due by Shetland Islands Council of £229,019 for employee contributions (2006/07 £216,590) and £542,750 for employer contributions (2006/07 £500,645).

11. **Creditors**

The figure for creditors includes an amount due to Shetland Islands Council of £142,947 for administration recharge costs (2006/07 £139,755).

12. **Statement of Investment Principles**

The Council has prepared and approved a Statement of Investment Principles in relation to investments made by its fund managers for the Pension Fund. The Statement is made available to Pension Fund members in a Pension Fund report sent to them.

13. **Funding Strategy Statement**

The Council has prepared and approved a Funding Strategy Statement, which is a summary of the Pension Fund's approach to funding liabilities.

14. **Additional Voluntary Contributions**

Prudential and Equitable Life manage the Additional Voluntary Contributions investments. The market value of these investments at 31 March 2008 was £2,746,818 (2006/07 £2,481,750) and total purchases for the 2007/08 were £351,400 (2006/07 £268,477). The amounts are not included in the Pension Fund Accounts in

accordance with regulation 5 (2) (c) of the Pension Scheme (Management and Investment of Funds) regulations 1998 (SI 1998 No. 1831).

15. Events after the Balance Sheet Date

Recently the value of investments has fallen significantly. Investments made through external fund managers are reflected in these statements at a value of £180.8m for the Pension Fund's accounts. An estimate of the effect of the fall in investment values for the Pension Fund cannot be reliably made due to the ongoing volatility within the markets.

## **SHETLAND ISLANDS COUNCIL**

### **Abstract of Accounts 2007/08**

#### **STATEMENT OF GROUP ACCOUNTING POLICIES**

##### **1. Introduction**

The Code of Practice on Local Authority Accounting in the United Kingdom 2007: A Statement of Recommended Practice (the SORP) requires Councils to consider their interests in external organisations including limited companies and other statutory bodies. Where such interests are considered material, the Council is required to prepare group financial statements in addition to those of Shetland Islands Council.

##### **2. Combining Entities**

The Council has identified four bodies where, according to the definitions in the SORP, the Council exerts a significant influence over them without support from other participants. These bodies are:

- Northern Joint Police Board
- Highlands and Islands Fire Board
- Orkney and Shetland Valuation Joint Board
- Shetland Transport Partnership (ZetTrans)

Accordingly, the Council has treated these bodies as 'associates' and included them in its Group Statements.

The Council also identified two companies in which the Council holds a majority of equity capital. These are:

- Shetland Towage
- Viking Energy

Although both these companies would normally be consolidated into the Group Statements as 'subsidiaries', they have been excluded as neither company is currently operational or holds significant assets.

The Trusts that the Council manages have not been included in the Group Statements on the grounds of materiality. Information on these can be found in Note 21 on page 31.

The position regarding the grouping of Council accounts with the Shetland Development Trust and the Shetland Charitable Trust, which has been the subject of disagreement between the Council and its Auditors, is detailed in note 10 on page 5.

##### **3. Basis of Consolidation**

The four bodies are all subject to the SORP, as is the Council, and so their single entity accounts were already in a SORP compliant format. These associates have been incorporated using the equity method where an opening investment is recognised in the Group Balance Sheet and is adjusted each year by the Council's share of the associate's operating results and other gains and losses.

The opening investment in 2005/06 was established by taking the Council's share in the same percentage as its share of voting rights in each body. Its share of the operating results for the year was determined by its share of the total requisitions paid to fund each body by their constituent members. ZetTrans was only established in 2006/07 and the opening investment in it was determined by the percentage funding provided by the Council.

# **SHETLAND ISLANDS COUNCIL**

## **2007/08 Abstract of Accounts**

### **GROUP INCOME AND EXPENDITURE ACCOUNT**

#### **YEAR ENDED 31 MARCH 2008**

2006/07		2007/08	2007/08	2007/08
£000		Expenditure £000	Income £000	Net £000
2,776	Central services	3,056	(317)	2,739
37,877	Education services	46,257	(8,009)	38,248
4,924	Environmental services	9,951	(4,664)	5,287
665	Housing services	5,377	(3,652)	1,725
6,006	Cultural and related services	6,834	(1,364)	5,470
4,657	Planning and development services	9,116	(1,128)	7,988
10,073	Roads and transport services	12,006	(2,430)	9,576
9,058	Trading services	28,212	(18,437)	9,775
17,319	Social work	27,076	(7,878)	19,198
6,049	Corporate and democratic core	5,745	0	5,745
(3,909)	Non distributed costs	414	0	414
2,076	Police	1,947	(1)	1,946
2,042	Fire	2,099	0	2,099
(2,640)	Housing revenue account	5,437	(7,451)	(2,014)
1,127	Services acquired from the Islesburgh Trust	0	0	0
201	Share of operating results of Associates	7,693	(7,528)	165
<u>98,301</u>	<b>Net Cost of Services</b>	<u>171,220</u>	<u>(62,859)</u>	<u>108,361</u>
(44)	(Gain)/Loss on disposal of fixed assets			(30)
0	Loss on disposal of fixed assets of Associates			(28)
3,047	Interest payable and similar charges			3,501
166	Interest payable and similar charges of Associates			153
(14,770)	Interest and investment income			(25,803)
(33)	Interest and investment income of Associates			(72)
(277)	Net Surplus trading undertakings			(84)
(1,182)	Pension interest cost & expected asset return			(2,063)
1,442	Pension interest cost & expected asset return of Associates			1,571
<u>86,650</u>	<b>NET OPERATING EXPENDITURE</b>			<u>85,506</u>
(7,860)	Council Tax			(8,216)
(68,473)	Revenue Support Grant			(71,842)
(8,138)	Contribution from non-domestic rate pool			(8,031)
<u><u>2,179</u></u>	<b>(SURPLUS)/DEFICIT FOR THE YEAR</b>			<u><u>(2,583)</u></u>

**SHETLAND ISLANDS COUNCIL**

**2007/08 Abstract of Accounts**

**GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

2006/07 £000		2007/08 £000
2,179	(Surplus)/Deficit on Income and Expenditure Account	(2,583)
3,691	Surplus arising on revaluation of fixed assets	(29,458)
0	Surplus arising on revaluation of Available-for-sale Financial Instruments	(7,825)
(19,672)	Actuarial (gains)/losses on pension fund assets and liabilities.	(20,368)
(2,998)	Interest on Reserves	0
<u>(16,800)</u>	Total recognised gains for the year	<u>(60,234)</u>



**SHETLAND ISLANDS COUNCIL**

**2007/08 Abstract of Accounts**

**GROUP BALANCE SHEET  
AS AT 31 MARCH 2008**

31 March 2007 £000		31 March 2008 £000	31 March 2008 £000
0	Intangible assets		1,424
	<b>TANGIBLE FIXED ASSETS</b>		
	Operational assets		
40,833	Council dwellings	60,440	
96,913	Other land and buildings	97,409	
34,988	Vehicles, plant, furniture and equipment	39,331	
115,610	Infrastructure assets	115,784	
5,153	Community assets	5,104	
<u>293,497</u>			318,068
	Non-operational assets:		
4,193	Investment properties	4,444	
9,120	Assets under construction	15,360	
239	Surplus assets, held for disposal	245	
		<u></u>	20,049
<u>307,049</u>	<b>TOTAL FIXED ASSETS</b>		<u>339,541</u>
(37,648)	Investments in Associates		(36,100)
231,417	Long-term investments		241,125
4	Long-term debtors:Housing Loans		4
22	Long-term debtors:Other		18
<u>500,844</u>	<b>TOTAL LONG-TERM ASSETS</b>		<u>544,588</u>
	<b>CURRENT ASSETS</b>		
2,819	Stocks and work in progress	3,092	
11,131	Debtors, less bad debt provisions	11,243	
15,934	Short term investments	16,141	
6,470	Cash and bank	5,196	
<u>36,354</u>		<u></u>	35,672
537,198	<b>TOTAL ASSETS</b>		<u>580,260</u>
	<b>CURRENT LIABILITIES</b>		
(14,754)	Creditors		(12,312)
<u>522,444</u>	<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>567,948</u>
	<b>LONG-TERM LIABILITIES</b>		
(7,783)	Government Grants-deferred	(10,207)	
(342)	Provision	(214)	
(35,133)	Pension Asset/ (Liability)	(18,107)	
<u>(43,258)</u>		<u></u>	(28,528)
<u>479,186</u>	<b>TOTAL ASSETS LESS LIABILITIES</b>		<u>539,420</u>

**SHETLAND ISLANDS COUNCIL**

**2007/08 Abstract of Accounts**

**GROUP BALANCE SHEET**

**AS AT 31 MARCH 2008**

31 March 2007 £000		31 March 2008 £000	31 March 2008 £000
	<b><u>FINANCED BY:</u></b>		
(251,227)	Capital Adjustment Account		(255,232)
0	Revaluation Reserve		(28,281)
0	Available-for-sale Financial Instruments Reserve		(7,825)
76,657	Pension Reserve		58,220
(343)	Capital Receipts Reserve		(381)
(26)	Deferred Capital Receipts		(22)
<u>(174,939)</u>			<u>(233,521)</u>
(118,471)	Capital Fund	(116,545)	
(97,896)	Repairs and Renewals Fund	(101,413)	
(87,273)	Reserve Fund	(87,220)	
(269)	Insurance Fund	<u>(267)</u>	
<u>(303,909)</u>			<u>(305,445)</u>
	<b>Balances</b>		
(338)	General Fund		(454)
<u><u>(479,186)</u></u>	<b>GROUP BALANCES AND RESERVES</b>		<u><u>(539,420)</u></u>

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**SHETLAND ISLANDS COUNCIL**

**2007/08 Abstract of Accounts**

**GROUP CASHFLOW STATEMENT**

2006/07		2007/08	2007/08
£000		£000	£000
	<b>REVENUE ACTIVITIES</b>		
	<b>Cash Outflows</b>		
82,273	Cash paid to and on behalf of employees	85,088	
60,210	Other operating cash payments	68,061	
368	Housing Benefit paid out	398	
4,482	National Non-Domestic Rate payments to national Pool	4,210	
<u>147,333</u>			157,757
	<b>Cash Inflows</b>		
(3,405)	Rents (after rebates)	(3,561)	
(7,047)	Council Tax income (after rebates)	(7,526)	
(10,363)	Non-domestic rate receipts	(12,180)	
(68,488)	Revenue Support Grant	(71,273)	
(364)	DSS grants for benefits	(417)	
(19,397)	Other government grants	(16,455)	
(24,685)	Cash received for goods & services	(27,404)	
(8,535)	Other operating cash receipts	(10,002)	
<u>(142,284)</u>			(148,818)
<u>5,049</u>	NET REVENUE CASH (IN)/OUTFLOW		<u>8,939</u>
	<b>DIVIDENDS FROM JOINT VENTURES AND ASSOCIATES</b>		
	<b>Cash Inflows</b>		
(3,709)	Dividends received		(2,214)
	<b>RETURNS ON INVESTMENTS ANDSERVICING OF FINANCE</b>		
	<b>Cash Inflows</b>		
(6,172)	Interest received		(6,413)
<u>(4,832)</u>	BALANCE c/f		<u>312</u>

**SHETLAND ISLANDS COUNCIL****2007/08 Abstract of Accounts****GROUP CASHFLOW STATEMENT (continued)**

2006/07		2007/08	2007/08
£000		£000	£000
(4,832)	BALANCE b/f		312
<b>CAPITAL EXPENDITURE &amp; FINANCIAL INVESTMENT</b>			
<b>Cash Outflows</b>			
40,954	Purchase of fixed assets	18,582	
149,353	Purchase of long-term investments	401,700	
<u>190,307</u>			420,282
<b>Cash Inflows</b>			
(1,258)	Sale of fixed assets	(1,767)	
(160,108)	Sale of long-term investments	(413,763)	
(2,212)	Capital grants received	(2,893)	
(6)	Other capital cash receipts	(4)	
<u>(163,584)</u>			(418,427)
<u>21,891</u>	Net cash inflow/outflow before financing		<u>2,167</u>
<b>MANAGEMENT OF LIQUID RESOURCES</b>			
(600)	Increase/(decrease) in short term investments		(893)
<b>FINANCING</b>			
<b>Cash Outflows</b>			
50	Repayments of amounts borrowed-finance leases		0
<u>21,341</u>	(INCREASE)/DECREASE IN CASH		<u>1,274</u>

## **SHETLAND ISLANDS COUNCIL**

### **2007/08 Abstract of Accounts**

#### **RECONCILIATION OF COUNCIL SURPLUS TO GROUP SURPLUS**

£000		£000
403	(Surplus)/Deficit on Council's Income and Expenditure Account	(4,372)
<u>0</u>	Adjustments for transactions with group entities (Surplus)/Deficit in the Group Income and Expenditure Account	<u>0</u>
403	attributable to the Council	(4,372)
	(Surplus)/Deficit in the Group Income and Expenditure Account attributable to:	
1,776	Associates	1,789
<u>2,179</u>	(Surplus)/Deficit for the year on Group Income and Expenditure Account	<u>(2,583)</u>

#### **NOTES TO THE GROUP ACCOUNTS**

The notes required for the accounts of Shetland Islands Council itself are disclosed in the preceding pages. The following notes provide additional information where required on the other group entities.

##### **1. Details of other Group Entities**

The following entities have been included as associates within the Group Accounts:

Orkney and Shetland Valuation Joint Board  
Northern Joint Police Board  
Highlands and Islands Fire Board  
Shetland Transport Partnership (ZetTrans)

Orkney and Shetland Valuation Joint Board was formed in 1996 at local government reorganisation. The Board provides the valuation service for Orkney and Shetland and is funded by the two Councils who share running costs and any surpluses or deficits. In 2007/08, Shetland contributed 51.8% (2006/07 49.5%) of the Board's costs and its share of the year-end net liability of £0.55m (2006/07 £0.22m) is included in the Group Balance Sheet.

Northern Joint Police Board was established at local government reorganisation in 1975 and provides a range of policing services to the four local authorities in the Highlands and Islands. In 2007/08, Shetland contributed 6.77% (2006/07 6.88%) of the Board's costs and its share of the year-end net liability of £300.9m (2006/07 £316.2m) is included in the Group Balance Sheet.

Highlands and Islands Fire Board was established at local government reorganisation in 1975 and provides fire services on behalf of the four local authorities in the Highlands and Islands. In 2007/08, Shetland contributed 9.34% (2006/07 9.66%) of the Board's costs and its share of the year-end net liability of £51.7m (2006/07 £56.2m) is included in the Group Balance Sheet.

Shetland Transport Partnership (ZetTrans) was established in 2006/07 by the Regional Transport Partnerships (Establishment, Constitution and Membership) (Scotland) Order 2005, made under the Transport (Scotland) Act 2005. In 2007/08 Shetland contributed 64.1% (2006/07 67.4%) and net year-end liability was zero.

Under Financial Reporting Standard 9, the following information has to be disclosed, showing the Council's share of the results of the other entities:

2006/07 £000	<b>Northern Joint Police Board</b>	2007/08 £000
3,873	Turnover	3,963
264	Profit before Tax	36
0	Taxation	0
264	Profit after Tax	36
4,624	Fixed assets	4,476
836	Current assets	1,098
(414)	Liabilities due within one year	(520)
(36,966)	Liabilities due after one year or more	(35,939)
2006/07 £000	<b>Highlands and Islands Fire Board</b>	2007/08 £000
2,058	Turnover	2,099
(63)	Profit before Tax	116
0	Taxation	0
(63)	Profit after Tax	116
3,712	Fixed assets	3,939
387	Current assets	349
(388)	Liabilities due within one year	(311)
(9,333)	Liabilities due after one year or more	(9,173)
2006/07 £000	<b>Orkney and Shetland Valuation Joint Board</b>	2007/08 £000
286	Turnover	291
0	Profit before Tax	3
0	Taxation	0
0	Profit after Tax	3
0	Fixed assets	0
7	Current assets	9
(7)	Liabilities due within one year	(9)
(106)	Liabilities due after one year or more	(18)
2006/07 £000	<b>Shetland Transport Partnership (ZetTrans)</b>	2007/08 £000
612	Turnover	1,176
3	Profit before Tax	9
0	Taxation	0
3	Profit after Tax	9
0	Fixed assets	0
540	Current assets	1,324
(540)	Liabilities due within one year	(1,324)
0	Liabilities due after one year or more	0

## 2. Financial Impact of Consolidation

The effect of inclusion of these bodies in the Group Balance Sheet is to reduce the net worth by £36.1m, representing the Council's share of the entities net liabilities. These liabilities mainly arise due to the pension liabilities of these bodies calculated under FRS17.

### 3. **Events after the Balance Sheet Date**

Recently the value of investments has fallen significantly. Investments made through external fund managers are reflected in these statements at a value of £257m for the Group's accounts. An estimate of the effect of the fall in investment values for the Group cannot be reliably made due to the ongoing volatility within the markets.

## **SHETLAND ISLANDS COUNCIL**

### **2007/08 Abstract of Accounts**

#### **STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS**

##### **1. The Council's Responsibility**

The Council is required:

to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Head of Finance.

to manage its affairs to secure economic, efficient and effective use of resources and to safeguard its assets.

##### **2. The Head of Finance's Responsibilities**

The Head of Finance is responsible for the preparation of the Council's statement of accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the SORP).

In preparing this statement of accounts, the Head of Finance has:

selected suitable accounting policies and then applied them consistently;

made judgements and estimates that were reasonable and prudent;

complied with the local authority SORP;

The Head of Finance has also:

kept proper accounting records which were up to date;

taken reasonable steps for the prevention and detection of fraud and other irregularities.

The statement of accounts presents fairly the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2008.

.....  
Graham Johnston B.Sc. (Hons) C.P.F.A.  
Head of Finance



## **SHETLAND ISLANDS COUNCIL**

### **2007/08 Abstract of Accounts**

#### **STATEMENT ON THE SYSTEM OF INTERNAL FINANCIAL CONTROL**

This statement is given in respect of the statement of accounts for Shetland Islands Council. I acknowledge my responsibility for ensuring that an effective system of internal financial control is maintained and operated in connection with the resources concerned.

The system of internal financial control can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a reasonable period.

The system of internal financial control is based on a framework of guidance and management information. Key aspects include:

- Comprehensive and up to date financial regulations
- Comprehensive budgeting systems
- Regular review of financial data
- Targeted reporting of budget against actual to managers
- Close management of capital expenditure

The Head of Finance is responsible for Internal Audit within the Council. The Service Manager-Internal Audit is responsible to the Head of Finance for the day to day discharge of the internal audit function. In accordance with the Council's Internal Audit Charter, it is the responsibility of Internal Audit to assist management in establishing an operating environment which is controlled, efficient and effective. Internal Audit operates in accordance with the CIPFA Code of Practice for Internal Audit in Local Government, the Institute of Internal Auditors Standards and Guidelines for the Professional Practice of Internal Auditing and operates in accordance with the ISO 9001:2000 quality standard for systems based audit work.

As required by the Audit Charter, Internal Audit plan and perform their work in accordance with an annual audit plan. This plan is a prioritised schedule of assignments to be performed during the year within the framework of a 6-year risk based Strategic Audit Plan. The plan requires the approval of the Management Team and the Council's Audit & Scrutiny Committee. Six monthly reports are made to the Committee to monitor progress against the annual audit plan and report on key audit findings.

The conclusion of Internal Audit, reporting to the Audit & Scrutiny Committee, on 2007/08 was that the Council's system of internal control was adequate and effective to provide reasonable assurance that the assets were safeguarded, waste or inefficiency was avoided, reliable financial information was produced and that value for money was continuously sought.

The effectiveness of internal financial control is also informed by:

- The work of managers within the Council
- The work of Internal Audit, as mentioned above
- The external auditors in their annual audit letter and other reports

Notwithstanding the above, issues surrounding disclosure checks continue to be a problem. However, the situation is gradually improving. Controls around school funds and comfort funds are causing concern and are currently under review. It is also intended to review Register of Interests processes. Issues surrounding standing orders being applied in relation to contractible services have also been identified. Due to a lack of progress as a result of a follow up audit on Social Care, the Executive Director has agreed to provide a 6-month progress report in October 2008. There was also during the year a major revision of the risk registers by the Safety and Risk service. These identify areas where the Council runs significant risks and will inform the allocation of resources towards the management of these risks and audit of the system of control.

The Council identified four entities that it treats as 'associates' and has included them within its Group Accounts. Two of these entities, the Orkney and Shetland Valuation Joint Board and the Shetland Transport Partnership (ZetTrans) are operated by the officers of the Council using the systems of the Council and are therefore effectively covered by its systems of internal financial control. The other two entities, the Northern Joint Police Board and Highlands and Islands Fire Board, are operated by Highland Council and so the Council's influence over their systems of internal financial control is limited to the involvement of the members that represent the Council on these boards.

.....  
Graham Johnston B.Sc. (Hons) C.P.F.A.  
Head of Finance

# **Independent Auditor's Report**

## **Independent auditor's report to the members of Shetland Islands Council and the Accounts Commission for Scotland**

I certify that I have audited the financial statements of Shetland Islands Council and its group for the year ended 31 March 2008 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Income and Expenditure Account, Statement of Movement on the General Fund Balance, Statement of Total Recognised Gains and Losses, Balance Sheet and Cash-Flow Statement, the Housing Revenue Account, Statement of Movement on the Housing Revenue Account Balance, the Council Tax Income Account, the Non-Domestic Rate Income Account, the Pension Fund Account, and the related notes and the Statement of Accounting Policies, together with the Group Accounts. These financial statements have been prepared under the accounting policies set out within them.

This report is made solely to the parties to whom it is addressed in accordance with the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 123 of the Code of Audit Practice approved by the Accounts Commission for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

### **Respective responsibilities of the Head of Finance and auditor**

The Head of Finance's responsibilities for preparing the financial statements in accordance with applicable laws and regulations and the Code of Practice on Local Authority Accounting in the United Kingdom 2007 - A Statement of Recommended Practice (the 2007 SORP) are set out in the Statement of Responsibilities for the financial statements.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Accounts Commission.

I report my opinion as to whether the financial statements present fairly, in accordance with relevant legal and regulatory requirements and the 2007 SORP the financial position of the local authority and its group and its income and expenditure for the year, and have been properly prepared in accordance with the Local Government (Scotland) Act 1973.

I also report to you, if in my opinion, the local authority has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I review whether the Statement on the System of Internal Financial Control reflects compliance with the SORP, and I report if, in my opinion, it does not. I am not required to consider whether this statement covers all risk and controls, or form an opinion on the effectiveness of the local authority's corporate governance procedures or its risk and control procedures.

I read the other information published with the financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises only the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

## **Basis of audit opinion**

I conducted my audit in accordance with Part VII of the Local Government (Scotland) Act 1973 and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board as required by the Code of Audit Practice approved by the Accounts Commission. My audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Head of Finance in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the local authority's and its group circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

## **Qualified opinion arising from disagreement about accounting treatment**

The 2007 SORP requires group accounts to be prepared by local authorities where they have interests in entities meeting the definitions of subsidiaries, associates and joint ventures. Group financial statements are required to present fairly a full picture of the authority's activity and financial position.

The Council's group accounts do not include the Shetland Development Trust and the Shetland Charitable Trust, and their related subsidiaries. In my opinion, the substance of the Council's relationship with both of these bodies represents a significant interest and their omission results in a material miss-statement of the group accounts.

In March 2008, the Council obtained legal advice which recommends that the results of the Shetland Development Trust should be included in the group accounts, whilst the position of the Shetland Charitable Trust required further consideration. Despite this advice, for 2007/08 the Council has not included either of the trusts in the group accounts.

Based on prior year financial statements, I estimate that these bodies would contribute:

- a deficit position of approximately £3 million to the Group Income and Expenditure Account (resulting from income of £13 million and expenditure of £16 million);
- net assets of approximately £277 million to the Group Balance Sheet (resulting from fixed assets of £29 million, investments and loans of £232 million, net current assets of £18 million and long term liabilities of £2 million).

Except for the omission of these amounts from the group accounts, in my opinion the financial statements:

- present fairly, in accordance with relevant legal and regulatory requirements and the 2007 SORP, the financial position of Shetland Islands Council and its group as at 31 March 2008 and its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Local Government (Scotland) Act 1973.

Fiona Mitchell-Knight FCA  
Assistant Director of Audit (Local Government)  
Audit Scotland  
7<sup>th</sup> Floor Plaza Tower  
East Kilbride, G74 1LW

**30 September 2008**



# Shetland Islands Council

## Report to Members and the Controller of Audit on the 2007/08 Audit



October 2008

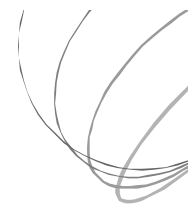


# Shetland Islands Council

## **Report to Members and the Controller of Audit on the 2007/08 Audit**

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# Key Messages

## Introduction

In 2007/08 we looked at the key strategic and financial risks being faced by the council. We audited the financial statements and we looked at aspects of performance management and governance. This report sets out our main findings, summarising key outcomes from the 2007/08 audit and the outlook for the period ahead.

## Key outcomes from 2007/08 audit

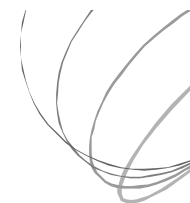
We have given a **qualified** opinion on the financial statements of Shetland Islands Council. This is the third year that the council has received a qualified opinion on the financial statements. The council are of the view that in 2007/08 the results of the Shetland Development Trust (SDT) and the Shetland Charitable Trust (SCT) should not be included in the group's financial statements. In our opinion, the substance of the council's relationship with these bodies represents a significant interest and their omission results in a material misstatement of the group accounts.

The council's net operating expenditure in 2007/08 was £83.717 million. This was met by government grants and local taxation of £88.089 million, resulting in an income and expenditure account surplus of £4.372 million. Adjustments are then made to the surplus for accounting adjustments required by statute and to reflect transfers to and from the council's reserves which leave the general fund balance as nil each year. The budget set for 2007/08 was based on a planned contribution of £32.724 million from reserves; £5 million to meet the general fund deficit, £7.724 million to meet planned expenditure and £20 million to fund the capital programme. Efficiency savings of £2.600 million were identified; £1.300 million on social care and a further £1.300 million across all services which offset unbudgeted costs of £1.720 million in respect of equal pay settlements. The final draw on reserves was £29.217 million; £3.574 million to meet the general fund deficit, £9.955 million to meet planned expenditure and £15.688 million to fund the capital programme, an overall decrease of £3.507 million.

The council has recognised that it is not sustainable in the long-term to utilise its substantial reserves for the delivery of services and has set a target to reduce and then maintain a reserves balance of £250 million. The unallocated balance on reserves at 31 March 2008 was £289 million. The council's 2008/09 budget forecasts the use of £32 million from the discretionary reserves (£4 million to meet the general fund deficit, £20 million to fund the capital programme and £8 million to meet planned expenditure).

The council has not yet reached a single status agreement. The council believes that unions and management are now close to an agreement and have agreed a revised project timetable. In December 2008, the council will then decide on the final details of the package to be offered to all single status





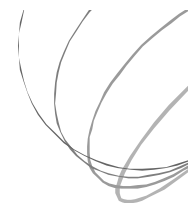
employees. The council hopes that full implementation will be concluded by the end of 2008/09 financial year.

The concordat between the Scottish Government and COSLA sets out the terms of a new relationship between the Scottish Government and local government. It underpins the funding to be provided to local government over the period 2008/09 to 2010/11. Central to the concordat is the single outcome agreement (SOA) between each council and the government. The SOA sets out the council's contribution to the government's 15 key national outcomes as set out in the concordat. The council has worked extensively with the full range of community planning partners to develop the agreement in parallel with the council's new corporate plan. The council's challenge is now to align the monitoring arrangements for the SOA with those of the new corporate plan. It is important that an updated action plan is developed to identify lead responsible officers and planned timescales to allow members to monitor progress against these stated targets.

Audit Scotland issued a report on the council's best value arrangements in 2005. A progress report in January 2007 concluded the council had made a start in addressing the improvement plan which was drafted in response to the best value report. However, at that time, a number of initiatives were relatively recent and consequently were not fully embedded and had not had an impact in terms of improved service delivery or outcomes. Since January 2007 the council has continued to take forward issues raised in these reports through an improvement plan which supported the 2007/08 corporate plan. Key improvements made include the 2008-11 corporate plan, which includes the targets and priorities of the community plan. Governance arrangements have been strengthened with the establishment of the audit and scrutiny committee. However, key areas where improvement has still to be achieved include effective asset management and procurement.

The council still does not have a comprehensive system in place for measuring asset management performance. The council has experienced slippage in consolidating the estates and maintenance records into a single database. In addition, a council plan to complete the review of the non housing estate by the end of March 2008 is still outstanding and it is unlikely this will be completed prior to March 2009. Until the council has completed these reviews there is a risk that the assets of the council are not being utilised in the most effective way.

Currently procurement within the council remains largely a devolved area of work amongst all services and as such there has been no one service or individual with the role to co-ordinate procurement across services, or to assess the benefits of national contracts for Shetland or to seek local collaboration between various Trusts and the NHS. Whilst the council has made positive steps they acknowledge the procurement policy requires to be further developed to realise the potential for significant savings and to fully incorporate the aims of the corporate plan.



The council has acknowledged that delivery of care at home packages are currently close to saturation point. There have been a number of instances recently where clients had to remain in hospital or respite care because it was not possible to put services in place quickly enough. There remains a shortage of staff employed as home helps and social care workers although managers are trying to resolve this situation by either appointing new staff or getting existing staff to take on additional contracted hours. Over the next few years it is likely that demand will increase further for care at home services. The council should ensure that budgets have been fully reviewed and are in line with council priorities.

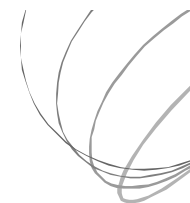
During 2008 reviews have been undertaken within the education and benefits services. An HM Inspectorate report on the council's education function was published in January 2008. There were ten quality indicators which were examined. Five of these indicators were evaluated as very good, four evaluated as good and one was evaluated as adequate. The schools service will prepare an action plan indicating how the main points for action will be addressed and presented to the services committee in October 2008.

From April 2008, Audit Scotland took over responsibility for inspecting the housing and council tax benefit functions from the Department for Work and Pensions. The key objective of the risk assessment is to determine the extent to which the benefits service is meeting its obligations to achieve continuous improvement in all its activities. The assessment of the council was undertaken in September 2008. It was found that the council clearly demonstrates an awareness of what constitutes an effective, efficient and secure benefits service, and has much in place to support local and national objectives. Although the benefits service is performing well, a number of risks to continuous improvement were identified which should be addressed by the council.

## **Outlook for future audits**

In March 2008 the SDT was directly placed within the council's governance structures and the results of the SDT are to be included in the group accounts for 2008/09. The position of the SCT has yet to be resolved and will require further consideration in 2008/09.

The council's financial strategy is to continue to reduce the demand upon reserves year on year so that by 2012/13 there will be no general fund deficit to be met from reserves. Currently the discretionary reserves (reserve fund, capital fund and repairs and renewals fund) are used to finance any in year deficits on the general fund, to finance the capital programme and to provide funding for the reserve fund planned programme of work. The council's financial plans will need to be closely monitored and reviewed on a regular basis to take account of continuing financial pressures.



Although there has been improvement in the council's budget setting processes and efficiencies have been achieved in certain areas, there continues to be a risk that budgets are incremental and budget savings are identified by top slicing without a review of the overall priorities and spending needs of the council. The council needs to review budget allocations as part of the 2009/10 budget setting process.

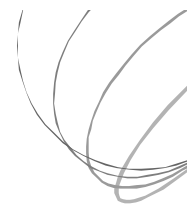
The council has reported that its capital programme includes projects of £112.491 million to be completed or commenced beyond 2009/10 - 2013/14. As part of this programme, expenditure required to complete projects scheduled for 2009/10 and 2010/11 totals £69.866 million (this excludes the revised estimated costs of £49 million for the Anderson High School Project). However the available funding identified is only £33.200 million, resulting in a funding gap of £36.666 million.

In June 2008 Audit Scotland published a report, Review of major capital projects in Scotland – How Government Works. This report highlighted that the scale of capital expenditure and its importance in supporting the delivery of public services, puts a premium on ensuring capital projects are well managed and provide value for money. In October 2008 a report was presented to the audit and scrutiny committee which considered the handling of a number of proposed key capital projects within the council. This highlighted that unclear project briefs and delays in approving capital projects have resulted in building projects being deferred. There has also been additional expenditure incurred on these projects because no clear scope was reached at an earlier stage. Any future discussions should consider the recommendations of the Audit Scotland report to ensure a strategic approach to managing the programme of capital projects is developed.

The co-operation and assistance given to us by Shetland Islands Council staff during our audit is gratefully acknowledged.

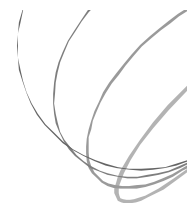


**October 2008**



# Introduction

1. This report summarises the findings from our 2007/08 audit of Shetland Islands Council, the second year of a five year appointment. Findings are set out in four sections: financial statements; financial position; governance and performance. Within each of these sections we have also provided an outlook setting out key issues and concerns facing the council going forward.
2. The scope of the audit is set out in our Annual Audit Plan (AAP), which was submitted to the council in January 2008. The AAP summarises the specific governance and other risks that could affect the council's financial statements. It describes the work we planned to carry out in response to these risks.
3. As part of the planned work we submitted a Strategic Audit Risk Analysis (SARA) to the council in March 2008. Under the following strategic themes, the SARA set out our views on the key business risks facing the council and described the work we planned to carry out as part of the annual audit:
  - sustainability and efficient use of resources
  - using performance management to drive service improvement
  - supporting political governance
  - effective partnership working
  - workforce planning
  - effective management of assets
  - technical accounting and regulatory developments.
4. We also undertook a number of detailed exercises during the year which resulted in separate audit reports, for example, a review of financial systems report and a data handling report. Within this report, where appropriate, we highlight key messages from those separate reports for the consideration of members.
5. Overall conclusions about the council's management of key risks are discussed throughout this report. Appendix A sets out the key risks highlighted in this report which we wish to draw to the attention of members and the action planned by management to address them.



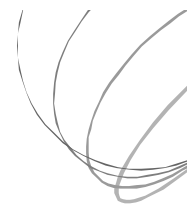
# Financial statements

## Introduction

6. In this section we summarise key outcomes from our audit of the council's financial statements for 2007/08. We comment on the significant accounting issues faced and provide an outlook on future financial reporting issues.
7. We audit the financial statements and give an opinion on:
  - whether they present fairly the financial position of the council and its expenditure and income for the year
  - whether they have been prepared properly in accordance with relevant legislation, applicable accounting standards and other reporting requirements.
8. We also review the statement on the system of internal financial control by considering the adequacy of the process put in place by the council to obtain assurances on systems of internal financial control and assessing whether disclosures in the statement are consistent with our knowledge of the council.

## Overall conclusion

9. The council's unaudited financial statements were submitted to the Controller of Audit prior to the deadline of 30 June. Audited accounts were finalised prior to the target date of 30 September 2008 and are now available for presentation to the council and publication.
10. We have given a **qualified** opinion on the financial statements of Shetland Islands Council for 2007/08. The *Code of Practice on Local Authority Accounting in the United Kingdom – A Statement of Recommended Practice* requires group accounts to be prepared by local authorities where they have interests in entities meeting the definitions of subsidiaries, associates and joint ventures. Group financial statements are required to present fairly a full picture of the authority's activity and financial position. The council's group accounts do not include the Shetland Development Trust (SDT) and the Shetland Charitable Trust (SCT), and their related subsidiaries. In our opinion, the substance of the council's relationship with these bodies represents a significant interest and their omission results in a material mis-statement of the group accounts. Based on prior year financial statements, we estimate that these bodies would contribute:
  - a deficit position of approximately £3.325 million to the group income and expenditure account (resulting from income of £12.726 million and expenditure of £16.051 million)



- net assets of approximately £276.826 million to the group balance sheet (resulting from fixed assets of £29.240 million, investments and loans of £231.545 million, net current assets of £18.027 million and long term liabilities of £1.986 million).

This issue is discussed further at paragraph 13.

## Accounting practice

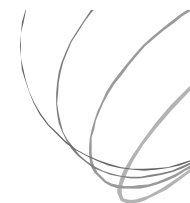
11. Local authorities in Scotland are required to follow the Code of Practice on Local Authority Accounting in the United Kingdom – A Statement of Recommended Practice (the 'SORP'). The 2007 SORP required a number of significant changes to be made to the 2007/08 financial statements to make them more consistent with the accounts of other public and private sector entities. The major changes impacting on the council's financial statements are in accounting for financial instruments and some changes to the capital accounts disclosed in the balance sheet, some of which are discussed below.

## Presentation of accounts

12. Although there was an improvement in the overall presentation of the financial statements in comparison to the 2006/07 unaudited accounts, there were still a significant number of presentational issues that required amendment to the 2007/08 financial statements following our audit. Overall, we are now satisfied that the revised financial statements have been prepared in accordance with the SORP. As is normal practice, any unadjusted errors remaining have been reported to the head of finance via our letter issued in line with International Standard on Auditing 260 (ISA 260) *communication of audit matters with those charged with governance*. Details of significant accounting issues arising in the course of our audit are summarised below:

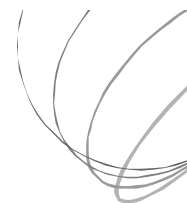
- the addition of a statement of accounting policies in respect to the changes required by the 2007 SORP, and for the inclusion of intangible assets for the first time in 2007/08
- the inclusion of a paragraph in relation to the 2006/07 qualification and how this will be taken forward
- the application of an effective interest rate calculation on available-for-sale financial assets, and associated prior year adjustments
- adjustments to the revaluation reserve and capital adjustment account in relation to the disposal of fixed assets
- separate disclosure of depreciation charged in the year and the accumulated depreciation written back on the disposal or revaluation of fixed assets during the year.

**Key Risk Area 1**



## Group accounts

13. As reported above, the SORP requires group accounts to be prepared by local authorities where they have interests in entities meeting the definitions of subsidiaries, associates or joint ventures. Group financial statements are required to present fairly a full picture of the authority's activity and financial position. The council's 2007/08 financial statements include group accounts, with Orkney and Shetland Valuation Joint Board, Northern Joint Police Board, Highlands and Islands Fire Board and Zetland Transport Partnership incorporated as associates.
14. However as was the position for the last two years, we have again in 2007/08 issued a qualified opinion on the financial statements due to the council's failure to include the SDT and SCT in its group accounts. In our opinion the omission of these bodies resulted in a material misstatement of the group accounts.
15. We are of the opinion that the following points are all factors in determining the entities to be included within the council's group accounts and support the inclusion of the SDT and the SCT:
  - the charitable trust provides services (arts and culture, amenity and environment, recreation and care facilities) which benefit the council community, in addition to those services provided by the council
  - council representation on the trusts changed after the May 2007 elections with all 22 elected councillors now sitting as trustees on both bodies. This link between council membership and representation on the trusts is an indication of 'influence and common interest'
  - since 2004 the development trust has required the approval of the council for any investment which exceeds £0.250 million. This is another clear indication of 'influence and control'.
16. In January 2008 a revised structure for the SDT was proposed by the chief executive for the re-establishment of a development committee within the council to deal with all matters related to economic development, with the SDT retaining a minimal number of financial related staff to monitor and manage its ongoing investments.
17. On the basis of the proposed new structure legal advice recommended that the results of the SDT should be included in the group accounts, whilst the position of the SCT required further consideration. In March 2008 the SDT was directly placed within the council's governance structures and the council has stated that the results of the SDT are to be included in the group accounts for 2008/09. The council took the view that that neither trust should be included within the 2007/08 financial statements.
18. In 2008/09 there have also been some operational and managerial changes within the SCT, including the appointment of a trust general manager to replace the council's chief executive. Whilst the impact



of these changes will be reviewed by us in forming an opinion on the appropriate accounting treatment of the SCT in the council's 2008/09 group accounts, it is likely to remain our view that the SCT should be included in the council's group accounts. The council has explained that the trust is concerned about their charitable status if they were to provide accounts to the council for group consolidation purposes. The council has explained that the trust is having discussions with the charities regulator OSCR over these concerns. Currently it remains our view that charitable trusts should be consolidated into group accounts where it is required to comply with the accounting code of practice.

## **Key Risk Area 2**

19. To ensure that group accounts are compliant with accounting requirements (UK GAAP), adjustments should be made to include any assets and liabilities (and any associated income and expenditure) where the reporting authority controls the deployment of the assets. The council administers eight trust funds to the value of £0.702 million which have been excluded from the group accounts on the grounds of materiality.

## **Fixed assets**

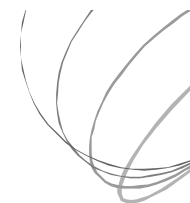
20. It was reported last year that audit work on the area of fixed assets identified a number of errors in the way in which the council accounted for the disposal of assets. This was the case again in 2007/08. Specifically, these were in relation to the entries within the revaluation reserve and capital adjustment account, and the calculation for the loss or gain on disposals. In addition, it was also found that a number of fixed assets had been omitted from the council's asset register. Given the number of issues identified within our review of fixed assets, the council must ensure that weaknesses within the fixed asset register and capital accounting system are fully addressed.

## **Key Risk Area 1**

## **Financial instruments – investments**

21. As reported above, the current year SORP introduced major changes in accounting for financial instruments. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term 'financial instrument' covers both financial assets and financial liabilities and includes both the most straightforward financial assets and liabilities such as trade receivables and trade payables and the most complex ones such as derivatives and embedded derivatives.
22. Given the council's debt free position, the main area for consideration is the council's external investments. The council has total investments of £257.266 million recorded in their balance sheet as at 31 March 2008. All investments are classified as available-for-sale and are shown at fair value which is based on the quoted market bid price provided by the council's external fund managers.





23. Of the council's total investments, £97.012m relates to bonds. The 2007 SORP requires the effective interest rate method is applied to these financial assets to determine the interest and investment income to be included in the 2007/08 Income and Expenditure Account, and associated prior year adjustments. More specifically, it is necessary to formally calculate an effective interest rate where a bond has been purchased at a premium or discount to ensure that the premium/discount is amortised over the life of the bond. The council did not apply this method for inclusion within the financial statements. We have included this as an estimated unadjusted error, within our International Standard on Auditing 260 (ISA 260) letter, *Communication of audit matters with those charged with governance*. It can be seen that the net effect of the above transactions would be to overstate the general fund balance by £1.430 million and understate the available for sale reserve by the corresponding amount. Assurances have been given that a full review will be undertaken in 2008/09.
24. At each year end an assessment should be made of whether there is evidence that any financial asset or group of financial assets may have suffered a decrease in its value i.e. its value is impaired. The council did not carry out a review of its assets to consider whether an impairment review was necessary. However written assurances have been obtained from the head of finance to confirm that he is not aware of any financial assets requiring significant revaluation as at 31 March 2008. The council should ensure an assessment is carried out at 31 March 2009 to identify any assets that may require revaluation.

## Legality

25. Each year we request written confirmation from the head of finance that the council's financial transactions accord with relevant legislation and regulations. Significant legal requirements are also included in audit programmes. The head of finance has confirmed that, to the best of his knowledge and belief and having made appropriate enquiries of the council's management team, the financial transactions of the council were in accordance with the relevant legislation and regulations governing its activities.
26. We reported last year that local authorities with registered charitable bodies (i.e. registered trust funds) are required to comply with the requirements of the Charities Accounts (Scotland) Regulations 2006. In effect, this means a full set of financial statements is required for each trust fund, although the date of full implementation has been deferred by the Scottish Charity Regulator. The Office of the Scottish Charities Regulator (OSCR) has indicated that the interim measures introduced in 2006/07, can again be used in 2007/08 and reliance placed on the existing disclosures for trust funds in the council's financial statements, supplemented by appropriate working papers.
27. The only additional potential legality issues arising from our audit which require to be brought to members' attention relates to the state aid issues reported at paragraph 90, on which the council is appealing the ruling.



## Financial reporting outlook

### IFRS adoption

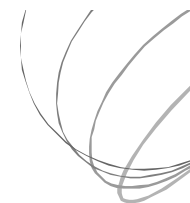
28. Central government and NHS bodies are to move from UK Generally Accepted Accounting Principles to International Financial Reporting Standards (IFRS) with effect from 2009/10. The government also announced its intention to publish Whole of Government Accounts on an IFRS basis from 2009/10. The intention is that local government will adopt IFRS for 2010/11, although there is a possibility that early adoption may be required in some areas and this might include PFI. Finance staff should consider the need to incorporate elements of IFRS within the 2008/09 financial statements.

**Key Risk Area 1**

### The EC Landfill Directive

29. The EC Landfill Directive sets limits on the disposal of biodegradable waste to landfill and requires the pre-treatment of waste prior to landfill. From 1 April 2008, Scottish councils will be allowed to trade landfill allowances. At this point it becomes a 'cap and trade' scheme and should be accounted for in accordance with the SORP. There are technical and financial challenges facing the council in delivering solutions and the implications of landfill penalties could be significant. Measures should be put in place to ensure that the necessary disclosures can be made from 2008/09 onwards.

**Key Risk Area 1**



# Financial position

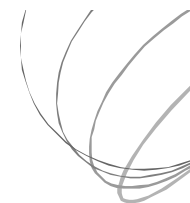
## Introduction

30. In this section we summarise key aspects of the council's reported financial position and performance to 31 March 2008, providing an outlook on future financial prospects, including our views on potential financial risks. Under the strategic theme of 'sustainability and efficient use of resources', our SARA outlined the significant challenges being faced by the council both in relation to delivery of its improvement agenda but also with regard to managing ongoing financial pressures such as implementing single status.
31. Our findings and key messages are set out in this section, highlighting the significant challenges being faced by the council in managing ongoing financial pressures in funding existing service delivery and future improvement.

## Council tax and the general fund

### Operating performance 2007/08

32. The council's net operating expenditure in 2007/08 was £83.717 million. This was met by government grants and local taxation of £88.089 million, resulting in an income and expenditure account surplus of £4.372 million. Adjustments are then made to the surplus for accounting adjustments required by statute and to reflect transfers to and from the council's reserves which leave the general fund balance as nil each year.
33. The budget set for 2007/08 was based on a planned contribution of £32.724 million from reserves; £5 million to meet the general fund deficit, £7.724 million to meet planned expenditure and £20 million to fund the capital programme. Efficiency savings of £2.600 million were identified; £1.300 million on social care and a further £1.300 million across all services which offset unbudgeted costs of £1.720 million in respect of equal pay settlements. The council finances in year deficits on the general fund from its reserves. One of the reserves, the reserve fund, was established under Section 67(i) of the Zetland County Council Act 1974 to provide the money for certain expenditure on the council's undertakings and for any other purpose which is solely in the interests of the county and its inhabitants. The final draw on reserves was £29.217 million; £3.574 million to meet the general fund deficit, £9.955 million to meet planned expenditure and £15.688 million to fund the capital programme, an overall decrease of £3.507 million. This was as a result of:



### **General Fund**

- a net departmental expenditure underspend of £1.824 million against the original budget, over and above the required savings of £2.600 million that have been incorporated into the budget
- an underspend of £0.575 million against the original budget for net recharges
- additional council tax generated from improvements in council tax collection.

### **Reserve Fund**

- £1.321m of capital to revenue transfers that were not originally budgeted for.

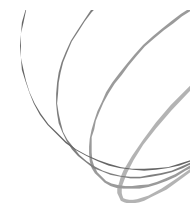
## **Housing Revenue Account**

34. The council is required by legislation to maintain a separate housing revenue account and to ensure that rents are set to at least cover the costs of its social housing provision. The budget set for 2007/08 was based on an average weekly rent level of £53.85, an increase of 2% on the previous year. A contribution of £0.085 million from the housing repairs and renewal fund was originally planned.
35. The housing revenue account shows a deficit on HRA services of £0.597 million for 2007/08. A total draw of £1.520 million was required from the housing repairs and renewals fund to allow a contribution of £0.469 million to fund capital expenditure and £1.051 million to take the HRA account to zero in accordance with council policy.
36. The total draw of £1.520 million on the HRA is £1.435 million greater than originally planned. This was partly due to additional capital financing costs of £0.584 million and a net departmental overspend of £0.754 million. The HRA revenue overspend together with the overspend on HRA capital projects discussed at paragraph 80, highlights the need to monitor expenditure to ensure overspends are managed and financial targets are met. If not there is a risk that HRA reserves will be fully depleted by 2013.

### **Key Risk Area 3**

## **Reserves and balances**

37. Table 1 shows the balance of the council's funds at 31 March 2008 compared to the previous year. At 31 March 2008, the council had total cash backed funds of £305.445 million, an increase of £1.536 million on the previous year. These include the reserve fund, a capital fund, an insurance fund and a repairs and renewals fund.



**Table 1: Reserves and Funds**

Description	31 March 2008 £ Million	31 March 2007 £ Million
General Fund	0	0
General Fund – Housing Revenue Account	0	0
Reserve Fund	87.220	87.273
Capital Fund	116.545	118.471
Insurance Fund	0.267	0.269
Repair and Renewal Fund	101.413	97.896
	<b>305.445</b>	<b>303.909</b>

38. The council have earmarked elements of these funds totalling £16.404 million. The council aim to reduce and then maintain the general fund reserves (excluding the earmarked elements) to a minimum threshold of £250 million by 2016. The council's view is this level of reserves will minimise the risk that the council will be unable to fund future capital expenditure on infrastructure development and remain debt free. The unallocated balance on these reserves at 31 March 2008 is £289.041 million, well above the minimum threshold amount of £250 million. The council will need to closely monitor both capital and revenue expenditure to ensure financial targets and the reserves strategy are met.

#### **Key Risk Area 4**

39. The capital fund can be used to defray capital expenditure or repay loan principal; £7.123 million of capital expenditure was funded during the year. Capital expenditure is discussed further at paragraph 75. The repairs and renewals fund can be used to finance expenditure incurred in repairing, maintaining, replacing and renewing fixed assets. £4.577 million of capital expenditure was funded during the year. A range of financial issues which could further impact on the reserves position are discussed in our financial outlook section below.

### **Group balances and going concern**

40. As reported earlier, the widening diversity of service delivery vehicles used by local authorities means that group accounts are required to present fairly all the activities of councils. The overall effect of inclusion of all associates on the group balance sheet is to reduce net assets by £36.100 million, substantially as a result of pension liabilities. All the associate bodies' accounts have been prepared



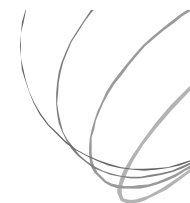
on a going concern basis as pension liabilities will be funded as they fall due through a combination of employee and employer contributions, government grants and council tax. The impact of the omission of the SDT and the SCT, and their related subsidiaries has been reported within the financial statements section above.

41. The council has an obligation to meet a proportion of the pension expenditure of the joint boards and committees of which it is a constituent member. The main commitments are to the Northern Joint Police, Highlands and Islands Fire Board, and the Orkney and Shetland Valuation Joint Board. All of these boards had an excess of liabilities over assets at 31 March 2008. In total these deficits amounted to £397.094 million, with the council's group share being £40.113 million.

## Spending on assets and long-term borrowing

### Capital performance 2007/08

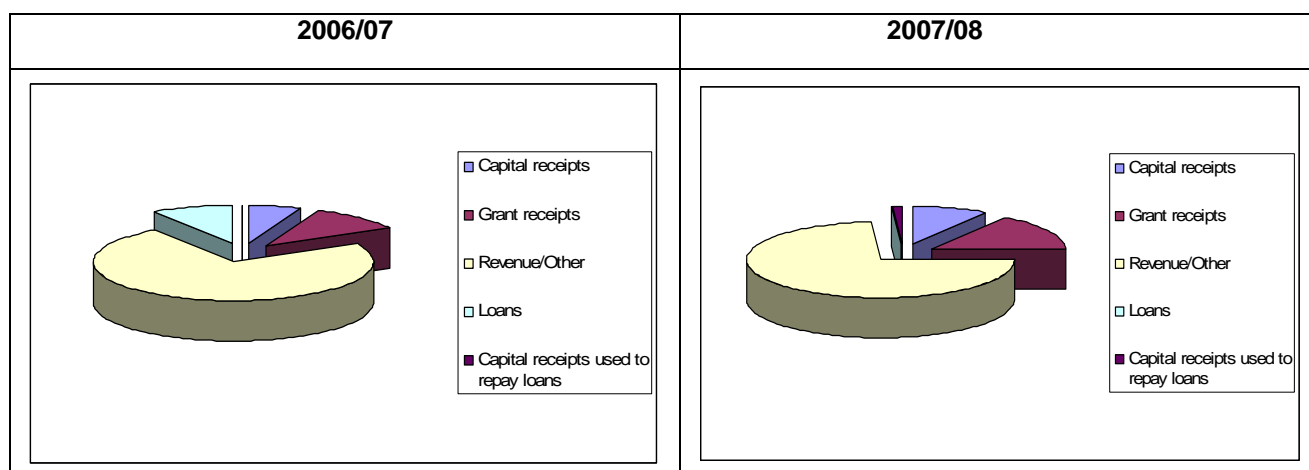
42. Since the introduction of the prudential code in April 2004, the council can decide locally on a capital investment strategy which meets best value requirements as well as being affordable. The council are required to set prudential indicators for the next three years to ensure that the council's capital investment plans are affordable, prudent and sustainable. Alongside this the council sets out its treasury strategy for borrowing and investment.
43. The council's prudential indicators for 2007/08 were set in February 2007. These show that capital expenditure is to be financed from the cash reserves and funding resources available to the council and no borrowings will be required. The council has maintained a policy of having no debt on the general fund since March 1992 (the Debt Free Policy), with a view to leaving no funding burdens for future generations in Shetland.
44. Capital expenditure in 2007/08 totalled £18.785 million, a reduction from prior years of £21.018 million in 2006/07 and £40.334 million in 2005/06. Capital investment in the last two years was funded as shown in Chart 1. Overall, an underspend of £5.562 million was reported to the council in September 2008. During the year there was project slippage of £2.120 million, including the Rova Head Reinstatement and the Uyeasound Harbour Development where £0.782 million and £0.694 million has been reallocated respectively.
45. Included within the overall underspend of £5.562million above, there was slippage of £2.196 million within the HRA. This was mainly due to delays in planning and building control issues with the HRA's new build project, and a delay in Communities Scotland signing off the council's proposed delivery plan to meet the Scottish housing quality standard by 2015.
46. The council made a submission to the Executive in May 2008, where it was indicated there should be compliance with the Scottish housing quality standard by 2015. Since the submission was completed,



the council has undertaken a review of housing across Shetland to obtain an accurate database on the condition of all housing accommodation. This review is now almost 75% complete, and as a result, there will be an opportunity to review the position more accurately, and determine the investment required to bring housing to the SHQS standard.

### Key Risk Area 3

**Chart 1: Sources of finance for capital expenditure 2007/08**

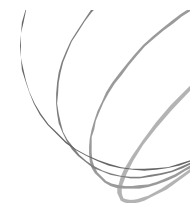


## Significant trading operations

47. The Local Government in Scotland Act 2003 replaced compulsory competitive tendering regulations with a duty to maintain and disclose trading accounts for significant trading operations (STOs), which are required to break even over a three year rolling period.
48. The council has two STOs, highways and building maintenance. Both met the statutory target to return a cumulative surplus for the three years to 31 March 2008.

## Pension funds

49. Financial planning and accounting for the costs of pensions presents a difficult challenge. The amounts involved are large, the timescale is long, and the estimation process is complex and involves many areas of uncertainty that are the subject of assumptions. Accounting for pensions *Financial Reporting Standard 17 (Retirement benefits)* is based on the principle that an organisation should account for retirement benefits at the point at which it commits to paying them, even if the actual payment will be made years into the future. This involves substituting the actual payments made during the year to the pension fund by the individual council, with an estimate of the amount the council would be liable for if it had to pay out pension benefits arising from employee service in the current period. This requirement results in very large future liabilities being recognised in the financial statements.



50. The council is responsible for the management and administration of Shetland Islands Council Pension Fund. The pension fund is a pool into which employees' and employers' contributions and income from investments are paid and from which pensions and other lump sum benefits are paid out in accordance with the provisions of the Local Government Pension Scheme (Scotland) regulations. The council is trustee for the pension fund that covers 3,206 members, including 361 who are members of other admitted bodies and 14 who are members of a scheduled body. These figures do not include teachers, who are covered by the Scottish Public Pensions Agency.
51. The investment assets for the fund are under the management of external fund managers. Over the year, net assets of the fund decreased on a market value basis by approximately £11.957 million to £199.761 million at 31 March 2008. The trend over the last few years is indicated by the following table:

**Table 2: Pension Fund Investments**

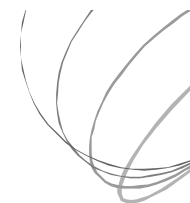
	<b>31/03/05 £000</b>	<b>31/03/06 £000</b>	<b>31/03/07 £000</b>	<b>31/03/08 £000</b>
Shetland Islands Council	149,529	191,198	211,718	199,761

52. The last actuarial valuation of the fund as at 31 March 2005 was reported in March 2006. Factors such as the volatile stock markets and increasing life expectancy have resulted in the funding level, calculated as the ratio of fund assets to past service liabilities, falling from 101% at 31 March 2002 to 99% at 31 March 2005. The actuary is required to make a three-year assessment of the contributions that should be paid by the employing authorities from 1 April 2006 to maintain the solvency of the fund. The contribution levels are based on percentages of employee contributions, normally 5% - 6% of salary. This shows that budgeted contributions are expected to remain at 240% of employee contributions in 2007/08 and 2008/09.

## **Pension liabilities**

53. The council's estimated pension liabilities at 31 March 2008 exceeded its share of the assets in the pension fund by £18.107 million, reducing from £35.133 million in the previous year. The next full actuarial valuation will assess the position at 31 March 2008. This will determine contribution rates for 2009/10 and the next two financial years. Recent changes to the Local Government Pension Scheme regulations are expected to release some future financial benefits, while providing additional flexibility to future pensioners.

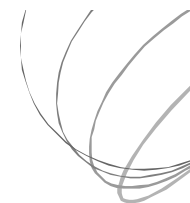




## Financial outlook

### Sustainability of resources

54. The local government sector faces a tight financial situation in the period 2008/09 to 2010/11 including a requirement to freeze council tax levels, develop asset management and continue to deliver efficiency savings. The council's financial strategy is to continue to reduce the demand upon reserves year on year so that by 2012/13 there will be no general fund deficit to be met from reserves. It will be challenging for the council to deliver a medium term financial and efficiency strategy that achieves balanced budgets while maintaining effective service delivery.
55. The Scottish Government partially removed the ring fencing of funding in the 2007 financial settlement. This removal of ring fenced funding together with a lack of a detailed breakdown of the 3 year settlement from the Scottish Government meant the council faced risks in the budget preparation process which they had not faced in the past. In addition, there were a significant number of new members for whom the 2008/09 budget was their first experience of discussing and approving the council's annual budget.
56. In February 2008 the head of finance presented a report outlining the general fund revenue estimates and council tax for 2008/09. The head of finance advised that the settlement from the Scottish Government was £5 million more than anticipated and proved vital to the achievement of a budget in line with the council's financial strategy. In addition the council were advised that despite the overall financial pressures, a pattern of under-spending of a number of approved budgets has emerged in recent years, with evidence that this pattern is continuing into 2008/09.
57. The current strategy for the general fund capital programme is to limit the draw on reserves to £20 million per annum, for as long as that can be sustainably supported. Currently the discretionary reserves (Reserve Fund, Capital Fund and Repairs and Renewals Fund) are used to finance any in year deficits on the general fund, to finance the capital programme and to provide funding for the reserve fund planned programme of work.
58. In 2007/08, £35 million of expenditure was planned from the general fund reserves across general fund revenue, reserve fund revenue, capital programme and single status. Actual expenditure on these activities was £30.500 million, £4.500 million less than anticipated. The unallocated balance on reserves as at 31 March 2008 was £289 million.
59. In September 2008 the head of finance reported on the implications of the council's financial circumstances on the discretionary reserves. These findings were used to give direction to the budget exercise for the financial year 2009/10. The report concluded that:



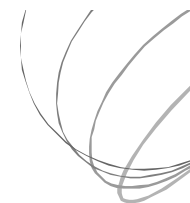
- the council's £250 million reserve floor policy should be reaffirmed, to provide sustainable future funding for the general fund capital programme and the reserve fund programmes
  - a 2009/10 target be set to restrict the use of the reserves to £30.700 million (£3 million to meet the general fund deficit, £7.700 million to meet the reserve fund programme expenditure and £20 million for the capital programme).
60. Recently the value of investments has fallen significantly. External investments with fund managers are reflected in the financial statements at a value of £257.266 million for the single entity accounts and £180.800 million for the pension fund. An estimate of the effect of the fall in investment values for the council cannot be reasonably made due to the ongoing volatility within the markets.
61. For the council to maintain its reserves at £250 million, whilst ensuring sustainability and quality of services, a comprehensive policy led approach to budgeting is required. This would demonstrate which of the council's objectives could be delivered within the resources available each year. It would provide the information needed by the council to prioritise its objectives if the council's reserves were at risk of falling below the target level in the longer term. Although there has been some improvement in the council's budget setting processes, there continues to be a risk that budgets are incremental and budget savings are identified by top slicing without a review of overall priorities and spending needs of the council.

#### **Key Risk Area 5**

### **Equal pay**

62. The 1970 Equal Pay Act makes it unlawful for employers to discriminate between men and women in terms of their pay and conditions where they are doing the same or similar work, work rated as equivalent, or work of equal value. Employees who consider that they have been discriminated against in terms of pay can put forward claims to an employment tribunal. Following cases pursued against English councils, the extent of exposure of Scottish councils arising from individual pay claims began to emerge during 2006/07.
63. In June 2008, it was reported to council that the failure to meet equalities duties has already cost the council over £3 million in equal pay compensation; the cost for 2007/2008 was over £1 million. A provision of £0.214 million is included in the accounts at 31 March 2008 (£0.342 million at 31 March 2007) to cover the estimated costs to settle claims taken to employment tribunal. Equal pay compensation liabilities will continue to rise throughout 2008/2009 and until single status is eventually introduced. Therefore significant risks remain while existing pay reward structures are in place. In addition to the provision above, a contingent liability has been disclosed in the accounts highlighting the possibility of further currently unquantifiable claims.

#### **Key Risk Area 6**



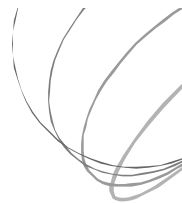
## Single status

64. In 1999 a single status agreement was reached between Scottish local authorities and trade unions to harmonise the terms and conditions of manual and administrative, professional, technical and clerical workers (covering pay, working hours, leave and negotiating mechanisms). The original national single status agreement specified that implementation should take place by April 2002 but, following difficulties in establishing a model job evaluation scheme, was extended by agreement between local authorities and unions to April 2004.
65. More than half of Scottish councils have now implemented single status or have firm plans in place for implementation soon. Shetland Islands Council is one of the councils that does not expect to implement an agreement until April 2009 at the earliest. Following the rejection of a proposed settlement in March 2007, a single status steering group and project team was formed in July 2007. The council decided that job redesign and job families should be the basis of joint investigation by management, unions and staff to progress single status.
66. The September single status news letter notes that the unions and management are now close to an agreement and have agreed a revised project timetable. It is anticipated that the issuing of individual letters will be undertaken at the end of October and will mark the start of the employee consultation period. The consultation feedback will be collated and presented to the council meeting in December 2008. The council will then decide on the final details of the package to be offered to all single status employees. The council hopes that full implementation will be concluded by the end of the 2008/09 financial year.
67. The work of the project team has confirmed that delivery of single status pay rises, and the full assimilation of all adversely affected staff to avoid pay losses, will increase the annual pay bill by a projected £4 million. This is in line with the estimates previously reported to council. The council must ensure that these costs are factored into their financial planning.

## Key Risk Area 6

## Procurement

68. In July 2007, the council approved a procurement strategy which covered a number of initiatives to progress a more efficient approach to the council's procurement processes. In June 2008, the Waste Services Manager was assigned to establish a corporate procurement function within the capital programme service and to progress the implementation of the procurement strategy.
69. The report presented to council in September 2008 identified that currently procurement within the council remains largely a devolved area of work amongst all services. As such there has been no one service or individual with the role to co-ordinate procurement across services, to engage with the national agencies (Procurement Scotland, e-Procurement Scotland and Scotland Excel) to represent



the needs of Shetland Islands Council and to assess the benefits of national contracts for Shetland or to seek local collaboration between various Trusts and the NHS.

70. The benchmarking process to date has demonstrated that the council can achieve significant savings (£366,000) through participation with Scotland Excel and Procurement Scotland. The conditions of membership are such that procuring officers would require to have a sound business case for the procurement of goods, work and services not to be sourced via Scotland Excel. One such example where the council has agreed with Scotland Excel that it will not be pursuing national contracts is the purchase of local food.
71. Whilst the council has made positive steps they acknowledge the procurement policy requires to be further developed so that it fully incorporates the aims of the corporate plan.

#### **Key Risk Area 7**

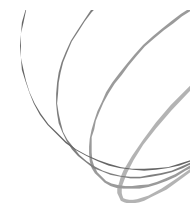
### **Effective management of assets**

72. Best value requires councils to demonstrate the sound use of the resources in their control, covering physical assets as well as financial resources and human resources. Definitions of assets vary, with the focus traditionally being on capital assets such as infrastructure, land and buildings, but the principles of good asset management also extend to other assets such as stock and facilities.
73. As reported in 2006/07 the council do not have a comprehensive system in place for measuring asset management performance. Whilst work is being undertaken to implement a Computer Aided Management System (CAMS) there has been slippage in consolidating the estates and maintenance records into a single database to improve the availability of information on the council's asset base. At present there is a risk that council assets are not being effectively utilised.
74. In March 2008, we reported in our Strategic Audit Risk Analysis that the corporate estates management plan was progressing and the council had plans in place to complete the review of the non housing estate by the end of March 2008. As yet the council has still to complete this review and has advised that it is unlikely this will be completed until March 2009. Until the council has completed the estate management reviews there is a risk that the assets of the council are not being utilised in the most effective way.

#### **Key Risk Area 8**

### **Future capital programme**

75. The current strategy for the general fund capital programme is to limit the draw on reserves to £20 million per annum, for as long as that can be sustainably supported. Council forecasts suggest that ongoing capital programme funding should reduce to £15 million per annum from 2010/11 onwards.

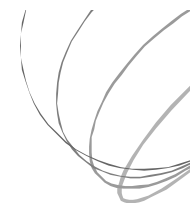


76. The council's capital programme comprises a prioritised list of capital projects of £21.100 million for 2008/09; this is based on anticipated slippage of £1.100 million being rolled forward from 2007/08. The 2008/09 housing capital programme is £2.496 million.
77. In September 2008 the capital programme review team identified slippage of £1.758 million on a number of projects during 2008/09 mainly caused by the New Mid Yell junior high school. In response the council agreed to re-allocate the slippage in order of current priority. Going forward, officers need to continue to closely monitor the achievement of the capital programmes and report areas of slippage to the council on a regular basis.
78. The council has reported that its capital programme includes projects of £112.491 million to be completed or commenced beyond 2009/10 - 2013/14. As part of this programme, expenditure required to complete projects scheduled for 2009/10 and 2010/11 totals £69.866 million (this excludes the revised estimated costs of £49 million for the Anderson High School Project). However the available funding identified is only £33.200 million, resulting in a funding gap of £36.666 million.
79. In response to identification of the funding gap, in September 2008 a report was presented to council which outlined a revised process to the prioritisation of the capital programme. This followed a call by members for the existing point system to be removed and replaced with a system that allows each committee to decide priorities. This proposed process places a responsibility on all Boards and Committees to liaise with the relevant services to identify projects in advance and in good time. Furthermore, it is hoped the proposed process will remove the complications and uncertainty caused by allocation of slippage, which has been an ongoing issue for the council.

#### **Key Risk Area 9**

80. For several years up to 2007/08, HRA revenue expenditure was mainly funded from rents and the housing support grant. This led to the policy decision that the housing repairs and renewals reserve would be dedicated to achieving increases in housing stock. Since 2006, a range of purchases have been made and more projects are currently in development. However, a deficit of £0.597 million has been reported in 2007/08 which has to be met from the HRA reserves. Should this persist, it will diminish the availability of reserves to invest in extra housing stock. Projections based on current trends suggest that the HRA reserve will be exhausted by 2013, after which there will be no means to support either revenue or capital expenditure within the HRA.

#### **Key Risk Area 3**



# Governance

## Introduction

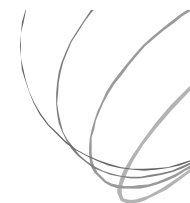
81. In this section we comment on key aspects of the council's governance arrangements during 2007/08. We also provide an outlook on future governance issues, including our views on potential risks.

## Overview of arrangements in 2007/08

82. Corporate governance is concerned with structures and processes for decision-making, accountability, internal controls and behaviours at the upper levels of the organisation. Based on the work undertaken, we concluded that, with the exception of the capital accounting system discussed further at paragraph 103, the council has systems in place that operate well, within a sound control environment.

## Political Governance

83. Elected members are responsible and democratically accountable to the local electorate for the overall performance of the council. In carrying out their role elected members require to balance the interests of their individual wards and the council as a whole. Members play a key role in making choices between competing priorities, setting objectives that reflect the needs and aspirations of their communities and ensuring that these are met through the services that the council provides.
84. Since the 2007 elections a number of training courses have been delivered as part of the programme to help support the new members. These include: Local Government Finance, Financial management and monitoring, Local Government and the wider world, and Performance Management for elected Members. In general these courses have been well attended. While there is no formal mechanism in place to monitor the impact of the training, a review with members is planned prior to Christmas. This will seek to gather qualitative data from members on how well they feel the training and development programme has met their needs.
85. Elected members play an important role in community planning and in the development of shared services. Where councils set up external organisations to deliver services and decide that elected members are to represent the council on boards of companies or on trusts, councils must ensure that those members are properly supported and advised about their roles and responsibilities. The principles set out in the joint COSLA and Accounts Commission "Code of Guidance on Funding External Bodies and Following the Public Pound" are therefore of increasing importance. This underlines the need for good governance and clear accountabilities, in relation to both finances and performance.



86. In March we reported that members represent the council on a number of arms length organisations, with subsequent potential for conflicts of interest. We recommended that to avoid restrictions in the member's role, the council should review the need for member involvement in arms length organisations. Furthermore, where it is decided that continued involvement in arms length organisations is warranted, dispensations should be pursued as appropriate to maximise the capacity of members to engage in any necessary representative role without compromising obligations under the Councillors Code of Conduct.
87. The council has advised that a training course in this area has still to be delivered to members. However the aim of the committee services team has been to raise members' awareness of the potential for conflict. The committee services manager e-mails each member once a month reminding them to update their Register of Interest. The members' declaration of interests is now included on the agenda at every committee meeting. The council intend to revisit member plans early in the New Year to obtain feedback to confirm whether conflicts of interest is an area where they believe they would benefit from training.

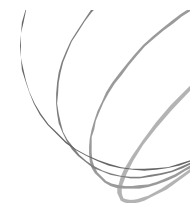
#### **Key Risk Area 10**

### **Audit Committee**

88. Effective scrutiny is central to good governance, with a significant role for members to scrutinise performance, hold management to account on service delivery and support the reform and modernisation agenda. The scrutiny committee was established in November 2005 with the committee's remit expanded in March 2007 to include the audit function.
89. Training was provided by CIPFA for all audit and scrutiny committee members in August 2007. In June 2008 an activity report was presented to the audit and scrutiny committee. As well as reviewing activity over the previous year the report also considered how its effectiveness could be enhanced in light of feedback gathered from members and officers.

### **State Aid**

90. In November 2007 the EU Commission issued its decisions on three of the council's schemes, namely 'First Time Shareholders', 'Fishing Vessel Modernisation' and 'Fish Factory Improvement'. These decisions were all negative and required a full repayment to the council of grants paid plus compound interest added from the date of payment. The Commission has addressed its decision to the UK Government and the council is obliged to recover the monies from the beneficiaries within 4 months of the decision although the council have appealed against this ruling. Management assurances have been obtained from the head of finance that the council has reviewed its arrangements to ensure no other breaches of state aid rules have taken place in 2007/08.



91. To avoid future state aid problems, it is important that all staff understand the principles and the more routine practices of awarding financial assistance under the state aid regulations. The council has recognised this and the head of business development presented a report to council in September 2008. It was recommended and accepted that a state aid manual should be issued to all staff engaged in providing financial assistance for economic activities. The manual emphasises the methods that can be used to advance projects within the state aid framework.

## Key Risk Area 11

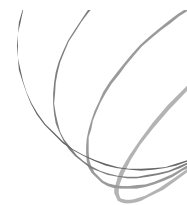
### Internal Audit

92. Internal audit provides an independent appraisal service to management by reviewing and evaluating the effectiveness of the internal control system. We carry out an annual review of the council's internal audit arrangements against **CIPFA's revised Code of Practice for Internal Audit in Local Government 2006**. We found that the function continues to deliver quality work in accordance with a risk based framework. We were able to place specific reliance on the sections work on payroll, stock and the SPIs. During 2007/08 internal audit successfully retained its ISO 9001:2000 quality accreditation standard.
93. For 2007/08 Internal Audit has achieved 94% of their audit plan, this compares to 92% completion in 2006/07. The main areas of slippage were the corporate review of single status which cannot be progressed until the process is finalised, the audit on youth work which has been re-scheduled for 2008/09, and the follow up of the additional support needs investigation which was carried forward to 2008/09 at the request of the Executive Director of Education and Social Care.
94. It was noted that the follow up audit of social care identified that progress made by the service in implementing recommendations was disappointing. However, upon further review, the internal audit manager is now content with the revised action plan, which shows that positive solutions are being progressed. The executive director has agreed to provide a 6-month progress report in October 2008.

### Risk Management

95. Risk management involves the systematic identification and management of risks affecting the organisation, highlighting where action is required and where performance needs to improve. The Risk Management Board is responsible through the Executive Management Team for monitoring and directing the control of strategic and corporate risk across all areas of the council. The board is currently in the process of reviewing the strategic risk register. The council's risk management arrangements will be updated to align corporate and community risks alongside the single outcome agreement arrangements. Community planning partners will be invited to share and participate in those activities.





## Capital Project Management

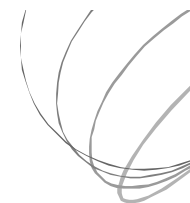
96. In June 2008 Audit Scotland published a report, Review of major capital projects in Scotland – How Government Works. This report highlighted that the scale of capital expenditure and its importance in supporting the delivery of public services, puts a premium on ensuring capital projects are well managed and provide value for money. To achieve this, a strategic approach to managing the programme of capital projects is required.

97. The recommendations included in the report which are particularly relevant to the council are that they should:

- prepare robust business cases for every project. These should be clear about the project aims and benefits, and include assessment of risks and the range of options to be considered
- ensure cost, time and quality targets are clear from the outset, include the costs of all stages of the project and properly recorded
- ensure that risk management strategies explicitly consider and mitigate the risk of changes in scope after the contract has been awarded
- ensure appropriate project management and governance arrangements are put in place for every project from the outset.

98. In October 2008 a report was presented to the audit and scrutiny committee which considered the handling of a number of proposed key capital projects within the council. This highlighted that unclear project briefs and delays in approving capital projects have resulted in building projects being deferred. There has also been additional expenditure incurred on these projects because no clear scope was reached at an earlier stage. The costs and timescales for each project is summarised below:

- **Anderson High School:** Since 2000/01 £3 million has been spent to date however the final specification for the project has still to be agreed and contract awarded.
- **Bressay Transport Links project:** Since 1999/00 £2 million has been spent but the project has not yet started as no agreement has been reached over the preferred approach to improve the transport links.
- **The Mareel project:** Since 2000/01 £1.100 million has been spent but the project has not yet started. Recently agreement has been reached on the buildings design and site.

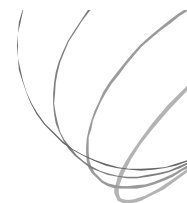


99. The intention is now to convene a special audit and scrutiny committee meeting which will invite a number of senior officers and councillors to discuss the findings of this report. Any future discussions should consider the recommendations of the Audit Scotland report to ensure a strategic approach to managing the programme of capital projects is developed.

## Key Risk Area 12

### Systems of internal control

100. A Statement on the System of Internal Financial Control (SSIFC) for the council and its group was included within the financial statements. The conclusion of internal audit, reporting to the audit & scrutiny committee, on 2007/08 was that the council's system of internal control was adequate and effective to provide reasonable assurance that the assets were safeguarded, waste or inefficiency was avoided, reliable financial information was produced and that value for money was continuously sought.
101. In accordance with the Code of Practice on Local Authority Accounting, the Statement reflects the internal control environment for the group position. The head of finance concluded that he was satisfied that reasonable assurance could be placed on the adequacy and effectiveness of the systems of internal control operated by the council and its associates.
102. As part of our work to provide an opinion on the annual financial statements we assessed the extent to which we could gain assurance on a number of the council's main financial systems. We assessed the following central systems as having a satisfactory level of control for our purposes:
- payroll
  - debtors
  - housing rents
  - creditors
  - local taxation (council tax and non domestic rates)
103. Due to the number of fixed asset errors identified during the 2006/07 audit of the financial statements, capital accounting was selected as a system where a full review of the controls would be performed as part of the 2007/08 audit. Our work was planned to start in December 2007, however, due to technical problems with the system, we were unable to undertake any of the systems work prior to our final accounts audit. This resulted in additional substantive testing work during final accounts to give us the required assurances on the reliability figures included within the financial statements.
104. A key recent development has been a change in the available good practice guidance with the introduction of 'Delivering Good Governance in Local Government.' The new guidance recommends that the review of the effectiveness of the system of internal control should be reported in an Annual



Governance Statement. The council should consider preparing an Annual Governance Statement to comply with best practice accounting requirements.

## **Key Risk Area 1**

### **Prevention and detection of fraud and irregularities**

105. At the corporate level, the council has appropriate arrangements in place to help prevent and detect fraud, inappropriate conduct and corruption.

#### **NFI in Scotland**

106. The council participates in the National Fraud Initiative (NFI) in Scotland. NFI brings together data from councils, police and fire and rescue boards, health bodies and other agencies, to help identify and prevent a wide range of frauds against the public sector. These include housing benefit fraud, occupational pension fraud and payroll fraud. The exercise was extended in 2006/07 to include information on tenants.

107. In May 2008 we reported that there was no evidence of the NFI results being presented to the council, audit and scrutiny committee, or senior management. In order to raise the profile of NFI, it was recommended that the council make regular presentations to the audit & scrutiny committee on the national position. The council agreed that they would report any issues in a timely manner, should they arise.

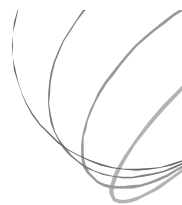
#### **Housing Benefit**

108. From April 2008, Audit Scotland took over responsibility for inspecting the housing and council tax benefit functions from the Department for Work and Pensions. We are carrying out risk based inspections on a cyclical basis and all councils will be inspected during an 18 month period. The key objective of the risk assessment is to determine the extent to which the benefits service is meeting its obligations to achieve continuous improvement in all its activities.

109. The assessment of Shetland Islands Council was undertaken during the quarter July to September 2008. It was found that the council clearly demonstrates an awareness of what constitutes an effective, efficient and secure benefits service, and has much in place to support local and national objectives.

110. Although the benefits service is performing well, a number of risks to continuous improvement were identified, including the following:

- the Finance Service Plan 2008/09, which is the key strategic document for the service, lacks a clear focus on what the benefits service should deliver each year against national and local objectives



- the council has no specific counter-fraud function and relies on the DWP to investigate suitable cases on their behalf
- the Anti-Fraud policy, which has not been updated since 2002, and the Fraud Sanctions policy do not reflect current legislation and working practices.

### **Key Risk Area 13**

## **Data handling and security**

111. Data handling and security has received increased public and media attention recently as a result of a number of national incidents relating to lost data. The council shares data with a number of organisations such as the Department for Work and Pensions and other government departments. Information security is now a service delivery issue where a significant failure of controls could lead to loss of stakeholder confidence and opt out from services, higher compliance costs due to enforcement action, withdrawal of third party services such as payment card processing and legal fees relating to civil and criminal litigation. The Scottish government has created a working group to review local government data handling and security. The group will develop principles to influence future information management and security.

112. The council recognise the importance of this matter and carried out work to identify their risks, and have developed a number of policies and procedures, such as the information security policy, to provide the control environment needed to ensure an appropriate level of information awareness and security.

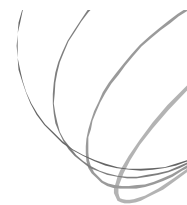
## **Governance outlook**

### **Single outcome agreements**

113. The concordat between the Scottish Government and COSLA sets out the terms of a new relationship between the Scottish Government and local government. It underpins the funding to be provided to local government over the period 2008/09 to 2010/11. Central to the concordat is the single outcome agreement (SOA) between each council and the government. The SOA sets out the council's contribution to the government's 15 key national outcomes as set out in the concordat. It also reflects established corporate and community planning commitments. In this way progress at a national level is supported by outcomes at a local level.

114. The council accepted the concordat at a meeting in February 2008 and has worked extensively with the full range of community planning partners to develop the agreement in parallel with the council's new corporate plan. It is important therefore that the council develops robust governance arrangements for the development and monitoring of this key document.

### **Key Risk Area 14**



# Performance

## Introduction

115. In this section we summarise how the council manages its performance. We discuss the council's performance in the current year, including consideration of the statutory performance indicators and the progress against best value, before reviewing the overall arrangements in place for managing and reporting performance. We give an outlook on future performance, including our views on the current status of identified risks from our SARA where these have not been addressed elsewhere in this report. Finally, we comment on the findings of Audit Scotland's national performance studies, relating them to the situation within the council.

## Corporate objectives and priorities

116. As part of its ongoing development of a systematic approach to corporate performance management, the council identified three priority areas for 2007-08:

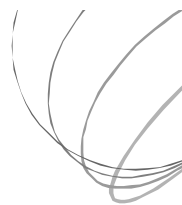
- the production of a new corporate plan (discussed below)
- the introduction of community planning priorities and targets (see paragraph 115)
- formally aligning the service planning and budget setting processes (see paragraphs 118-119).

117. A new corporate plan for 2008-11 was approved by the council on 19 March 2008. This is the key mechanism for driving improvement and change and sets out the council's key priority areas for the next three years. Its principal aim is to ensure that what the council intends to do will help to contribute to improving Shetland's sustainability. The plan is structured to reflect three themes:

- a sustainable economy
- a sustainable society
- sustainable environment and transport.

118. The council has further identified it requires to be a sustainable organisation in order to deliver these three key themes.

119. A total of 8 targets and priorities are linked to these themes. These targets and priorities were developed by the Community Planning Board (CPB) as a way of setting some long-term aspirations for Shetland. The council, as a lead member, agreed to help achieve and support these aspirations and these targets and priorities are included within the council's corporate plan. The targets and priorities, which align with the national outcomes set out in the Scottish Government's 'Concordat', are set out below:



- increase employment opportunities by 1,000 full-time equivalents by 2025
- increase average personal and household income by 10% above 2005 in real terms
- increase the supply of housing to 12,000 by 2025
- place more effort on stimulating demand for living in the remoter areas of Shetland by ensuring that the ratio of jobs to people and housing is the same
- be internationally renowned by ranking in the top 5% for Quality of Life on a European stage
- ensuring that equal opportunities exist for all, no matter an individual's age, race, gender, faith, sexual orientation or disability and decrease social inequalities
- be world renowned for being clean and green islands, decreasing CO2 emissions by 30% by 2020
- increase the population of Shetland to 25,000 by 2025.

## **Performance Management**

120. As noted above, through its corporate plan, the council is committed to delivering on the outcomes set out in the Scottish Government's 'Concordat'. The targets and priorities detailed above have been aligned with the indicators contained within the council's Single Outcome Agreement. Delivery of the corporate plan will therefore deliver on the outcomes from the Single Outcome Agreement.

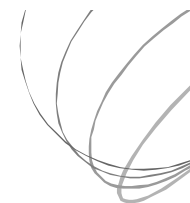
121. An implementation plan was created to support the corporate plan. This identified lead responsible officers accountable for the delivery of each project. Planned timescales were established to allow members to monitor progress against these stated targets. However with the development of the Single Outcome Agreement (SOA) the implementation plan has been superseded. The council's challenge is now to align the monitoring arrangements for both.

### **Key risk area 14**

122. In the February 2008 report to council on the General Fund Revenue Estimates for 2008/09 it was noted that budget responsible officers have had some success in reducing their budgets. However, in the big spending areas of community care and schools & children's services, the target was missed by approximately £5 million.

123. In October 2007, the creation of a Finance Review Panel (FRP) was approved as part of the budget strategy. One of the recommendations made by the FRP has been to set up working groups to look at budget proposals, review services in order to remove inefficiencies and make savings across all services. The FRP would then consider the outcomes from these working groups. Since its creation the FRP has met regularly to consider proposals for budget reductions.

### **Key risk area 15**



## Overview of performance in 2007/08

### Annual Report

124. The annual public performance report is in the form of a calendar issued to every household on the islands. Information is easily obtainable, indicates both good performance and areas where improvement is required, and shows recognisable outcomes and targets. It is also forward looking detailing developments the council is planning in the future. Some of the key achievements in the year are detailed below:

- 233 speakers of other languages improved their English language through a joint programme with Shetland College, a rise of 153% from 06/07. This was recognised as “Good Practice” by Her Majesty’s Inspectors of Education.
- Currently 41.7% of all people over 65 who receive long-term care receive their care at home rather than in a residential setting compared to the government target of 30%
- The Energy Recovery Plant and the Gremista Waste Management Facility were commended by the Chartered Institute of Waste Management.
- Shetland has the lowest housing management costs in Scotland.

### Statutory performance indicators

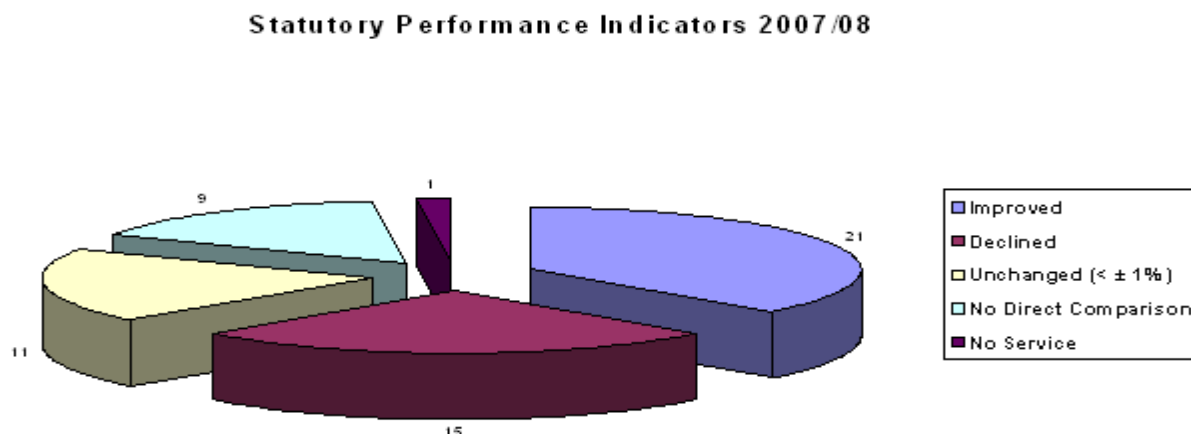
125. One of the ways of measuring council performance is through the statutory performance indicators (SPIs). In 2007/08, a total of 57 SPIs were reported and published by 30 September 2008 on the council website and are submitted to the council’s audit and scrutiny committee. The committee considers this information and will consider how performance can be further improved.

126. Each year we review the reliability of the council’s arrangements to prepare SPIs. Overall, the processes in place to support the submission of the SPI data have improved from last year. We are pleased to conclude that all of the 2007/08 SPIs reported are considered to be reliable. This compares favourably to the 2006/07 when the council failed to report the information required for three indicators and seven were concluded to be unreliable by us. However the quality and timeliness of the supporting working papers varied and we will continue to work with the council to improve the overall arrangements for 2008/09.

127. In overall terms, the following chart confirms that the council has made improvement in a number of areas:



**Chart 2: Improvements demonstrated by SPIs (Total 57 indicators)**



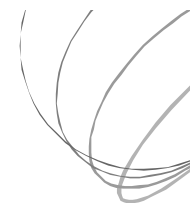
128. Particular areas of improvement include:

- for those aged 65+ there has been a rise in day time respite care (up 36.6%)
- processing time of individual changes to benefit claims has been reduced (down 36.6%)
- the costs of collecting council tax has been reduced (down 28.9%)
- there has been an increase in the time available for day time respite care for children aged 0-17 (up 11.6%)
- an increase within children's hearing reports submitted in time (up 33.5%)
- a larger percentage of premises requiring a hygiene inspection classed as "Greater than 12 months" have been inspected (up 29.2%)
- there has been a reduction in the net costs of waste disposal per premise (down 13%).

129. However, the following indicators are examples of where the council's performance has declined:

- there has been a reduction in the number of nights available for respite care for those aged 18-64 (down 13.7%)
- the number of household planning applications dealt with within 2 months has fallen (down 46.7%)
- the required number inspections for premise requiring a hygiene inspection every 6 months has fallen (down 40%)
- there has been an increase in the cost for the net collection of waste per premise (up 14.7%).





## Best Value audit

130. The Local Government in Scotland Act 2003 established Best Value and Community Planning as statutory duties for local authorities. In response the Accounts Commission introduced new arrangements for the audit of best value based on a full review by a specialist team once every three years. In the intervening years short follow-up reviews are carried out by the local auditor.

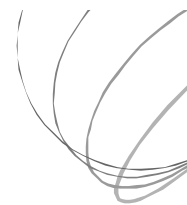
131. A Best Value and Community Planning audit of the council was completed in 2005. A progress report was issued in January 2007 which outlined the steps taken by the council during 2005/06 and the extent to which the objectives of the Improvement Plan had been achieved. This report concluded that the council had made a start in addressing the issues raised, but that a number of initiatives were relatively recent and consequently not fully embedded and had not yet had an impact in terms of improved service delivery or outcomes.

132. Since January 2007 the council has continued to address and monitor the risks arising from the BV follow up report some of which are highlighted below and referred to in more detail elsewhere in this report:

- the improvement plan was a detailed action plan which supported the 2007/08 corporate plan
- the implementation plan was created to support the new corporate plan
- the targets and priorities of the community plan are now included within the council's corporate plan
- the council has a capital programme prioritisation system in place
- continued improvement within the council's performance management framework
- a procurement strategy is being progressed with the recommendation that the council join Scotland Excel
- an audit and scrutiny committee was established in March 2007.

133. As noted above, the council now need to align their monitoring arrangements of the corporate plan, community plan and single outcome agreement whilst continuing to track the recommendations included within the best value report and subsequent follow-up report to allow members to monitor progress.

**Key risk area 14**



## Performance outlook – opportunities and risks

### Introduction

134. In the course of our audit work we identified some of the strategic risks to the council delivering its stated objectives and priorities in the years ahead. These risks were set out in our SARA and grouped into risk themes. A number of these risks relate directly to governance and financial themes and progress was detailed in these earlier sections of the report. The risks relating to performance are detailed in the following paragraphs.

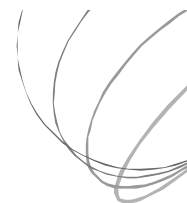
135. It should be noted that risk exists in all organisations which are committed to continuous improvements and, inevitably, is higher in those undergoing significant change. The objective is to be 'risk aware', and have sound processes of risk management, rather than 'risk averse'. Indeed, organisations that seek to avoid risk entirely are unlikely to achieve best value.

### Efficient use of resources

136. Significant efficiencies are required for the council to both balance its budget and to meet targets set out in the Scottish Executive's Efficient Government programme. The council presented its efficiency statement for 2007/08 to the Audit and Scrutiny committee in August 2008 which showed that the council achieved total efficiencies of £0.792 million. As noted above, during the past year, the FRP, consisting of elected members and the Executive Management Team, was established. Their remit was to monitor efficiency activity and ensure that required savings were being made. As well as that, having analysed the 2008 Efficiency Statement, the audit and scrutiny committee has, over the past 11 months, taken an active interest in promoting the efficiencies agenda and have carried out studies into a number of areas.

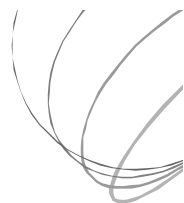
137. The council's focus for efficiency activity in 2008/09 is on the following areas:

- improving procurement practices (this is discussed above at paragraphs 68-71)
- further rationalisation of the staffing structures, seeking wherever possible, to reduce establishment numbers without impacting on service levels
- seeking to spend to save on various council building upgrades and reduce the overall amount of fuel being used across council services
- joining the National Recruitment Portal – a website which will host all Scottish Local Authority jobs, thereby reducing the need to advertise in national newspapers
- carry out a review of vessel docking contracts.



## Effective partnership working

138. The community plan (Sustaining Shetland) has been endorsed by the council and was formally adopted by all partners in 2006. It contains clear priorities and explicit targets to be achieved by the council and its partners. Sustaining Shetland is regularly monitored and annual reports are presented to the community planning board and the council. The third annual report is due to be reported in October / November 2008. As noted above the community planning priorities and targets set the high-level objectives for Shetland to aspire to over the medium to long term. These priorities and targets have been adopted as part of the corporate plan and have been aligned with the SOA.
139. Due to the relative size of the council compared to the other partnership bodies they are able to direct partnership working from many of the local agencies. The two largest local trusts, the SCT and the SDT, are aligned with the council's aims and there are strong partnership arrangements in place. However in their report, issued to the council in March 2008, Dundas & Wilson noted the council is also under an obligation to follow the principles of Following the Public Pound. The report went on to recommend that the council and the Trusts, in particular the Charitable Trust, consider how best to address the issue of Community Planning and, in that context, Best Value and the principle of Following the Public Pound.
140. 'The Power to Advance Well Being', within the Local Government Scotland Act 2003, presents opportunities for the council to promote economic development and carry out all the functions currently undertaken by the SDT. This links in to the council's corporate plan which sets out a range of priorities to more effectively organise the council's business.
141. In the report dated 19 March 2008, the council agreed to a recommendation that a development committee within the council should be re-established to deal with all economic development matters and a transfer of the activities and undertakings of the SDT to the council. This recommendation followed on from the report by Dundas and Wilson, which detailed that trust status no longer attracted the same tax advantages and that it no longer provides a defence against State Aid.
142. Last year we reported a risk in relation to the lack of a formal review of community planning processes by the council. In March 2008, members of the Community Planning Board (CPB) discussed and agreed proposals for restructuring of the Board. Members agreed to replace the CPB with a Community Planning Partnership (CPP). Membership of the CPP will be:
- all Council Members
  - all NHS Board Members
  - all Shetland Charitable Trustees
  - Police and Fire boards



- ASCC executive
- chairs of all strategic groups
- council's executive management team.

143. It was also agreed that a Community Planning Delivery Group (CPDG) be set up 'to provide leadership and facilitation to community planning in Shetland, through the adoption and overall monitoring of Shetland's Single Outcome Agreement / Sustaining Shetland. The CPDG is responsible for taking the priority areas that have been set by the CPP and ensuring a structure is developed to deliver on these in the short, medium and longer term.

## **Workforce planning**

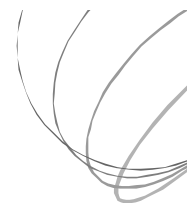
144. Workforce related issues are at the forefront of the council's priorities as it aims to achieve workforce efficiencies whilst negotiating a single status settlement and dealing with outstanding equal pay claims including those at industrial tribunal. Both these issues are considered within the financial position section of the report.

145. In 2006/07 the council introduced a management development programme to ensure service managers have the relevant skills to drive the council forward in the achievement of its corporate objectives. The programme involves 360 degree review to ensure that a complete view of performance and potential development areas is achieved. Succession planning was the driver behind the introduction of this programme to ensure key staff are identified and provided with the necessary management skills for the future. This programme has been successful as recent internal promotions have been made to fill management positions.

146. The ongoing single status review has resulted in a delay in implementing a structured training plan for each individual member of staff. The council is using the single status review to establish a skeleton corporate training plan which can then be built on for each individual group of staff. There is a risk that without a structured training plan in place staff will not have the appropriate skills to undertake the additional responsibilities within their revised job descriptions.

### **Key risk area 16**

147. The staff survey which was originally planned for April 2007 was undertaken in May 2008. The survey was developed by Gallup and has been used previously in a wide range of public and private sector businesses. The survey generated 693 responses by e-mail and 61 paper copies, a total of 754 responses, or 22 per cent of the total workforce. The council has reported that overall the results are very positive although it is acknowledged that there are a number of areas where there is room for improvement. The council intend to publish the results of the survey on the council's intranet site. Human resources intend to work with managers to review the results and agree what action needs to be taken to increase the response rate and address areas for improvement.



## National studies

148. Audit Scotland carries out a national study programme on behalf of both the Accounts Commission and the Auditor General for Scotland. Reports published in the last year of direct interest to the council are described below. Further information on these studies and copies of the reports can be obtained from Audit Scotland's web page at [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk).

## Sustainable waste management

149. Collecting household waste is a vital and universal service. In recent years significant new investment has been made to reduce the amount of waste sent to landfill. Our national report on sustainable waste management, published in September 2007, highlighted that:

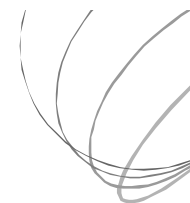
- significant progress has been made in meeting interim recycling targets, but the rate varies considerably between councils. The percentage of municipal waste recycled and composted increased from 7% in 2001/2 to 25% in 2005/6
- there has been slow progress in developing facilities to treat residual waste and there is a significant risk that across Scotland EU landfill directive targets might not be met.

150. Sustainability, self-sufficiency and the proximity principle, and the waste hierarchy are key principles that underpin the National Waste Strategy. The waste hierarchy summarises the objectives of sustainable waste management which are to:

- minimise the amount of waste generated
- optimise the amount of material that can be reused or recycled
- minimise the amount of waste disposed of in landfill sites.

151. The aim is to move from the bottom to the top of the hierarchy and to eliminate landfill as far as possible. In Scotland, most of the movement has been in diverting material from landfill via recycling and composting. However, the report highlighted that Shetland is only one of two councils to take this to the next stage in reducing waste by recovering energy with heat and power. Shetland's hub for waste disposal and recycling is the Energy Recovery Plant in Lerwick at the Greenhead base. The waste incinerator provides heat to the Lerwick district heating scheme, which now has over 400 customers. A report was presented to the Development Committee in August 2008 on renewable energy projects within Shetland. The energy recovery plant is one of a number of options being considered for future development.

152. As discussed at paragraph 29 above, from 1 April 2008, Scottish councils will be allowed to trade landfill allowances. The council does not anticipate any issues with the EC Landfill Directive as it is



already meeting its target for 2020. The total biodegradable waste land filled in 2007/08 was 583 tonnes, well below the council's limit of 2567 tonnes.

## **Free personal and nursing care**

153. Since July 2002, all councils have had systems in place to deliver free personal and nursing care (FPNC). People of all ages living in care homes are entitled to free nursing care and people over 65, living in any setting, are entitled to free personal and nursing care. Our national report about the financial implications of FPNC, published in January 2008 found that:

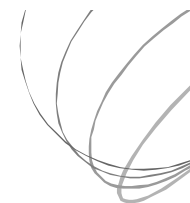
- councils have interpreted the legislation and guidance relating to food preparation differently across Scotland
- councils should improve their information systems to enable them to collect comprehensive and accurate information on FPNC and other aspects of care and support services
- councils should provide clear information to older people on what is covered by FPNC
- councils should work with local health partners to evaluate the longer term consequences of reducing domestic homecare services.

154. Shetland Islands Council provides one of the highest levels of care at home hours (per head of population) of all local authorities within Scotland (Source – Scottish Government, Home Care Services (2006)). Shetland is the only local authority area that does not levy a charge for care at home services. The actual cost for delivering each hour of personal care is £14.83 and the cost for delivering domestic care is £9.70.

155. The council prioritises services under the following criteria:

- Priority 1 tasks are those which are essential to the client if they are to remain in the community and not be admitted to residential care or hospital.
- Priority 2 tasks need to be done, but the client could cope without harm if the service was not immediately available or had to be reduced to meet greater need elsewhere.
- Priority 3 tasks are a minimum service provided for preventative reasons. If necessary, service could be withdrawn for a long period with no risk to the client.

156. Currently, all Priority 1 clients receive a service and as many Priority 2 and 3 clients as is possible within current staff availability. New clients assessed as not being at definable risk are not receiving new services. Existing staff are being consulted about increasing their hours and work is ongoing to address these issues.



157. The council has acknowledged that delivery of care at home packages are currently close to saturation point. There have been a number of instances recently where clients had to remain in hospital or respite care because it was not possible to put services in place quickly enough. There remains a shortage of staff employed as home helps and social care workers although managers are trying to resolve this situation by either appointing new staff or getting existing staff to take on additional contracted hours. Over the next few years it is likely that demand will increase further for care at home services. The council should ensure that budgets have been fully reviewed and are in line with council priorities.

#### **Key risk area 17**

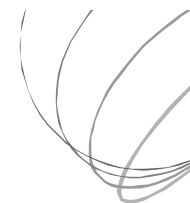
### **Scotland's school estate**

158. A major programme of school building renewal started at the end of the 1990s and is continuing today. The programme aims to create a school estate that achieves the government's vision for 21<sup>st</sup> century schools that are well designed, well built and well managed. Our national study reviewed what has been achieved so far, how much it is costing, how effective the improvements are and how well the Scottish Government and councils are working together to manage improvements to the schools estate. One of the main conclusions of our report, published in March 2008, is that the current rate of progress will take up to 20 years to remove all schools from poor or bad condition. The report recommends actions for the Scottish Government and councils to help improve arrangements and support future achievements. These include:

- better planning by councils and the Scottish Government to set specific, measurable and meaningful targets for the school estate strategy
- greater use of the Scottish Government guidance by councils to make sure future school design strikes a good balance for the comfort of everyone who uses the building
- making environmental sustainability a key element of school design
- doing more to identify and share good (and bad) practice in school design and estate management
- estimating pupil rolls for at least ten years ahead with a minimum annual review.

159. In July 2007, the services committee agreed a 4-year plan, as the service element of the council's Corporate Plan. In relation to the schools service, the plan states:-

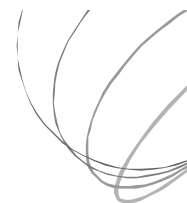
"Shetland schools population projections anticipate a substantial reduction in pupils within a relatively short time frame. The challenge for the authority is, therefore, to develop a modern "blueprint" for the shape of the service across Shetland for 10 years time. This model will consider the educational and financial viability levels for schools, their host communities as well as important associated issues



such as transport requirements. It is anticipated that significant capital investment will be required to bring some schools and facilities up to a modern standard”.

160. The council are committed to producing a model for education by 2009 that considers the educational and financial viability for schools and communities. At the services committee in January 2008 a report was presented entitled, “Developing a “Blueprint” for the Education Service”. The committee agreed to the establishment of the working group to undertake the ‘blueprint’ review. The Blueprint working group met in April and it was decided to have sub-groups to look at quality education and transitions at three stages: Pre-School/Primary, Secondary/Further and for pupils with Additional Support Needs. These reviews are currently being progressed.
161. On 1st May 2008 the education secretary launched the Scottish Government's own consultation entitled “Safeguarding our Rural Schools and Improving School Consultation Procedures”, which makes proposals for changes to current legislation. The council schools service response to the consultation, submitted in September, has been developed in discussions with central staff and head teachers taking into account the range of differing views held in different communities across Shetland.
162. The education function of the council was inspected in January 2008 as part of HM Inspectorate commitment to inspect and report on the quality of education and to help secure improvement across Scotland. The report by HM Inspectorate of Education was published on 8 July 2008. Inspectors evaluated the education function of the council under four main questions:
- How good are attainment and achievement of children and young people and how well are they supported?
  - What impact has the authority had in meeting the needs of parents, carers and families, staff and the wider community?
  - How well is the authority led?
  - What is the council's capacity for improvement?
163. There were ten quality indicators which were examined. Five of these indicators were evaluated as very good, four evaluated as good and one was evaluated as adequate. The schools service will prepare an action plan indicating how the main points for action will be addressed and presented to the services committee in October 2008. The District Inspector will continue to monitor progress made as part of the agency work with the council.
164. The new Anderson High School (AHS) capital project is the largest individual capital investment project within the current capital programme. The project is fundamental to the council being able to deliver a quality education provision to more than 800 pupils. It was reported in June 2008 that the project, as currently designed, would be well over the indicative budget of £48 million. In August,





members were asked to agree to a revised programme, with a target date for submission of a planning application of March 2009 and slightly amended governance and management arrangements. The Anderson High School staff, together with representatives from the schools service management team and the architect involved in the project, has been working up a revised accommodation schedule, to meet the 15,000 m<sup>2</sup> limit and the £49 million revised financial budget. The council also contacted the Head of Schools Division within the Scottish Government who has a remit which includes development of school estates. It is anticipated that he could be invited to advise on best practise across Scotland on school design. The council faces a number of difficult decisions in relation to the educational service within the current financial constraints. There is a risk that the council do not address the difficult financial choices required to provide a sustainable educational service.

#### **Key risk area 18**

### **Overview of sport in Scotland**

165. Public bodies spend on average £558 million a year on sport in Scotland. Councils are responsible for 90% of this expenditure. Most of the money is spent on providing and maintaining facilities as well as programmes to encourage participation and support individual athletes. Our national report, published in April 2008, found that:

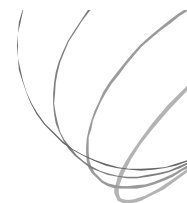
- the provision of sports facilities and other services is fragmented, with no clear links between the government's national strategy for sport and councils' investment. The development of single outcome agreements is an opportunity to clarify and align the links between national and local strategies
- the level of participation and funding in sport has been declining and participation by younger people falls short of targets
- Sportscotland estimates that an additional £110 million a year is needed for the next 25 years to bring sports facilities up to an acceptable standard.

166. Shetland is unique in that it is the Shetland Recreational Trust and not the council which is the largest provider of sport and leisure facilities in Shetland. The trust operates a network of leisure centres and swimming pools throughout the islands. The Shetland Charitable Trust (SCT) has provided the recreational trust with capital funding for the seven leisure centres that are located adjacent to local secondary schools throughout the islands, as well as the Clickimin leisure complex in Lerwick. In addition to the capital funding, the SCT continue to provide a major contribution towards the running costs.



# Final Remarks

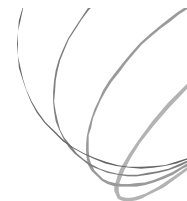
167. We have made a number of recommendations in the various reports we have issued during the course of the year and have obtained assurances from officials that action will be taken as appropriate.
168. Attached to this report is an action plan setting out the key risks identified by the audit which we are highlighting for the attention of members. In response, officers have considered the issues and have agreed to take the specific steps set out in the column headed 'planned management action'. On occasion, officers may choose to accept the risk and take no action. Alternatively, there may be no further action that can be taken to minimise the risk. Where appropriate, the action plan clearly sets out management's response to the identified risks.
169. Appropriate mechanisms should be considered and agreed by members for monitoring the effectiveness of planned action by officers. We will review the operation of the agreed mechanism as part of the 2008/09 audit.
170. The co-operation and assistance given to us by Shetland Islands Council staff is gratefully acknowledged.



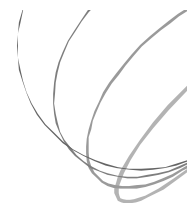
# Appendix A: Action Plan

## Key Risk Areas and Planned Management Action

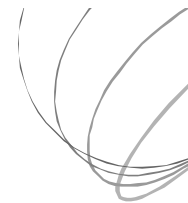
Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
1	12 20 28 29 104	<b>Financial Statements</b> Procedures are not adequate to ensure financial statements are prepared and presented in accordance with the SORP. Specifically, in 2007/08 issues were raised in respect of fixed assets, investments and the treatment of unspent grants <b><i>Risk: the financial statements do not present fairly the result of council activities.</i></b>	The council will review the procedures for preparing the 2008/09 financial statements. Specific areas for early consideration include: <ul style="list-style-type: none"> <li>• fixed asset/ capital accounting</li> <li>• investments</li> <li>• disclosures re landfill allowances</li> <li>• publication of a corporate governance statement</li> <li>• IFRS issues</li> </ul>	Head of Finance	March 2009
2	18	<b>Group Accounts</b> In 2007/08 the council did not include the results of the charitable trust and development trust in the group accounts. Audit disagrees with this accounting treatment. <b><i>Risk: the council may continue to receive a qualified audit opinion.</i></b>	The results of the development trust will be included in the group accounts from 2008/09. The situation regarding the charitable trust requires further consideration.	Chief Executive	Ongoing
3	36 46 80	<b>HRA Budget</b> Financial pressures in the HRA have resulted in a deficit in 2007/08 which has to be met from the HRA reserves. <b><i>Risk: HRA reserves will continue to be used to cover in year deficits. Projections suggest that the HRA reserves could be exhausted by 2013, after which there will be no means of support for either revenue or capital expenditure. This could impact on compliance with the SHQS standard by 2015.</i></b>	The council will monitor HRA expenditure to ensure that overspends are managed and financial targets are met.	Head of Finance	December 2008



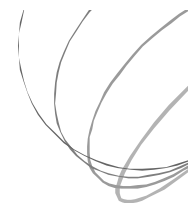
Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
4	38	<b>Revenue Budgets</b> As well as ongoing financial pressures, particularly from education and social care services and single status, the council faces the ongoing challenge of budgeting for no increase in council tax for 2009/10 and 2010/2011. The need to identify and deliver efficiency savings is therefore essential.  <i><b>Risk: reserve balances will be used to support general fund expenditure. The target balance of £250 million may not be achieved and maintained.</b></i>	The council will monitor general fund expenditure to ensure that overspends are managed and financial targets are met.	Head of Finance	December 2008
5	61	<b>Budget setting process</b> The council should undertake a review of budget allocation to ensure that these are properly matched to service need.  <i><b>Risk: There is a risk that without a full review the budget allocated to service departments will not reflect current service provision.</b></i>	The council will continue to review budget allocations as part of the 2009/10 budget setting process.	Head of Finance	January 2009
6	63 67	<b>Single Status/ Equal Pay</b> The council has yet to implement single status, it is expected that this will be achieved in 2009. As a result the equal pay compensation liability will continue to rise throughout 2008/2009 and until single status is eventually introduced.  <i><b>Risk: the council are exposed to continuing risks while the existing pay and grading structure remains in place, for example associated costs cannot be fully quantified and as a result initial and continuing costs may be considerably higher than expected levels.</b></i>	The council is to progress the implementation of single status and equal pay agreements.	Chief Executive	March 2009



Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
7	71	<b>Procurement</b> Procurement policies need improvement. The council could make efficiency savings through membership of Scotland Excel. <i><b>Risk: there is a risk that best value will not be achieved until the procurement efficiencies are generated.</b></i>	The council will continue to work to further develop procurement policies in 2008/09.	Chief Executive	December 2008
8	74	<b>Effective management of assets</b> The council has yet to consolidate the estates and maintenance records or review the non housing estate. <i><b>Risk: there is a risk that the assets of the council are not utilised in the most effective way.</b></i>	The council will progress implementation by March 2009.	Head of Finance	March 2009
9	79	<b>Capital Programme</b> The capital programme is heavily over-subscribed, with a funding gap of £36.666 million identified to 2010/11. This is before the inclusion of Anderson High School at an estimated cost of £49 million. Current forecasts suggest that ongoing capital programme funding should reduce to £15 million per annum from 2010/11 onwards. <i><b>Risk: the capital programme may slip or may not be delivered and corporate priorities not achieved.</b></i>	The council will prioritise the capital programme to reflect corporate aims and objectives.  Council officers will closely monitor the achievement of the capital programme and report areas of slippage to the council on a regular basis.	Capital Programme Review Team	Ongoing
10	87	<b>Political Governance</b> To ensure that members are fully aware of any conflict of interests a formal training programme should be provided. <i><b>Risk: there is a risk that members' are not fully aware of a conflict of interest.</b></i>	Officers will provide a formal training programme after consultation with members.	Head of Organisational Development	December 2008



Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
11	91	<p><b>State Aid</b></p> <p>The European Commission has ruled three council schemes amounted to state aid and have calculated the total amount repayable is £1.2 million. The council have appealed against this ruling.</p> <p>A draft state aid manual is to be issued to all staff engaged in providing financial assistance for economic activities.</p> <p><b><i>Risk: further breaches of state aid rules may have taken place prior to the introduction of the state aid manual.</i></b></p>	The council will review its arrangements to ensure that no other breaches of state aid rules have taken place.	Head of Finance	September 2008
12	99	<p><b>Capital project management:</b></p> <p>The council needs to ensure that capital projects are well managed and provide value for money.</p> <p><b><i>Risk: there is a risk that without a clear project brief additional expenditure will be incurred and projects will be deferred.</i></b></p>	The audit and scrutiny committee will consider this at a specially convened meeting.	Head of Finance	December 2008
13	110	<p><b>Housing Benefit:</b></p> <p>The council needs to address the findings from the benefits review to ensure continuous improvement is achieved.</p> <p><b><i>Risk: there is a risk that there is not clear focus on delivering against national and local objectives and fraud is not fully considered.</i></b></p>	The council will address the findings of the benefits review.	Benefits Manager	December 2008
14	114 121 133	<p><b>Performance management</b></p> <p>The council need to ensure there is a detailed action plan in place that clearly links the SOA, the corporate plan, the community plan and the BV recommendations.</p> <p><b><i>Risk: there is a risk that projects are not properly monitored</i></b></p>	The council are in the process of aligning monitoring arrangements in order to streamline reporting	Head of Organisational Development	December 2008



Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
15	123	<b>Performance management</b> The council need to ensure that the 2009/10 budget setting process considers the findings of the financial review panel. <i><b>Risk: there is a risk that budgets do not properly reflect service provision.</b></i>	The council will ensure that the findings of the FRP are considered as part of the 2009/10 budget setting process.	Head of Finance	January 2009
16	146	<b>Workforce Planning</b> As part of the single status implementation it is important that detailed training plans are provided to individual staff members. <i><b>Risk: there is a risk that staff will not be properly supported or trained to take on additional responsibilities within the revised job descriptions.</b></i>	The project team will ensure that training plans are formalised to support staff during the implementation of single status	Human Resources Manager / Project Management Team	December 2008
17	157	<b>Free Personal &amp; Nursing Care</b> The council must ensure that budgets are reviewed to reflect the changing service demands. <i><b>Risk: there is a risk that the council will no longer be able to meet the demands of the service.</b></i>	The council are aware that the delivery of care at home packages are at full capacity. The council is looking at a number of options to resolve this ongoing issue.	Executive Director of Education and Social work	December 2008
18	164	<b>School estate</b> The council faces a number of difficult decisions in respect of providing an educational service within certain financial constraints. <i><b>Risk: there is a risk that the council do not address the difficult financial choices to provide a sustainable educational service.</b></i>	The council is committed to producing a model for education by 2009.	Executive Director of Education and Social work	March 2009







## **REPORT**

**To: Shetland Islands Council**

**3 December 2008**

**From: Head of Finance**

### **LONG TERM FINANCIAL PLANNING: IMPACT OF WORLD FINANCIAL CRISIS**

**Report No: F-038-F**

#### **1. INTRODUCTION**

- 1.1 Concerns were expressed at the Shetland Islands Council (Council) meeting on 22 October 2008 about the effect that the downturn in world investment markets was having on the Shetland community's Reserves, and whether that would have consequences for spending and investment plans. This report is intended to address those concerns.

#### **2. LINKS TO THE CORPORATE PLAN**

- 2.1 The Council's Corporate Plan includes an aim of seeking to ensure the Council is sustainable in everything it does. The Council's long term financial planning pursues that objective.

#### **3. BACKGROUND**

- 3.1 Attached, as Appendix A is the weekly Fund Management Report to 7 November 2008 for the Council, Pension Fund and the Shetland Charitable Trust (Trust) Fund, which are under external investment.
- 3.2 At that point in time the FTSE 100 equity index was down 23% from the start of the financial year (28 March 2008), the UK Gilts (5-15 year) index was up 1.5%, and the UK Base Rate had fallen by 2.25% to 3% (the lowest since the 1950s).
- 3.3 These very bad indicators of the returns on equity and cash investments reflect a period of almost unprecedented turmoil and uncertainty in the world economy. Initial problems when property price bubbles burst in the USA (and then the UK) have led to the collapse of related derivatives markets, and that rippled out to the collapse of financial institutions, followed in most cases by state rescues. These seismic events have caused a collapse in the availability of credit, leading to a collapse in business and consumer confidence and the development of a recession in many economies, which is expected to go world-wide in 2009. Commodity prices have spiked, and then fallen (oil rose to \$147 per barrel but is now down to around \$55), making inflation a major concern for the first time in fifteen years, but now also making the risk of prolonged deflation a medium term worry.

- 3.4 The jury is still out as to whether international responses to this will make the recession short and shallow or deep and prolonged. Many commentators regard the turmoil as the worst since the Second World War, with some comparing it in significance to the Wall Street Crash of 1929. It seems likely that however it turns out the financial world will never be the same again, with there being a permanent major shift in power from the developed economies (mainly Europe, USA, Japan) to the developing economies (mainly China, India, Russia and oil rich states).
- 3.5 Appendix A shows that since 28 March 2008 the impact of all this on the Shetland community Reserves has been to reduce the market value of the Council's Reserves by £27 million (11%), the Pension Fund Reserves by £42 million (22%) and the Trust's Reserves by £33 million (17%). The fall across all three therefore totals £102 million (16%) to £523 million.
- 3.6 The key question is whether the changed circumstances warrant a change in spending plans and/or a change in the approach to the investment of these Reserves.

#### **4. COUNCIL RESERVES**

- 4.1 The Council's Long Term Financial Planning is summarised in Appendix B. It is based upon an assumed long run real rate of return on investments of 5% per annum, and is based upon the balance sheet value of the Council Reserves (which is calculated using the book cost value of the internal and external investments of the Reserves, rather than the current market value of external investments).
- 4.2 The Council's policy goal is to stabilise a decline in the value of the Reserves at £250 million, and this policy requires reductions in support from the Reserves for General Fund Revenue spending of £1 million per annum (to £3 million in 2009/10), and a decline in support from the Reserves for General Fund Capital Programme spending from £20 million per annum to £15 million per annum in 2010/11.
- 4.3 The assumed investment return on the Reserves in the current year is £20 million, which is very much at variance to the fall in the market value of external investments of £27 million so far this year. Does this indicate an immediate need to cut spending? My conclusion is no, for the following reasons:
- 4.3.1 A significant fall in the current market value of external investments does not tell us what is going to happen to the book cost value of external plus internal investments (which is the measure upon which policy is based).
- 4.3.2 A significant proportion of the Council's Reserves are invested internally (approximately £45 million, primarily to finance outstanding debt on the Housing Revenue Account). That portion of the Reserves is not subject to investment market fluctuations.
- 4.3.3 A significant proportion of income for Reserves still comes from trading (Sullom Voe Harbour Account), rather than from returns on

investments. This currently amounts to some £4 million per annum, although it will be challenging to maintain this in circumstances where throughput at the Sullom Voe Oil Terminal is in ongoing decline, but this issue is not linked to conditions in the investment markets.

- 4.3.4 Book cost also does not vary directly with current market fluctuations. Book cost only varies when you sell or buy investments (in other words, it doesn't vary at all when you hold investments) and since the Council does not have to sell more than a small proportion of its investments in any one year the book cost remains relatively stable even when the market value is fluctuating wildly (as at present). That stability is the very reason why book cost is the right basis for preparing a balance sheet, and the right basis for setting long term financial policy in the Council.
- 4.3.5 The Balance Sheet value of the Council's Reserves is only calculated once a year (at 31 March), and it is only at this point that Council performance against its policy goals can be determined and reviewed. You might think that a year is a long time in the financial markets, but in my view it is the right frequency at which to review long term financial policy. The purpose behind long term financial planning is stability and sustainability, and these goals would not be well served by frequent chopping and changing of financial targets. Long term financial planning would best be served by making long term adjustments to spending plans based upon a long term view of the consequences of events in the investment markets.
- 4.3.6 The Council is a major spender, and therefore has a major influence, on the Shetland economy. Any changes in Council spending can have a major effect on employment and local suppliers of goods and services, and those knock-on effects need to be carefully considered. This is another powerful argument for the Council to make infrequent and moderate (ideally phased) changes in the direction of financial policy. If there are significant financial consequences arising from economic turbulence it is probably better that they are borne by the Council's Reserves rather than by jobs, services or projects, which are already under way.
- 4.3.7 Even in the middle of spectacular fluctuations in the investment markets the Council needs to ask whether its long term assumption of a 5% per annum real rate of return is incorrect. It's clearly wrong in the short term, but have the fundamentals changed for the long term or not? Given a sufficiently long historical perspective, there is as yet no reason or evidence to suggest that investment returns will be permanently lower in the future than they have been over the long term past. The planning assumption remains valid for the long term.
- 4.3.8 Keynesian macroeconomics (suddenly back in fashion) suggest that in a recession Government should seek to ameliorate the reduction of demand in the economy by generating extra demand. Some regulators of reduced demand are automatic (increased government spending on unemployment benefits, for example) but other optional regulators should also be considered (tax cuts and programmes of spending on public works). These measures are under consideration

by the UK Government at the present time. In principle they are considering more Government borrowing to increase demand during a recession, with the resulting debt to be paid off by buoyant tax revenues during the following cyclical boom. The Council, sadly, cannot anticipate buoyant revenues in the long term, so is probably poorly placed to inject extra demand during a recession. However, the Council does at least have the discretion of maintaining spending during a downturn (not making the downturn worse) and in my view should follow that course.

- 4.3.9 The conclusion is, therefore, that the Council should await the calculation of the balance sheet value of the Reserves at 31 March 2009 (which should be available in early June 2009) before reconsidering its spending plans and policy targets for the use of Reserves. If a change of course is necessary it should be phased in over time to moderate its effects on the wider Shetland economy.

## **5 PENSION FUND RESERVES**

- 5.1 The Council's Pension Fund is, like all others, managed in a regulated and very long term fashion. The Pension Fund's value is only reviewed once every three years by independent actuaries to check the value of its investments relative to its long term liabilities. The outcome of that process is a phased and moderated revision (if required) to the Employers' contribution rates. Typically, if the Employers' contributions need to rise by 3% that will be phased in at the rate of 1% per annum over the three years till the next review.
- 5.2 The next triennial review is due very soon (the detailed work has been completed by the actuary), and the implications of that review for the Council's budgets will be built into the budget proposals in February 2009.
- 5.3 It is probable that the combination of poor investment returns and increasing Pension Fund liabilities (largely caused by the happy circumstance of increased pensioner longevity) will require an upward revision in Employers' contributions, but this will be in the measured long term fashion which I also believe should be applied to the Council's Reserves as well.

## **6 SHETLAND CHARITABLE TRUST RESERVES**

- 6.1 Obviously, the management of Trust investments and spending is a matter for that separate body to address, but the implications for the Shetland community and the Council are sufficiently important as to deserve consideration by the Council as well.
- 6.2 The Trust's policy goal is to spend on a sustainable basis, which means maintaining the real value of the Trust's capital base and only spending the returns on investment which remain after meeting that condition. In round terms that requires the Trust to limit its spending to approximately £11 million per annum, a figure which has been exceeded in recent years. The Trust will, no doubt, review progress against policy in due course.
- 6.3 While the Trust is as concerned about sustainability and stability in the Shetland economy and community as the Council, it is wholly reliant upon its

Reserves to meet expenditure, unlike the Council (the majority of whose income comes from Government Grants, local taxation and fees and charges). This makes the Trust far more vulnerable to the investment markets than the Council (or indeed the Pension Fund, which still meets its current pension payments from Employer and Employee contributions, not its Reserves).

- 6.4 It may, therefore, be that if circumstances in the markets jeopardise the Trust's ability to fund the various activities covered at present, the Council will need to consider whether it will need to provide alternative funding. This approach would be in keeping with the concept of Community Planning, and is an appropriate response to the relative strengths and attributes of the bodies concerned. Obviously if burdens are transferred to the Council from the Trust that will be a change in circumstances requiring a review of Council spending plans.

## 7 INVESTMENT STRATEGY

- 7.1 The different rates of decline for the three different bodies (Council 11%, Council Pension Fund 22%, Trust 17%) largely reflects the different mix of investments which each is allowed, or has chosen to be, invested in.
- 7.2 The Council, Pension Fund and Trust were invested in the following asset classes on 7 November 2008:

<b>Asset</b>	<b>Council Reserves</b>	<b>Pension Fund</b>	<b>Trust</b>
	<b>%</b>	<b>%</b>	<b>%</b>
UK Equities	33	36	32
Overseas Equities	19	38	33
Gilts / Bonds	40	8	29
Property	-	5	4
Currency	-	2	1
Cash	8	11	1

- 7.3 All asset classes are to varying degrees affected by the recent financial turmoil. The Council, Pension Fund and Trust Fund have different investment strategies, as shown in the above table, which produces differing investment returns for each body.
- 7.4 The equity markets have recently received a lot of media attention, as they have undoubtedly fallen by the largest percentage of all the main asset classes. The Pension Fund currently has the largest allocation to equities at 74% and correspondingly has the greatest percentage fall in value this financial year. This high allocation to equities will incur greater short term volatility of returns, but the Pension Fund has, in line with the long term nature of a Pension Scheme, a very long term investment view and can therefore ride out these short term fluctuations.
- 7.5 The Council almost has a 50:50 investment split between equity and fixed income investments. This split dampens equity volatility and the Council's market value is down the least at 11%. This investment split is predominately due to the Trustee Investment Act 1961, which regulates Council

investments. Fixed income investments, Gilts, Bonds and Cash provide a less volatile investment but also less return over the long term, than equities.

- 7.6 The Trust invests in a wide range of asset classes but predominately in equities and bonds. The 65% equity investment position creates some volatility of returns but other assets dampen this to a reasonable extent, hence a 17% investment fall in value.
- 7.7 The financial turmoil over the last few months is unprecedented in recent history, although stock markets have declined by similar amounts in short periods on several occasions before. Governments throughout the world are taking action to address the issues through loans, nationalisation, interest rate cuts, etc. which gives a certain amount of support to the stock markets.
- 7.8 There is no short term solution to the current financial situation on a global basis, nor is there one for the Council's investments. All Council, Pension Fund and Trust investments are invested for the long term to help sustain Shetland for many years to come. This strategy of investing for the long term has proved to be the best course of action in the past, during both buoyant markets and in periods of recession. This investment approach does not alter when the markets are rising and nor should it when the markets fall.
- 7.9 To consider altering the investment mix in these uncertain markets for less volatile assets such as Gilts or Cash, means you will be crystallising equity losses after a fall in the market, and will almost certainly miss the initial upswing in the markets when they occur. On discussions with Fund Managers and Hymans Robertson our Investment Consultant, they all advocate a calm steady as she goes approach, and their advice is to stay with the long-term investment horizon.
- 7.10 In Hymans Robertson's recent market review they commented, *"For long-term investors with a heavy exposure to equities the outlook for equities is arguably more favourable than other potential investments. Our broad recommendation is for long-term investors with heavy allocations to equities to maintain their strategic asset allocation at the present time."* and later they said, *"The names of some of the companies that have succumbed in the last few weeks would have amazed even many of the more pessimistic commentators, yet it is really only now that the effects are spreading beyond the financial sector into the wider economy. In such circumstances it is difficult for the long-term investor to retain a long term perspective: difficult, but perhaps more important than ever."*

## **8 POLICY AND DELEGATED AUTHORITY**

- 8.1 Responsibility for financial policy regarding the Council's Reserves is a matter for full Council.
- 8.2 Financial policy for the Pension Fund is governed by separate regulation and the Pension Fund Management Joint Consultative Committee advises the Council. The Trust is an autonomous body, which looks after its own affairs, but with appropriate consultation with the Council.

## **9 CONCLUSIONS**

- 9.1 The main conclusion with respect to Council Reserves is that Council spending plans and policies should be maintained at present, but should be reconsidered in a measured way when the 2008/09 Balance Sheet is complete (around June 2009). Council investment strategy should be maintained so as to avoid realising current potential losses and so as to benefit from the anticipated medium to long term recovery in the markets.
- 9.2 The Pension Fund Triennial Valuation will be available soon, and its implications for Employers' contribution rates will be dealt with in the budget setting exercise in February 2009.
- 9.3 The Trust will review its own position and response in respect of events in the investment market. The Council should simply await any outcome of that process, at which time it can assess whether the Council needs to respond in any way

## **10 RECOMMENDATIONS**

- 10.1 I recommend that the Council should note the conclusions of this report.

Date: 24 November 2008  
Ref: GJ/DS/F/1/1

Report No: F-038-F





**FUND MANAGEMENT REPORT FOR THE WEEK ENDING 07 NOV 2008**  
**USING UNAUDITED FIGURES WHICH ARE SUBJECT TO CHANGE**

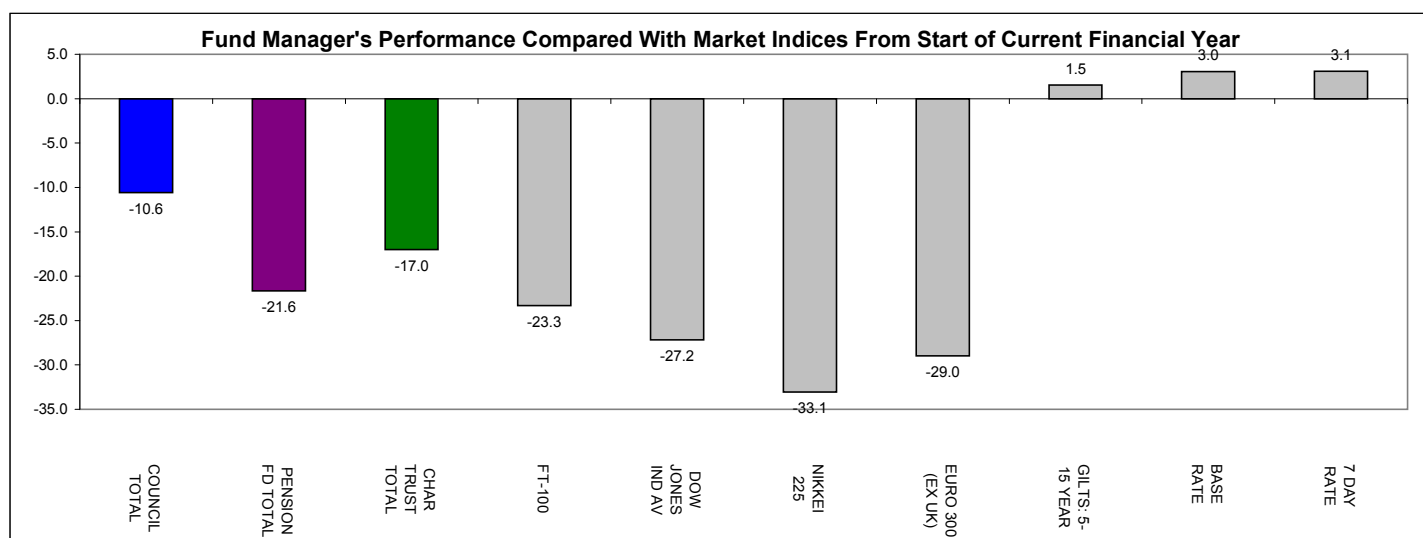
DATE: 27-Nov-2008

FROM: TREASURY ACCOUNTANT

TO: ALL COUNCILLORS  
 CHIEF EXECUTIVE  
 HEAD OF FINANCE  
 FINANCIAL CONTROLLER - SCT

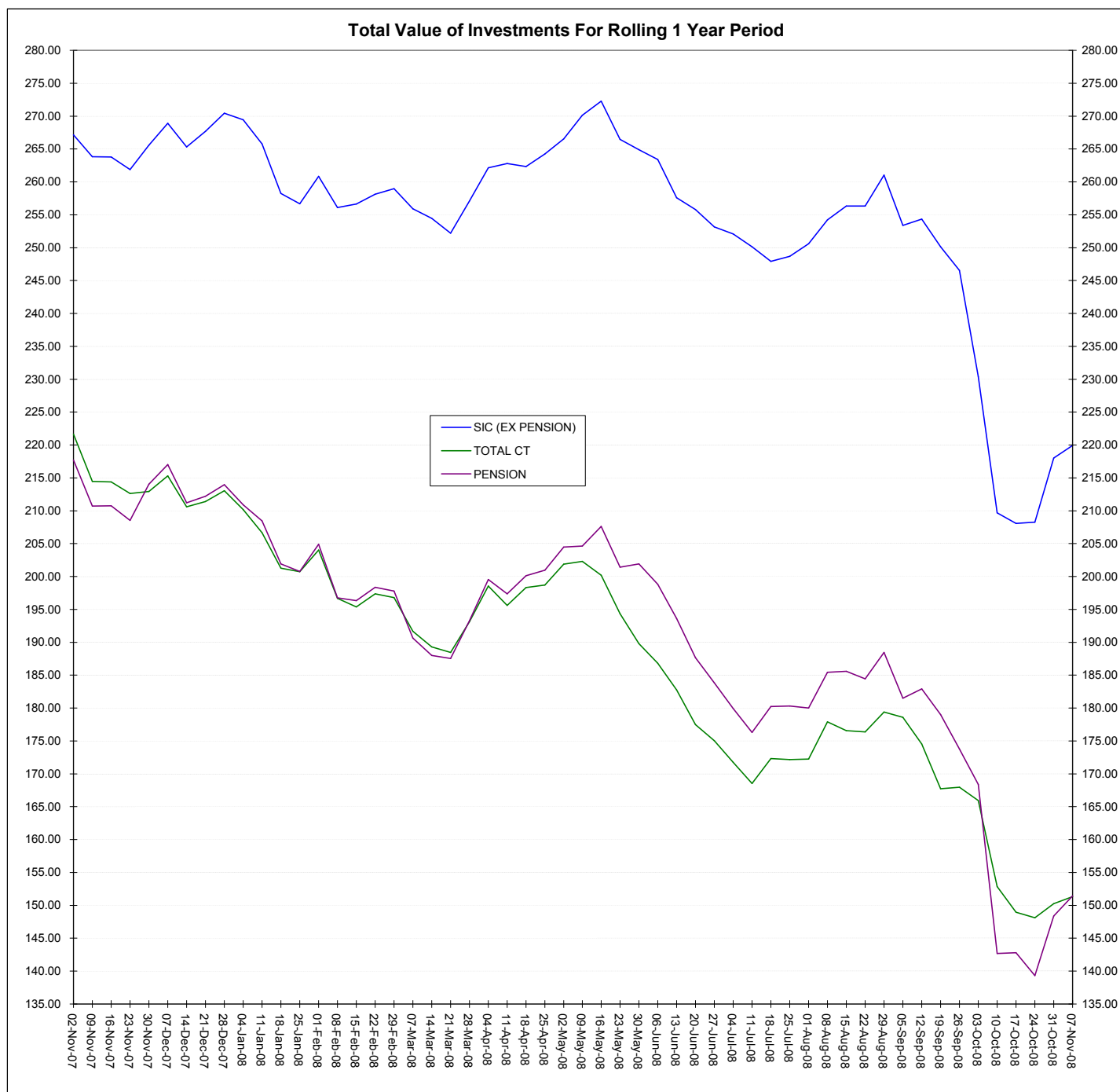
Report for W/E Date: 07-Nov-2008  
 Previous W/E Date: 31-Oct-2008  
 Comparison Period: 1 WEEK  
 Start of Financial Year: 28-Mar-2008

	VALUE AT 07 Nov 2008	VALUE AT 31 Oct 2008	TRANSFERS DURING WEEK	RETURN DURING WEEK ADJUSTED FOR TRANSFERS		VALUE AT 28 Mar 2008	TRANSFERS FROM 28 Mar 2008	RETURN FROM 28 Mar 2008 ADJUSTED FOR TRANSFERS	
	£M	£M	£M	£M	Change	£M	£M	£M	Change
<b>COUNCIL TOTAL</b>	<b>219.9</b>	<b>218.0</b>		<b>1.9</b>	<b>0.9%</b>	<b>257.1</b>	<b>-10.0</b>	<b>-27.2</b>	<b>-10.6%</b>
<b>PENSION FD TOTAL</b>	<b>151.4</b>	<b>148.4</b>		<b>3.0</b>	<b>2.0%</b>	<b>193.3</b>		<b>-41.8</b>	<b>-21.6%</b>
<b>CHAR TRUST TOTAL</b>	<b>151.3</b>	<b>150.2</b>		<b>1.1</b>	<b>0.7%</b>	<b>193.1</b>	<b>-9.0</b>	<b>-32.8</b>	<b>-17.0%</b>
<b>COMBINED TOTAL</b>	<b>522.7</b>	<b>516.7</b>		<b>6.0</b>	<b>1.2%</b>	<b>643.5</b>	<b>-19.0</b>	<b>-101.8</b>	<b>-15.8%</b>



As the Shetland Charitable Trust is a separate entity from the Shetland Islands Council, their investment figures are only shown in this report with the permission and approval of the Shetland Charitable Trust.

	VALUE AT 07 Nov 2008	VALUE AT 31 Oct 2008	VALUE AT 28 Mar 2008
	£M	£M	£M
<b>COUNCIL</b>			
CAPITAL FUND	63.7	62.6	71.5
RESERVE FUND	68.8	68.3	80.3
MARINE FUND	2.5	2.5	3.0
R&R FUND	84.8	84.4	102.1
INSURANCE FUND	0.2	0.2	0.2
<b>TOTALS</b>	<b>219.9</b>	<b>218.0</b>	<b>257.1</b>



MARKET DATA					
	VALUE AT REPORT DATE OF 07 Nov 2008	VALUE 1 WEEK BEFORE	CHANGE FROM 1 WEEK BEFORE	VALUE AT 28 Mar 2008	CHANGE IN THIS FINAN'L YEAR
FTSE 100	4,365.00	4,377.30	-12.30	5,692.90	-1,327.90
FTSE ALL SHARE	2,190.61	2,183.69	6.92	2,920.42	-729.81
ALL SHARE P/E RATIO	9.06	9.05	0.01	11.40	-2.34
DOW JONES IND AV	8,943.81	9,325.01	-381.20	12,281.86	-3,338.05
NIKKEI 225	8,583.00	8,576.98	6.02	12,820.47	-4,237.47
FTSE E-300 EX-UK	1,028.01	1,034.22	-6.21	1,447.61	-419.60
UK GILTS: 5-15 YEAR	161.03	157.36	3.67	158.60	2.43
BASE RATE	3.000%	4.500%	-1.500%	5.250%	-2.250%
BRENT (\$)	57.43	65.32	-7.89	103.77	-46.34
STERLING (\$)	1.5762	1.6158	-0.0396	1.9892	-0.4130
STERLING (YEN)	154.8220	158.9090	-4.0870	198.3530	-43.5310
STERLING (EURO)	1.2328	1.2742	-0.0414	1.2623	-0.0295

DATE: 01 Dec 2008

## APPENDIX A

### Shetland Islands Council Discretionary Reserves

(values on Balance Sheet at cost)

#### 10 Year Projection: Bad Case Assumptions

As at 31 March	Capital Programme Expenditure (Base) £million	Extra Capital Expenditure £million	Reserve Fund Programme Expenditure £million	General Fund Revenue Deficit £million	TOTAL RESERVES £million
<b>2005</b>					<b>(318.7)</b>
Investment Returns					(25.5)
Fund Receipts					(8.1)
Expenditure	22.3		8.1	7.6	38.0
<b>2006</b>					<b>(314.3)</b>
Investment Returns					(25.1)
Fund Receipts					(8.1)
Expenditure	23.5	4.0	10.7	9.2	47.4
<b>2007</b>					<b>(300.1)</b>
Investment Returns					(24.0)
Fund Receipts					(8.2)
Expenditure	22.6	6.0	8.0	10.9	47.5
<b>2008</b>					<b>(284.9)</b>
Investment Returns					(22.8)
Fund Receipts					(8.2)
Expenditure	25.3	9.0	8.1	12.7	55.1
<b>2009</b>					<b>(260.7)</b>
Investment Returns					(20.9)
Fund Receipts					(8.2)
Expenditure	20.8	12.0	8.2	14.6	55.6
<b>2010</b>					<b>(234.2)</b>
Investment Returns					(18.7)
Fund Receipts					(8.2)
Expenditure	7.6	15.0	8.4	16.6	47.6
<b>2011</b>					<b>(213.5)</b>
Investment Returns					(17.1)
Fund Receipts					(7.5)
Expenditure	13.5	10.0	8.6	18.7	50.8
<b>2012</b>					<b>(187.3)</b>
Investment Returns					(15.0)
Fund Receipts					(7.0)
Expenditure	7.6	15.0	8.8	20.9	52.3
<b>2013</b>					<b>(157.0)</b>
Investment Returns					(12.6)
Fund Receipts					(6.0)
Expenditure	6.5	15.0	9.0	23.2	53.7
<b>2014</b>					<b>(121.9)</b>
Investment Returns					(9.7)
Fund Receipts					(4.0)
Expenditure	7.0	15.0	9.2	25.6	56.8
<b>2015</b>					<b>(78.8)</b>
Investment Returns					(6.3)
Fund Receipts					(1.0)
Expenditure	8.0	15.0	9.4	28.1	60.5
<b>2016</b>					<b>(25.6)</b>
Gross Investment Returns (%)					8.0
Inflation Rate (%)					2.0
Real Investment Return (%)					6.0
Total Capital Programme (2005-2016) (£million)					280.7

#### Assumptions

Moderate acceleration in Capital Programme (2005-10), then maintained at current levels.

No additions to Capital Programme till 2010 (e.g. fixed links, new Ferries/Terminals).

General Fund revenue deficit grows unchecked.

Reserve Fund programmes show no real change.

Reserve Fund continues to get 15% return on capital from Sullom Voe till 2010, tailing off to zero in 2016.

## F038 Appendix B

## Shetland Islands Council Discretionary Reserves

(values on Balance Sheet at cost)

## 10 Year Projection: Actual plus Revised Assumptions

As at 31 March	Capital Programme Expenditure (4)	Special Items	AHS (2)	Reserve Fund Programme Expenditure	General Fund Revenue Deficit (1)	TOTAL RESERVES (3)
	£million	£million	£million	£million	£million	£million
<b>2005</b>						<b>(318.7)</b>
Investment Returns						(16.9)
Harbour Surpluses (5)						(5.2)
Expenditure	14.6	20.1		7.4	4.0	46.1
<b>2006</b>		<b>(4 ferries)</b>				<b>(294.7)</b>
Investment Returns						(18.0)
Harbour Surpluses (5)						(2.0)
Expenditure	14.5	1.8		7.8	3.6	27.7
<b>2007</b>		<b>(Single Status)</b>				<b>(287.0)</b>
Investment Returns						(27.0)
Harbour Surpluses (5)						(4.5)
Expenditure	18.5	1.7		7.5	2.8	30.5
<b>2008</b>		<b>(Single Status)</b>				<b>(288.0)</b>
Investment Returns						(20.2)
Harbour Surpluses (5)						(2.1)
Expenditure	21.1	10.0	0.0	6.0	4.0	41.1
<b>2009</b>		<b>(STL, Islesburgh,SS)</b>				<b>(269.2)</b>
Investment Returns						(18.8)
Harbour Surpluses (5)						(4.0)
Expenditure	20.0	0.0	0.0	7.6	3.0	30.6
<b>2010</b>						<b>(261.4)</b>
Investment Returns						(18.3)
Harbour Surpluses (5)						(4.0)
Expenditure	15.2	0.0	0.0	7.8	2.0	25.0
<b>2011</b>						<b>(258.7)</b>
Investment Returns						(18.1)
Harbour Surpluses (5)						(4.0)
Expenditure	15.2	0.0	0.0	7.9	1.0	24.1
<b>2012</b>						<b>(256.8)</b>
Investment Returns						(18.0)
Harbour Surpluses (5)						(4.0)
Expenditure	15.2	0.0		8.1	0.0	23.3
<b>2013</b>						<b>(255.5)</b>
Investment Returns						(17.9)
Harbour Surpluses (5)						(4.0)
Expenditure	15.2	0.0		8.2	0.0	23.4
<b>2014</b>						<b>(253.9)</b>
Investment Returns						(17.8)
Harbour Surpluses (5)						(4.0)
Expenditure	15.2	0.0		8.4	0.0	23.6
<b>2015</b>						<b>(252.1)</b>
Investment Returns						(17.6)
Harbour Surpluses (5)						(4.0)
Expenditure	15.2	0.0		8.6	0.0	23.8
<b>2016</b>						<b>(250.0)</b>
<b>Notes</b>						
Gross Investment Returns (%)						7.0
Inflation Rate (%)						2.0
Real Investment Return (%) (not being achieved in 2007/08)						5.0

(1) SIC policy involves reducing the draw on Reserves to support revenue to £0 by 31 March 2012.

(2) Current best estimate for Anderson High School cost is £48 million, commencing December 2008.

(3) SIC policy is to maintain Reserves at no less than £250 million (the "Reserves Floor").

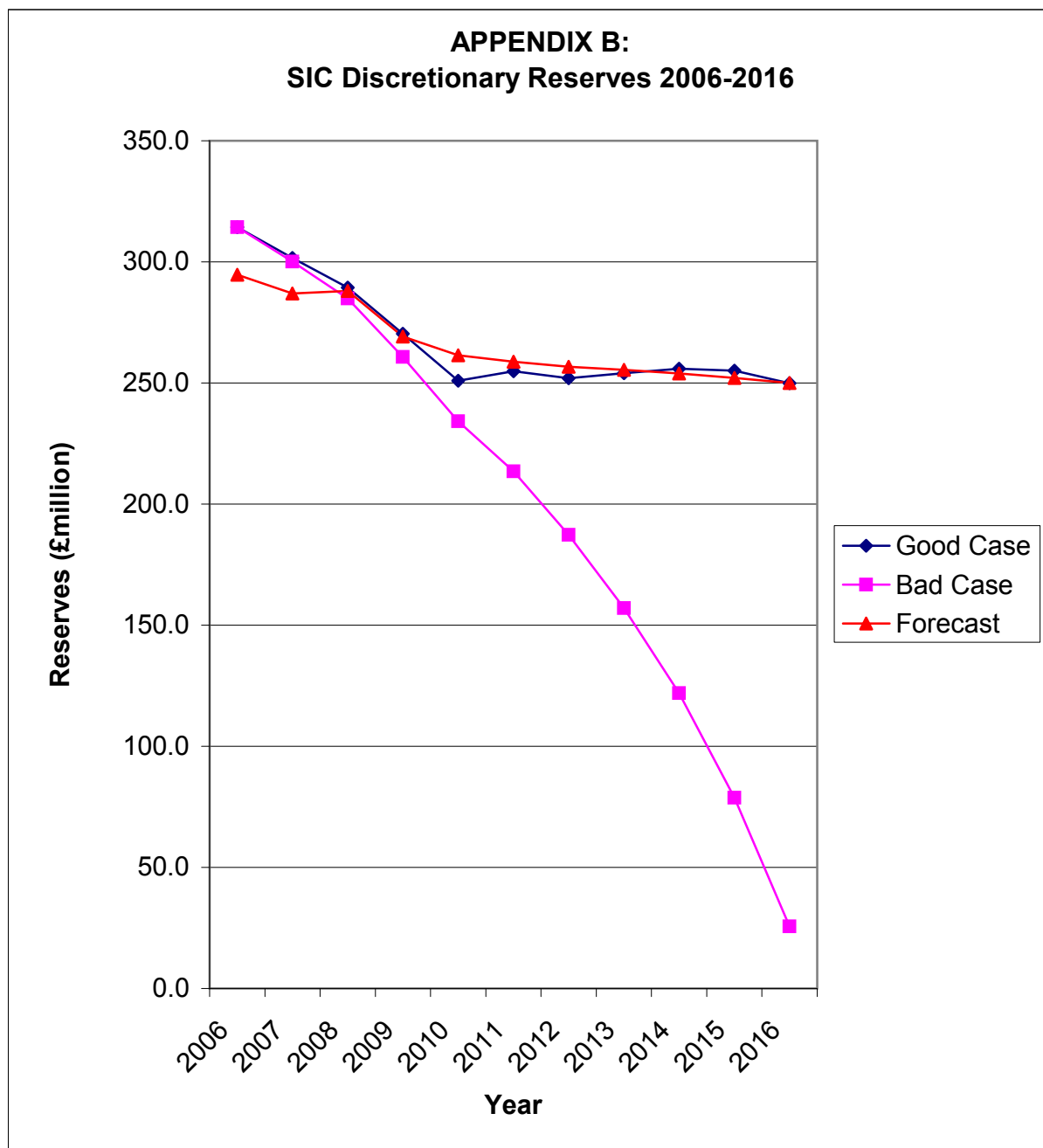
(4) SIC policy is to allocate £20 million per annum from Reserves to support the Capital Programme.

(5) Harbour surpluses are running well below the normal £8 million per annum at present (mainly due to poor traffic levels through Sullom Voe).

## Shetland Islands Council Discretionary Reserves

### **CURRENT FORECAST (values on Balance Sheet at cost)**

As at 31 March	Bad Case	Good Case	Forecast
£million	£million	£million	£million
2006	314.3	314.3	294.7
2007	300.1	301.6	287.0
2008	284.9	289.4	288.0
2009	260.7	270.3	269.2
2010	234.2	250.9	261.4
2011	213.5	254.8	258.7
2012	187.3	252.0	256.8
2013	157.0	254.0	255.5
2014	121.9	255.9	253.9
2015	78.8	255.1	252.1
2016	25.6	249.9	250.0







## **REPORT**

**To: Shetland Islands Council**

**03 December 2008**

**From: Head of Finance**  
**Executive Services Department**

**Report No: F- 034 - F**

### **Community Councils – Financial Position**

#### **1.0 Purpose**

- 1.1 The purpose of this annual report is to inform Members of the position of the 2007/08 Community Council Annual Accounts, in accordance with the grant scheme, approved in March 1999.
- 1.2 This report asks Members to note that surplus balances held by Community Councils are deducted, from the proposed 2009/10 Community Council Grant, in accordance with the current grant scheme.

#### **2.0 Links to Corporate Priorities**

- 2.1 This report links to the Council's corporate priorities, defined in its corporate plan, specifically in relation to sustainable matching of resources to community needs and priorities.

#### **3.0 Background**

- 3.1 In March 1999 a report entitled Proposed Community Council Grant Distribution, 1999/2000 & Beyond, was approved by Policy & Resources Committee (min ref 26/99). This report provided a framework of terms, conditions & accountability requirements from the Community Councils.
- 3.2 Part of the Accountability stated that Community Council Accounts should "clearly identify expenditure & income under each of the Specific Grant schemes for which funding has been advanced by the Shetland Islands Council." The accounts received for 2007/08 comply with the grant scheme.

- 3.3 A condition of the scheme is that balances of Shetland Island Council Grants (or income earned thereon) held by Community Councils as at 31 March 2008 will not be taken into account for the Grants distribution for 2008/09, but will be considered by the Shetland Islands Council when it sets its distribution for 2009/10.
- 3.4 An exception was made for Delting Community Council, who hold a reserve balance derived from oil industry which falls outwith the scope of the SIC scheme.

#### 4.0 2007/08 Community Council Accounts

- 4.1 Appendix 1 details the income, expenditure, commitments & surplus balances held by Community Councils at 31 March 2008.

#### 5.0 Proposals

- 5.1 It is proposed to deduct the surplus off the 2009/10 grants, as follows:

COMMUNITY COUNCIL	2009/10 GRANT	2007/08 SURPLUS	2009/10 REVISED GRANT
Aithsting & Sandsting	21,603		21,603
Bressay	12,185		12,185
Burra & Trondra	12,142		12,142
Delting	24,414		24,414
Dunrossness	20,114		20,114
Fetlar	6,649		6,649
Gulberwick, Quarff & Cunningsburgh	20,763		20,763
Lerwick	42,941		42,941
Nesting & Lunnasting	13,765		13,765
Northmavine	27,786		27,786
Sandness & Walls	18,426		18,426
Sandwick	16,038		16,038
Scalloway	14,130		14,130
Skerries	6,135		6,135
Tingwall, Whiteness & Weisdale	16,883		16,883
Unst	17,061	780	16,281
Whalsay	16,508		16,508
Yell	17,415		17,415
<b>Totals</b>	<b>324,958</b>	<b>780</b>	<b>324,178</b>

#### 6.0 Financial Implications

- 6.0 Surplus balance of £780, is proposed to be deducted from the 2009/10 Community Council support grant.



## **7.0 Policy and Delegated Authority**

- 7.1 The ultimate decision on approving the revenue grants lies with the Council.

## **8.0 Conclusions**

- 8.1 That £780 will be deducted from the 2009/10 grants in line with paragraph 3.1 above.

## **9.0 Recommendations**

- 9.1 I recommend that Members approve that the surplus balances, as specified in paragraph 5.1, held by Community Councils is deducted from the 2009/10 grant.

Date: 26 November 2008  
Our Ref: JKW/BR

Report No: F-034-F





## **REPORT**

**To: Shetland Islands Council**

**3 December 2008**

**From: Head of Capital Programme (CPS) and Housing Services**

**Report No: CPS-15-08-F**

**Subject: Progress Report – Capital Programme**

### **1.0 Introduction**

- 1.1 This report seeks to advise the Council on the progress of the programme with a view to establishing an overview for all projects.
- 1.2 In December 2006 the Council agreed the prioritisation of the Capital Programme (Min Ref: 195/06).
- 1.3 This report is a quarterly report for 2008/09.
- 1.4 This report also reports on slippage which has occurred within the Capital Programme and makes recommendations on allocating this slippage to other projects.

### **2.0 Links to Council Priorities**

- 2.1 The proposals within this report will link to the Council's corporate plan by enhancement of skills development and learning.
- 2.2 Section 3 of the Corporate Plan commits us to manage the Capital Programme in line with available funds.
- 2.3 As part of the Council's commitment to sustainability within the Corporate Improvement Plan we have undertaken to define our priorities so we can sustain the services we want to provide and help develop our economy.

### 3.0 Background

- 3.1 In response to recommendations from the Audit and Scrutiny Committee the tables have been broken down by service area. We have also added programme progress and enhanced data within the comments within each project. However this is very much dependant on information provided to Capital Programme Services. In cases where such information is not forthcoming this is highlighted in the appendices.
- 3.2 The management and control of the Capital programme will help to keep expenditure within sustainable limits. Continuation with recommendations would reinforce the best value message and contribute to the change in culture needed to control expenditure.

### 4.0 Slippage

- 4.1 A total of £2,186,000 slippage has been identified as follows:

• GCL4402 Mareel – Cinema and Music Venue (slippage due to awaiting decision on ERDF funding and negotiating with preferred contractor)	£900,000
• GCE1315 New Mid Yell School (tenders returned, awaiting evaluation, reduced expenditure anticipated in 2008/09)	£1,000,000
• GCY5132 Esplanade Toilets (programme indicates slippage into 2009/10)	£100,000
• GCB6002 Town Hall Steps (Project completed with no problems)	£6,000
• GCJ3001 Water Based facilities (Final grant claims from projects will happen in 2009/10, see Appendix E, Sport and Leisure Service Progress Report)	£30,000
• GCJ3006 Capital Grants General (Grant claims from projects will happen in 2009/10, see Appendix E, Sports and Leisure Services Progress Report)	£125,000
• GCY6121 B9081 Mid Yell Link to A968 (Increased scope of project reports to be submitted by Roads Service but works unable to proceed as planned this year)	£25,000
<b>Total Slippage identified</b>	<b>£2,186,000</b>

Further slippage within the Environment Service (including Burial Grounds Rolling Programme) is anticipated and will be reported to the next Council meeting.

- 4.2 It is proposed to allocate this slippage in order of current priority, see Appendix A.

#### Rolling Programmes

- GCA1006 Care Homes Rolling Programme  
(remainder of top up budget from 72% to 100% funding SIC18/08) £68,168
- GCY9208 Roads Rolling Air Service  
(to top up budgets from 72% to 100% funding SIC18/08) £2,746
- GCY9207 Roads Rolling Accident Investigation and Prevention  
(to top up budgets from 72% to 100% funding SIC18/08) £10,986
- GCB6004 Disability Discrimination Act Works  
(to top up budgets from 72% to 100% funding SIC18/08) £46,689
- GCY7601 Ferries Capital Rolling Programme  
(to top up budgets from 72% to 100% funding SIC18/08) £49,436
- GCX4312 Schools ICT Equipment  
(to top up budgets from 72% to 100% funding SIC18/08) £62,069
- GCH3120 Housing Temporary Accom (Homelessness)  
(to top up budgets from 72% to 100% funding SIC18/08) £6,366
- GCY9211 Roads Rolling Roads Drainage Improvements  
(to top up budgets from 72% to 100% funding SIC18/08 ) £10,986
- GCY9202 Roads Rolling Bridge Replacements  
(to top up budgets from 72% to 100% funding SIC18/08) £68,661
- GCY9210 Roads Rolling Road Reconstruction  
(to top up budgets from 72% to 100% funding SIC18/08) £64,541
- GCY9204 Roads Rolling Streetlighting Replacement  
(to top up budgets from 72% to 100% funding SIC18/08) £38,450
- GCX4300 PC and LAN replacement  
(to top up budgets from 72% to 100% funding SIC18/08) £64,816
- GCY9212 Roads Rolling Crash Barrier Replacement  
(to top up budgets from 72% to 100% funding SIC18/08) £68,671
- GCX4319 Photocopier Replacement  
(to top up budgets from 72% to 100% funding SIC18/08) £19,225

• GCJ3102 Housing Chalet Accommodation (to top up budgets from 72% to 100% funding SIC18/08)	£3,945
• GCY9209 Roads Rolling Minor Works and Purchases Bus Service (to top up budgets from 72% to 100% funding SIC18/08)	£10,986
• GCY9201 Roads Rolling Development Related (to top up budgets from 72% to 100% funding SIC18/08)	£13,732
• GCY9206 Roads Rolling Traffic Management (to top up budgets from 72% to 100% funding SIC18/08)	£13,732
• GCY9200 Roads Rolling Minor Works and Purchases (to top up budgets from 72% to 100% funding SIC18/08)	£13,732
• GCY9203 Roads Rolling Footways (to top up budgets from 72% to 100% funding SIC18/08)	£27,464
• GCY9254 Vehicle and Plant Replacement Programme (to top up budgets from 72% to 100% funding SIC18/08)	£274,643
• GCH3100 Housing Staff Accommodation (to top up budgets from 72% to 100% funding SIC18/08)	£3,620
• PCM2101 Ports and Harbours Plant and Equipment (to top up budgets from 72% to 100% funding SIC18/08)	£44,225
<b>Total slippage allocated</b>	<b>£987,889</b>

The following projects were identified for top up funding but this is no longer required:

- GCJ3003 Refurbishment of Play Areas  
(to top up budgets from 72% to 100% funding SIC18/08) £68,087  
This will however be a commitment for the 2009/10 financial year,  
see Appendix E, Sports and Leisure Services Progress Report
- GCJ3006 Community Organisation Grants  
(to top up budgets from 72% to 100% funding SIC18/08) £102,991  
This will however be a commitment for the 2009/10 financial year,  
see Appendix E, Sports and Leisure Services Progress Report
- GCB6001 Copper Pipework Replacement  
(to top up budgets from 72% to 100% funding SIC18/08) £54,929  
This work is in schools and it will not be possible to carry out  
work outwith school holidays and due to staffing constraints.  
This will however be a requirement for future financial years.

- 4.3 As the process of prioritising the Capital Programme for future years is ongoing it is not proposed to bring forward new projects onto the Capital Programme at this time. Ongoing projects will already have commitments into future years. These commitments will have to be incorporated in the 2009/10 Capital Programme before new projects are included. Allocating slippage to top up Rolling Programmes as identified in paragraph 4.2 leaves the sum of £1,198,111 unallocated to be used as directed by the Council into the future.
- 4.4 Details of projects covering Building Maintenance Capital Projects and Major Road Improvement Projects are the subject of separate reports following directly on the agenda of this report. These reports request additional funding to cover overspends and new projects.
- 4.5 The Housing Service is to relocate to the North Ness building currently occupied by Development at the end of this year. The building meets the needs of the Housing Service with the exception of the existing conference room. There is no suitable accommodation to meet with individual housing clients and it is proposed to convert the existing conference room into 3 smaller meeting rooms. This work is being kept to a minimum and the existing glazed screen will remain, the works will cost under £15,000. As there is currently no budget provision for office accommodation within the Capital Programme it is proposed that the cost of alterations for the Housing Department is charged to the existing contingency & final accounts budget which can accommodate this charge.
- 4.6 Appendix B gives a summary of the Council's funded Capital Projects in priority order.
- 4.7 Appendix C lists the Council's unfunded Capital Projects (based on previous submissions to CPRT) in priority order.
- 4.8 Appendix D shows project expenditure and progress by service area as requested by the Audit and Scrutiny Committee. Please note that comments refer to the budget position in period 6 but the costs shown are period 7. This is due to timing in the availability of the latest figures.

## **5.0 Proposal**

- 5.1 It is proposed that Members:
- 5.1.1 Note the progress of the current committed projects;
  - 5.1.2 Approve the allocation of slippage and;
  - 5.1.3 Approve funding of the alterations works for the Housing Service from the Contingencies and Final Accounts budget.

## **6.0 Financial Implications**

- 6.1 There are no direct financial implications arising from this report at this stage.

## **7.0 Policy and Delegated Authority**

- 7.1 Decisions relating to approval or variation to the Council's Capital Programme requires approval of the Council (Section 8.0 – Scheme of Delegations).

## **8.0 Conclusion**

- 8.1 The ongoing prioritisation of the existing capital projects will greatly assist with the planning and programming of these works. This should then lead to more economic delivery taking into account the resources available and the prevailing market conditions. The programming will also help local contractors and suppliers to plan their business and training requirements to meet the Council's planned objectives.

## **9.0 Recommendations**

- 9.1 It is recommended that the Council:
- 9.1.1 Note the progress of the current committed projects;
  - 9.1.2 Approve the allocation of slippage and;
  - 9.1.3 Approve funding of the alterations works for the Housing Service from the Contingencies and Final Accounts budget.

Our Ref: CPS-15-08-F

Date: 26 November 2008

Enclosed:

- Appendix A Summary of Budget Adjustments
- Appendix B Prioritised Projects with Funding Allocations
- Appendix C Prioritised Projects which are Unfunded
- Appendix D Capital Programme Progress Report
- Appendix E Progress Report Sport and Leisure Services Projects



## CPS-15-08 Budget Adjustments

08/09 Budgets			
Project	Additional Budget Required £	Reduction to Budget £	Overall Total Budget Amendments £
<b>CPS-15-08 Budget Slippage</b>			
Cinema Music Venue GCL4402		(£900,000)	(£900,000)
Mid Yell GCE1315		(£1,000,000)	(£1,000,000)
Replace Esplanade Toilets GCY5132		(£100,000)	(£100,000)
Water Based Facilities (Marinas) GCJ3001		(£30,000)	(£30,000)
Town Hall Steps GCB6002		(£6,000)	(£6,000)
Community Organisation Grants GCJ3006		(£125,000)	(£125,000)
B9081 Mid Yell Link to A968 GCY6121		(£25,000)	(£25,000)
		-	£0
		-	£0
<b>CPS-15-08 Budget Adjustment (Top Up)</b>			
Care Home Rolling Programme GCA0106	£68,168	-	£68,168
Roads Air Service GCY9208	£2,746	-	£2,746
Roads Accident Investigation & Prevention GCY9207	£10,986	-	£10,986
Disability Discrimination Act Works GCB6004	£46,689	-	£46,689
Ferries Rolling Programme GCY7601	£49,436	-	£49,436
Schools ICT Equipment GCX4312	£62,069	-	£62,069
Housing Temporary Accommodation GCH3120	£6,366	-	£6,366
Roads Drainage Improvements GCY9211	£10,986	-	£10,986
Roads Bridge Replacements GCY9202	£68,661	-	£68,661
Roads Road Reconstruction GCY9210	£64,541	-	£64,541
Roads Street Lighting Replacement GCY9204	£38,450	-	£38,450
PC & LAN Replacement GCX4300	£64,816	-	£64,816
Roads Rolling Crash Barrier GCY9212	£68,671	-	£68,671
LV/MV Photocopier Replacement GCX4319	£19,225	-	£19,225
Housing Chalet Accommodation GCH3102	£3,945	-	£3,945
Roads Minor Works & Purchases GCY9209	£10,986	-	£10,986
Roads Development Related GCY9201	£13,732	-	£13,732
Roads Traffic Management GCY9206	£13,732	-	£13,732
Roads Minor Works & Purchases GCY9200	£13,732	-	£13,732
Roads Footways GCY9203	£27,464	-	£27,464
Vehicle & Plant Replacement Programme GCY7254	£274,643	-	£274,643
Housing Staff Accommodation GCH3100	£3,620	-	£3,620
Ports & Harbours Plant & Equipment PCM2101	£44,225	-	£44,225
		-	£0
		-	£0
		-	£0
		-	£0
		-	£0
<b>Totals</b>	<b>£987,889</b>	<b>(2,186,000)</b>	<b>(£1,198,111)</b>



	Approved Capital Programme
	Approved Capital Programme (Rolling Programme)
	Budget Adjustments CPS-15-08

**Summary of Capital Projects Prioritisation - CPS-15-08**  
**Projects in Order of Priority**

Priority Order	Project Cost Centre	General Fund Project	Existing Budget Allocation	CPS-15-08 Adjustments	Revised Budget Allocation	Balance still Required from 08/09 Slippage
ongoing	GCK2000	Feasibility Studies	400,000		400,000	
ongoing	GCL4403	Lerwick Library Design Works	80,000		80,000	
ongoing	GCL4402	Cinema and Music Venue	1,900,000	(900,000)	1,000,000	
ongoing	GCE1304	AHS - ECI	1,400,000		1,400,000	
ongoing	GCE1315	Mid Yell JHS	2,000,000	(1,000,000)	1,000,000	
ongoing	GCE3402	Sandwick - ASN	500,000		500,000	
ongoing	GCE1240	Bells Brae Alterations	100,000		100,000	
ongoing	GCA0231	Care Homes Fire Upgrade	80,000		80,000	
ongoing	GCY5132	Replacement Esplanade Toilets	402,000	(100,000)	302,000	
ongoing	GCY5133	Rova Head Reinstatement	1,900,000		1,900,000	
ongoing	GCY6106	A971 Haggersta to Cova	100,000		100,000	
ongoing	GCY6120	A970 Oversund Junction	305,500		305,500	
ongoing	GCY6123	Gilbertson Road Reconstruction	10,000		10,000	
ongoing	GCY6201	Bressay Link	250,000		250,000	
ongoing	RCM2314	Uyeasound Pier	2,500,000		2,500,000	
ongoing	G CJ3001	Water Based Facilities (Marinas)	475,000	(30,000)	445,000	
ongoing	G CX4311	SSIS Upgrade	94,500		94,500	
ongoing	G CX4315	IP Phones	150,000		150,000	
ongoing	G CJ3006	Community Organisation Grants	73,000		73,000	
ongoing	G CE1170	Cunningsburgh Nursery	20,000		20,000	
ongoing	GCY6116	B9074 Trondra Phase 2	11,000		11,000	
ongoing	GCY6121	B9081 Mid Yell (Hillend Section)	215,000	(25,000)	190,000	
ongoing	G CJ3002	Knab Dyke	271,079		271,079	
ongoing	GCY7552	Bluemull STAG for Ferries Terminals	75,000		75,000	
ongoing	GCY7508	FS Ext Links OD Survey	25,000		25,000	
ongoing	G CX4321	Risk Management	17,000		17,000	
ongoing	GCY9006	Energy Conservation	14,000		14,000	
ongoing	GCY9016	Public Toilets Rolling Programme	59,500		59,500	
ongoing	GCY9010	Conservation Grant Programme	20,000		20,000	
24	G CX4323	Shetland Public Sector Network	285,000		285,000	
n/a	G CX4328	CHRIS 5 (part funding)	10,000		10,000	
26	GCY5129	Energy Recovery Plant	110,000		110,000	
29	GCY6401	Scord Quarry Fixed Plant Replacement	215,000		215,000	
35	GCY7626	Urgent Repairs to Ferry Terminals	290,000		290,000	
*	PCM2104	Ports & Harbours Nav Aids	70,000		70,000	
*	RCM2208	Scalloway Dredging	8,500		8,500	
*	RCM2309	Peerie Dock, Symbister	32,000		32,000	
n/a	G CK2002	Contingency and Final Accounts	220,000		220,000	
n/a	G CB6002	Town Hall Steps	25,000	(6,000)	19,000	
29	G CB6006	Ness of Sound Farm Byre Roof	38,000		38,000	
n/a	GCY7551	Whalsay Link	250,000		250,000	
2	GCY5137	Gremista Landfill Phase 2 (Design)	125,000		125,000	
1	GCY****	Burial Ground Rolling Programme	924,638		924,638	
6	G CA****	Social Care Rolling Programme	1,129,832	68,168	1,198,000	0
7	GCY9208	Roads Rolling Air Service	7,254	2,746	10,000	0
8	GCY9207	Roads Rolling Accident Investigation & Prevention	29,014	10,986	40,000	0
9	G CJ3003	Refurbishment of Play Areas	179,163	0	179,163	**
10	G CB6004	Disability Discrimination Act Works	123,311	46,689	170,000	0
11	GCY7601	Ferries Capital Rolling Programme	130,564	49,436	180,000	0
12	G CX4312	Schools ICT Equipment	163,931	62,069	226,000	0
13	G CH3120	Housing Temporary Accom (Homelessness)	16,025	6,366	22,391	0
14	GCY9211	Roads Rolling Roads Drainage Improvements	29,014	10,986	40,000	0

Priority Order	Project Cost Centre	General Fund Project	Existing Budget Allocation	CPS-15-08 Adjustments	Revised Budget Allocation	Balance still Required from 08/09 Slippage
15	GCY9202	Roads Rolling Bridge Replacements	181,339	68,661	250,000	0
16	GCY9210	Roads Rolling Road Reconstruction	90,459	64,541	155,000	0
17	GCY9204	Roads Rolling Streetlighting Replacement	101,550	38,450	140,000	0
18	GCX4300	PC & LAN replacement	171,184	64,816	236,000	0
19	GCY9212	Roads Rolling Crash Barrier Replacement	161,329	68,671	230,000	0
21	GCI3006	Community Organisation Grants	272,009	(125,000)	147,009	**
22	GCE1500	Education Capital Maintenance	851,818		851,818	0
23	GCX4319	LV/MV Photocopiers	50,775	19,225	70,000	0
25	GCH3102	Housing Chalet Accommodation	12,175	3,945	16,120	0
27	GCB6001	Copper Pipework Replacement	145,071	0	145,071	**
30	GCY9209	Roads Rolling Minor Works & Purchases Bus Service	29,014	10,986	40,000	0
32	GCY9201	Roads Rolling Development Related	36,268	13,732	50,000	0
38	GCY9206	Roads Rolling Traffic Management	36,268	13,732	50,000	0
42	GCY9200	Roads Rolling Minor Works & Purchases	36,268	13,732	50,000	0
44	GCY9203	Roads Rolling Footways	72,536	27,464	100,000	0
47	GCV7254	Vehicle & Plant Replacement Programme	725,357	274,643	1,000,000	0
52	GCH3100	Housing Staff Accommodation	10,969	3,620	14,589	0
*	PCM2101	Ports & Harbours Plant & Equipment	75,775	44,225	120,000	0
<b>OVERALL CAPITAL PROGRAMME TOTALS</b>			<b>20,918,989</b>	<b>(1,198,111)</b>	<b>19,720,878</b>	<b>0</b>

\* Inserted by Harbour Board not prioritised by CPRT

\*\* £171,078 Sport & Leisure - Play Areas/Community Grants (top-ups) no longer required this year

\*\* £54,929 Copper Pipework Replacement (top-up) no longer required this year

#### Capital Budgets created through Revenue Savings / Scottish Exec Funding

n/a	GCE1461	Education MIS	100,000
n/a	GCK2002	CCTV Lerwick	239,029
n/a	GCY9203	Cycling / Walking Safer Streets	40,000
n/a	GCX4319	LV/MV Photocopiers	2,500
n/a	GCX4328	CHRIS 5 (part funding)	65,800
			<b>447,329</b>

#### Ring Fenced Housing Expenditure 2008/09

Priority Order	Project Cost Centre	Project	Existing Budget Allocation
n/a	HCH3303	Land/Property Acquisition	1,739,190
n/a	HCH3403	Environmental Improvements	232,000
n/a	HCH3512	Community Care Projects	100,000
n/a	HCH3525	Feasibility Studies HRA	25,000
n/a	HCH3526	Opportunity Conversion	123,000
n/a	HCH3700	Tenants Rights Compensation	5,000
n/a	HCH3706	Heating Replacement Programme	150,000
n/a	HCH3708	External Re-Render Programme	393,000
n/a	HCH3709	Landward Crudens	115,000
n/a	HCH3710	Lerwick Crudens	923,000
n/a	HCH3711	Housing Quality Standard	380,000
<b>Total HRA Capital Requirement</b>			<b>4,185,190</b>

#### Capital Expenditure not funded by the Capital Programme to be met by the Harbour Account in the form of debt charges 2008/09

Priority Order	Project Cost Centre	Project	Existing Budget Allocation
n/a	RCM2313	Sellanes Tugs	2,561,600
<b>Total</b>			<b>2,561,600</b>

# UNFUNDED CAPITAL PROGRAMME REQUESTS 2008/09

## Prioritised Projects Awaiting Funding - Future Years

Summary of known (CPRT) Capital Projects Awaiting Funding as at 31/10/09

Projects in Order of Priority

New Projects in Order of Priority (Awaiting Funding)

Priority Order	Project Cost Centre	Project	Funding Required	External Funding
2	GCY5137	Gremista Landfill Phase 2 (Reprioritised)	3,855,000	
3	GCY6126	Breiwick Road, Sea Wall	281,250	
4	GCA0233	Joint Occupational Therapy Resource Centre	2,600,000	
5	GCY----	Burial Ground Lund Kirk (New project)	65,000	
21	GCG0232	Leog House Replacement	300,000	
32	GCY----	Dredging South Mouth Skerries Harbour	185,000	
34	GCY9006	Energy Conservation	69,000	
35	GCY6403	Replacement Workshop Mid Yell	155,000	
37	GCY----	Fetlar Breakwater & Small Craft	2,070,000	900,000
38	GCL----	Baltasound Library	143,000	
40	GCY9016	Public Toilets Rolling Programme	100,000	
41	G CJ3001	Water Based Facilities	500,000	
42	GCB6002	Fire Station Offices for Transport	500,000	
45	GCB6006	Ness of Sound Farm Dykes	12,000	
46	GCY5501	Recladding Gremista Workshop	415,000	
48	GCY6122	Papa Stour Road	400,000	
49	GCY6118	Germatwatt Footways, Walls	800,000	
50	RCM----	Walls Pier	3,150,000	
51	GCY----	A970 Scord to School Scalloway	35,000	
53	GCE----	Happyhansel School Accommodation	600,000	
54	GCE----	Scalloway JHS - Science Block	290,000	
55	GCY----	Murrister Replacement Building	150,000	
56	GCY6125	A9071 Bixter to Aith	1,670,000	
57	GCY9010	Conservation Grant Programme	70,000	
58	GCB6002	Lystina House & Town Hall Stonework	385,000	
59	RCM2311	Sellaness Pier	5,400,000	
60	GCY----	Burial Grounds/ Ancient Monuments	398,000	
61	GCE----	AHS - Hostel	9,791,000	
62	GCB6002	Town Hall Works (Internal)	352,000	
63	GCY----	Bridge Inspection Walkways	155,000	
<b>Total Future Capital Requirement</b>			<b>34,896,250</b>	<b>900,000</b>



Revised budget		Code	Project	YTD Actual	Contractual estimate	Estimated outturn	Programme Progress	Project Review Comments	Contractors Performance	Comments	Action
Economic Development											
0.00		GCD1570	Wind Farm Development	187,321.00	?	?	No Report			To be transferred to Charitable Trust	
0.00				187,321.00							

Revised budget	Code	Project	YTD Actual	Contractual estimate	Estimated outturn	Programme Progress	Project Review Comments	Contractors Performance	Comments	Action
<b>ICT Projects</b>										
171,184.00	GCX4300	PC/Lan Upgrade	143,983.00	115,423.00	171,184.00			N/A		
94,500.00	GCX4311	SSIS Upgrade	1,610.00	11,880.00	94,500.00			N/A		
163,931.00	GCX4312	Computers for Schools	137,794.00	105,440.00	163,931.00			N/A		
150,000.00	GCX4315	IP Phones	313.00	2,313.00	150,000.00			N/A		
53,275.00	GCX4319	LV/MV Photocopiers	37,321.00	6,495.00	53,275.00			N/A		
17,000.00	GCX4321	Risk Management System	1,637.00	1,637.00	17,000.00			N/A		
285,000.00	GCX4323	Shetland Public Sector Network	111,413.00	17,439.00	285,000.00			N/A		
75,800.00	GCX4328	Chris 5	66,617.00	75,800.00	75,800.00		On Traget	N/A	Anticipate complete Jan 09	
<b>1,010,690.00</b>			<b>500,688.00</b>							

Revised budget	Code	Project	YTD Actual	Contractual estimate	Estimated outturn	Programme Progress	Project Review Comments	Contractors Performance	Comments	Action
<b>Legal &amp; Administration Rolling Programme</b>										
145,071.00	GCB6001	Copper Pipework Replacement	74,771.00	145,071.00	145,071.00					
25,000.00	GCB6002	Town Hall Steps	161.00	25,000.00	19,000.00	Complete	6K offered as slippage	Excellent	Project complete and under budget	
123,311.00	GCB6004	DDA Access Audit Construction	34,662.00	123,311.00	123,311.00					
38,000.00	GCB6006	Ness of Sound Farm	15,000.00	38,000.00	38,000.00					
<b>331,382.00</b>			<b>124,594.00</b>							

Revised budget	Code	Project	YTD Actual	Contractual estimate	Estimated outturn	Programme Progress	Project Review Comments	Contractors Performance	Comments	Action
<b>Housing Projects</b>										
10,969.00	GCH3100	Staff Accommodation	1,049.00	10,969.00	10,969.00					
12,175.00	GCH3102	Chalets	672.00	12,175.00	12,175.00					
16,025.00	GCH3120	Homelessness Housing	9,847.00	16,026.00	16,025.00					
<b>39,169.00</b>			<b>11,568.00</b>							

Revised budget	Code	Project	YTD Actual	Contractual estimate	Estimated outturn	Programme Progress	Project Review Comments	Contractors Performance	Comments	Action
<b>Housing &amp; Capital Programme Services Rolling Programmes</b>										
400,000.00	GCK2000	Feasibility Studies: Overall	9,259.00	475,000.00	400,000.00		Various projects progressing	N/A	Over subscribed in funding requests, but some studies unlikely to go ahead this year	
239,029.00	GCK2001	CCTV System Lerwick	72,890.00	239,029.00	239,029.00	Work in progress	Pre-site meeting has been held and project to start on site soon.	N/A	Scottish Executive funding c/f from 07/08	
220,000.00	GCK2002	Contingency & Final Accounts	4,051.00	20,038.00	220,000.00		Not yet allocated		Budget held to cover unforeseen events	
<b>859,029.00</b>			<b>86,200.00</b>							



CAPITAL PROGRAMME - PROGRESS REPORT GENERAL FUND  
EDUCATION & SOCIAL CARE SERVICES

Revised budget	Code	Project	YTD Actual	Contractual estimate	Estimated outturn	Programme Progress	Project Review Comments	Contractors Performance	Comments	Action
<b>Sports &amp; Leisure - Grants &amp; Rolling Programme</b>										
345,009.00	GCJ3006	Grants Rolling Programme	50,192.00	345,009.00	220,009.00		Anticipate full commitment but 125K c/f to 09/10	N/A	Various applications being processed	Council to allocate slippage
475,000.00	GCJ3001	Water Based Facilities	375,428.00	475,000.00	445,000.00		Anticipate full commitment but 30K c/f to 09/10	N/A	Marinas committed, but unable to claim full grants by year end	Council to allocate slippage
271,079.00	GCJ3002	Dyke Repairs	97,284.00	271,009.00	271,079.00	75% complete	On site	Excellent	Knab Dyke on site	Sport & Leisure to advise of any slippage
179,163.00	GCJ3003	Play Areas	106,065.00	179,163.00	179,163.00	On target	On time and on budget		Late retention payment received	Late retention payment to be passed to CPS
1,900,000.00	GCL4402	Cinema/Music Venue	387,840.00	1,000,000.00	1,000,000.00	Design programme on target	Tenders received and preferred contractor identified. Project awating ERDF Grant decision and negotiations with contractor	N/A	Project to be transferred to Shetland Arts at acceptance of Tender.	Council to allocate slippage
80,000.00	GCL4403	Lerwick Library Design Phase	0.00		80,000.00	Design	Design Ongoing	N/A	Min Ref 87/07. Design phase only, brief has been developed and design proposals ongoing in 08/09.	Requires approval and prioritisation for construction phase in future years - anticipate 2.4M.
3,250,251.00			1,016,809.00							

Revised budget	Code	Project	YTD Actual	Contractual estimate	Estimated outturn	Programme Progress	Project Review Comments	Contractors Performance	Comments	Action
<b>Education Projects</b>										
20,000.00	GCE1170	Cunningsburgh Nursery	0.00	20,000.00	20,000.00	Complete	Final A/C to be processed	Progress slow, L&A damages applied	Project complete and in defects liability period	
100,000.00	GCE1240	Bells Brae Alterations	0.00	100,000.00	100,000.00	On target	Scope reviewed to meet budget constraints		On site	
1,400,000.00	GCE1304	Anderson High School Replacement	664,103.00	1,400,000.00	1,400,000.00		Now in early contractor involvement ongoing		Design brief being re-developed with reduced area.	
2,000,000.00	GCE1315	Mid Yell J.H.S.	380,465.00			Design Stage	Tenders returned, awaiting evaluation		Enabling project (site works ) on site. Main contract tenders returned and awating evaluation.	
100,000.00	GCE1461	Education MIS Replacement	3,841.00		100,000.00				100% funding from revenue savings	
851,818.00	GCE1500	Maintenance School Buildings	867,281.00						Project over budget	Building Services/ Education to report
0.00	GCE1512	Re-roofing	(8,000.00)		0.00		Final A/C to be processed		06/07 Accrual (Final account)	
0.00	GCE3401	AHS ASN	(3,000.00)		0.00		Final A/C to be processed		06/07 Accrual (Final account)	
500,000.00	GCE3402	Sandwick JHS Add Support Needs	234,632.00	500,000.00	500,000.00	on programme	Cost reduction exercise reduced tender cost, to be complete Dec 08		On programme Jan 08 completion - possible minor c/f to 09/10	Check for slippage re snagging etc
4,971,818.00			2,139,322.00							

Revised budget	Code	Project	YTD Actual	Contractual estimate	Estimated outturn	Programme Progress	Project Review Comments	Contractors Performance	Comments	Action
<b>Social Care Projects &amp; Rolling Programme</b>										
1,931.00	GCA0120	Special Studies	0.00		1,931.00	Recharge	N/A Internal recharge	N/A	YE Recharge	
85,882.00	GCA1000	Special Aids Stock Items	44,838.00	15,185.00	81,000.00		On target	N/A	On target	
251,640.00	GCA1001	Specialist Aids	77,455.00	18,274.00	236,090.00		On target	N/A	On target	
42,361.00	GCA1003	Minor Adaptions	17,732.00	6,379.00	40,279.00		On target	N/A	On target	
207,611.00	GCA1004	Major Adaptions	37,919.00	13,799.00	191,681.00		On target	N/A	On target	
132,273.00	GCA1005	Housing Renovations	50,875.00	61,000.00	123,763.00		On target	N/A	On target	
22,248.00	GCA1006	Professional Fees	5,933.00	0.00	20,817.00		On target	N/A	On target	
41,604.00	GCA1007	Specialist Aids Refurbishment	17,523.00	2,815.00	39,571.00		On target	N/A	On target	
24,005.00	GCA0100	Inspection, Health & Safety	4,883.00	0.00	24,005.00		On target		On target	
37,959.00	GCA0101	Building Fabric	8,641.00	0.00	37,959.00		Small projects including floor finishes, room refurbishments, toilet and fire upgrades. Please note budgets can be moved around within rolling programme headings.		On target	
34,959.00	GCA0102	Electrical Sys Upgrade	718.00	0.00	34,959.00				On target	
14,959.00	GCA0103	Mechanical Sys Upgrade	6,191.00	0.00	14,959.00				On target	
1,959.00	GCA0104	Plant Equip Replacements	8,440.00	9,000.00	20,000.00				On target	
20,005.00	GCA0105	Safety Surfaces	10,375.00	0.00	20,005.00				On target	
210,436.00	GCA0106	Care Homes Rolling Programme	0.00	0.00					Social Work to advise on proposals	

Social Care Projects										
0.00	GCA0221	Kantersted Respite Unit	(86,436.00)	96,000.00	0.00	Complete	Final A/C passed to contractor	Final account to be agreed. Some outstanding M&E issues to be resolved as a defect.	06/07 Accrual	
80,000.00	GCA0231	Care Homes Fire Upgrade	43,936.00	0.00	80,000.00		Fees paid and Leog on site 33K+		Possible recharge of fees to CT	Check spilt of CT/SIC Properties
1,209,832.00			249,023.00							

CAPITAL PROGRAMME - PROGRESS REPORT GENERAL FUND  
INFRASTRUCTURE SERVICES

Revised budget	Code	Project	YTD Actual	Contractual estimate	Estimated outturn	Programme Progress	Project Review Comments	Contractors Performance	Comments	Action
Environment - General Rolling Programme										
14,000.00	GCY9006	Energy Conservation	15,216.00	14,000.00	14,000.00	Complete	Balance c/f 07/08		Overspend to transferred out	BRO to authorise transfer of overspend to revenue
59,500.00	GCY9016	Public Toilet Rolling Programme	15,763.00	59,500.00	59,500.00	Committed	Balance c/f 07/08			
73,500.00			30,979.00							

Revised budget	Code	Project	YTD Actual	Contractual estimate	Estimated outturn	Programme Progress	Project Review Comments	Contractors Performance	Comments	Action
Environmental Projects										
9,127.00	GCY5114	South Whiteness Burial Ground	10,971.00		26,121.00	Majority of work complete, some snagging work to be carried out				BRO anticipates significant underspend, but actual slippage will be reported next cycle
0.00	GCY5120	Dunrossness Burial Ground	34,794.00		37,794.00	Retention payment				
280,791.00	GCY5121	Fetlar Burial Ground	1,890.00		36,890.00	Awaiting land purchase, unlikely to start this year				
	GCY5122	Bigton Burial Ground	6,218.00		12,611.00	Retention payment				
4,405.00	GCY5123	Lund Burial Ground	1,696.00		17,807.00	Work complete				
366,374.00	GCY5124	Bixter Burial Ground	1,456.00		13,456.00	Awaiting land purchase, unlikely to start this year				
232,619.00	GCY5125	Voe Burial Ground	5,081.00		10,601.00	Awaiting land purchase, unlikely to start this year				
23,981.00	GCY5126	Muckle Roe Burial Ground	25,437.00		62,970.00	Increase in Engineering Design and road access land purchase				
7,341.00	GCY5127	Skerries Burial Ground	7,595.00		14,831.00	Design on schedule				
110,000.00	GCY5129	Energy Recovery Plant Update Works	26,997.00		110,000.00	Work in progress				BRO anticipates underspend, but actual slippage will be reported next cycle
402,000.00	GCY5132	Esplanade Toilets	27,807.00		402,000.00	Project Slipped	100K to 09/10		50% with LPA	Slippage identified. Commitment into 2009/10
1,900,000.00	GCY5133	Rova Head Reinstatement	1,166,386.00		1,900,000.00	Work complete, awaiting final charges	Project ongoing & on schedule in time and cost.			BRO anticipates underspend, but actual slippage will be reported next cycle
125,000.00	GCY5137	Gremista Landfill Phase 2	597.00		125,000.00	Work in progress	Design fees only this financial year. Consultants appointed.			
0.00	GCY5400	Local Air Quality Management	2,317.00		0.00	No report	Miscode ?			BRO to transfer expenditure or request funding from council
0.00	GCY5501	Recladding Gremista Workshop	2,976.00		0.00	No report	Miscode ?			BRO to transfer expenditure or request funding from council
3,461,638.00			1,322,218.00							

Revised budget	Code	Project	YTD Actual	Contractual estimate	Estimated outturn	Programme Progress	Project Review Comments	Contractors Performance	Comments	Action
Roads Rolling Programme										
35,377.00	GCY9200	Minor Works, Roads	51,146.00		35,377.00	No detailed report, but BRO advises that the rolling programme will be spent in full this year. Please note budgets can be moved within rolling programme headings.				BRO to advise of updated split between codes.
36,268.00	GCY9201	Development Related Roads	0.00		36,268.00					
181,339.00	GCY9202	Bridge Replacements	1,408.00		181,339.00					
112,536.00	GCY9203	Footways	97,964.00		112,536.00					
101,550.00	GCY9204	Street Lighting Replacements	10,097.00		101,550.00					
39,776.00	GCY9206	Traffic Management	13,290.00		39,776.00					
29,014.00	GCY9207	AIP	45,008.00		29,014.00					
7,254.00	GCY9208	Minor - Airstrips	0.00		7,254.00					
36,268.00	GCY9209	Minor Works & Purchases, Bus Services	5,458.00		36,268.00					
90,459.00	GCY9210	Road Reconstruction	87,376.00		90,459.00					
29,014.00	GCY9211	Drainage Improvements	0.00		29,014.00					
151,458.00	GCY9212	Crash Barrier Replacement	0.00		151,458.00					
850,313.00			311,747.00							

Revised budget	Code	Project	YTD Actual	Contractual estimate	Estimated outturn	Programme Progress	Project Review Comments	Contractors Performance	Comments	Action
Roads Projects										
0.00	GCY6103	Commercial St Reconstruction	31,971.00		0.00	Incorrect coding - to be transferred out				BRO to journal costs to correct code
100,000.00	GCY6106	Haggersta A971	1,448.00		100,000.00	BRO advises this is behind schedule - savings to be identified later				BRO to advise on savings this year

11,000.00	GCY6116	B9074 Trondra Phase 2	12,203.00		12,203.00	Overspent				BRO to report direct to council requesting funding
0.00	GCY6118	Germatwatt Footways	3,400.00			Incorrect coding - to be transferred out				BRO to journal costs to correct code
305,500.00	GCY6120	A970 Oversund Junction	269,686.00		354,000.00					BRO to report direct to council requesting funding and advising of income adjustment
215,000.00	GCY6121	B9081 Mid Yell Link to A968	762.00		190,000.00	Scope of project increased				BRO to report direct to council requesting funding. CPS to offer 25K in slippage.
10,000.00	GCY6123	Gilbertson Road	0.00		10,000.00	Minor snagging and retention due				
0.00	GCY6126	Sletts Road Sea Wall	87.00		0.00	Incorrect coding - to be transferred out				BRO to journal costs to correct code
0.00	GCY6299	Completed Schemes	30.00		0.00	Incorrect coding - to be transferred out				BRO to journal costs to correct code
215,000.00	GCY6401	Scord Quarry Plant Purchase	155,000.00	215,000.00	215,000.00	On Schedule	Fully committed			
0.00	GCY6403	Mid Yell Workshop	2,886.00		0.00					BRO to report direct to council requesting funding
856,500.00			477,473.00							

Revised budget	Code	Project	YTD Actual	Contractual estimate	Estimated outturn	Programme Progress	Project Review Comments	Contractors Performance	Comments	Action
<b>Transport Rolling Programme</b>										
725,357.00	GCY7254	Transport - Vehicle and Plant Replacement	311,445.00	167,605.00	725,357.00	No Report				
725,357.00			311,445.00							

Revised budget	Code	Project	YTD Actual	Contractual estimate	Estimated outturn	Programme Progress	Project Review Comments	Contractors Performance	Comments	Action
<b>Transport Projects</b>										
0.00	GCY7203	Sumburgh Runway Extension	31,552.00				Ongoing involvement due to upgrading works			All costs to be oncharged to HIAL
0.00	GCY7211	Transport Offices Grantfield	789.00		0.00	No report				Transfer expenditure or request funding from council
250,000.00	GCY7212	Bressay Link	31,063.00		250,000.00	No report				
250,000.00	GCY7213	Whalsay Link	28,482.00		250,000.00	No report				
500,000.00			91,886.00							

Revised budget	Code	Project	YTD Actual	Contractual estimate	Estimated outturn	Programme Progress	Project Review Comments	Contractors Performance	Comments	Action
<b>Planning Rolling Programme</b>										
20,000.00	GCY9010	Conservation Grants	0.00		20,000.00	Committed	Balance c/f 07/08		Grantee will draw funds this financial year	
20,000.00			0.00							

Revised budget	Code	Project	YTD Actual	Contractual estimate	Estimated outturn	Programme Progress	Project Review Comments	Contractors Performance	Comments	Action
<b>Planning Projects</b>										
0.00	GCY8400	Water Meters & Waste Control Measures	294.00		0.00	No report	Miscode?			Transfer expenditure or request funding from council
0.00			294.00							

Revised budget	Code	Project	YTD Actual	Contractual estimate	Estimated outturn	Programme Progress	Project Review Comments	Contractors Performance	Comments	Action
<b>Ferry Operations</b>										
130,564.00	GCY7601	Ferries Rolling Programme	6,275.00	0.00	130,564.00	No report				
130,564.00			6,275.00							

Revised budget	Code	Project	YTD Actual	Contractual estimate	Estimated outturn	Programme Progress	Project Review Comments	Contractors Performance	Comments	Action
<b>Ferry Terminal &amp; Replacement Programme</b>										
290,000.00	GCY7626	Ferry Terminal Structural Improvements	986.00		290,000.00	No report				
290,000.00			986.00							

Revised budget	Code	Project	YTD Actual	Contractual estimate	Estimated outturn	Programme Progress	Project Review Comments	Contractors Performance	Comments	Action
<b>Shetland Transport Partnership</b>										
25,000.00	GCY7508	FS Ext Links OD Survey	20.00	0.00	25,000.00	No report				
75,000.00	GCY7552	Bluemull STAG for Ferries/Terminals	66,450.00	0.00	75,000.00	No report				
100,000.00			66,470.00							

Revised budget	Code	Project	YTD Actual	Contractual estimate	Estimated outturn	Programme Progress	Project Review Comments	Contractors Performance	Comments	Action
		<u>Port Operations</u>								
8,500.00	RCM2208	Scalloway Dredging Consents	5,308.00	8,500.00	12,058.00	Work on consents now being processd	8.5K c/f from 07/08	n/a		BRO to request additional funding from council
32,000.00	RCM2309	Peerie Dock, Symbister	14,444.00	32,000.00	32,000.00		Project delayed due to planning issues		32K c/f from 07/08	
2,561,600.00	RCM2313	Tugs for Sellaness	14,751.00	0.00	2,561,600.00	No report				
2,500,000.00	RCM2314	Uyeasound Harbour Development	1,436,575.00	2.79M	2,500,000.00	On schedule	Site works ongoing , no major issues.		Project on schedule and within budget	
5,102,100.00			1,471,078.00							

CAPITAL PROGRAMME - PROGRESS REPORT PORTS & HARBOURS (HARBOUR ACCOUNT)

Revised budget	Code	Project	YTD Actual	Contractual estimate	Estimated outturn	Programme Progress	Project Review Comments	Contractors Performance	Comments	Action
		<u>Port Operations</u>								
75,775.00	PCM2101	Plant Vehicles & Equip	43,634.00	75,775.00	75,775.00		Budget to be fully utilised this year			
70,000.00	PCM2104	Nav Aids - Sullom Voe	1,995.00	70,000.00	70,000.00		Ditto above			
145,775.00			45,629.00							

Revised budget	Code	Project	YTD Actual	Contractual estimate	Estimated outturn	Programme Progress	Project Review Comments	Contractors Performance	Comments	Action
		<u>Housing</u>								
1,739,190.00	HCH3303	Land/Property Acq	10,821.00	0.00	1,739,190.00	Ongoing	Under Review	n/a	Increase investment in additional housing stock by purchasing or building	Pursue acquisitions and review market
232,000.00	HCH3404	Environmental Improvements.	22,928.00	0.00	232,000.00		Staneyhill Contract on site			
100,000.00	HCH3512	Community Care Projects	8,351.00	0.00	100,000.00	Ongoing	Several small contracts tendered	n/a	Projects being prioritised	
25,000.00	HCH3525	Feasibility Studies HRA	7,547.00	0.00	25,000.00	Ongoing		n/a	4 feasibilities current	To progress these to 100%
123,000.00	HCH3526	Opportunity Conversions	0.00	0.00	123,000.00		Awaiting feasibility study	n/a		
5,000.00	HCH3700	Tenants Rights Compensation	0.00	0.00	5,000.00			n/a	Legal requirement to budget for this	None required
150,000.00	HCH3706	Heating Replacement Program	101,114.00	0.00	150,000.00	On Target	One contract complete, phase 2 on site		Phase 2 Firth & Mossbank	
393,000.00	HCH3708	External Re-Render Programme	237,780.00	0.00	393,000.00	On Target	Anticipate full spend	Satisfactory	Cunningsburgh & Brae nearing completion	
115,000.00	HCH3709	Landward Crudens	6,023.00	0.00	115,000.00	On Target	Retentions / Final Account			
923,000.00	HCH3710	Lerwick Crudens	46,691.00	0.00	923,000.00		Contract now on site - potential slippage to 09/10		Contractor now on site	
40,000.00	HCH3711	Retentions/Final Accounts	0.00	0.00	0.00					
340,000.00	HCH3712	Housing Quality Standard	40,791.00	0.00	380,000.00		Contracts for kitchen upgrades now being prepared			
0.00	HCH3800	Cap Rec/Sale Council Hs	7,576.00	0.00	0.00		This code also contains income of approx £1M which is not shown here			
	HCH3801	Capital Receipt - Sale of Land	0.00	0.00						
4,185,190.00			489,622.00							

## APPENDIX E

### Sport and Leisure Service – Capital Projects 2008-09

#### Progress Report and Identification of Slippage to 30 September 2008.

Code	Description	Budget	Actual	Variance
GCJ3001	Water Based Facilities	475,000.00	347,477.00	127,523.00
GCJ3002	Knab Dyke Repairs	271,079.00	76,459.11	194,619.89
GCJ3003	Play Areas	179,163.00	91,942.61	87,220.39
GCJ3006	Rolling Programme	345,009.00	31,879.00	313,130.00

#### GCJ3001 - Water Based Facilities

The Water Based Facilities budget of £475,000 for 2008-09 is fully committed with funding being awarded to 3 local community projects i.e. Brae Marina, Hamnavoe Marina and the Hillswick Slipway. Up to the end of September 2008 a total £347,477 has been paid out in grant assistance towards these projects.

It is anticipated that this budget will not be fully spent by the end of the financial year and that a sum of £30,000 can be made available as slippage to other Council projects within financial year 2008-09. The reason for this slippage is that the above projects will be unable to claim their final grant instalments until next financial year when they have paid their final project retention fees. Accordingly, a sum of £30,000 will be required to be carried forward into 2009-10 to meet this commitment.

#### GCJ3002 - Knab Dyke Repair

Progress on this project has been excellent, mild weather during the summer months has allowed 75% of the 600m of wall to be constructed to date. Wall construction works will come to an end soon for this year as the weather deteriorates. Works during the remainder of financial year 2008-09 will primarily be on the production of 5000 copingstones, off site, in a quarry on Bressay.

It is anticipated that there will be slippage on this project in financial year 2008-09. At this point in time it is difficult to quantify exactly how much this will be. Therefore, as the project continues it is hoped that a clearer indication of the likely slippage can be indicated to the Capital Projects Service in due course. The remainder of the project i.e. the final 150m of dyke will be completed during financial year 2009-10.

#### GCJ3003 - Play Areas

There are 3 play area refurbishment projects being undertaken during the current financial year, at Fraser Park, Blydoit and Sandveien. Fraser Park has been completed, Blydoit is 50% complete and works at Sandveien have not yet commenced. Projects are running on time and on budget. However, because of the late receipt of retention certificates for projects in 2007-08, it is anticipated that there will be an over spend of £10,620 on this budget. This over

spend was identified early in the financial year, and with the agreement of the Capital Projects Service it was agreed that the projects for 2008-09 could be progressed as originally planned.

### **GCJ3006 - Capital Grants General**

The Capital Grants to Voluntary Organisations – General budget of £345,009 for 2008-09 is partially committed with funding of £156,009 being committed to 15 community projects i.e. Shetland Skatepark, Scalloway Museum, Walls Hall, Cunningsburgh Hall, Fair Isle Hall, Tingwall Hall, Vidlin Play Park, Skerries Hall, Delting Boating Club, Sandness Hall, North Unst Hall, Hillswick Hall, Sullom & Gunnister Hall, Shetland Golf Club and Skeld Waterfront Trust. Up to the end of September 2008 a total £31,879 has been paid out in grant assistance towards these projects.

Assuming other unfunded community projects continue to progress, it is anticipated that the remaining budget of £189,000 will be committed by the end of the financial year to a further 7 community projects. These include Scalloway Museum, Ollaberry Hall, Sullom & Gunnister Hall, Cunningsburgh History Group, South Nesting Hall, Bixter Hall, and Unst Boating and Swimming Club.

However, It is anticipated that this budget will not be fully spent by the end of the financial year and that a sum of £125,000 can be made available as slippage to other Council projects within financial year 2008-09. The reason for this slippage is that the above projects will be unable to claim all of their grant assistance within the current financial year. Accordingly, a sum of £125,000 will be required to be carried forward into 2009-10 to meet this commitment.

### **Slippage Identified**

The slippage on Sport and Leisure Service Projects identified to the end of October 2008, for financial year 2008-09 is as follows:

GCJ3001 - £ 30,000

GCJ3006 - £125,000

These amounts will be required in financial year 2009-10 to meet the ongoing commitment to the projects that this funding is allocated to.

Neil Watt  
Sport and Leisure Services Manager

12 November 2008





## **REPORT**

**To: Shetland Islands Council**

**3 December 2008**

**From: Building Services Manager**  
**Infrastructure Services Department**

### **CAPITAL PROJECTS PROGRESS REPORT**

#### **1 Introduction**

- 1.1 This report is supplementary to the quarterly progress report on the Capital Programme provided by the Head of Capital Projects and Housing.
- 1.2 The purpose of the report is to update the Council on progress on specific projects and seek additional funds from unallocated slippage already identified.

#### **2 Link to Council Priorities**

- 2.1 Section 3 of the Corporate Plan commits us to manage the Capital Programme in line with available funds.
- 2.2 As part of the Council's commitment to sustainability within the Corporate Improvement Plan we have undertaken to define our priorities so we can sustain the services we want to provide and help develop our economy.

#### **3 Background**

- 3.1 As Members will be aware from previous reports, Building Services have had a greater role in developing the programme of maintenance work on schools funded from capital. This role has expanded to cover organising the delivery of this programme on behalf of the Education Service.

##### GCE1500 Education Capital Maintenance Works

- 3.2 The original budget estimate for this category of work for 2008/09 was £1,519,000. The budget allocation approved by Council was £1,101,818 and £250,000 was offered back as a forecast underspend due to lack of resources, earlier in the year, after two members of staff left the section. This forecast now appears to have been premature and a significant programme of work has already been achieved.
- 3.3 A new heating main serving the Janet Courtney Hostel from the main district heating supply to the AHS complex has been installed with assistance from SHE&P. The design work for the replacement curtain walling at Bell's Brae Primary has progressed well and preparations made for temporary

accommodation is well advanced. An extension at Bressay Primary School has been completed during the summer and the installation of replacement boilers at Hamnavoe is now complete. The Building Maintenance Officer involved has to be commended for his efforts in managing these projects in addition to his already demanding workload.

- 3.4 Capital Programme Service have overseen the final phase of the re-roofing at Brae High School, a programme of external redecoration and have been involved in the design work for various other projects.
- 3.5 External consultants have provided condition surveys on buildings to give us better information to develop the programme of work for the future.
- 3.6 In short, we have managed to achieve more than we anticipated a few months ago and therefore it is now appropriate to seek Council approval to draw on underspend already identified elsewhere in the Capital Programme to increase the budget to £1,301,818. This will allow us to complete some crucial projects including the enabling work in preparation for the curtain walling at Bells Brae Primary School next summer.

#### GCY6403 Replacement Workshop Mid Yell

- 3.7 Council approved this project in the Capital Programme for 2007/08 with a budget of £195,000. Unfortunately, there were delays buying the land to build the workshop. While the landowner was prepared to sell the land, the Crofters Commission insisted that planning consent for the proposed development was submitted with the application for decrofting. This delayed the project starting. The project was not prioritised in the Council Capital Programme for 2008/09 but contracts were in place for consultancy services to develop the design. Through an oversight, this contractual commitment of £15,000 was not picked up in the carry forward from 2007/08 and so provision needs to be made for these fees in 2008/09. The Council is also in the process of buying ground from the same landowner for a road realignment scheme so it would seem sensible to buy the land for the development at the same time.

#### GCY5501 Recladding Gremista Workshop

- 3.8 Like the Mid Yell Workshop this project was included in the Capital Programme in 2007/08 but not progressed to a contractually committed project apart from the consultancy services to develop the design. Again this contractual commitment of £23,000 was not brought forward to 2008/09 financial year.

#### GCY9030 Replacement Power Distribution Gremista

- 3.9 Again this project was included in the Capital Programme late in 2007/08 as a matter of urgency because of the condition of the existing installation but only the main items of material were included in the expenditure in that financial year. The cost of carrying out the work has been incurred in this financial year but was not provided for in this years capital programme. Council approval is sought to use £13,658.12 of the underspend already identified in the Capital Programme to cover this expenditure.

## **4 Proposal**

- 4.1 It is proposed that Members consider the request for additional funds from unallocated slippage as detailed in section 5.2 below.

## **5 Financial Implications**

- 5.1 The quarterly Capital Programme Progress Report also on the agenda for this meeting (Report No: CPS-15-08) is reporting a slippage amount of £2,186,000 at the end of the second quarter. The sum of £987,889 is proposed to be allocated to meet previously agreed slippage requirements. This leaves a sum of £1,198,111 of unallocated slippage on the current Capital Programme at the end of the second quarter.
- 5.2 This report is requesting approval for the allocation of some of the unallocated slippage to the following projects:

<b>Project</b>	<b>Amount (£)</b>
GCE1500 - Education Maintenance	450,000
GCY6403 - Replacement Workshop Mid Yell	20,000
GCY5501 - Recladding Gremista Workshop	23,000
GCY9030 - Replacement Power Distribution Gremista	13,658
<b>Total</b>	<b>506,658</b>

- 5.3 Current budget strategy plans for no more than £20m expenditure on the Capital Programme on the General Fund, Reserve Fund and Harbour Account for the full financial year 2008/09.

## **6 Policy and Delegated Authority**

- 6.1 Decisions relating to approval or variation to the Council's Capital Programme requires approval of the Council (Section 8.0 – Scheme of Delegations).

## **7 Conclusion**

- 7.1 Good progress has been made, despite a lack of resources, working through the programme of Education Capital Maintenance Projects. This will improve the overall condition of our schools.

## **8 Recommendation**

I recommend that the Council:

- 8.1 Allocate funds from unallocated slippage already identified to GCE1500, GCY6403, GCY5501 and GCY9030 as set out in section 5.2 of this report.

Report No: ES-44-08-F



## **REPORT**

**To: Shetland Islands Council**

**3 December 2008**

**From: Network and Design Manager  
Roads Service  
Infrastructure Services Department**

### **MAJOR ROAD IMPROVEMENTS 2008/09: PROGRESS REPORT**

#### **1. Introduction**

- 1.1 In this report I give details of progress on the four major road improvement projects due to be under construction, or to be completed this year. I then seek approval for the amendment of several of the Capital Programme budgets.

#### **2. Links to Council Priorities**

- 2.1 These projects meet all of the principles of the Shetland Transport Strategy, particularly those of Accessibility and Integration, Accountability, Partnership, Efficiency and Compliance. This report is presented under our requirement to be accountable.
- 2.2 When considering this report, Members should also refer to the overall Progress Report on the Capital Programme, earlier in this agenda.

#### **3. Gilbertson Road, Lerwick**

- 3.1 Completed in Autumn 2007. The only work to be done this year is minor snagging. Payment of the retention is also now due.

#### **4. A970 Oversund Junction**

- 4.1 While using the working title of "A970 Oversund Junction", this scheme comprises of three elements: that is, the construction of the roundabout in place of the double tee junctions on the A970, the provision of additional car and bus parking at Sound School, and certain environmental works in this area.
- 4.2 The Civils works are now complete, although they took longer than expected due to the work having to take place during last winter. This was due to the start of the works being delayed while urban drainage issues were agreed, and it resulted in turn in a longer period during which supervising staff were allocated to the project.

- 4.3 The environmental improvements have been delayed, and some of this work, such as planting, may now “slip” into 2009/10.
- 4.4 I would ask Members to note that this project is being partially funded by the developer of the Quoys housing scheme. They are making a contribution of £100k (in the current financial year) to the junction improvement, as it is traffic from *their* development that finally prompted the need for an upgrade of the junction.
- 4.5 Increased costs have been identified as follows:
- Increase in costs of the main contract over the original estimate, mainly due to additional diversions of sewers that were found to be necessary.
  - Streetlighting materials costs that hadn't been budgeted for in the original estimates.
  - Increased design and supervision costs, which arose firstly due to additional design work required to meet the requirements of SEPA for drainage. Supervision costs were then also increased, due to the contract period for the works extending beyond what had been anticipated.
- 4.6 When account is taken of the developer contribution noted at paragraph 4.4 above, and the cost increase identified at paragraph 4.5 above, the overall net effect is a reduced budget requirement of £49k, mainly for this financial year.
- 4.7 The revised budget profile is as follows (rounded to nearest thousand in each case)
- |                |                |              |                        |
|----------------|----------------|--------------|------------------------|
| • 2007/08      | Outturn        | £304k        | £304k                  |
| • 2008/09      | Current Budget | £306k        | Forecast Outturn £354k |
| • 2009/10      |                | £10k         | £13k                   |
| • <b>TOTAL</b> |                | <b>£620k</b> | <b>£671k (gross)</b>   |
- 4.8 This project was discussed at the Infrastructure Committee on 18<sup>th</sup> November, where concern was expressed with regard to the design of the roundabout. A report is to be taken to the next meeting of the Committee on that matter.

## 5. B9081 Mid Yell (Hillend Diversion)

- 5.1 This scheme is Phase 1 of the proposed improvement of the link road from the A968 junction to the village. The detailed design and safety check are now done, and tender documents are being prepared. The tie-in to the existing road has had to be moved further west to comply with the visibility and layout requirements of the safety check. While this has increased the length of Phase 1 of this scheme, it will of course reduce the length of Phase 2. The increased length of Phase 1 will mean an increased cost of this first phase, but it should be noted that there will be no net increase in

the overall cost of improving this road in the long run, since Phase 2 will now be shorter and cost less than originally estimated.

- 5.2 Planning approval has been obtained, and negotiations for land acquisition are well advanced. Construction is approved for 2008/09 under the Capital Programme.
- 5.3 It is still hoped to start work on site before the end of this financial year. However, due to delays with the land, completion of the scheme will now certainly slip into 2009/10. The anticipated spending profile is now as follows. Please note that the slippage of £25k this year has already been reported to Council in Report No.CPS-15-08.

	Existing Estimate	Revised Estimate	Notes
2008/09	£215	£190	Tender stage and half of works
2009/10	£10	£150	Completion of works
2010/11	-	£10	Retention and snagging
<b>Total</b>	<b>£225</b>	<b>£350</b>	Length of phase 1 increased

## 6. A971 Haggersta to Cova

- 6.1 Funding of £100,000 is allocated to this scheme in 2008/09. This should have covered the cost of obtaining the land and the various "consents", detailed design, preparation of contract documents, and (had construction been imminent) certain pre-contract works. As explained in my report no. RD-13-08 to November's Infrastructure Committee, much of this spending will not now occur this year. A further £70k can therefore be offered in slippage this year. Please note that this has not been detailed in Report No.CPS-15-08.

## 7. 20mph Speed Limits at Schools

- 7.1 The introduction of these speed limits at most of Shetland's schools is proceeding at a steady pace. Eight limits are now in place, and we would expect to install the remaining 18 or so in the next 4 or 5 years, at a cost of approximately £500k.
- 7.2 However, at its meeting on 18<sup>th</sup> November, the Infrastructure Committee decided that it wished to see the completion of this work much sooner: hopefully by the end of next year.
- 7.3 As noted in the report on this agenda from the Head of the Capital Programme Service, there is a significant amount of slippage in the Capital Programme for 2008/09. It is recommended in that report that some of this slippage should be used to restore the original total amount sought for the Traffic Management Rolling Programme, which funds the speed limit works. This should allow us to implement the proposed limit at Scalloway School this year, as originally intended.
- 7.4 However, if the Council were to allocate another £80k of the slippage to this programme, the speed limits at Nesting, Sandwick, Mossbank, and

Dunrossness could also be installed before the end of March 2009. Additional signs could also be erected at Whiteness.

## **8. Streetlighting Replacements**

- 8.1 In a manner similar to Section 7 above, the Capital Programme Progress Report also recommends restoration of the original total amount sought for the lighting replacement programme. However, even this funding will not be sufficient to enable us to keep pace with the accelerating deterioration of our lighting stock.
- 8.2 We have already had to take down columns without replacing them in a number of streets. This is causing considerable local concern, and the issue was raised at a meeting of the Infrastructure Committee earlier in the year.
- 8.3 Therefore, if a further £50k of the reported slippage could be allocated to this programme, it would allow us to resume immediate replacement of the very worst of the old columns.

## **9. Financial Implications**

- 9.1 Gilbertson Road. Completed on budget.
- 9.2 A970 Oversund Junction. An additional budget requirement of £51k should be offset by income of £100k, resulting in a reduced budget requirement of £49k, as detailed in Section 4 above.
- 9.3 B9081 Mid Yell. In order to allow this project to proceed to construction as scheduled, approval is sought for additional funds totalling £125k. The forecast revised spending profile is detailed in Section 5 above.
- 9.4 A971 Haggersta to Cova. Slippage of £70k to be allocated to 2009/10.
- 9.5 Approval is sought for an additional £80k in 2008/09 to allow an acceleration of the programme for 20mph speed limits at schools.
- 9.6 Approval is also sought for an additional £50k this year to allow us to replace those streetlights which have currently had to be taken down without replacement.
- 9.7 The quarterly Capital Programme Progress Report also on the agenda for this meeting (Report No: CPS-15-08) is reporting a slippage amount of £2,186,000 at the end of the second quarter. The sum of £987,889 is proposed to be allocated to meet previously agreed slippage requirements. This leaves a sum of £1,198,111 of unallocated slippage on the current Capital Programme at the end of the second quarter.



- 9.8 In summary, this report is outlining a requirement for additional budget of £178k in this year:

A970 Oversund Junction	£48,000
20mph Speed Limits	£80,000
Streetlighting Replacement	£50,000

offset by a reduction in budget, slippage, etc for 2008/09 of £195k:

A970 Oversund Junction (Developer's Contribution)	(£100,000)
B9082 Mid Yell	(£25,000)
A971 Haggersta to Cova	(£70,000)

resulting in an overall total requirement in 2008/09 of £17k from slippage as noted in paragraph 9.7 above. In addition, slippage of spending, mainly on B9081 Mid Yell, and A970 Haggersta, into 2009/10 will total £213k.

- 9.9 Current budget strategy plans for no more than £20m expenditure on the Capital Programme on the General Fund, Reserve Fund and Harbour Account for the full financial year 2008/09.

## **10. Policy and Delegated Authority**

- 10.1 Decisions relating to approval or variation of the Council's Capital Programme require approval by the Council (Section 8.0, Scheme of Delegations).

## **11. Recommendation**

- 11.1 I recommend that the Council:

- 11.1.1 note the successful conclusion of the reconstruction of the northern two-thirds of Gilbertson Road,
- 11.1.2 note progress towards completion of the Oversund Junction project, and approve the allocation of an additional £51k to its total budget. However, it should be noted that the contribution of £100k, due to be received shortly from the developer, will actually result in a net "saving" on this project,
- 11.1.3 note progress towards starting the construction of the Hillend Bypass at Mid Yell, and approve an increase of £125k in its total budget, along with slippage of £25k of its current budget from this year to 2009/10,
- 11.1.4 note the slippage of up to £70k from the Haggersta scheme's Budget, from this year to 2009/10,
- 11.1.5 note the Infrastructure Committee's desire to accelerate the programme for 20mph speed limits at schools, and approve the allocation of £80k from slippage to do this, and

- 11.1.6 note the Infrastructure Committee's concern at the underfunding of the Streetlighting Replacement programme, and approve the allocation of an additional £50k from slippage this year to deal with this.

Report Number : RD-18-08-F



## **REPORT**

**To: Shetland Islands Council**

**3 December 2008**

**From: Acting Asset & Properties Manager**

### **Prioritisation of Asset & Properties Unit General Fund Capital Programme Report Number – LA-64-F**

#### **1. Introduction**

- 1.1 This reports asks the Council to start the process of agreeing the prioritisation of the capital projects within the remit of the Asset & Properties Unit, in line with recent changes to the method by which Capital Projects are ranked for funding.
- 1.2 This report seeks recommendations from the Council on the prioritisation of Asset and Properties Unit Capital Projects.

#### **2. Links to Corporate Priorities**

- 2.1 Sustainable Organisation - Help us to make sure that we are making best use of our resources and delivering services as effectively as possible.

#### **3. Background**

- 3.1 The Council has changed the mechanism by which it wishes to assess the relative priority of capital project proposals (Min Ref: 122/08). Under the new system, there will be no points system to determine priorities. Instead, each Committee, or the full Council in respect of Executive Services projects, will decide the relative priority of each project, based on the Committee's aspirations for service developments over the next 4-5 years. The Council has agreed that the need to maintain existing assets will be the first call on available resources. The Council will then merge all the priorities from each of the spending committees, to agree an overall programme.

- 3.2 The Asset and Properties Unit projects are generally works which involve maintaining or upgrading existing assets.
- 3.3 The proposals and justification for the Asset and Properties Unit Capital Programme are attached as Appendix A to this report.

#### **4. Financial Implications**

- 4.1 There are no direct financial implications arising from this report. However, additional costs are likely to be incurred into the future where existing assets are allowed to deteriorate.

#### **5. Policy and Delegated Authority**

- 5.1 Decisions relating to approval or variation to the Council's Capital Programme requires approval of the Council (Section 8.0 – Scheme of Delegations).

#### **6. Recommendations**

- 6.1 I recommend that Council approve prioritisation of the projects in Appendix A for the next five years, for further consideration by the Council when it considers the overall Capital Programme.

Date: November 2008

Our Ref: AR/SI

Report No: LA-64-F

## Appendix A

### Asset and Property Services General Fund Capital Programme – Prioritisation Information

There are currently 6 projects in the Asset and Property Services General Fund Capital Programme. 3 of these are funded in 2008/09.

#### Project: Ness of Sound Farm Byre Roof

Priority Ranking: 1

**Reason:**

Ongoing maintenance of assets to comply with landlord obligations.

**Budget:**

2008/09	2009/10	Future Years
£38,000	£10,000	No ongoing costs known at present, any expenditure would subject to future surveys.

**Purpose, Objective, Service Need:**

Completion of roof replacement programme.

The current years budget allowed the recovering of the main byre roof, a smaller lean-to roof still requires recovering.

**Social, Economic & Environmental Impact:**

Deteriorated roof coverings present a health and safety hazard to farm workers, visitors and animals.

**Legal Obligations:**

The Council as landlord is responsible both in statute and under the lease to replace the roof. Indeed the schedule attached to the lease stating the condition of the buildings in 2004 stated that the roof would require to be replaced within five years. There is therefore no means of escaping this liability. The tenant is entitled to raise court proceedings to force the Council to carry out the work and, in the absence of any valid defence, this will only result in more costs to the Council.

**Financial Impacts:**

Capital cost of £10,000 for Ness of Sound Farm. There is no revenue implications.

**Options for Delivery:**

There is no immediate alternative option for this project.

## **Project: Disability Discrimination Act Works**

**Priority Ranking: 2**

### **Reason:**

Upgrading of assets to comply with statutory requirements of the Disability Discrimination Act 1995

### **Budget:**

<b>2008/09</b>	<b>2009/10</b>	<b>Future Years</b>
£123,311 with additional £46,689 if slippage becomes available	£100,000	An ongoing programme of Access Audits will identify improvements to be made in future years. A similar level of budget is likely to be required.

### **Purpose, Objective, Service Need:**

To carry out reasonable adjustments to make Council buildings accessible to the disabled. Improvements are known to be required at Baltasound JHS, Sound School and Aith public toilets. Additional requirements will result from the programme of Access Audits.

### **Social, Economic & Environmental Impact:**

Wherever possible, Council buildings should be accessible to all persons regardless of disability.

### **Legal Obligations:**

The Disability Discrimination Act makes it unlawful to discriminate against disabled persons in connection with employment, the provision of goods, facilities and services or the disposal or management of premises. Under the act, employers and service providers must make necessary reasonable adjustments.

### **Financial Impacts:**

Capital cost of £100,000 spread over several premises. There are no revenue implications. Previous budgets of £170,000 per annum have allowed completion of most major projects and this sum can now be reduced to £100,000 per annum.

### **Options for Delivery:**

There are no immediate alternative options for this project.

## **Project: Copper Pipework Replacements**

**Priority Ranking: 3**

### **Reason:**

Ongoing maintenance of assets subject to severe corrosion.

### **Budget:**

<b>2008/09</b>	<b>2009/10</b>	<b>Future Years</b>
£145,000 with additional £54,929 if slippage becomes available	£150,000	The 2009/10 budget should allow completion of replacement of current defects but it is known that other Council buildings contain copper pipework. Future surveys are likely to identify additional works and similar budgets are to be expected.

### **Purpose, Objective, Service Need:**

In 2000 it became apparent that the Council's public buildings in Lerwick and Scalloway were suffering progressive and in some cases severe copper pipework corrosion. There is no cure for this condition except to replace the corroding copper pipework with plastic. On 27 June 2001 the Council approved the establishment of a copper pipework replacement programme (min ref 105/01). Since that time the problem has become apparent in premises to the west and south of Lerwick. The proposed budget for 2009/10 would allow for the completion of phase IV of the pipework replacement at Sandwick JHS. This is the final phase for this school.

### **Social, Economic & Environmental Impact:**

Failure to complete pipework replacement could result in disruption to schools and other premises.

### **Legal Obligations:**

Under Health & Safety legislation the Council has a duty to make public buildings safe for clients, visitors and staff.

### **Financial Impacts:**

Capital expenditure of £150,000 for Sandwick JHS. Failure to replace pipework could result in higher future costs.

### **Options for Delivery:**

There is no immediate alternative option for this project.

## **Project: Lystina House Stonework**

**Priority Ranking: 4**

**Reason:**

Maintenance of assets.

**Budget:**

<b>2008/09</b>	<b>2009/10</b>	<b>Future Years</b>
unfunded	£385,000 (at 07/08 costs)	There are no ongoing costs.

**Purpose, Objective, Service Need:**

Masonry repairs to Lystina House to prevent water ingress to the fabric of the building and to prevent further spalling of the loose and friable stonework. This project was approved for presentation to CPRT by full Council on 12 September 2007 but remains unfunded in the 2008/09 capital programme.

This proposal links to the Corporate Plan priority of “looking after where we live” by seeking to maintain and improve an important listed building.

**Social, Economic & Environmental Impact:**

Failure to repair the stonework would result in the deterioration of this important building.

**Legal Obligations:**

Under Health and Safety legislation the Council has a legal duty to make public buildings safe for clients and visitors

**Financial Impacts:**

Capital costs of £385,000 for Lystina House. There are no revenue implications

**Options for Delivery:**

There are no immediate alternative options for this project.



## **Project: Ness of Sound**

**Priority Ranking: 5**

**Reason:**

Ongoing maintenance of assets to comply with landlords obligations.

**Budget:**

<b>2008/09</b>	<b>2009/10</b>	<b>Future Years</b>
unfunded	£12,000	£12,000 per annum for 3 or 4 years.

**Purpose, Objective, Service Need:**

Ongoing rebuilding is required to dry stone dykes on the Ness of Sound Farm, particularly along lengths that bound the public road.

**Social, Economic & Environmental Impact:**

Access to the Ness of Sound has been improved for the public by providing a coastal footpath. The area now receives more visitors whose safety should be protected by maintaining the stone dykes.

**Legal Obligations:**

Under the terms of the Agricultural Holdings (Scotland) Act 2003 the landlord is responsible for keeping buildings and fixed equipment in good working order.

**Financial Impacts:**

Failure to maintain dykes may result in Health & Safety issues that would be the Council's responsibility resulting in additional future costs.

**Options for Delivery:**

There are no immediate alternative options for this project.

## **Project: Town Hall**

**Priority Ranking: 6**

**Reason:**

Upgrading of assets

**Budget:**

<b>2008/09</b>	<b>2009/10</b>	<b>Future Years</b>
unfunded	£352,000 (at 07/08 costs)	There are no ongoing costs.

**Purpose, Objective, Service Need:**

Improvements to the entrance hall and the decoration and light fittings to the main hall itself.

This proposal links to the Corporate Plan priority of “looking after where we live” by seeking to maintain and improve an important listed building.

This project was approved for presentation to CPRT by full Council on 12 September 2007 but remained unfunded in the 2008/09 capital programme.

**Social, Economic & Environmental Impact:**

The Town Hall is an important asset of the Council and receives many visitors. The need for improvements was identified and approved by the Town Hall/Lystina House Consultative Committee on 27 March 2007.

**Legal Obligations:**

Under Health and Safety legislation the Council has a legal duty to make public buildings safe for clients and visitors.

**Financial Impacts:**

Capital costs of £352,000 for the Town Hall. There are no revenue implications

**Options for Delivery:**

There are no immediate alternative options for this project.



## **REPORT**

**To: Shetland Islands Council**

**3 December 2008**

**From: Head of Organisational Development**

**Report No: CE-51-F**

### **Sustaining Shetland; Annual Monitoring of Social, Economic, Environmental and Cultural Trends; 2008**

#### **1 Introduction**

- 1.1 The purpose of this report is to present to the Shetland Islands Council, Shetland's annual report setting out trends in social, economic, environmental and cultural data for Shetland, capable of measuring Shetland's quality of life and sustainability (see Appendix A). It includes an overview of how far Shetland, as a community, has achieved in relation to reaching the targets and priorities derived from Sustaining Shetland and the Shetland Resolution.

#### **2 Link to Corporate Priorities**

- 2.1 The Community Planning priorities and targets set the high-level objectives for Shetland to aspire to over the medium to long term and have been adopted by the Council. As a key Community Planning partner, the Council is therefore committed to contributing to their delivery.
- 2.2 This report, which introduces the latest Sustaining Shetland update, provides the Council with a mechanism for monitoring the impact that is being made towards achieving these targets and to take this data into account when developing its current corporate priorities.

#### **3 Background**

- 3.1 The Scottish Government's spending review, published in November 2007, outlined a set of proposals for Local Authorities to develop Single Outcome Agreements. In line with this proposal the Shetland Islands Council, together with partner agencies got together, developed and produced The Shetland Single Outcome Agreement which was agreed with the Scottish Government in July this year.

One of the main methods of monitoring this is through Sustaining Shetland.

## 4 Recent Activity

- 4.1 Work has been ongoing throughout the year, but predominantly throughout the summer 2008, on Sustaining Shetland. Part of this process was due to the fact that Sustaining Shetland now contains new indicators and outcomes from Shetlands Community Planning Partnerships Single Outcome Agreement.

## 5 2008 – Update Summary

### 5.1 Population Overall Level

- Over the last 20 years, the population of Shetland has declined by 3%.
- Overall the last 7 years Shetlands over population level has remained relatively static, with the most recent estimates stating 21,950.

### Natural Increase

- Shetland's birth rate is steadily higher than the death rate.
- From April - September 2008 there has been a total of 128 live births in Shetland and 102 deaths.<sup>1</sup>

### Migration

- While the rate of National insurance registrations in Shetland has continued to increase (192 – 2006/07), the trend for the Highland Local Authority area has plateaued. While the number of those registering in the Western Isles has actually fallen from a peak of 130 in 2005/06, to 90 in 2006/07. Argyll & Bute and Orkney Islands have, like Shetland, experienced a continued increase in 2006/07.<sup>2</sup>

### Age Profile

- The current estimates for age breakdown of the Shetland Population show that,<sup>3</sup>
  1. 19% of the population is made up of 0-15 year olds
  2. 10.5% of the population is made up of 16 – 24 year olds
  3. 10.7% of the population is made up of 25-37 year olds
  4. 17% of the population is made up of 35 - 44 year olds
  5. 14.6% of the population is made up of 45 - 54 year olds
  6. 13.6% of the population is made up of 55 - 64 year olds
  7. 14.6% of the population is made up of over 65's
- It has been estimated that, in the next 25 years, Shetland will experience a 50.7% increase in the number of islanders of pensionable age, while the working-age population will decrease by 20.7%.<sup>4</sup>
- The overall primary school roll peaked at 2,730 in 1981 and has declined slowly to its current level at 1,834.<sup>5</sup>

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<sup>1</sup> GROS, 2008, 1<sup>st</sup> and 2<sup>nd</sup> quarter.

<sup>2</sup> Hall Aitken, 2008

<sup>3</sup> GROS 2007 mid year estimates

<sup>4</sup> GROS, 2006-base population projections

<sup>5</sup> SIC Education and Social Care

- In 2005 we dropped below the 1971 figure for overall primary school rolls, for the first time in **24** years.
- The secondary school roll has remained relatively static over the last 20 years, however for the first time in **27** years we have now dropped below the 1981 figure.<sup>6</sup>

## 5.2 Health and Well Being (Healthier)

### Life expectancy

- Shetland's overall life expectancy continues to increase. Current estimates (2005/07) state the overall life expectancy for all people in Shetland is 79.2 years.
- This increase has taken Shetlands life expectancy above the EU average of 78.5, above countries such as Bulgaria (72.6), Latvia (71.3), and Finland (79.0), and just below Germany (79.4) and Iceland (81.2).<sup>7</sup>

### Rates of Avoidable Death

- Cancer – 43 people in Shetland died from Cancer in 2007, this is a 14% decrease on the previous year. In 2007 cancers accounted for 24.6% of all deaths in Shetland, while in Scotland the figure was higher at 27.4%
- Cerebrovascular disease mortality has been falling since 2001. In 2006, 11 people died in Shetland from Cerebrovascular disease, which accounted for 5.4% of total deaths.
- CHD - The incidence of Coronary Heart Disease (CHD) in under 75s in Shetland has decreased in recent years. CHD accounted for 21.1%(8) of total deaths in 2006, higher than the Scottish average of 19.8%.<sup>8</sup>
- Road Accidents - The number of people who have died as a result of a car accident in Shetland has remained fairly stable, between 1- 2 people per year. However in 2007/08 there was a total of 86 road accidents, 9 of which were fatal, 7 serious and 70 slight.<sup>9</sup>
- Suicide - In Shetland, the suicide rate<sup>10</sup> is markedly higher than the Scottish average. In 2007, 5 people died from Suicide.

## 5.3 Drug and Alcohol Misuse

- From 2005 – 2008 there was a total of 41 drug related hospital admissions, on average that is 13.7 per year.
- In recent years more dangerous drugs have been becoming more widespread. There has been an increase in the use of heroin, cocaine, crack and methamphetamine, while there has been a decrease in the use of cannabis, ecstasy and valium. In the past year the Shetland Community Drugs Team have seen a drop of a 1/3 in the use Cannabis.<sup>11</sup>
- From 2005-2008 there were 625 admissions directly related to alcohol in Shetland.<sup>12</sup>

<sup>6</sup> SIC, Education and Social Care

<sup>7</sup> NHS, 2008

<sup>8</sup> GROS, 2006

<sup>9</sup> Northern Constabulary performance report; March 2008

<sup>10</sup> Number per head of population

<sup>11</sup> Shetland Community Drugs Team, 2007

<sup>12</sup> CHp Health and well being profiles, 2008

- A recent survey of young people in Shetland found that 52% of S1 pupils have drunk more than once, 70.4% of S2 pupils have drunk more than once, 70.3% of S3 pupils have drunk more than once and 68.2 of S4 pupils have drunk more than once.<sup>13</sup>

#### 5.4 Mental Health

- In Shetland there are currently 1,281 (5.9%) people prescribed drugs for anxiety, depression or psychosis.<sup>14</sup>
- The current data suggests there are 1,479 (6.8%) people who have self assessed their well being as “not good”.<sup>15</sup>
- **74.5%** of the Shetland population lives in the most ‘access deprived’ areas in Scotland.<sup>16</sup> This equates to 16, 343 people. This is hugely higher than the percentage for the Scottish average, which sits at 15%.

#### 5.5 Education & Learning (Smarter)

##### Availability and opportunity Early Years

- Please refer to pages 35-36 of Sustaining Shetland for 2 key maps for availability.

##### School Attainment

- The percentage of S4 group achieving 5+ awards at SCQF level 4 (Standard Grade General or better) remains relatively stable. It currently stands at 90%. This remains above the Scottish average of 76%.<sup>17</sup>
- Those achieving 5+ awards at SCQF level 5 (Standard grade credit or better) has remained fairly consistent always landing between 43% and 45% from the years 2003-2007, however this year it has increased to 49%. This is also over the Scottish average of 34%.<sup>18</sup>

##### Adult Opportunity

- In the year 2007/8, 1,676 people took part in SIC Adult Learning Classes (an increase of **218** on the previous year). The programme involved 67 evening class tutors and 30 volunteer literacy tutors.

##### Positive Destinations

- 10% of young people in Shetland are not in positive destinations 3 months beyond their school leaving date. This figures remain fairly consistently at this level from year to year

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<sup>13</sup> CADDs, 2008

<sup>14</sup> CHP Health and Well being profiles, 2008

<sup>15</sup> CHP Health and Well being profiles, 2008

<sup>16</sup> CHP Health and Well being profiles, 2008 – ref SIMD

<sup>17</sup> Scottish executive statistics, 2008

<sup>18</sup> Scottish executive statistics, 2008

## 5.6 Crime & Safety (Safer)

### Crime levels

- In 2007/08 there was a total of 2022 crimes, compared to 2077 in 2006/07.  
The total clear up rate for all class 1-5 crimes was 70%, which is one of the highest in the UK.

### Fear of crime

- The Northern Constabulary reported that the number of people who rated the area within 15 minutes of their home as safe or very safe rose from 96% in 2003 to 99% in 2005. This has however fallen to 90% in 2008, but still remains high.
- The main things (in order of importance) that people felt would make them feel safer in their local area was,
  1. prompt response from the police
  2. persistent local offenders being tackled
  3. police working with other agencies to address problems
  4. high visibility police patrols
  5. Neighbourhood support workers
  6. CCTV in the area

## 5.7 Housing (Stronger)

### Quantity of housing

- In the financial year 2007/08 there have been a total of 114 new property builds throughout Shetland. 91 of which were private and 23 of which were Hjaltland/SIC.
- This is an overall decrease of 28 on the previous year.
- Of the 999 currently on the waiting list<sup>19</sup>
  1. **600** are awaiting housing in Lerwick.
  2. **255** are awaiting transfer housing and
  3. **59** are assessed as currently homeless
- The top 5 Household Groups on the waiting list are<sup>20</sup>,
  1. Single person 25 to retirement = 260
  2. Couple with Children = 159
  3. Single parent under 25 = 155
  4. Couple with no Children = 126
  5. Single person 18 – 24 = 122

### Quality of Housing

- The social rented stock in Shetland continues to be of a high standard. Planned maintenance programmes of approximately £3m per year are continuing to maintain the standard of the housing stock.<sup>21</sup>
- There is however, no equivalent standard for the private sector. The Scottish Local House Condition Survey in 2005/06 estimated that 3.7% of Shetland's private sector housing (a total of 282 homes) fell Below the Tolerable Standard (BTS). The local study estimated the value higher, at 356.

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<sup>19</sup> SIC, housing - 2008

<sup>20</sup> SIC, Housing - 2008

<sup>21</sup> Scottish Housing Quality Standard submissions from SIC Housing, 2006/07

- The local study also estimated that 47% of households in Shetland had difficulties in heating their home<sup>22</sup>.

#### Appropriateness and Affordability of housing

- The average cost of a house in September 2008 was £103,705<sup>23</sup>, compared to the average of £118,535 in September 2007.<sup>24</sup>
- The **total** number of residential sales in 2007 was 375. The total number to date in 2008 is 177.<sup>25</sup>
- The average income of households in Shetland is just under £33,000<sup>26</sup>.

#### Homelessness

- The numbers of households who present as homeless each year in Shetland that the Council has a duty to (135 in 07/08) is already **greater** than the total number of general need Council vacancies available for relet each year (112 in 07/08) throughout the **whole of Shetland**.
- 234 households were assessed as homeless in 2007/08. This has increase by 50 since 2003/04.<sup>27</sup>

### 5.8 Transport and Communications (Stronger)

#### Availability, accessibility, usage and cost of internal transport

- Bus usage continues to increase. The largest increases in passenger numbers between 2001 and 2007 was to Burra/Scalloway and the South Mainland service.
- The cost of internal transport journeys by bus continues to increase.
- The number of passengers on the inter-island ferries has remained stable with only a slight decrease by 0.59% from 2004-2007.

#### Availability, usage and cost of external transport

- Passenger numbers at Sumburgh Airport have fluctuated over the years, decreasing from 473,626 in 1991 to a low of 123,163 in 2004. This low is partly due to a decrease in the number of Helicopter passengers. Passenger numbers have increased slightly since 2004 to 150,443 in 2007, but no-where near the 1991 figure.
- Passenger numbers on P&O and Northlink have continued to rise from 62,170 in 1999 to 102,385 in 2007, a 64.7% increase.

#### ICT

- The results from the 2007 Shetland employment survey have shown that 83% of all organisations in Shetland have access to e-mail compared with 73% in 2003. 82% had access to the Internet in 2007 compared with 77% in 2003.

<sup>22</sup> Scottish House Condition Survey, *Fuel Poverty in Scotland*, 2004

<sup>23</sup> BBC News: UK House Prices - Regional

<sup>24</sup> [http://www.ros.gov.uk/productsandservices/lpd\\_stats.html](http://www.ros.gov.uk/productsandservices/lpd_stats.html)

<sup>25</sup> [http://www.ros.gov.uk/productsandservices/lpd\\_stats.html](http://www.ros.gov.uk/productsandservices/lpd_stats.html)

<sup>26</sup> Shetland Face to Face Household Survey

<sup>27</sup> SIC Housing, 2008



## 5.9 Natural Resources (Greener)

### Environment

- Shetland has 81 Sites of Specific Interest (SSSI's) making up 11.6% of land area, 3 National Nature Reserves, 1 Ramsar Site (wetland conservation and sustainability) 12 Special protection areas and 7 National scenic areas. There are also 346 listed buildings and 369 ancient monuments.
- Shetland's air quality meets all the criteria set by the national air quality standards.
- Coastal Water Quality Standards Criteria are set in bandings between A and D, with A as the highest quality and C and D representing unsatisfactory results. Most of Shetland's coastline is A.

### Shetland's consumption of global resources

- The average amount of resources available per capita is known as an 'earthshare'. To calculate an earthshare, the total available land and sea area of the planet is divided equally among the current global population.
- It is estimated that the current earthshare is 1.9 gha; Shetland's ecological footprint is currently 5.39 global hectares per capita<sup>28</sup> and increasing.
- If everyone on the planet consumed as much as an average Shetland resident, an additional 1.8 Earths would be required to sustainably support global resource consumption.

### Waste and Recycling

- The annual Voar Redd Up, supported by the Shetland Amenity Trust, has been increasing in size since it was first started in 1987. However last years collection was short of 20 tonnes on comparison to the previous year, despite having 285 more volunteers.

### Energy

- The Energy Recovery Plant in Lerwick generates hot water by burning waste for the Lerwick District Heating Scheme which is operated by Shetland Heat Energy and Power LTD. (SHEAP).<sup>29</sup>
- The Plant burns 22,000 tonnes of waste per year and generates 7MW of energy. The waste comes from Shetland, Orkney and Offshore.

## 5.10 Economy (Wealthier)

### Economic Activity

- Shetland Islands Council is currently worth £184.9 million to the Shetland Economy and increase from £127million in 2003.<sup>30</sup>
- The combined total output of all economic sectors in the Shetland economy in 2005 was calculated to be £705,705,000<sup>31</sup>
- The same survey calculated Shetland's Gross Regional Domestic Product to be £333,403,150. This equates to a GRDP per capita of £15,245<sup>32</sup>.

<sup>28</sup> This measures the amount of nature's resources Shetland consumes in a given year

<sup>29</sup> SIC energy, 2007

<sup>30</sup> Infrastructure 2008

<sup>31</sup> Fraser of Allander Institute and Shetland in Statistics (AB Associates and Economic Development Unit, SIC

<sup>32</sup> Economic survey, University of Aberdeen Business School and AB Associates Ltd, 2005

### Employment

- During 2007 Nomis recorded that 12,500 individuals were recorded as economically active in Shetland (89.6%); a decrease of 800 from 2005
- Of the 12,500 individuals who are economically active, 6,800 male and are 5,700 female.<sup>33</sup>
- 1,400 individuals are currently economically inactive, 1,100 of whom do not want a job.<sup>34</sup> This is a rise of 200 people since last year
- Shetland has 26.3% of its employees educated to NVQ4 level or above, whereas the Scottish average is 33.2%.

### Unemployment

- During the past 30 years, Shetland has benefited from one of the lowest unemployment rates in the country. This peaked at 2.2% in April 2004 and fell to 0.7% in June 2008<sup>35</sup>.
- The unemployment rate for Orkney in June 2008 was 0.8% and the Scottish average was 2.3%<sup>36</sup>.
- At August 2008 there were 106 people claiming Job seekers allowance, 0.8% of the population.

### Income

- The Gross weekly pay for Shetland full time workers increased from £418.50 in 2006 to £446 in 2007. This is still lower than the gross weekly pay of £448.40 in 2005 and is only £5 higher than the Scottish average.
- However, what must be remembered is that higher paid earners will mask the lower paid and the income deprived. For Instance for those earning the current minimum wage (£5.52) and working a 40-hour week, they will earn **£224** before tax.
- This is significant for the Islands as the cost of living is much higher here, and if we want to attract a diverse range of people to Shetland, the pay must reflect living costs.

### Business performance

- In 2007, there were 66 new start-ups in Shetland, a decrease of 68% on 2006 (111 start-ups).  
For quarter 1 of 2008, 21 business start ups have been recorded compared with 11 in quarter 1 2007.

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<sup>32</sup> Shetland Regional Accounts, 2005

<sup>33</sup> Nomis, Official Labour Market Statistics

<sup>34</sup> Nomis, Official Labour Market Statistics, 2007

<sup>35</sup> Nomis Official Labour Statistics, June 2008

<sup>36</sup> HIE Economic update, Orkney, 2007

## 5.11 Social Welfare (Fairer)

### Income Poverty

- This indicator is currently being developed in conjunction with the department of work and pensions.

### Benefit Uptake

- Shetland continues to have a low percentage of the working age population claiming key benefits, when key benefits are defined as Job Seekers Allowance, at 0.7% of the population.
- The Jobseeker's Allowance (JSA) is payable to people under state pension age who are out of work or working less than 16 hours per week on average.
- At August 2008, there were 106 people claiming JSA. This is a 23 decrease on the previous year, and a 54% decrease since 2005.

### Fuel Poverty

- According to the results from the Scottish House Condition Survey, it is estimated that 22% of households in Shetland are fuel poor and 9% are classed as extreme fuel poor<sup>39</sup>.
- This is almost double the Scottish average of 13%. Shetland has the third highest fuel poverty level in Scotland and the sixth highest extreme fuel poverty level<sup>40</sup>.

### Childcare

- There is a lack of registered childminders throughout Shetland and there are still gaps in provision, particularly for the 0-3 yr age group. Lack of childcare can be influential in restricting people's access to employment opportunities.

*An extract from Anderson Solutions Report presented to Development Committee on 2 October noted:*

"There are challenges, which suggest the potential value is not being realised, and that some elements of existing provision are under threat, which would, if lost, create a knock-on negative economic impact in the wider Shetland economy.

Difficulties that can be encountered by parents include:

1. those with young children (under 2 years) can only access either childminders or private nurseries and there are limited spaces due to childminder/staff ratio restrictions
2. it can be difficult to find a single solution for one child as it is very difficult to find full-time childcare anywhere in Shetland. This leads to fragmented childcare provision

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<sup>37</sup> SIMD website. NB. SIMD06 uses 2004 figures, and SIMD04 uses 2001 figures

<sup>38</sup> Research into Deprivation and Social Exclusion in Shetland

<sup>39</sup> A household is in fuel poverty if, in order to maintain a satisfactory heating regime, it would be required to spend more than 10% of its income on all household fuel use, where 'satisfactory heating regime' is defined as one that achieves 21° C in the living room, and 18° C in other occupied rooms

<sup>40</sup> Scottish House Condition Survey, *Fuel Poverty in Scotland*

3. it can be even more difficult to find a single solution for two or more children in Shetland which, can create significant problems for parents, particularly if each child is in more than one form of childcare.”

## 5.12 Community (Stronger)

### Voting

- The total electorate at Community Council elections has increased from 16,298 to 17,168 between 2002 and 2006
- Turnouts for the 2007 Shetland Islands Council elections ranged between 51.3% for Lerwick North and 64.1% for the North Isles

### Volunteering

- Community Volunteering continues to flourish throughout Shetland.
- In 2005/06 the Grant's Unit within the Educational and Social Care Department awarded 296 grants to community groups, rising to 349 in 2006/07<sup>41</sup> and 309 in 2007/08.
- During 2005/06 32 people took part in English for Speakers of Other Languages (ESOL) classes. In 2007/08 this increased to 233, 10 students have passed their Access 3 and Intermediate 1 exams in ESOL citizenship.<sup>42</sup>

### Sport & Culture

- Attendance at all Shetland pools has decreased from 347,752 in 2004/05 to 270,370 in 2007/08<sup>43</sup>.
- Attendance at indoor sport facilities (ex. pools) decreased from 17,126 per 1,000 population (2004/05) to 14,966 in 2007/08<sup>44</sup>.
- Attendance at the cinema at the Garrison Theatre has decreased from 19,989 in 2005 to 18,838 in 2007.

### Social Economy

- There are over 600 community groups in Shetland. Shetland has the greatest number of, and greatest income from, charities per 10,000 resident population in Scotland. Nearly three times the average for Scotland and Shetland's charities have the highest income per 10,000 resident population
- In 2008, there were 291 Charities in Shetland. A 91 increase from 2005.
- The total current annual income for charities registered throughout Shetland is **£54,160,407**.<sup>45</sup>

## 6 Policy & Delegated Authority

- 6.1 Data and evidence contained within Sustaining Shetland provides information for service planning across the whole council and the citizens of Shetland. This information and progress on implementation is of significance to performance management across the whole Council.

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<sup>41</sup> SIC, Grants Unit, 2007 (NB. This is not all council grants)

<sup>42</sup> Adult Learning, SIC, 2007

<sup>43</sup> Shetland Recreational Trust, 2006/07

<sup>44</sup> Shetland Recreational Trust, 2006/07

<sup>45</sup> OSCR, Office of the Scottish Charity Regulator

## **7 Financial Implications**

- 7.1 There are no direct financial conclusions as a direct result of this report.

## **8 Conclusion**

- 8.1 The Council is committed to evidence based decision regarding priority areas for the long-term welfare of Shetland.
- 8.2 Shetland Islands Council already has much good practice in the move towards a sustainable Shetland and a co-ordinated approach is now being achieved. However, it remains important that the Council continues to be proactive in this area.

## **9 Recommendation**

- 9.1 I recommend that Shetland Islands Council;
- 9.1.1 Discusses and comment on the data and analysis contained in this report and the Sustaining Shetland appendix.
- 9.1.2 Encourage partner agencies to support the data gathering process, support the Community planning delivery groups wherever possible and aid the implementation of the Single Outcome Agreement priorities.

Date: 26/11/08  
Our Ref: LS/JRS

Report No: CE-51-F



# SUSTAINING SHETLAND



## Annual Monitoring of Social, Economic, Environmental and Cultural Trends

2008  
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Cover photograph by Economic Development; Shetland Islands Council

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## INTRODUCTION

This document sets out social, economic, environmental and cultural data for Shetland measuring Shetland's quality of life and sustainability.

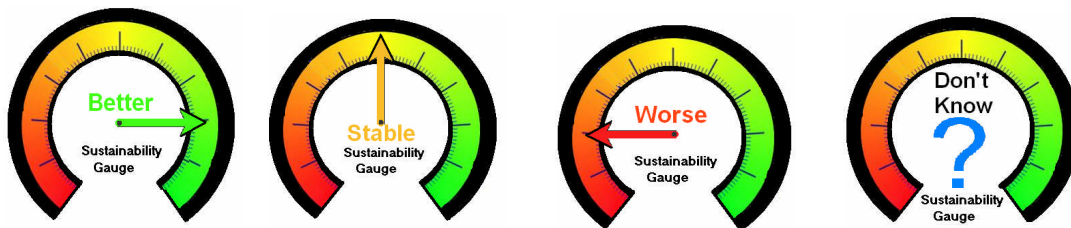
The Shetland Resolution was developed as part of the Long Range Forecast project in Shetland in late 2004, gathering the views of the Shetland public on the future of the islands for the next 20 to 30 years or so.

It links the shared vision of the Shetland Community, the public bodies which work on its behalf, voluntary and business sectors to maintaining and enhancing the quality of life in Shetland.

The information provided in Sustaining Shetland also links that vision to that of Scotland, and described how the shared priorities of Shetland and the Scottish Government are being implemented.

### **"Sustainability" Gauges.**

We use simple gauges to provide an indication of current sustainability in Shetland. The three categories 'Better', 'Worse' and 'Stable' correspond to the most recent information available, and provide a simple assessment on the changes seen in different indicators:



Some indicators are new and lack time series data needed to see if change has occurred, whilst some changes are difficult to interpret as 'better' or 'worse.' A 'Don't Know' gauge represents these areas.

Thanks to all those involved in the development of these indicators and production of this year's report.

## **The Shetland Resolution**

We shall work together for a future that's better and brighter. In particular, we aim to create a secure livelihood, look after our stunning environment and care well for our people and our culture.

We recognise that we can only succeed in any of these aims by succeeding in all of them.

### **In our economy,**

- We want to be known for carefully crafted products and excellent service.
- We shall nurture creativity, build skills and encourage enterprise.
- We'll promote fine quality and unique origin because they're vital to our customers.
- We'll seek to create fulfilling, well-paid jobs for all, whatever their talent.
- Public sector resources will be used to stimulate a stronger private sector.

### **In our environment, we shall...**

- Use the natural resources at our disposal responsibly and seek more control over them:
- Take pride in our heritage, natural or manmade, and respect it for its own sake;
- Recognise that our livelihood depends on our environment and use the gifts of nature responsibly
- Work with nature in all its diversity, not against it and restore our environment where it has been damaged
- Live in well-designed, sustainable homes and settlements
- Everyone should be able to access the places, services and opportunities they need
- Play our part as responsible members of the world community.

### **In our community, we shall...**

- Cherish and promote our traditions and our values;
- Keep Shetland's people safe and encourage them to be healthier;
- Foster confident, thriving communities across Shetland;
- Welcome visitors and new Shetlanders from wherever they may come;
- Promote justice and equality, here and overseas; and
- Expand knowledge, extend opportunities and improve access.

### **And...**

*We may be a small place, but if we're clever we can be more successful.*

*We may have few people, but we can welcome more.*

*We may be modest, but we can take pride in our achievements.*

*We may be remote, but we can be distinctive.*

**But in everything we do, we must seek excellence.**

The Shetland Resolution is a statement about quality of life and sustainability to which Shetland can aspire. The Scottish Governments has set out a similar overall statement of vision, which complements our Resolution.

### **Scotland's National Outcomes**

1. We live in a Scotland that is the most attractive place for doing business in Europe.
2. We realise our full economic potential with more and better employment opportunities for our people.
3. We are better educated, more skilled and more successful, renowned for our research and innovation.
4. Our young people are successful learners, confident individuals, effective contributors and responsible citizens.
5. Our children have the best start in life and are ready to succeed.
6. We live longer, healthier lives.
7. We have tackled the significant inequalities in Scottish society.
8. We have improved the life chances for children, young people and families at risk.
9. We live our lives safe from crime, disorder and danger.
10. We live in well-designed, sustainable places where we are able to access the amenities and services we need.
11. We have strong, resilient and supportive communities where people take responsibility for their own actions and how they affect others.
12. We value and enjoy our built and natural environment and protect it and enhance it for future generations.
13. We take pride in a strong, fair and inclusive national identity
14. We reduce the local and global environmental impact of our consumption and production.
15. Our public services are high quality, continually improving, efficient and responsive to local people's needs.

These outcomes are the focus for making Scotland;

- Wealthier and Fairer;
- Healthier;
- Safer and Stronger;
- Smarter; and
- Greener

## Priorities for Action and Targets for Improvement

As a result of the first publication of Sustaining Shetland, and consultation and discussion on the evidence it provided, a set of key **Shetland Priorities and Targets** were developed.

The Community Planning Board, the Shetland Islands Council and NHS Shetland have endorsed these priorities. They recognise that everyone in Shetland will have a part to play, but the beginning is having these priorities and targets at the centre of local delivery plans for agencies.

In its proposed concordat the Scottish Government has now also declared a set of **National Headline Targets**.

## Shetland Priorities and Targets

### To increase the Quality of Life in Shetland

We will increase employment opportunities, by 1,000 full-time equivalents by 2025, and increase average personal and household income by 10% above 2005 in real terms<sup>1</sup>

The Shetland economy is becoming more diversified. However there is a need to accelerate this process in order to provide a secure future. Key to this is increasing the opportunities for employment in the private sector. By stimulating the economy we will increase the sustainability of our community's critical services.

In order to ensure people are able to stay where they want, and move here:

#### **We will increase the supply of housing to 12,000 by 2025<sup>2</sup>**

Some people will want to live in and around Lerwick to enjoy the benefits of a busy thriving town; others will prefer the alternative attractions of rural and remote locations. Different challenges will apply in different areas, and will require different solutions.

Currently centralisation forces are in play. This is pressurising delivery of services in central areas, whilst delivery of services in more remote areas is requiring increased subsidy:

#### **We will place more effort on stimulating demand for living in the remoter areas of Shetland by ensuring that the ratio of jobs to people and housing is the same<sup>3</sup>**

To make sure we are all able to enjoy living in Shetland as fully as possible:

#### **We will be internationally renowned by ranking in the top 5% for Quality of Life on a European stage<sup>4</sup>. We will ensure that equal opportunities exist for all, no matter an individual's age; race, gender, faith, sexual orientation or disability and we will decrease social inequalities.**

Shetland already ranks highly in Scotland for social welfare, health and safety. However, we are aiming to be high ranking on an international stage. We also recognise that not everyone in Shetland shares this good experience.

Shetland has a very attractive natural environment and a good reputation for caring for it, we will enhance that and:

#### **We will be world renowned for being clean and green islands, decreasing our CO<sub>2</sub> emissions by 30% by 2020<sup>5</sup>**

Overall the retention of existing residents and attraction of new and returning population will depend on success across the above factors that affect quality of life. By maintaining and enhancing a society that appeals to people who are already here and in faraway places:

#### **Meeting these targets will increase our population to 25,000 by 2025<sup>6</sup>**

<sup>1</sup> In line with Successful Highlands and Islands. Current FTE is 9,200 (2003)

<sup>2</sup> Current housing is 10,200 (2005)

<sup>3</sup> Population ratio: 20:80 Peripheral/Central where Peripheral (Isles, Parish of Northmavine, Walls and Sandness Community Council Area), 2001 Census; Employment ratio: 12:88; Housing ratio: 15:85.

<sup>4</sup> Measures To be completed

<sup>5</sup> The same as the UK's current commitment

### National Headline Targets

Outlined within the Concordat (Spending Review) published 14<sup>th</sup> November 2007.

Indicator	National Target	Related Shetland target
GDP Growth	To raise the growth rate to the UK level by 2011 To match the growth rate of small independent EU countries by 2017	<b>We will increase employment opportunities, by 1,000 full-time equivalents by 2025.</b> <b>We will increase the supply of housing to 12,000 by 2025</b>
Productivity	To rank in the top quartile for productivity amongst our key trading partners of the OECD 2017	<b>We will increase average personal and household income by 10% above 2005 in real terms.</b>
Population Growth	To match average European (EU15) population growth over the period from 2007 to 2017, supported by increased healthy life expectancy in Scotland over this period	<b>We will increase the population of Shetland to 25,000 by 2025.</b> <b>We will increase the supply of housing to 12,000 by 2025.</b> <b>We will be internationally renowned by ranking in the top 5% for Quality of Life on a European stage<sup>7</sup>.</b>
Solidarity	To increase overall income and the proportion of income earned by the three lowest three income deciles as a group by 2017	<b>We will increase average personal and household income by 10% above 2005 in real terms<sup>8</sup>.</b> <b>We will ensure that equal opportunities exist for all, no matter an individual's age; race, gender, faith, sexual orientation or disability and we will decrease social inequalities.</b>
Cohesion	To narrow the gap in participation between Scotland's best and worst performing regions by 2017	<b>We will place more effort on stimulating demand for living in the remoter areas of Shetland by ensuring that the ratio of jobs to people and housing is the same.</b>
Participation	To maintain our position on labour market participation as the top performing country in the UK and to close the gap with the top 5 OECD economies by 2017	<b>We will increase employment opportunities, by 1,000 full-time equivalents by 2025.</b>
Sustainability	To reduce emissions over the period to 2011. To reduce emissions by 80% by 2050.	<b>We will be world renowned for being clean and green islands, decreasing our CO<sub>2</sub> emissions by 30% by 2020.</b>

<sup>6</sup> In line with Successful Highlands and Islands. Current population is 22,000 (census, 2001)

<sup>7</sup> Measures To be completed

<sup>8</sup> In line with Successful Highlands and Islands. Current FTE is 9,200 (2003)

## Sustaining Shetland Data

In order to ensure the Shetland Resolution is most effectively used to guide policy development in Shetland, data is collated on an annual basis in order to measure and evaluate progress towards these aspirations aspiration.

That data is gathered together in this publication, which provides baseline data, and, where possible, highlights trends. This set of information should help us observe whether things are improving or getting worse over time in certain areas and help us to compare and contrast the situation in Shetland with other places. These trends help to inform policy and decision-making and provide Shetland with an informed picture of the effects of policy and decision on the islands.

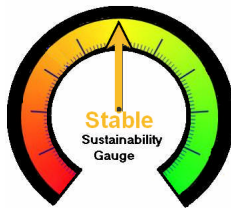
Sustaining Shetland sets targets and provides Indicators exist in ten key areas:

	<b>Measure</b>	<b>Indicators</b>
1	Population	Population Size & Structure
2	Health	Avoidable Deaths, Life Expectancy, Drug and Alcohol Use
3	Education & Learning	Opportunity, Participation, Attainment
4	Crime & Safety	Incidents of Crime and Fear of Crime
5	Housing	Quantity, Quality, Appropriateness and Affordability
6	Transport & Communications	Access to Services, Social Facilities, Employment and ICT
7	Natural Resources	Resource Usage and Impact
8	Economy	Economic Activity, Employment & Business Performance
9	Social Welfare	Income Levels and Costs of Living
10	Community	Breadth and Depth of involvement

These indicators are updated on an annual basis and the type of data available is improved, where possible, each year.

## Population

Overall Level



Natural Increase



Migration



Age Profile



- ◆ Over the last 20 years, the population of Shetland has declined by 3%. Since the 2001 Census, the GROS has estimated that the population levels in Shetland have remained relatively stable, with the latest estimates showing the population at 21,950 (GROS, 2007 mid-year estimates).
- ◆ The trend towards centralisation of the population towards Lerwick and a 15-20 minute commute of Lerwick continues. Around 40% of the population now lives in Lerwick, with 59% of the jobs now located in Lerwick.
- ◆ Since 1991, Shetland's population aged over 65 has risen by 31% and the progression of an ageing population looks set to continue, with the population of over 50s increasing by 1.9% in the last year alone.
- ◆ It has been estimated that, in the next 25 years, Shetland will experience a 50.7% increase in the number of islanders of pensionable age, while the working-age population will decrease by 20.7% (GROS, 2006-base population projections)
- ◆ In the 10 years between 1996 and 2006 there has been a net emigration from Shetland of 1,333 people, but the number of National Insurance registrations has steadily increased, particularly for individuals from EU accession and EEA states.
- ◆ The birth rate has been consistently higher than death rate and in 2007 Shetlands rate of natural population increase was the highest in Scotland, however net migration outwards was also the highest.

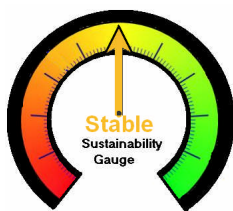


## Health and Well Being

Life Expectancy

Avoidable Death

Substance Abuse Mental Health



- ◆ Shetland's overall life expectancy continues to increase. Current estimates (2005/07) state that life expectancy at birth is 79.2 years, the longest in Scotland.
- ◆ Avoidable Death rates, Heart Disease, Strokes, Cancers & Accidental Death & Suicide are overall fairly static.
- ◆ Problematic Alcohol use and Drug misuse rates both continue to be at concerning levels. Smoking rates remain below national levels and there is a lack of objective evidence on obesity levels.
- ◆ Mental well being is the source of anecdotal concern but again objective statistics are not available at this time.

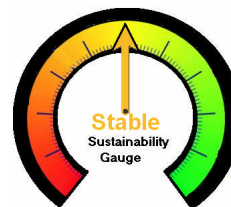
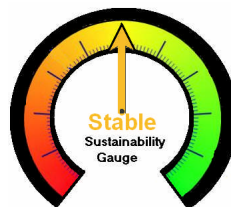
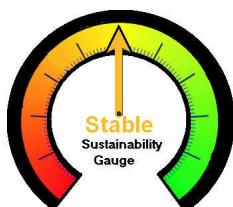
## Education

Early Years

School Attainment

Adult Opportunity

Destinations



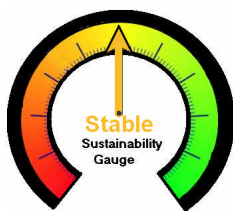
- ◆ There are 29 pre-school centres, providing places for all 3 and 4 year olds.
- ◆ Attainment levels in schools continue to be high, 90% of S4 pupils achieving 5+ awards at SCQF level 4 compared to the Scottish Average of 76%.
- ◆ Shetland College continues to have high enrolment levels, particularly in part time further education courses.
- ◆ Most learners continue to have positive destinations after completing school, college or university courses. 47% of school leavers go on to further Education, a similar proportion into work.

## Crime and Safety

### Crime Levels



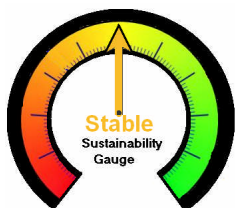
### Fear of Crime



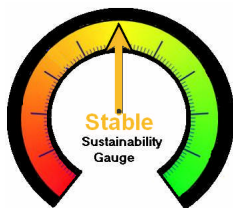
- ◆ There has been a decline in the total number of criminal offences since 05/06.
- ◆ Between 95 and 99% of people feel the area they live in is 'safe' or 'very safe'. The proportion of people worried about becoming a victim of crime is lower in Shetland (30%) than the Northern constabulary area as a whole (47%).

## Housing

### Quantity



### Quality



### Availability



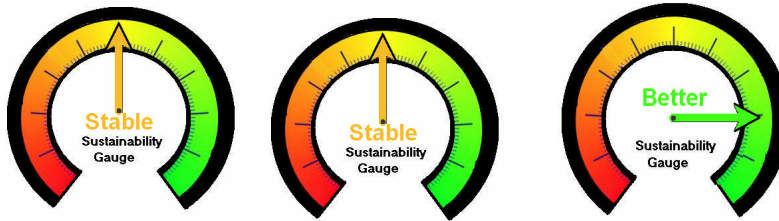
### Homelessness



- ◆ The number of houses continues to increase by around the 100 per year required to meet our long term target, but the rate of new build has slowed from 142 in 2006/07 to 114 in 2007/08.
- ◆ Housing in the private sector appears to be of poorer quality than social rented stock for a variety of reasons. Just fewer than half the population have problems heating their homes, while it is estimated at least a quarter are at risk from fuel poverty.
- ◆ The numbers waiting for social housing continue to increase, currently **999** people are on the waiting list.
- ◆ The number of Homeless presentations continues to increase, 234 in 2007/08.

## Transport and Communications

Internal Transport   External Transport   Electronic Communications



- ◆ The numbers of bus passengers has increased this year, however inter - islands ferry passenger numbers have decreased.
- ◆ External air passenger numbers have increased to Scottish Airports but ferry passenger numbers have decreased.
- ◆ The cost of fares is also increasing across the board.
- ◆ Shetland continues to have high uptake of broadband Internet connection.

## Natural Resources

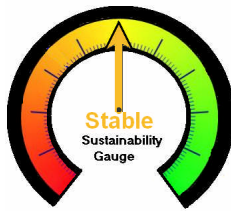
Environment   Resource Use   Waste & Recycling   Energy



- ◆ Existing data available to measure the quality of the environment in Shetland, such as air and water quality, paint a good picture.
- ◆ Further measures of overall resource usage are required to ensure the situation is fully understood.
- ◆ Recycling opportunities continue to expand and diversify and new renewable energy possibilities are being explored.
- ◆ Energy generation levels from fossil fuels and renewable sources seem fairly stable

## Economy

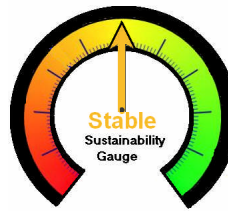
Employment



Unemployment



Gross Pay



Business Numbers



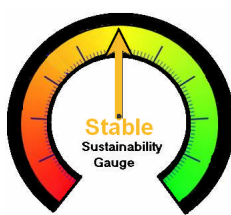
- ◆ Nomis statistics for 2008 indicate that 12,500 individuals were recorded as economically active in Shetland (89.6%) in December 2007; a decrease of 200 from 2006.
- ◆ Unemployment in Shetland is still one of the lowest rates in the UK, 0.8% in September 2008.
- ◆ Gross weekly pay levels for full-time workers are fairly stable close to the Scottish Average at £450 in 2007.
- ◆ The overall stock of businesses in Shetland has reduced slightly from 1,290 at the end of 2006 to 1,270 at the end of 2007.

## Social Welfare

Income Poverty



Benefit Uptake



Fuel Poverty



Childcare



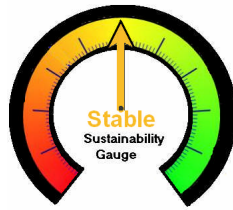
- ◆ While full time average wages are around national averages, costs of living are higher and insufficient data is available to determine whether the proportion of the Shetland population in income poverty is increasing or falling.
- ◆ Overall Key Benefits uptake continues to run at around 9% compared to a national average of around 16%.
- ◆ Fuel poverty remains high with any gains in insulation etc. being offset by increasing fuel prices.
- ◆ Decreasing numbers of registered child minders is restricting people's access to learning and employment opportunities.

## Community

Voting



Volunteering



Sports & Culture



Social Economy



- ◆ 2007 Council elections had higher turnout than previous years.
- ◆ Community groups and volunteering would appear to continue to flourish.
- ◆ Attendances at leisure centres, Garrison theatre and library have decreased in the last year, however attendance at the Shetland Museum has increased significantly.
- ◆ Insufficient data is available to determine the size and health of the Social Economy in Shetland accurately.

## Indicators POPULATION

Over the last 20 years, the population of Shetland has declined by 3%. Estimates show that the Shetland resident population is fairly static, falling from 21,988 in 2001<sup>11</sup> to 21,940 in 2004, rising to 22,000 in 2005<sup>12</sup>, falling again to 21,880 in 2006 and current estimates stating 21,950.

The population dropped by 120 between 2005-06 it is likely that this can be attributed to the closure of the Radar Base at Saxa Vord, Unst.

The trend towards centralisation of the population towards Lerwick and a 15-20 minute commute of Lerwick continues. Around 41% of the population now lives in Lerwick.

In the next 25 years, Shetland will experience a 50.7% increase in the number of islanders of pensionable age, while the working-age population will decrease by 20.7%.<sup>13</sup> This is due to increasing life expectancy and older people moving to Shetland for an improved quality of life<sup>14</sup>.

In the 10 years between 1996 and 2006 there has been a net emigration from Shetland of 1,333 people, but the number of National Insurance registrations has steadily increased, particularly for individuals from EU accession and EEA states. The birth rate has been consistently higher than the death rate, which is quite the opposite to that of mainland Scotland.

<sup>1</sup> In line with Successful Highlands and Islands. Current FTE is 9,200 (2003)

<sup>2</sup> Current housing is 10,200 (2005)

<sup>3</sup> Population ratio: 20:80 Peripheral/Central where Peripheral (Isles, Parish of Northmavine, Walls and Sandness Community Council Area), 2001 Census; Employment ratio: 12:88; Housing ratio: 15:85.

<sup>4</sup> Measures To be completed

<sup>5</sup> The same as the UK's current commitment

<sup>6</sup> In line with Successful Highlands and Islands. Current population is 22,000 (census, 2001)

<sup>7</sup> Measures To be completed

<sup>8</sup> In line with Successful Highlands and Islands. Current FTE is 9,200 (2003)

<sup>9</sup> FSB Scotland Index of Success, 2007

<sup>10</sup> FSB Scotland Index of Success, 2007

<sup>11</sup> Census, 2001

<sup>12</sup> GROS mid year estimates, 2006

<sup>13</sup> GROS, 2006-base population projections

<sup>14</sup> SIC, 2006b, p10

Shetland Priority relevant to this area;

- **We will increase the population of Shetland to 25,000 by 2025<sup>15</sup>**

Scottish National Headline Target

The National Single Outcome Agreement target that is relevant to this area is:

- **To match average European (EU15) population growth over the period from 2007 to 2017, supported by increased healthy life expectancy in Scotland over this period.**

#### What is measured

- Indicators used to measure Shetland populationThe total number of people resident in Shetland
- Age Profile
- Population of areas of Shetland
- Population density,
- The ethnic population

These are measured using data from the census<sup>16</sup>. The next census is planned for 2011. For intervening years data is sourced from the General Register Office for Scotland (GROS) mid-year estimates. Trends in the structure of the population are monitored through age and gender distribution levels. These are measured using the census and GROS mid-year estimates.

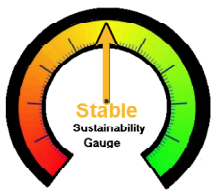
The total population of Shetland is a function of the number of births minus the number of deaths (the natural increase) and the difference between immigration and emigration (net migration).

- ◆ Births and deaths are monitored using GROS
- ◆ There is currently very little information on migration<sup>17</sup>, with estimates being made by GROS. The number of National Insurance numbers issued to people in Shetland can also provide an indication.
- ◆ A new population study has now been completed, the data for which will inform this report. The recommendations from which will inform future cross agency policy documentation. <sup>18</sup>

<sup>15</sup> In line with Successful Highlands and Islands. Current population is 22,000 (census, 2001)

<sup>16</sup> Census, 2001. The next census will be carried out in 2011 with results not available until 2013. In the intervening period it is difficult to monitor and forecast population change with any degree of accuracy or certainty. Patient records and the GROS national population estimates and biennial forecasts provide useful information but they need to be interpreted with care as neither source can be considered to be a surrogate for the census.

<sup>17</sup> Currently, there is no comprehensive system that registers migration in the UK, either moves to or from the rest of the world, or moves within the UK. Nationally, estimates are based on the National Health Service Central Register (NHSCR) for moves between health board areas within the UK, and the International Passenger Survey (IPS). There are problems with the NHSCR as there are thought to be problems with people not deregistering with a GP. Anecdotal evidence also suggests that migrant workers are less likely to register with a GP. The IPS contacts a small percentage of migrants for the survey, particularly for Scottish migrants, and therefore estimates derived from the IPS are subject to larger sampling and non-sampling errors and is considered less reliable than UK level estimates.

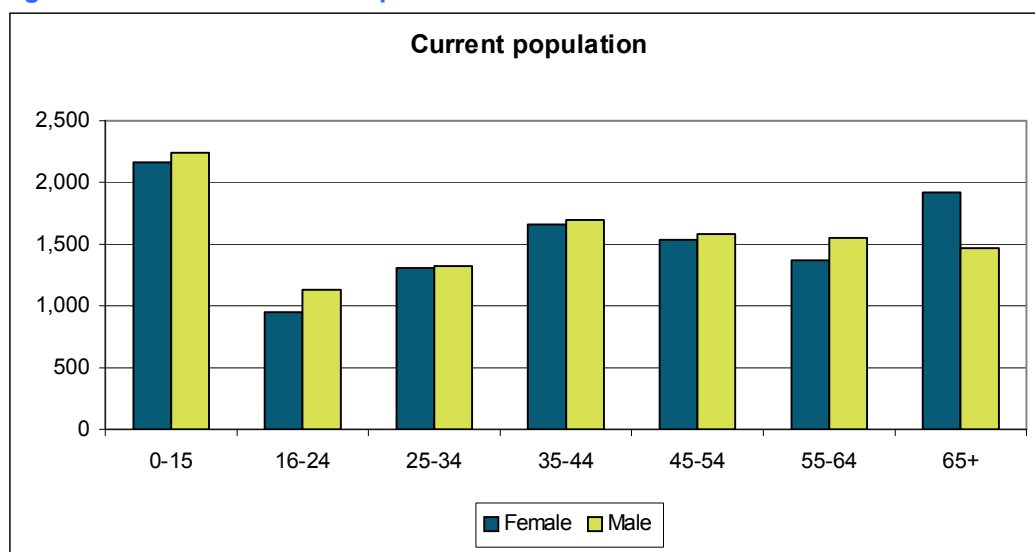




## Shetland's total population level – current position

The current population of Shetland is estimated to be 21,950<sup>19</sup>, refer to fig 1.

**Figure 1: Current Shetland Population level<sup>20</sup>**



- ◆ Since the 1860s, when the population of Shetland peaked at around 30,000, it has been falling steadily until the 1970s when it hit the historically low level of 17,000. After 1971, there was a significant increase, and in just 10 years the population of the islands rose by over a third, to 22,766 (General Register Office for Scotland (GROS), 1981 Census).
- ◆ The increases in the 1860s and in the 1970s can be attributed to new economic opportunities. For example, in the late 19th century, a huge boom in drift-net fishing for herring had occurred and in 1971 the population growth was a near on direct result of oil industry development.
- ◆ Over the last 20 years, the population of Shetland has declined by 3%.
- ◆ Since the 2001 Census, the GROS has estimated that the population levels in Shetland have remained relatively stable, with the latest estimates showing the population at 21,950.
- ◆ Estimates show that the Shetland resident population is fairly static, falling from 21,988 in 2001<sup>21</sup> to 21,940 in 2004, rising to 22,000 in 2005<sup>22</sup>, and falling again to 21,880 in 2006. See fig 2.

**Figure 2: Shetland population trend 2001-2008**

<sup>18</sup> policy@shetland.gov.uk

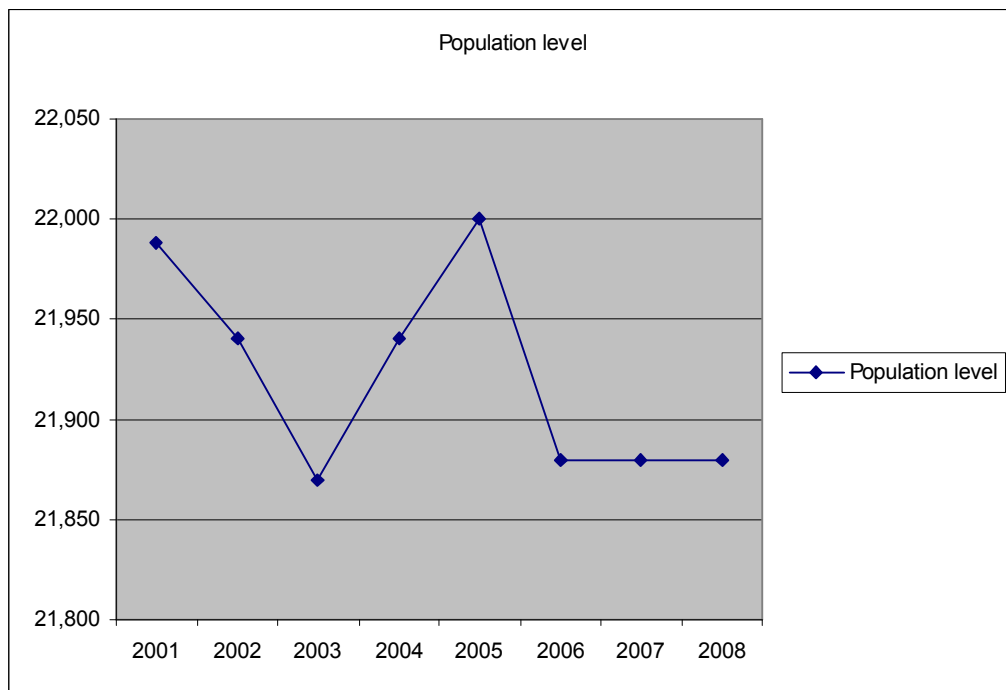
<sup>19</sup> GROS mid year 2007 estimates

<sup>20</sup> Hall Aitken, 2008

<sup>21</sup> Census, 2001

<sup>22</sup> GROS mid year estimates, 2006





- ◆ As you can see from figure 2, there was a slight population increase between 2001 and 2005 (0.2%), although this was still below the increase for the Highlands and Islands (1.7%) and Scotland (0.6%) (GROS, 2001 Census and 2005 mid-year estimates).
- ◆ The closure of the Radar Base at RAF Saxa Vord in early 2006 resulted in the relocation of 72 service personnel and their families, a loss of 135 residents from Unst.<sup>23</sup>

### Population density of Shetland

- ◆ Shetland has a fairly constant population density of 15 people per square kilometre. It is less densely populated than Orkney (at 19) but more dense than Argyll & Bute, Eilean Siar and Highland (at 8)<sup>26</sup>.
- ◆ Shetland's population density is much lower than that of Guernsey (950) and substantially lower than that of Scotland as a whole (65).
- ◆ The density of population within Shetland varies from 1,571 people per square kilometre in Scalloway and 1,328 in Lerwick to 5 in the North Isles, 6 in the North Mainland and 7 in the West Side<sup>27</sup>.

### Shetland's population by area

- ◆ It is currently estimated that approximately 40% of Shetland's population now live in Lerwick, and 59% of Shetland's jobs are located in Lerwick.<sup>28</sup>
- ◆ The centralisation of the population continues, with substantial increases in recent times in Quarff, Gulberwick, Tingwall and Trondra, as well as Bressay and Sandwick/Cunningsburgh.

<sup>23</sup> Removal of Radar Base impact Analysis, 2005

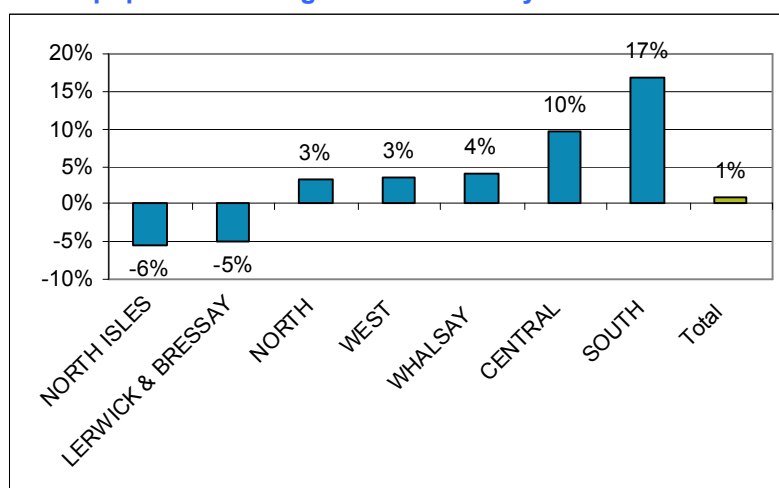
<sup>24</sup> GROS estimates, 2006

<sup>26</sup> GROS estimates, 2006

<sup>27</sup> GROS estimates, 2006

<sup>28</sup> Community Profile, Lerwick/Bressay

Figure 3: Estimated population change 2001 to 2007 by area<sup>29</sup>



- ◆ Broadly there has been a shift in overall population from outlying areas (particularly the North Isles of Yell, Unst and Fetlar) to the areas within commuting distance of Lerwick.
- ◆ There were also moderate population increases in the North and West Mainland and on Whalsay.
- ◆ However there have been population declines in the North Isles and in Lerwick and Bressay. The latter is likely to be due to limited sites for new housing within the main town which has led to major house-building focusing on the Cunningsburgh/ Quarff area and in Scalloway.
- ◆ These population shifts have had an impact on the primary school rolls within different areas. For example the primary school rolls in Lerwick have dropped by around 155 since 2001 suggesting that families with young children have been moving out.
- ◆ Whalsay & Skerries is the only service planning area that has seen an increase in the numbers of primary age children since 2001. This increase is due to Whalsay rather than Skerries where the roll has dropped from 4 to 3 children. However the overall pattern of declining rolls suggests that those moving to other parts of the Mainland are either older families or those without children.
- ◆ Rural areas with particular decline in population are Delting, most of the Outer Isles, Northmavine, Yell and Unst.

### Age breakdown of the Shetland population

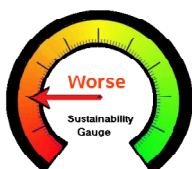
- ◆ Since 1991 there has been a gradual increase in the proportion of older people relative to younger people within the Shetland population; a trend that is replicated across Scotland<sup>30</sup>.
- ◆ The current estimates for age breakdown of the Shetland Population show that,<sup>32</sup>

<sup>29</sup> Source: Derived from NHS Registration and School Rolls data (SIC, 2007)

<sup>30</sup> GROS, 2006

<sup>31</sup> Figure 2.

<sup>32</sup> GROS 2007 mid year estimates



1. 19% of the population is made up of 0-15 year olds
2. 10.5% of the population is made up of 16 – 24 year olds
3. 10.7% of the population is made up of 25-37 year olds
4. 17% of the population is made up of 35 - 44 year olds
5. 14.6% of the population is made up of 45 - 54 year olds
6. 13.6% of the population is made up of 55 - 64 year olds
7. 14.6% of the population is made up of over 65's

It is quite clear to see that the lowest proportion of our population is in the 16 – 37 age grouping.

- ◆ It has been estimated that, in the next 25 years, Shetland will experience a 50.7% increase in the number of islanders of pensionable age, while the working-age population will decrease by 20.7%.<sup>33</sup> This is due to increasing life expectancy and older people moving to Shetland for an improved quality of life<sup>34</sup>.
- ◆ There is an imbalance by gender in Shetland as a whole, with a much greater proportion of females than males over the age of 65.<sup>35</sup>
- ◆ In contrast to the Scottish trend in general, and that of the Highlands and Islands specifically, Shetland's birth rate has been consistently higher than the death rate: since 1995, the birth rate has been higher than the death rate by an average of 29.6 people per year.<sup>36</sup> This indicates that the population decline can be linked with net out-migration, which is mainly being driven by young people migrating from Shetland to seek higher education and better job opportunities. The decrease in the population of those aged between 20 and 44 years in Shetland indicates that more young people are leaving the area than are coming in.<sup>37</sup>
- ◆ The ageing population is a considerable challenge for the Shetland, as communities with a large proportion of inhabitants over retirement age tend to generate lower levels of economic activity and, indeed, the confidence of communities and the sustainability of services can be negatively affected.<sup>38</sup>

**Figure 4: population age profile at 2006 and 2030<sup>39</sup>**

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<sup>33</sup> GROS, 2006-base population projections

<sup>34</sup> SIC, 2006b, p10

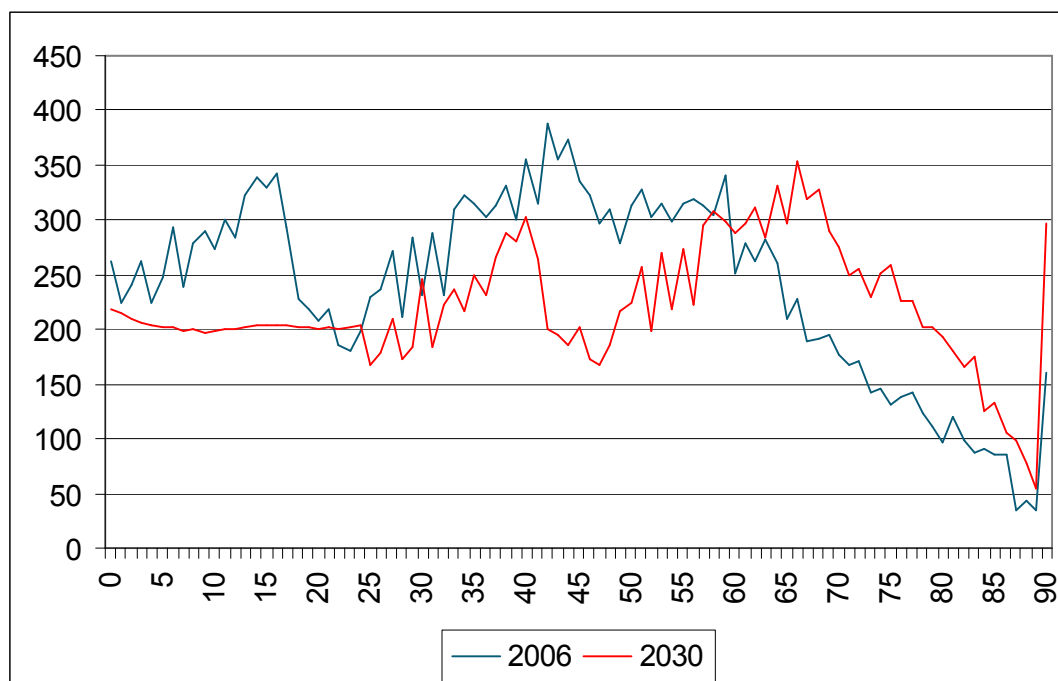
<sup>35</sup> Lerwick and Bressay Community Profile, SIC

<sup>36</sup> SIC, 2006b, p11

<sup>37</sup> SIC, 2006b, p2

<sup>38</sup> HIE, 2007, p2

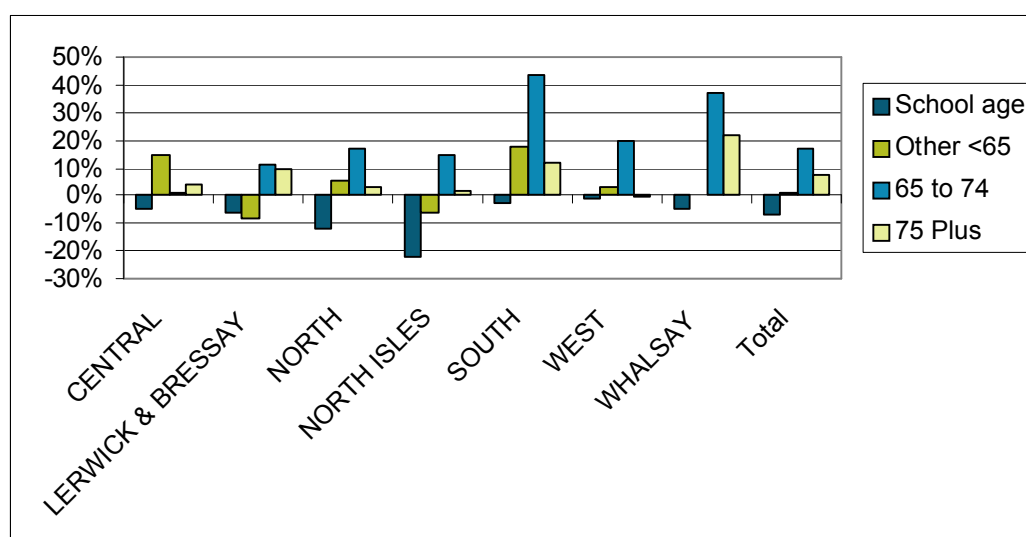
<sup>39</sup> Hall Aitken



◆ The age patterns of population changes suggest that people of working age are moving mainly into the South and Central areas of Mainland. This is supported by both anecdotal evidence from the population and migration study and recent house-building data.

◆ However there appears to be a higher proportion of older people moving into the North and West of Mainland and an ageing profile among the existing population as figure 5 shows. In Whalsay and South Mainland there has been significant increase in the number of elderly people in the population. This suggests the population here is stable but ageing.

Figure 5: Population changes 2001 to 2007 by Service Planning area<sup>40</sup>

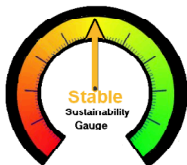


◆ Between 1991 and 2001, the population of Unst, Yell and Fetlar declined by

<sup>40</sup> Hall Aitken, 2008

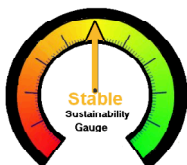
21%, while the combined population of Lerwick, Gulberwick/Quarff, Bressay, Scalloway and Tingwall (representing the core of the mainland) increased by 0.9%. <sup>41</sup>

- As can be seen from figure 4 and 5, Shetland service planners will be looking at a very different demographic population structure for the future, which will potentially have quite marked policy implications and place increasing demands.



### Births, deaths and natural population increase

- Shetland's birth rate is steadily higher than the death rate.
- From April - September 2008 there has been a total of 128 live births in Shetland and 102 deaths. <sup>42</sup>
- Between 1995 and 2005 there were an average of 29.6 more births than deaths a year.



### Gender breakdown of the Shetland population

- The 2007 GROS mid year estimates state that there are currently a total of 11,037 males and 10,913 females in Shetland. <sup>43</sup>
- In 2006 the ratio of males to females was fairly even with 10,976 males (50.16% of the total population) and 10,904 females (49.84% of the total population) <sup>44</sup>.

Figure 6: Gender Breakdown of Population <sup>45</sup>

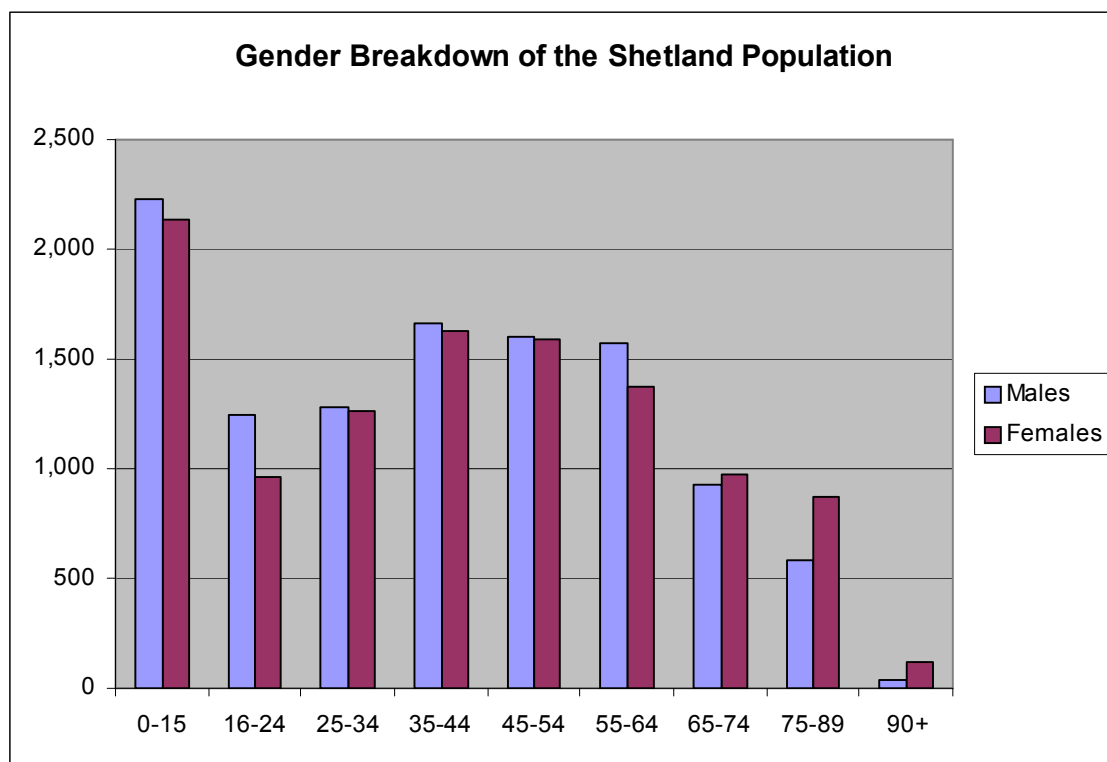
<sup>41</sup> SIC, 2005c, p. 5

<sup>42</sup> GROS, 2008, 1<sup>st</sup> and 2<sup>nd</sup> quarter.

<sup>43</sup> GROS, 2007

<sup>44</sup> GROS, 2006

<sup>45</sup> GROS 2007, mid year population estimates



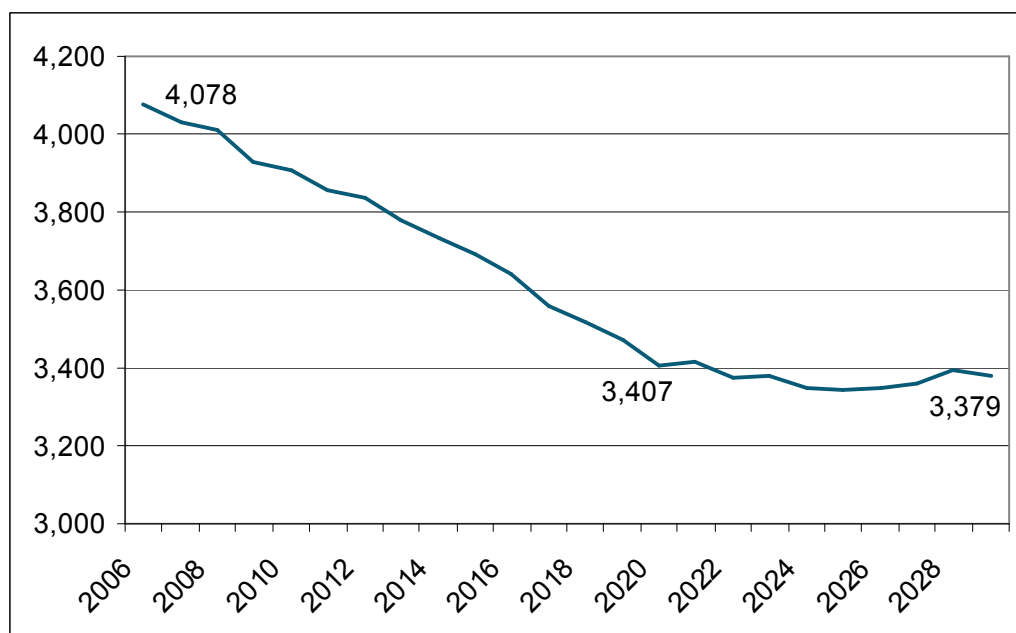
- ◆ Scotland as a whole has a higher proportion of females, with a higher proportion of males in the population up to 30.
- ◆ From the age of 70, females make up 62% of the population, often because females living longer than males.
- ◆ There are a higher proportion of males in Shetland between the ages 0-59, particularly within the latter end of this scale.
- ◆ Birth rates are determined by the fertility rate and the number of women who are of childbearing age (15 to 44), within the population.
- ◆ As figure 5 shows this is forecast to fall sharply until 2020 and then to level off at around 3,400 between 2020 and 2030. This will have a direct affect on the number of births and on the natural population change.
- ◆ **This has been the main driver of population growth in Shetland.**

**Figure 7: Number of Women of childbearing age<sup>48</sup>**

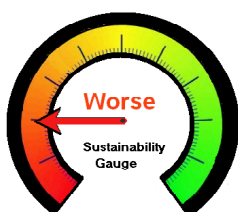
<sup>46</sup> GROS, 2006

<sup>47</sup> GROS, 2006

<sup>48</sup> Hall Aitken, 2008



- Workers from out with the UK registering in the Shetland Islands, since EU expansion in 2004/05, have been predominantly male. This follows the national trend.
- The male/female imbalance is more pronounced in Shetland than for Scotland overall, with the female to male ratio of overseas NINo registeers in Shetland being 1: 1.5 compared with the national ratio of 1: 1.2 over 2004/05 and 2005/06.



## Migration

- In the 10 years between 1996 and 2006 there has been a net emigration from Shetland of 1,333 people. 2004-05 was the only year of net immigration, of 32. 2005-06 saw a net emigration of 166<sup>50</sup>.
- This is unlike the trend in Orkney and Eilean Siar where net immigrations of 194 and 100 respectively were seen for the year 2005-06.
- Numbers of national insurance number registrations is steadily increasing, from 20 to 100 a year between 2001/02 and 2004/05 compared to 25 a year in Orkney. Applications are from individuals from EU accession and EEA states<sup>51</sup>.

**Table 1: National Insurance Registration; Local Authority**

AREA	NUMBER OF NINo REGISTRATIONS BY TAX YEAR					Total
	2002/03	2003/04	2004/05	2005/06	2006/07	
SHETLAND ISLANDS	50	40	90	113	192	485
ORKNEY ISLANDS	20	20	30	60	90	220
WESTERN ISLES	20	30	70	130	90	340
HIGHLAND	600	690	1,440	2,640	2,620	7,990
ARGYLL & BUTE	180	240	360	700	820	2,300

<sup>49</sup> GROS, 2005/06

<sup>50</sup> GROS, 2006

<sup>51</sup> HIE Economic Update, 2007

ALL SCOTLAND	14,520	15,500	22,850	41,370	52,480	146,720 <sup>52</sup>
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- ◆ As you can see from Table 1, Shetland has benefited from the largest number of National insurance registrations over the last few years, in comparison to other Island regions, such as the Western Isles.
- ◆ While the rate of NINo registrations in Shetland has continued to increase, the trend for the Highland Local Authority area has plateaued at around 2,600 for 2005/06 and 2006/07, after almost doubling on the level of 2004/05, while the number of those registering in the Western Isles has actually fallen from a peak of 130 in 2005/06, to 90 in 2006/07. Argyll & Bute and Orkney Islands have, like Shetland, experienced a continued increase in 2006/07.<sup>53</sup>

**Table 2: National Insurance Registrations; Town**

SITE	2005/06	2006/07	07 Year To Date	TOTAL
Campbeltown	94	104	71	269
Dunoon	30	88	76	194
Elgin	588	436	346	1370
Fort William	459	413	265	1137
Inverness	2053	2323	1387	5763
Kirkwall	75	102	68	245
Lerwick	113	192	121	426
Oban	511	550	347	1408
Portree	148	173	144	465
Stornoway	107	85	92	284
Wick	104	132	84	320
TOTAL	4282	4598	3001	11881

- ◆ Moreover, in terms of per head of resident population, the proportion of overseas workers registering in Shetland has been greater than that of Orkney and the Western Isles over the past three years (2004/05 to 2006/07). However, all three Island authorities had received less overseas migrant workers, per head of resident population, than both Highland and Argyll & Bute areas.
- ◆ The influx of migrants from the A8 States to Shetland, post EU expansion, is clearly evident. From 2004/05 to 2006/07, three in every four NINo registrations in Shetland to non-UK nationals have been to incomers from one of the eight East European accession states. This proportion is greater than the proportion of A8 nationals registering in Scotland overall, where one in every two NINo registrations to non-UK nationals was for those from the accession states.<sup>54</sup>

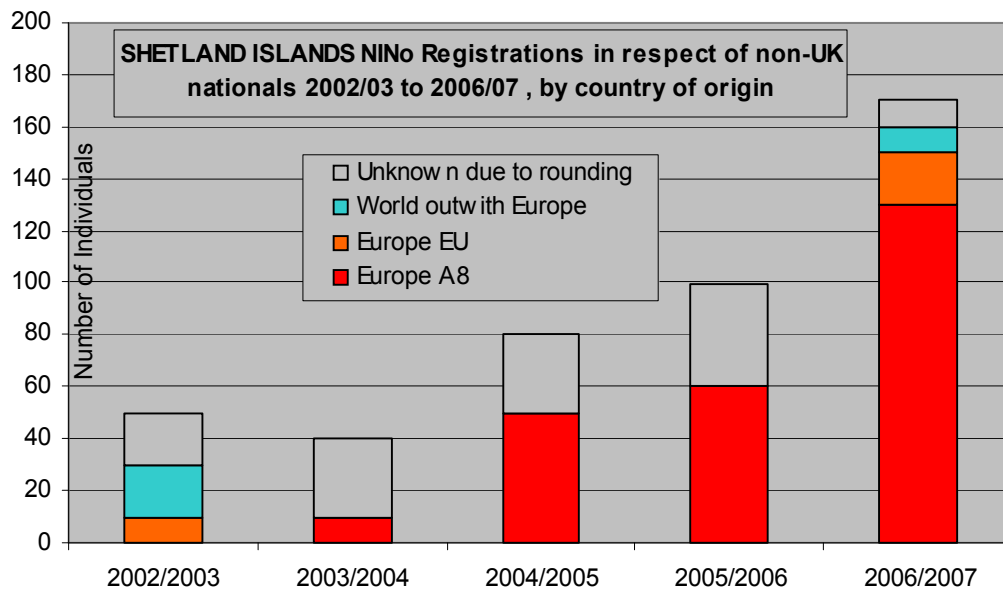
**Figure 8: Country of Origin of NINo Registrations for overseas nationals to the Shetland Islands 2002/03 to 2006/07**

<sup>52</sup> Job centre Plus, Inverness and data from the National Insurance Recording System (NIRS).

<sup>53</sup> Hall Aitken, 2008

<sup>54</sup> Hall Aitken, 2008





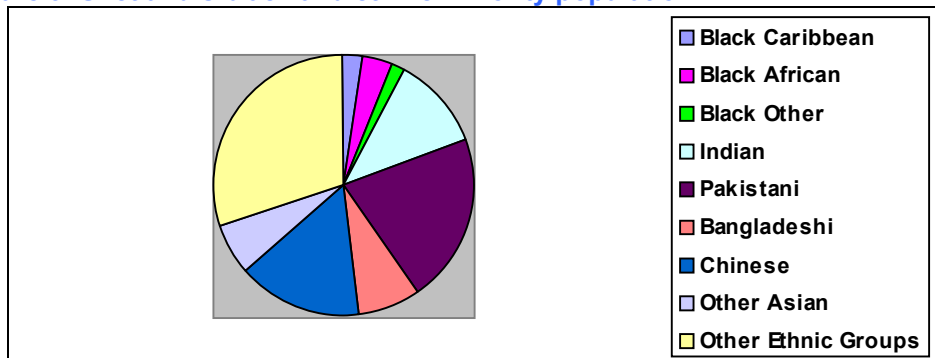
- ◆ Data suggests that locals and UK citizens are moving away but incoming EU accession and EEA citizens are keeping population numbers higher than they may have been.



### Population Ethnicity (See Figure 7)

- ◆ Data from the 2001 census shows Shetland has a very low black and ethnic minority population, just 1%. However, between 1991 and 2001 the population of Shetland decreased but, the black and ethnic minority population doubled over the 10-year period.
- ◆ When the census 2001 figures are broken down by ethnic group, it can be seen that although low numbers are involved, Shetland has a diverse black and ethnic minority population, with all census categories represented.

Figure 9: Shetland's black and ethnic minority population<sup>55</sup>

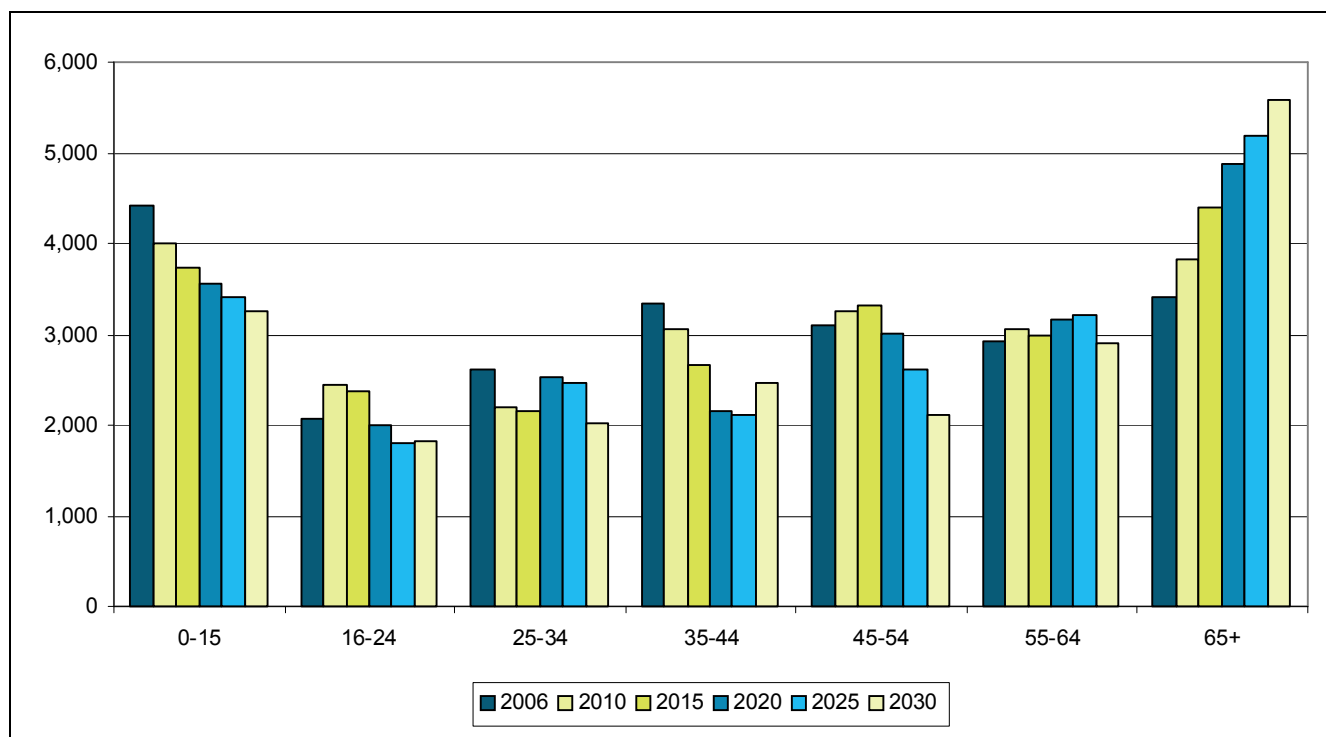


- ◆ GROS estimates a decline in population to 19,783 by 2031 (GROS, 2006-based population projections). These projections assume both negative natural change (-2.7%) and negative migration (-6.9%).

Figure 10: Baseline population projections to 2030 by age band<sup>56</sup>

<sup>55</sup> Census, 2001

<sup>56</sup> Hall, Aitken, 2008



## HEALTH OF SHETLAND CITIZENS (HEALTIER)

**Shetland's overall life expectancy continues to increase. Current estimates (2005/07) state that life expectancy at birth is 76.1 for men and 82.6 for women. This is above both the Scottish and EU average**

**Levels of avoidable deaths<sup>57</sup> increased from 2005 to 2006. In 2007, prevalence of cancer is the only one to have decreased, and road fatalities took a significant increase from 1- 9 in the year 2007.**

**Drug misuse is increasing, with a rise in use of more dangerous drugs such as heroin and cocaine, while the age of starting drug use is decreasing. The numbers of young people presenting with self-harm is also increasing.**

### What is measured

The General Register Office for Scotland measures average life expectancy for men and women.

Rates of deaths considered to be avoidable are available from NHS Shetland. They are measured in the categories of

- Cancer,
- Coronary heart disease,
- Stroke and
- Suicide

The Northern Constabulary measure rates of death considered being avoidable;

- Deaths resulting from road accidents

Indicators of other health issues, such as drug and alcohol misuse include hospital discharges.

As highlighted in the table above, the National Single Outcome Agreement target that is relevant to this area is:

- To match average European (EU15) population growth over the period from 2007 to 2017, supported by increased healthy life expectancy in Scotland over this period.
- Following are the indicators Shetland has chosen to measure progress towards achieving this National Outcome and the Healthier Strategic Objective's.

### Improvement Indicator

**NI 14:** Reduce the rate of increase in the proportion of children with their Body Mass Index out with a healthy range by 2018:

<sup>57</sup> Cancer, CHD, Stroke, Suicide and Road accidents

<b>NI 15:</b> Increase the average score of adults on the Warwick-Edinburgh Mental Well-being Scale by 2011:
<b>NI 16:</b> Increase healthy life expectancy at birth in the most deprived areas
<b>NI 17:</b> Reduce the percentage of the adult population who smoke to 22% of by 2010
<b>NI 18:</b> Reduce alcohol related hospital admissions by 2011:
<b>NI 19:</b> Achieve annual milestones for reducing inpatient or day case waiting times culminating in the delivery of an 18: week referral to treatment time from December 2011:
<b>NI 21:</b> Reduce mortality from coronary heart disease among the under 75s in deprived areas
<b>NI 44:</b> Improve the quality of healthcare experience
<b>II25:</b> Increase the percentage of the local population taking part in sport and leisure activities.

‘Your Voice’ is a citizen’s panel in the format of a questionnaire being used to collect information including people’s healthiness and sense of wellbeing.

The Latest ‘Your Voice’ report and analysis is available at;  
<http://www.shetland.gov.uk/consultation/documents.asp>



### Life expectancy

- ◆ Shetland’s overall life expectancy continues to increase. Current estimates (2005/07) state that life expectancy at birth is 76.1 for men and 82.6 for women. This has decreased by 0.5 for men and increased by 1.1 for women since 2004/06.<sup>58</sup>
- ◆ This is above the Scottish average of 74.8 for men and 79.7 for women, and above the Orkney averages of 74.9 for men and 81.5 for women.
- ◆ The overall life expectancy for all people in Shetland is 79.2 years.
- ◆ This increase has taken Shetlands life expectancy above the EU average of 78.5, above countries such as Bulgaria (72.6), Latvia (71.3), and Finland (79.0), and just below Germany (79.4) and Iceland (81.2).<sup>59</sup>



### Rates of avoidable deaths<sup>60</sup>

#### CHD

- ◆ The incidence of Coronary Heart Disease (CHD) in under 75s in Shetland has decreased in recent years, from 61 incidents and a standardised rate (per 100,000 population) 270.9 in 2002, to 38 incidents and a standardised rate of 154.2 in 2006.<sup>61</sup>
- ◆ Incidence of CHD for men has been greater decreased in comparison to

<sup>58</sup> GROS, 2008

<sup>59</sup> NHS, 2008

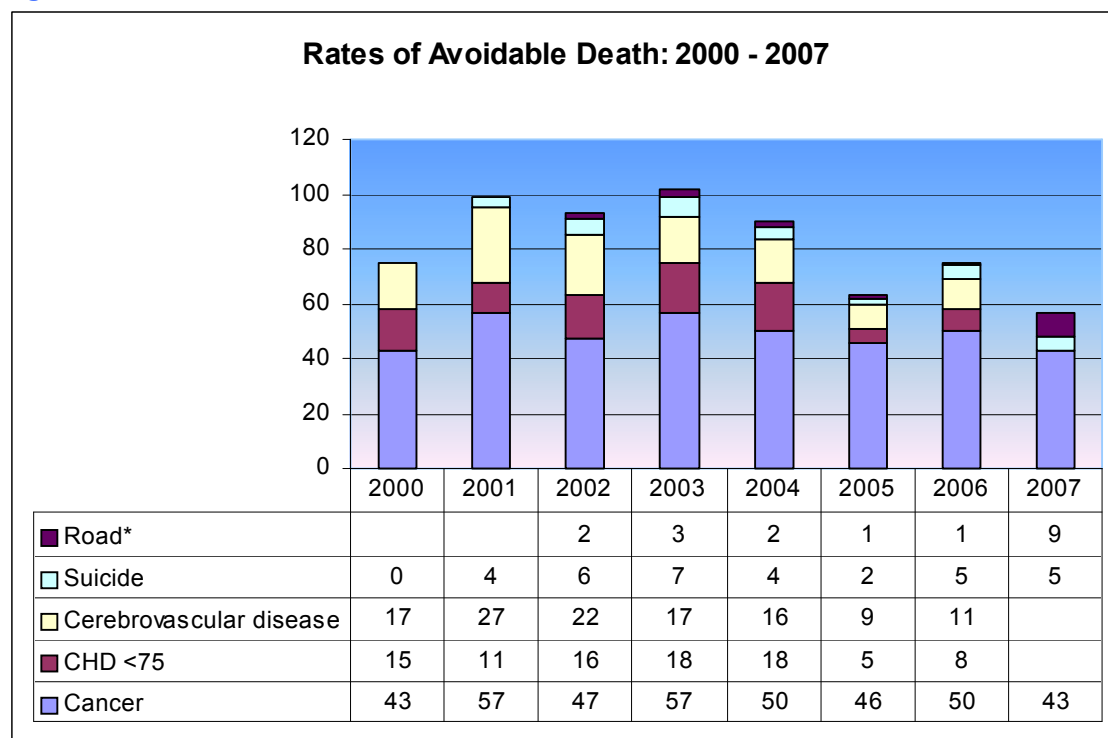
<sup>60</sup> With all these figures, numbers are small, making assessment of trends difficult.

<sup>61</sup> Information and Statistics Division (ISD) NHS National Services Scotland

women, although men still have greater incidence.

- ◆ The number of deaths in under 75s accountable to CHD, increased from 15 in 2000, to 18 in 2003, and then fell to 8 in 2006. The mortality rate (per 100,000 population) fell from 77.6 in 2003, to 31.6 in 2006.<sup>62</sup>
- ◆ CHD accounted for 21.1% of total deaths in 2006, higher than the Scottish average of 19.8%.<sup>63</sup>

Figure 11: Rates of avoidable death<sup>64</sup>



### Cerebrovascular disease

- ◆ Incidence of cerebrovascular disease<sup>65</sup> has fluctuated between 37 and 59 cases, and a standardised rate (per 100,000 population) of 126.3 and 211.9, in the last decade. This has reduced significantly in recent years, with only 28 cases in 2006, a rate of 87.5.<sup>66</sup>
- ◆ Cerebrovascular disease mortality has been falling since 2001, from 27 deaths in 2001 to 11 deaths in 2006. Before 2001 the mortality rate was greater for females, but since 2001 it has been fairly equal for both sexes.<sup>67</sup>
- ◆ Cerebrovascular disease accounted for 5.4% of total deaths in Shetland in 2006.

### Cancer

<sup>62</sup> Information and Statistics Division (ISD) NHS National Services Scotland

<sup>63</sup> GROS, 2006

<sup>64</sup> ISD - Information and Statistics Division (ISD) NHS National Services Scotland, 2008

<sup>65</sup> Cerebrovascular disease is any disease affecting an artery within the brain, or supplying blood to the brain

<sup>66</sup> Information and Statistics Division (ISD) NHS National Services Scotland

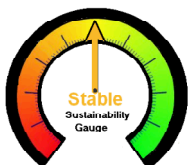
<sup>67</sup> Information and Statistics Division (ISD) NHS National Services Scotland

- Over 15,000 people died of cancer in Scotland in 2007. Lung cancer accounted for the largest number of deaths in both sexes, at 29% of cancer deaths in males, and 25% of cancer deaths in females. Colorectal, breast and prostate cancer were the other major causes of cancer deaths.<sup>68</sup>
- It is estimated that 1 in 3 people in Scotland will develop some form of cancer during their lifetime, and that around 1 in 9 males and 1 in 7 females will develop some form of cancer before the age of 65. Having survived to age 65 without cancer, the risk of getting cancer subsequently is 1 in 3 for males and 1 in 4 for females.<sup>69</sup>
- Deaths from cancer, in Shetland, average at 51 per year, for the past decade, with a total of 43 deaths from cancer in 2007.<sup>70</sup>
- In 2007 cancers accounted for 24.6% of all deaths in Shetland, while in Scotland the figure was higher at 27.4%.<sup>71</sup>
- The crude mortality rate (per 100,000 population) for 2007 was 235.6 for males and 155.8 for females. The male rate is below the Scottish average of 311.4, and the female rate is significantly lower than the Scottish average of 280.7.<sup>72</sup>



### Road accidents/casualties

- The number of people who have died as a result of a car accident in Shetland has remained fairly stable, between 1- 2 people per year from 2003/2004 – 2006/2007.
- However in 2007/08 there was a total of 86 road accidents, 9 of which were fatal, 7 serious and 70 slight.<sup>73</sup>



### Suicide

- Suicide rates decreased from 7 suicides in 2003, to 4 in 2004, to 2 in 2005, however has increased to 5 in 2006, where it currently remains.
- In Shetland, the suicide rate<sup>74</sup> is markedly higher than the Scottish average.

## Drug and Alcohol Misuse



### Illegal Drugs

- There is evidence that drug use in Shetland is on the increase. The number of new drug users registering with the Shetland Community Drugs Team (SCDT) has increased from 22 in 2004/05, to 31 in 2005/06, to 50 in

<sup>68</sup> NHS Scotland; Cancer in Scotland, published 2008

<sup>69</sup> NHS Scotland; Cancer in Scotland, published 2008

<sup>70</sup> Information and Statistics Division (ISD) NHS National Services Scotland

<sup>71</sup> GROS, 2006

<sup>72</sup> Information and Statistics Division (ISD) NHS National Services Scotland

<sup>73</sup> Northern Constabulary performance report; March 2008

<sup>74</sup> Number per head of population

<sup>75</sup> Shetland Community Drugs Team, 2007

2006/07.

- ◆ From 2005 – 2008 there was a total of 41 drug related hospital admissions, on average that is 13.7 per year.<sup>76</sup>
- ◆ In recent years more dangerous drugs have been becoming more widespread. There has been an increase in the use of heroin, cocaine, crack and methamphetamine, while there has been a decrease in the use of cannabis, ecstasy and valium. In the past year the Shetland Community Drugs Team have seen a drop of a 1/3 in the use Cannabis.<sup>78</sup>
- ◆ Community Alcohol and Drugs Services Shetland recently conducted a survey in to substance misuse in young people. The sample size used in the Survey was;
  1. S1 = 207
  2. S2 = 196
  3. S3 = 202
  4. S4 = 192

A few key highlights follow;

### **Amphetamine Use**

1. S2 = 12.8% had used once, 1% more
2. S3 = 2.5% had used once, 2% more
3. S4 = 4.7% had used once, 4% more

### **Ecstasy Use**

1. S1 = 0.5% had used once
2. S2 = 10.2% had used once. None of the S2 girls used more often but 4.8% of the boys did.
3. S3 = 3% had used once, 1% more often.
4. S4 = 4.7% had used once and 6.8% of S4 were using ecstasy more often.

### **Cocaine Use**

1. S3 = 1% had used once, 1% more often (not the same people – gender split different)
2. S4 = 4.2 % had used once, 5.1% of the boys used more often however none of the girls.

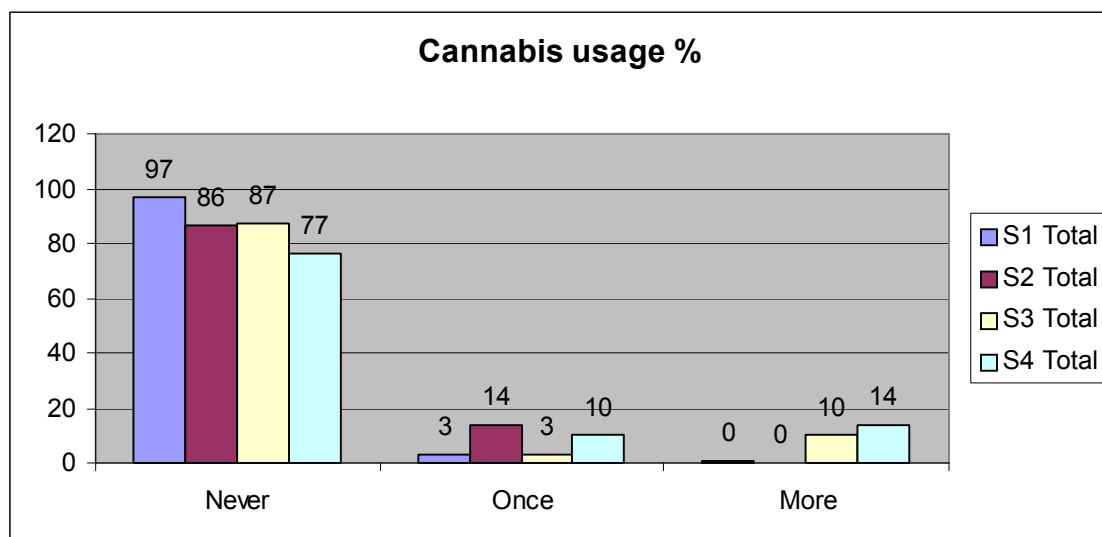
### **Cannabis Use**

Figure 12: Cannabis Usage

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<sup>76</sup> CHp Health and well being, 2008

<sup>78</sup> Shetland Community Drugs Team, 2007



### Solvents Usage

1. S1 = 7.2% had tried solvents once and 3.9% of S1 boys were using more often but none of the girls.
2. S2 = 10.7% had tried once and 3.1 were doing more often.
3. S3 = 12.9% had tried once, with 2% having done it more.
4. S4 = 13% have tried it once, with 1.6 having done it more often.

- ◆ Three quarters of SCDT's new clients in 2006/07 declared heroin as their main problem drug, up from half the previous year.<sup>79</sup>
- ◆ The average age clients start using is falling. The SCDT found a trend present in drug use for females, in that females tend to start using drugs at a younger age however present themselves for help at a lower age.<sup>80</sup>
- ◆ The average age of SCDT clients in 2006/07 was 26, down from 28 the previous year, while the average age of newly registered clients was 19.<sup>81</sup>

### Alcohol

- ◆ From 2005-2008 there were 625 admissions directly related to alcohol in Shetland.<sup>82</sup>
- ◆ This is an average of 208 admissions per year since 2005, which directly relates to alcohol.
- ◆ There were 146 alcohol related discharges from hospital in 2004/05, a rise of 38 a year since 1999 to 2005<sup>83</sup>.
- ◆ From 2003-2008, there has been 22 deaths directly relating to alcohol. Which is over 4 per year.<sup>84</sup>
- ◆ A recent survey of young people in Shetland found that 52% of S1 pupils

<sup>79</sup> Shetland Community Drugs Team, 2007

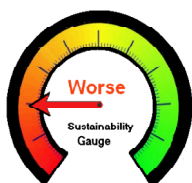
<sup>80</sup> Shetland Community Drugs Team, 2007

<sup>81</sup> Shetland Community Drugs Team, 2007

<sup>82</sup> CHp Health and well being profiles, 2008

<sup>83</sup> NHS Shetland

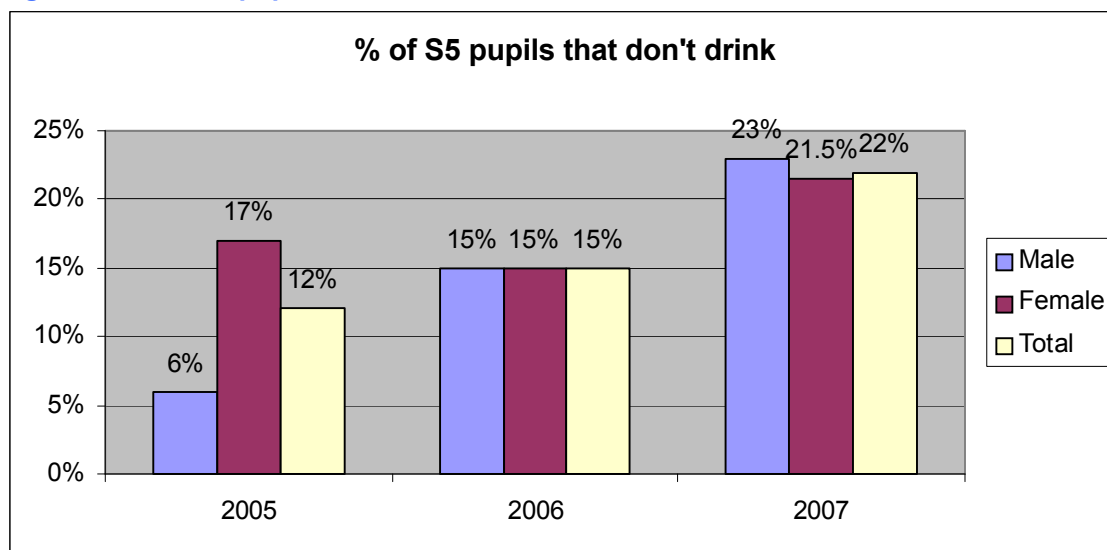
<sup>84</sup> CHp Health and well being profiles, 2008





have drunk more than once, 70.4% of S2 pupils have drunk more than once, 70.3% of S3 pupils have drunk more than once and 68.2 of S4 pupils have drunk more than once.<sup>85</sup>

Figure 13: % of S5 pupils that DON'T drink<sup>89</sup>



- ◆ Sheriff Graeme Napier has expressed "significant concern" as to how easy it was for youngsters in Shetland to get access to alcohol.<sup>90</sup>

## Smoking

- ◆ 22.5% (4,923) of the Shetland population are currently estimated to smoke. This is below the Scottish average of 27.3%.<sup>92</sup>
- ◆ The smoking rate varies between different areas of Shetland. Brae and Lerwick have the highest rate at 29%, with Whalsay the lowest at 15%.
- ◆ With the introduction of the smoking ban, the number of clients attending the drop in clinics in Lerwick increased rapidly<sup>93</sup>.

Figure 14: Tobacco Usage on S1-S4 Pupils<sup>94</sup>

<sup>85</sup> CADDs, 2008

<sup>89</sup> CADDs, 2008

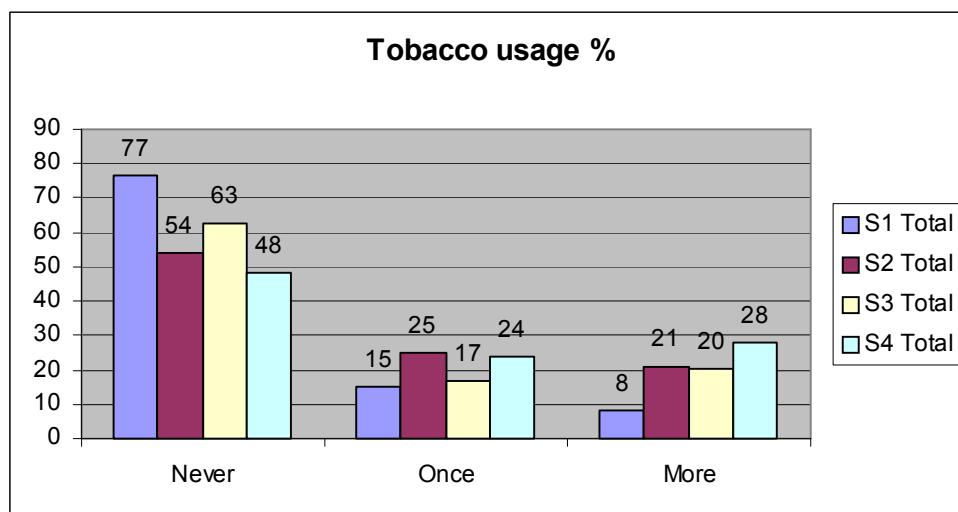
<sup>90</sup> Alcohol Profile UK, 2006

<sup>91</sup> Scottish Executive Statistics, 2007.

<sup>92</sup> CHP health and Well being profiles, 2008

<sup>93</sup> Scottish Executive Statistics, 2007.

<sup>94</sup> CADDs, 2008



- ◆ The 2006 Scottish Schools Adolescent Lifestyle and Substance Use Survey (SALSUS) estimated that 4% of 13-year-olds and 17% of 15-year-olds in Shetland were regular smokers. Of these, 4% were boys and 16% were girls.<sup>95</sup> This shows a significant decrease from 10% for the boys in 2002, but no change for the girls. The survey takes place every 4 years.
- ◆ The 2006 SALSUS survey showed that it was most common for regular smokers to buy from a shop (60%), although they were under age.



### Obesity

- ◆ Current data shows that 2,019 patients are currently registered with 10 GP's as being obese.<sup>96</sup>
- ◆ The raw prevalence rate (per 100 people) currently stands at 9.09 in Shetland.
- ◆ In Orkney the total register size is 2,158 and the prevalence rate is 10.76.
- ◆ NHS Shetland estimate that over half the population of Shetland are at risk from the effects of being overweight and obese<sup>97</sup>.



### Mental Health

- ◆ In Shetland there are currently 1,281 (5.9%) people prescribed drugs for anxiety, depression or psychosis.<sup>98</sup>
- ◆ The current data suggests there are 1,479 (6.8%) people who have self assessed their well being as "not good".<sup>99</sup>
- ◆ Recent research into deprivation and social exclusion found that 75% of respondents who are deprived and/or socially excluded experienced anxiety and depression. This was found to be as a result of the daily pressures of making ends meet and feelings of isolation. Some living with deprivation were reaching crisis point, with serious mental health issues, suicidal

<sup>95</sup> SALSUS 2006

<sup>96</sup> QOF data – ISD Scotland, 2008

<sup>97</sup> NHS Shetland annual report, 2007

<sup>98</sup> CHP Health and Well being profiles, 2008

<sup>99</sup> CHP Health and Well being profiles, 2008

thoughts and/or a dependency<sup>100</sup>.

- ◆ Current data suggests that Shetland has one of the highest numbers and percentage of the total population living in the 15% most 'access deprived' areas (data zones) in Scotland.
- ◆ **74.5%** of the Shetland population lives in the most 'access deprived' areas in Scotland.<sup>101</sup> This equates to 16, 343 people.
- ◆ This is hugely higher than the percentage for the Scottish average, which sits at 15%.

### **Mental Health and Young People**

- ◆ The contracted client group is supported by Shetland Youth Information Services (SYIS), which is mainly engaged in counseling. In 2006 there were 17 contracted clients, 5 of whom identified self-harm issues. Up to the end of June in 2007 there had been 8 clients with one presenting with self-harm.<sup>102</sup>
- ◆ Hard figures for SYIS's more chaotic and vulnerable group are difficult to collate, but experienced workers recognize that the incidence of self-harm is higher in this group.<sup>103</sup>
- ◆ The rate of death caused by self-harm has increased rapidly since the mid 80s, and is higher than the Scottish average.

## **EDUCATION (SMARTER)**

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<sup>100</sup> Research into Deprivation and Social Exclusion in Shetland, 2006

<sup>101</sup> CHP Health and Well being profiles, 2008 – ref SIMD

<sup>102</sup> Shetland Youth Information Service, 2007

<sup>103</sup> Shetland Youth Information Service, 2007

**Attainment levels in schools are high and well above the Scottish average, with 47% of pupils going on to higher or further education and a similar number into employment and training.**

**For primary schools - in 2005 we dropped below the 1971 figure for overall primary school rolls, for the first time in 24 years.**

**The secondary school role has remained relatively over the last 20 years, however for the first time in 27 years we have now dropped below the 1981 figure.<sup>104</sup>**

**The percentage of S4 group achieving 5+ awards at SCQF level 4 (Standard Grade General or better) declined from 90% to 85% from 2003 to 2006 but has increased once more to 90% in 2008. This remains above the Scottish average of 76%<sup>105</sup>.**

**An estimated 2500 working age adults in Shetland have low levels of literacy. For those without suitable skills for employment barriers to learning include access, lack of childcare and cost.**

**There are currently 30 young people not in Education, Employment or Training**

### **What is measured**

The current indicators used to measure the level of education in Shetland is,

- Opportunity (availability of different types of education),
- Participation rates
- Pupil to teacher ratios;
- Attainment of school pupils; and
- Estimates of the number of adults with low levels of literacy and desire to access educational opportunities (from a survey of learning of 55 respondents from across Shetland).

Following are the indicators Shetland has chosen to measure progress towards achieving the National Outcomes:

- We are better educated, more skilled and more successful, renowned for our research and innovation:
- Our young people are successful learners, confident individuals, effective contributors and responsible citizens

<b>Improvement Indicator</b>
<b>LI 12:</b> Improve the sustainability of childcare and pre-school provision.
<b>NI 12:</b> Increase the proportion of pre-school centres receiving positive inspection reports
<b>LI 13:</b> Increase percentage of P3-P7 pupils attaining or exceeding age and stage levels in Reading, Writing and Maths.

<sup>104</sup> SIC, Education and Social Care

<sup>105</sup> Scottish executive statistics, 2008

<b>NI 8:</b> Increase the proportion of schools receiving positive inspection reports
<b>II40:</b> Increase educational tariff scores for each quintile of S4 school pupils
<b>II41:</b> Increase educational tariff scores for each quintile of S5 & S6 school pupils
<b>NI 7:</b> Increase the proportion of school-leavers (from Scottish publicly funded schools) in positive and sustained destinations (FE, HE, employment or training)
<b>LI 14:</b> Increase the availability and uptake of community learning opportunities, specifically targeting the hard to reach within communities



numeracy (at or below SCQF level 4)
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## Opportunity<sup>106</sup>

### Early Years

- ◆ There are 29 pre-school centres, providing places for all 3 and 4 year olds.
- ◆ The following childcare options are available in Shetland 2007/08:<sup>107</sup>
  - 29 registered Childminders
  - 1 Playgroup (non-commissioned), Whalsay
  - 4 Day Care; Unst, Mossbank, Peerie Foxes and Central Private Nursery at Sandwick
  - 7 Partner Providers
  - 21 Nursery Classes
  - 1 Out of Nursery Care, Peerie Foxes (private, provides day care and out of hours)
  - 5 Out of School Clubs : Central Private, Ness, Mossbank, Islesburgh and Unst
- ◆ Access to high quality Childcare was felt to be relevant issue for many parents within Shetland, highlighting that there was felt to be a lack of available child minders, with a child perhaps being on several waiting lists. Furthermore not all parents can afford to pay for private childcare.<sup>108</sup>

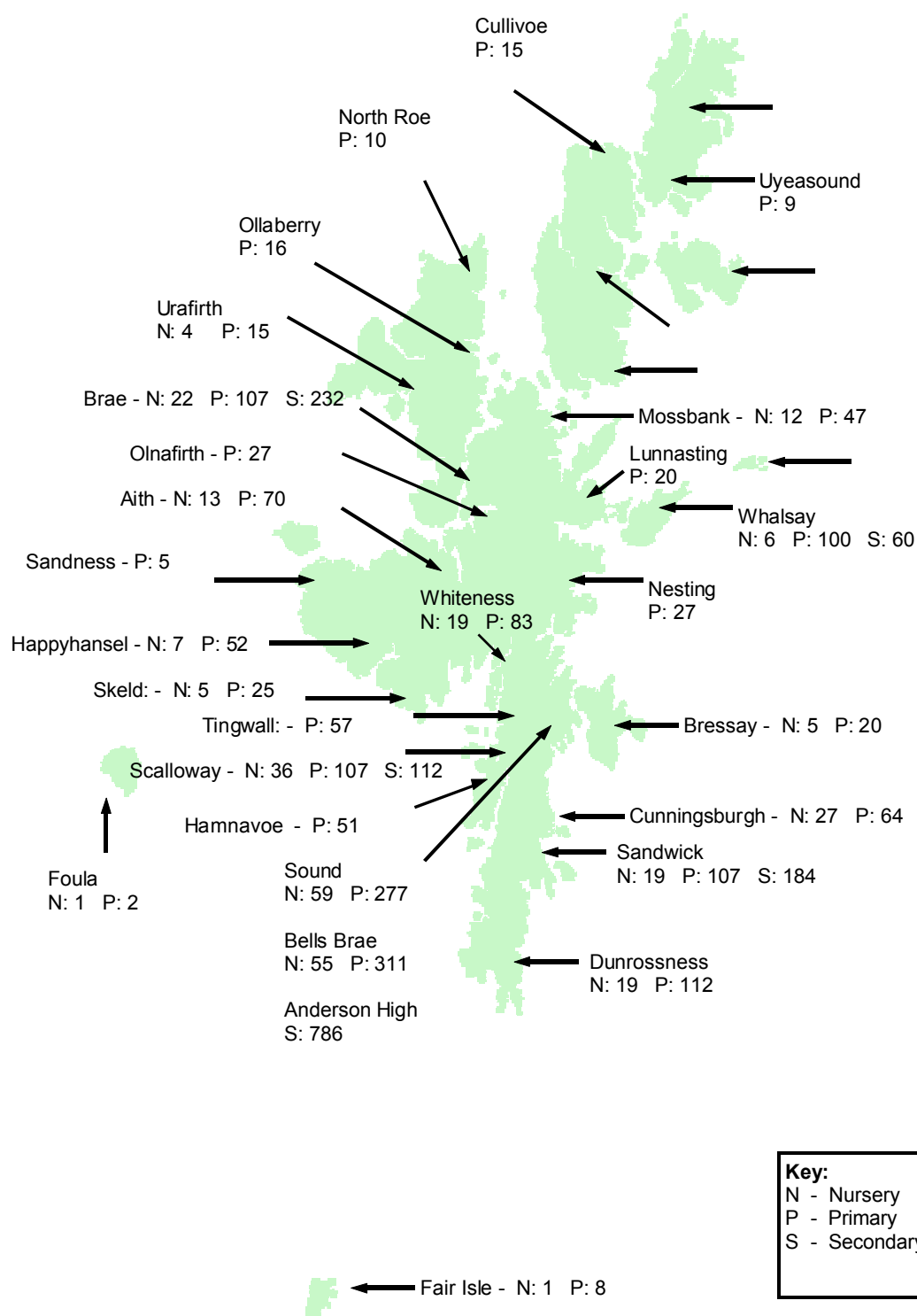
Below, you will find two maps that outline the childcare and schooling options for early years through to young adult.

<sup>106</sup> Figures from SIC, Education and Social Work

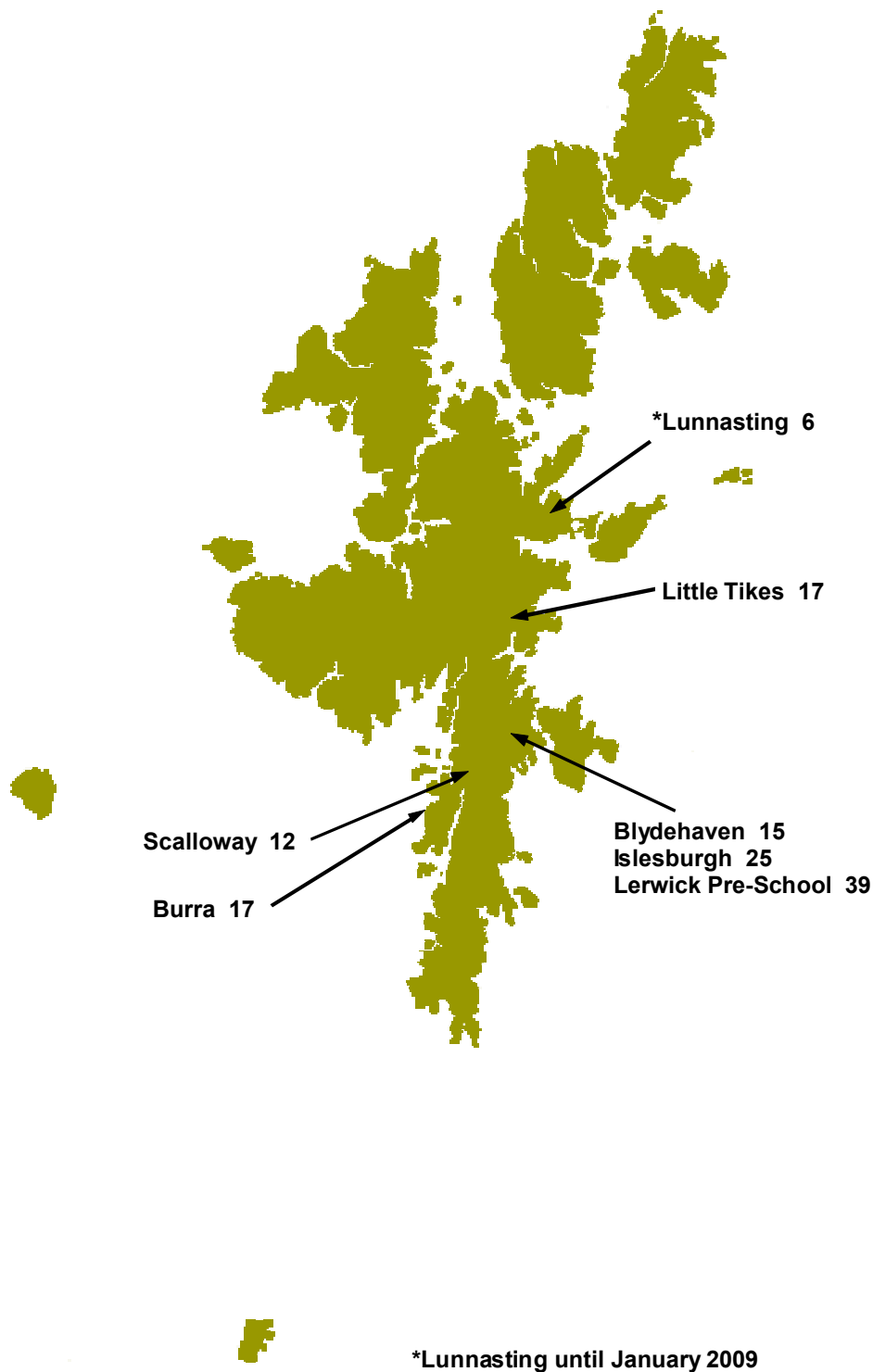
<sup>107</sup> Shetland Family Services 2008

<sup>108</sup> Feasibility Study in relation to Childcare in early years in Lerwick Primarily and Shetland as a whole, July 2007

Pupil Numbers — All Schools — September 2008 Census



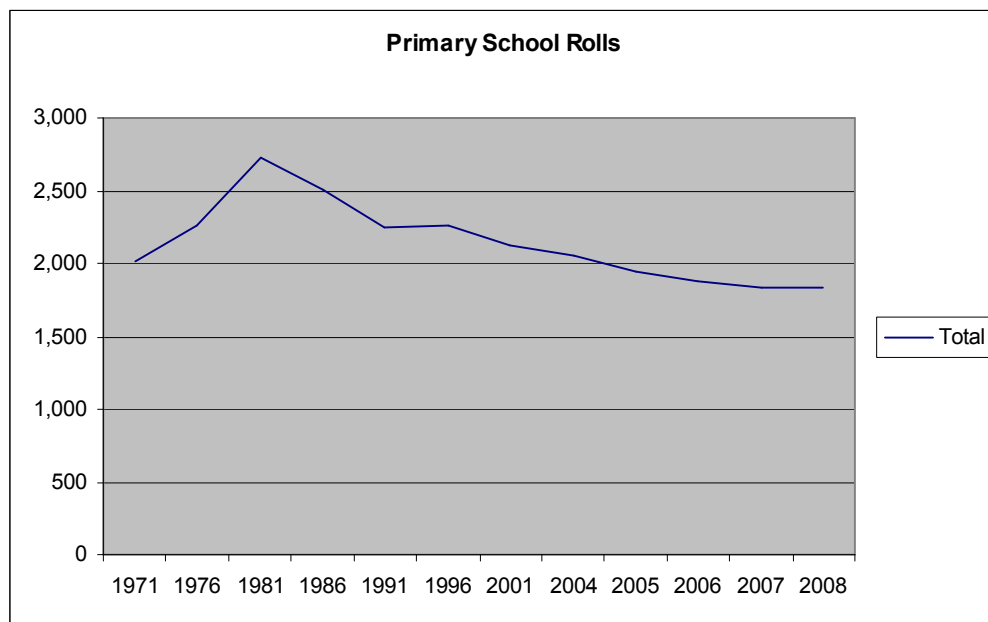
September 2008



## Primary Rolls

- ◆ There are 33 primary schools and none have a ratio of pupils to available places of over 100%.
- ◆ The primary school roll in Shetland has seen an overall fall since 1981. The roll fell from 1,941 in 2005 to 1,846 in 2006.
- ◆ In 2006 there was an average of 9.9 pupils per primary teacher, which is well below the Scottish average of 16.3 pupils per teacher.
- ◆ In the North Mainland, the primary roll dipped substantially between 1981 and 1991. However it went from having the second lowest primary roll in 1971 to having the second highest roll in 2006; approximately double the 1971 roll.
- ◆ The primary rolls in Lerwick and Bressay remained fairly steady at approximately 750 to 800 up until 2001, but have declined sharply since then to around 600.

Figure 16: Total Primary school Rolls



- ◆ As figure 15 shows, after major growth in the late 1970's primarily due to the oil developments at Sullom Voe, Primary school rolls have declined in most parts of Shetland.
- ◆ The overall primary school roll peaked at 2,730 in 1981 and has declined slowly to its current level at 1,834.<sup>112</sup>
- ◆ In 2005 we dropped below the 1971 figure for overall primary school rolls, for the first time in **24** years.

<sup>109</sup> Figures from SIC, Education and Social Work

<sup>110</sup> SIC, Education and Social Work

<sup>111</sup> Hall Aitken, 2008

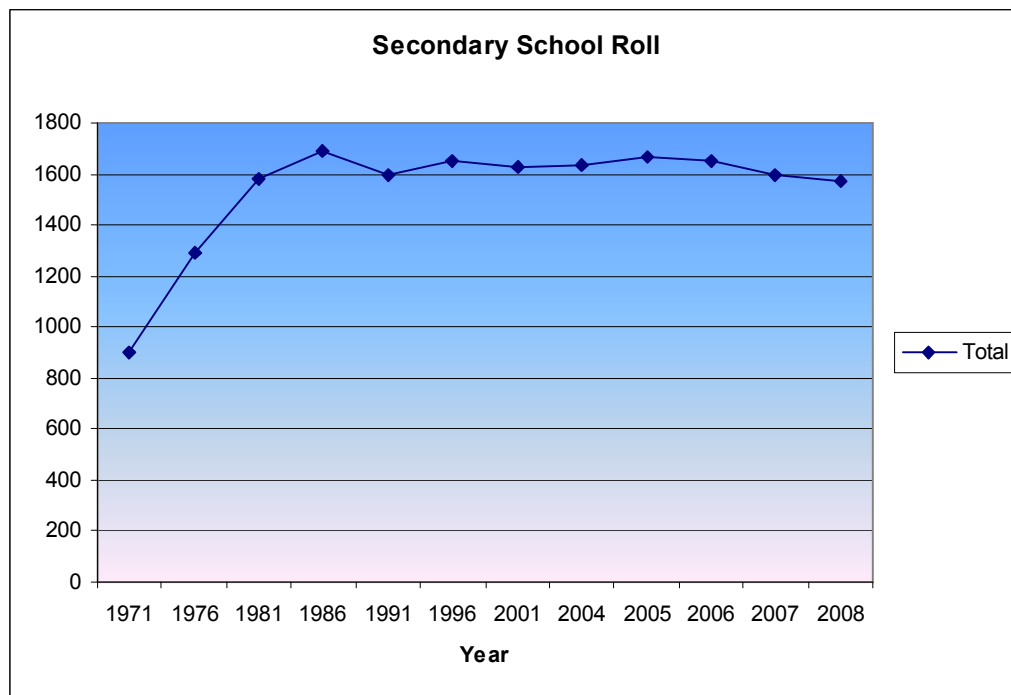
<sup>112</sup> SIC Education and Social Care



## Secondary Rolls

- ◆ As you can see from figure 16 below, the secondary school role has remained relatively over the last 20 years, however for the first time in **27** years we have now dropped below the 1981 figure.<sup>113</sup>
- ◆ The number of secondary teachers in Shetland has fluctuated either side of 200, but remains fairly steady.
- ◆ In 2006 on average there were 8.3 secondary pupils per teacher. This is again lower than the Scottish average of 12.0 secondary pupils per teacher.

Figure 17: Secondary School Roll, 1971-2008<sup>114</sup>



## Further Education

- ◆ There are two further education colleges, Shetland College and the North Atlantic Marine Centre.
- ◆ Shetland College has seen an increase in student enrolments in recent years, particularly in part-time courses.
- ◆ The total student enrolment at the Shetland College has positively increased over the past 5 years, with the highest enrolment figures showing in the part time further education courses.

Figure 18: Student Enrolment at Shetland College 2002- 2007

<sup>113</sup> SIC, Education and Social Care

<sup>114</sup> SIC, Education and Social Care

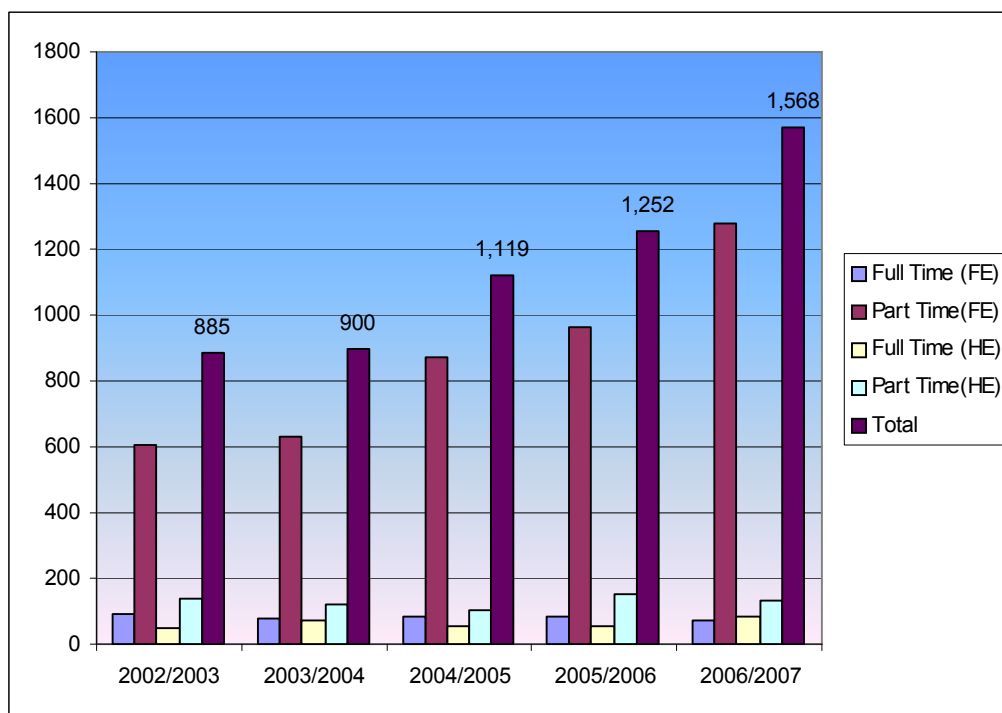
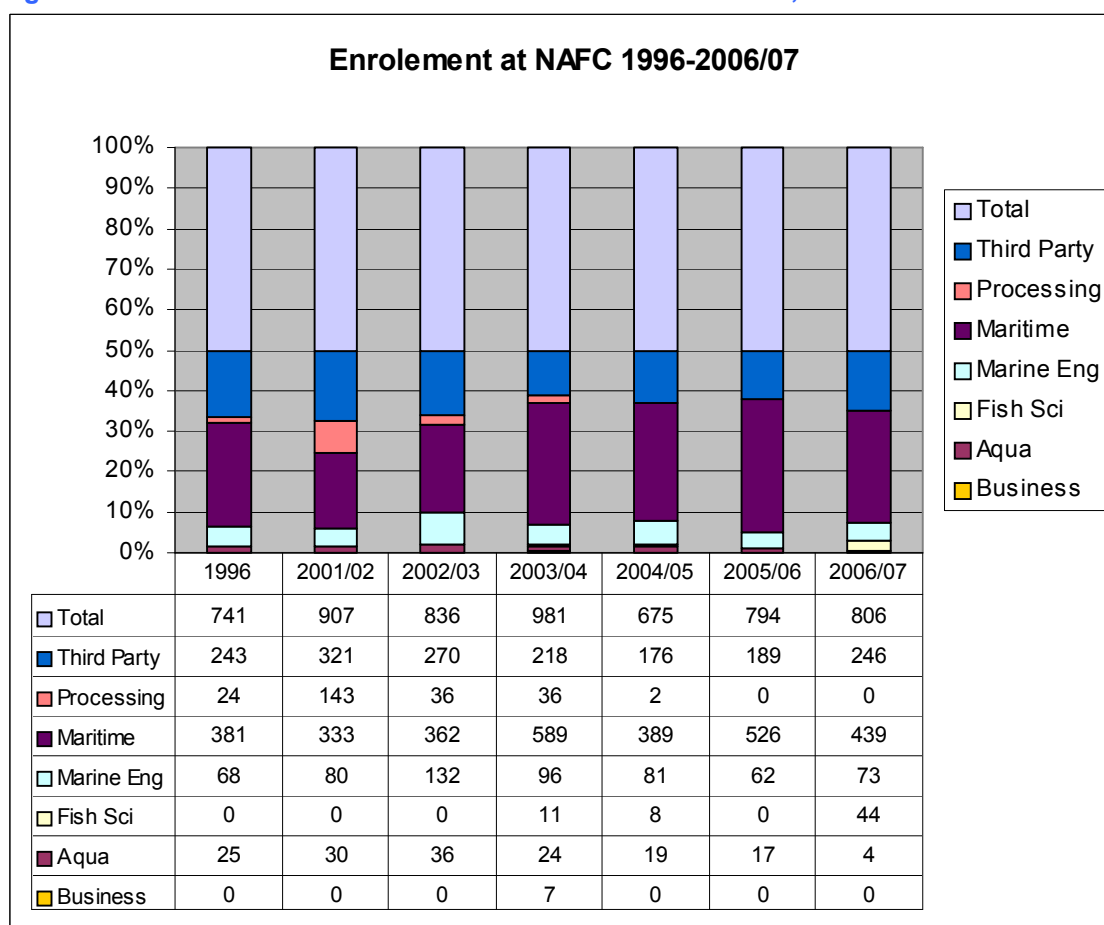


Figure 19: Students Enrolled in North Atlantic Maritime Centre, 1996 to 2006/07<sup>115</sup>



As you can see from figure 15 the overall total of students enrolling in the NAFC marine Centre has remained relatively stable over the last 10 years.

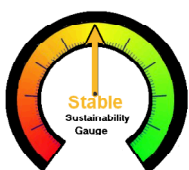
<sup>115</sup> NAFC, 2008

- Student enrolment, 2006/07, in Maritime Courses, Third Party courses and Marine Engineering made up 94% of the total student enrolment.
- The enrolment in Business has remained at nil, with the exception of 2003/04 when 7 students enrolled.
- Fish Science, since its introduction has remained fairly unstable.



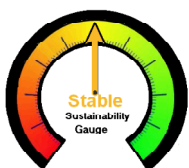
### Adult Opportunity

- The Adult Literacy Partnership estimates that approximately 2500 working age adults in Shetland may have low levels of literacy.
- In the year 2006/07 - 1,358 people took part in SIC Adult Learning classes (an increase of 206 on the previous year.) The scheme involved 56 evening class tutors and 32 volunteer literacy tutors.
- In the year 2007/8, 1,676 people took part in SIC Adult Learning Classes (an increase of **218** on the previous year). The programme involved 67 evening class tutors and 30 volunteer literacy tutors.



### Young People Attainment

- The percentage of S4 group achieving 5+ awards at SCQF level 4 (Standard Grade General or better) declined from 90% to 85% from 2003 to 2006 but has increased once more to 90% in 2008.
- This remains above the Scottish average of 76%.<sup>116</sup>
- Those achieving 5+ awards at SCQF level 5 (Standard grade credit or better) has remained fairly consistent always landing between 43% and 45% from the years 2003-2007, however this year it has increased to 49%.
- This is also over the Scottish average of 34%.<sup>117</sup>
- For those attaining the minimum qualifications of English and Maths at SCQF level 3 (e.g. Standard Grade Foundation) or better was 94%, which has fallen by 4% in the last 3 years.<sup>118</sup>
- This is only 3% above the Scottish average of 91%
- 10% of young people in Shetland are not in positive destinations 3 months beyond their school leaving date. This figures remain fairly consistently at this level from year to year and amount to an average of 30 individuals annually being unable to or not motivated to secure and, or, to sustain, employment, education or training opportunities.<sup>119</sup>



### Positive Destinations

- The total number of leavers 06/07 was 320 in comparison to 280 in 05/06. The breakdown of destinations are as follows,
  - Higher Education – 27% in 06/07 compared to 34% in 05/06
  - Further Education – 11% in 06/07 which is the same as 05/06
  - Training – 3% in 06/07 compared to 2% in 05/06
  - Employment – 48% in 06/07 compared to 41% in 05/06
  - Other/not known – 34% in 06/07 which is exactly the same as 05/06.

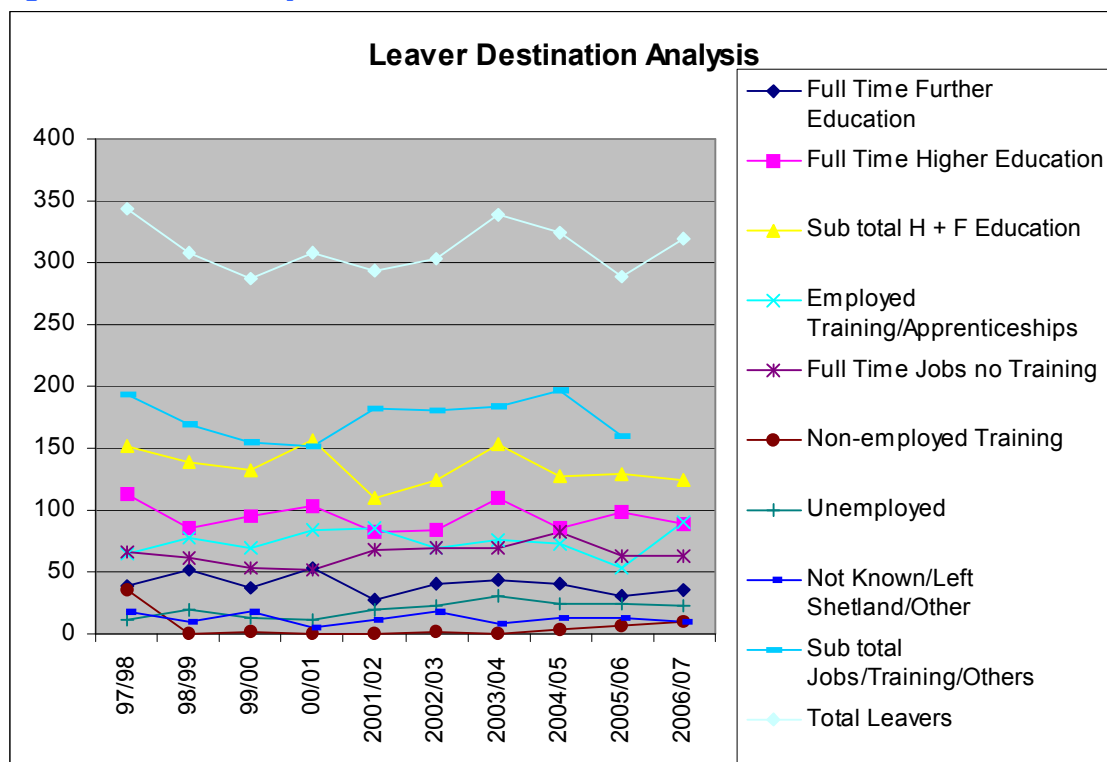
<sup>116</sup> Scottish executive statistics, 2008

<sup>117</sup> Scottish executive statistics, 2008

<sup>118</sup> Scottish executive statistics, 2008

<sup>119</sup> Youth Services Manager, 2008

Figure 20: Leaver Analysis 1997-2007



<sup>120</sup> Careers Scotland, 2007

<sup>121</sup> Barriers to Learning Within Shetland Report, Adult Literacy, 2004

<sup>122</sup> Research into Deprivation and Social Exclusion in Shetland, 2006

## CRIME (SAFER)

**Both reported offences and registered offences have been slowly increasing over the past few years. Total criminal offences this year (07/08), 2022. Overall detection/clear up rate is 80%. Shetland experienced 9 fatalities on the roads last year (07/08), in comparison to 1 in the previous year.**

**Between 95 and 99% of people feel the area they live in is safe or very safe. The proportion of people worried about becoming a victim of crime is lower in Shetland (30%) than the Northern Constabulary area as a whole (47%).**

### What is measured

Indicators measured currently are,

- Crime rate figures (Northern Constabulary) and
- Fear of crime, which is measured using a survey undertaken by the Northern Constabulary on a two yearly basis.

Following are the indicators Shetland has chosen to measure progress towards achieving the National Outcomes:

- **We live our lives safe from crime, disorder and danger**

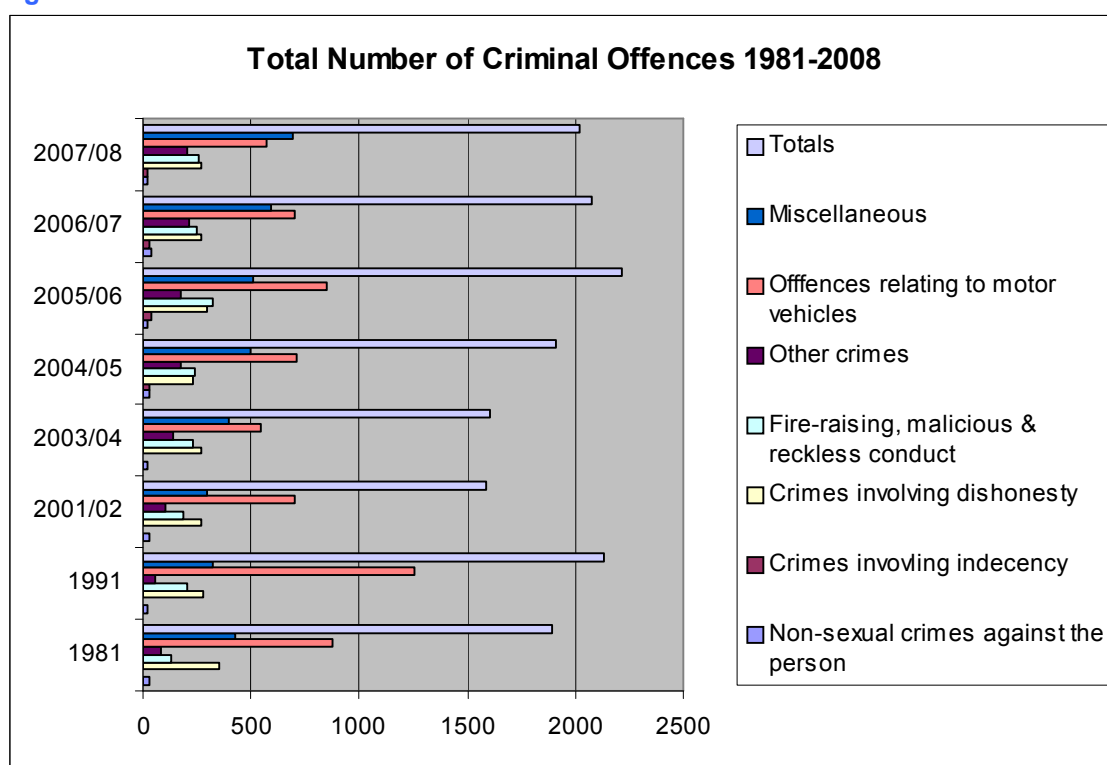
Improvement Indicator
<b>NI 23:</b> Reduce overall reconviction rates by 2 percentage points by 2011
<b>NI 24:</b> Reduce overall crime victimisation rates by 2 percentage points by 2011 Number of recorded non-sexual crimes against the person – Class 1 Number of recorded crimes of Indecency – class 2 Number of recorded crimes of Dishonesty – class 3 Number of recorded crimes of malicious mischief and vandalism – class 4
<b>LI 20:</b> Incidence of domestic abuse per 100,000 population
<b>LI 21:</b> Reports of racist incidents
<b>NI 25:</b> Increase the percentage of criminal cases dealt with, within 26 weeks by 3 percentage points by 2011:
<b>LI 22:</b> Increase % of adult protection referrals investigated within agree timescales
<b>LI 23:</b> Overall proportion of inspection reports which include positive evaluation of the work of area child protection committees
<b>LI 24:</b> Percentage of children on the child protection register for more than 12 months
<b>LI 15:</b> % of children re-registered on the child protection register

<b>NI 29:</b> Decrease the estimated number of problem heroin drug users in Shetland by 2011
<b>NI 18:</b> Reduce alcohol related hospital admissions by 2011:
<b>NI 31:</b> Increase positive public perception of the general crime rate in local area
<b>LI 25:</b> Increase percentage of residents who rate the area within 15 minutes walk of their home as fairly safe or very safe
<b>LI 26:</b> Reduce number of people killed or seriously injured on our roads
<b>LI 27:</b> Reduce number of fatal and non fatal fire casualties



## Crime levels

Figure 21: Criminal Offences<sup>123</sup>



◆ The total number of criminal offences has increased between 2002 and 2005 – 06. Since 2005/06 there has been a total decline in the number of criminal offences. The total clear up rate for all class 1-5 crimes was 70%, which is one of the highest in the UK.

Table 3: Break down of criminal offences analysis<sup>124</sup>

	2006/07 (Made known to police)	2007/08 (made known to police)	2007/08 June 07 figures (made known to police)	2008/09 June 08 Figures (made known to police)

<sup>123</sup> Northern Constabulary Public Performance Report 07/08

<sup>124</sup> Northern Constabulary, Crime Analysis 2008/09 compared with 2007/08

<b>Class 1 - Crimes of Violence (Murder, unnatural treatment of children, assault etc)</b>	33	15	3	5
<b>Class 2 - Crimes of Indecency</b>	24	20	10	4
<b>Class 3 - Crimes of Dishonesty</b>	269	266	84	64
<b>Class 4 - Fire - raising, Mal Mischief etc</b>	247	255	64	101
<b>Class 5 - Crimes against the state</b>	209	202	52	53
<b>Class 6 - Misc</b>	595	575	139	151
<b>Class 7 - Motor Offences</b>	700	689	186	153
<b>Total</b>	<b>2077</b>	<b>2022</b>	<b>540</b>	<b>531</b>
<b>Detection rate for police class 1-5</b>	<b>71.70%</b>	<b>70.70%</b>	<b>83.4%</b>	<b>85.0%</b>

- ◆ Table 3 compares the number of criminal offences made known to the police. For the same period in 08/09 as 07/08 there has been an overall decrease in the number of crimes made known to the police from 540 to 531.
- ◆ There has been an increase in the number of class 1, 4, 5, and 6 crimes.
- ◆ A decrease has been seen in the number of class 2, 3 and 7 crimes.
- ◆ The total number of road accidents also increased noticeably between 2004/05 and 2005/06, by 20%, although there was only one death in 2005/06. 2007/08 saw a total of 9 fatalities on Shetlands roads and 7 serious cases.

## Domestic Abuse

There were 52 reported incidences of domestic abuse during the year 07/08.

## Fear of crime

- ◆ The Northern Constabulary reported that the number of people who rated the area within 15 minutes of their home as safe or very safe rose from 96% in 2003 to 99% in 2005. This has however fallen to 90% in 2008. 10% of respondents answered that they were fearful of crime in their local community.<sup>126</sup>
- ◆ 80% of respondents from the 2008 spring edition of Your Voice felt that Shetland was very safe.
- ◆ Data from the same survey showed that 10% of respondents has been a victim of crime within the last 12 months, of which,
  - a. 43% was antisocial behaviour
  - b. 20% was housebreaking or theft
  - c. 17% was vandalism
  - d. 10% physical/verbal abuse and
  - e. 10% disorderly behaviour/intimidation
- ◆ 29% of those who responded to the 2008 spring your voice survey said they were worried about becoming a victim of crime.
- ◆ The main things (in order of importance) that people felt would make them feel safer in their local area was,
  1. prompt response from the police
  2. persistent local offenders being tackled
  3. police working with other agencies to address problems

<sup>125</sup> Northern Constabulary

<sup>126</sup> Your Voice, spring 2008

4. high visibility police patrols
5. Neighbourhood support workers
6. CCTV in the area

## HOUSING (STRONGER)

**Demand for housing of all tenures continues to increase in Shetland. Demand for social rented housing continues to increase despite the efforts of the local Housing Association's development programme. Planning applications for private houses are also continuing at a high level and the housing market has seen unprecedented increases in house prices. The increase in activity and value in the sales of private houses raises serious concerns about affordability of housing across the islands.**

**Homeless presentations continue to rise.**

Shetland Islands Council and Community Planning Board Target,

- We will increase the supply of housing to 12,000 by 2025<sup>130</sup>

### What is measured

Current indicators used to measure trends within Housing are,

- Quantity of housing available in Shetland (the number of homes and type);
- Quality of housing (from both the National and Local Housing Condition Survey;
- Appropriateness of housing
- Affordability of housing (cost of private housing and local authority rents, compared to average income; the supply versus demand ratio and Shetland wide homelessness statistics).

The Indicators chosen to help Shetland toward achieving local and National outcomes are;

Improvement Indicator
<b>NI 22:</b> All unintentionally homeless households will be entitled to settled accommodation by 2012
<b>NI 27:</b> Increase the rate of new house building

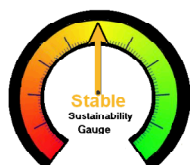
National Indicator 27 will directly inform the Shetland Community Planning Shetland

 **Increase the housing supply to 12, 000 by 2025**

<sup>130</sup> Current housing is 10,200 (2005)

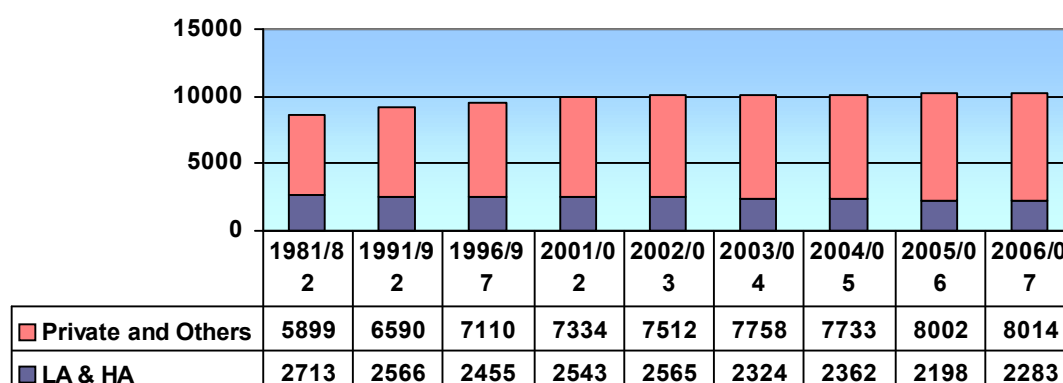


The current housing stock in Shetland is 10, 313.



## Quantity of housing

Figure 22: Ownership of Dwelling Houses in Shetland, 1981-2007<sup>131</sup>



- ◆ In the financial year 2007/08 there have been a total of 114 new property builds throughout Shetland. 91 of which were private and 23 of which were Hjalatland/SIC.
- ◆ This is an overall decrease of 28 on the previous year.
- ◆ In April 2006 until end of March 2007, there was a total of 142 new property builds throughout Shetland. 34 of these were Hjalatland housing Association builds. Of the 108 private builds, the majority of them were to be found in bands, D, E and F.<sup>132</sup>

Table 4: total number of Dwellings in Council tax bands, years 07, 06, 05<sup>133</sup>

Total number of dwellings  
on valuations list( Exluding  
free - standing lock -ups)

	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H	TOTAL
Council tax base 2007	3,096	1,781	2,549	1,573	1,073	196	44	1	10,313
Council Tax base 2006	3,149	1,781	2,517	1,524	1,023	183	41	1	10,219
Council Tax base 2005	3,170	1,774	2,499	1,502	991	180	39	2	10,157

- Band A - Property up to the value of 27,000
- Band B – Property value between 27,001 and 35,000
- Band C – Property value between 35,001 and 45,000
- Band D – Property value between 45,001 and 58,000
- Band E – Property Value between 58,001 and 80,000

<sup>131</sup> Assessors Office

<sup>132</sup> Shetland and Orkney Assessors Office, 2007

<sup>133</sup> Finance, Shetland Islands Council 2007(based on 1991 valuations)

- Band F – Property Value between 80,001 and 106,000
- Band G – Property Value between 106,001 and 212,000
- Band H – above 212,000

- ◆ There are also deletions of property stock, which can be due to<sup>134</sup>
  - Winter or summer let, which means the property moves from the council tax on to the valuation role
  - Demolition Work
  - Property becomes uninhabitable
- ◆ The potential fragility of the Shetland economy, the declining population and the concentration of job opportunities and new house building in the areas around Lerwick means negative equity is a real prospect in many areas<sup>135</sup>.
- ◆ The Council's rent levels increase to cover inflation only, while Hjaltdland housing association set an annual Minimum Increase on existing rents of Inflation plus 1%.
- ◆ Demand for socially rented housing is steadily high. The Council and Hjaltdland Housing Association operate a common housing register with 908 applications in 2006-07. This has steadily increased to its current level of 999 at September 08.
- ◆ Of the 999 currently on the waiting list<sup>137</sup>
  - **600** are awaiting housing in Lerwick.
  - **255** are awaiting transfer housing and
  - **59** are assessed as currently homeless
- ◆ The top 5 Household Groups on the waiting list are<sup>138</sup>,
  1. Single person 25 to retirement = 260
  2. Couple with Children = 159
  3. Single parent under 25 = 155
  4. Couple with no Children = 126
  5. Single person 18 – 24 = 122
- ◆ The average probability of being offered any type of SIC housing varies greatly between areas. For example between July 2004 and June 2006 the statistical probability of being offered a council house was 0% in Aith, 2% in Lerwick, 5% in Sandwick, 15% in Bigton, 31% in South Nesting, 64% in Skeld, 77% in Vidlin and 88% in Firth. In Fetlar, Burravoe, Uyeasound and Brough (Whalsay) there is more than 100% probability, because of existing voids<sup>140</sup>.

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<sup>134</sup> Shetland and Orkney Assessors Office, 2007

<sup>135</sup> SIC Population and Housing, 2001-16

<sup>136</sup> Local Housing Strategy, 07/08

<sup>137</sup> SIC, housing - 2008

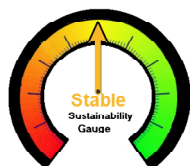
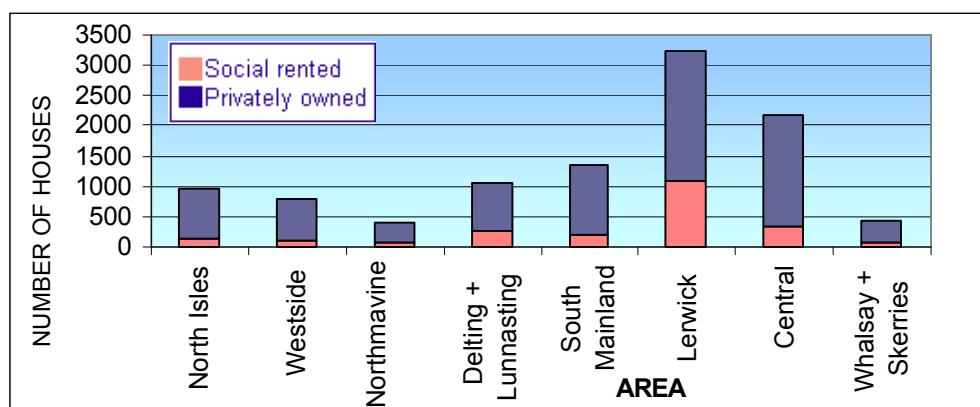
<sup>138</sup> SIC, Housing - 2008

- Results from the 2001 census are used to quantify homes by type. The private rental market accounted for 7.27%, in line with Scotland as a whole. The social rental market was 25.83%, slightly lower than the Scottish figure of 27.15%. The number of properties that are owned, at 63.37%, was in line with Scotland as a whole, at 62.59%<sup>141</sup>.

**Table 5: Number of homes by type<sup>142</sup>**

Tenure	Shetland	Scotland
Total number of households (with residents)	9,111	2,192,246
% Owned	63.37	62.59
% Rented from council	22.88	21.57
% Other social rented	2.95	5.58
% Private rented (unfurnished)	3.67	3.1
% Private rented (furnished)	3.6	3.61
% Living rent free	3.52	3.55

**Figure 23: Housing ownership by area<sup>143</sup>**



## Quality of housing

- In 2005, the Scottish Executive defined that in order to meet The Scottish Housing Quality Standard (SHQS) social rented dwellings must meet the following standards by 2015. The Council and HHA are actively planning the investment in their stock to ensure compliance:
  - Free from disrepair;
  - Energy efficient;
  - Provided with modern facilities and services;
  - Healthy, safe and secure.
- The social rented stock in Shetland continues to be of a high standard. Planned maintenance programmes of approximately £3m per year are continuing to maintain the standard of the housing stock.<sup>144</sup>
- There is however, no equivalent standard for the private sector. The

<sup>140</sup> Average of the statistical probability of being offered any type of SIC accommodation between July 04 and March 06 (based on number of void properties and number of times each area was selected)

<sup>141</sup> Census, 2001

<sup>142</sup> Census, 2001

<sup>143</sup> Assessors Office, 2006

<sup>144</sup> Scottish Housing Quality Standard submissions from SIC Housing, 2006/07

Scottish Local House Condition Survey in 2005/06 estimated that 3.7% of Shetland's private sector housing (a total of 282 homes) fell Below the Tolerable Standard (BTS). The local study estimated the value higher, at 356<sup>145</sup>.

- ◆ The local study also estimated that 47% of households in Shetland had difficulties in heating their home<sup>146</sup>. It is thought this is mainly due to a combination of poor weather and high fuel costs along with the need to make improvements to the energy efficiency of homes, particularly in the private sector. And that 23.9% (1,824) of households in Shetland are at risk of fuel poverty<sup>147</sup>. Fuel costs exceed 10% of income in 1,824 homes, 20% of income in 526 homes, and 30% of total income in 191 homes<sup>148</sup>.
- ◆ Properties occupied by residents over 60 years have worse energy ratings than average and the elderly are at greater risk of fuel poverty<sup>149</sup>.
- ◆ Condensation problems affect an estimated 14.7% of all Shetland housing, particularly detached, older stock,<sup>150</sup> but only an estimated 10% of all Scottish housing.<sup>151</sup>
- ◆ At present there is £850,000 per annum available for private sector grants.
- ◆ Demand for the grant exceeds the budget so it has to be prioritised:<sup>152</sup>
  - Disabled works,
  - Repairs and improvements for householders on means tested benefits
  - Those occupying the worst housing (ie Below Tolerable Standard and therefore not suitable for occupation), and
  - Common works and Fuel Poverty.
- ◆ 75% of 'Your Voice' respondents agreed somewhat or strongly with the statement: If I were buying a new house, I would be prepared to pay 10% more at the outset for energy-saving equipment and features<sup>153</sup>.



### Appropriateness and Affordability of housing

- ◆ At August 2007, it is estimated that house prices are being procured at 14% above the asking price.<sup>154</sup>
- ◆ The 2008 financial downturn has had a measurable impact on our local housing market, with many people not being able to secure loans for

<sup>145</sup> SIC, Local House Condition Survey, 2005/06

<sup>146</sup> Scottish House Condition Survey, *Fuel Poverty in Scotland*, 2004

<sup>147</sup> A household is in fuel poverty if, in order to maintain a satisfactory heating regime, it would be required to spend more than 10% of its income on all household fuel use, where 'satisfactory heating regime' is defined as one that achieves 21° C in the living room, and 18° C in other occupied rooms

<sup>148</sup> SIC, Local House Condition Survey, 2005/06

<sup>149</sup> SIC, Local House Condition Survey, 2005/06

<sup>150</sup> SIC, Local House Condition Survey, 2005/06

<sup>151</sup> Scottish House Condition Survey, 2004

<sup>152</sup> Environmental Health Service Manager – 2008

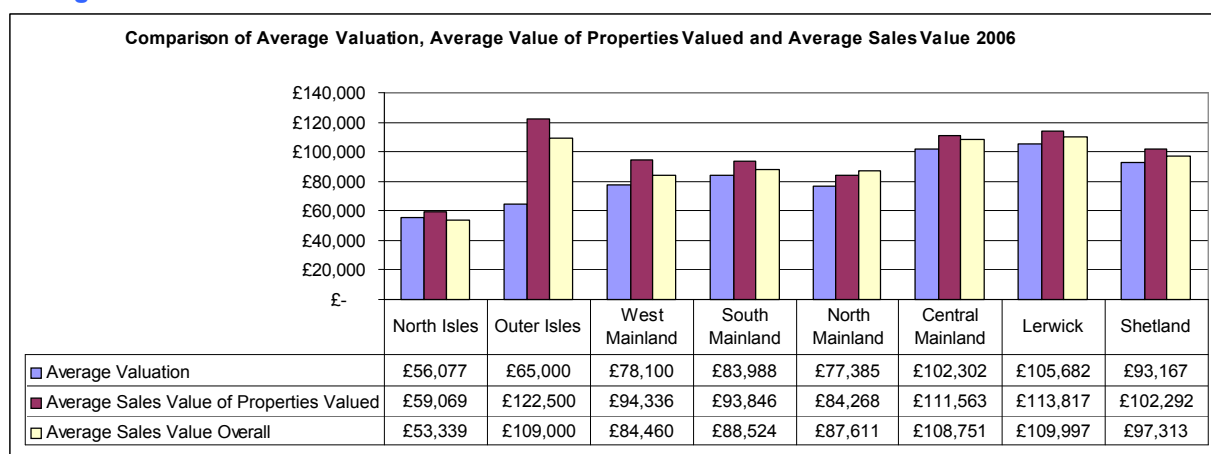
<sup>153</sup> Your Voice, 2007

<sup>154</sup> Local Housing Strategy, 2006/07 update subject to change – data incomplete for this area

mortgages, which in turn means that houses are not being sold, especially at the higher end of the market.

- ◆ Also many have lost confidence in the housing market and are therefore less willing to buy into, which has the effect of destabilising it even further and promoting more under confidence in the housing market.
- ◆ The average cost of a house in September 2008 was £103,705<sup>155</sup>, compared to the average of £118,535 in September 2007.<sup>156</sup>
- ◆ The average income of households in Shetland is just under £33,000<sup>157</sup>.
- ◆ 315 private properties were sold in Shetland in 2006.
- ◆ The **total** number of residential sales in 2007 was 375. The total number to date in 2008 is 177.<sup>159</sup>

**Figure 24: Comparison of Average Valuation, Average Value of Valued Properties and Average Sales Value 2006**



- ◆ The Council's rent levels are at the higher end of the Scottish Local Authority comparators. In 2007/08 average weekly rents for SIC was third highest in Scotland at £53.85 (£5.94 higher than the Scottish average). The Council has held its rent increases to inflation only for the past six financial years.

<sup>155</sup> BBC News: UK House Prices - Regional

<sup>156</sup> [http://www.ros.gov.uk/productsandservices/lpd\\_stats.html](http://www.ros.gov.uk/productsandservices/lpd_stats.html)

<sup>157</sup> Shetland Face to Face Household Survey

<sup>158</sup> Source: Register of Sasines / Michael Thompson Surveyors

<sup>159</sup> [http://www.ros.gov.uk/productsandservices/lpd\\_stats.html](http://www.ros.gov.uk/productsandservices/lpd_stats.html)

<sup>160</sup> BBC News: UK House Prices - Regional

<sup>161</sup> [http://www.ros.gov.uk/productsandservices/lpd\\_stats.html](http://www.ros.gov.uk/productsandservices/lpd_stats.html)

<sup>162</sup> Shetland Face to Face Household Survey

<sup>163</sup> Source: Register of Sasines / Michael Thompson Surveyors

<sup>164</sup> Finance, Shetland Islands Council 2007(based on 1991 valuations)

<sup>165</sup> Shetland and Orkney Assessors Office, 2007

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<sup>166</sup> Shetland and Orkney Assessors Office, 2007

<sup>167</sup> SIC Population and Housing, 2001-16

<sup>164</sup> Finance, Shetland Islands Council 2007(based on 1991 valuations)



### Homelessness<sup>168</sup>

- ◆ The numbers of households who present as homeless each year in Shetland that the Council has a duty to (135 in 07/08) is already **greater** than the total number of general need Council vacancies available for relet each year (112 in 07/08) throughout the **whole of Shetland**.
- ◆ 234 households were assessed as homeless in 2007/08. This has increase by 50 since 2003/04.<sup>169</sup>
- ◆ 37% of 'Your Voice' respondents did not think homelessness was an issue in Shetland<sup>171</sup>.
- ◆ The biggest group to become homeless are males above the age of 25 (24.4%), whilst 59 (30.6%) involve children.

Figure 25: Homeless presentations<sup>172</sup>

<sup>165</sup> Shetland and Orkney Assessors Office, 2007

<sup>166</sup> Shetland and Orkney Assessors Office, 2007

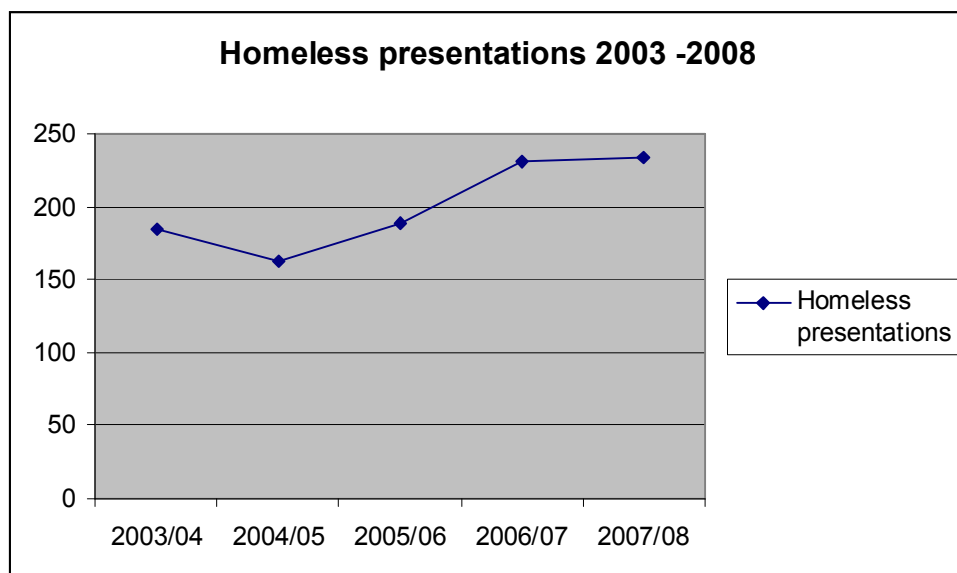
<sup>167</sup> SIC Population and Housing, 2001-16

<sup>168</sup> Homelessness leaflet go to [www.shetland.gov.uk/housing](http://www.shetland.gov.uk/housing)

<sup>169</sup> SIC Housing, 2008

<sup>171</sup> Your Voice, 2006

<sup>172</sup> SIC, Housing - 2008



- ◆ One reason for the increase in homeless presentations could be attributed to the fact that as the demand on affordable housing in Shetland increases, more people may be finding it difficult to access a decent permanent home that meets their needs in terms of size, location and affordability. A further contributing factor to this, the Council has also increased legal obligations to provide accommodation to everyone who is homeless, although in some cases this is only for a short period of time whilst other housing options are investigated. These increasing pressures place further stress on Shetland's housing market, and provide some possible explanation of why the number of people who registered as homeless increased in 2006/07 and again in 2007/08.



## TRANSPORT AND COMMUNICATIONS (STRONGER)

**The numbers of bus passengers has increased this year, however inter - islands ferries and external travel passenger numbers have decreased.**

**The cost of fares is also increasing across the board.**

**Shetland has high uptake of SDL and ADSL Internet connection.**

### What is measured

Local Indicators currently used are as follows;

- Availability,
- Accessibility,
- Usage and
- Cost of internal transport

This is measured by the numbers of private cars, taxis, buses and ferries; number and frequency of bus and ferry routes; cost of internal transport journeys and usage levels for internal transport.

### Also measured is,

- Availability,
- Usage and
- Cost of external transport

These are measured by number of external air and sea routes; cost of external transport journeys; and usage levels for external transport.

Broadband access can partly be used as a measure of progressive electronic communications. Other measures are under development.

- Regional Transport Strategy Outcomes, which have also been adopted as our Local Transport Outcomes are; Improved Journey Times and Connections
- Improved Quality, Affordability and Accessibility
- Reduction in Emission's

SOA Indicators chosen to help us deliver on our outcomes and measure our progress toward these are;

### Improvement Indicator

**LI1:** Increase the availability, accessibility and usage of internal public transport

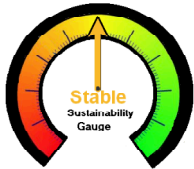
- Decrease road traffic levels
- Increase bus passenger numbers
- Increase the ratio of passengers to cars on inter-island ferry routes.
- Increase the population served by DRT services.
- Monitor affordability.
- Increase integration between different transport services
- Decrease road traffic levels.
- Increase bus passenger numbers.

**NI 36:** Increase the proportion of journeys to work made by public or active transport Increase the use of sustainable modes of transport

- Decrease the use of single occupancy private cars

Or

**LI 3:** Increase the proportion of journeys made by public or active transport



and sea links

- Reliability
- Affordability
- Number of primary destinations

## Availability, accessibility, usage and cost of internal transport

**Table 6: Taxis and private hire cars and drivers licensed** <sup>173</sup>

	2003	2005	2006	2007
Taxi Vehicles licensed	78	75	77	73
Private hire cars licensed	152	55	56	54
Total vehicles licensed	230	130	133	127
Taxi Drivers licensed	315	342	321	307
Private hire driver licences	79	75	69	62
Total drivers licensed	394	417	390	369

<sup>173</sup> Scottish Transport Statistics 2007, 2006, 2005, 2003

Number of wheel chair accessible taxis			2	2
--	--	--	---	---

- ◆ The number of taxis has decreased slightly to from 77 in 2006 to 73 in 2007.
- ◆ In 2006 Shetland had 56 private hire cars licensed this decreased to 54 in 2007 <sup>174</sup>.
- ◆ The total number of drivers licensed has decreased from a peak in 2005 of 417 to 369 in 2007.

**Table 7: Number of vehicles licensed in the Shetland Islands on 31st December<sup>175</sup>**

	2000	2001	2002	2003	2004	2005	2006
Private Cars and Light Goods	10,378	10,806	11,135	11,430	11,697	12,114	12,467
Public Transport Vehicles	81	81	74	73	75	83	90
Others	1,473	1,514	1,626	1,688	1,754	1,753	1,846
<b>Total</b>	<b>11,932</b>	<b>12,401</b>	<b>12,835</b>	<b>13,191</b>	<b>13,526</b>	<b>13,950</b>	<b>14,403</b>

- ◆ The number of all vehicle types continues to rise with a 20.7% increase since 2000,

**Table 8: Bus services usage<sup>176</sup>**

Route	2001	2003	2005	2006	2007
South Mainland	92758	93797	98770	110804	117294
North Mainland	73240	71116	70997	68125	68417
Laxo/ Vidlin	6977	7881	6770	7189	7345
West Mainland	44018	41982	48612	50121	50355
Scalloway/ Burra	42154	54302	60738	56243	54489
Lerwick Town Service	117639	113039	106781	105858	103539
Yell	4936	4653	7062	9780	10153
Unst	1638	1950	2159	3085	3949
<b>Total</b>	<b>383360</b>	<b>388720</b>	<b>401889</b>	<b>411205</b>	<b>415541</b>

- ◆ Bus usage continues to increase, except in the town and to the North Mainland. Within Lerwick there was a 13.6% drop in passengers and to the North Mainland the drop was 7% between 2001 and 2007. The largest increases in passenger numbers between 2001 and 2007 was to Burra/Scalloway and the South Mainland service.

**Table 9: Bus Fares <sup>177</sup>**

Single Bus Fares		2006 £	2007 £	2008 £
South Mainland	Sumburgh Airport – Lerwick	2.10	2.20	2.70
	Sandwick – Lerwick			1.80
North Mainland	Hillswick - Lerwick			2.60

<sup>174</sup> Scottish Executive Statistics, 2006, 2007

<sup>175</sup> Shetland in statistics, 2007

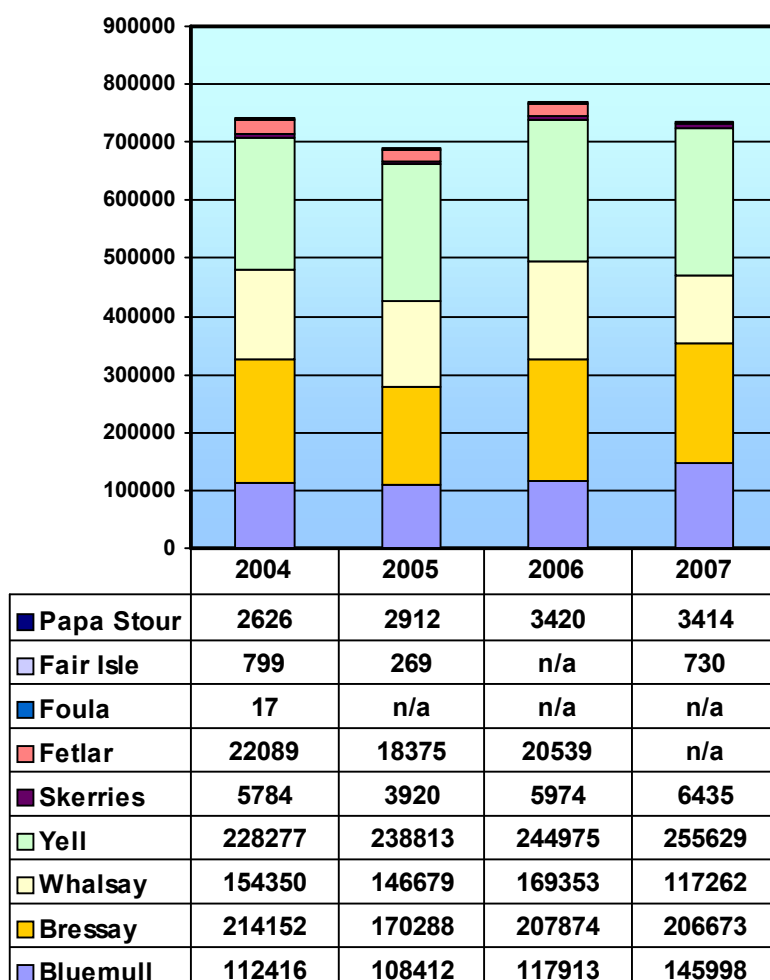
<sup>176</sup> SIC Transport, 2006

<sup>177</sup> SIC Transport, 2008

	Brae - Lerwick			2.40
	Mossbank / Toft - Lerwick			2.60
Laxo / Vidlin	Laxo / Vidlin - Lerwick			2.40
West Mainland	Sandness - Lerwick	3.05	3.45	3.60
	Walls - Lerwick			2.60
	Bixter - Lerwick			1.90
Scalloway / Burra	Scalloway - Lerwick			1.70
	Hamnavoe - Lerwick			1.80
Lerwick Town Service	Intermediate Stages			0.60
Yell	Ullsta - Lerwick			3.35
	Ulsta - Gutcher			2.20
Unst	Haroldswick - Lerwick	4.40	5.65	5.85
	Belmont - Lerwick			4.20
	Baltasound - Belmont			1.65

◆ The cost of internal transport journeys by bus continues to increase. In 2006 a return trip between Sumburgh and Lerwick was £4.20, increasing to £5.40 in 2008. A return trip between Sandness and Lerwick was £6.10 increasing to £7.20, and a return trip between Haroldswick and Lerwick was £8.80, increasing to £11.70.<sup>178</sup>

Figure 26: Inter-Island Ferry Usage: Passengers<sup>179</sup>

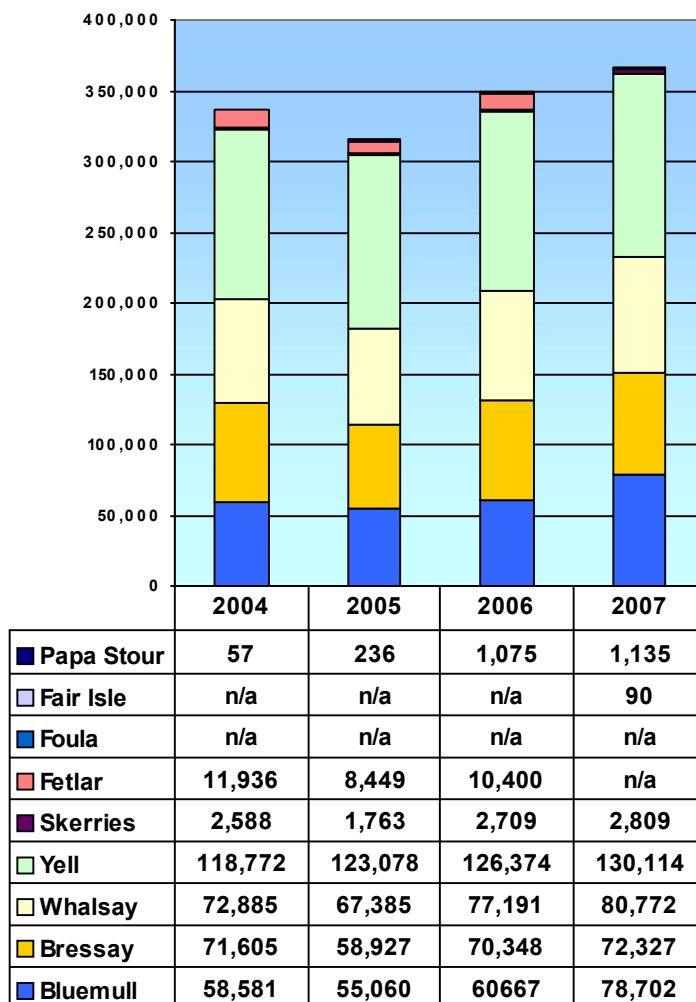


<sup>178</sup> SIC Transport, 2007, 2008

<sup>179</sup> SIC Transport, 2007

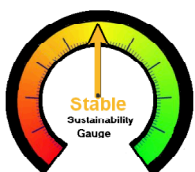
- ◆ The number of passengers on the inter-island ferries has decreased from a total 740,510 in 2004 to 736,141 in 2007 (a 0.59% decrease). A 4.6% decrease on the number of inter-island ferry passengers in 2006 (770,048).
- ◆ The total number of vehicles has increased from 336,424 in 2004 to 365,949 in 2007 (a 8.7% increase).
- ◆ The number of Vehicles on the Papa Stour crossing has increased from 57 in 2004 to 1,135 in 2007.
- ◆ The number of vehicles on the Bluemull crossing has increased from 58,581 in 2004 to 78,702 in 2007 a 34.3% increase.
- ◆ Fares for passengers to Yell, Whalsay and Bressay £3.30 return adult fare, A single journey tickets to Skerries, Papa Stour, Foula and Fair Isle £3.00. With concessions available for children and concessionary SIC holders and reductions available when bulk-buying tickets. Travel between Yell and Unst or Fetlar and Unst to Fetlar is free of charge.

Figure 27: Inter-Island Ferry Usage<sup>180</sup>: Vehicles



- ◆ Return fares for passenger vehicles range between £6.00 and £14.60. Commercial vehicles fares range from £19 to £150.

<sup>180</sup> SIC Transport, 2007



## Availability, usage and cost of external transport

- ◆ Flights to Sumburgh operate regularly to and from Kirkwall, Fair Isle and main connecting Scottish Cities Aberdeen, Edinburgh, Glasgow, Inverness, with connections available throughout the UK and international airport network. .
- ◆ There are six services to Aberdeen from Sumburgh on Monday and Friday, five Tuesday, Wednesday and Thursday and three flights at the weekend, two flights daily to Inverness, via Orkney during the week and one at the weekend. There are two flights to Edinburgh Monday to Saturday with one on Sunday and one flight each day to Glasgow <sup>183</sup>.
- ◆ The Air Discount Scheme was launched on 18 May 2006 and provides a 40% reduction on airfares before tax from eligible areas (including Shetland) to Glasgow, Edinburgh, Aberdeen or Inverness <sup>186</sup>.

**Table 10: 'Costs from' for return flights (economy) from Shetland to Scottish Mainland according to the length of time booked ahead, including figure with air discount scheme applied in brackets <sup>188</sup>**

Sumburgh to	Aberdeen		Edinburgh		Glasgow		Inverness		Kirkwall	
	2007 £	2008£	2007 £	2008 £	2007 £	2008 £	2007 £	2008 £	2007 £	2008
1 day	344.00 (220.00)	193.20	382.00 (142.00)	284.70	382.00 (142.00)	284.70	318.00 (202.00)	223.20	194.00 (126.00)	150.20
1 week	324.00 (208.00)	193.20	362.00 (230.00)	284.70	362.00 (164.00)	284.70	298.00 (190.00)	209.20	180.00 (120.00)	143.20
1 month	86.00 (64.00)	103.20	362.00 (164.00)	224.70	362.00 (164.00)	239.70	298.00 (126.00)	139.20	62.00 (58.00)	105.20
6 months	86.00	103.20 *	132.00 (110.00)	119.70 *	132.00 (128.00)	119.70 *	80.00 (76.00)	110.30 *	62.00 (48.00)	79.20 *
8 months		81.20 *		149.70 *		134.70 *		166.30 *		97.20 *
11 months	86.00		132.00 (110.00)		132.00 (128.00)		80.00 (76.00)		62.00 (48.00)	

(2008 figures based on a week return trip checked 14 July 2008, \* flybe flights)

**Table 11: Flights from Shetland to Outside Scotland**

Sumburgh to	London Stansted <sup>189</sup>		Bergen, Norway <sup>190</sup>
	2007 Return	2008 Return £	2008 Single £
Less than a week		359.60	

<sup>181</sup> Research into Deprivation and Social Exclusion in Shetland, 2006

<sup>182</sup> HIAL website, Sumburgh, 2008

<sup>183</sup> British Airways and flybe websites, Summer 2008

<sup>184</sup> Atlantic Airways, 2008

<sup>185</sup> British Airways, 2008

<sup>186</sup> British airways, 2007

<sup>188</sup> Flybe, 2008

<sup>189</sup> Atlantic Airways, 2008

<sup>190</sup> British Airways, 2008

1 week	161.00	264.60	214.80
1 month		264.60	168.80
Figures checked 15 July 2008			

- ◆ Passenger numbers at Sumburgh Airport have fluctuated over the years, decreasing from 473,626 in 1991 to a low of 123,163 in 2004. This low is partly due to a decrease in the number of Helicopter passengers. Passenger numbers have increased slightly since 2004 to 150,443 in 2007, but no-where near the 1991 figure.
- ◆ Increases in passenger numbers are due to enhanced scheduled flights from Summer 2007 from Aberdeen, Edinburgh and Glasgow and the establishment of the Scottish Executive's Air Discount Scheme (ADS) in May 2006.<sup>191</sup>
- ◆ Oil related- business at Sumburgh has also increased with two companies running 6 month contracts.<sup>192</sup>
- ◆ Passenger numbers at Scatsta have increased from 15,000 in 1991 to 253,000 in 2007<sup>193</sup>. The airport at Scatsta is operated by the oil industry.
- ◆ Between 1991 and 2006 there has also been an overall decrease in the number of people employed at the airports during this period, from 357 to 278<sup>194</sup>.

**Table 12: Airport passengers (000s)**<sup>195</sup>

Year	1991	1996	2001	2003	2004	2005	2006	2007
Scatsta	15	79	247	230	229	239	255	253
Sumburgh	433	401	137	113	110	124	133	150
<b>Total</b>	<b>448</b>	<b>480</b>	<b>384</b>	<b>343</b>	<b>339</b>	<b>363</b>	<b>388</b>	<b>403</b>
Tingwall	11	4	2			4	4	
Unst	85	18	.25					

**Table 13: Cost of sea journeys**<sup>196</sup>

	Cost for a single journey for a family of 4, with cabin		Cost for 1 adult, no cabin, in August (single)	
	August 2007	August 2008	August 2007	August 2008
Aberdeen (Northlink)	£179.50	£184.20	£20.80	£32.70

- ◆ Ferry fares between Aberdeen and Lerwick vary by the season, ranging from £21.40 to £32.70 for adults (single passage) and £10.70 to £16.30 for children (aged 5-15). Infants travel for free.
- ◆ Islander discounts are also available.

<sup>191</sup> HIAL Annual report and Group Accounts 2006/07

<sup>192</sup> HIAL Annual report and Group Accounts 2007/08

<sup>193</sup> SIC Transport, 2008

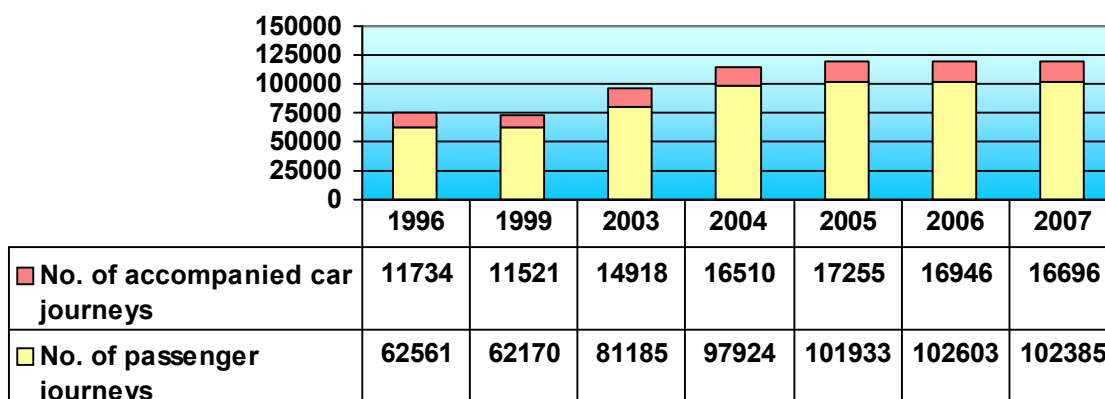
<sup>194</sup> Shetland in Statistics, 2007

<sup>195</sup> SIC Transport, 2008 and Civil Aviation Authority

<sup>196</sup> Northlink, 2007 and 2008

- ◆ Cars cost between £86.70 and £116.60 (single passage). Cabins cost between £55.30 and £110.50 (single passage), although cheaper berths in shared 2- and 4-berth cabins are also available<sup>197</sup>.

Figure 28: P&O and Northlink passengers<sup>198</sup>



- ◆ The number of accompanied car journeys on the Lerwick-Aberdeen route has increased overall, from 11,521 in 1999 to a peak of 17,255 in 2005 decreasing slightly to 16,696 in 2007<sup>199</sup>.
- ◆ Passenger numbers have continued to rise from 62,170 in 1999 to 102,385 in 2007, a 64.7% increase. Between 2006 and 2007 passenger numbers have decreased by 0.27% from 102,603 to 102,385.
- ◆ Results from the 2005 questionnaire 'Your Voice' found the main reason people choose air travel rather than the ferry is that air travel is faster, while the main reason people choose to travel by ferry is that it is cheaper.<sup>200</sup>

<sup>197</sup> Northlink, 2008

<sup>198</sup> SIC Transport, 2008

<sup>199</sup> Shetland in Statistics and SIC Transport, 2008

<sup>200</sup> Your Voice questionnaire, 2005

<sup>201</sup> Your Voice questionnaire, 2005



## NATURAL RESOURCES (GREENER)

Existing data available to measure the quality of the environment in Shetland, such as air and water quality, paint a good picture. However, further measures are required to ensure the situation is fully understood.

Recycling opportunities continue to expand and diversify and new renewable energy possibilities are being explored.

The Shetland Islands Council and Community Planning Board Target relevant to this area:

- **We will be world renowned for being clean and green islands, decreasing our CO2 emissions by 30% by 2020<sup>202</sup>**

### What is measured

The quality of the natural environment is currently measured by air and coastal water quality (fresh water results require further analysis to produce a useful indicator);

- Marine and terrestrial litter,
- Recycling of waste,
- Energy consumption, and
- Biodiversity, as an important natural resource, initial indicators have been identified for its measurement however further study is necessary.

As highlighted in the table above, the National Single Outcome Agreement target that is relevant to this area is:

- To reduce greenhouse emissions by 80% by 2050 – With interim reduction of greenhouse gas emissions over the period to 2011

Shetland Natural Resources Outcomes;

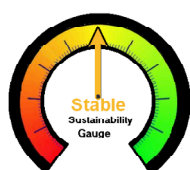
- Reduce marine and terrestrial litter and improved water and air quality
- Reduced waste production and increased recycling
- Reduced energy consumption and reduced ecological footprint
- Conserve and restore our natural & built environment and preserve and restore biodiversity

SOA Indicators chosen to help us deliver on our outcomes and measure our progress toward these outcomes are;

Improvement Indicator
<b>NI 32:</b> Reduce overall ecological footprint
<b>NI 33:</b> Increase to 95% the proportion of protected nature sites in favourable condition (proportions of features)
<b>NI 34:</b> Improve the state of Scotland's Historic Buildings, monuments and environment

<sup>202</sup> The same as the UK's current commitment

<b>NI 35:</b> Biodiversity: increase the index of abundance of terrestrial breeding birds
<b>LI 28:</b> Biodiversity: increase the index of abundance of sea birds
<b>NI 37:</b> Increase the proportion of adults making one or more visits to the outdoors per week
<b>NI 38:</b> 50% of electricity generated in Scotland to come from renewable sources by 2020 (interim target of 31% by 2011)
<b>NI 39:</b> Reduce to 1.32: million tonnes waste sent to landfill by 2010
<b>NI 40:</b> Increase to 70% key commercial fish stocks at full reproductive capacity and harvested sustainably by 2015:



## Natural environment

- Shetland's air quality meets all the criteria set by the national air quality standards.

**Table 14: Air quality and pollutant objectives outlined in the NAQS<sup>203</sup>**

Pollutant	Concentration	Measured as
Benzene	16.25 µg/m <sup>3</sup>	Running annual mean
	3.25 µg/m <sup>3</sup>	Running annual mean
1,3-butadiene	2.25 µg/m <sup>3</sup>	Running annual mean
Carbon monoxide (CO)	10 mg/m <sup>3</sup>	Running 8 hour mean
Lead	0.5 µg/m <sup>3</sup>	Annual mean
	0.25 µg/m <sup>3</sup>	Annual mean
Nitrogen dioxide (NO <sub>2</sub> )	200 µg/m <sup>3</sup> not to be exceeded more than 35x a year	1 hour mean
	40 µg/m <sup>3</sup>	Annual mean
Particulate (PM <sub>10</sub> )	50 µg/m <sup>3</sup> not to be exceeded more than 35x a year	24 hour mean
	40 µg/m <sup>3</sup>	Annual mean
	50 µg/m <sup>3</sup> not to be exceeded more than 7x a year	24 hour mean
	18 µg/m <sup>3</sup>	Annual mean
Sulphur dioxide (SO <sub>2</sub> )	125 µg/m <sup>3</sup> not to be exceeded more than 3x a year	25 hour mean
	350 µg/m <sup>3</sup> not to be exceeded more than 24x a year	1 hour mean

<sup>203</sup> SEPA

	266 µg/m <sup>3</sup> not to be exceeded more than 35x a year	15 minute mean
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◆ Coastal Water Quality Standards Criteria are set in bandings between A and D, with A as the highest quality and C and D representing unsatisfactory results. Most of Shetland's coastline is A.

◆ Biodiversity is one of Shetland's natural assets. Initial indicators to measure biodiversity have been identified<sup>205</sup>:

- trends in populations and productivity of seabirds, croftland and moorland birds;
- seals;
- marine fish (probably shellfish and perhaps other taxa);
- marine benthos (probably impacts of aquaculture);
- condition of protected natural heritage sites;
- extent of land managed under agri-environment schemes;
- trends in grazing pressure;
- trends in area of cropped land;
- changes in phenology (timing of biological events) in relation to climate change;
- energy consumption;
- waste (production, management and recycling)

◆ Shetland has 81 Site's of Specific Interest (SSSI's) making up 11.6% of land area, 3 National Nature Reserves, 1 Ramsar Site (wetland conservation and sustainability) 12 Special protection areas and 7 National scenic areas. There are also 346 listed buildings and 369 ancient monuments.

### Shetland's consumption of global resources

The ecological footprint is a sustainability indicator, which expresses the relationship between humans and the natural environment. The ecological footprint accounts for the use of natural resources by a region's population. It is a 'snapshot' measure and typically refers to average annual consumption. To indicate environmental sustainability, the ecological footprint (demand) is compared with the global availability of resources (supply). Results are usually presented on a per capita basis using a standardised unit of area - the global hectare (gha).

The average amount of resources available per capita is known as an 'earthshare'. To calculate an earthshare, the total available land and sea area of the planet is divided equally among the current global population.

It is estimated that the current earthshare is 1.9 gha.

If everyone lived within their earthshare, we would achieve One Planet Living with an equitable sharing of resources.

◆ Shetland's ecological footprint is currently 5.39 global hectares per

<sup>204</sup> SEPA

<sup>205</sup> Work is being done to develop results for this year. Various bodies and agencies including SEPA, SNH, SEERAD, Shetland Biological Records Centre, SOTEAG and the NAFC Marine Centre will be involved.

capita<sup>206</sup>. In comparison, in 2001, Scotland's residents' ecological footprint was 5.35 gha per capita.

- ◆ **If everyone on the planet consumed as much as an average Shetland resident, an additional 1.8 Earths would be required to sustainably support global resource consumption.**

## Waste and Recycling

- ◆ Shetland is involved with various projects to clean up waste, such as 'Fishing for Litter' and the Voar Redd Up. Every year large numbers of volunteers turn out to take part in cleaning up Shetland's countryside.
- ◆ The annual Voar Redd Up, supported by the Shetland Amenity Trust, has been increasing in size since it was first started in 1987, however last years collection was short of 20 tonnes on comparison to the previous year despite of having more volunteers.

**Table 15: Voar Redd Up Statistics<sup>208</sup>:**

	Organisations	Volunteers	Bags	Tonnes
1988	60	400	5000	20
1996	125	2800	10000	60
2001	151	3616	10500	60
2005	181	3674	12000	71
2006	185	3787	12000	75
2007	201	4072	12000	55.5

- ◆ Marine litter is considered a significant problem in Shetland waters and its beaches. KIMO has calculated that every tonne of marine litter costs fishing fleets £1,300 in lost time (e.g. cleaning nets) <sup>209</sup>. This is before adding in loss of catches, damage to gear or disposal. KIMO recently launched the 'Fishing for Litter' campaign, encouraging fishermen to land litter by-catch, thus helping clear up the North Sea.
- ◆ From April 2005 - March 2006, Shetland Islands Council recycled/composted 10.9 % of municipal waste.
- ◆ In 2005, 4 tonnes of aluminium cans, 18 tonnes of agri-plastics and 1.7 tonnes of Christmas cards were collected, processed and sent for recycling. Shetland Amenity Trust also salvaged an estimated 100 tonnes of building materials from landfill and expanded glass recovery from 300 to 600 tonnes.
- ◆ In May 2008 the Shetland Islands Council extended its kerbside recycling scheme to Lerwick. The scheme was originally rolled out to 4500 households Scalloway in 2004–05. Residents outside Scalloway and Lerwick can either bring their glass and cans to Local collection points or deliver them to the civic amenity site.

<sup>206</sup> This measures the amount of nature's resources Shetland consumes in a given year  
<sup>207</sup> SIC energy, 2007

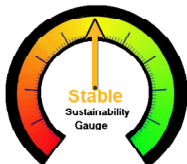
<sup>207</sup> SIC, Waste Services

<sup>208</sup> Shetland Amenity Trust, 2007

<sup>209</sup> KIMO, 2007

<sup>210</sup> Save the North Sea project results, 2004

- There are approximately 40 recycling points in Shetland, giving a ratio of 1 per 150 households, well over the 1/250 set as the original aim. However, these points tend to be concentrated in more densely populated areas making recycling more awkward for those living in remote areas. Also there is little recycling diversity out with Lerwick, as recycling points tend to be for glass and cans only.



## Energy

- The local electricity grid is supplied by Scottish Hydroelectric (SHE) from the oil fired Gremista Power Station and from excess energy produced by gas turbines at the Sullom Voe Terminal. SHE is investigating the future of energy supply, such as the laying of sub-sea cables, which would enable concurrent laying of a fibre optic cable link to the mainland. A cable link would reduce pollution in the islands and lessen Shetland's reliance on imported fuel<sup>211</sup>.
- Shetland relies on oil and waste gas for 93% of its energy production and this is not sustainable in the longer term. Reliance on oil must be reduced and the use of local resources, including renewable technologies, maximised.

**Table 16: Electricity generation ('000s)<sup>212</sup>**

	1971/72	1981/82	1991/92	2001/02	2004/05	2005/06	2006/07
<b>Units Generated (GWh)</b>	32.32	143.54	170.02	230.60	231.28	225.88	217.06
<b>Maximum demand (mw)</b>	11.69	36	41.2	45.2	48.6	47	48.1

- Shetland now generates 6 times more electricity than in the year 1971/72 and maximum demand has increased around 4 fold, but generation is now fairly stable.
- The Energy Recovery Plant in Lerwick generates hot water by burning waste for the Lerwick District Heating Scheme which is operated by [Shetland Heat Energy and Power Ltd](#) (SHEAP).<sup>213</sup>
- The Plant burns 22,000 tonnes of waste per year and generates 7MW of energy. The waste comes from Shetland, Orkney and Offshore.
- Waste is tipped into the waste bunker before it is fed into the furnace feed chute by an overhead crane/grab at a rate of approximately 3 tonnes per hour.

**Figure 29: Breakdown of electricity generation in 2006/07<sup>215</sup>**

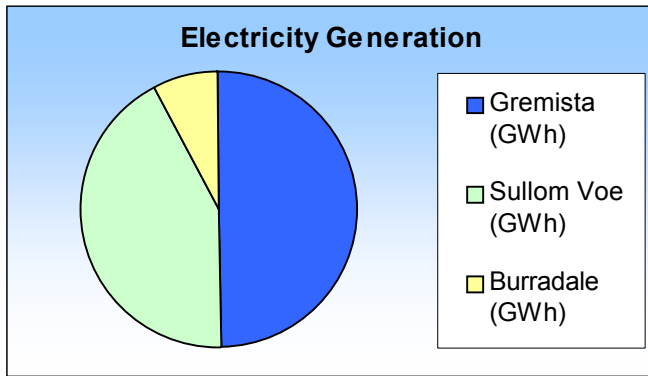
<sup>211</sup> SIC energy structure plan

<sup>212</sup> SIC, infrastructure, 2007

<sup>213</sup> Infrastructure 2008

<sup>214</sup> Operations Manager Shetland, 2007

<sup>215</sup> Gremista PowerStation/Burradale windfarm/Sullom Voe, 2007



- ◆ The estimated total CO<sub>2</sub> emissions for the housing stock in Shetland are an average of 14 tonnes per property per year.<sup>217</sup>
- ◆ Since 2003 two businesses have been assisted with projects to develop renewable energy engineering and 12 community halls and 2 heritage centres have been assisted with projects that allow them to make use of renewable energy<sup>218</sup>.
- ◆ The 5-turbine windfarm at Burradale has a total output of 6.68MW, which can power 2000 homes and saves 6,200 tonnes of carbon dioxide emissions per year<sup>219</sup>.
- ◆ Burradale generation continues to rise, though at a decreased rate, increasing over 7-fold between 2000/01 and 2003/04, then a further 7.6% between 2003/04 and 2006/07.

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<sup>216</sup> Electricity generation in Shetland, SIC Infrastructure, 2007

<sup>217</sup> SIC, Local House Condition Survey, 2005/06

<sup>218</sup> economic policies, 2003-07

<sup>219</sup> Burradale Windfarm, 2007

## ECONOMY (WEALTHIER)

**The Gross Regional Domestic Product per capita of Shetland is lower than the rest of the UK. Fisheries output, oil and the Council remain the three largest sectors in the economy, considerably higher than agriculture, tourism and knitwear.**

**88.1% of the working age population is currently in employment. with the public with the Sector dominating.**

**Shetland has a job density of 1.17 compared to 0.84 in Scotland. The density figures represent the ratio of total jobs to working-age population.**

**Shetland continues to have one of the lowest unemployment rates in the country.**

Shetland Islands Council and Community Planning Board Targets relevant to this area,

- **We will increase employment opportunities, by 1,000 full-time equivalents by 2025, and increase average personal and household income by 10% above 2005 in real terms<sup>220</sup>**
- **We will place more effort on stimulating demand for living in the remoter areas of Shetland by ensuring that the ratio of jobs to people and housing is the same<sup>221</sup>**

### What is measured

The state of the economy in Shetland is measured by the  
The Level of economic activity in Shetland (overall GVA<sup>222</sup> and GDP<sup>223</sup>),  
Public and private sector spending and the value of key sectors);  
Employment – which is currently measured in several local indicators

- Number of jobs,
- Employment rates,
- Employment by sector;
- Percentage of people out of work for more than a year;
- Percentage of women economically active;
- Percentage of people in permanent training); and
- Business performance (number of new business start-ups; number and

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<sup>220</sup> In line with Successful Highlands and Islands. Current FTE is 9,200 (2003)

<sup>221</sup> Population ratio: 20:80 Peripheral/Central where Peripheral (Isles, Parish of Northmavine, Walls and Sandness Community Council Area), 2001 Census; Employment ratio: 12:88; Housing ratio: 15:85.

<sup>222</sup> Gross value added (GVA) provides a more realistic indication of an areas productivity. It is a measure of the market value of all the final goods or services produced after the deduction of input costs incurred in the production process (excluding wages and capital investment costs).

<sup>223</sup> Gross Domestic Product (GDP) provides an indication of areas productivity. It is the market value of all the final goods and services produced, and can be broken down into sectors.

scale of business failures; and business profitability).

National Outcomes for Economy are,

- We live in a Scotland that is the most attractive place for doing business in Europe:
- We realise our full economic potential with more and better employment opportunities for our people:

SOA Indicators chosen to help us meet the national outcomes in the economic area are as follows,

Improvement Indicator
<b>NI 1:</b> At least halve the gap in total research and development spending compared with EU average by 2011
<b>NI 2:</b> Increase the business start-up rate
<b>NI 3:</b> Grow exports at a faster average rate than GDP
<b>NI 5:</b> Increase the percentage of Scottish domiciled graduates from Scottish Higher Education Institutions in positive destinations
<b>NI 6:</b> Improve knowledge transfer from research activity in universities
<b>LI 11:</b> Improve the availability, reliability and uptake of broadband communications

### Economic activity

- ◆ In 2006 the value of the Shetland economy was £512.3million an increase from £456million in 2003. The key sectors within the Shetland economy were Combined fisheries output and the Shetland Islands Council<sup>224</sup>
- ◆ Combined fisheries output was the largest sector, with £225.7million (fish catching, fish processing and salmon farming), this is a decrease from the peak in 2003 at 243.1million but there has been an overall increase since at least 1996.<sup>225</sup>
- ◆ Shetland Islands Council is currently worth £184.9 million to the Shetland Economy and increase from £127million in 2003.<sup>226</sup>

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<sup>224</sup> Fraser of Allander Institute and Shetland in Statistics (AB Associates and Economic Development Unit, SIC)

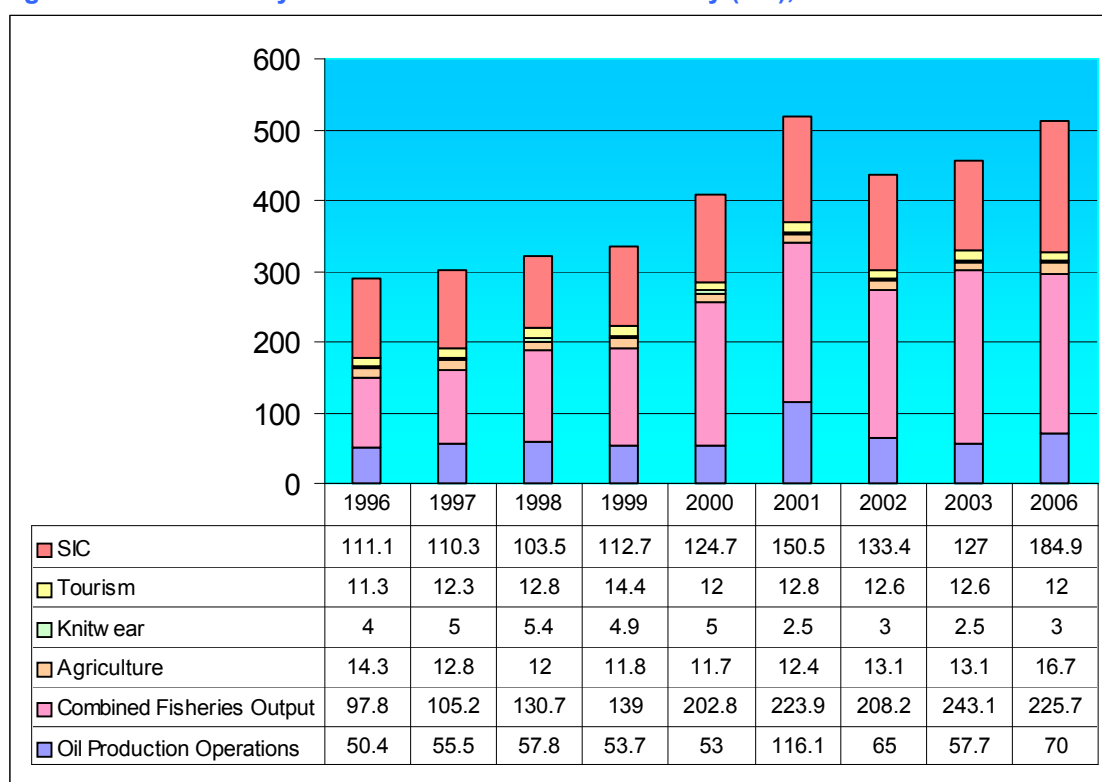
<sup>225</sup> Fraser of Allander Institute and Shetland in Statistics (AB Associates and Economic Development Unit, SIC)

<sup>226</sup> Fraser of Allander Institute and Shetland in Statistics (AB Associates and Economic Development Unit, SIC)



- ◆ The combined total output of all economic sectors in the Shetland economy in 2005 was calculated to be £705,705,000<sup>227</sup>. The same survey calculated Shetland's Gross Regional Domestic Product to be £333,403,150. This equates to a GRDP per capita of £15,245<sup>228</sup>.
- ◆ This compares with a GRDP per capita for the UK of £18,515 and Guernsey of £23,769, in 2003.
- ◆ The economic output of traditional sectors agriculture and knitwear are much lower but did see a small increase between 2003 and 2006. Agriculture increased from £13.1 to £16.7 and knitwear increased from £2.5 million to £3 million.
- ◆ The value of tourism has also been fairly stable at £12million between 1996-2006.
- ◆ A recent report into the Economic Value of the Childcare sector in Shetland estimated that it contributed 10.4 million to the Shetland economy each year.<sup>229</sup>

**Figure 30: Value of key sectors of the Shetland Economy (£m), 1996-2006<sup>231</sup>**



- ◆ GVA per head in Shetland is similar to the GVA per head for Scotland at

<sup>227</sup> Economic survey, University of Aberdeen Business School and AB Associates Ltd, 2005

<sup>228</sup> Shetland Regional Accounts, 2005

<sup>229</sup> Economic Impact of Childcare Services – Anderson Solutions 2008

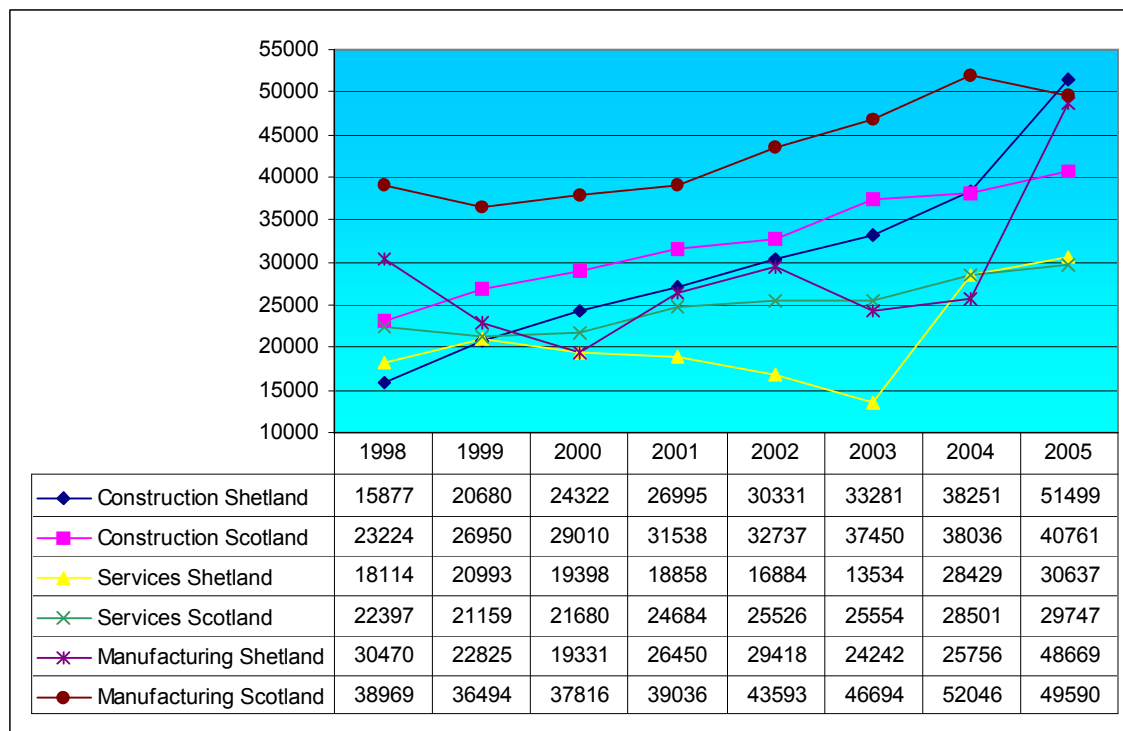
<sup>230</sup> National planning framework for Scotland, 2006

<sup>231</sup> Fraser of Allander Institute and Shetland in Statistics (AB Associates and Economic Development Unit, SIC

<sup>232</sup> National Statistics, Regional GVA, Dec 2007

16,899 and 16,943 respectively. This is higher than the average GVA for the Highlands and Islands. This differs from the GVA per head of £15,245 calculated in the Shetland Regional Accounts 2003<sup>233</sup>.

Figure 31: GVA per full time employee. <sup>234</sup>



GVA per employee in three sectors Construction, Manufacturing and Services. The construction Industry in Shetland has seen higher increases than the Scottish average.

## Employment

During 2007 nomis recorded that 12,500 were recorded as economically active in Shetland (89.6%); a decrease of 800 from 2005.<sup>235</sup>

This is 10% above the Scottish average

Shetland has 11.1% of self-employed people, which is 3.5% above the Scottish average.<sup>236</sup>

Of the 12,500 individuals who are economically active, 6,800 male and are 5,700 female.<sup>237</sup>

1,400 individuals are currently economically inactive, 1,100 of whom do not want a job.<sup>238</sup> This is a rise of 200 people since last year.

Between October 2006 and September 2007, 91.3% of the working age

<sup>233</sup> Shetland Regional Accounts, Jan 2006

<sup>234</sup> Scottish Annual Business Statistics 2005, updated June 07

<sup>235</sup> Nomis, Official Labour Market Statistics, 2008

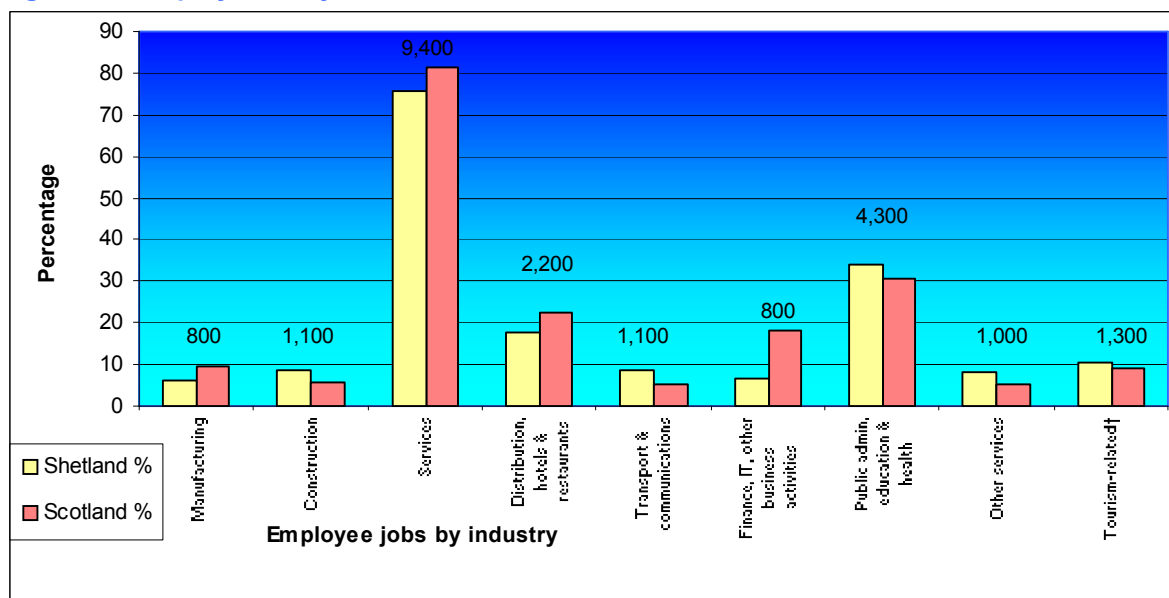
<sup>236</sup> Nomis, Official Labour Market Statistics

<sup>237</sup> Nomis, Official Labour Market Statistics

<sup>238</sup> Nomis, Official Labour Market Statistics, 2007

- population were in employment, compared to 80% in Scotland.<sup>240</sup>
- ◆ 88.1% of the working age population is currently in employment, with the public with the Sector dominating.
- ◆ Shetland has a job density of 1.17 compared to 0.84 in Scotland. The density figures represent the ratio of total jobs to working-age population.
- ◆ Shetland has a lower percentage than Scotland and England of its employees educated to NVQ4 or above. Shetland has 26.3% of its employees educated to NVQ4 level or above, whereas the Scottish average is 33.2%.
- ◆ Proportions employed in the different industries in 2006 are fairly similar for Shetland and Scotland. Shetland has a higher proportion (8.5%) employed in transport and communications than Scotland (5.1%) while Scotland has a higher percentage (18.3%) employed in Finance, IT and other business activities. Overall 75.4% are employed in the Services industry in Shetland compared with 81.6% for Scotland.<sup>244</sup>

**Figure 32: Employment by sector, 2006<sup>245</sup>.**



**Table 17: (Employment by occupation (Jan 2007-Dec 2007))**

<sup>239</sup> Nomis, Official Labour Market Statistics

<sup>240</sup> Nomis, Official Labour Market Statistics

<sup>241</sup> Nomis, Official Labour Market Statistics

<sup>242</sup> Nomis, Official Labour Market Statistics, 2007

<sup>243</sup> Nomis, Official Labour Market Statistics

<sup>244</sup> Nomis, Official Labour Market Statistics, 2006 (See Figure 19)

<sup>245</sup> Nomis, Official Labour Market Statistics, 2006  
(Figures on the graph show the number of individuals in each industry for Shetland.)

<sup>247</sup> Source: ONS annual population survey  
# Sample size too small for reliable estimate  
Notes: Numbers and % are for those of 16+  
% is a proportion of all persons in employment



	<b>Shetland Islands (numbers)</b>	<b>Shetland Islands (%)</b>	<b>Scotland (%)</b>	<b>Great Britain (%)</b>
Soc 2000 major group 1-3	3,800	31.1	40.8	42.9
1 Managers and senior officials	1,500	12.2	13.1	15.3
2 Professional occupations	1,200	9.9	13.1	13.0
3 Associate professional & technical	1,100	9.0	14.6	14.6
Soc 2000 major group 4-5	3,900	32.1	22.6	22.6
4 Administrative & secretarial	1,300	10.3	11.3	11.7
5 Skilled trades occupations	2,700	21.8	11.3	10.8
Soc 2000 major group 6-7	1,500	12.3	17.3	15.6
6 Personal service occupations	1,200	9.5	9.1	8.0
7 Sales and customer service	#	#	8.2	7.6
occs				
Soc 2000 major group 8-9	2,900	23.8	19.1	18.6
8 Process plant & machine operatives	1,000	8.2	7.3	7.2
9 Elementary occupations	1,900	15.7	11.8	11.4

## Unemployment

- During the past 30 years, Shetland has benefited from one of the lowest unemployment rates in the country. This peaked at 2.2% in April 2004 and fell to 0.7% in June 2008<sup>248</sup>.
- The rate tends to rise in winter months due to a reduction in tourism and primary industries.
- The unemployment rate for Orkney in June 2008 was 0.8% and the Scottish average was 2.3%<sup>249</sup>.
- At August 2008 there were 106 people claiming Job seekers allowance, 0.8% of the population.

## Sectors

- The 2007 Shetland employment survey indicates that 53% of FTE (2,807 FTE) jobs in Shetland's private sector are directly dependent on either oil or fisheries activity.

Figure 33: Private Sector dependency on the Fish and Oil sectors<sup>251</sup>

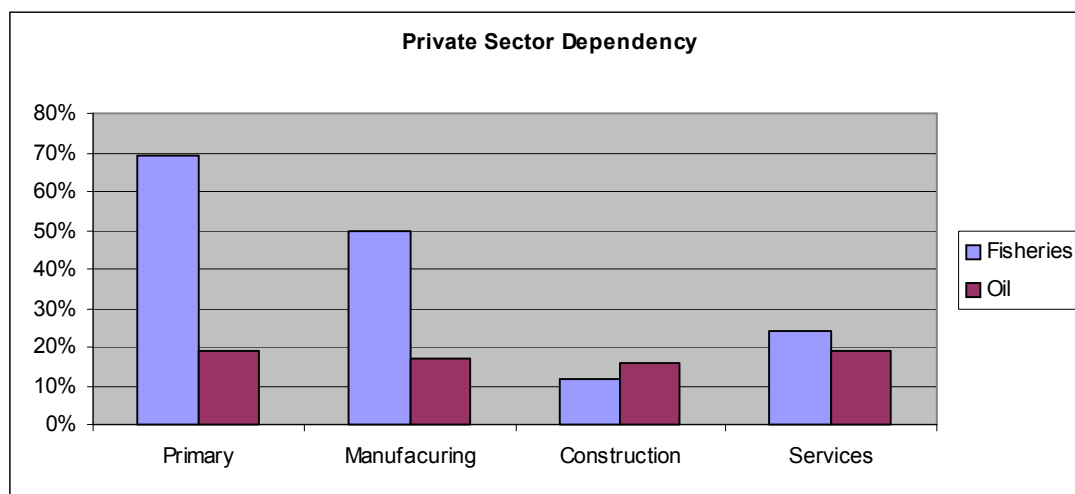
<sup>247</sup> Source: ONS annual population survey  
# Sample size too small for reliable estimate  
Notes: Numbers and % are for those of 16+  
% is a proportion of all persons in employment

<sup>248</sup> Nomis Official Labour Statistics, June 2008

<sup>249</sup> HIE Economic update, Orkney, 2007

<sup>250</sup> Soc 2000 = Standard Occupational Classification 2000

<sup>251</sup> 2007 employment survey: Economic Development SIC



### Oil<sup>252</sup>

- ◆ Employment figures in 2006 for Sullom Voe terminal show 323 full time and 27 part time employees, and 138 full time and 4 part time employees at SIC Ports and Harbours at Sella Ness.
- ◆ The 2007 employment survey found 19% of FTE jobs in the private sector are directly dependent on Shetland's Oil Industry. The highest dependency 24% occurs in the primary sector.<sup>253</sup>
- ◆ Figures also show that there are 97 full time and 14 part time jobs in Lerwick, which are wholly or partially oil-related.
- ◆ Scatsta airport currently employs 100 people and deals with 255,000 passengers and over 11,000 aircraft movements.
- ◆ In 2005 Sullom Voe handled 8.2% of all foreign and domestic oil & gas traffic in the UK.

### Fishing<sup>254</sup>

- ◆ In July 2008 178 fishing vessels were registered and licensed and have Lerwick as the administrative port (48 > 10m, 130 < 10m). In June 2006 40 > 10m and 134 < 10m)<sup>255</sup>
- ◆ January 2007 a total of 19 boats in the whitefish fleet employed 110 people directly, which is a slight increase on previous years, although employment remains lower than it was in 2003. After a period of depression, the whitefish industry appears to have picked up and the target of 25+ vessels may well be achieved in the next 4 years.
- ◆ The 2007 Shetland Employment Survey found that 34% of private sector full time equivalent jobs are directly dependent on the fishing industry.
- ◆ The highest dependence 69% exists within the primary sector (fish catching and fish farming) followed by manufacturing at 50%<sup>256</sup>
- ◆ Processing operations, which focus on high quality fish products, employ

<sup>252</sup> Economic policies 2003-07

<sup>253</sup> 2007 employment survey. Economic Development SIC

<sup>254</sup> Economic policies 2003-07

<sup>255</sup> Marine and Fisheries agency 2008

<sup>256</sup> 2007 employment survey, Economic Development SIC

approximately 55 people. Lerwick Fish Traders' current expansion project is likely to employ a further 50 people.

- ◆ The latest figures for aquaculture employment show 207 full time and 67 part time jobs in the sector. The industry is becoming increasingly diverse, with production of mussels, oysters and cod. It is expected that figures for 2005-2006 will show increased employment.

## Agriculture<sup>257, 258</sup>

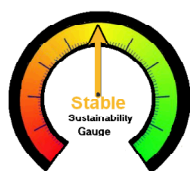
- ◆ In 2005 the Agriculture sector comprised of 303 employees, 511 occupiers and 1,578 'others' (including occupiers less than half-time, spouses of occupiers and casual/seasonal labour).
- ◆ In 2006 there were 1,972 holdings in Shetland, totaling 80,854 hectares. This can be compared to 2,076 holdings totaling 78,235 hectares in 2000, which suggests the average size of holdings has increased.
- ◆ Figures from the Meat Hygiene Service show that 5,391 sheep were slaughtered in Shetland in 2005, up from 3,520 in 2001, but down from 8,712 in 1991, while 282 cattle were slaughtered in 2005, up from 76 in 2001, but down from 339 in 1991.

## Tourism

- ◆ Shetland Visitors survey recorded a total of 104,241 visitors to Shetland in 2006 and estimates direct expenditure of £16.43 million<sup>259</sup>.
  - 59,924 arrived by air and sea, of which 24,744 were holiday travelers and 22,099 were business travelers.
  - 44,327 arrived by liner and yacht.
- ◆ During 2005 Visit Shetland recorded 1740 bed spaces occupied by tourists to the islands, which is above the average for the past 20 years. Accommodating tourists accounted for 372 jobs in 2003 (a 29% decrease since 1991).
- ◆ In 2005 Lerwick Port Authority recorded 48 cruise liner arrivals and 17,532 cruise liner passengers<sup>260</sup>. In 2006 only 43 cruise liners visited, but passenger numbers rose by 45% to approximately 25,470.<sup>261</sup> 46 cruise liners are due for 2007<sup>262</sup>.

## Other industries

- ◆ Those employed and self-employed in the knitwear sector fell by 33% between 1999 and 2004, from 128 to 86, while the number of home knitters fell from 960 to 750.



## Income

<sup>257</sup> Economic policies 2003-07

<sup>258</sup> Economic report on agriculture, 2007

<sup>259</sup> Shetland visitors survey, 2005/06

<sup>260</sup> Shetland in Statistics, 2006

<sup>261</sup> Lerwick Port Authority, 2006

<sup>262</sup> Lerwick Port Authority, 2007

- ◆ The average income of households in Shetland is just under £33,000, or £2750 a month (gross)<sup>263</sup>. Households with children had the highest average income, over £48,000; households without children had an average income of just over £36,000; and retiree households had a much lower level of average income, just over £15,000<sup>264</sup>.
- ◆ High-income averages can mask poverty and make this more difficult to identify and tackle<sup>265</sup>.
- ◆ The Gross weekly pay for Shetland full time workers increased from £418.50 in 2006 to £446 in 2007. This is still lower than the gross weekly pay of £448.40 in 2005 and is only £5 higher than the Scottish average.

**Table 18: Earnings by Residence - Gross weekly pay<sup>266</sup>**

	<b>2005</b>	<b>2006</b>	<b>2007</b>
Gross Weekly Pay Shetland £	448.40	418.50	446.00
Scotland £	392.70	432.00	441.00

- ◆ However, what must be remembered is that higher paid earners will mask the lower paid and the income deprived. For Instance for those earning the current minimum wage (£5.52) and working a 40 hour week, they will earn **£224** before tax.
- ◆ There are a number of jobs in Shetland, which depend on workers, many of whom get paid the minimum wage. Such as workers in restaurants, shops, café's, bars, etc
- ◆ This is significant for the Islands as the cost of living is much higher here and if we want to attract a diverse range of people to Shetland the pay must reflect living costs.

**Table 19: Sources of household income**

	<b>Shetland<sup>267</sup> 2003, %</b>	<b>Western Isles<sup>268</sup> 2003, %</b>	<b>Scotland<sup>269</sup> 2003/4, %</b>
<b>Wages and Salaries</b>	68	70	65
<b>Self Employment</b>	14	8	8
<b>Investments</b>	5	1	2
<b>Pensions</b>	11	14	13
<b>Social Security Benefits &amp; other</b>	2	7	12
<b>Total</b>	100	100	100



## Business performance

<sup>263</sup> Shetland Face to Face Household Survey

<sup>264</sup> Shetland Regional Accounts 2003

<sup>265</sup> Research into Deprivation and Social Exclusion in Shetland

<sup>266</sup> Nomis, Official Labour Market Statistics, 2008

<sup>267</sup> Shetland Face to Face Household Survey

<sup>268</sup> Roberts, D. (2005) The Western Isles Regional Accounts 2003, University of Aberdeen

<sup>269</sup> Office of National Statistics, Family Resources Survey 2003/4



- ◆ In 2007 there were 66 new start-ups in Shetland, a decrease of 68% on 2006 (111 start-ups).
- ◆ For quarter 1 of 2008, 21 business start ups have been recorded compared with 11 in quarter 1 2007.

**Table 20: Business start-ups in Shetland<sup>270</sup>**

	2004	2005	2006	2007	Q1 2008
<b>Business Start-ups</b>	109	85	111	66	21

- ◆ Respondents to the 2007 employee survey indicate that 13% of organisations have an annual turnover of less than £10,000, 34% have a turnover between £10,000 and £100,000, 39% annual turnover £100,000 and £1 million and 14% had an annual turnover greater than £1 million per year<sup>271</sup>

**Table 21: VAT Registered businesses Shetland <sup>272</sup>**

	1994	2000	2004	2005	2006	2006
	Number	Number	Number	Number	Number	%
Registrations	105	65	60	65	75	5.9
Deregistration	70	60	70	85	95	7.5
Stock (at end of year)	1,120	1,290	1,305	1,290	1,270	

**Table 22: Three year survival rates of VAT registered enterprises Orkney and Shetland <sup>273</sup>**

Percent still trading	Year of registration								Change
	1995	1996	1997	1998	1999	2000	2001	2002	
Orkney Islands with Shetland Islands	74	77	77	88	80	78	86	84	10

- ◆ The three-year survival rates of VAT registered companies in Shetland and Orkney combined show an overall increase from 74% in 1995 to 84% in 2002.<sup>274</sup>
- ◆ There is currently no information available on number and scale of business failures and data is awaited on business profitability.

<sup>270</sup> Scottish Clearing Bankers quarterly statistics

<sup>271</sup> 2007 Employment Survey, Economic Development

<sup>272</sup> Nomis, Official Labour Market Statistics, June 2008, BERR 2008

<sup>273</sup> Department of Business Enterprise and Regulatory Reform, 2007 (DTI Small Business Service, Feb 07.)

<sup>274</sup> Orkney and Shetland figures were grouped together to maintain the robustness of figures, figures may at times be based on fewer than 200 VAT registrations, caution advised

<sup>275</sup> Nomis Official Labour Statistics, June 2008

<sup>276</sup> HIE Economic update, Orkney, 2007

<sup>277</sup> Nomis, Official Labour Market Statistics, May 2006





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<sup>275</sup> Nomis Official Labour Statistics, June 2008

## 275 Electronic Communications

- ◆ BT found Shetland and Aberdeenshire to be the first local authority areas in Britain to have more than half their homes and businesses connected to ADSL<sup>278</sup>. In May 2007 Shetland had 50.7% uptake<sup>279</sup>.
- ◆ Just under 49% of 'Your Voice, spring 2007' respondents with a computer said that they used ADSL Broadband to connect to the internet, a further 24% used an other broadband connection and 20% used a standard modem.<sup>280</sup>
- ◆ Shetland Broadband has commissioned the initial stages of its Shetland Wide Area Network. This service offers DSL Internet connectivity, private networking and other specialist services without the need of a telephone and will initially be available in Lerwick, Scalloway and Gulberwick<sup>281</sup>.

## ICT in Shetland businesses

- ◆ The results from the 2007 Shetland employment survey have shown that 83% of all organisations in Shetland have access to e-mail compared with 73% in 2003. 82% had access to the Internet in 2007 compared with 77% in 2003.
- ◆ 44% of Shetland organisations have their own marketing / Information websites and 14% have their own trading website.
- ◆ 15% have none of the ICT specified in the survey.

Figure 34: Use of ICT in Shetland Organisations<sup>282</sup>

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<sup>276</sup> HIE Economic update, Orkney, 2007

<sup>277</sup> Nomis, Official Labour Market Statistics, May 2006

<sup>278</sup> ADSL stands for *Asymmetric Digital Subscriber Line*, which can provide faster digital data trasmission over local telephone network wires.

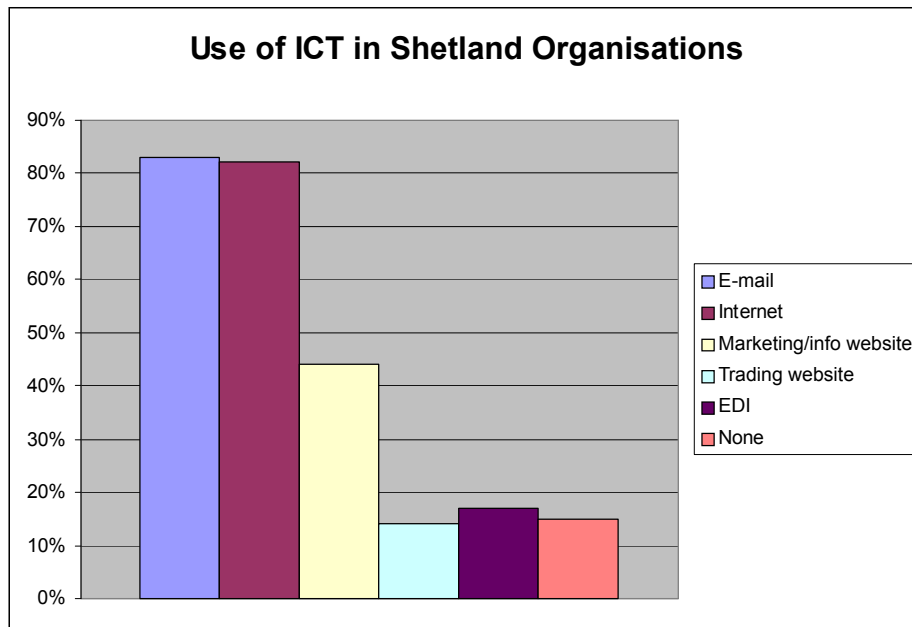
<sup>279</sup> UK Broadband user group, 2007

<sup>280</sup> Your Voice, 2007

<sup>281</sup> Shetland Broadband, 2006/7

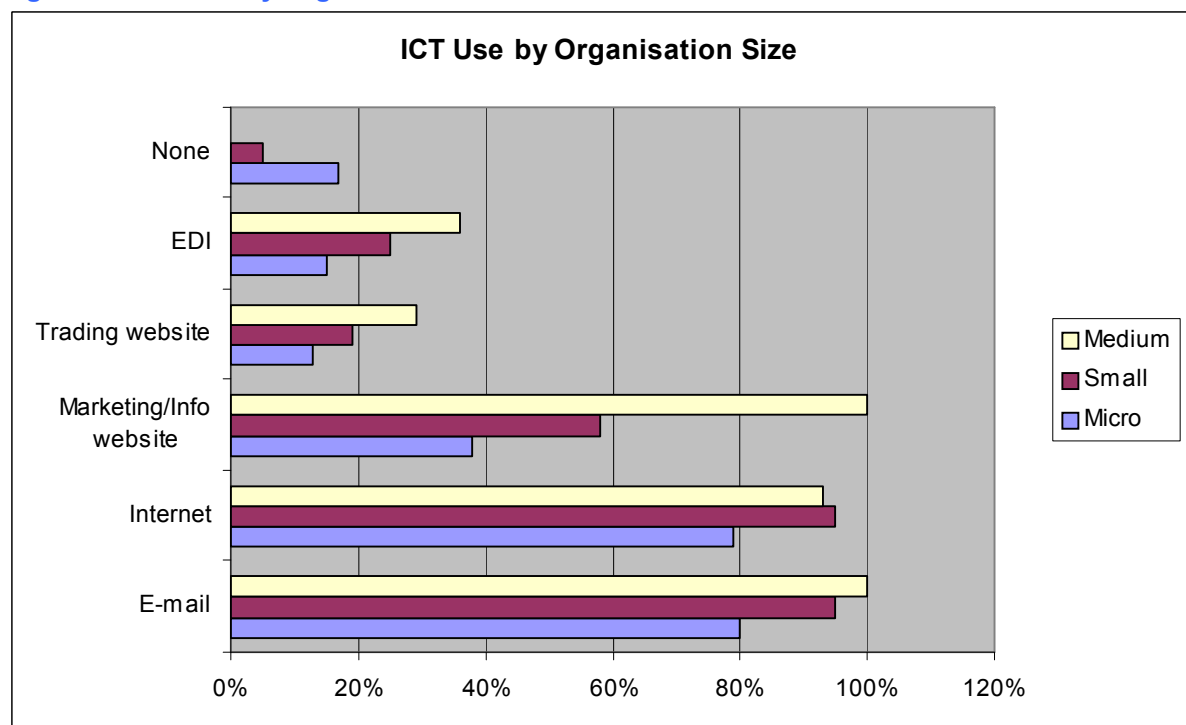
<sup>282</sup> 2007 Employment Survey, Economic Development,

<sup>283</sup> EDI: Electronic Data Interchange



- ◆ The 2007 employment survey also found that larger organisations are more likely to have access to ICT. With 100% of the medium-sized (50-250 employees) organisation surveyed using email. 80% of micro (<10%) use email.
- ◆ All of the medium sized businesses have a marketing website compared with 38% of micro organisations.

Figure 35: ICT Use by Organisation size.<sup>284</sup>



<sup>284</sup> 2007, Employment Survey, SIC Economic Development

## SOCIAL WELFARE

The average wage per week decreased by £30 between 2005 and 2006, falling below the Scottish average, whilst the cost of living is higher, particularly for essential items. This makes it particularly difficult for those on low income and/or national benefits, whilst uptake of national benefits is felt to be lower than entitlement.

The Scottish Index of Multiple Deprivation (SIMD) 2006 shows that 8.8% of the Shetland population is income deprived, an increase from 6.79% (1,572 individuals) from SIMD04<sup>285</sup>.

Fuel poverty remains high and the lack of registered child minders is one barrier to restricting people's access to learning and employment opportunities.

Shetland Islands Council and Community Planning Board Target relevant to Social Welfare,

- We will increase employment opportunities, by 1,000 full-time equivalents by 2025, and increase average personal and household income by 10% above 2005 in real terms<sup>286</sup>

### What is measured?

Assessment of social welfare in Shetland is measured by

- The cost of living,
- Average wage levels,
- Deprivation and average benefit levels;
- The percentage of families in fuel poverty;
- The availability of childcare; and
- Pension arrangements available.

As highlighted in the table above, the National Single Outcome Agreement target that is relevant to this area is:

To increase overall income and the proportion of income earned by the three lowest income deciles as a group by 2017.

The National Indicator introduced within this area;

- **Decrease the proportion of individuals living in poverty**

### The cost of living

<sup>285</sup> SIMD website. NB. SIMD06 uses 2004 figures, and SIMD04 uses 2001 figures

<sup>286</sup> In line with Successful Highlands and Islands. Current FTE is 9,200 (2003)

<sup>287</sup> Shetland Face to Face Household Survey

<sup>288</sup> Shetland Regional Accounts 2003



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<sup>289</sup> Research into Deprivation and Social Exclusion in Shetland

<sup>290</sup> Nomis, Official Labour Market Statistics, 2007

<sup>287</sup> Shetland Face to Face Household Survey

- ◆ The Scottish Index of Multiple Deprivation (SIMD) 2006 shows that 8.8% of the Shetland population is income deprived, an increase from 6.79% (1,572 individuals) from SIMD04<sup>291</sup>.
- ◆ Current data suggests that Shetland has one of the highest numbers and percentage of the total population living in the 15% most 'access deprived' areas (data zones) in Scotland.
- ◆ **74.5%** of the Shetland population lives in the most 'access deprived' areas in Scotland.<sup>292</sup> This equates to 16, 343 people.
- ◆ This is hugely higher than the percentage for the Scottish average, which sits at 15%.
- ◆ A study in 2005 found that mean expenditure for 26 categories of household expenditure in Shetland, totalled £1203.77 per month or £14,445 per annum. Of this monthly expenditure, housing cost £99.79<sup>293</sup>.
- ◆ The cost of living in Shetland in 2005 was 0.3% higher than the Scottish average while areas such as Aberdeen, Orkney, and the Western Isles had lower cost of living percentages than the Scottish Urban Average<sup>294</sup>.
- ◆ Essential items such as food was considerably higher than the Scottish Urban Average whilst housing and motoring expenses were lower.
- ◆ The cost of essential items makes it more difficult for households on national benefit to make ends meet than in other parts of the country<sup>295</sup>.

**Table 23: Cost of living (figures presented as percentages)**

	Food	Housing	Other Goods & Services	Motoring Expenditure	Road Fuel	Total
<b>Shetland</b>	117	83.4	104.2	92.1	95.7	100.3
<b>All Scotland</b>	108.2	86.2	99.3	84.3	106.3	97.7
<b>Scottish Urban Av.</b>	100	100	100	100	100	100
<b>Aberdeen</b>	102.7	88.1	98.9	92.9	101.9	96.8
<b>Orkney</b>	119	79.2	93.5	84.3	94.5	96.4
<b>Western Isles</b>	121.2	81.1	102.6	91.6	95.2	99.9

- ◆ Shetland Islanders have the highest savings balances in relation to local average earnings in Scotland, according to Bank of Scotland.  
A study conducted by Bank of Scotland, based on its own deposit savings database, found that people from the Shetland Islands topped the poll, followed by savers in Moray, Orkney Islands and Highland.

<sup>288</sup> Shetland Regional Accounts 2003

<sup>289</sup> Research into Deprivation and Social Exclusion in Shetland

<sup>290</sup> Nomis, Official Labour Market Statistics, 2007

<sup>291</sup> SIMD website. NB. SIMD06 uses 2004 figures, and SIMD04 uses 2001 figures

<sup>292</sup> CHP Health and Well being profiles, 2008 – ref SIMD

<sup>293</sup> Shetland Regional Accounts 2005

<sup>294</sup> Rural Scotland Price Survey 2003

<sup>295</sup> Research into Deprivation and Social Exclusion in Shetland

Average savings in Shetland of £8,587, are equivalent to 46 per cent of local gross annual average earnings of £18,704.<sup>296</sup>

## Benefits

- ◆ Shetland continues to have a low percentage of the working age population claiming key benefits, when key benefits are defined as Job Seekers Allowance, at 0.7% of the population<sup>298</sup>. The rate of those eligible may be higher as the complicated national benefit system is a hindrance to people claiming benefits<sup>299</sup>.
- ◆ The Jobseeker's Allowance (JSA) is payable to people under state pension age who are out of work or working less than 16 hours per week on average.
- ◆ At August 2008, there were 106 people claiming JSA. This is a 23 decrease on the previous year, and a 54% decrease since 2005.

Table 24: Benefits Claims<sup>301</sup>

	February 2005	February 2006	November 2006	February 2007
<b>Benefits claimants</b>				
Shetland (Number)	1,410	1,445	1,360	1,395
Scotland	575,300	562,870	542,305	546,400
<b>Jobseekers</b>				
Shetland (Number)	250	260	180	220
Scotland	92,880	93,825	80,585	86,095
<b>Incapacity Benefits</b>				
Shetland (Number)	765	750	715	755
Scotland	322,775	311,930	306,240	303,955
<b>Lone Parents</b>				
Shetland (Number)	150	140	130	135
Scotland	68,710	65,720	64,135	63,835
<b>Carers</b>				
Shetland (Number)	80	90	85	75
Scotland	34,405	34,745	34,740	35,100
<b>Other on income related benefits</b>				
Shetland (Number)	25	35	60	50
Scotland	15,280	14,605	14,330	15,025
<b>Disabled</b>				
Shetland (Number)	80	90	105	105
Scotland	26,910	28,810	30,165	30,470
<b>Bereaved</b>				
Shetland (Number)	60	80	85	55
Scotland	14,340	13,235	12,110	11,920

<sup>296</sup> Bank of Scotland, research 2006

<sup>297</sup> Local House Condition Survey, 2005/06

<sup>298</sup> Jobcentre Plus, May 2006, Nomis Official Labour Statistics, June 2008

<sup>299</sup> Research into Deprivation and Social Exclusion in Shetland

<sup>300</sup> Scottish Neighbourhood Statistics, 2007

<sup>301</sup> National Statistics, 2008

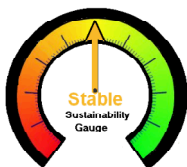


Table 25: Benefits clients: working age client group<sup>302</sup>

	February 2005	February 2006	November 2006	February 2007	May 2007
16-24	165	185	145	160	610
25-49	660	700	685	685	560
over 50	585	560	530	550	560

Table 26: Job Seeker's Allowance Claimants by Age, duration and gender<sup>303</sup>

Age range	July 96	July 97	July 98	July 99	July 00	July 01	July 02	July 03	July 04	July 05	July 06	July 07
Total	466	399	373	372	401	178	244	256	246	225	207	137
18-24	105	100	90	90	105	40	65	50	60	55	45	35
25-49	265	195	185	195	180	85	120	135	135	115	100	65
> 50	90	85	80	75	70	45	55	55	45	40	60	35
Up to 6 months	290	250	240	265	255	120	180	165	175	150	125	95
6-12 months	100	60	60	50	65	15	30	45	40	35	55	20
>12 months	75	75	60	50	45	35	30	35	30	40	25	20
Male	337	287	253	268	284	128	178	206	183	167	143	102
Female	129	112	120	104	117	50	66	50	63	58	64	35

## Income Poverty

Principle: the main thresholds of income poverty in the UK should be defined in terms of household income rather than individual income.

This indicator is currently being developed in conjunction with the department of work and pensions.

## Fuel Poverty

Table 27: Fuel Poverty Statistics for Shetland (All data is combined from the 2003/4, 2004/5 and 2005/6 Scottish House Condition Surveys which gives a mid point of around May 2005.)<sup>305</sup>

	Fuel Poverty							Unweighted Totals
	Not Fuel Poor		Fuel Poor		Extreme Fuel Poor		Total	
	Count	Row %	Count	Row %	Count	Row %	Count	
Shetland	7,000	68	2,000	22	1,000	9	10,000	236
Orkney	6,000	66	2,000	21	1,000	13	9,000	253
Eilean Siar	7,000	56	3,000	25	2,000	19	13,000	233
Scottish Average	1,856,000	81	304,000	13	135,000	6	2,295,000	8,920

<sup>302</sup> National statistics, 2007, 2008

<sup>303</sup> National Statistics, 2007 – Nomis Official Labour statistics 2008

<sup>304</sup> Research into deprivation and social exclusion in Shetland

<sup>305</sup> Scottish House Condition Survey, Fuel Poverty in Scotland



- ◆ According to the results from the Scottish House Condition Survey it is estimated that 22% of households in Shetland are fuel poor and 9% are classed as extreme fuel poor<sup>306</sup>. This is almost double the Scottish average of 13%. Shetland has the third highest fuel poverty level in Scotland and the sixth highest extreme fuel poverty level<sup>307</sup>.
- ◆ There is currently no data available on numbers of people in occupational pension schemes or those with no arrangements.

**Table 28: Pension Credit Claimants<sup>308</sup>**

	<b>August 04</b>	<b>August 05</b>	<b>August 06</b>
<b>Shetland</b>	940	1,000	1,000
<b>Age</b>			
<b>60-69</b>	210	220	220
<b>70-79</b>	310	330	330
<b>&gt;80</b>	420	450	450

- ◆ In August 2006, 1000 people in Shetland were claiming Pension Credit<sup>309</sup>. Local professional opinion indicates there is a low uptake of this benefit locally.

## Childcare

- ◆ There is a lack of registered childminders throughout Shetland and there are still gaps in provision, particularly for the 0-3yr age group. Lack of childcare can be influential in restricting people's access to employment opportunities.
- ◆ The Childcare sector is complex and an audit of vacant places is not useful – those places would depend (e.g.) on the age of the child requiring care, since Care Commission registration ratios have to be met (e.g.) very young children requiring higher staff ratios than others. Some Providers have vacant places for parts of days and only on some days. On the other hand there are Providers with vacant places but they are in the wrong geographic area.  
Local and national policies and market trends will continue to influence the supply and demand in the sector.  
An extract from Anderson Solutions Report presented to Development Committee on 2 October noted:

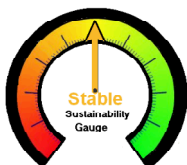
“There are challenges, which suggest the potential value is not being realised, and that some elements of existing provision are under threat, which would, if lost, create a knock-on negative economic impact in the wider Shetland economy.

<sup>306</sup> A household is in fuel poverty if, in order to maintain a satisfactory heating regime, it would be required to spend more than 10% of its income on all household fuel use, where 'satisfactory heating regime' is defined as one that achieves 21° C in the living room, and 18° C in other occupied rooms

<sup>307</sup> Scottish House Condition Survey, *Fuel Poverty in Scotland*

<sup>308</sup> National Statistics, Neighbourhood statistics, 2007

<sup>309</sup> Scottish Neighbourhood Statistics, 2007



Difficulties that can be encountered by parents include:

- those with young children (under 2 years) can only access either childminders or private nurseries and there are limited spaces due to childminder/staff ratio restrictions
- it can be difficult to find a single solution for one child as it is very difficult to find full-time childcare anywhere in Shetland. This leads to fragmented childcare provision
- it can be even more difficult to find a single solution for two or more children in Shetland which, can create significant problems for parents, particularly if each child is in more than one form of childcare.”

◆ The Shetland Childcare Partnership produced a report highlighting the main priorities for Childcare in Shetland up to 2012. A few examples are, but are not limited to,

◆ To Improve the Sustainability of Childcare in Shetland, <sup>310</sup>

1. Encouragement of employers to contribute
2. Improvement of business management skills of childcare providers
3. Encouraging providers to work toward sustainability

◆ To Improve the Affordability of Childcare in Shetland;<sup>311</sup>

1. Supporting the provision of best value Childcare in Shetland
2. Ensuring Providers are Aware of all assistance to them
3. Ensuring Childcare is affordable for all families in Shetland
4. Ensuring families are aware of all assistance available to them
5. draw attention to the cost of not providing childcare

◆ The following childcare options are available in Shetland 2007/08:<sup>312</sup>

- 29 registered Childminders
- 1 Playgroup (non-commissioned), Whalsay
- 4 Day Care; Unst, Mossbank, Peerie Foxes and Central Private Nursery at Sandwick
- 7 Partner Providers
- 21 Nursery Classes
- 1 Out of Nursery Care, Peerie Foxes (private, provides day care and out of hours)

5 Out of School Clubs : Central Private, Ness, Mossbank, Islesburgh and Unst

### Children's welfare

◆ The number of children referred for child protection increased from 42 for the year April 2004 – March 2005, to 58, 2005-06, and 74 in 2006-07.

**Table 29: Number of Child protection Referrals<sup>314</sup>.**

	04-05	05-06	Year ended 31 March 2007
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<sup>310</sup> Shetland Childcare Partnership, 2012

<sup>311</sup> Shetland Childcare Partnership, 2012

<sup>312</sup> Shetland Family Services 2008

<sup>313</sup> Feasibility Study in relation to Childcare in early years in Lerwick Primarily and Shetland as a whole, July 2007

<sup>314</sup> Child Protection Statistics, 2007

	No of Referrals	No of Referrals	No of Referrals	No Subject to a Case Conference	No of Registrations	No of De-registrations
Shetland	42	58	74	13	11	12

- ◆ The number of children on the Child Protection Register during the same period fluctuated between 10 and 17.

**Table 30: Number of children on the Child Protection Register 2000-2007<sup>315</sup>**

Local authority area	As at 31 March...											
	2000		2001		2003		2004		2006		2007	
	Number on Register	Rate per 1,000 population aged 0-15	Number on Register	Rate per 1,000 population aged 0-15	Number on Register	Rate per 1,000 population aged 0-15	Number on Register	Rate per 1,000 population aged 0-15	Number on Register	Rate per 1,000 population aged 0-15	Number on Register	Rate per 1,000 population aged 0-15
Shetland	10	2	11	2.3	8	1.7	17	3.7	13	2.8	10	2.3
Scotland	2,050	2	2,000	2.1	2,289	2.4	2,245	2.4	2,288	2.5	2,593	

## Disability

- ◆ There are 2,300 people of working age with a limiting long-term illness in Shetland – 811 of whom are economically active.
- ◆ In June 2008 the total population in Shetland with a
  1. Learning disability = 195<sup>316</sup>, includes 72 under the age of 16.
  2. Physical Disability = 755
  3. Visually Impaired = 74, however there is known to be a problem with underreporting
  4. Hearing Impaired = 24, again there is a significant problem with underreporting.
- ◆ The number of disability living allowance claimants has steadily increased since 2002, from 590, to 740 in 2005 and to 760 in 2006<sup>317</sup>.
- ◆ 45 individuals (25%) were receiving supported accommodation care, and this is estimated to rise to 90 in the next 10 years.
- ◆ 51 (28%) were receiving regular day service and this is estimated to rise to 115 within 10 years.
- ◆ An estimated 11.4% of private sector households have at least one member with a long-term illness or disability (this figure includes vision and hearing disabilities)<sup>318</sup>.

<sup>315</sup> Child Protection Statistics: 06-07, Scottish Government

<sup>316</sup> SIC Social Care, 2008

<sup>317</sup> Scottish Neighbourhood Statistics, 2007

<sup>318</sup> Local House condition survey, 2005/06

## COMMUNITY

**Community groups and volunteering continue to flourish and there are signs of increased involvement in leisure activities.**

### What is measured?

Democracy is measured through the number of people registered on the electoral role and the number of votes cast in recent political elections in Shetland. Community involvement is measured by number of community groups and volunteering. Other elements of community are measured by attendance at sports and cultural facilities. A study into barriers to participation and opportunity provides a current assessment of community cohesion and inclusion.

National Indicator for measurement within this area is;

- **Increase the social economy turnover**

### Democracy/Community Influence

- ◆ The total electorate at Community Council elections has increased from 16,298 to 17,168 between 2002 and 2006<sup>319</sup>.
- ◆ In 2003 the average turnout over the Islands was 57.6%,<sup>320</sup> increasing to 58.9% in the 2007 election<sup>321</sup>. This remains lower than the Orkney figure of 60.4%<sup>322</sup>.
- ◆ Turnouts for the 2007 Shetland Islands Council elections ranged between 51.3% for Lerwick North and 64.1% for the North Isles<sup>323</sup>.
- ◆ Turn out for the Lerwick South local Government By-election in February 2008 was 39% with 1,331 votes cast compared with a turnout of 55.33% in May 2007.

### Community Involvement/Condition of Voluntary and Community Sector

- ◆ 36% of 'Your Voice' respondents were working as a volunteer in their community and 46% were involved in a community group in their area<sup>324</sup>.
- ◆ In 2005/06 the Grant's Unit within the Educational and Social Care Department of the Shetland Islands Council awarded 296 grants to

<sup>319</sup> Shetland Islands Council, 2006

<sup>320</sup> Shetland Islands Council, 2003

<sup>321</sup> Shetland Islands Council, 2007

<sup>322</sup> Orkney Islands Council, 2007

<sup>323</sup> Shetland Islands Council, 2007

<sup>324</sup> Your Voice, 2006

<sup>325</sup> Office of the Scottish Charity Regulator

<sup>326</sup> Shetland Social Economy Audit, 2007

<sup>327</sup> OSCR, Office of the Scottish Charity Regulator

community groups, rising to 349 in 2006/07<sup>328</sup> and 309 in 2007/08.

**Table 32: Grants Awarded by the Grant's Unit, Shetland Islands Council**

	<b>2005/06</b>	<b>2006/07</b>	<b>2007/08</b>
Grants Awarded	296	349	309

## Sport and Cultural Recreation

Attendance at all Shetland pools has decreased from 347,752 in 2004/05 to 270,370 in 2007/08<sup>329</sup>.

**Table 33: Swimming Pool Attendance**<sup>330</sup>

	<b>2004/05</b>	<b>2005/06</b>	<b>2006/07</b>	<b>2007/08</b>
Total attendances at pools	347,752	342,827	14,496	270,370
Attendance at pools per 1,000 population	15,901	15,626	704	12,357

Attendance at indoor sport facilities (ex. pools) decreased from 17,126 per 1,000 population (2004/05) to 14,966 in 2007/08<sup>331</sup>.

**Table 34: Total attendances for other indoor sports and leisure facilities excluding pools**<sup>332</sup>

	<b>2004/05</b>	<b>2005/06</b>	<b>2006/07</b>	<b>2007/08</b>
Total	374,538	420,611	17,120	327,452
Attendance per 1,000 population	17,126	19,171	778	14,966

Attendance at the cinema at the Garrison Theatre has decreased from 19,989 in 2005 to 18,838 in 2007.

**Table 35: Attendance at the cinema**<sup>333</sup>

	<b>2005</b>	<b>2006</b>	<b>2007</b>
Garrison Theatre Film Attendance	19,989	17,876	18,838

The number of Library borrowers has decreased to 7,595 in 2007/08 from 7,805 in 2004/05. When expressed as a percentage of the resident population this is a 1% decrease..

**Table 36: Number of Library Borrowers**<sup>334</sup>

	<b>2004/05</b>	<b>2005/06</b>	<b>2006/07</b>	<b>2007/08</b>
Number of Library Borrowers	7,805	7,759	7,729	7,595

<sup>328</sup> SIC, Grants Unit, 2007 (NB. This is not all council grants)

<sup>329</sup> Shetland Recreational Trust, 2006/07

<sup>330</sup> Sport and Leisure, Shetland Islands Council 2007

<sup>331</sup> Shetland Recreational Trust, 2006/07

<sup>332</sup> Sport and Leisure, Shetland Islands Council 2007

<sup>333</sup> Shetland Arts, 2007

<sup>334</sup> SIC, Education and Social Work, 2006/07

As a Percentage of resident population	35.7%	35.4%	35.1%	34.7%
Number of Library visits per 1,000 population	/	/	8,024	8,045

- ◆ The number of learning centre and learning access point users (expressed as a percentage of the population) has steadily increased from 10.1% in 2003/04, to a peak of 26.0% in 2006/07 reducing to 23.6% in 2007/08.
- ◆ The number of times learning access terminals are accessed per 1,000 population has fluctuated, falling from 979 in 2004/05 to 1,128 in 2007/08<sup>335</sup>.

**Table 37: Learning Centre and Learning access point users<sup>336</sup>.**

	2003/04	2004/05	2005/06	2006/07	2007/08
No. learning centre and learning access point users		3,178	4,640	5,720	5,158
As a percentage of the population	10.1%	14.5%	21.1%	26.0%	23.6%
Number of times learning access terminals accessed per 1,000 population		979	1,307	1,406	1,128

- ◆ In 2007 there were a total of 55 community halls and centres and 8 youth centres throughout Shetland.

**Table 38: Community Halls and Centres and Youth Centres throughout Shetland<sup>337</sup>**

<b>Lerwick, Bressay &amp; Gulberwick</b>	<b>South and Central Mainland</b>	<b>North &amp; Outer Isles</b>	<b>Youth Centres</b>
Bressay hall	Bigton Hall	Fetlar Hall	Brae Youth Centre
Gulberwick Hall	Boddam Hall	Baltasound Hall – Unst	Germatwatt Youth Centre – Walls
Lerwick Town Hall	Bridge End Hall	Haroldswick Hall – Unst	Livister Youth Centre – Whalsay
Islesburgh Community Centre	Bruce Memorial Hall – Virkie	Uyeasound Hall – Unst	Old School Youth Centre - Mossbank
North Staney Hill	Cunningsburgh Hall		
Sound Hall	Levenwick Hall		
St Clement's	Hamnavoe Hall – Burra	Burravoe Hall – Yell	Sandveien Neighbourhood Centre
	Quarff Hall	East Yell Hall	
	Scalloway Hall	Ulsta Hall – Yell	Unst Youth Centre
<b>North Mainland</b>	Tingwall Hall	Cullivoe Hall – Yell	Scalloway Youth Centre
Brae Hall	Trondra Hall		
Eshaness Community Centre	Sandwick (Carnegie) Hall	North-a-Voe Hall – Yell	Sandwick Youth and Community Centre
Hillswick Hall		Mid Yell Hall	
Lunnasting Hall		Skerries Hall	
Mossbank Hall	<b>West Mainland</b>	Fair Isle Hall	<b>Outdoor Education Centres</b>

<sup>335</sup> SIC, Education and Social Work, 2006/07

<sup>336</sup> SIC, Education and Social Work, 2006/07

<sup>337</sup> Shetland In Statistics, 2007

Muckle Roe Hall	Aith Hall	Herra Hall – Yell	
North Nesting Hall	Bixter Hall	Isbister Hall – Whalsay	Voxter Outdoor Centre - Brae
Ollaberry Hall	Sandness Hall	Symbister Hall – Whalsay	Bridge End Outdoor Centre – Burra
North Roe and Lochend Hall	Gruting Community Centre	Sellafirth Hall – Yell	
Sullom and Gunnister Hall	Whiteness and Weisdale Hall	West Sandwick Hall - Yell	
South Nesting Hall	Skeld Hall		
Olnafirth Hall	Walls Hall		

## Community Inclusion

- ◆ During 2005/06 32 people took part in English for Speakers of Other Languages (ESOL) classes. In 2007/08 this increased to 233, 10 students have passed their Access 3 and Intermediate 1 exams in ESOL citizenship.<sup>338</sup>
- ◆ Since the registrars started conducting the ceremonies in 2004, 39 people have gained UK citizenship.<sup>339</sup>

**Table 39: Number of enrolments in joint ESOL Programme<sup>340</sup>**

	2005/06	2006/07	2007/08
No of enrolments in joint Esol Programme	32	92	233

- ◆ A 2007 research project into how black and ethnic minority people access services and opportunities within Shetland found<sup>341</sup>:
  - 11% (5) of the sample were involved with community groups
  - 16% (7) of younger people and men were involved with sport locally
  - 2 participants (4%) took part in volunteering in a formal setting.
  - Another 11% (5) of participants said they took part in informal volunteering, such as helping out neighbours, friends.
  - 88% (38) had taken part in English language classes as a form of learning.
  - Some 25% (11) had gone on to take part in other college courses, such as the communications course and computer courses.
- ◆ People who have lived in Shetland for a long period of time were less likely to take part in any type of learning, particularly English language classes.
- ◆ In response to this research the Shetland Welcome Point pilot project was set up. This project aims to provide
  - A support network for new migrants
  - Signposting to relevant services and sharing information about life in Shetland
  - Providing volunteering opportunities
  - Opportunity to practice English
  - Supporting integration
  - Activities programmes / sharing skills

<sup>338</sup> Adult Learning, SIC, 2007

<sup>339</sup> Registrar, Lerwick, 2008

<sup>340</sup> Adult Learning 2008

<sup>341</sup> Inclusion Project, 2007

- ◆ The Welcome point has two sessions per week and is attended by a wide range of nationalities

## Social Economy

There are over 600 community groups in Shetland. Shetland has the greatest number of, and greatest income from, charities per 10,000 resident population in Scotland. Nearly three times the average for Scotland and Shetland's charities have the highest income per 10,000 resident population<sup>342</sup>.

**Table 40: Charities in Shetland**<sup>343</sup>

	2005	2007	2008
Charities	200	292	291

- ◆ In 2008 there were 291 Charities in Shetland. A 91 increase from 2005.

## Charity Turnover and Profitability

The total current annual income for charities registered throughout Shetland is **£54,160,407**.<sup>344</sup>

## Charity Employment

There is little data at this time - however this is an area we are doing to develop in the next year.

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<sup>342</sup> Office of the Scottish Charity Regulator

<sup>343</sup> OSCR, Office of the Scottish Charity Regulator

<sup>344</sup> OSCR, Office of the Scottish Charity Regulator





## **REPORT**

**To: Shetland Islands Council**

**3 December 2008**

**From: Head of Organisational Development**

**Report No: CE-52-F**

### **Voluntary Sector Compact**

#### **1 Introduction**

- 1.1 This report introduces a proposed “compact” for use in Shetland between the voluntary sector and public bodies, and recommends its adoption.

#### **2 Background and Link to Corporate Priorities**

- 2.1 Effective partnership is a key priority of Community Planning and the use of a voluntary sector “compact” is a well established example of best practice in many areas.

#### **3 Proposed Compact.**

- 3.1 Attached to this report is the “compact” developed by representatives of the Voluntary Sector, NHS Shetland and Shetland Islands Council.
- 3.2 The Compact sets out shared principles, joint undertakings and commitments to improve the working relationships between the public, voluntary and community sectors in Shetland.

#### **4 Financial Implications**

- 4.1 There are no financial implications in this report.

#### **5 Policy & Delegated Authority**

- 5.1 An overall corporate policy such as a compact with the voluntary sector requires a decision of Council.

## **6 Recommendations**

- 6.1 I recommend the Council approve the attached Compact as the definition of best practice for relations with the voluntary sector, and instruct officers and services to implement its guidance.

Date: 25 November 2008  
Our ref: JRS/DH

Report No: CE-52-F



# The Shetland Compact





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## Foreword

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The Council is pleased to support the development and launch of The Shetland Compact. Shetland has a long history of community activity and volunteering, always featuring as one of the highest achieving communities for volunteering activity per head of population in Scotland.

This Shetland Compact sets out shared principles, joint undertakings and commitments to improve the working relationships between the public, voluntary and community sectors in Shetland. It will provide a platform for improved co-operation, understanding and respect. It is designed to clearly state what each party can expect from each other which can be summarised as a shared commitment to build mutual trust, confidence and a appreciation of the roles and contribution of public, voluntary and community sector bodies for the benefit of Shetland.

The Shetland Compact is seen as a driving mechanism to assist the Council to create and sustain strong links with voluntary and community sector where it will offer the opportunity to develop coherent consistent approaches to consultation, participation and service delivery locally.

The Council looks forward to a long, productive and equal partnership with all agencies and communities so that the Council may develop positive responses to the needs of the Shetland Community. The Council is particularly keen to encourage the development of the voluntary sector and to use the Compact as a key tool in developing that relationship. Together we will respond to the challenges facing Shetland and work together to achieve a shared vision.

The Shetland Compact supports the National Compact, which the Government published in 1998.

Appreciation is due to the Compact Working Group Members for the vision, support and development of this Compact.

Convenor Sandy Cluness  
Chair of the Community Planning Partnership





## Introduction

This Shetland Compact sets out shared principles, joint undertakings and commitments to improve the working relationships between the public, voluntary and community sectors in Shetland. It will provide a platform for improved co-operation, understanding and respect. It is designed to clearly state what each party can expect from each other which can be summarised as a shared commitment to build mutual trust, confidence and an appreciation of the roles and contribution of public, voluntary and community sector bodies for the benefit of Shetland.

## Vision

***To achieve a culture of mutual understanding, trust and confidence that enables public, voluntary and community sectors across Shetland to find effective ways of working co-operatively towards the achievement of outcomes and activities that will improve the quality of life of the local communities of Shetland***

From this key aim, the following underlying shared principles provide the foundation of the Compact.





## Shared Principles

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### ➤ Partnership

- We believe that by working together and with others we will achieve more for the communities of Shetland.
- We believe that in working more closely together the public, voluntary and community sectors can achieve their own aims and contribute towards achieving common aims and objectives.
- We believe that voluntary action and community involvement are vital components of a democratic society and promotes social inclusion.
- We believe that a community and diverse voluntary sector is fundamental to the well being of the people and communities of Shetland and that it can make a unique contribution.
- We agree that genuine partnerships require integrity, objectivity, understanding, accountability, honesty and close working with the recognition of the equal value of every partnership.

### ➤ Consultation

- We agree that clear, open and accessible consultation improves policy development, builds relationships and enhances the design and delivery of services and programmes. We agree time and resources will be allocated to this where appropriate.

### ➤ Equal Opportunities

- We are committed to promoting equal opportunities for everyone.
- Our policies will provide best practice and equal rights in employment, involvement of volunteers, activities and service delivery.







## ➤ **Resources**

- We recognise that the public sector have statutory responsibilities.
- We are committed to recognising the importance of continuity and consistency in planning and provision of services.

## ➤ **Joint Undertakings**

- We will be open, honest and truthful in all our dealings with each other.
- We will foster the partnership between the public, voluntary and community sectors so that we engage genuinely, meaningfully and democratically with all people in society.
- We will keep each other informed of those matters that are important to meeting our common aims and objectives.
- We will work together to meet the present and future needs of those who live and work in Shetland.
- We will agree ways to measure and review the impact of our work towards our common objectives and then share this information, including the lessons learned, as widely as possible.
- We will recognise the important role and contribution of all voluntary and community groups including those that do not receive statutory funding and will ensure that there are opportunities for them to be included in the Compact.
- We will make sure that our staff and volunteers are equipped to do their tasks, working with other agencies where appropriate to achieve this. This includes recruiting the right people, providing them with training, and developing and managing them appropriately.
- We will work together to promote and develop a social economy across Shetland.







## Public Sector Commitments

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### Consultation

- We will ensure the voluntary and community sector is given the opportunity to participate in the development of policy and strategic planning in relation to their areas of interest and responsibility.
- We will make sure that the voluntary and community sector is appropriately represented on public bodies, working groups, management and planning boards.
- We will, wherever possible, manage consultation in such a way that it minimises any inconvenience to the voluntary sector groups.
- We will allow reasonable time for consultation so that service users and other people who also benefit from services can be included. We will ensure that the needs of vulnerable and disadvantaged groups are positively taken into account, including consultation with organisations representing those groups.
- We aim for openness and transparency in our dealings with voluntary and community organisations recognising the need for clear language and avoidance of jargon.

### Funding and other resources

- We will be consistent in the way we manage funding arrangements, monitoring, evaluation and quality assurance, as far as possible within our respective legal and financial constraints.
- We will provide non-financial support, which may include advice and opportunities for training to voluntary and community organisations.





## Independence and Campaigning

- We recognise that voluntary and community organisations are independent and have the right to manage their own affairs.
- We recognise and respect the independence of the voluntary and community sectors and their lawful campaigning and challenging role irrespective of any funding relationship that might exist.
- We aim to monitor and feedback on policy developments for implications for the voluntary and community sector.
- We will respond flexibly and sensitively towards each other and respect confidentiality.

## Other obligations

- We will comply with recognised codes of practice when involving volunteers within our services.
- We will work closely with the voluntary and community sector to enhance the delivery of our statutory obligations and other services where appropriate.
- We will meet our legal, reporting and accounting obligations as funders, planners and service providers.





## Commitments by the Voluntary Sector

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### Consultation

- We will represent the views of local people and our national bodies where appropriate, at planning, management, monitoring and evaluating groups.
- We will gather the views of local people about services and any issues they have in meeting their needs, and pass these views on to service providers.
- We will facilitate consultation by the public sector and, resources allowing, aim to make sure that consultation reaches all the people that need to be included.
- We will make sure that the needs of vulnerable and disadvantaged people and groups are positively taken into account and provided for.

### Accountability and Transparency

- We will maintain high standards of governance, conduct, accountability and openness.
- We will meet our legal, reporting and accounting obligations to funders and to service users.





## Equal Opportunities

- We will involve service users and other stakeholders in the development and management of services.
- We will avoid using jargon and encourage the public sector to use plain English.

## Independence and Campaigning

- The voluntary and community sector comprises numerous individual organisations each with their own aims and objectives that they will wish to promote. Although recognition of this diversity is essential, it is important also to note that the interests of the sector are represented by Shetland Council of Social Service and the Voluntary & Community Sector Partnership. These umbrella bodies aim to speak for all. In addition voluntary and community organisations agree to work for the common good of their client group.
- We will respond flexibly and sensitively towards each other and respect confidentiality.





## **Points for inclusion in the Implementation Strategy Action Plan**

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### **1. Developing more inclusive policy and decision making**

Our programme of work will be focused on action to promote and support the role of the voluntary and community sector in policy and decision making in Shetland.

Key actions include:

- improving the planning and delivery of services.
- a comprehensive profiling of the voluntary and community sector.
- developing a new communications network for information dissemination.

### **2. Improving the planning and delivery of services**

We will focus on improving the planning and delivery of services by taking forward actions to:

- develop approaches to maximise the involvement of the voluntary and community sector in service planning and delivery.
- contribute to the development of sharing of information through the data sharing partnership.

### **3. Addressing funding and resource issues**

A Shetland-wide joint funding strategy for the voluntary and community sector will be developed. This will include:

- information sharing on new funding streams.
- clear guidelines on the provision of three year funding.
- a reserves policy.





#### 4. Facilitating improved voluntary and community engagement

Improving the engagement of the wider voluntary and community sector and citizens requires joint action between the public agencies and the voluntary and community sector. Key actions to take this forward include:

- linking the composition and operation of voluntary and community sector forums more closely to the Compact and participation in community planning.
- developing a Shetland-wide strategy for volunteering including supported volunteering.

#### 5. Building capacity and mutual understanding

The Compact requires cultural change in both sectors. This will be taken forward through joint initiatives in the following areas:

- joint planning and delivery of Shetland's Single Outcome Agreement.
- information sharing of possible funding streams.
- training initiatives and joint working arrangements.
- development of a Code of Practice for dispute and arbitration.
- joint planning and delivery of services.







## 6. Monitoring & Evaluation

It is essential that the Compact is implemented fully and effectively. To do this a number of actions need to be taken forward to establish the structures and mechanisms required. Key actions include:

- Establishing the Compact sub-group.
- Developing a communications strategy aimed at increasing awareness and understanding of the Compact across all sectors.
- Developing an outcome monitoring framework for the Compact.
- Production of a three year action plan reporting on progress to the Shetland Community Planning Partnership.
- Establishing a framework to monitor and evaluate its operations jointly with the sector on an annual basis.
- Promoting the spirit and principles of the Compact throughout all partner organisations and associated bodies.
- Ensuring all partner organisations demonstrate full accountability in implementing, monitoring and evaluating the Compact.
- Reporting regularly on progress in meeting the agreed objectives of the Compact.
- Publicising to the sector the principles and understandings embodied in the Compact.
- Promoting and championing practices which are consistent with the Compact to voluntary organisations, community groups and volunteering activities.
- Putting in place systems to monitor the implementation and operation of the Compact.
- Making available information and work undertaken by the voluntary sector to assist in quantifying the impact of service delivery and strategy implementation and to assess performance.





## Glossary

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### Public Sector

NHS, Council, Police

### Community & Voluntary Sector

Companies Ltd by Guarantee, Trusts, Social Enterprises, Voluntary Organisations, Charities









## Draft Compact Partners

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Shetland Council of Social Service  
Market House  
14 Market Street  
Lerwick  
Shetland, ZE1 0JP

01595 743900

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Shetland Islands Council  
Executive Services Department  
Town Hall  
Hillhead  
Lerwick  
Shetland, ZE1 0HB

01595 744511

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Shetland Health Board  
Brevik House  
South Road  
Lerwick  
Shetland, ZE1 0TG

01595 743060

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Highlands & Islands Enterprise  
North Ness  
Lerwick  
Shetland

01595 693208

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VISP  
Support Worker  
SCSS  
Market House  
14 Market Street  
Lerwick, Shetland  
ZE1 0JP

01595 743905

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## REPORT

To: Shetland Islands Council

3 December 2008

From: Head of Legal and Administrative Services

### **Appointment of Member to Audit and Scrutiny Committee**

Report No. LA-63-F

#### **1.0 Introduction**

1.1 Membership of the Audit and Scrutiny Committee is as follows:

A Doull	A Hughson
A Duncan	C Miller
F B Grains	G Robinson
R Henderson	J Wills

1.2 Councillor A Hughson has intimated his resignation as member of the Audit and Scrutiny Committee. The purpose of this report is therefore to appoint a Member to the current vacancy.

#### **2.0 Link to Corporate Priorities**

2.1 The recommendation in this report is not linked directly to any of the Corporate Priorities.

#### **3.0 Financial Implications**

3.1 There are no additional costs to be added to the existing Members' budgets, as the appointment contained in this report is required to fill a vacancy.

#### **4.0 Policy and Delegated Authority**

4.1 The appointment required has not been delegated to any Committee, and therefore a decision of the Council is required.

4.2 The method of appointment shall be in accordance with Section 6.0 of the Council's Scheme of Delegations.

- 4.3 The appointment will carry approved duty status in terms of the Council's Scheme of Approved Duties.

## **5.0 Conclusion**

- 5.1 The purpose of this report is to seek an appointment by the Council to fill a vacancy on the Council's Audit and Scrutiny Committee.

## **6.0 Recommendation**

- 6.1 I recommend that the Council appoint one Member to the Audit and Scrutiny Committee.

November 2008  
LAG



## **REPORT**

**To: Shetland Islands Council**

**3 December 2008**

**From: Head of Organisational Development**

**Report No: CE-54-F**

### **Single Status**

#### **1 Introduction**

- 1.1 This report sets out progress and plans on the Single Status project, and reviews the results of employee consultation.
- 1.2 It describes the results of the consultation exercise, and how employee's views, suggestions and ideas will be used to further improve the new Single Status proposals (for further details of consultation feedback see appendix 1).
- 1.3 It recommends that a formal offer to staff should now be developed, incorporating information obtained during consultation, to progress implementation.

#### **2 Background and Link to Corporate Priorities**

- 2.1 On 4<sup>th</sup> July 2007 the Council decided that Management, Unions and Staff should investigate Job Redesign & Job Families as ways to progress Single Status.
- 2.2 The Council also declared two key objectives at that time;
  - staff deserving pay rises should get them,
  - losses of pay for others would be avoided or moderated.
- 2.3 The legal requirement of Single Status is to make sure that the Council is treating staff fairly, and meets its statutory duties under equalities legislation. The work since last July has been done with that firmly in mind.
- 2.4 Workforce development, and equality in employment, are objectives in the Councils corporate plan. Commitments to staff include recognising and valuing their contribution and ensuring their consistent treatment. We also pledge to provide access to learning and development opportunities for all employees.

### **3 Continuing Corporate Issues Facing the Council.**

- 3.1 Until Single Status is implemented, the Council will have to meet ongoing equal pay claims relating to bonus payments. This compensation cost is now running at over £1 million a year, on top of the current pay bill.
- 3.2 The Council continues to be exposed to further Equal Pay and Equal Value claims and grievances relating to the differing application of grading and terms and conditions to different groups of staff. The only conclusion to this continuing and increasing exposure is the introduction of Single Status.

### **4 Consultation on New Proposals**

- 4.1 New Single Status proposals were developed between July 2007 and October 2008, staff have now been consulted about them.
- 4.2 Staff received letters, booklets and questionnaires and had opportunities to attend group briefings and direct meetings with their managers in the largest consultation exercise Shetland Islands Council has ever undertaken with their employees. Meetings have been well attended, discussions robust and around 1/3<sup>rd</sup> of questionnaires have been returned.
- 4.3 A very significant proportion of affected staff have taken part in this exercise and many valuable comments and ideas have been obtained. Detailed feedback from consultation is still being analysed by management and unions, and will inform the detailed development of the next phase of Single Status. However the overall result of the consultation exercise is that a majority of staff have indicated they support the new proposals as a basis for bringing this exercise to a conclusion.
- 4.4 As previously reported it was not possible to consult with all staff on new proposals at this time as particular aspects of some historic terms and conditions still present special challenges when considering certain staff groups.
  - Port Operations sea staff, and associated posts, have proven difficult to fully assimilate due to working practices developed to suit the nature of the industry.
  - Early Years Workers (previously known as Nursery Nurses) have also proven difficult to assimilate to the new system, due to a locally negotiated arrangement put in place to alleviate a potential pay dispute which does not meet the equality test under the new system. There may be options to offer extended hours, or other similar work, to staff and this will be a particular focus of the detailed consultation with staff, in the winter.

- Progress with evaluation of Economic Development staff has been delayed due to uncertainty over restructuring which has only been recently resolved.
- 4.5 While we have not yet been able to fully consult on specific proposals with these groups work has continued to find appropriate solutions. It remains the objective of the project to introduce Single Status for all staff as close together as possible. However unavoidable delays for specific groups should not necessarily hold back implementation for the majority of staff.

## **5 Formal Offer to Staff**

- 5.1 Staff have now been presented with new proposals, had the opportunity to examine them, ask questions and make their views known. Those views have provided a wide range of detailed comment on specifics. It is now appropriate that we consider that feedback in detail and take the next step to progress towards implementation, which is to develop a formal offer.
- 5.2 This needs further detailed work between the project team, management and unions, to take on board as much of the input obtained raised during consultation as possible, but should now be progressed promptly.
- 5.3 Based on the recent experience of other Scottish Local Authorities, it may not be possible to obtain formal collective Union agreement for any Single Status or Equal Pay offer at Unions regional or national level. However, this still leaves discussions about changes to working arrangements as an activity that should involve local Unions as staff representatives.
- 5.4 Local union officials have indicated their potential willingness to reach collective agreement if possible. It is our current understanding that each of the Unions involved in Single Status would intend to ballot their members on any formal offer, so that collective agreement could be achieved if possible.
- 5.5 It will be necessary to keep abreast of both local and regional/national Union positions regarding possible collective agreement through the Single Status Steering Group to understand the practical options to bring this exercise to an effective conclusion.

## **6 Medium and Long Term Support for Single Status Implementation**

- 6.1 The availability of support and assistance for both management and staff during the remainder of Single Status implementation has been one of the regular issues raised throughout consultation. As revenue estimates and service plans are currently being developed it is an appropriate point to consider the medium and long term arrangements necessary to ensure effective single status implementation, and effective follow through.

- 6.2 There are a number of key activities that have to be done properly to make any Single Status implementation work.
- planning and support of workforce development,
  - delivery of job redesign,
  - implementation of flexible working,
  - processing and hearing of job evaluation appeals,
  - restructuring of the establishment database
  - achieving cost recovery
- 6.3 These very significant tasks, and a variety of others will require considerable effort. To deliver that it is proposed that elements of the existing Single Status team are maintained in place with developing responsibilities for at least the three year transitional phase.
- 6.4 Detailed roles and responsibilities will be developed during the remainder of the negotiation phase however, budget provision has already been made for four members of staff to support this work.
- 6.5 Services management will continue to be the key individuals to implement Single Status, and deliver equalities and service development. However it is critical they have effective support while doing that work. The arrangements described above will ensure that support is available over the medium term, that we benefit from the extensive expertise developed during Single Status development and that we minimise the risk of failing to complete the project effectively.

## **7 Financial Implications**

- 7.1 The failure to meet Equalities Duties has already cost the Council over £3 million in Equal Pay compensation, costs for 2007/2008 were over £1 million. Full Equal Pay exposure based on 100% claim award through tribunal decision and resultant tax and other liabilities would have been over £2 million for 2007/2008. Equal Pay compensation liability will continue to rise throughout 2008/2009, and until Single Status is eventually introduced.
- 7.2 The work of the project team has confirmed that delivery of Single Status pay rises, and the full assimilation of all adversely affected staff to avoid pay losses, would increase the annual pay bill by a projected £4 million. This estimate is inclusive of employers pension and national insurance costs at current rates and continues to be in line with the estimates previously reported to Council.
- 7.3 Follow up cost savings through efficiency gains arising from redesign or other opportunities have been described in previous reports. It remains difficult to quantify to what extent these will be realised as much cost recovery relates to decisions which would have to be taken in the future about filling, or not filling, vacancies which may arise.
- 7.4 The proposals contained in this report reduce the financial implications of the Single Status implementation team from next financial year, but



continue to project the need for four full time posts to effectively support implementation through the transitional period.

- 7.5 Exposure to the possibility of further 'equal value' claims continues and will rise, with the likelihood of further appeals being brought before members on an increasingly frequent basis.
- 7.6 Exposure to the possibility of further claims based on the 34/37 issue continues, in addition to those already lodged.

## **8 Policy and Delegated Authority**

- 8.1 In July 2007 the Council delegated authority to the Chief Executive to appoint an officer negotiating team, resource the single status project team and progress investigation on Job Families and Job Redesign failure to take forward Single Status, reporting back to Council on progress (Minute Reference SIC 98/07).
- 8.2 In March 2008 the Council delegated authority to the Chief Executive to constitute a negotiating forum, and in discussion with the Single Status Steering Group to finalise proposals for further consultation with staff, and ultimately any formal offer. (Minute Reference SIC 44/08).
- 8.3 In June 2008 the Council approved staff consultation on new proposals based on an investment of no more than £4 million per annum in Single Status wages; with the results of that consultation, and recommendations for implementation, reported back to Council. (Minute Reference SIC 100/08).

## **9 Conclusions**

- 9.1 Job Redesign and Job Families has offered a potential way forward under Single Status to bring about an implementation of Single Status that delivers the pay rises due to many staff but moderates or eliminates the losses to others.
- 9.2 New proposals have been developed which deliver those objectives for the vast majority of staff. However some historic working arrangements for particular groups continue to provide challenges to resolve. Solutions are still being worked on, but the time that may take should not necessarily hold back the overall timetable for the majority of staff who will benefit from as early implementation as possible.
- 9.3 Consultation on the new proposals has produced very good engagement with staff and support from the majority of staff for these new proposals to be used as a basis for the development of a formal offer. Many valuable comments have been received during consultation and will be considered further as the formal offer is developed.
- 9.4 Failing to bring Single Status to a conclusion will continue to require the Council to dedicate significant staff time to progressing the

exercise. It will also further expose the Council to Equal Pay and Equal Value claims, which are expected to increase over time.

## **10 Recommendations**

- 10.1 I recommend the Council discuss progress and plans set out in this report and;
  - 10.1.1 confirm the delegated authority of the Chief Executive to develop a formal offer to staff, and determine its most appropriate implementation strategy, in consultation with the Single Status Steering Group.
  - 10.1.2 confirm that offer should be based on the agreed maximum additional investment of £4 million pounds per annum in Single Status wages.
  - 10.1.3 direct that offer should be put to staff as soon as possible in 2009 with appropriate implementation support arrangements.

Date: 3 December 2008

Report No: CE-54-F

## **Appendix 1 – Single Status Employee Consultation Review.**

### **1 Introduction**

New Single Status proposals were issued to staff at the end of October. Each affected employee received a letter advising them of their proposed grade and pay scale, a booklet setting out proposed terms and conditions of employment, and a questionnaire for staff to complete and return if they so wished.

This appendix is an overview of;

- The almost 900 questionnaires returned during the consultation timeframe,
- feedback from the wide range of employee briefings held,
- input from individual meetings between managers and their staff
- reports of numerous meetings between unions and their members.

Over all the process has been very productive, staff have taken the opportunity to seek clarification and give their views through the various channels. Their input will help improve the effective implementation of Single Status.

### **2 Participation Level**

Almost 1 /3 of questionnaires issued were returned by employees during consultation, the largest ever exercise of this sort carried out by Shetland Islands Council. Anecdotal feedback from individual members of staff who have not returned questionnaires has been a mixture of not feeling strongly about the proposals but generally wanting Single Status to be brought to a conclusion, and a few who did not feel that feedback would make any difference. Nevertheless many, many staff have taken the time to complete and return questionnaires, even more attended meetings and there have been many conversations between managers, employees, unions and the project team.

All Heads of Service and other managers have been consulted about the completeness of the process in their area and asked to contribute their views, Unions opinions and feedback has also been sought. Members have been asked at various stages during the consultation what feedback they are receiving. They have consistently reported they have not been generally approached by staff in any great numbers on this occasion. Equally there has not been any significant coverage on the new Single Status proposals in the media this time around. I believe it is gratifying to everybody that discussions and debate have been properly held between managers and their staff.

### **3 Feedback to employees participating in consultation.**

Questions and issues raised by employees during briefings, individual meetings or through contact with the project team will be followed up with individual clarifications or additional information where appropriate.

Employees were given the choice on their questionnaires whether they wanted to included their name, job title, service etc or not. Where individuals have identified themselves and registered points which could be helpfully fed back against, that will be done. Where the Department or Service has been identified questionnaires will be copied to the relevant Executive Director and/or Head of Service, so that Council Management can assess the follow up they need to take to take to address issues raised.

It is absolutely critical in any consultation exercise to let everyone know what has happened as a result of the consultation exercise. A large number of individual Council employees spent time giving their views, it is imperative that we acknowledge that properly by responding to them properly.

- Where staff have identified themselves in feedback, and there is additional information or clarification we can provide, then we will write to them individually.
- Unions will have a full involvement in all aspects of consultation analysis and may feed back to their members.
- Any amendments of the new proposals made from consultation proposals will be part of any further package issued to staff.
- All Single Status reports to Council are held in public, available on the Internet and Intranet and widely reported by the media.
- There will be further Single Status newsletters and bulletins issued to all affected staff as the process moves forward.

## **4 Results Summary**

Feedback is summarised under the headings used in the questionnaire, although feedback obtained through other routes is used as amplification where appropriate.

### **4.1 General Support for proposals.**

There has been a majority of staff in overall support of the new proposals. Of the 870 questionnaires returned in the consultation timeframe; 460 were in support of the proposals, 370 not in support and 40 neutral.

75% of Managers consulted as part of a further survey were of the opinion that their staff generally believed these proposals were a reasonable basis of a settlement, 100% were of the opinion that consultation had been a valuable exercise.

Unions have been unwilling to commit to any official position without a ballot of their members, but believed that employees had a fairly positive attitude to engagement in the consultation process and overall saw the new proposals as a positive basis for a solution to Single Status.

### **4.2 Reasons for supporting the new proposals.**

The most common questionnaire return was one with the “support” box ticked and no specific comment.

There were three main reasons given for support of the new proposals;

- Belief that this was a fair or fairer deal;
- It was a good financial settlement for an individual or a staff group
- It was essential to bring Single Status to a conclusion

Examples of the feedback received as reasons for supporting the proposals were;

“I am satisfied that the process has been carried out democratically, and will address the problems of equal pay throughout the workforce” - an employee in Social Care

“I understand the need for Single Status and am happy with my job family & adjusted salary” – an employee in Schools

“I agree with the pay this is being offered to me and I also agree that the terms and conditions are good. – an employee in Finance.

“Single status proposals have dragged on long enough. Time to get it sorted and implemented” – an anonymous employee.

#### **4.3 Reasons for not supporting proposals**

The main causes for staff indicating that they would not support the new proposals were

- Specific factors had been evaluated at the wrong level for their post
- They felt that their job had not been matched to the right grade
- The pay level offered was too low

There were also a number of individual issues that smaller numbers of staff mentioned as key reasons for not supporting the proposals. These have been included in the section on concerns about the proposals as they were similar to points raised there.

Examples of the feedback received in this area are;

“Some aspects of the grading scale don’t reflect realistically my level and are highly debatable” – an employee in Schools.

“ My job and responsibilities being categorised in the wrong section” – an employee in Social Care.

“Too many people losing money” – a manual worker.

#### **4.4 Aspects of the proposals particularly supported.**

There were two specifics from the new proposals which were highlighted in this area.

- 2 days additional leave associated with a Christmas shutdown where possible
- Flexi-time, and the commitment to flexible working.

While both proposals raised some concerns, which are touched on later, comments were generally strongly in support.

“The Christmas shutdown – this would benefit a lot of workers – particularly working parents. – an anonymous employee.

“Flexible working option and remote working option, Christmas shutdown with two extra days leave” – employee in the Library.

#### **4.5 Aspects of the proposals particularly concerned about.**

There have been a variety of specific concerns raised by staff during this consultation period. As indicated earlier where it is possible to identify an individual member of staff and address their concern directly by providing an answer or further information that has been done already or will be done.

The main concerns recorded on questionnaires were;

- Issues around the move from 34 to 37 hours
- Concerns for colleagues who might be losing pay
- Issues around spinal point progression (top/bottom of box)
- Worries about implementation of flexi time
- Concerns about the staff groups not included, mainly Tugs and Senior Managers
- Concerns over delayed implementation / rejection or Union ballots stopping implementation

Comments included;

“I want to know why there is such a big difference in evaluation between mates and deckhands, it should be done again” – Employee in Ferries

“working 37 hours per week might have an impact on childcare for some workers” – anonymous employee

“why do we not just start at the higher rate? Why wait till April 2010.” An employee in Schools.

#### **4.6 Other Issues important to you as an employee of Shetland Islands Council**

Employees were invited to take this opportunity to highlight any other issues, this resulted in a wide range of feedback including;

- Single Status has taken far too long
- Regular overtime should be pensionable
- Concerns over extension of adverse weather policy to schools
- Financial sustainability and general pressures on Council budgets
- Need for a robust Single Status appeals process
- Need for better communication between staff and managers

These are generally less about direct feedback to individual members of staff than raising awareness among managers and other decision makers.

Therefore these comments will be copied to Executive Directors along with specific departmental feedback.

#### **4.7 Next steps**

All feedback from the consultation period will be shared between Management, Unions and the Project Team. It will form a key input into developing a formal offer, should the Council resolve to do so, in further discussions within the Project Team and Steering Group.

Employees will continue to be encouraged to engage in discussions around Single Status, their opinions will continue to be sought, individual questions will be answered and clarifications given where possible. Further newsletters and other communications will be issued to staff when appropriate.

The Council and the Single Status team are very satisfied with the effectiveness of this consultation exercise. We also continue to be determined to keep communication lines open and functioning well with employees, through and beyond the eventual implementation of Single Status.

JRS







## REPORT

To: Shetland Islands Council  
Local Negotiation Committee for Teachers (LNCT)

3 December 2008  
8 December 2008

From: Head of Schools Service

### **Recruitment and Selection Policy: Head Teachers and Depute Head Teachers - Amendment**

#### **1. Introduction**

- 1.1 The following report seeks agreement on an amendment to the policy on the recruitment and selection for Head Teachers and Depute Head Teachers.

#### **2. Link to Council Priorities**

- 2.1 The Council will ensure a model for education is developed by 2009 that considers the educational and financial viability for schools and communities and its outputs are then implemented.
- 2.2 The Council will work to create and maintain a culture where individual learners can strive to realise their full potential.

#### **3. Background**

- 3.1 Section 14 of the Scottish Schools (Parental Involvement) Act 2006, and the Parental Involvement in Head Teacher and Depute Head Teacher Appointment Regulations 2007 made thereunder came into force on 1 August 2007. Section 14 of the 2006 Act contains provisions concerning the procedure for appointment of Head Teacher or Depute and participation of a Parent Council, and the 2007 regulations impose requirements which an appointment process must satisfy.
- 3.2 This Local Authority has to up-date the recruitment and selection policy to take account of the 2006 Act and the new regulations.
- 3.3 Since the update came into force, comment has come back that in the section 'Appointment Panel Membership' (see page 3 of Appendix A)

there was a misinterpretation of the use of 'council' from the legislation

#### **4 Proposal**

- 4.1 It is proposed to remove the existing sentence at (ii) of the above mentioned paragraph: *"(ii) A person who is not a member of the Parent Council may at the request of the Schools Service, assist it in discharging its functions in connection with the appointment process."*

and replaced it with:

*"(ii) A person who is not a member of the Parent Council may at the request of the Parent Council, assist it in discharging its functions in connection with the appointment process."*

#### **5. Financial Implications**

- 5.1 There are no financial implications arising from this report.

#### **6. Policy and Delegated Authority**

- 6.1 Variation of existing policy can only be determined by the Council in terms of Section 8.2 of the Council's Scheme of Delegations.
- 6.2 Under the terms of A Teaching Profession for the 21st Century, appointment procedures are matters for agreement by the SIC Local Negotiating Committee for Teaching Staff (LNCT). The LNCT provides the forum for negotiations on particular teachers conditions of service. Within that framework the LNCT is required to take into account the requirements set out in the Act and subsequent regulations.
- 6.3 On this occasion the Shetland Island Council meets before the LNCT, so agreement has been reached with the Joint Union Side that this report will be presented to the Shetland Islands Council for approval, subject to agreement by the LNCT at their next meeting.

#### **7. Recommendation**

I recommend that the Shetland Islands Council:

- 7.1 agree to the proposed amendment to the recruitment and selection scheme for Head Teacher and Depute Head Teacher posts as stated in Section 4 above, and recommend this for agreement to the LNCT.

November 2008





## **Recruitment and Selection Policy**

### **Scheme for Head Teachers and Depute Head Teachers**

#### **Statement of Policy**

Shetland Islands Council is committed to achieving equality of opportunity in the recruitment and selection of Head Teachers and Depute Head Teachers.

All those who take part in the recruitment and selection of staff will be aware of the Council's policies in this regard and have received training.

Every job applicant will be made aware of the Council's policy through the Recruitment Charter, sent to each applicant.

This scheme is to supplement the 1999 Recruitment and Selection Policy and should be read in conjunction with those procedures.

#### **Legislation**

Section 14 of the new Scottish Schools (Parent Involvement) Act 2006, and the Parental Involvement in Head Teacher and Depute Head Teacher Appointment Regulations 2007 made thereunder came into force on 1 August 2007.

The new requirements/duties regarding appointment of Head Teacher and Depute Head Teacher posts is set out in section 14 of the 2006 Act. Section 14 requires all Local Authorities to:-

- 1 Have a recruitment scheme for Head Teacher and Depute Head Teacher posts.
- 2 Notify Parent Councils and the Scottish Ministers of the Scheme.
- 3 Involve parents in the scheme.

#### **Proposed Scheme**

When preparing a strategy for making relevant appointments, the Schools Service must consult with any Parent Council established for the school and have regard to those views.

On receiving written resignation from either a Head Teacher or a Depute Head Teacher the following key stages should apply:

A member of the panel/Quality Improvement Officer linked to the school should make contact with the Chair of their Parent Council (where one is in existence) to discuss the appointment procedures.

## **Appendix A**

A member of the panel/Quality Improvement Officer should discuss appointment strategies with the Parent Council, in regard to the following possibilities, where appropriate:

- Redeployment of an existing employee into the vacant post. Following consultation with the Parent Council the post of Head Teacher may be filled by redeploying to that post an existing Head Teacher currently employed elsewhere, or that the post of Depute Head Teacher be filled by redeploying to that post an existing Depute Head Teacher currently employed elsewhere.
- Temporary transfer or Acting Up offer to existing staff member
- When preparing a job and person specification for relevant appointments, the Schools Service must consult with any Parent Council established for the school and have regard to those views. There are generic Person Specification and Job Profiles, in line with the Standard for Headship, that was agreed by LNCT. They should also discuss the requirement to ensure that candidates meet the qualities and experiences described in the Standard (letter from the Scottish Executive, "Head Teacher Appointments post August 2005").

Where the appointment of a new Head Teacher is the preferred option, arrangements should be made for Parent Council members, and those assisting it in discharging its functions, to receive training on recruitment and selection procedures and interview skills, and subsequently, for them to be involved in the whole of the recruitment process, as outlined below. The training will include familiarisation with the Standard for Headship. A Vacancy Notification Form will be completed and submitted for approval to the Head of Schools.

### **Advertising**

Vacancies for Head Teacher and Depute Head Teacher posts will be advertised nationally. The usual publication will be the Times Educational Supplement Scotland and the Shetland Times, unless otherwise agreed with the Parent Council.

### **Short Leet**

The Schools Service must invite a Parent Council established for the school to participate in the preparation of a short leet of candidates. This does not apply, when the Schools Service decides following consultation with the Parent Council, that the post of Head Teacher be filled by redeploying to that post an existing Head Teacher currently employed elsewhere, or that the post of Depute Head Teacher be filled by redeploying to that post an existing Depute Head Teacher currently employed elsewhere.

## **Appendix A**

Short listing must be carried out by the panel members who will conduct the interview. The short list will be drawn up by evaluating the information provided in the application forms against the criteria set out in the Person Specification. The forms provided in the procedural guidance should be used for this purpose.

All interviews will be conducted in a fair and consistent manner and must be structured and systematic.

The Council has determined as part of the Equality and Diversity Policy that if a disabled applicant meets the minimum stated requirements they will be guaranteed an interview. When two candidates are equally suited for the post, one being disabled, the disabled candidate should be appointed.

### **Appointment Panel Membership**

The Schools Service must set up an appointment panel to consider the short list of candidates prepared and to make recommendations to the Schools Service for the appointment of a person to fill the post.

The Parent Council has a right to be represented on the appointment panel (but they don't have to), and where they wish to be represented, at least one third of the membership of the appointment panel must comprise of:

- (i) A parent member (or members) of that Parent Council; or
- (ii) A person who is not a member of the Parent Council may at the request of the Parent Council, assist it in discharging its functions in connection with the appointment process.
- (iii) A combination of (i) and (ii).

The normal panel membership will be as outlined below.

Where a relevant appointment is for a Head Teacher, the appointment panel must be chaired by the Head of Service, and in her absence by either the Executive Director – Education and Social Care Department or a Quality Improvement Manager.

For a Head Teacher post, normal panel membership will comprise:

- The Head of Schools (chair of the panel)
- A Quality Improvement Manager
- Two Parent Council members or their representatives
- Head Teacher, not from any school from which there are applicants for the post

Where a relevant appointment is for a Depute Head Teacher, the appointment panel must be chaired by the Head Teacher of the school or the acting Head Teacher. However the Schools Service can decide that it is inappropriate for the acting Head Teacher to chair the appointment panel.

## **Appendix A**

For a Depute Head Teacher Post, normal panel membership will comprise:

The Head Teacher, or Acting Head Teacher (chair of the panel)

The Quality Improvement Officer linked to the school

Two Parent Council members or their representatives

The chairperson of an appointment panel has a casting vote in relation to any recommendations to be made to the Schools Service concerning a relevant appointment.

### **Final Selection**

The interview selection procedure for a Head Teacher will normally include the following assessment tools:

- A practical exercise, for example, where the candidate is asked to prioritise and explain how she/he would handle several scenarios
- A pre-set presentation lasting approximately ten minutes
- A formal interview with a set of questions, but with the flexibility to ask probing and exploring questions to each candidate as appropriate
- A systematic scoring mechanism is recommended, but appointment should be by panel consensus, and the chair shall have a casting vote in relation to any recommendations to be made to the authority concerning an appointment.

There should be the opportunity within the above process for arrangements to be made with members of the Parent Council (other than those who are on the panel) to be available to show candidates around the schools and answer any questions about the school community and area, usually prior to the interview taking place.

### **Conflict of Interest**

No person who has a material interest in or relating to any matter to be considered under this Scheme may participate in the short list procedure, or sit on an appointment panel.

A person will not be deemed to have a material interest in terms of the paragraph above by virtue of chairing an appointment panel under the provision made in that regard.

### **Review date**

This policy will be reviewed for renegotiation in one year. The Recruitment and Selection Policy for all teaching staff will also be subject to review in this timeframe.