



REPORT

To: Executive Committee

4 July 2011

From: Chief Executive

Planning and Performance Management Framework: Policy Direction

1. Introduction

- 1.1 This report presents the overall performance management policy for approval.

2. Corporate Priorities and Risks

- 2.1 Establishing an effective planning and performance management framework is a key element of the Council's Corporate Improvement Action Plan and the underpinning principles of the new governance arrangements.
- 2.2 Failure to establish effective PPMF arrangements may lead to continued criticism from the Accounts Commission.

3. Background

- 3.1 The Council approved the governance arrangements at a meeting on 16 May 2011. The underpinning philosophy of the new committee structure is for Members to set the strategic and policy direction (the start of the process; the Council Members deciding what it is they want to do) and to determine through good performance measures what changes they want to see in place from each policy decision (the end of the process, with check points within a given time frame to ensure that the policies are being delivered).
- 3.2 The Corporate Improvement Action Plan, approved in November 2010 contained the following actions: -

Action: Fully embed Planning and Performance Management Framework (PPMF).

Success Measure: PPMF incorporating Council wide risk based strategic plan and SMART Service plans which inform budgets,

team and individual plans, all with performance management scorecards appraisal at all levels. Incorporate Best Value based challenge to ensure robust appraisal of policy choices.

By: Reformed PPMF established June 2011.
SMART Integrated Strategic and Service plans and budgets by Sep 2011 for 2012/13 budget process.

- 3.5 The Chief Executive established a project team to take this work forward under the direction of the Executive Director – Education and Social Care, supported by the Policy Manager (Emma Perring) and one of the Resources Team (Louise McQuade). Members of the team were: Heads of Community Care; Environment and Building Maintenance; and Organisational Development; and the Assistant Chief Executive.
- 3.6 A refreshed planning and performance management framework has been developed with the wider management team.
- 3.7 The framework has been shared with the Sounding Board, which expressed broad support for the proposals. The Sounding Board agreed that the framework has the potential to deliver the following benefits:
- Clear accountability
 - Clear roles and responsibilities
 - A performance based approach
 - Ensures that corporate priorities are auctioned and resourced
 - More joined up decision making, which takes account of all the issues
 - Members have more time to spend on strategic issues, policy development and constituent matters
 - There will be less public funds available, so focus can be on what matters the most
 - It is the framework against which the Council will be tested through best value scrutiny and other inspections frameworks; it is the expected way in which local government carries out its business.

4. Proposals

- 4.1 All the elements of an effective planning and performance framework are already in place. The Project Team therefore concentrated on making good connections between all the elements and helping to change the culture, through a performance based approach to service delivery. Throughout the project, the team paid close attention to making sure that the levels of accountability were right.
- 4.2 The elements of the framework are:
- Single Outcome Agreement
 - Corporate Plan
 - Service Plans
 - Budgeting – Revenue and Capital
 - Performance Measures

- Performance Reviews
- Best Value framework and continuous improvement
- Community Engagement
- Reporting to the wider community

4.3 A number of diagrams are included at Appendix 1 to assist with understanding how the connections will be made, in practice, as follows:

Page 1: a diagram demonstrating how the Strategic Planning and Financial Planning connects to the new Service Statements.

Page 2: who is responsible and accountable for each element of the PPMF arrangements and to what level within the decision making structure.

Page 3: the annual corporate, service and financial planning cycle, shown as a calendar of events and activities, with the key decision points built in.

4.4 Each of the functional committees, in this first cycle of meetings, will receive a summary of current activity across the services under the remit of the Committee. This summary intends to tell the “whole story” for each service of what the Council has already agreed and is working towards. This is to assist Members in setting the priority actions for the year ahead. The summaries are intended to take a risk based approach to service planning, identifying key influences and improvements required in each service. The documents include:

- Influences:
 - Financial Challenges (Capital and Revenue)
 - Legislative Change
 - Strategic Drivers (Community Plan / Single Outcome Agreement / Corporate Plan)
 - Change in Customer Expectation / Community Engagement
 - Benchmarking / Service Standard
- Change / Improvement Required:
 - Action Plan – Best Value Service Review
- Impact on:
 - Staff / Workforce Development
 - Capital Programme / Assets
 - ICT Systems

4.5 In future years, proposed priorities will undergo an Integrated Impact Assessment, covering: Equalities; Environment; Health; and other key priority areas - to ensure Members are fully aware of the implications of any changes to service delivery, particularly in times of reducing resources.

4.6 The Scenario Planning process is underway and, from that work, it is intended to update the Council’s Corporate Plan (as well as the Community Plan, with partner agencies). Setting the strategic direction is a key element on ensuring that the so-called “golden thread” is recognised at all levels of decision making and ensures that resources are allocated to the highest priorities issues.

- 4.7 A new information system is being sourced, as a spend to save initiative, in order to ensure that the time and effort put into measuring performance and planning activity is commensurate to the value obtained from driving activity from a performance base.
- 4.8 Members are therefore invited to:
- Formally approve the refreshed PPMF arrangements set out in Appendix 1, recognising that all the elements are already in place and what the new governance arrangements seek to do is to ensure that the work is joined up in a way to support Members taking the right decision, first time.

5. Financial Implications

- 5.1 A rigorous process of ensuring that the Council secures value for money and best value is a key objective. Integral to this framework is a system of option appraisal (such as service reviews and service redesign); investment appraisal (such as the Gateway approach); benchmarking (with other similar authorities or organisation); external inspections (such as HMle); etc. With the difficult public sector funding situation, the framework includes a focus on efficiency savings. The whole framework tries to gather together all elements of each service in a way which simplifies the planning and reporting process, so avoiding duplication of effort on the part of Heads of Service, central departments and Council Members.
- 5.2 There are no direct financial implications arising from the introduction of revised PPMF arrangements. The cost of the new information system will be met from existing ICT budgets, already approved.

6. Policy and Delegated Authority

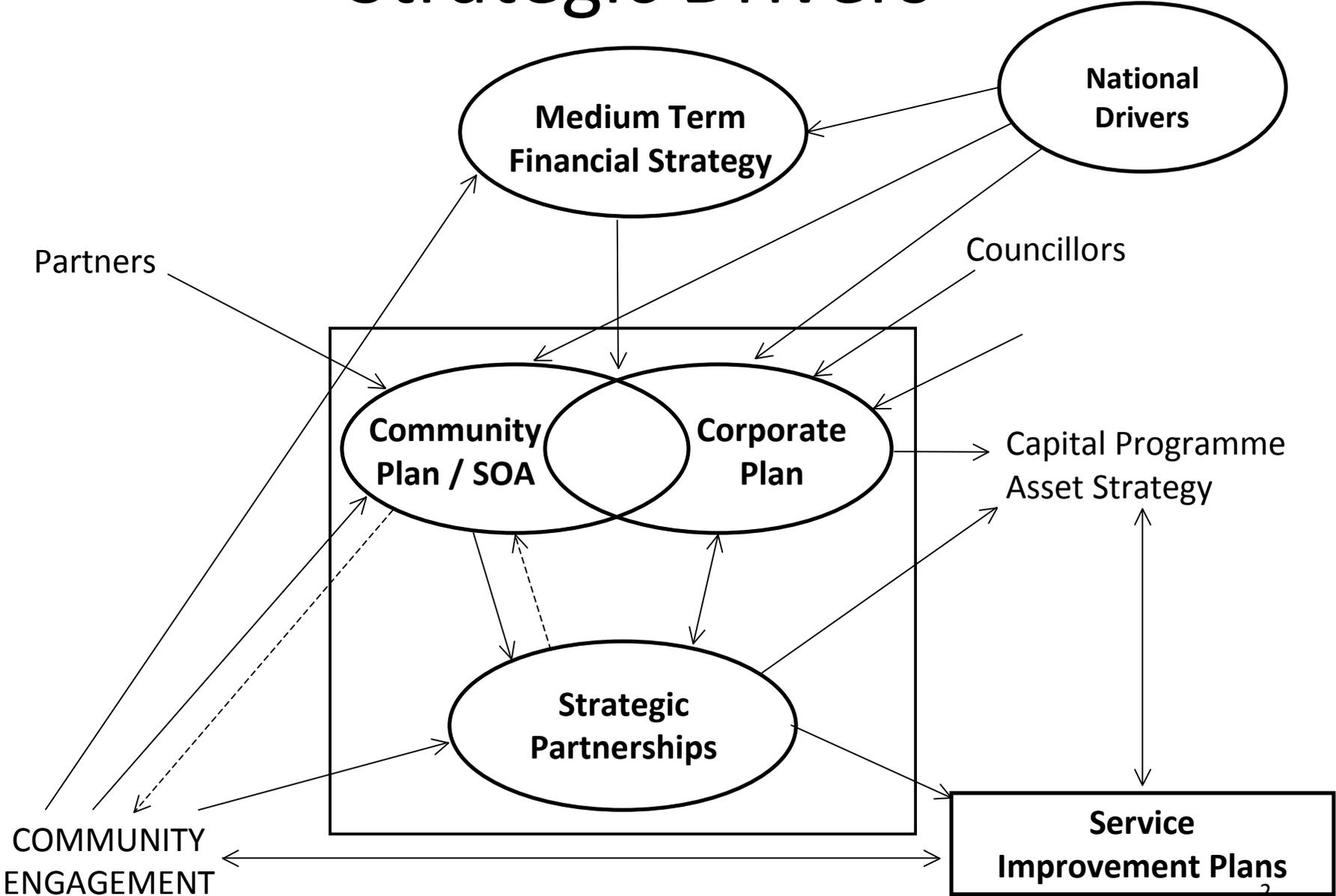
- 6.1 The role of each of the Executive Committee includes:
- ensure the effectiveness of the Council's planning and performance management framework; and
 - undertake the planning and preparation of the Council's annual service plans and budget estimates of capital and revenue expenditure
- 6.2 This Report seeks to refresh an existing policy framework so a recommendation will be made from the Executive Committee to the Council for formal approval.

7. Recommendations

- 7.1 I propose that Executive Committee recommends to the Council approval of the refreshed Planning and Performance Management arrangements, as described in Appendix 1.

Appendices

Strategic Drivers

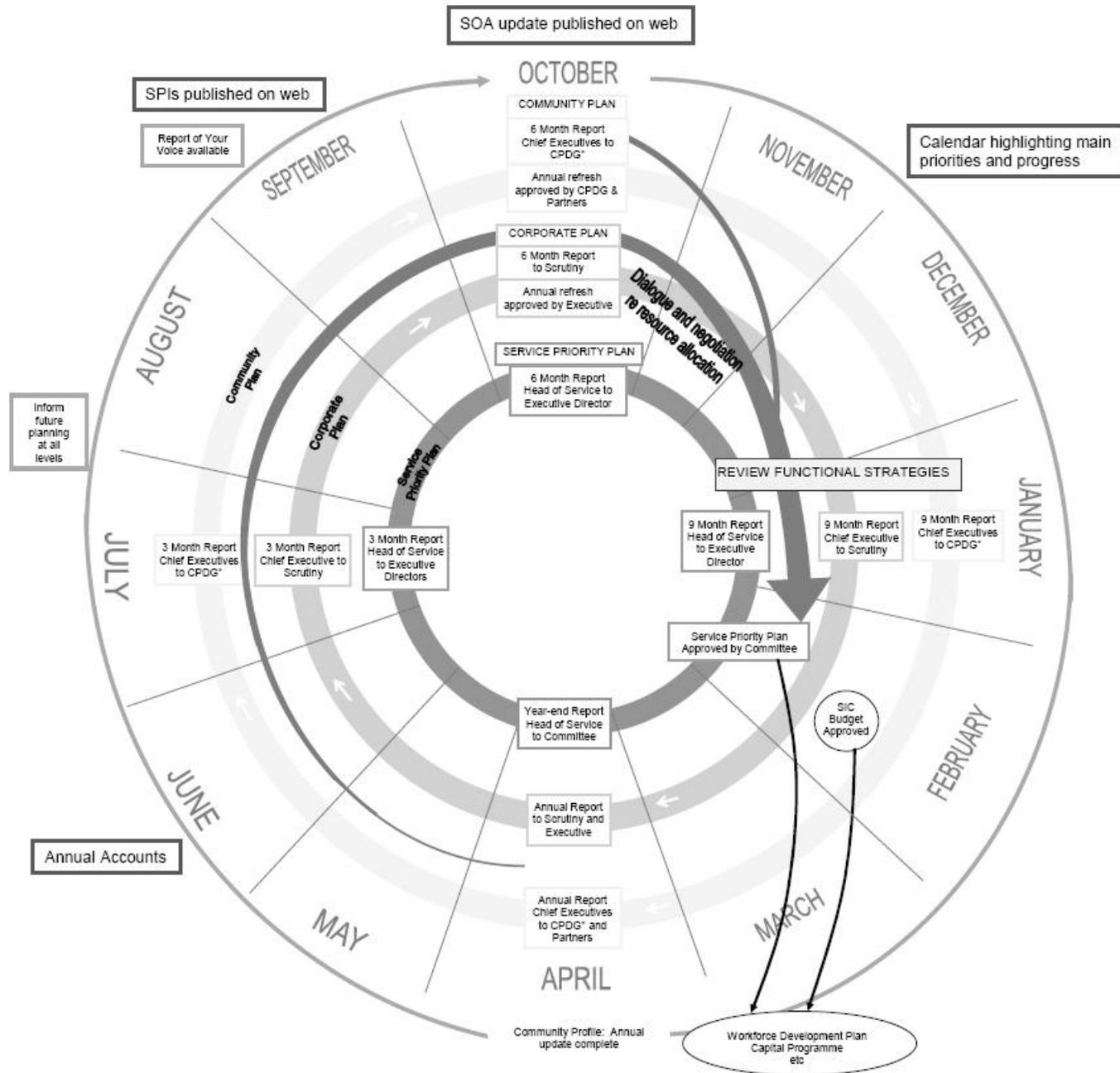


Accountability

Planning and Performance Document	Approval	Accountability	Scrutiny of Outcomes / Actions and Cost
Community Plan /SOA	Community Planning Partnership 5-10 years /Annual refresh	CEO of each partner organisation	Community (Annual Report) (3 mth)
SIC Corporate Plan	Council, via Executive 4-5 years /Annual refresh	CEO	Scrutiny Committee (3 mth)
Service Improvement Plan	Relevant Committee Annual	Relevant Manager	Relevant Director (3 mth)
Operational Work Plan	No Formal Approval Annual Review	Service Manager / Team Leaders etc.	Relevant Manager (3 mth)

Final PPMF

(including public performance reporting and community engagement)





REPORT

To: **Executive Committee**
Shetland Islands Council

4 July 2011
6 July 2011

From: **Head of Finance**

2010/11 PROVISIONAL FINANCIAL OUTTURN – SERVICE DETAIL **Report No: F-031-F**

1.0 Introduction

- 1.1 The purpose of this report is to inform Members of the provisional outturn position for services for 2010/11. This draft financial detail is still subject to audit.
- 1.2 The key messages on the General Fund from the provisional outturn review are as follows:
 - the overall draw on reserves is £10m less than originally approved;
 - there has been a significant additional draw on reserves to fund revenue expenditure (at £13m more than expected, partially due to projects being transferred from the capital programme to the revenue account);
 - Setting aside the capital transfers, there remains a concern that the level of revenue spend is running well in excess of what is affordable and sustainable;
 - there has been a significant reduction in the expected draw on the Capital Fund (partly due to the reclassification of some capital projects); and
 - the 2010/11 outturn and the impact on the closing reserves balances will be addressed through the separate Report on today's agenda, on the long term financial planning process.

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 reviewing financial performance relative to the Council's financial policies.

3.0 Risk Management

- 3.1 The provisional outturn position shows for the first time the full financial performance against budget for the year. Depending on the outcome this will shape the Council's future financial planning framework. It also provides evidence of financial performance and changes in spending pressures, which is important for corporate

planning, management and governance. Failure to learn from the historical financial performance in planning for the future may result in a risk that the Council's financial policies not being achieved, with the reserves being utilised now to support the current models of service delivery and not retained for enjoyment by future generations.

4.0 Overall Position Statement: Original Budget Strategy v Approved Budget

4.1 The budget strategy for 2010/11 originally planned for £24.8m of expenditure from Reserves. This was subsequently revised by the approval of the budget estimates which resulted in a draw for General Fund revenue £2m, Reserve Fund revenue £11.4m, and Capital Programme £31.3m, a total of £44.7m. Decisions of the Council have subsequently changed the budgets, the revised budgets are shown in the following tables in this report.

5.0 2010/11 Outturn Compared to Revised Budget

5.1 Support and Recharged Services

5.1.1 The Support Services ledger comprises the costs of Executive, Education & Social Care and Infrastructure Services, Economic Development Unit and Ports & Harbours Operations' support functions, which are ultimately recharged out to particular services and funds, leaving a zero balance. The Recharged ledger is for engineering services for ports and ferries, catering/cleaning services for schools and offices, which are also recharged out to particular services and funds, leaving a zero balance.

5.1.2 The following table compares the 2010/11 Support Services provisional outturn against the revised budget.

Table 1 (a) Support Services	2010/11 Revised Budget	2010/11 Provisional Outturn	2010/11 Variance Fav/(Adv) Including Capital Trfs £'000	2010/11 Capital Transfers	2010/11 Variance Fav/(Adv) Excl Capital Transfers £'000
	£'000	£'000		£'000	
Employee Costs	19,432	20,690	(1,258)	0	(1,258)
Operating Costs	6,876	6,828	49	152	201
Transfer Payments	(19)	(62)	44	0	44
Income	(619)	(736)	117	0	117
Net Departmental Expenditure	25,671	26,719	(1,049)	152	(896)
Capital Financing Costs	1,348	1,870	(522)	0	(522)
Net Recharges	(27,019)	(28,589)	1,570	(152)	1,418
Total Net Expenditure	0	0	(0)	0	(0)

5.1.3 The Net Departmental Expenditure on controllable items (excluding capital transfers) is £0.896m more than the budget.

- Employee costs - are overspent by £1.258m, this is mainly due to procurement savings (£1m) being budgeted on support whereas any savings have been recorded either on capital projects or across service budgets on General,

Recharged, Harbour or HRA ledgers. In addition, there are additional unfunded pension costs for employees taking early retirement as part of the improvement plan restructuring of £0.450m.

- Operating costs, Transfer Payments and Income – there is a combined underspend from minor general underspending and increased income across services.

5.1.4 The following table compares the 2010/11 Recharged Services provisional outturn against the revised budget. This includes catering and cleaning, ports and ferry recharged services.

Table 1(b) Recharged Services (ferries/ports/catering/ cleaning)	2010/11 Revised Budget	2010/11 Provisional Outturn	2010/11 Variance Fav/(Adv) Inc Capital Trfs	2010/11 Capital Transfers	2010/11 Variance Fav/(Adv) Excl Capital Transfers
	£'000	£'000	£'000	£'000	£'000
Employee Costs	4,336	4,212	124	0	124
Operating Costs	9,558	9,688	(130)	0	(130)
Transfer Payments	0	0	0	0	0
Income	(1,390)	(1,444)	54	0	54
Net Departmental Expenditure	12,503	12,456	47	0	47
Capital Financing Costs	400	345	55	0	55
Net Recharges	(12,903)	(12,802)	(101)	0	(101)
Total Net Expenditure	0	0	(0)	0	(0)

5.1.5 The Net Departmental Expenditure on controllable items (excluding capital transfers and the jetties/spur booms funded by the terminal operators) is £0.047m less than the budget.

- Employee costs - this favourable variance is due mainly to decrease in staff costs following the review of Port engineering staff as part of Ports for the Future project (£0.115m).
- Operating costs - the overspend of £0.130m is a combination of increases in fuel and drydocking services for ferries and port vessels and jetty maintenance costs offset by a decrease in other repairs and maintenance and hired and contracted services across ferries and ports services.
- Income – this is mainly due to an increased contribution from the Marine Fund to pay for pension costs following the Ports for the Future staffing changes.

5.2 General Fund

5.2.1 The table below compares the 2010/11 General Fund provisional outturn against the revised budget.

5.2.2 The budget was initially set with a requirement to utilise £2m from Reserves (SIC Min. Ref. 15/10). This was based on achieving savings of £9.943m in the year. The revised budgeted draw on Reserves is £15.070m is due to a combination of savings to be achieved (£9.943m), double counting of PSHG

income now part of the General Capital Grant (£0.495m), an under estimation of recharges (£0.355m), the 2009/10 budget carry forwards (£1.297m) and corporate improvement budget (£1.000m).

Table 2 General Fund	2010/11 Revised Budget	2010/11 Provisional Outturn	2010/11 Variance Fav/(Adv) Inc Capital Transfers £'000	2010/11 Capital Transfers £'000	2010/11 Variance Fav/(Adv) Excl Capital Transfers £'000
	£'000	£'000		£'000	
Employee Costs	68,157	66,592	1,565		1,565
Operating Costs	36,199	40,185	(3,986)	3,048	(938)
Transfer Payments	11,101	11,122	(21)		(21)
Income	(20,247)	(23,747)	3,501	(1,468)	2,032
Net Dept Expenditure	95,210	94,151	1,059	1,579	2,639
Capital Financing Costs	6	58	(52)		(52)
Net Recharges	24,133	26,162	(2,028)	223	(1,805)
Total Net Expenditure	119,350	120,371	(1,021)	1,803	782
Financed by:					
RSG	(86,715)	(86,894)	179		179
NNDR	(8,795)	(8,672)	(123)		(123)
Council Tax	(8,036)	(8,647)	611		611
Interest on Revenue Balances	0	0	0		0
Trading Undertakings (DLO/DSO)	(734)	(830)	96		96
Balance from Reserves	(15,070)	(15,329)	259	(1,803)	(1,544)
Total General Fund	0.000	0.000	0.000	0.000	0.000

5.2.3 Net Departmental Expenditure (excluding capital transfers) was under budget by £2.639m.

5.2.4 Table 3 (a) below highlights departmentally where General Fund service budgets are being met and where budgets have been underspent or exceeded at Net Departmental Expenditure level.

Table 3 (a) General Fund Net Departmental Expenditure	2010/11 Revised Budget £'000	2010/11 Provisional Outturn £'000	2010/11 Variance Fav/(Adv) Inc Capital Transfers £'000	2010/11 Capital Transfers £'000	2010/11 Variance Fav/(Adv) Excl Capital Transfers £'000
Executive Office	1,385	630	755	0	755
Organisation Dev.	497	401	96		96
Capital Programme	(109)	(179)	70	3	73
Legal & Administration	182	151	31		31
Economic Development	0	135	(135)		(135)
Finance	312	109	204		204
Sub Total Exec. Services	2,267	1,247	1,020	4	1,024
Infrastructure Directorate	0	0	0		0
Environmental Services	8,144	7,928	216	137	352
Roads	5,549	5,697	(149)	4	(144)
Transport	9,282	10,379	(1,098)	284	(813)
Planning	(61)	(324)	262		262
Sub Total Infrastructure Services	22,913	23,681	(769)	425	(343)
Education & Social Care Directorate (inc museum)	1,283	1,294	(10)		(10)
Community Care	21,433	21,251	182	364	546
Schools	37,979	37,762	218	749	967
Children's Services	5,987	5,592	395	1	396
Criminal Justice	23	(33)	56		56
Housing	844	799	45	5	50
Adult Learning & Train Shet	502	455	48		48
Sport & Leisure	1,672	1,653	19	30	49
Community Work	307	451	(144)		(144)
Sub Total Education & Social Care Svs	70,031	69,223	808	1,150	1,957
TOTAL	95,210	94,151	1,059	1,579	2,639

5.2.5 The largest adverse variances were on Economic Development, Roads, Transport, and Community Work.

- The overspend on Economic Development (£0.135m) was due to the Business Gateway scheme changing from a specific grant to being part of the General Revenue Grant, however, this was not known until after the estimates were approved resulting in no additional income being received to offset the cost of this scheme.
- The overspend on Roads (£0.144m) was due to the severe winter conditions which resulted in an increased winter maintenance service requirement (£0.451m). That overspend was offset by a government grant (£0.243m) as special assistance after the severe winter, and a reduced spending on resurfacing maintenance (£0.152m).
- The overspend on Transport was (£0.813m) due to increased tender prices for air services and inflation indexation on bus contracted services (£0.788m) and single status back pay costs on the ferry service (£0.072m).
- The overspend on Community Work (£0.144m) was due to pension costs as a result of an early retirement (£0.160m) offset by minor savings across the service.

5.2.6 Offsetting these overspends were large favourable variances on the Executive Office, Finance, Environment, Planning, Community Care, Schools and Children's services.

- The underspend on Executive Office (£0.755m) was due to the Corporate Improvement/Spend to Save budget not being fully utilised in 2010/11 (£0.894m), which is offset by an increase in External Audit expenditure in the year as this year includes payments which relate to last year (£0.165m) which should have been accrued.
- The underspend on Finance (£0.204m) was due to the retention of Council Tax for second properties which is to be utilised to fund increases in housing supply (£0.253m) and other income from grants and commission fees (£0.091m), this is offset by the provision for bad debts (£0.147m).
- The underspend on Environment (£0.352m) was due to a net reduction in Police and Fire grants (£0.072m), Waste to Energy costs reduction and increased income (£0.229m), reduced spend on private sector housing grants (£0.140m), Burial Grounds (£0.050m), Zero Waste Fund (£0.050m), this and other underspends have offset increased costs in refuse collection maintenance and reduced landfill income (£0.269m).
- The underspend on Planning (£0.262m) was due to the Lerwick Town Centre regeneration project not progressing as anticipated (£0.142m) and increased income from building warrants, planning applications and licence fees (£0.125m).
- The underspend on Community Care (£0.546m) was due mainly to finding staff savings across the service (£0.276m), reduced Service Level Agreements (£0.074m) and reduced requirement for independent sector placements (£0.100m).
- The underspend on Schools (£0.967m) was mainly due to finding staff savings across the service.
- The underspend on Children's services (£0.396m) was due to reduced spending on residential care (£0.110m), family and family centre services (£0.131m), psychological services (£0.061m) and short break services (£0.044m).

5.2.7 Recharges In are more than budgeted due to support ledger efficiency savings being realised on other ledgers which do not reduce the cost of the support ledger and a change in the recharge pattern.

5.2.8 Revenue Support Grant variance is due to additional income in respect of grant redeterminations by the Scottish Government.

5.2.9 The variance on the National Non Domestic Rate (NNDR) income is due to less NNDR income received than originally anticipated from the Scottish Government.

5.2.10 The amount of Council Tax collected is higher than anticipated due to additional property numbers and some prior years' outstanding Council Tax collected in 2010/11.

5.2.11 The contribution from the DLO is more than originally anticipated. This is due to increased income from charges for services and material sales.

5.2.12 The overall position on the 2010/11 General Fund revenue outturn is a draw on reserves of £15.329m including capital transfers of £1.803m. This does not include the following carry forward requests: -

Table 3 (b) - Carry Forwards Project	Reason	£m
Corporate Improvement	Corporate Improvement work ongoing	0.894
Tamil Nadu	5 year programme of Tsunami Appeal work ongoing	0.004
Council Tax 2nd Homes	Ring fenced funding to support housing initiatives	0.382
Safer Streets (for policing events)	External funding from Scottish Govt	0.003
Swimming Top-Up	External funding from Sports Scotland	0.003
Active Schools	External funding from Sports Scotland	0.018
Scottish FA Youth Football	External funding from Scottish FA	0.004
Dance Mats	External funding from Scottish Govt	0.005
Town Centre Regeneration	External funding from Scottish Govt	0.142
Visual Support	External funding from Royal National Institute for the Blind	0.006
Telecare	External funding from Scottish Govt	0.032
Prescribing Clinic	External funding from NHS	0.010
Substance Abuse SW Post	External funding from NHS	0.037
Deprivation & Social Exclusion	External funding from Fairer Scotland Funding	0.013
Youth Music	External funding from Creative Scotland/SADAT	0.029
Youth Bank - Big Splash	External funding from Youthbank Scotland	0.001
International Education	External funding from	0.001
Staff Development	External funding from	0.001
Cultural Co-ordinator	External funding from Children in Scotland	0.003
TOTAL		1.588

5.2.13 The carry forwards above are either committed or externally funded projects for which monies have been received in 2010/11 but have not yet been spent. The total amount requested is £1.588m. This will increase expenditure in 2011/12 and consequently the draw on balances for that year.

5.2.14 A separate report on the financial planning and budgeting process to this meeting will cover the wider financial implications of the 2010/11 outturn on the General Fund.

5.3 Reserve Fund

5.3.1 Table 4 sets out the 2010/11 Reserve Fund provisional outturn against the revised budget. The estimates approved a budget of £9.591m plus development loans of £1.775m, a total of £11.366m. This was further augmented by £2.811m of carry forwards and £1.281m for resource transfer, with other minor budget revisions of £0.217m giving a total revised budget of £15.241m.

Table 4 Reserve Fund By Category	2010/11 Revised Budget	2010/11 Provisional Outturn	2010/11 Variance Fav/(Adv) Inc Capital Transfers £'000	2010/11 Capital Transfers £'000	2010/11 Variance Fav/(Adv) Excl Capital Transfers £'000
	£'000	£'000		£'000	
Employee Costs	919	819	100		100
Operating Costs	2,131	2,209	(78)		(78)
Transfer Payments	11,100	10,308	792	2,094	2,886
Income	(190)	(3,255)	3,065	(0)	3,064
Net Departmental Expenditure	13,959	10,081	3,878	2,094	5,972
Capital Financing Costs	0	30	(30)		(30)
Net Recharges	1,282	1,046	236		236
Total Net Expenditure	15,241	11,157	4,084	2,094	6,178
Funded by: Reserve Fund/SDT Contribution	(15,241)	(11,157)	(4,084)	(2,094)	(6,178)
Total Reserve Fund	0	0	0	0	0

5.3.2 The above table shows that the provisional outturn for the Reserve Fund is £6.178m less than the budgeted Net Expenditure, this underspend excludes capital transfers which were budgeted on the capital programme of £2.094m.

5.3.3 The Reserve Fund received a grant repayment from the Shetland Development Trust of £2.823m as part of the SDT transfer back to the Council. Table 5 (a) below shows the expenditure by department.

Table 5 (a) Reserve Fund Net Departmental Expenditure	2010/11 Revised Budget	2010/11 Provisional Outturn	2010/11 Variance Fav/(Adv) £'000	2010/11 Capital Transfers £'000	2010/11 Variance Fav/(Adv) Excl Capital Transfers £'000
	£'000	£'000		£'000	
Chief Executive	71	84	(13)		(13)
Organisational Development	222	234	(12)		(12)
Capital Projects	1,009	1,023	(14)		(14)
Legal & Administration	0	32	(32)		(32)
Finance	1,475	1,301	174		174
Executive Services	2,777	2,673	103	0	104
Environment	200	165	35		35
Planning	351	262	90		90
Infrastructure Services	551	427	125	0	125
Sports & Leisure	2	249	(248)	249	2
Housing	157	139	18		18
Train Shetland	397	414	(17)		(17)
Education & Social Care	555	802	(247)	249	3
Economic Development Unit	11,358	10,078	1,280	1,844	3,124
Transfer of SDT Income	0	(2,823)	2,823		2,823
TOTAL RESERVE FUND	15,241	11,157	4,084	2,094	6,178

5.3.4 The main variance on Executive Services is on Finance where there is a favourable variance for resource transfer, which was less than originally budgeted for. On Infrastructure Services, underspending is for fuel poverty and natural heritage, coastal protection and conservation grants where grants paid out have been less than anticipated by £0.125m. The main variance under Education and Social Care services is an overspend on Sports and Leisure due to the transfer of capital grants to revenue of £0.249m. Under the Economic Development Unit grants have been underspent by £1.280m including transfers from capital of £1.844m. This is due to several projects, which were planned to go ahead in 2010/11 but have slipped into 2011/12 amounting to £0.921m.

5.3.5 There are a number of requests for carry forwards totalling £0.921m, set out in table 5(b) below. All of these are for Economic Development projects where funding has been approved but the project has slipped from 2010/11 into 2011/12 mainly due to changes in funding packages, pre-conditions not being met or delays regarding obtaining planning permissions and finding suitable contractors. This will increase the draw on reserves in 2011/12.

Table 5 (b) Carry Forwards Project	Reason	£m
Brough Lodge	Project slippage due to obtaining planning permission	0.050
Sandsayre Pier	Project slippage due to funding package change	0.190
Hjaltland Hatcheries Ltd	Project slippage due to obtaining planning permission	0.315
Shetland Bus Friendship Soc.	Project slippage due to intial contractor going into administration	0.120
Shetland Composites	Project slippage due to obtaining planning permission and suitable contractor	0.094
SLMG	Project slippage due to delay in meeting pre-conditions	0.131
Shetland Abattoir Co-op Trust	Project slippage due to delay in meeting pre-conditions, Development Committee extended grant expiry date	0.021
TOTAL		0.921

5.4 Housing Revenue Account

5.4.1 Table 6 below sets out the 2010/11 Housing Revenue Account (HRA) provisional outturn against the revised budget.

Table 6 Housing Revenue Account	2010/11 Revised Budget	2010/11 Provisional Outturn	2010/11 Variance Fav/(Adv)	2010/11 Capital Transfers	2010/11 Variance Fav/(Adv) Excl Capital Transfers
	£'000	£'000	£'000	£'000	£'000
Employee Costs	3	3	0		0
Operating Costs	2,370	2,282	88	5	92
Transfer Payments	29	14	15		15
Income	(6,605)	(6,762)	158		158
Net Departmental Expenditure	(4,203)	(4,463)	260	5	265
Capital Financing Costs	2,909	4,039	(1,130)		(1,130)
Net Recharges	896	883	13		13
Total Net Expenditure	(398)	459	(856)	5	(852)
Funded by:					
Housing R & R Fund Cont.	398	(459)	856	(5)	852
Total HRA	0	0	0	0	0

5.4.2 Table 6 shows that the provisional outturn for the Housing Revenue Account (HRA) on net departmental expenditure is overspent by £0.856m including capital transfers of £0.005m. A contribution of £0.313m would have been made to the Housing Repairs and Renewals Fund, however due to funding the cost of the new builds from revenue (CFCR) of £1.165m, this has resulted in a draw of £0.459m from Housing Repairs and Renewals Fund in 2010/11. The cost of CFRC has been offset by increased income with more rents being received than originally anticipated and reduced planned maintenance.

5.4.3 The net impact of these variances is an increased draw on the Housing Repairs and Renewals Fund of £0.459m as opposed to the budgeted contribution to the Housing Repairs and Renewals Fund of £0.398m.

5.5 Harbour Account

5.5.1 Table 7 below sets out the 2010/11 Harbour Account provisional outturn against the revised budget.

Table 7 Harbour Account	2010/11 Revised Budget	2010/11 Provisional Outturn	2010/11 Variance Fav/(Adv) Inc Capital Trfs and Jetties £'000	2010/11 Capital Transfers	2010/11 Variance Fav/(Adv) Excl Capital Transfers £'000
	£'000	£'000		£'000	
Employee Costs	5,003	6,654	(1,651)		(1,651)
Operating Costs	924	744	180	6	185
Transfer Payments	106	92	13		13
Income	(16,821)	(16,292)	(529)		(529)
Net Departmental Expenditure	(10,788)	(8,801)	(1,987)	6	(1,981)
Capital Financing Costs	1,250	1,159	91		91
Net Recharges	5,640	5,286	355		355
Net Income	(3,898)	(2,357)	(1,541)	6	(1,535)
Contribution to RF	3,898	2,357	1,541	(6)	1,535
Total Harbour Account	0	0	0	0	0

5.5.2 The Harbour Account is to contribute £2.357m for use of capital assets to the Reserve Fund which is a decrease of £1.541m against budget (including capital transfers and jetties costs paid for by the terminal operator

- Employee costs are £1.651m more than anticipated due to additional overtime of £0.223m by towage crews, redundancy and pension costs of £0.479m as a result of the Ports for the Future project and savings not achieved of £0.871m. The savings, although not achieved on revenue, were achieved from the sale of a tug vessel of £0.726m. The operating costs are £0.180m less than budget due to the hire of a helicopter for boarding and landing not being required (£0.075m) with the remaining underspends across a variety of activities such as equipment, rates, general computer costs, advertising etc.
- The income on the Harbour Account is less than anticipated with less throughput than originally expected. This was primarily due to the extended shutdown of Schiehallion for maintenance and a reduction in ship-to-ship dues. The prolonged closure of Scheihallion had a detrimental effect on shipping, both imports and exports, as well as the Harbour Agreement. Sullom Voe harbour income has reduced by £0.593m this has been mainly from harbour dues £0.427 and ship-to-ship transfers £0.146. The remaining shortfall is income from sale of tugs budgeted of £1.400m of which one sale has achieved £0.726m (this income has been coded to capital). These shortfalls have been offset by the other piers contributing increased income of £0.266m, mainly on Blacksness £0.198m alongside contributions from the Marine Fund to offset redundancy and pension costs incurred (£0.532m) and increased income against budget from jetties and spur booms £0.366m.
- Recharges have reduced due to a change in the recharge pattern from that originally budgeted for.

6.0 Overall Financial Implications v Original Approved Budget

6.1 The budgeted draw on reserves for 2010/11 spending was £2m on the General Fund, £11.4m on the Reserve Fund and £31.3m on the Capital Programme; a total of £44.7m.

Table 8 Draw on Reserves	Budgeted Draw on Reserves £m	Outturn Draw on Reserves (after capital trfs) £m	Fav/(Adv) Variance £m
General Fund Revenue	2.000	15.329	(13.329)
Reserve Fund Revenue	11.366	11.157	0.209
Capital Programme	31.300	7.930	23.370
Total GF and RF Expenditure	44.666	34.416	10.250

6.2 Overall the Council has underspent against the original budget set to draw upon reserves by £10.250m, however, the shift between revenue and capital has increased pressure significantly on the Reserve Fund to fund ongoing revenue expenditure. Of the £13.329m growth in general fund revenue spending only £4.060m relates to transfers from the capital programme.

6.3 The balance on Council reserves as at 31 March 2010 is £256m the draw on reserves will bring the Council below its £250m reserve limit (final fund figures are not yet available for 2010/11). There will be more comment on this aspect of long term financial planning in the financial planning and budget process report on today's agenda, which seeks to start early the process of identifying ongoing revenue savings and efficiencies.

7.0 Policy and Delegated Authority

7.1 The role of the Executive Committee includes:

- Secure the co-ordination, control and proper management of the financial affairs of the Council
- Undertake the planning and preparation of the Council's annual service plans and budget estimates of capital and revenue expenditure

7.2 Recommendation 9.1(b) constitutes an amendment to the approved budget, so approval of the Council will be required.

8.0 Conclusions

8.1 In summary this report sets out the provisional outturn position for the General Fund, Reserve Fund, Housing Revenue Account and the Harbour Account for 2010/11. This report provides Members with detailed explanations of how spending against budget for services occurred in 2010/11.

8.2 The General Fund requires a draw on reserves of £15.329m to balance (including capital transfers of £1.956m) against the original budgeted draw on reserves of

£2.000m, an increase of £13.329m. Requests for carry forwards of £1.588m have been made as set out in paragraph 5.2.12.

- 8.3 The Reserve Fund requires a draw on reserves of £11.157m to balance (including capital transfers of £2.094m) against the original budgeted draw on reserves of £11.366m, a decrease of £0.209m. Requests for carry forwards of £0.921m have been made as set out in paragraph 5.3.5.
- 8.4 The Housing Revenue Account requires a draw on reserves of £0.459m (including capital transfers by £0.005m) against the original budgeted contribution to reserves of £0.398m.
- 8.5 The Harbour Account contribution for use of capital assets to the Reserve Fund is £2.357m against the budgeted contribution of £3.898m (including capital transfers of £0.006m).
- 8.6 The original budget strategy draw on reserves for General Fund, Reserve Fund and Capital Programme was £44.666m, the provisional draw for 2010/11 is £34.416m, a reduction of £10.250m. However, there is a significant switch between the use of reserves to support revenue as opposed to capital expenditure.
- 8.7 The provisional position indicates that the Council have used less of its Reserves than planned, however, the £34.416m draw will be made against the balance sheet of £256m of reserves as at the 31 March 2010, which will result in the Council breaching the £250 million Reserves Floor policy limit. At the point of writing this report, finalised figures for Fund balances was not available as at 31 March 2011. This will be discussed in more detail in the financial planning and budgeting process report.

9.0 Recommendations

- 9.1 I recommend that the Executive Committee recommends to the Council to:
 - a) note the Outturn as detailed in Section 5 and the effect against original budgeted draw on reserves in Section 6,
 - b) determine the level of budget carry forwards on the General Fund and Reserve Fund after reviewing the requests set out in paragraph 5.2.12 and 5.3.5 respectively;
 - c) note that the wider financial implications of the outturn position for 2010/11 will be addressed through the medium to long term financial planning process, which starts with the separate report on today's agenda.

Date: 24 June 2011
Our Ref: HKT/Provisional Outturn

Report No: F-031-F



Report

To: Executive Committee

4 July 2011

From: Head of Finance

Report No: F-030-F

Financial Planning and Budgeting Framework

1 Introduction and Key Decisions

1.1 This Report invites Members to consider establishing some principles for taking forward the financial planning arrangements for the Council, for next year and the medium term. The proposals included in the Report include consideration of the following issues:

- set the baseline reserves level for forward planning at £258.6 million at March 2010;
- disaggregate the overall policy target of £250 million and develop a policy and budget for each Fund;
- establish a General Fund revenue balance, as a genuine contingency for unexpected items which can occur;
- agree to develop a charging policy that, in principle, presumes that the Council will charge for services; and
- agree in principle to build in specific Spend to Save budgets on the Capital and Revenue Account.

1.2 Members are asked to agree the timetable for taking forward each of the elements of the financial planning and budgeting process. The Executive Committee is also invited to consider what arrangements might be put in place to oversee this corporate activity, under the new governance arrangements.

2 Links to Corporate Priorities

2.1 This report links to the Council's corporate priorities in relation to prioritising and planning so the Council can sustain the services it wants to provide and help develop our economy while keeping the revenue budgets within sustainable limits. In time, Members will have to make choices over some key strategic policy decisions, such as:

- the financial policy framework and levels of reserves;
- the level of public sector jobs, with an economic or financial focus;

- centralised and cost effective models of service delivery which meet the tests of best value, or retention of services to meet community aspirations, especially in more rural areas.
- methods of procuring services and the extent of any shift required between direct service provision and out-sourcing to the voluntary or private sector.
- transport policy direction, around fixed links or ferries.

2.2 Recently, the Council has been developing its approach to Planning and Performance Management. A separate Report on this agenda sets out the elements of the framework for approval, which are:

- Single Outcome Agreement
- Corporate Plan
- Service Plans
- Budgeting – Revenue and Capital
- Performance Measures
- Performance Reviews
- Best Value framework and continuous improvement
- Community Engagement

3 Risk Management

3.1 The Council's Corporate Improvement Action Plan contained a specific recommendation to review the medium / long term financial management strategy. It states:

“This will ensure that the Council has established a rigorous process to ensure that its use of resources is on a footing consistent with implementing and sustaining its financial strategy, and demonstrate that it delivers services in a way which achieves Best Value.

The success measures will be:

- an agreed and sustainable medium / long term financial strategy that both sustains high quality services and maintains reserves at an appropriate level.
- ensure that appropriate targets and objectives are set thereby restoring and building confidence.
- clarity on the whole question of how efficiency savings are achieved, including a corporate approach to procurement.

The action is remitted to the Head of Finance for completion by September 2011.”

3.2 Establishing an effective framework for linking corporate priority setting with service planning, asset investment, workforce development and financial resources will go a long way to addressing the key risks identified.

3.3 Specifically in relation to financial matters, securing a balanced budget and maintaining a reasonable level of reserves in accordance with the Council's financial policy framework is one of the most important components of corporate governance.

3.4 Failure to address these key risks could result in:

- The Council's financial policy not being achieved, with the reserves being utilised now to support the current models of service delivery and not retained for enjoyment by future generations.
- Not being able to address growing and changing services needs, so there is the potential that those in our community who require more services may not have all their service needs met.
- Difficulty in demonstrating value for money and best value in service delivery models, so not meeting a core statutory duty.
- Members potentially facing challenges from the Accounts Commission, and others, that the Council is not able to take, "difficult decisions" and provide "clear and consistent leadership" to their staff and to the community.
- Reputational damage from the service users and communities concerned, regarding mixed messages or inability to take decisions.

3.5 Taking the difficult decisions, which may be required, could result in:

- Staffing cuts and job losses, in a time of recession where other job opportunities might not be readily available.
- Disruption to services and services users, as any changes are implemented.
- Dissatisfaction from the community about reduced services.
- Disagreement within the community as to where the service reductions should be targeted.
- The Council taking decisions which are in Shetland's overall best interests but are not seen by individual communities to be in their best interest, which could be politically damaging for Members.
- Staff and union unrest and dissatisfaction to any changes which may have a negative impact on staffing arrangements.

4 Background

4.1 The Council's **General Fund** financial policy framework since 2005 has been made up of several elements:

- General Fund Reserves (mainly the Reserve Fund, Capital Fund and Repairs and Renewals Fund) should be maintained at no less than £250 million (the Reserves Floor policy). Their value at the start of the current financial year was £274 Million (all reserves, but £258 million excluding those funds which are ring fenced).
- Use of Reserves to support General Fund revenue spending was reduced by a minimum of £1 million per year (with a target level of £1million in 2011/12 and £0 thereafter).
- Use of Reserves to support the General Fund Capital Programme should be constrained to levels consistent with the Reserves Floor policy. Initially the target was £20 million per annum, subsequently modified to a Programme of no more than £100 million over five years. In practice, General Fund Capital Programme spending has been in

the range of £15-18 million per annum, well within the policy limits each year.

- Use of the Reserve Fund to support the Reserve Fund Programmes (mainly, but not entirely, economic development) is considered every year.

4.2 In March 2011, the then Head of Finance presented a report on the Overall Financial Review. Table 1 below is summarised from that Report to show the overall position on the 2011/12 General Fund budget.

Table 1: 2011/12 General Fund Budget: Drawing from Reserves

Item	Capital Programme £m	Reserve Fund Programme £m	Revenue £m	Total £m
Original	21.6	8.3	21.9	51.8
Adjustments:				
Extra Grant	(2.1)			(2.1)
Extra Spend		0.4		0.4
Savings	(5.0)		(9.4)	(14.4)
Total Drawings	14.5	8.7	12.5	35.7
Plus: Grant Aid to Hjalmland Housing Association				3.5
Overall planned drawings from Reserves in 2011/12				39.2

4.3 The then Head of Finance commented, “from an original position where it looked like £51.8 million would be drawn from reserves, the Council progressed to a final position in which the drawings from Reserves are budgeted at £35.7million. This very substantial improvement of £16.1 million is largely attributable to the work done by Councillors and Officers at the Financial Resources Member / Officer Working Group”.

4.4 The estimated gap between expenditure and income for future years is £25 million in 2012/13 and £26 million in 2013/14. All the ongoing savings which can be generated from the £9.4 million savings target approved in the current year will reduce the gap (currently savings banked stand at about £5 million). So, if all the savings are achieved and can be demonstrated to be ongoing, the gap will be about £15 - £16 million. However, this does not take into account any new cost pressures which might occur (such as fuel and energy costs) and the actual amount of the Government settlement is not yet known.

5.0 Elements of the Financial Planning Framework

5.1 This section draws all the elements of expenditure and income together and highlights the key issues which will need to be addressed over the coming months. This is shown as a diagram at Appendix 1.

5.2 The overall objective is to set a balanced budget, on both the capital and revenue account.

5.3 Firstly, the Council needs to determine a medium / long term **reserves policy**. Issues, which Council Members will need to debate and decide upon, include:

- Is the policy level of £250 m adequate?
- If not, how will it be determined what an adequate level of reserves might be (higher or lower)?
- Will Members want a combined target or for each fund to have its own target (recognising the purpose for which it was established)?
- What level of investment returns will be used for planning purposes?
- In what circumstances would the Council consider borrowing money?
- Consider whether it is appropriate to use book value or market value?

5.4 From this work, an agreed level of **draw from reserves** can be predicted, which can be used as income to fund the revenue and capital programmes.

5.5 Table 2 below provides a summary from the 2009/10 Final Accounts as to the level of Reserves currently held in each Fund. The overall total is £273.8 million, of which £258.6 million is generally available and £15.2 million is ring fenced for specific purposes.

Table 2: Final Accounts at March 2010

Funding	General Reserves £m	Ring Fenced Reserves £m
Capital Fund	117.6	
Renewal and Repair	74.3	
Reserve Fund	66.7	
Pilot Boat Renewal		0.9
Housing Renewal and Repair		10.6
Others		0.5
Marine Superannuation		2.9
Insurance Fund		0.3
General Fund Balances	0.0	
Total	258.6	15.2

5.6 A note of the purpose for which each of the general funds may be used and their legal standing is contained in Appendix 2. In summary, the position is:

Capital Fund – to pay for capital expenditure

Renewal and Repair - to repair or renew existing assets and property, including vehicles, vessels, infrastructure and property

Reserve Fund – to support harbour activities with a broad “catch all” which enables the Council to use it for any purpose in the interests of Shetland and its inhabitants.

- 5.7 For the purpose of medium and long term financial planning, I propose to use only the general reserves values at £258.6 million as the starting position (as other funds are set aside for very specific reasons). Further, given the quite distinct purposes to which the funds can be used, I propose to establish a separate policy framework for each of the three main funds: Capital; Renewal and Repair; and Reserve Fund and present a separate budget for each.
- 5.8 Some work will be done on the Insurance Fund, in terms of the level of reserves held for the risks which the Council is carrying. This will involve some specialist support on analysing our claims history, potential claims and the level of self insurance which it is appropriate to carry.
- 5.9 Members may note that, at the moment, the Council is carrying no General Fund balances. Re-establishing a small General Fund balance will mean that the Council has maximum flexibility in reacting to unexpected events during the year. In other Councils, it would be usual to hold a balance of about 2% of overall spend, so about £2 - £3 million.
- 5.10 The Council's other element of income over which the Council has direct control is the level of **fees and charges** which is levied for services provided. At the moment, the Council levies charges of about £11 million per annum for General Fund related services. A review of the charging policy therefore needs to be undertaken to ensure a consistent approach is taken across services, with due regard to levels of income on individuals and families. As a matter of principle, I am proposing that the new charging policy be developed which presumes that the Council will charge for services, where it is appropriate to do so, from which Members may then wish to exclude certain services.
- 5.11 The Council Tax is set locally but current agreement with the Scottish Government through the Concordat is for charges to be frozen. Until that arrangement changes, the Council can predict to get about £8 million from Council Tax year on year (equivalent to about 6% of the cost of Council services).
- 5.12 The overall package of income from the Government is made up of three elements, as shown in Table 3 below.

Table 3: Funding from Government

Funding	2010/11 £m	2011/12 £m
General Revenue Funding	86.5	77.4
Non Domestic Rates	8.8	14.2
Ring Fenced Grants	3.2	2.9
Total	98.5	94.5

- 5.13 The funding received from government sources accounts for 74% of the Council's expenditure levels. There are no new indications as yet as to the likely level of government funding for the next funding period.

- 5.14 On the expenditure side, it might be useful to consider items under five broad headings:
- Staff costs
 - Assets
 - Growth Items
 - Service changes
 - Contingent liabilities
- 5.10 **Staff costs** are the Council's single highest cost element, which is understandable from being a front line service provider. The key elements for predicting future spend patterns will be:
- the impact of planned and future service changes (such as the Education Blueprint and Ports for the Future)
 - inflationary pay awards
 - savings predicted from the overall management review
 - likely national insurance increases
 - likely pension fund contribution increases resulting from the tri-annual pension fund valuation (currently being carried out)
- 5.11 The Council has committed to introducing an **Asset Strategy**, by December 2011, as part of its Corporate Improvement Action Plan. The Chief Executive has provided a commitment to more dispersed working arrangements. From this work, there is a need to identify savings and additional costs associated with changes to the current model of (predominantly) dedicated single purpose assets, to sharing assets between services and with community planning partners. The cost changes will include:
- savings from the disposal of vacant or obsolete assets
 - net savings from dispersed working arrangements
 - net savings from shared premises
 - additional cost of the new office complex at North Ness
- 5.12 There are several non specific growth areas, where the Council will need to make a judgement on the level of provision, such as:
- general inflation
 - energy and fuel bills
 - carbon tax
- 5.13 **Service changes** will come from a variety of activity and projects. Improved procurement generally will push costs down, on both goods and services and on capital projects. Efficiency reviews will ensure that the Council gets more value from existing systems and ways of working. Specific service redesign projects (such as the Education Blueprint, Ports for the Future and the Management Review) are designed to secure savings over the longer term. Members will need to determine, as part of the budget process for 2012/13, what level of savings will be required from which services and how that might be prioritised and also whether all services should have set a minimum efficiency savings target.

- 5.14 Finally, Members will need to make judgements on the degree of likelihood of the having to incur costs over several outstanding legal matters (known as **contingent liabilities**) and how that might impact on the Reserves Policy. Specifically, Members will be asked to consider, as part of the Final Accounts to March 2011, how much they wish to set aside for any future payments.
- 5.15 The plan is to turn the financial challenges into an ongoing process of securing efficiencies and savings, rather than a one-off task which is done once a year when the budget is set. To support that process, some different ways of working will be implemented to assist Members, such as:
- a formal “spend to save” policy will be developed with proposals to top slice funding for capital and revenue spend which secures significant savings on an ongoing basis
 - a formal system of securing ideas from staff to how the Council might make savings or work more effectively
 - a formal project established to provide information to the community on the Council’s financial position, followed by community engagement exercises to seek ideas and solutions to help the Council to prioritise services and find savings. The detail of these arrangements will be reported separately.

6 Proposals

- 6.1 At this stage in the process, I make the following proposals for Executive Committee to consider:
- (a) to set the baseline for reserves levels for forward planning at £258.6 million, from March 2010 which excludes any funding set aside for a specific purpose;
 - (b) to establish a separate policy framework and budget for each fund, to recognise their distinct legal status and purpose;
 - (c) to re-establish a General Fund revenue balance, set at about 2% of the overall spend;
 - (d) to develop a charging policy that presumes that the Council will charge for services, where it is appropriate to do so, based upon an open and transparent level of subsidy for services provided;
 - (e) to agree in principle to build in specific Spend to Save budgets on the Capital and Revenue Account, the details of which will be developed through the policy proposals later in the year;

6.2 A timetable for addressing all this activity is set out below:

April - June	Final Accounts Reserves Policy - Principles Charging Policy Efficiency Challenge High Level Cost Changes
July – September	Reserves policy approved Formal Spend to Save Policy Budget Strategy 2012/13 Specific Service Challenges and Savings Targets Corporate priorities / direction Community Information / engagement Staff Engagement / ideas
October – January	Detailed Change Proposal Community Information / Engagement
February	Budgets Approved

6.3 Previously, the detailed work on budgeting was done through the Financial Resources Member / Officer Working Group. The new governance arrangements established as a principle that member / officer working groups would only continue with the explicit approval of the Council. The Executive Committee's terms of reference include responsibility for directing and managing all financial matters. It is appropriate, therefore, that the Executive Committee oversees the challenging programme of activity set out in paragraph 6.2 and may wish to put in place specific arrangements, beyond formally reporting through Executive Committee, through a series of workshops, seminars, special meetings, etc.

7 Conclusions

7.1 The Council's current financial policy framework is due for an update.

7.2 The picture, which emerges for next financial year's estimates, is a potential gap of about £25 million per annum between income and expenditure (reduced by any ongoing efficiency savings secured in this financial year), rising to £26 million in 2013/14.

7.3 The previous Financial Resources Member / Officer working group was successful in driving down costs and accepting savings for 2011/12

7.4 Balancing the budget remains one of the biggest challenges of the Council and time and attention needs to be given to this task, now, in order to continue the good work done last year and build a continuous process of securing savings and efficiencies, rather than it be seen as a one off task for approving a budget.

- 7.5 The Council is in the process of updating its corporate priorities, through the scenario planning exercise, which will help to determine the priorities for resources and highlight those services which can be subject to reduced resources.

8 Financial Implications

- 8.1 The financial prospects for 2012/13 are so concerning that it is necessary to begin the work programme for meeting the challenges earlier, and in a more comprehensive way, than ever before. This will allow a substantial work programme to be commenced early, which will provide the best possible platform for meeting the challenges in the 2012/13 budget exercise.
- 8.2 The broad areas of expenditure and income (using the Provisional Outturn and Budget Estimate return to the Scottish Government) are shown in Table 3 below, for information.

Table 3: POBE 2011

Part 1 Expenditure	2010/11 Provisional Outturn £m	2011/12 Budget Estimates £m
Education	42.666	41.454
Social Work	31.160	31.855
Police	3.304	2.979
Fire	1.810	1.771
Roads and Transport	19.245	19.681
Environmental Services	4.806	4.617
Planning / Development	11.425	8.048
Culture	8.538	7.838
Central Services	8.254	7.443
Housing	2.395	2.534
Other	-.688	-.827
Total Expenditure	132.915	127.393
Part 2 Income		
General Revenue Funding	86.545	77.362
Non Domestic Rates	8.795	14.232
Ring Fenced Grants	3.215	2.921
Council Tax	8.036	8.036
Total Income	106.591	102.551
Surplus / Deficit (Funded from Reserves)	26.234	24.842

9 Policy and Delegated Authority

9.1 The role of each of the Executive Committee includes:

- Secure the co-ordination, control and proper management of the financial affairs of the Council
- Undertake the planning and preparation of the Council's annual service plans and budget estimates of capital and revenue expenditure

9.2 The recommendations in the Report constitute an amendment to the existing policy framework, so approval of the Council will be required.

10 Recommendations

10.1 I recommend that Executive Committee recommend to the Council to:

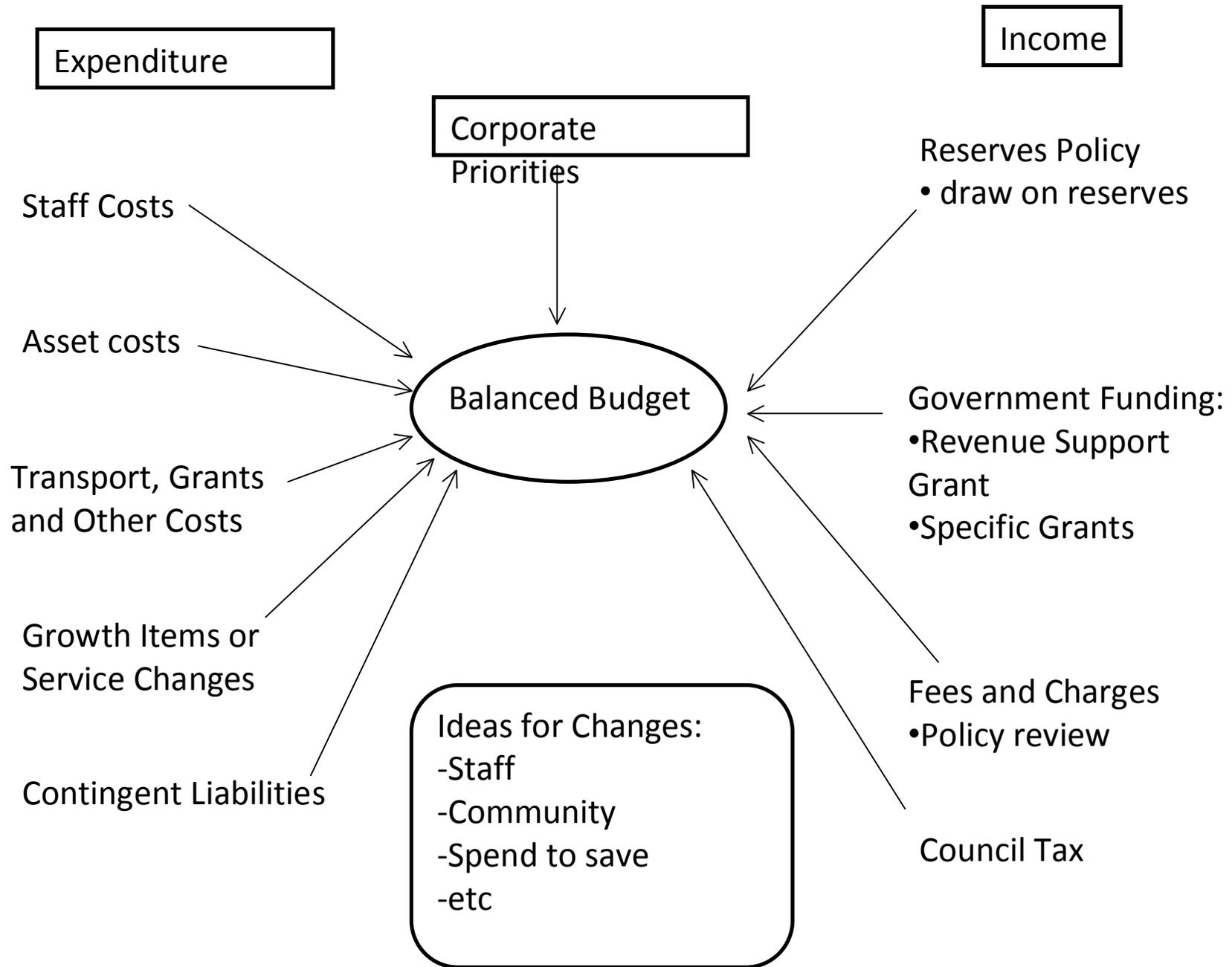
- a) set the baseline for reserves levels for forward planning at £258.6 million, from March 2010 which excludes any ring fenced funds set aside for a specific purpose;
- b) establish a separate policy framework for the Capital Fund, the Renewal and Repair Fund and the Reserve Fund, to recognise their distinct legal status and purpose and present a separate budget for each;
- c) re-establish a General Fund revenue balance, set at about 2% of the overall spend, as part of the 2010/11 Final Accounts;
- d) develop a charging policy that, in principle, presumes that the Council will charge for services, where it is appropriate to do so, based upon an open and transparent level of subsidy for services provided;
- e) agree in principle to build in specific Spend to Save budgets on the Capital and Revenue Account, the details of which will be developed through the policy proposals later in the year;
- f) determine any additional arrangements, beyond the formal meetings of the Executive Committee, to support this significant corporate project;

g) agree the timetable of tasks and activity as follows:

April - June	Final Accounts Reserves Policy - Principles Charging Policy Efficiency Challenge High Level Cost Changes
July – September	Reserves policy approved Formal Spend to Save Policy Budget Strategy 2012/13 Specific Service Challenges and Savings Targets Corporate priorities / direction Community Information / engagement Staff Engagement / ideas
October – January	Detailed Change Proposal Community Information / Engagement
February	Budgets Approved

Ref: HAS/sa

Report No: F-030-F



DEFINITION AND EXPLANATION OF RESERVES

Capital Funds

The general Capital Fund was established under the Local Government (Scotland) Act 1975 and may be used to defray certain items of capital expenditure and for the repayment of the principal of loans, but not any payment of interest on loans. It receives contributions by appropriation from the consolidated revenue account or from the direct credit of capital receipts.

Repairs and Renewals Funds

The general 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. It should be noted that the statutory power exists for a singular fund and not funds. However, it is recognised that for practical purposes Councils may use the fund for various purposes. It is expected therefore that there will be disclosure of one fund on the Balance Sheet but that in the accompanying notes, the extent of earmarking for different purposes will be disclosed.

A separate 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. It is Council policy to balance the Housing Revenue Account to zero by transfers to or from the Housing Repairs and Renewals Fund.

A specific Quarry Repairs and Renewals Fund was established under the provisions of the Local Government (Scotland) Act, 1975 to fund environmental works at Council quarries.

Reserve Funds

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.



REPORT

To: Executive Committee

4 July 2011

From: Capital Programme Services Manager

Report No: CPS-11-11-F

Subject: The Capital Programme Outturn 2010/11

1.0 Introduction

- 1.1 The purpose of this report is to inform Members of the 2010/11 Capital Programme outturn expenditure position in relation to the revised expenditure budgets.
- 1.2 It should be noted that some of the capital projects being reported are outwith the control of the Capital Programme Service (CPS) and are managed and controlled independently by Budget Responsible Officers throughout the Council.
- 1.3 This report identifies overspends, slippage and savings that have occurred within the 2010/11 Capital Programme and makes recommendations on allocating slippage to the 2011/12 & 2012/13 Capital Programmes and budget reductions on the existing 2011/12 Capital Programme.

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.
- 2.4 Risk

Financial: The main area of risk is financial in terms of over or underspend. Regular progress reports to Committee and the Council enable Members to monitor the capital programme.

3.0 Overall Position

3.1 The Council set an original budget for the financial year 2010/11 of £49.418m (Minute Refs 142/09 & 94/08) across all funds of the Capital Programme as follows:

- General Fund £31.319m
- Harbour Account £ 0.501m
- AHS Financing Arrangement £15.000m
- Housing Revenue Account £ 2.598m

Further slippage from 2009/10 was identified in the 2009/10 Outturn Report and approved by Council. Throughout the year the Council have been presented with regular Capital Programme Progress Reports and have approved adjustments contained within. The resultant revised budget was £27.660m and the under-spend for the year was £4.893m. A detailed breakdown between funds is shown in paragraph 3.2 below.

3.2 The following table shows budget and expenditure breakdown by fund:

Capital Programme Expenditure/ Income	2010/11 Original Budget £000	2010/11 Revised Budget £000	2010/11 Actual Outturn £000	2010/11 Total Variance £000
General Fund	31,319	21,469	18,077	3,392
AHS Financing Arrangement	15,000	242	62	180
Housing Revenue Account	2,598	1,946	1,899	47
Harbour Account	501	4,003	2,729	1,274
Overall Total	49,418	27,660	22,767	4,893

3.3 The Housing Revenue Account and Harbour Account expenditure is ring fenced and funded from their own reserves. The AHS financing arrangement was agreed by Council on 20 May 2009 (Minute Ref 60/09).

3.4 The General Capital Grant from the Scottish Government totalling £3.798m will offset the draw on Reserves for the General Fund Capital Programme.

4.0 Capital Programme 2010/11 Slippage

4.1 It is proposed that an overall net sum of £3.213m, against all funds, will be carried forward into 2011/12 and 2012/13 for completion of projects. A breakdown of this figure by fund and year is detailed as follows:

4.2 2011/12 proposed carry forward/ reduction:

- £1.414m - General & Reserve Fund
- £0.113m - External Funding
- £1.269m - Harbour Account
- (£0.043m) - Housing Revenue Account

4.3 2012/13 proposed carry forward:

- £0.362m - General & Reserve Fund
- £0.002m - AHS Financing Arrangement
- £0.096m - Housing Revenue Account

Please refer to Appendices A, B & C for full project detail.

5.0 Financial Implications

- 5.1 On 27 October 2010 the Council approved a 5 year Capital Programme of £167.627m for all funds from 2010 to 2015 (Min Ref 152/10), of which the General and Reserve Fund element was £99.305m. Approved budget strategy for 2010/11 recommended a five year spending target of £100m on the General and Reserve Fund Capital Programme (Min Ref 107/09). On 23 March 2011 Council approved a reduction in the 5 year General and Reserve Fund Capital Programme to £94,461m (Min Ref 40/11).
- 5.2 The 2010/11 General and Reserve Fund Capital Programme expenditure was £18.077m partially funded by external funding (£2.328m), transfers from revenue (£0.23m) and General Capital Grant (£3.798m) totalling £6.150m, resulting in a net cost to the General Capital Fund of £11.927m. This excludes the £62k expenditure under the AHS financing arrangement.
- 5.3 The 2010/11 Harbour Account capital expenditure was £2.729m, this is ring fenced and funded from Harbour Reserves.
- 5.4 The 2010/11 Housing Revenue Account capital expenditure was £1.899m, this is ring fenced and funded from HRA Reserves.
- 5.5 In line with the Code of Practice for Local Authority Accounting 2010/11 £5.529m expenditure (£4.060m net of capital receipts as per Revenue Outturn Report also being presented today) was ultimately transferred to revenue over all funds. For comparison purposes the figures included in this report are pre-transfer.
- 5.6 The proposed budget slippage from 2010/11 and reductions to 2011/12 budgets will increase the 2011/12 overall Capital Programme budget by £2.753m, and therefore the possible draw on Reserves in 2011/12. This is broken down into funds as noted at paragraph 4.1 above.

6.0 Policy and Delegated Authority

- 6.1 Under the Council's Scheme of Administration and Delegations, the Executive Committee makes recommendations to the Council regarding The Capital Programme.

7.0 Recommendations

7.1 I recommend that the Executive Committee recommends to Council to:

7.1.1 Note the contents of this report for the 2010/11 capital outturn; and

7.1.2 approve the allocation of slippage to 2011/12 and 2012/13 and the 2011/12 budget reductions.

Our Ref: GMF/RS/CPS-11-11-F

Date: 24 June 2011

Enclosed: Appendix A 2010/11 Capital Programme Progress Report
Appendix B Summary of Budget Adjustments to 2011/12
Appendix C Summary of Budget Adjustments to 2012/13

Code	Project Name	Original Approved Budget 2010/11 £	Amended Budget 2010/11 £	Period 13 Actual 2010/11	Feasibility / Options	Outline Design	Consents	Land	Full Design	Tender	Construction / Implementation	Completion	Status
GCX4300	PC/Lan Replacement	278,000	278,000	288,868	X	X	X	X	X	X	✓	✓	ICT Rolling Programmes, apparent overspend relates to revenue purchases that have now been transferred out.
GCX4311	SSIS Upgrade	0	52,951	41,055	X	X	X	X	X	X	✓		Implementation stage, Social Care programme upgrade. Slippage of 24.5K previously advised. Further slippage of 12K balance now required to 11/12.
GCX4312	Computers for Schools	395,000	395,000	398,989	X	X	X	X	X	X	✓	✓	ICT Rolling Programmes, ditto GCXX4300.
GCX4319	LV/MV Photocopiers	75,000	75,000	66,894	X	X	X	X	X	X	✓	✓	ICT Rolling Programme.
GCX4323	Shetland Public Sector Network	251,000	251,000	251,173	X	X	X	X	X	X	✓	✓	ICT Rolling Programme.
GCX4329	ICT Planning Project	0	150,000	76,511	X	X	X	X	X	X	✓		Some planning system modules installed in 10/11 but further modules to be delivered with training and data entry to take place in 11/12, slippage of 73.5K required to 11/12.
GCK2000	Feasibility Studies: Overall	400,000	318,162	1,920									Year end adjustment to budget actioned by Finance. No new projects identified for expenditure throughout year and minor spend relating to Lerwick space & property audit.
GCK2001	CCTV System Lerwick	0	0	-620	✓	✓	✓	X	✓	✓	✓	✓	Final A/C processed in Jan (Per 10) with project complete and commissioned. Income from sale of unused mast shown here.
GCK2002	Contingency & Final A/Cs	100,000	31,797	23,703	X	X	X	X	X	X	X	✓	Year end adjustment to budget actioned by Finance. with Final A/Cs and processing time charged. Some budgets previously transferred to named projects for Final A/Cs and savings identified.
GCK3000	Copper Pipework Replacement	150,000	99,490	80	✓			X					Year end adjustment to budget actioned by Finance. Asset unable to process due to lack of staff - discussing with Building Services re which buildings need to be done. 70K savings offered previously, year end adjustment to budget actioned by Finance.

Code	Project Name	Original Approved Budget 2010/11 £	Amended Budget 2010/11 £	Period 13 Actual 2010/11	Feasibility / Options	Outline Design	Consents	Land	Full Design	Tender	Construction / Implementation	Completion	Status
GCK3001	Lystina Stonework	0	11,000	13,262	✓								Year end budget adjustment by Finance. Survey cost report completed by Amenity Trust.
GCK3002	DDA Access Audit Construction	100,000	84,498	44,838	✓	✓	✓	✓	✓				Year end adjustment to budget actioned by Finance. Voe toilets on site, expected to be complete next financial year. Year end adjustment to budget actioned by Finance. Underspent for this financial year.
GCK3003	Ness of Sound Farm	12,000	6,700	7,780	✓	✓	✓	✗	✗				Finance. Dyke repairs ongoing. Assets previously reported savings against this budget for 2010/11. Year end adjustment to budget actioned by Finance.
GCK3004	Purchase Scottish Water Asset	0	1,354	1,354	✗	✗	✓	✓	✗	✗	✓	✓	Asset purchase agreed by Council Min Ref 28/09, minor underspend previously reported.
GCK3005	Capital Receipts - Asset & Property	0	0	250									
Total		1,761,000	1,757,377	1,219,050									

Code	Project Name	Original Approved Budget 2010/11 £	Amended Budget 2010/11 £	Period 13 Actual 2010/11	Feasibility / Options	Outline Design	Consents	Land	Full Design	Tender	Construction / Implementation	Completion	Status
GCJ3001	Capital Grants to Water Based Facilities	382	0	0	X	X	X	X	X	X	✓		Small amount of retention - £382 previously c/f to 11/12.
GCJ3002	Knab Dyke	0	0	0	✓	✓	✓	X	✓	✓	✓	✓	Project complete but snagging to be carried out spring 2011, 6K previously c/f to 11/12 for retention & Final A/C.
GCJ3003	Play Areas and Park Equipment	175,000	175,037	176,133	✓	✓	✓	X	✓	✓	✓		The three play area projects at Nederal, Twageos in Lerwick and at Baltasound in Unst have been completed. Budget savings were identified and used to fund a new play area at Arheim.
GCJ3006	Capital Grants to Voluntary Organisations (General)	300,000	249,859	249,482	X	X	X	X	X	X	✓		167K previously slipped to 11/12 as number of community grants had only been committed at the end of the year, and 19K previously identified in savings.
GCJ3018	Islesburgh Youth Hostel Refurb	0	0	30,000									Revenue expenditure transferred to capital by Finance at year end.
GCJ3020	Islesburgh Capital Maintenance	0	25,100	25,038	✓	✓	✓	✓	✓	✓	✓	✓	Works complete.
GCL4100	Old Library Centre Maintenance	85,000	22,000	30,463									Study complete and cost more than anticipated. 63K previously slipped to 11/12 for ongoing maintenance.
GCL4402	Mareel	1,500,000	1,704,111	1,844,453	✓	✓	✓	✓	✓	✓	✓		Works continue on site for anticipated completion spring 2012 (delay in construction due to contractual problems). Draw down of grant funding greater than expected in 2010/11, 2011/12 funding to be reduced by 140K accordingly.
GCL6000	Train Shetland Maintenance	100,000	60,000	60,883									Floor works completed in school holidays.
UCL5203	Shetland College Extension	0	0	314,706	✓	✓		✓					Project to go out to tender June 2011 for site start Sept/Oct 2011 - project reprofiled and previous slippage overstated, 2011/12 funding to be reduced by 45K accordingly.

Code	Project Name	Original Approved Budget 2010/11 £	Amended Budget 2010/11 £	Period 13 Actual 2010/11	Feasibility / Options	Outline Design	Consents	Land	Full Design	Tender	Construction / Implementation	Completion	Status
GCE1171	Little Tikes	0	129,678	190,091	✓	✓	✓	✓	✓	✓	✓	✓	Project complete and under budget other than external works which required dry conditions. 137K saving previously identified. 10K carry forward required for Final A/C and outstanding works.
GCE1240	Bells Brae Primary Alterations	0	2,356	2,355							✓	✓	Project complete and retention to be paid in 2011/12
GCE1315	Mid Yell Junior High School	3,350,000	3,548,923	3,080,120	✓	✓	✓	✓	✓	✓	✓		Project complete but snagging, building control related works and additional works still to be completed by contractor. Contractor now reporting that works to be carried out in summer 2011. 310K to be carried forward for final account and outstanding items.
GCE1512	Schools Reroofing	0	0	-957	✓	✓	✓	✓	✓	✓	✓	✓	Brae Re-roof Final A/C Accrual less than previously anticipated
GCE3402	Sandwick JHS Additional Support Needs	0	1,058	1,058									Complete - final A/C processed
XXE1002	AHS Maintenance	225,000	218,000	217,091	✓	✓	✓	✓	✓	✓	✓		<i>New sash & case windows for the Old English Block - project ongoing and Phase 2 will commence April 2011.</i>
XXE1003	Baltsound Maintenance	5,000	3,000	2,909	✓	✓							<i>Electrical Rewire - design ongoing</i>
XXE1004	Bells Brae Maintenance	210,700	330,800	375,967	✓	✓	✓	✓	✓	✓	✓		<i>Original contract scope 95% complete. Roofing works to GP room complete, however a major problem to the walls identified resulting in unforeseen structural works.</i>
XXE1005	Brae Maintenance	34,000	15,000	14,523	✓	✓	✓	✓	✓	✓			<i>Staff toilet complete; lighting and rewire consultant appointed.</i>
XXE1006	Bressay Maintenance	0	9,000	8,488									<i>External Redecoration</i>
XXE1007	Burravoe Maintenance	0	100	39									<i>External Redecoration</i>
XXE1008	Cullivoe Maintenance	5,000	6,000	5,393	✓	✓	✓	✓	✓	✓	✓		<i>External Redecoration</i>
XXE1009	Cunningsburgh Maintenance	30,000	51,500	53,449	✓	✓	✓	✓	✓	✓			<i>Electrical system and DDA works. External works complete; internals deferred until 2011 due to weather.</i>
XXE1010	Dunrossness Maintenance	5,000	0	3,444	✓	✓							<i>Electrical system- ongoing; M&E Engineer appointed</i>
XXE1011	Fetlar Maintenance	0	100	194									<i>External Redecoration</i>

Code	Project Name	Original Approved Budget 2010/11 £	Amended Budget 2010/11 £	Period 13 Actual 2010/11	Feasibility / Options	Outline Design	Consents	Land	Full Design	Tender	Construction / Implementation	Completion	Status
XXE1012	Foula Maintenance	50,000	15,500	15,286	✓	✓	✓	✓	✓	✓	✓	✓	External redecoration, playground resurfacing and fire alarms. Works complete with a 30K transfer to Old Craigelea Maintenance
XXE1014	Tingwall Maintenance	0	300	294									External Redecoration
XXE1016	Hamnavoe Maintenance	175,000	176,000	180,891	✓	✓	✓	✓	✓	✓	✓	✓	Roofing works complete.
XXE1017	Happyhansel Maintenance	156,500	185,000	183,906	✓	✓	✓	✓	✓	✓	✓	✓	Roofing works, canteen and electrical upgrade- all works complete adjustment to budget previously requested.
XXE1021	Mossbank Maintenance	40,000	41,000	40,008	✓	✓	✓	✓	✓	✓			Toilet refurbishment, works complete on site.
XXE1022	North Roe Maintenance	10,000	500	500	✓	✓	✓	✓	✓				Playground resurfacing unable to go ahead due to lack of resources.
XXE1023	Ollaberry Maintenance	16,000	100	73	✓	✓	✓	✓	✓	✓			External redecoration and playground resurfacing unable to go ahead due to lack of resources.
XXE1024	Olnafirth Maintenance	30,000	3,700	3,689	✓	✓	✓	✓	✓	✓	✓	✓	External redecoration, leadwork and tankroom roof replacement ongoing.
XXE1028	Sandwick Maintenance	120,000	75,957	75,921	✓	✓	✓	✓	✓	✓	✓	✓	Defective blockwork, fire alarm and games hall heating replacement - Phase 3 still to be done.
XXE1029	Scalloway Maintenance	5,000	500	289	✓	✓							Fire alarm replacement - M&E consultant appointed.
XXE1032	Sound Maintenance	7,000	2,500	1,825									Phase 3 render and light fitting replacement - M&E consultant appointed
XXE1033	Nesting Maintenance	0	2,500	1,937									External Redecoration
XXE1034	Whalsay JHS Maintenance	50,000	17,500	17,313	✓	✓	✓	✓	✓	✓	✓	✓	Repair aluminium roof, entrance alterations and correct water ingress, work complete on site.
XXE1035	Urafirth Maintenance	0	100	55									External Redecoration
XXE1036	Uyeasound Maintenance	0	100	91									External Redecoration
XXE1060	Janet Courtney Maintenance	376,300	204,500	144,438	✓	✓	✓						Agreed with George McGhee that BSU can take possession of one floor at a time to upgrade fire doors and to renew the services, with Phase1 now complete.

Code	Project Name	Original Approved Budget 2010/11 £	Amended Budget 2010/11 £	Period 13 Actual 2010/11	Feasibility / Options	Outline Design	Consents	Land	Full Design	Tender	Construction / Implementation	Completion	Status
XXE1062	New Bruce Hostel Maintenance	20,000	0	0	✓	✓	✓	✓	✓	✓			20K transfer to Old Craigeielea Maintenance
GCA0100	Social Work (Buildings) Rolling Programme (SWRP) - Inspection, Health & Safety	26,465	26,465	18,515	✗	✗	✗	✗	✗	✗	✗	✓	Ongoing Rolling Programme - BSU anticipated full spend at year end - actual year end 1K overspent.
GCA0101	SWRP - Building Fabric	41,850	41,850	53,902	✗	✗	✗	✗	✗	✗	✗	✓	
GCA0102	SWRP - Elect Systems Upgrade	38,542	38,542	39,514	✗	✗	✗	✗	✗	✗	✗	✓	
GCA0103	SWRP - Mech Systems Upgrade	16,492	16,492	15,331	✗	✗	✗	✗	✗	✗	✗	✓	
GCA0104	SWRP - Plant Equip Replacement	2,160	2,160	1,638	✗	✗	✗	✗	✗	✗	✗	✓	
GCA0105	SWRP - Safety Surfaces	22,055	22,055	19,938	✗	✗	✗	✗	✗	✗	✗	✓	
GCA0106	Older People's Rolling Programme for new care places	0	21,304	24,054	✓								Study completed, with Finance year end budget adjustment.
GCA0120	OTRP - Special Studies	2,129	0	0	✗	✗	✗	✗	✗	✗	✗		Contract recharge for Social Care RP - this will not be used again and budget previously offered in savings.
GCA0231	Fire Upgrades to Care Homes	248,000	301,135	188,708	✓	✓	✓	✗	✓	✓	✓		Works substantially complete at Taing, ET and Laburnum. Viewforth House to be completed 2011/12. BSU anticipate completion in summer 2011; so reduced slippage of 50K required to 2011/12.
GCA0233	Occupational Therapy Resource Centre	2,600,000	445,816	253,692	✓	✓							Site works progressing, main contract out to tender June 2011, slippage of 161K to 11/12 required.
GCA0234	Taing House Capital Maintenance	0	7,992	11,889					✓			✓	Works delayed due to unavailability of rooms and some budget previously slipped. Year end spend greater than anticipated.
GCA0235	Viewforth Capital Maintenance	0	0	0					✓				Works delayed due to unavailability of rooms. 40.5K previously slipped to future years.
GCA0237	Eric Gray Resource Centre	500,000	85,816	18,994	✓								Design ongoing and project further re-profiled with slippage to future years previously advised to Council. Planning application to be considered at July meeting. Further slippage of 36K required to 2012/13

Code	Project Name	Original Approved Budget 2010/11 £	Amended Budget 2010/11 £	Period 13 Actual 2010/11	Feasibility / Options	Outline Design	Consents	Land	Full Design	Tender	Construction / Implementation	Completion	Status
GCA0238	Replacement Viewforth	400,000	0	0	✓								Part of Older People's Rolling Programme for new care places. Project re-profiled and slippage to future years advised to Council
GCA0239	Replacement Isleshavn	500,000	15,000	63,707	✓								Design ongoing, however project re-profiled and slipped to future years. Outstanding fees to be paid with 2K carry forward to 2011/12 required.
GCA0240	Old Craigielea - Maintenance	50,000	4,500	3,338									Proposals to make building wind and watertight developed but no further action taken. Year end adjustment to budget actioned by Finance. Slippage of 115.5K to 11/12 previously reported to Council.
GCA0241	Extensions to ET & Taing Houses	0	30,000	13,799	✗	✓							Scheme detail being worked up. Anticipate planning submission summer 11/12, further 16K slippage required to 12/13.
GCA1000	Occupational Therapy Rolling Programme (OTRP) Specialist Aids Stock Items	94,685	160,000	159,500	✗	✗	✗	✗	✗	✗	✗		Ongoing Rolling Programme. OT previously advised of 147K savings in 10/11, however year end expenditure 7K more than anticipated. Future years budgets were also previously reduced in line with the ongoing Procurement exercise.
GCA1001	OTRP - Specialist Aids	277,433	240,000	272,341	✗	✗	✗	✗	✗	✗	✗		
GCA1003	OTRP - Minor Adaptions	46,703	32,000	38,288	✗	✗	✗	✗	✗	✗	✗		
GCA1004	OTRP - Major Adaptions	228,892	215,000	209,315	✗	✗	✗	✗	✗	✗	✗		
GCA1005	OTRP - Housing Adaptions	145,831	25,831	0	✗	✗	✗	✗	✗	✗	✗		
GCA1006	OTRP - Professional Fees	24,528	11,000	12,333	✗	✗	✗	✗	✗	✗	✗		
GCA1007	OTRP - Specialist Aids Refurbishment	45,868	31,000	24,135	✗	✗	✗	✗	✗	✗	✗		
GCA1008	OTRP - Sensory Impairment	0	2,000	4,432	✗	✗	✗	✗	✗	✗	✗		
GCG0232	Leog Replacement	0	281,528	282,936	✓	✓	✓	✗	✓	✓	✓		Project completed with minor overspend at year end.
GCG0233	Laburnum - Refurbishment / Extension	100,000	0	0	✓								Feasibility Study reported March 2009. No further work to be carried out this year and budget slipped into future years.
GCG0234	Laburnum - New Build Replacement	200,000	0	0	✓								Feasibility Study reported March 2009. No further work to be carried out this year and budget slipped into future years.

GENERAL FUND CAPITAL PROGRAMME - SERVICES

Code	Project Name	Original Approved Budget 2010/11 £	Amended Budget 2010/11 £	Period 13 Actual 2010/11	Feasibility / Options	Outline Design	Consents	Land	Full Design	Tender	Construction / Implementation	Completion	Status
GCG0235	Laburnum - Maintenance	20,000	0	0	✓								Project slipped into 2011/12
GCH3100	Housing Staff Accommodation	10,969	0	0									Ongoing Programme - Housing previously offered budget in savings.
GCH3102	Housing Chalet Accommodation	12,175	0	563									Ongoing Programme - Housing previously offered budget in savings, but minor spend at year end.
GCH3103	Skerries/Foula School House Maintenance	100,000	0	1,063	✓								Housing advised that works unable to proceed in 2010/11 and 100K previously slippage to 2011/12, this budget to be reduced by 1K for 10/11 spend.
GCH3120	Housing Temp Accommodation (Homelessness)	16,025	10,019	5,576									Ongoing Programme - Housing previously offered some budget in savings.
GCH3200	Housing Rolling Programme	0	5,443	5,027									Year end recharge
	Halls of Residence	0	0	0									No budget approved, proposal being carried forward as part of the AHS Project
Total Services General Fund		12,864,184	9,358,024	9,102,012									

PROJECTS FUNDED OUTWITH CAPITAL PROGRAMME

GCA0236	New Temporary Care Home for Lerwick (Montfield) - 100% NHS Funding	0	930,208	794,050							✓		Project completed on site, now into defects period. NHS funding has been reported and set as budget. Final A/C and fees still to be processed in 2011/12 - 113K slippage required to 2011/12
GCE1304	Anderson High School Replacement, including moving Train Shetland from premises at the Knab	15,000,000	242,314	62,569	✓								Gateway process being developed with a view to finalising the design brief and reporting to Council summer 2011. Slippage of 2K required to 2012/13
Total Out with General Fund Capital Programme		15,000,000	1,172,522	856,619									

GENERAL FUND CAPITAL PROGRAMME - DEVELOPMENT

Code	Project Name	Original Approved Budget 2010/11 £	Amended Budget 2010/11 £	Period 13 Actual 2010/11	Feasibility / Options	Outline Design	Consents	Land	Full Design	Tender	Construction / Implementation	Completion	Status
GCD1576	Fibre Optic Cable	0	100,000	71,163	✓	✓	✓	✓	✓	✓			Slippage of 700K to 11/12 previously reported to Council, further slippage of 29K required to 12/13 due to delays caused by weather conditions. Cable laying (Phase 1) now in progress and due for completion in August 2011
Total		0	100,000	71,163									

Code	Project Name	Original Approved Budget 2010/11 £	Amended Budget 2010/11 £	Period 13 Actual 2010/11	Feasibility / Options	Outline Design	Consents	Land	Full Design	Tender	Construction / Implementation	Completion	Status
GCY5121	Fetlar Burial Ground	38,000	79,980	77,154	✓	✓	✓	✓	✓	✓	✓	✓	Retention and minor works left to do, all major works complete.
GCY5124	Bixter Burial Ground	364,500	9,212	5,138	✓	✓	✓		✓				Land purchase problems have resulted in this being delayed, CPO to be followed up, slippage of 5K required to 2010/11
GCY5125	Voe Burial Ground	10,000	1,312	350									Year end budget adjustment made by Finance, no progress due to land owner
GCY5126	Muckle Roe Burial Ground	0	364,500	138,337	✓	✓	✓	✓	✓	✓			Contract awarded, and BRO advises this is progressing well.
GCY5129	Energy Recovery Plant Update Works	50,000	259,593	234,586	✓	✓	✗	✗	✗	✓	✓		System installed. Slippage of 25K required to 11/12 for retention and final payment on the DCS contract.
GCY5132	Esplanade Toilets	18,000	0	0	✓	✓	✓	✓	✓	✓	✓	✓	Project complete, and final A/C received from LPA last year, therefore budget removed from 10/11.
GCY5133	Rova Head Reinstatement	140,000	2,031	2,030	✓	✓	✓	✓	✓	✓	✓	✓	Project complete, and saving reported to Council
GCY5137	Landfill Phase 2	2,600,000	2,146,691	1,673,322	✓	✓	✓	✓	✓	✓	✓	✓	Project complete and saving of 450K previously reported to Council. Further saving of 370K identified with 56K carry forward required to 2011/12 and 50K carry forward to 2012/13 for Final A/C
GCY5139	Wheelie Bin Purchase	59,500	102,922	96,992	✓	✗	✗	✗	✗	✓			Further quantity of wheeled bins to be ordered during the year.
GCY5200	Public Toilets Essent Maint	60,000	60,000	39,369	✗	✗	✗	✗	✓	✓	✓		Work complete Bressay, Gutcher, Belmont and Toft Toilets. Work in progress at Cullivoe.
GCY5501	Gremista Wrk/shp Recladding	564,000	300,000	188,308	✓	✓	✓	✗	✓				Contract awarded with cladding materials to be on site mid March, BRO advises work postponed until spring / summer. 112K underspend to be carry forward to 2011/12 & 2012/13

Code	Project Name	Original Approved Budget 2010/11 £	Amended Budget 2010/11 £	Period 13 Actual 2010/11	Feasibility / Options	Outline Design	Consents	Land	Full Design	Tender	Construction / Implementation	Completion	Status
GCY5504	TF Facility Management Software	0	28,332	36,594	✓	✓	✗	✗	✗	✓	✓		Building Services had identified revenue savings to fund balance of this project however expenditure greater than anticipated at year end. Further funding will be required in 2011/12 - BRO to identify revenue savings.
GCY5505	New Mid Yell Workshop	10,000	91,309	76,117	✓	✓	✓	✗	✓	✓	✓		External shell of building complete and internal fit out in progress. Delay due to licensed removal of asbestos prior to demolition of old workshop, slippage of 15K required to 2010/11
GCY9016	Public Toilets	0	1,625	0	✗	✗	✗	✗	✗	✗	✗	✓	Fully Committed, but hall committee unable to process final claim before last year end. Jonathan Emptage to check with Walls Hall for outstanding invoice. No carry forward actioned.
GCY6106	Haggersta to Cova A971	0	34,129	40,299	✓	✓	✓						Year end budget adjustment processed by Finance. Works carried out to acquire land etc. BRO was to transfer costs to appropriate rolling programmes but this did not take place.
GCY6118	Germatwatt Footways	0	0	1,862	✓	✓							Minor spend on advanced design - BRO was to transfer costs to appropriate rolling programmes but this did not take place.
GCY6120	A970 Oversund Junction	0	0	1,104	✓	✓	✓	✓	✓	✓	✓	✓	Minor spend on final completion.
GCY6121	B9081 Mid Yell Link	10,000	10,000	14,051	✓	✓	✓	✓	✓	✓	✓	✓	Complete with 4K overspend.
GCY6122	Papa Stour Road	15,000	15,000	15,746	✓	✓	✓	✓	✓	✓	✓	✓	Complete with 1K overspend.
GCY6124	A970 Scord to School	20,000	17,124	8,187	✓	✓							Year end budget adjustment processed by Finance. Outline footpath design ongoing, internal design recharged at year end.
GCY6125	B9071 Bixter to Aith Phase 2	150,000	96,813	45,284	✓	✓	✓		✓				Year end budget adjustment processed by Finance. Project experienced delay due to unforeseen land problems, further slippage of 55K now required to 12/13.

Code	Project Name	Original Approved Budget 2010/11 £	Amended Budget 2010/11 £	Period 13 Actual 2010/11	Feasibility / Options	Outline Design	Consents	Land	Full Design	Tender	Construction / Implementation	Completion	Status
GCY6126	Sletts Road Sea Wall, Lerwick	250,000	241,165	206,600	✓	✓	✓	✓	✓	✓	✓		Year end budget adjustment processed by Finance. Construction complete and underspent as allowances for additional rock armour not required. BRO has previously requested that 5K be slipped into 11/12 for final A/C.
GCY6127	Murrister Depot Replacement	0	171,748	144,102	✓	✓	✓	✓	✓	✓			Year end budget adjustment processed by Finance. Construction ongoing but slippage of 36K required to 11/12
GCY6129	B9071 Parkhall to Sand Junction	20,000	6,970	8,187	✓	✓							Year end budget adjustment processed by Finance. Internal design for Laxaburn Bridge, Effirth Bridge and Junction recharged at year end. 12K carry forward to 2011/12 requested by BRO.
GCY6130	B9082/3 Gutcher to Cullivoe	50,000	7,244	8,187	✓	✓							Year end budget adjustment processed by Finance. Internal design recharged at year end. 40K carry forward to 2011/12 & 2012/13 (20K each) requested by BRO.
GCY6131	Gulberwick Road	15,000	13,156	12,281	✓	✓							Year end budget adjustment processed by Finance. Outline internal design of potential road improvements nearing completion, recharged at year end.
GCY6132	Gremista Road Improvement	0	310,000	137,792	✓	✓	✓	✓	✓	✓			Works underway to construct carriageway and pavement to college have been delayed due to weather conditions. Slippage advised previously but further slippage of 162K carry forward to 2011/12 and 10K to 2012/13 requested by BRO.
GCY6133	Vidlin Shore Road Footway	0	0	305	✓	✓							Minor spend on advanced design - BRO was to transfer costs to appropriate rolling programmes but this did not take place.
GCY6134	Scalloway East Voe Footway	0	0	1,500	✓	✓							Minor spend on advanced design - BRO was to transfer costs to appropriate rolling programmes but this did not take place.

Code	Project Name	Original Approved Budget 2010/11 £	Amended Budget 2010/11 £	Period 13 Actual 2010/11	Feasibility / Options	Outline Design	Consents	Land	Full Design	Tender	Construction / Implementation	Completion	Status
GCY6136	Tingwall Footways	0	0	1,500	✓	✓							Minor spend on advanced design - BRO was to transfer costs to appropriate rolling programmes but this did not take place.
GCY6137	Weathersta Depot Maintenance	10,000	10,000	0									No Report
GCY6207	Strandloch Bridge Tingwall	0	5,000	16,796	✓	✓	✓	✓					Construction had previously been programmed for 11/12 but slipped to 12/13 when the 2011/12 capital programme was cut. 5K previously brought forward for preliminary works has been overspent by 12K as tender documents were prepared before the project profile was amended.
GCY6298	Advance Design of Schemes	170,000	152,155	144,302		✓							Year end budget adjustment processed by Finance. Internal design recharged at year end.
GCY6401	Scord Quarry Plant Purchases	250,000	250,000	177,911	✗	✗	✗	✗	✗	✗			Works and purchases well under way. slippage of 23K carry forward to 2011/12 requested by BRO to pay for ordered burner equipment .
GCY6405	North Mainland Roads Office	0	72,500	77,667	✓	✓	✗	✓	✓	✓	✓		Year end budget adjustment processed by Finance. Construction under way with 3k overspend at year end. BRO to advise on further funding that may be required in 2011/12
GCY9200	Minor Works	100,000	98,083	108,310									Year end budget adjustment processed by Finance. Various works completed, some delayed by weather or land aquisition, or additional ones substituted.
GCY9201	Development Related Roads	60,000	58,399	31,178									Year end budget adjustment processed by Finance. Various works completed, some delayed by weather or land aquisition, or additional ones substituted.
GCY9202	Bridge Replacement	350,000	233,295	187,442									Year end budget adjustment processed by Finance. Various works completed, some delayed by weather or land aquisition, or additional ones substituted.

Code	Project Name	Original Approved Budget 2010/11 £	Amended Budget 2010/11 £	Period 13 Actual 2010/11	Feasibility / Options	Outline Design	Consents	Land	Full Design	Tender	Construction / Implementation	Completion	Status
GCY9203	Footways	250,000	96,171	54,183									Year end budget adjustment processed by Finance. Various works completed, some delayed by weather or land aquisition, or additional ones substituted.
GCY9204	Street Lighting Replacements	200,000	198,717	137,472									Year end budget adjustment processed by Finance. Various works completed, some delayed by weather or land aquisition, or additional ones substituted.
GCY9206	Traffic Management	50,000	48,083	27,913									Year end budget adjustment processed by Finance. Various works completed, some delayed by weather or land aquisition, or additional ones substituted.
GCY9207	Accident Investigation & Prevention	100,000	98,399	39,019									Year end budget adjustment processed by Finance. Various works completed, some delayed by weather or land aquisition, or additional ones substituted.
GCY9208	Minor Works & Purchases Airstrips	20,000	20,000	30,856									Extension of Tingwall Airstrip car park completed, but no detailed report.
GCY9209	Minor Works & Purchases Bus Services	40,000	40,000	6,586									Year end budget adjustment processed by Finance. Various works completed, some delayed by weather or land aquisition, or additional ones substituted.
GCY9210	Road Reconstruction	300,000	144,254	130,044									Year end budget adjustment processed by Finance. Various works completed, some delayed by weather or land aquisition, or additional ones substituted.
GCY9211	Roads Rolling Drainage Improvements	80,000	77,441	121,380									Year end budget adjustment processed by Finance. Various works completed, some delayed by weather or land aquisition, or additional ones substituted.

Code	Project Name	Original Approved Budget 2010/11 £	Amended Budget 2010/11 £	Period 13 Actual 2010/11	Feasibility / Options	Outline Design	Consents	Land	Full Design	Tender	Construction / Implementation	Completion	Status
GCY9212	Roads Rolling Crash Barrier Replacement	150,000	149,358	249,550									Year end budget adjustment processed by Finance. Various works completed, some delayed by weather or land acquisition, or additional ones substituted.
GCY9213	20MPH Speed Limits at Schools	0	75,000	67,601									75K slippage previously advised, but further 7K slippage required to 2011/12 as there have been minor delays to remaining schools
GCY7202	Tingwall Airport (H&SE Works)	0	378,617	329,353	✓	✓	✓	✓	✓				Contract award end Nov 09, works ongoing on site, but BRO has requested slippage of 49K to 2010/11 .
GCY7212	Bressay Link	0	0	1,129	✓								Minor 09/10 expenditure carry forward.
GCY7213	Whalsay Link	1,000,000	91,181	50,701	✓								Year end budget adjustment processed by Finance. Further consultation work likely to be undertaken with regard to Council Fixed Link decision, but no detailed report received. BRO requests underspend of 48K be carried forward to 2012/13.
GCY7214	Fetlar Breakwater	2,600,000	350,147	257,605	✓	✓	✓						Works ongoing on site, slippage of 142K required to 2011/12.
GCY7215	Skerries South Mouth	200,000	7,000	18,748	✗	✓							Historic Scotland approved proposals. However no agreement reached within budget with contractor and project to be readvertised with intention to retender. Slippage of 186K previously advised, but slippage overstated and 11/12 budget to be reduced by 5K.
GCY7254	FMU Rolling Programme	1,200,000	1,200,000	953,586	✗	✗	✗	✗	✗	✗			Vehicle and plant purchases RP, 50K carry forward to 2011/12 for delayed delivery of some vehicles.
GCY7601	Ferries Minor Works/Purchases	180,000	313,000	201,360	✗	✗	✗	✗	✗	✗			Transfer of 133K to this code for repairs to MV Thora previously actioned, but works delayed when corrosion on steel plating was discovered and delays encountered sourcing new panels. BRO has requested slippage of 112K be carried forward to 2011/12.

Code	Project Name	Original Approved Budget 2010/11 £	Amended Budget 2010/11 £	Period 13 Actual 2010/11	Feasibility / Options	Outline Design	Consents	Land	Full Design	Tender	Construction / Implementation	Completion	Status
GCY7626	Ferry Terminals Structural Improvements	290,000	157,000	45,728									Transfer of 133K from this code to GCY7601 for repairs to MV Thora actioned previously.
Total Infrastructure General Fund Capital Programme		12,044,000	8,694,656	6,681,804									

Code	Project Name	Original Approved Budget 2010/11 £	Amended Budget 2010/11 £	Period 13 Actual 2010/11	Feasibility / Options	Outline Design	Consents	Land	Full Design	Tender	Construction / Implementation	Completion	Status
RCM2208	Scalloway Dredging Consents	3,000,000	211,548	25,522	✓	✓	✓	✗	✓	✓			Dredging contractor on site after retendering exercise. Project re-profiled and NAFC filtration element was to be processed 2010/11, this did not happen and further slippage of 199K is required to progress this.
RCM2309	Peerie Dock Symbister	0	0	0	✓								No further work to be undertaken until final decision on Whalsay Link.
RCM2313	Tugs for Sellaness	361,500	3,336,303	2,128,036	✓	✓	✓	✗	✓	✓	✓		Committed (ring fenced) project - tugs have been delivered. No report on final cost of project, however a penalty clause can be implemented due to late delivery. BRO has requested the balance of 1.214m be carried forward for completion with any savings advised later when known.
RCM2314	Uyeasound Harbour Development	0	0	588	✓	✓	✓	✓	✓	✓	✓	✓	Site works & snagging complete, final account slightly more than accrual.
RCM2315	Scalloway Water Main	250,000	287,824	77,720	✓	✓	✓	✓	✓	✓			Project complete and under budget. Slippage of 50K required to 11/12 for engineering fees and final A/C.
RCM2316	Walls Pier	1,400,000	128,889	104,699	✓	✓	✓	✓					Contract awarded and works commenced, project slippage of 297K previously reported and a further 8K slippage required to 2012/13.
PCM2101	Plant Vehicles & Equipment	70,000	143,402	141,984	✗	✗	✗	✗	✗	✗	✓	✓	Telehandler machine and Workshop Supervisor vehicle purchased.
PCM2104	Navigational Aids - Sullom Voe	70,000	122,891	113,770	✗	✗	✗	✗	✗	✗	✓	✓	Upgrading of navigation aids ongoing.
PCM2138	Tystie Re-engine		200,000	172,613	✗	✗	✗	✗	✗	✗	✓		Works 90% complete, BRO has requested the balance of 27K be carried forward for completion.
PCM2139	Dunter Re-engine		200,000	172,613	✗	✗	✗	✗	✗	✗	✓		Works 90% complete, BRO has requested the balance of 27K be carried forward for completion.
Total		5,151,500	4,630,857	2,937,545									

HOUSING REVENUE ACCOUNT CAPITAL PROGRAMME

Code	Project Name	Original Approved Budget 2010/11 £	Amended Budget 2010/11 £	Period 13 Actual 2010/11	Feasibility / Options	Outline Design	Consents	Land	Full Design	Tender	Construction / Implementation	Completion	Status
HCH3303	Land & Property Acquisition	678,851	364,276	307,678	✓	✓							Carry forward of 300K to 11/12 previously actioned
HCH3304	Brae New Housing	0	48,573	16,268	✓	✓	✓						Awaiting decrofting prior to issue of enabling works tenders, c/f 400K to 11/12 previously actioned - further 34K slippage required to 12/13
HCH3305	Hoofields New Housing	0	900,000	837,813									Enabling works started September 2010. Building contract tenders received and are being evaluated, start on site anticipated summer 2011. Slippage of 62K required to 12/13
HCH3306	Virkie Groundworks	0	1,000	3,044									Proposals at development stage. Carry forward of 49K to 11/12 previously actioned, but 11/12 2K reduction required for 2010/11 overspend.
HCH3404	Environmental Improvements	259,266	79,000	81,886	✓	✓	✗	✗	✓	✓	✓		Completion of Burra scheme. Bayview, North Roe had to be re-tendered. Carry forward of 180.2 K to 11/12 previously actioned, but 11/12 3K reduction required for 2010/11 overspend.
HCH3512	Community Care Projects	107,103	77,049	85,696	✓	✓	✓	✗	✓	✓	✓		Feasibility - further conversion at Brucehall. Previous saving on budget overstated resulting in 8.6K overspend
HCH3525	Feasibility Studies	25,655	65,318	11,011	✓								Internal charges at year end
HCH3526	Opportunity Conversion	124,862	31,851	30,206	✓	✓	✓	✗	✓	✓	✓		Internal charges and minor spend only, no new projects progressed saving on budget for year.
HCH3706	Heating Replacement Programme	157,103	57,049	53,695	✓	✓							Programme agreed for 2010/11 however held up due to Low Carbon Network bid. Carry forward of 99.1K to 11/12 previously actioned.
HCH3708	External Re-render Programme	387,758	131,311	141,965	✓		✗	✗					Completion of Yell - Pitt / Park Lane works held up. Carry forward of 112.2 K to 11/12 previously actioned, but anticipated saving on budget overstated resulting in 11K overspend

HOUSING REVENUE ACCOUNT CAPITAL PROGRAMME

Code	Project Name	Original Approved Budget 2010/11 £	Amended Budget 2010/11 £	Period 13 Actual 2010/11	Feasibility / Options	Outline Design	Consents	Land	Full Design	Tender	Construction / Implementation	Completion	Status
HCH3709	Landward Crudens	0	27,216	35,156									New budget head opened for Landward Crudens in 11/12, this budget to be reduced by 35K for 10/11 spend.
HCH3710	Lerwick Crudens	1,146,933	696,932	685,977	✓	✓		✗					Contract progressing on-site, saving against this budget head in 11/11.
HCH3711	Retentions/ Final Accounts	40,000	15,500	10,179	✗	✗	✗	✗	✗	✗	✗		No further Final A/Cs presented to date, saving on budget for year
HCH3715	Landward Crudens S-Voe & Whalsay	0	0	5,922									New budget head opened for Landward Crudens in 11/12, this budget to be reduced by 6K for 10/11 spend.
HCH3800	Capital Rec/ Sale Council Houses	-889,886	-903,622	-803,594	✗	✗	✗	✗	✗	✗	✗	✗	Ongoing
HCH3801	Capital Rec - Sale of Land	0	0	-2,523	✗	✗	✗	✗	✗	✗	✗	✗	
Total HRA Capital Programme		2,597,645	1,946,453	1,898,767									

General Fund

Service Area	Project Cost Centre	General Fund Projects	Existing Budget Allocation	CPS-11-11 Adjustments	Proposed Budget Allocation
Community Care	GCA0100	SC RP Inspection Health & Safety	27,789		27,789
Community Care	GCA0101	SC RP Building Fabric	43,942		43,942
Community Care	GCA0102	SC RP Electrical Sys Upgrade	40,469		40,469
Community Care	GCA0103	SC RP Mechanical Sys Upgrade	17,317		17,317
Community Care	GCA0104	SC RP Plant Equip Replacements	2,268		2,268
Community Care	GCA0105	SC RP Safety Surfaces	23,158		23,158
Community Care	GCA0231	Care Homes Fire Upgrade	16,000	50,000	66,000
Community Care	GCA0233	Joint Occupational Therapy Centre	2,115,000	161,308	2,276,308
Community Care	GCA0234	Taing House Maintenance	12,000		12,000
Community Care	GCA0235	Viewforth Maintenance	40,500		40,500
Community Care	GCA0237	Eric Gray Replacement	200,000		200,000
Community Care	GCA0239	Isleshavn Replacement	0	2,150	2,150
Community Care	GCA0240	Maintenance RP - Old Craigielea	115,500		115,500
Community Care	GCA0241	ET & Taing House Extensions	500,000		500,000
Community Care	GCA1000	SC RP Special Aids Stock Items	170,000		170,000
Community Care	GCA1001	SC RP Specialist Aids	240,000		240,000
Community Care	GCA1003	SC RP Minor Adaptions	40,000		40,000
Community Care	GCA1004	SC RP Major Adaptions	215,000		215,000
Community Care	GCA1005	SC RP Housing Renovations	26,000		26,000
Community Care	GCA1006	SC RP Professional Fees	15,000		15,000
Community Care	GCA1007	SC RP Specialist Aids Reurbishment	40,000		40,000
Community Care	GCA1008	SC RP Sensory Impairment	20,000		20,000
Childrens Service	GCG0233	Laburnum - Refurbishment/Extension	100,000		100,000
Childrens Service	GCG0235	Maintenance RP - Laburnum	20,000		20,000
Schools	GCE1171	Little Tikes	10,000	9,587	19,587
Schools	GCE1315	Mid Yell JHS	150,000	310,000	460,000
Schools	GCE1500	Education Capital Maintenance	824,051		824,051
Sport & Leisure	GCJ3001	Water Based Facilities (Marinas)	382		382
Sport & Leisure	GCJ3002	Knab Dyke	6,000		6,000
Sport & Leisure	GCJ3003	Refurbishment of Play Areas/Park Equipment	159,000		159,000
Sport & Leisure	GCJ3006	Community Organisation Grants	446,637		446,637
Culture	GCL4100	Maintenance RP - Old Library Centre	63,000		63,000
Culture	GCL4402	Cinema and Music Venue	278,724	(140,342)	138,382
Culture	UCL5203	Shetland College Extension	930,000	(44,706)	885,294
Housing	GCH3103	Maintenance RP - Skerries/Foula School Houses	100,000	(1,063)	98,937
Housing	GCH3120	Housing Temporary Accom (Homelessness)	16,025		16,025
CPS	GCK2000	Feasibility Studies	50,000		50,000
CPS	GCK2002	Contingency and Final Accounts	20,000		20,000
CPS	GCK3000	Copper Pipework Replacement	50,000		50,000
CPS	GCK3002	Disability Discrimination Act Works	60,000		60,000
CPS	GCK3003	Ness of Sound Farm	12,000		12,000
ICT	GCX4300	PC & LAN replacement	169,575		169,575
ICT	GCX4311	SSIS Upgrade	24,549	11,896	36,445
ICT	GCX4312	Schools ICT Equipment	329,962		329,962
ICT	GCX4319	LV/MV Photocopiers	62,651		62,651
ICT	GCX4323	Shetland Public Sector Network	198,812		198,812
ICT	GCX4329	ICT Planning Project	0	73,489	73,489
Development	GCD1576	Fibre Optic Cable	1,000,000		1,000,000
Environment	GCY5124	Bixter Burial Ground	15,000	4,862	19,862
Environment	GCY5125	Voe Burial Ground	10,000		10,000
Environment	GCY5126	Muckle Roe Burial Ground	228,000		228,000
Environment	GCY5129	Energy Recovery Plant	85,000	25,007	110,007
Environment	GCY5137	Gremista Landfill Phase 2	60,000	56,000	116,000
Environment	GCY5139	Wheelie Bins	44,500		44,500
Environment	GCY5200	Public Toilets Essential Maintenance	60,000		60,000
Building Services	GCY5501	Maintenance RP - Recladding Gremista Workshop	333,000	21,692	354,692
Building Services	GCY5505	New Mid Yell Workshop	42,000	15,192	57,192
Roads	GCY6125	B9071 Bixter to Aith Phase 2	1,000,000		1,000,000
Roads	GCY6126	Sletts Road Sea Wall	5,000		5,000
Roads	GCY6127	Murraster Depot Replacement	100,000	35,646	135,646
Roads	GCY6129	B9071 Parkhall to Sand Junction	0	11,813	11,813
Roads	GCY6130	B9082/3 Gatcher to Cullivoe	10,000	20,000	30,000
Roads	GCY6131	Gulberwick Road	10,000		10,000
Roads	GCY6132	Gremista Road Improvements	110,000	162,208	272,208
Roads	GCY6205	Laxaburn Bridge Replacement	10,000		10,000
Roads	GCY6207	Strand Loch Bridge, Tingwall	10,000		10,000
Roads	GCY6208	Bridge at Effirth	20,000		20,000
Roads	GCY6298	Advanced Design of Schemes	110,000		110,000
Roads	GCY6401	Scord Quarry Fixed Plant Replacement	200,000	23,430	223,430
Roads	GCY9200	Roads Rolling Minor Works	50,000		50,000
Roads	GCY9201	Roads Rolling Development Related Roads	100,000		100,000
Roads	GCY9202	Roads Rolling Bridge Replacements	310,000		310,000
Roads	GCY9203	Roads Rolling Footways	75,000		75,000
Roads	GCY9204	Roads Rolling Streetlighting Replacement	200,000		200,000
Roads	GCY9206	Roads Rolling Traffic Management	50,000		50,000
Roads	GCY9207	Roads Rolling Accident Investigation & Prevention	100,000		100,000
Roads	GCY9208	Roads Rolling Air Service	20,000		20,000
Roads	GCY9209	Roads Rolling Works/Purchases Bus Services	40,000		40,000
Roads	GCY9210	Roads Rolling Road Reconstruction	445,000		445,000

Service Area	Project Cost Centre	General Fund Projects cont...	Existing Budget Allocation	CPS-11-11 Adjustments	Proposed Budget Allocation
Roads	GCY9211	Roads Rolling Roads Drainage Improvements	80,000		80,000
Roads	GCY9212	Roads Rolling Crash Barrier Replacement	120,000		120,000
Roads	GCY9213	Roads Rolling - Speed Limits for Schools	75,000	7,399	82,399
Transport	GCY7202	Tingwall Airport (H&SE Works)	0	49,264	49,264
Transport	GCY7213	Whalsay Link	500,000		500,000
Transport	GCY7214	Fetlar Breakwater	2,243,609	142,395	2,386,004
Transport	GCY7215	Skerries South Mouth	186,000	(4,748)	181,252
Transport	GCY7254	Vehicle & Plant Replacement Programme	650,000	50,000	700,000
Transport	GCY7601	Ferries Capital Rolling Programme	141,702	111,640	253,342
Transport	GCY7626	Urgent Repairs to Ferry Terminals	228,298		228,298
Sub Total			17,078,420	1,164,119	18,242,539
Service Area	Project Cost Centre	Ports & Harbours Projects	Existing Budget Allocation	CPS-11-11 Adjustments	Proposed Budget Allocation
Port Operations	RCM2208	Scalloway Dredging	2,673,185	199,478	2,872,663
Port Operations	RCM2315	Scalloway Water Main	0	50,000	50,000
Port Operations	RCM2316	Walls Pier	2,642,946		2,642,946
Sub Total			5,316,131	249,478	5,565,609
General Fund Total			22,394,551	1,413,597	23,808,148

Externally Funded Projects

Service Area	Project Cost Centre	Capital Budgets created through Revenue Savings / External Grant Funding	Existing Budget Allocation	CPS-11-11 Adjustments	Proposed Budget Allocation
Community Care	GCA0236	Montfield Care Home	0	113,000	113,000
Externally Funded Total			0	113,000	113,000

Harbour Account

Service Area	Project Cost Centre	Funded directly from Harbour Account	Existing Budget Allocation	CPS-11-11 Adjustments	Proposed Budget Allocation
Ports & Harbours	PCM2101	Ports & Harbours Plant & Equipment	70,000		70,000
Ports & Harbours	PCM2104	Ports & Harbours Nav Aids	70,000		70,000
Ports & Harbours	PCM2138	Tystie Re-engine	0	27,387	27,387
Ports & Harbours	PCM2139	Dunter Re-engine	0	27,387	27,387
Ports & Harbours	PCM2140	Tug Jetty System	200,000		200,000
Sub Total			340,000	54,774	394,774
Service Area	Project Cost Centre	Funded through debt charges from the Harbour Account	Existing Budget Allocation	CPS-11-11 Adjustments	Proposed Budget Allocation
Ports & Harbours	RCM2313	Sellaness Tugs	0	1,214,297	1,214,297
Sub Total			0	1,214,297	1,214,297
Harbour Account Total			340,000	1,269,071	1,609,071

Service Area	Project Cost Centre	Capital Expenditure not funded by the Capital Programme to be met by financial arrangement.	Existing Budget Allocation	CPS-11-11 Adjustments	Proposed Budget Allocation
Schools	GCE1304	AHS New Build	2,000,000		2,000,000
AHS Financing Arrangement Total			2,000,000	0	2,000,000

Housing Revenue Account

Service Area	Project Cost Centre	Ring Fenced Housing Expenditure	Existing Budget Allocation	CPS-11-11 Adjustments	Proposed Budget Allocation
HRA	HCH3303	Land/Property Acquisition	1,078,851	0	1,078,851
HRA	HCH3304	Brae New Housing	1,400,000	0	1,400,000
HRA	HCH3305	Hoofields New Housing	3,375,000	0	3,375,000
HRA	HCH3306	Virkie New Housing	449,000	(2,044)	446,956
HRA	HCH3404	Environmental Improvements	439,532	(2,866)	436,666
HRA	HCH3512	Community Care Projects	136,206	0	136,206
HRA	HCH3525	Feasibility Studies HRA	25,655	0	25,655
HRA	HCH3526	Opportunity Conversion	124,862	0	124,862
HRA	HCH3706	Heating Replacement Programme	256,206	0	256,206
HRA	HCH3708	External Re-Render Programme	500,000	0	500,000
HRA	HCH3710	Lerwick Crudens	730,000	0	730,000
HRA	HCH3709	Landward Crudens (Walls & Tresta)	788,250	(41,078)	747,172
HRA	HCH3711	Retentions/Final Account	40,000	0	40,000
HRA	HCH3712	Housing Quality Standard	610,000	0	610,000
HRA	HCH3714	Replacement MIS System	194,817	3,053	197,870
HRA	HCH3715	Landward Crudens (Voe & Whalsay)	0	0	0
HRA	HCH3800	Cap Rec/Sale Council Houses	(889,886)	0	(889,886)
HRA Total			9,258,493	(42,935)	9,215,558

Total Overall Capital Budget	33,993,044	2,752,733	36,745,777
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General Fund

Service Area	Project Cost Centre	General Fund Projects	Existing Budget Allocation	CPS-11-11 Adjustments	Proposed Budget Allocation
Community Care	GCA0100	SC RP Inspection Health & Safety	29,178		29,178
Community Care	GCA0101	SC RP Building Fabric	46,139		46,139
Community Care	GCA0102	SC RP Electrical Sys Upgrade	42,493		42,493
Community Care	GCA0103	SC RP Mechanical Sys Upgrade	18,183		18,183
Community Care	GCA0104	SC RP Plant Equip Replacements	2,381		2,381
Community Care	GCA0105	SC RP Safety Surfaces	24,316		24,316
Community Care	GCA0233	Joint Occupational Therapy Centre	200,000		200,000
Community Care	GCA0234	Taing House Maintenance	22,000		22,000
Community Care	GCA0237	Eric Gray Replacement	3,175,000	36,006	3,211,006
Community Care	GCA0238	Viewforth Replacement	400,000		400,000
Community Care	GCA0239	Isleshavn Replacement	195,000		195,000
Community Care	GCA0241	ET & Taing House Extensions	1,445,000	16,201	1,461,201
Community Care	GCA1000	SC RP Special Aids Stock Items	170,000		170,000
Community Care	GCA1001	SC RP Specialist Aids	240,000		240,000
Community Care	GCA1003	SC RP Minor Adaptions	40,000		40,000
Community Care	GCA1004	SC RP Major Adaptions	215,000		215,000
Community Care	GCA1005	SC RP Housing Renovations	26,000		26,000
Community Care	GCA1006	SC RP Professional Fees	15,000		15,000
Community Care	GCA1007	SC RP Specialist Aids Reurbishment	40,000		40,000
Community Care	GCA1008	SC RP Sensory Impairment	20,000		20,000
Childrens Service	GCG0233	Laburnum - Refurbishment/Extension	540,000		540,000
Schools	GCE1500	Education Capital Maintenance	764,700		764,700
Sport & Leisure	GCJ3003	Refurbishment of Play Areas/Park Equipment	175,000		175,000
Sport & Leisure	GCJ3006	Community Organisation Grants	300,000		300,000
Culture	GCL6000	Maintenance RP - Train Shetland	40,000		40,000
Culture	UCL5203	Shetland College Extension	663,000		663,000
Housing	GCH3100	Housing Staff Accommodation	10,969		10,969
Housing	GCH3102	Housing Chalet Accommodation	12,175		12,175
Housing	GCH3120	Housing Temporary Accom (Homelessness)	16,025		16,025
CPS	GCK2000	Feasibility Studies	200,000		200,000
CPS	GCK2002	Contingency and Final Accounts	100,000		100,000
CPS	GCK3000	Copper Pipework Replacement	50,000		50,000
CPS	GCK3002	Disability Discrimination Act Works	100,000		100,000
CPS	GCK3003	Ness of Sound Farm	12,000		12,000
CPS	GCK3***	6 Hillhead - Maintenance	20,000		20,000
ICT	GCX4300	PC & LAN replacement	257,000		257,000
ICT	GCX4312	Schools ICT Equipment	395,000		395,000
ICT	GCX4319	LV/MV Photocopiers	75,000		75,000
ICT	GCX4323	Shetland Public Sector Network	250,000		250,000
Development	GCD1576	Fibre Optic Cable	0	28,837	28,837
Environment	GCY5124	Bixter Burial Ground	450,000		450,000
Environment	GCY5125	Voe Burial Ground	419,000		419,000
Environment	GCY5126	Muckle Roe Burial Ground	8,500		8,500
Environment	GCY5127	Skerries Burial Ground	10,000		10,000
Environment	GCY5129	Energy Recovery Plant	82,000		82,000
Environment	GCY5137	Gremista Landfill Phase 2	0	50,000	50,000
Environment	GCY5139	Wheelie Bins	37,000		37,000
Environment	GCY5200	Public Toilets Essential Maintenance	60,000		60,000
Building Services	GCY5501	Maintenance RP - Recladding Gremista Workshop	0	90,000	90,000
Roads	GCY6125	B9071 Bixter to Aith Phase 2	750,000	54,716	804,716
Roads	GCY6129	B9071 Parkhall to Sand Junction	5,000		5,000
Roads	GCY6130	B9082/3 Gatcher to Cullivoe	190,000	20,000	210,000
Roads	GCY6132	Gremista Road Improvements	0	10,000	10,000
Roads	GCY6205	Laxaburn Bridge Replacement	235,000		235,000
Roads	GCY6207	Strand Loch Bridge, Tingwall	435,000		435,000
Roads	GCY6298	Advanced Design of Schemes	130,000		130,000
Roads	GCY6401	Scord Quarry Fixed Plant Replacement	205,000		205,000
Roads	GCY9200	Roads Rolling Minor Works	100,000		100,000
Roads	GCY9201	Roads Rolling Development Related Roads	200,000		200,000
Roads	GCY9202	Roads Rolling Bridge Replacements	350,000		350,000
Roads	GCY9203	Roads Rolling Footways	100,000		100,000
Roads	GCY9204	Roads Rolling Streetlighting Replacement	200,000		200,000
Roads	GCY9206	Roads Rolling Traffic Management	110,000		110,000
Roads	GCY9207	Roads Rolling Accident Investigation & Prevention	100,000		100,000
Roads	GCY9208	Roads Rolling Air Service	20,000		20,000
Roads	GCY9209	Roads Rolling Works/Purchases Bus Services	60,000		60,000
Roads	GCY9210	Roads Rolling Road Reconstruction	500,000		500,000
Roads	GCY9211	Roads Rolling Roads Drainage Improvements	80,000		80,000
Roads	GCY9212	Roads Rolling Crash Barrier Replacement	150,000		150,000
Transport	GCY7213	Whalsay Link	500,000	48,170	548,170
Transport	GCY7214	Fetlar Breakwater	100,000		100,000
Transport	GCY7254	Vehicle & Plant Replacement Programme	1,200,000		1,200,000
Transport	GCY7601	Ferries Capital Rolling Programme	180,000		180,000
Transport	GCY7626	Urgent Repairs to Ferry Terminals	290,000		290,000
Sub Total			17,603,059	353,930	17,956,989

Service Area	Project Cost Centre	Ports & Harbours Projects	Existing Budget Allocation	CPS-11-11 Adjustments	Proposed Budget Allocation
Port Operations	RCM2316	Walls Pier	100,000	8,301	108,301
Port Operations	RCM TBA		150,000		150,000
Port Operations	RCM TBA		150,000		150,000
Sub Total			400,000	8,301	408,301
General Fund Total			18,003,059	362,231	18,365,290

Harbour Account

Service Area	Project Cost Centre	Funded directly from Harbour Account	Existing Budget Allocation	CPS-11-11 Adjustments	Proposed Budget Allocation
Ports & Harbours	PCM2101	Ports & Harbours Plant & Equipment	70,000		70,000
Ports & Harbours	PCM2104	Ports & Harbours Nav Aids	70,000		70,000
Sub Total			140,000	0	140,000
Harbour Account Total			140,000	0	140,000

Service Area	Project Cost Centre	Capital Expenditure not funded by the Capital Programme to be met by financial arrangement.	Existing Budget Allocation	CPS-11-11 Adjustments	Proposed Budget Allocation
Schools	GCE1304	AHS New Build	5,572,606	2,341	5,574,947
AHS Financing Arrangement Total			5,572,606	2,341	5,574,947

Housing Revenue Account

Service Area	Project Cost Centre	Ring Fenced Housing Expenditure	Existing Budget Allocation	CPS-11-11 Adjustments	Proposed Budget Allocation
HRA	HCH3303	Land/Property Acquisition	678,851		678,851
HRA	HCH3304	Brae New Housing	100,000	33,732	133,732
HRA	HCH3305	Hoofields New Housing	3,375,000	62,187	3,437,187
HRA	HCH3404	Environmental Improvements	259,266		259,266
HRA	HCH3512	Community Care Projects	107,103		107,103
HRA	HCH3525	Feasibility Studies HRA	25,655		25,655
HRA	HCH3526	Opportunity Conversion	124,862		124,862
HRA	HCH3706	Heating Replacement Programme	157,103		157,103
HRA	HCH3708	External Re-Render Programme	387,758		387,758
HRA	HCH3710	Lerwick Crudens	50,000		50,000
HRA	HCH3709	Landward Crudens (Walls & Tresta)	724,750		724,750
HRA	HCH3711	Retentions/Final Account	40,000		40,000
HRA	HCH3712	Housing Quality Standard	560,000		560,000
HRA	HCH3800	Cap Rec/Sale Council Houses	(889,866)		(889,866)
HRA Total			5,700,482	95,919	5,796,401
Total Overall Capital Budget			29,416,147	460,491	29,876,638



REPORT

To: **EXECUTIVE COMMITTEE
SHETLAND ISLANDS COUNCIL**

**4 July 2011
6 July 2011**

From: **Head of Finance**

SHETLAND COLLEGE BUDGET ESTIMATES AND FEES SETTING – 2011/12

Report No: F-032-F

1.0 Introduction

1.1 On 16 June 2011 (min ref: 06/11), the Shetland College Board recommended the Shetland College budget and income charges for the academic year 1 August 2011 to 31 July 2012, to the Council for approval.

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 prioritising and planning so we can sustain the services we want to provide and help develop our economy, in particular, to keep revenue budgets within sustainable limits.

3.0 Risk Assessment

3.1 Shetland College are currently drawing from reserves to fund their expenditure, which reduces the availability of reserves to meet costs into the future.

3.2 The Scottish Funding Council (SFC) have reduced their funding by 11%, and indicated that support will be further reduced by approximately 10% next year, placing further pressure on reserves.

3.3 The completion of Phase 3 of the College will increase the operating costs and put an additional strain on reserves.

4.0 2011/12 Estimates

- 4.1 Shetland College is required to set its budget prior to the beginning of each academic year by the SFC. Table 1 below summarises the proposed budget (detailed at Appendix A), and shows a requirement to draw £113K from Council Reserves (which includes the Shetland College Reserve). The Director of Shetland College has indicated that he aims to significantly reduce the budgeted deficit throughout 2011-12.

Table 1	2010/11 Actual Budget £	2011/12 Proposed Budget £
<u>Expenditure:</u>		
Employee Costs	2,713,976.00	2,563,677
Operating Costs	379,197.00	354,835
Property & Leasing Costs	442,027.00	469,409
	3,535,200.00	3,387,921
<u>Income:</u>		
Scottish Funding Council (FE)	(1,656,269)	(1,504,730)
Scottish Funding Council (HE)	(286,500)	(280,000)
Course Fees	(348,117)	(378,814)
Training Grants	(231,000)	(253,016)
Canteen/Nursery/Other Income	(397,993)	(412,401)
General Fund Contribution	(445,028)	(445,028)
	(3,364,907)	(3,273,989)
Deficit	170,293	113,932

- 4.2 From Table 1 it can be seen that Shetland College requires a total of £559K to balance its books (£445k general fund contribution / £114k draw from reserves. Expenditure has reduced by £148k, mostly on employee costs (£150k). Income from the SFC has reduced by £158k, and fees and charges have increased by £67k.
- 4.3 The General Fund contribution was approved by Shetland Islands Council, as part of the budget setting report in February 2011 (min ref: 05/11). This contribution is no longer sufficient to meet the full property costs at Shetland College, which have increased for 2011/12 as a result of increased rental, rates and energy costs.
- 4.4 Recharges into Shetland College have increased by £33k, but this is misleading due to a credit in 2010/11 as part of the corporate savings exercise, and emergency and urgent works provision, which has been put in place throughout the Council. The real increase is therefore approximately £11k, which relates to a request from the College for support from risk management to arrange a stress management programme and to conduct a full risk management audit throughout 2011/12.

4.5 The budget takes account of the anticipated student numbers for 2011-12 and the staffing requirements to deliver the courses being offered. Income from the SFC is fixed by weighted SUMs (an amount per unit of study, weighted depending on the course undertaken) and will not increase if additional students are enrolled. This is because Shetland College already meets their target, so there is no additional funding for activity over and above this level. The income from the University of the Highlands and Islands (UHI) is also fixed as funded student numbers, which again means that additional students will not lead to additional funding to support them. Course fee income would however increase in line with student numbers.

5.0 2011/12 Charges

5.1 The SFC set fees for both part-time and full-time, further and higher education courses, and to date there is no indication that fees will increase for 2011-12.

5.2 In line with other colleges throughout Scotland, it is proposed to increase all controllable course fees for 2011-12 by approximately 15% (Appendix B).

5.3 Fees for Blydehaven Nursery are set annually in the main budget setting report in February each year.

6.0 Financial Implications

6.1 In order to fund the budgeted deficit, Shetland College will utilise a third of its uncommitted reserves. See Table 2 below.

Table 2	
Shetland College Reserves	
	£
Estimated Uncommitted Reserves 2011	350,779
Estimated Deficit for 2011/12	(113,932)
Estimated Uncommitted Reserves 2012	236,847

7.0 Policy and Delegated Authority

7.1 Section 2.8 of the Council's Scheme of Administration and Delegations grants the Shetland College Board authority to make decision on matters in accordance with objectives which have been set by the Council, and the relevant provisions in its approved revenue and capital budgets. The recommended Shetland College budget and fees therefore require approval by the Council.

8.0 Conclusions

8.1 In summary this report sets out the proposed 2011/12 budgets (Appendix A) and fees for Shetland College (Appendix B).

9.0 Recommendations

9.1 It is recommended that the Executive Committee commend to the Council approval of:

9.1.1 the 2011/12 budgets contained in paragraph 4.1 and detailed in Appendix A; and

9.1.2 the fees and charges as detailed in Appendix B.

Date: 22 June 2011
Author: JT/HKT

Report No: F-032-F

SHETLAND COLLEGE

	1011	1011	1112
	Estimated	Actual	Proposed
	Outturn	Budget	Budget
INCOME:	£	£	£
Further Education Funding Council	-1,706,167	(1,656,269)	(1,504,730)
Higher Education Funding Council	-250,431	(286,500)	(280,000)
Course Fees	-347,117	(348,117)	(378,814)
Training Grants	-233,536	(231,000)	(253,016)
Canteen/Nursery/Other Income	-296,991	(287,993)	(302,401)
European Funding	0	0	0
Services	-40,000	(40,000)	(40,000)
Internal Transfer	-70,000	(70,000)	(70,000)
	-2,944,242	(2,919,879)	(2,828,961)
EXPENDITURE:			
Employee Costs:			
Teaching Staff	1,574,730	1,577,530	1,518,699
Management & Admin	301,850	337,850	251,628
Support Staff	602,872	597,172	610,764
Unfunded Pensions	49,815	49,815	50,851
Liability Insurance	5,659	5,659	4,735
	2,534,926	2,568,026	2,436,677
External Staff Costs	66000	66050	70000
Staff Development	30,750	40750	30000
Recruitment & Relocation	10,500	8000	7000
Mileage & Other Staff Costs	27,500	31900	20000
	134750	146,700	127,000
Other Costs:			
Criminal Records Check	1,500	1500	1500
Equipment	22,000	31150	10000
Miscellaneous	1,350	1350	875
Office Administration	62,000	57700	50000
Classroom Materials/Learning Resources	72,000	72250	60000
Payments to Beneficiaries (funded projects)	23,000	7000	7000
Expenditure in Canteen/Nursery	48,000	44920	39920
External Exam Boards	61,000	61950	60000
Advertising	15,000	26000	25000
Recharges	74,627	74,627	100,540
	380,477	378,447	354,835
Sub total	3,050,153	3,093,173	2,918,512
(SURPLUS)/DEFICIT	105,911	173,294	89,551
PROPERTY & LEASING COSTS:			
Legal Fees/Consultants	0	0	0
Rent & Lease Payments	185,313	185313	191100
Repair & Maintenance	60,000	60000	55000
Cleaning Costs	41,106	41106	42229
Rates	79,104	79104	86841
Energy Costs	40,225	40225	49181
Other Services, Insurance, Depreciation	12,049	12049	14058
Recharges	24,230	24230	31000
General Fund Contribution	-445,028	(445,028)	(445,028)
	(3,001)	(3,001)	24,381
TOTAL (SURPLUS)/DEFICIT	102,910	170,293	113,932
Opening Reserves	(750,441)		(647,531)
Projected (surplus)/deficit	102,910		113,932
Closing Reserves	(647,531)		(533,599)
Breakdown of Estimated Reserves			
Shetland College Phase 3			200,000
SFC Capital Funding			96,752
Remaining Uncommitted Reserves			236,847
			533,599

SHETLAND COLLEGE COURSE FEES 2011/12

	£	£	Percentage
	2010/11	2011/12	Increase

FE Fees set by Funding Council:

FE Full-Time	1008	1008	0.00%
FE Part-Time per 40 hour module	56.40	56.40	0.00%

HE Fees set by Funding Council:

Degree - Existing Students	1285	1285	0.00%
Degree - New Students from 2006/07	1820	1820	0.00%
HN Full-Time (8 Modules or 15 HN Credits)	1285	1285	0.00%
HE Part-Time per Module (Degree)	161	161	0.00%
HN Part-Time per HN Credit	86	86	0.00%

Other Courses:

Alternative to Higher English	112.80	112.80	0.00%	
Assessor Awards	500	575	15.00%	
Care Higher	235	270	15.00%	
Certificate in Person Centred (Rogerian) Counselling	1010	1162	15.00%	
Certificate in Supervision	475	546	15.00%	
City and Guilds IT Practitioners	375	431	15.00%	
CLAIT Certificate	150	173	15.00%	
CLAIT Diploma	250	288	15.00%	
College Certificate Computer Aided Draughting and Design	65	75	15.00%	
Diploma in Person Centred (Rogerian) Counselling & Psychotherapy (per yr)	1910	2197	15.00%	
Early Years Higher	235	270	15.00%	
Fish and Shellfish	95	109	15.00%	(10 weeks course plus weekly charge for ingredients)
Hardware/Networking Class	65	75	15.00%	
Intro to Energy Use and Renewable Energy	50	58	15.00%	
Introduction to Counselling	225	259	15.00%	
Introduction to Web Design and Publishing	550	633	15.00%	
Maths Int 1	255	293	15.00%	
Maths Int 2	255	293	15.00%	
Meat and Poultry	95	109	15.00%	(10 weeks course plus weekly charge for ingredients)
Microsoft Certified Desktop Support Technician (MCDST)	530	610	15.00%	
Preparing for Christmas	35	40	15.00%	(3 weeks course plus weekly charge for ingredients)
Professional Development Award (HN Credit cost x Number of Credits)	0			
PDA's in Business & Management (3 credits)	258	258	0.00%	
PDA's in Business & Management (4 credits)	344	344	0.00%	
PDA Care Service Management (8 credits)	688	688	0.00%	
Psychology Higher	235	270	15.00%	
Psychology Intermediate 2	235	270	15.00%	
Social Care HNC (9 x HN unit plus SVQ 3 Social Work)	874	874	0.00%	
Sweets and Puddings	95	109	15.00%	(10 weeks course plus weekly charge for ingredients)
Tour Guides Part 1 - Shetland Studies	161	161	0.00%	

APPENDIX B

Evening Classes

Classes of 20 hour duration (non-certificated) (£3/hr)	40	60	50.00%	(£3 per hour)
Classes of 40 hour duration (non-certificated) (£3/hr)	80	120	50.00%	
Hospitality courses have smaller grp sizes so calculated at higher rate ph				

Room Hire

Half day	50	58	15.00%	
Full day	75	86	15.00%	
VC Suite (arrange through Bob Brandie)	50	58	15.00%	per hour during working hours
VC Suite (arrange through Bob Brandie)	75	86	15.00%	per hour outside working hours

SVQs (to be paid in 3 installments)

Registered Managers Award	1700	1955	15.00%	
SVQ4 Care	1700	1955	15.00%	
SVQ2 Care - Skillseekers (6xFE unit cost + £1219 following June)	1398.4	1557	11.37%	
SVQ2 Care (not Social Work dept)	1060	1219	15.00%	
SVQ2 Childcare Learn & Dev (underpinning knowledge & IV)	360	414	15.00%	
SVQ2 Childcare Learn & Dev (Lerwick based - Full Award)	1030	1185	15.00%	
SVQ2 Childcare Learn & Dev (outwith Lerwick - Full Award)	1236	1421	15.00%	
SVQ3 Childcare Learn & Dev (underpinning knowledge & IV)	360	414	15.00%	
SVQ3 Childcare Learn & Dev (full award)	1340	1541	15.00%	
SVQ2 Childcare Learn & Dev - Skillseekers (6xFE units + £1219 from June)	1398.4	1557	11.37%	
SVQ Professional Cookery (Hospitality)	1700	1955	15.00%	
SVQ 1 Food Prep & Cooking	450	518	15.00%	
SVQ2 Food & Drink	1700	1955	15.00%	
SVQ (2/3/4) Business & Administration	850	978	15.00%	
SVQ5 Management	850	978	15.00%	
SVQs IT	1275	1466	15.00%	
SVQs Construction	1590	1829	15.00%	
SVQ2 Plant Operative (10/11 cost)	1000	1150	15.00%	

European Computer Driving Licence

Level 1 Open Learning (includes materials - no classes)	95	109	15.00%	
Level 1 All Inclusive (materials and drop in classes)	140	161	15.00%	
Level 2 Open Learning (includes materials - no classes)	130	150	15.00%	
Level 2 All Inclusive (materials and drop in classes)	170	196	15.00%	
Level 1&2 Combined Registration and Tests Only (no materials provided)	145	167	15.00%	
Level 1&2 Combined Open Learning (includes materials - no classes)	190	219	15.00%	
Level 1&2 Combined All Inclusive (materials and drop in classes)	290	334	15.00%	

Advanced European Computer Driving Licence - per unit

Registration and Tests Only (no materials provided)	75	86	15.00%	
Open Learning (includes materials - no classes)	135	155	15.00%	
Drop in Classes (includes materials)	160	184	15.00%	

Community Learning

Courses which are funded through Adult Literacy and Numeracy Partnership are free.



REPORT

**To: Executive Committee
Shetland Islands Council**

**4 July 2011
6 July 2011**

From: Chief Executive

Report No: CE-35-F

Communications Strategy

1 Introduction

1.1 This report presents to Members the new SIC Communications Strategy. It sets out the progress that has been made in developing the area of communications over the past nine months and the work that has gone in to producing this strategy.

2 Link to Corporate Priorities and risks

2.1 Communications was highlighted by the Accounts Commission in their report to the Council in August 2010. The Commissioners made the following recommendations:

“The council should improve the way it develops clear, coherent messages to communicate with the local community, and take steps to improve the way it conducts its relationship with the media and recognises the media’s legitimate interest in council matters”.

The Council acted on these recommendations by including two specific actions in the Improvement Plan that was endorsed by Members on 13 November 2010. (Establish a Communications office and produce a new Communications Strategy) This report therefore delivers one of those actions.

Based on the past couple of years, it’s fair to say that a failure to deliver meaningful change in the way the Council communicates represents a serious risk for the organisation and for Shetland’s reputation.

3 Background

3.1 As we began to put together the Improvement Plan last September, it became clear that communications was an area that had not been considered a high priority for some time. The last Communications Strategy had been agreed in 2003 and there was no dedicated resource. Therefore, in order to drive the improvement process ahead, I agreed to reassign Peter Peterson from his role in the Policy Unit to become Communications Project Manager. A Project Board consisting of the Assistant Chief Executive as corporate lead, Head of Organisational Development and Head of

Development was set up shortly after in mid October. The first thing they did was agree a Project Initiation Document which set out the detailed aims and objectives for the project.

- 3.2 Tom Morton was recruited as a part-time Communications Adviser in December 2010, following an open recruitment exercise. He brought valuable media experience to the project. Elaine McGregor was then added as a temporary Communications Officer in March and has added considerably to the capacity in the small team. All contracts currently run to the end of September 2011.
- 3.3 The Communications Board has monitored progress over the past nine months through regular update reports. As well as providing a valuable corporate advice service, the unit has delivered a number of innovative improvements. A few are listed below:
- Morning headline service - 116 Members and managers receive a set of daily headline stories from across the UK that relate to Council business.
 - Press releases – simpler style introduced. Communications staff perform a quality control / editing service on a release. Shetland News, Shetland Times and BBC Radio Shetland have commented positively on improvements.
 - Media penetration – monitoring shows that the media is picking up more of the Council’s press releases.
 - Chief Executive’s Blog – established as a way to keep in touch with staff and the public.
 - Plain English – 27 managers attended training from across all service areas.
 - Regular liaison with local media, facilitating contact with senior management and Members.
 - Council internet - homepage www.shetland.gov.uk refreshed to carry Council news. RSS facility has been added to allow automatic alerts when new stories are posted. Recent Council decisions and Councillor Information Bulletins added.
 - Major consultation exercise carried out on communications. This involved Members, staff, general public, local media, Community Councils, Trades Unions and organisations the Council works with.
 - Communications Strategy developed, and further consultation carried out with above groups during May and June.

4 Overview of the Strategy

- 4.1 It is acknowledged that Council strategies are not always the most engaging documents. However, the team has set out to make this document as readable as possible. It has been built entirely on the issues people told us needed to be fixed during the consultation exercise in early 2011. As a result, it should be relevant and easy to engage with it.
- 4.2 The communications team has tried to embrace the concept of plain English throughout the document. As a symbol of that, it carries the Crystal Mark. This is the Plain English Campaign's seal of approval and signifies clarity in a document.
- 4.3 It sets out "commitments" to change the way we go about our communications as individuals and as an overall organisation. The aim is to help staff and Members understand that they can make a positive difference by taking on board the messages in the strategy.

5 Financial Implications

- 5.1 There are no financial implications directly arising from this report. All the work done so far has been delivered within the annual corporate communications budget of £10,000.
- 5.2 It is clear that the commitment Members gave on 15 September 2010 and 10 November 2010 to establish a communications function has been justified. Therefore, having taken some time to see how this project has developed over these past nine months, I will now ensure that a communications unit is established on a more permanent basis as we progress with the management restructure process.

6 Policy and Delegated Authority

- 6.1 The terms of reference of the Executive Committee includes the duty to advise the Council on the development of its strategies policies. However, the power to set new policy or strategy rests with the full Council so a decision is being sought of that body.

7 Conclusion

- 7.1 This report has introduced the Communications Strategy and provided some background on the progress made in the communications project over the past nine months.

8 Recommendations

I recommend that:

- 8.1 the Executive Committee discusses the attached Communications Strategy, and endorses the commitments it sets out.
- 8.2 the full Council endorses the commitments set out in the Communications Strategy and agrees to introduce it as Council policy immediately

Date: 24 June 2011
Ref: PP/AB

Report No: CE-35-F

Shetland Islands Council



Communications strategy 2011



House style: 'Council' is always capitalised, where referring to Shetland Islands Council. However 'councillors' is not, neither is 'elected members'.

Numbers up to and including nine are spelt out in full when used in sentences. Departments are capitalised when confusion may arise if they are not ('Legal Services'). Proper titles ('Chief Executive'; 'Convener') are capitalised. Essentially, capitalisation should be avoided but where confusion can occur (there are other chief executives and other councils) it can be used effectively.

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a The importance of communicating

Communicating is vital to the way we all work in the Council, and to the way we work as an organisation. Staff and councillors need to talk to each other and to the public.

We're all in the communications business – if we don't communicate effectively, we won't get anything done.

So this strategy is about making ourselves understood, being clear and frank, and making sure that our words have the intended effect. It's not about 'spin'. It's about clarity, action and being clear on our roles and responsibilities.

The way people view us affects the way Shetland is seen by the community and by the wider world. So our reputation is at stake every time we communicate with others.

b Why we need a communications strategy

At the end of June 2010 the Accounts Commission for Scotland held a two-day public hearing to look at how we were being run. The commission made a number of recommendations, including the following.

“The Council should improve the way it develops clear, coherent messages to communicate with the local community, and take steps to improve the way it conducts its relationship with the media and recognises the media’s legitimate interest in Council matters.”

After looking at the way we communicate, in November 2010 we agreed an improvement plan as the official response to the findings. This plan committed us to:

- set up a communications office within the Chief Executive's office, in order to support our councillors, our corporate message and Shetland's reputation; and
- refresh our communications strategy.

The risks associated with poor communications, and the benefits of doing things properly, were highlighted during the hearing. The hearing stressed that good communications are:

- a vital part of providing effective services;
- essential to our relations with communities, service users, and businesses; and

- crucial to staff morale.

This is the first communications strategy since 2003, so putting it into practice is a priority.

c The aims of this strategy

We must do better, and this strategy sets out our commitments as an organisation and as individuals. We want our communications to be professional and well-organised.

Significantly changing the way we work takes time. However, an essential starting point is for staff and councillors to understand and accept the objectives in the strategy. We need to make this work.

“It’s all very well agreeing a communications strategy, but we must make sure that it changes the way we work. Otherwise it will just be another document that sits and gathers dust.”
Councillor Betty Fullerton (Nov 2010)

Every manager or supervisor has the opportunity to apply good practice relating to communications in their own team. The more people do this, the more change happens. Communicating well has to be central to the way we do business.

Finally, an important aim of this strategy is to fix the problems that we’ve been told need to be fixed.

Over the past six months we’ve consulted staff, management, councillors, the general public, organisations we work with, community councils, trade unions and the local media. We’ve had almost 500 responses, giving us a huge variety of comments. These are the foundations we have built this strategy and action plan on.

The issues that were raised most often during our consultation are set out below, with a few examples of what we were told.

We should tell staff about things before we tell the media.

“Quite often the first I hear of a Council project or decision is via the local media. It would be better as an employee to hear news first if possible.”
Comment from a member of staff

Communication with the public is poor – people see the Council’s website as confused and confusing.

“The Council’s Website actually contains a fair bit of information but generally comes across as faceless and is in need of a radical overhaul in terms of navigation, layout, language, style and presentation.”

Comment from a member of the public

There’s a lack of clarity in the language used in Council documents.

Staff and councillors should get support and training in dealing with the media.

The Council shouldn’t rely just on electronic communications.

“Don’t miss the people who don’t have access to email and technology.”

Comment from Council management

The Council should be more open and honest in its communications.

“Shetland is a small place and you hear an awful lot of gossip. You also tend to hear about things in a roundabout way. The Council needs to make sure they are open and honest about what they are doing and make sure things don’t leak out.”

Comment from a member of staff

Council services must share information and work together better.

Regular updates for staff on what’s going on in the Council will help reduce confusion and speculation.

Good work and good news stories should be highlighted more often.

“We should share best practice internally, have a formal cascade system in place and be better at celebrating success stories.”

Comment from Council management

2 Roles and responsibilities

a Councillors

Communications role

The 'Protocol for Councillor/Officer Relations' sets out very clearly the roles that councillors and staff are expected to fulfil. Councillors are elected to decide policy, not to manage services. Staff manage the organisation which provides the services. A similar distinction can be made for communications.

Councillors will be at the forefront of our communications and will make all comments on political policies. The principal purpose of councillors' statements is to explain or comment on our policies and decisions.

However, any councillor can issue their own statement to the media or respond to the media when they are approached by them. In these circumstances, the councillor concerned will be speaking on his or her own behalf and will be personally responsible for what they say.

Communications responsibilities

As reflected in their job descriptions, councillors are expected to represent the Council in an appropriate way and project a good image of the Council and Shetland.

Councillors must respect confidentiality when necessary.

Councillors must not undermine staff in public or through the media. This damages our reputation and undermines our commitment to trust, co-operation and partnership.

b Staff

Communications role

Staff must not publicly express personal opinions on Council policy. That is the role of councillors. Staff are there to provide accurate information to councillors and to manage services.

Staff can comment on the running of services and provide information, as long as they follow the procedures set out in the appendices to this strategy.

Communications responsibilities

Staff need to work with the media more effectively, helping to improve fair and accurate reporting by representing the Council fairly and accurately. The Code of Conduct for Employees makes it clear that staff must conduct themselves in a way that will not damage the Council's reputation. That includes statements to

the media. Staff are expected to always follow that code when communicating with press and public.

To improve the public's perception of the Council, more information needs to be made available more easily. However, staff must actively get that information and make themselves better informed. Staff should be doing all they can to correct misinformation, inaccurate rumours or speculation. Everyone should be well-informed enough to set the record straight, when necessary, but should also respect confidentiality when necessary.

3 Commitment to change

a We need to make the following commitments as individuals working for the Council and collectively as an organisation.

We will do the following.

- Tell staff and councillors about issues affecting them before they are released to the general public and the media.
- Improve our website and intranet site.
- Write and speak in language people will understand.
- Provide training to make sure that anyone expected to deal with the media has the skills and confidence they need to do so.
- Provide regular information about the Council to staff who do not have access to emails.
- Write and speak honestly, and communicate the facts, good and bad, in a clear and unbiased way.
- Listen to staff and councillors and give them feedback.
- Deal with requests for information quickly, properly, and openly. There is no excuse for not giving a response.
- Make sure that the need to keep staff, organisations we work with, MPs and MSPs, trade unions, the press and the general public informed is built into all council projects.
- Work with the local media, building positive working relationships.

4 Communicating within the Council

a Guiding principles

It would be easy to rely just on electronic communications (email, intranet and internet) to keep staff informed. However, with two-thirds of our staff not having access to a computer, it's clear that emails are not going to reach everyone.

Email and the internet cannot replace face-to-face communication. Research suggests (and feedback confirms) that the spoken word is the most powerful and meaningful way of keeping staff informed.

We need to avoid information overload, but it is clear that the majority of staff (83.1%) want to hear news about the Council directly from the Council. That way, they feel:

- that the information is unbiased;
- valued by the Council making the effort to inform them directly; and
- in a much better position to pass this information on to other staff.

We can't guarantee to meet the specific needs and interests of each individual staff member, or that everyone will hear news from the Council before hearing it through the local media. This strategy aims to find a balance between making information more easily accessible to staff, managers and the general public.

b Internal communication

Staff

"I don't think my manager knows what happens at Corporate Management Team so can't cascade that to me and I can't tell my staff. There are a lot of rumour, myths and stories about redesign and no transparency in processes."

Comment from a member of staff

Information from the corporate management team

After every corporate management team meeting, a summary, showing decisions taken, will be provided to heads of service, service managers and head teachers. This will provide information that can be used in staff briefings and team meetings. It will also appear on the communications page of our intranet site.

The Chief Executive's blog will be produced every week. This will provide staff with a short description of what he has been doing during the week, as well as comments on topical issues.

A staff newsletter will be produced and circulated by email and on notice boards every six weeks.

If there is an event that is felt to be of general interest to staff, bulletins will be issued to all staff and councillors.

“Although my husband and I both work for the SIC, albeit in very different areas and at different grades, the information I receive is very different from his experience. As a manager of a large staff group, I spend a great deal of time and effort conveying information to my staff. His managers do not appear to place the same importance to this area in his workplace. As a result, he feels undervalued and of little worth.”

Comment from a member of staff

Information from managers

All heads of service and service managers will organise regular team meetings and staff-briefing sessions – at least one every six weeks. Through these meetings, information on what’s going on in the Council will be shared, along with things like training events and meetings, and video conferences with partner organisations or professional bodies.

Team managers and supervisors will need to pass this information on to their staff.

Information from staff to managers

Staff want to share their ideas, suggestions and views with their managers. We need to make sure we allow this to happen. This can be informally through their line managers, but we also want to let staff make suggestions and give feedback direct to management.

A staff suggestions site will be set up on the Communications page of our intranet site.

A central contact email address (communications@shetland.gov.uk) is available. It will give staff a place where they can help improve how we communicate. It’s important to point out that it won’t be a dump for complaints and random questions about Council services.

Councillors

It’s important that we meet councillors’ information needs and improve communications between councillors and staff. It’s also important that information that councillors do not need to make a decision on is channelled to

them in the most effective way. Two areas where improvements can be made are as follows.

Councillor information bulletins

If a councillor at a committee meeting has asked for information, or staff want to inform members but don't need a formal decision, a short bulletin will be produced.

Bulletins will be written in a set format, keeping the information short and to the point. Services will be responsible for producing the bulletins, although the communications unit and member support service will help. A separate set of guidance notes is available to explain this in detail.

Councillor internet page

A dedicated page will be set up for councillor information bulletins, to give the public access to the information.

5 Communicating with the outside world

a Electronic methods

Feedback tells us we need to revamp our internet site and establish this as the main way of getting information to the outside world. So, we will do that. This project will tackle the many internet-related issues that have emerged through our consultation – including appearance, search functions, use of social media, service disruption alerts and so on.

One immediate improvement will be the redesign of the homepage. This can become a hub for all Council news. The aim will be to attract the public to that site to get their news about what's going on in the Council.

The way we are perceived affects how Shetland is perceived. We will aim to improve our image through our communications – getting better coverage for positive news stories through our website. However, we will be honest at all times, explaining poor performance and difficult decisions as well. Over time, we hope to build a reputation for being an organisation that is open, honest and efficient, and that provides value for money.

“The challenge is to get the info out there rapidly before it gets misrepresented by either word of mouth or even our local media.”

Comment from a member of staff

b Non-electronic methods

The idea of a Council newspaper has been put forward in the past. However, feedback confirmed that this would not be popular.

We will provide a yearly update report on our performance, using paid-for space in the local media. This will help to explain any major decisions and changes, as well as give councillors an opportunity to explain any major policy decisions.

We will also continue to produce our annual public performance calendar. This has proved to be a very popular and cost-effective way of keeping the public informed of how we are doing.

“The media is a tool of analysis, a response to actions by others. SIC should communicate itself with people in Shetland, via its staff, a better website, social networking, and so on. It should not allow itself to be distorted through the prisms of other organisations, which have a propensity to negativity on certain issues and individuals. It should be better at communicating, and develop new means to communicate its many actions, its political decisions and its goals and ambitions.”

Comment from a member of staff

6 Keeping an eye on progress

a Performance management

Good communication is just one step towards a better Council. Some elements of this strategy (such as the appendices) should have an immediate effect on the way we all work. But we need to think long term and keep our efforts going. For that reason, the corporate management team will review this strategy every six months, and our executive committee will review it every year.

We will also ask staff for regular feedback through our intranet and have regular feedback sessions with members of the local media.

A set of performance indicators will be developed and monitored each month. This will help to show how successfully we are achieving the aims set out in this strategy.

b Formal review

We will also review this strategy in two years' time to see whether the changes made have had the desired effect. If some things aren't working, we will look for ways to deal with them.

7 Contact details

The Communications Unit office is based upstairs in the Town Hall, Hillhead, Lerwick, ZE1 0HB.

Communications Project Manager

Peter Peterson (temporary till end September 2011)

Phone: 01595 74 4538

Email: peter.peterson@shetland.gov.uk

Part-time Communications Adviser

Tom Morton (nine hours a week – temporary till end September 2011)

Phone: 01595 74 4258

Email: tom.morton@shetland.gov.uk

Communications Officer

Elaine McGregor (temporary till end September 2011)

Phone: 01595 74 4535

Email: elaine.mcgregor@shetland.gov.uk

These details will be updated once a permanent unit has been set up.

General enquiries about communications can be sent to communications@shetland.gov.uk. Every member of the Communications Unit has access to this email address, and it is monitored every day.

Appendices

Feedback from staff showed that there is a high demand for guidance on speaking to the media and issuing press releases. So these appendices will become Council policy, immediately replacing all other guidance.

A. Action plan

This action plan aims to meet the commitments in this strategy. We will update it regularly. This action plan goes hand in hand with the more detailed operational plan which guides the work of the Communications Unit on a day-to-day basis.

We will tell staff and councillors about issues affecting them before they are released to the general public and the media.

What we'll do to make this happen	Who'll do it	By when	Cost	Progress
Redesign our website's home page to make it a 'Council news' page. It will be updated regularly with what's going on in the Council. It will give staff an option to receive regular updates every time the page is updated.	Communications Unit	Mid-May	None	Done.
Create a 'Staff changes' section on our intranet site to help staff keep up to date with changes in staff.	Communications Unit and Human Resources	September	None	On hold until new management structures are in place.
Develop an information board for the intranet site – to hold useful information on what's going on for team briefings – including the outcome of corporate management	Communications Unit	August	None	Currently underway.

team meetings.				
Develop an information bulletin page for councillors as a public store for all reports that do not need a council decision.	Communications Unit	June	None	Done.

We will improve our website and intranet site.

What we'll do to make this happen	Who'll do it	By when	Cost	Progress
Hire a specialist to help redesign our website.	Internet Project Team	September	Not yet known	Currently underway. A Project Team and Board are taking this forward.
Redesign the Council's intranet site.	Intranet Project Team	September	None	Plan to go live with a new site in early July.

We will write and speak in language people will understand.

What we'll do to make this happen	Who'll do it	By when	Cost	Progress
Provide plain-English training for heads of service and service managers – creating 'champions' across the organisation to actively tackle jargon when they see it.	Communications Unit staff, Human Resources and Train Shetland	1 and 2 June	Available on request	Done – training was delivered on 1 and 2 June.

Make plain-English training available to all staff as part of the corporate training programme (at least two courses a year).	Train Shetland	2012 onwards	Not yet known	Done. Date set for next year.
Get Plain English Campaign's Crystal Mark for the Council website and key policy documents.	Communications Unit	From now on	Available on request	Currently underway. This Communications Strategy is the first to carry the Crystal Mark.

We will provide training to make sure that anyone expected to deal with the media has the skills and confidence they need to do so.

What we'll do to make this happen	Who'll do it	By when	Cost	Progress
Provide communications training for councillors and staff who are regularly expected to speak to the media.	Communications Unit and Train Shetland	30 June and 1 July. Other courses to be arranged.	Not yet known	Currently underway. Councillor training is booked for 30 June and 1 July.
Add communication-skills training to the annual corporate training programme for staff.	Communications Unit, Human Resources and Train Shetland	January 2012	Not yet known	Currently underway.
Provide training for councillors and staff in how to communicate during an emergency.	Communications Unit, Emergency Planning and Resilience, and Train Shetland	December	Not yet known	This is yet to be agreed. A procedure for communicating in an emergency has been drafted.

We will provide regular information about the Council to staff who do not have access to emails.				
What we'll do to make this happen	Who'll do it	By when	Cost	Progress
Identify where all staff noticeboards are across the Council, adding new ones where necessary.	Communications Unit	July	Not yet known	Currently underway.
Identify staff who can update staff noticeboards on a regular basis.	Communications Unit	July	None	Currently underway.
Work with managers and supervisors to design and introduce a formal system to 'cascade' information around team briefings.	Communications Unit, Human Resources and managers	July	None	Currently underway. The system will be introduced along with the new management structure.

We will write and speak honestly, and communicate the facts, good and bad, in a clear and unbiased way.				
What we'll do to make this happen	Who'll do it	By when	Cost	Progress
Produce the annual public performance calendar, reporting performance in a balanced way.	Communications Unit	December	Not yet known	
Produce a 'How we're doing' booklet for the general public to show progress on the improvement programme.	Communications Unit	August	Not yet known	An insert in the Shetland Times is booked for 26 August.
Improve the performance section of our website, making it easier for	Communications Unit and	September	None	

staff, the public and organisations we work with to find out how we are doing, linking to the planning and performance management framework.	services			
Put more effort into explaining why decisions have been taken. Explaining more clearly why we can't comment in some situations – for example, due to commercial sensitivity and personnel reasons.	Communications Unit, Councillors and managers	From now on	None	A centre-page spread in the Shetland Times is booked for 8 July. The theme of the spread is 'Council finances'.

We will listen to staff and councillors and give them feedback.				
What we'll do to make this happen	Who'll do it	By when	Cost	Progress
Set up a staff suggestion scheme and discussion forum for staff on our intranet.	Communications Unit and ICT	July	None	Currently underway. Plan to introduce in early July.
Set up a central communications email address, monitored daily, for staff to make suggestions directly. If staff feel they are not receiving information, they can use this email address to alert management.	Communications Unit and ICT	May	None	Done.

We will deal with requests for information quickly, properly and openly. There is no excuse for not giving a response				
What we'll do to make this happen	Who'll do it	By when	Cost	Progress
Update and re-release the 'Corporate styles and standards booklet' to make staff aware of the necessary standards for things like replying to letters.	Communications Unit	September	None	

We will make sure that the need to keep staff, organisations we work with, MPs, and MSPs, trade unions, the press and the general public informed is built into all Council projects.				
What we'll do to make this happen	Who'll do it	By when	Cost	Progress
Make sure staff from the Communications Unit attend all agenda-setting meetings to help identify communication issues at an early stage.	Communications Unit and Agenda Management	From now on	None	Agreed.
Give pre-agendas to staff in the Communications Unit so they can identify stories that could be communicated.	Committee Services	From now on	None	Done.
Involve the Communications Unit in project planning so that communications issues can be considered at an early stage.	Communications Unit and managers across the Council	From now on	None	

We will work with the media, building positive working relationships.				
What we'll do to make this happen	Who'll do it	By when	Cost	Progress
Make sure that we maintain regular contact with the local media.	Communications Unit	From now on	None	Already in regular phone contact with the Shetland Times, Shetland News and Radio Shetland.
Tell editors when inaccurate reporting has taken place – in a spirit of openness and honesty and recognising that trust is a two-way process.	Communications Unit and managers	From now on	None	Done a few times so far.
Produce a 'Guide to the Shetland media' for councillors and staff to improve understanding	Communications Unit	July	None	A draft is in place.
Work positively with the national media to make sure that positive Council news stories feature in the national media. This would be part of supporting the Shetland marketing strategy.	Communications Unit, Promote Shetland and Economic Development Unit	From now on	None	

Staff time is not costed in this plan, as that has already been budgeted for.

B Contact with the media

Context

There is confusion over who in the Council can speak to the local media. It's important that this problem is solved, so that staff and councillors can deal with media contacts professionally and efficiently. This appendix also contains some useful guidelines on how to prepare for and take part in media interviews.

The media's perspective

Reporters believe they have the right to speak to anyone they like when looking for a story. They are likely to see restrictions on who can and cannot respond to a press enquiry as overly controlling. And they will undoubtedly have personal contacts with staff, which will sometimes result in inappropriate 'off the record' or anonymous interviews. They will be keen to get to the person they see as being able to provide them with the necessary details for their story.

We must try to help reporters get things right.

Our perspective

In formal interviews, staff or councillors have to be trusted to do things properly, but they must be accountable for what they say. Anyone speaking to the local media must understand that they are representing the Council and that involves serious responsibilities.

The local media in Shetland constantly monitors our actions and performance. The press have the right to enquire honestly, and we must respect this, but we should not flirt with the press or regard them with fear, or view the media with contempt.

Approach to be adopted

Staff, managers and councillors should agree who is the best person to represent us in a media interview.

Some of the best communicators on radio are not necessarily management. So to have a rule that only managers above a certain level can speak to the media (as has been the case in the past) is too clumsy and would not serve the purposes of this strategy.

Our objective when giving an interview to the media is to make sure accurate information is reported. With that in mind, staff and councillors should apply these basic principles when preparing for, and during an interview.

Handling contact with the media

- 1 The Communications Unit must be told about all interviews the media asks for. If you are a councillor and want to put forward your own personal views, you have to take personal responsibility for what you say. Although all requests for interviews are not made through the Communications Unit, staff in the unit are in the best position to say whether it is a good idea to give an interview. And it may be useful to get some briefing to prepare for the interview.
- 2 The Communications Unit must be told about any requests the media make for information, so they can give advice on the response to provide. However, standard queries looking for clarification of facts or figures do not need to be passed to the Communications Unit.
- 3 You must consider what a proposed interview is going to be about and agree with your line manager who would be the most appropriate person to be interviewed. Can the person answer detailed questions on the subject?
Has the person been trained?
Does the person feel able to carry out the interview?
- 4 If you are a councillor and are being asked for an interview (this could be immediately after a committee meeting), consider whether it would be useful to have a staff member there during the interview to help provide details.
- 5 In line with the 'Protocol for Councillor / Officer Relations', any councillor can give an interview on their own views. In those circumstances, the councillor will be speaking on their own behalf, not on behalf of the Council, and is personally responsible for anything they say.
- 6 Plan the messages that you would like to get across in the interview. Have points in your head that you want to make.
- 7 If a reporter calls and you cannot respond there and then, agree to call them back when you have had time to prepare. It's vital that if you say you'll call them back, you do so. It is also vital that you are available to the reporter. That can mean giving out a mobile or home number and being there to take the call when it comes. This is about something that is basic in building a good relationship with the media – making a promise and keeping it.
- 8 For a printed press interview, it can be useful to ask for questions to be emailed, and for you to send your responses back by email. This is valuable as it gives you time to think and means there is a record of exactly what your replies were. If you do this you read your responses out loud to check that they sound like what you'd say. This is because you will be quoted as if you had been speaking, so be aware of the need for your language to be natural.
- 9 Be aware that all Council emails are stored, and that under the Freedom of Information Act, they may have to be released to any reporter who asks for them. So anything you email could be quoted in a newspaper.

Giving a radio or TV interview

Reading a prepared response or referring to prepared answers will not do in this situation (though briefing notes can be helpful in radio interviews). A natural, fluent response in an ordinary accent is what's needed. For TV, do not look at the camera, unless you are involved in a 'live two-way' with a national TV station, where the questions will be heard through an earphone and you must gaze directly into the camera. This is notoriously difficult and we will provide training for this to people most likely to face this kind of interview.

In radio and TV, being calm and sincere is vital. You are involved in a conversation, so speak clearly but don't be tempted to shout or gabble. Before you start, a couple of big, deep breaths, exhaled very slowly, will slow your heartbeat and calm your nerves. Do not mumble. Be clear, short, simple and straightforward. Don't give the interview in an embarrassing location. We hope that there will be a standard location for interviews in the Town Hall.

- Anger and irritation do not portray you in a good light. A calm response always pays dividends.
- Do not laugh as if you don't believe what someone is saying.
- Do not patronise your interviewer, even when they're clearly wrong.
- Do not use jargon, even jargon you're very familiar with.
- Do not have any alcohol before the interview, and beware of caffeine.
- Make sure you are never caught smoking on camera, even when you think it is not recording.
- Dress appropriately for the location, your position, the weather and the occasion.

When faced with a microphone, always assume it is recording. Idle chit-chat which you think is not being recorded can end up a lead news item, as many politicians have found to their cost.

Make sure the Council's messages and images are consistent. This is absolutely essential. We are all representing the same Council. It is the Communications Unit's job to give advice on the Council 'line', and consulting a communications officer should mean that everyone is singing from the same hymn sheet.

Avoid being evasive or hesitant. If you're not sure or don't know, say so. Do not try to avoid the question. Sometimes a simple answer is best, but remember that giving a curt 'yes' or 'no' in an interview comes across as dismissive and sometimes bitter or angry. Show respect for the interviewer. If you don't, you're disrespecting the public. And if you don't, the reporter will have his or her revenge as they have the last word. Be aware that unfair editing is a possibility. Being quoted 'out of context' is a common excuse, but remember – if you said it, you said it.

Do not offer too much information. Wait for the questions. Answer them truthfully and in a straightforward way. Keep a clear conscience.

Communications Unit staff are always available to provide advice and guidance. That is, 24-hours a day, seven days a week.

C Preparing and issuing press releases

All press releases will be prepared and issued by the Communications Unit. This will make sure that the Council uses a consistent style and works more efficiently. Again, this new approach reflects the feedback we received from staff and councillors, where 84.5% of respondents said that they would support the Communications Unit writing and issuing all press releases.

However, this approach relies on getting the unit involved early on so that they can plan the best way to get the message out.

The new process in action

- 1 A press release is prepared.
- 2 Details of the story are discussed with a communications officer and an approach is agreed to get the information out.
- 3 A communications officer drafts the press release and sends it to the appropriate councillor or staff member for their agreement. (Note: all quotes will be agreed with the person they are attributed before publishing.)
- 4 Once the press release is agreed, the Communications Unit will post the story on the Council news homepage of our website and in an email to all staff, if appropriate.
- 5 The Communications Unit sends the press release to media contacts.
- 6 Councillors' spokespeople and staff will be contacted for follow-up interview by the media, as necessary. The Communications Unit will be kept up to date on requests for interviews.

The Communications Unit will aim to make sure that any press release dealing with an item of business at a committee meeting is issued within one hour of that meeting ending. The unit's performance in achieving that target will be monitored as part of this strategy and the Council's performance-management arrangements.

Press releases, publications, booklets, or other documents issued by or on behalf of the Council may contain quotes from the political leader or the relevant chairperson, in line with Council policy.

If a policy has yet to be decided, a publication will not carry a quotation that gives a councillor's personal opinion.

All press releases will be issued as plain text in an email, rather than in the traditional template format. The media have told us that this will help reduce the time it takes to handle them.

D Responding to inaccurate reports in the media

During the consultation process we received a number of comments about the Council's ability to respond to inaccurate reports or published letters. Information that is inaccurate and is not corrected can damage the Council's reputation.

We have developed the following procedure on the basis that, if inaccurate information is given, the Council should quickly put it right or provide more information to help people understand the issues.

Of course, this approach relies very heavily on a good relationship with the media, which we are committed to developing.

Inaccuracy in the media

Responding to inaccurate reports in the media is different from reacting to unfair editing, offensive opinions or views which people within the Council disagree with.

We have a responsibility to make sure that incorrect or misleading information is identified and corrected. However, you should not become involved in talking to the media, either in public or in private, which are to do with opinion, perceived bias or personal grievance.

Many corrections can be achieved easily, simply and informally. It is part of the Communications Unit's role to maintain open channels of communication with all local journalists, and especially with senior editors. Often a single phone call is enough to sort things out.

If a report contains an inaccuracy that you think is significant or legally damaging, do not contact the organisation concerned yourself. You should get in touch with the Communications Unit immediately.

In consultation with the staff concerned, and the Council's Legal Services department (if necessary), the Communications Unit will give advice on the level of response needed.

This may be a simple on-air or printed correction by the editor, a letter for the editor to publish, or a full-blown apology (which may make up a major part of a newspaper page in extreme cases) dictated and approved by us.

This is usually the result of legal activity or is part of an agreed settlement in order to avoid court action, and should be seen as a last resort.

Always bear in mind that we will have to maintain a relationship with the media outlet concerned after any dispute. At all times, our response to inaccuracies should be thoughtful, calm and carefully reasoned. Dashing off an emotional email in the heat of the moment is completely unacceptable.

However, there may be times when we need to take swift and committed legal action to protect our reputation and the reputation of anyone else involved.

Councillors

Councillors are responsible for representing the public in many issues, some of them controversial, and may want to do so in radio or TV, or in print.

If a councillor is facing what they consider to be inaccurate reporting, they may want to respond personally. However, if they are acting in the name of the Council or a committee in which they have a leadership role, they should consult the Communications Unit first for advice and guidance.

Information gathered illegally

In rare circumstances, a media outlet may get documents or information illegally. There is also the possibility of confidential information that could damage us, residents or organisation we work with, financially or in terms of reputation, being published. If this is suspected, the Communications Unit and Legal Services should be contacted immediately. Being threatening or aggressive towards the reporters concerned is unacceptable.



To: **Executive Committee - 4 July 2011**

From: **Chair – Development Committee**

Development Committee - Chair's Report

The attached is a summary of matters considered by the Development Committee on 22 June 2011.

The following items were delegated to Committee.

- Planning and Performance Management Framework: Summary Workplan.
- European Commission White Paper – Roadmap to a Single European Transport Area – Towards a Competitive and Resource Efficient Transport System.
- Shetland Local Development Plan – Current Position

Exempt items

- Extension to Promote Shetland Contract
- LHD Ltd. Application for Financial Assistance
- Resilient for Financial Assistance
- Activity Report

The following items require consideration by the Council.

- Shetland Tourism Plan 2011-2014
- Tourism Financial Assistance Scheme
- Delegated Scheme for Loans to Purchase Whitefish Quota and/or Fishing Vessel Licences
- Bridging Loans Scheme, Private Sector Housing Estate Development
- Digital Shetland – A strategy to improve telecommunications across Shetland

The following item requires consideration by the Executive Committee and the Council. The relevant report is enclosed, namely;

- 1) Shetland Brand Pack

Chair – Development Committee

Summary of Decisions from Development Committee – 22 June 2011

1. Planning and Performance Management Framework

The Committee considered the work plan and performance measures for the services within its remit in order to determine the relative priority and targets to deliver for the year ahead. The Committee noted the Service Statements included at Appendix 1, and approved these documents as the workplan to develop policy initiatives and manage performance over the next period.

The Committee also addressed the following issues:

- Noted that staffing issues may have some impact on funding and the delivery of the workplans but that these would be addressed by management in terms of seeking value for money as well as ensuring sufficient resources were available.
- Agreed that the priorities for 2011/12 would be strengthened to seek stronger links between scenario planning, the Housing Strategy and the new Community Plan and to ensure the full involvement of staff.
- Agreed that more focus would be given to external transport issues within the priorities for future years.
- Agreed that the priority relating to the number of economically active people in Shetland should be strengthened from maintaining the numbers, to increasing them.

2. Shetland Brand Pack

The Committee considered a report that provided background information relating to the Shetland Brand Pack.

The Committee recommended to the Executive Committee that Shetland Islands Council uses the 'Shetland Brand Pack' to encourage greater community understanding and use of the Brand.

3. European Commission White Paper – Roadmap to a Single European Transport Area – Towards a Competitive and Resource Efficient Transport System

The Committee considered a report which set out the main issues contained in the EU Commission White Paper "Roadmap to a Single European Transport System", the areas of the developing legislation relevant to Shetland and to recommend a process to ensure Shetland's interests are effectively represented in the development of the legislation.

The Committee agreed that with the potential implications for Shetland from the White Paper, there may be a requirement for a Special meeting in the next cycle to consider this matter further.

4. Shetland Local Development Plan – Current Position

The Committee considered a report which provided information on the latest developments in the Plan preparation process.

The Committee agreed to note the report and that the next report deals with how to resource the Local Plan effort to get it back on track for delivery in 2012.

5. Shetland Tourism Plan 2011-14

The Committee considered a report, and agreed to endorse the Shetland Tourism Plan 2011-2014 as Shetland's Tourism Strategy and Action Plan for the next three years.

6. Tourism Financial Assistance Scheme

The Committee considered a report, and agreed to extend the Tourism Financial Assistance Scheme for a 3 year period from 1 July 2011 to 30 June 2014.

7. Bridging Loans Scheme, Private Sector Housing Estate Development

The report asked the Council to consider putting in place a bridging loan scheme for the development of private sector housing estates in Shetland.

The Committee recommended to the Council that it approve the scheme, and to grant delegated authority to the Head of Economic Development, or his nominee, to approve loans made within the terms of the Scheme.

8. **Delegated Scheme for Loans to Purchase Whitefish Quota and/or Fishing Vessel Licence**

The Committee considered a report and agreed to approve the continuation of Whitefish Quota and/or Fishing Vessel Licence Loan Scheme in the financial year 2011/12.

9. **Digital Shetland – A Strategy to improve Telecommunications across Shetland**

A report sought approval for a strategy to deliver improved telecommunications across Shetland and build on the opportunities that exist from the SHEFA 2 Interconnect project.

The Committee agreed to recommend that the Council:

- Formally adopt the 'Digital Shetland' document as a strategy for improving telecommunications in Shetland (subject to the availability of funds)
- Agree to proceed with tendering processes to establish likely costs of implementing the strategy
- Request that a strategic business plan be prepared in due course for the purposes of advising future Council investments.

EXEMPT

10. **Extension to Promote Shetland Contract**

The Committee considered a report, and agreed to extend the current Promote Shetland contract.

11. **LHD Ltd. Application for Financial Assistance**

The Committee considered a report, and approved an application for a loan facility towards the cost of purchasing whitefish quota.

12. **Resilient Fishing Company Ltd. Application for Financial Assistance**

The Committee considered a report, and approved the application for financial assistance.

Shetland Islands Council as Trustee of Shetland Development Trust

13. **Non-Public Activity Report**

The Committee noted a report, which provided updates on ongoing activities.

END

Draft Minute Extract

Development Committee – 22 June 2011

31/11 **Shetland Brand Pack**

Decision:

The Committee recommended to the Executive Committee that Shetland Islands Council uses the Shetland Brand Pack to encourage greater community understanding and use of the brand.



REPORT

To: Development Committee

22 June 2011

From: Marketing Section Head

DV038-F **Shetland Brand Pack**

1.0 Introduction

- 1.1 I have prepared this short report to provide background information relating to the Shetland Brand Pack and to seek the Committee's approval for its use.
- 1.2 Two initial sample pages were previously presented to the Committee in April 2011. This was accompanied by a short update report as part of the wider Public Activity report, DV027-F, discussed by Members at the Development Committee meeting on 28 April 2011 [Min Ref 28/11].
- 1.3 Members have, individually, been mailed a complete pack prior to this meeting. It has therefore not been included as an Appendix to this report
- 1.4 PromoteShetland staff will provide a brief presentation following the meeting today, to outline the method by which people and organisations in Shetland may become more involved in the brand initiative. This will also allow them to answer any specific questions on the pack and how it will be used and developed.

2.0 Links to Corporate Plan

- 2.1 This report has a strong link to the Council's Corporate Plan. Specifically under W3: Priority Development: Shetland's Reputation. The action, dated April 2010 - March 2012 within this is:

'Continue to develop the role of Promote Shetland as the main promotional tool for Shetland' and to ensure that 'the service will meet the contract requirements'.

3.0 Risk Assessment

- 3.1 There are no risks associated with the recommendation of this report.

4.0 Background

- 4.1 On 18 February 2009, the Council took the decision to:
- a) Give delegated authority to the Head of Economic Development to “Establish a Shetland Destination Marketing mechanism in Shetland”, with the proviso that “Every effort would be made to ensure that the operation would be done by a third party contract rather than directly employed staff” and “Only if that was difficult to achieve would there be a fixed term contract of employment established to deliver the same role”.
 - b) Approve spending of £463,392 for setting up and the first year operation of the Destination Marketing Organisation, which includes an estimated £100,000 for the purchase of marketing services from Visit Scotland [Min ref 21/09].
- 4.2 On 27 August 2009, following an open and competitive tendering process, the Council concluded a contract with Shetland Amenity Trust for an initial two year period to provide a range of services in connection with coordinating and developing promotional work for Shetland, to be named ‘PromoteShetland’. The contract commenced on 01 September 2009.
- 4.3 The Shetland Brand Pack has been developed jointly as a project between EDU and PromoteShetland.

5.0 The Shetland Brand Pack

- 5.1 The Shetland Brand pack is primarily aimed at commercial and voluntary organisations based in Shetland but also generally to the community at large in Shetland. The objective of it is to highlight good positive associations with the values established for the Shetland brand and provide inspiration for the development of new projects and initiatives.
- 5.2 It consists of 12 separate double-sided page inserts which have been designed and written in a punchy and lively manner with the aim of providing a memorable, engaging and valuable experience to the reader and ultimately encouraging them to become a ‘brand supporter’.

- 5.3 The pack is intended to act as an inspirational tool for organisations and individuals to:
- (a) Understand better what the Shetland brand is and how it applies to life in Shetland.
 - (b) Access advice, assistance or promotional material to develop or improve or enhance a project or initiative.
 - (c) Show how they can become more closely involved in the activities of PromoteShetland by becoming an active supporter.
- 5.4 This is achieved primarily by highlighting some projects and initiatives, through case study, which clearly use Shetland well to either gain a competitive edge and/or are projecting Shetland in a highly positive manner already.
- 5.5 Case studies are drawn from a wide range of sources and themes including: community, food and drink, energy, manufacturing, sport, festivals & events and tourism. There are many obvious cross-overs between the themes.
- 5.6 The themes chosen for the cards reflect those which it is felt have the most potential impact for communicating aspects of Shetland's brand to the world at large. The pack also highlights opportunities and issues relating to Shetland's brand which it is hoped may be targeted for development.
- 5.7 The 'call to action' for people who wish to get involved is through the Internet link displayed on each card where they can find out more information and get in touch directly with the Council or PromoteShetland effortlessly.
- 5.8 The pack will be initially mailed to all businesses and community groups in Shetland and supported on an ongoing basis by PromoteShetland with a local media campaign. The pack and online resource will be used in connection with all projects financially assisted by the Economic Development Unit and those visiting the Business Gateway service operated by the Council.
- 5.9 Other specific support measures will be developed such as display materials which aim to encourage people and organisations to become involved which will be displayed in selected public places and events.

6.0 Financial Implications

- 6.1 A budget for PromoteShetland service and project delivery is provided for 2011/12 at budget RRD50102402. This amounts to £438,600. A budget for contracted promotional costs is provided for 2011/12 at budget RRD50311361. This is £43,000.
- 6.2 A combination of these budgets is being used to address the costs relating to this joint internal promotional project.

7.0 Policy and Delegated Authority

- 7.1 This report has been written based on the following Economic Development Policies (Development Committee Minute Reference 02/08, SIC Minute Reference 55/08):

6 – ‘Continue to promote Shetland as a high quality visitor destination’;

24 – ‘Improve Shetland’s reputation as a place that offers products of excellent quality that meet the needs and aspirations of the consumer most likely to be interested in what Shetland has to offer; and, services provided to a standard that consistently exceeds customer expectations’;

25 – ‘Enable individuals and businesses to develop and promote Shetland products and services with confidence and pride’.

- 7.2 The work undertaken on progressing the Shetland Brand Pack links well to the work undertaken by the Council on the Shetland Scenario Planning exercise which is being undertaken to refresh the community plan. One of the objectives of the brand pack is to help influence a continued progressive, vibrant and forward-looking future Shetland.
- 7.3 In accordance with Section 2.3.1 of the Council's Scheme of Administration and Delegations, the Development Committee has delegated authority to implement decisions within its remit. As the subject of this report is about Council and Shetland-wide use of the brand, the Committee has to make a recommendation to the Executive Committee.

8.0 Observations

- 8.1 Traditionally, like other places, Shetland has promoted itself particularly well as a visitor destination for the tourist market but not in such an organised way in other aspects of life. It is therefore important that the work of PromoteShetland continues to progress and integrate into other aspects of island life which are desirable to support and therefore enhance Shetland’s reputation not just as a visitor destination. The pack is considered a key tool in this respect.

- 8.2 Whilst PromoteShetland is an excellent vehicle to promote positive aspects of Shetland, the success of marketing Shetland as a place lies with the community at large through our actions. We are all responsible for promoting Shetland and for developing it as a positive, forward-looking and successful community.
- 8.3 Both PromoteShetland and Shetland Islands Council maintain an excellent working relationship with VisitScotland. VisitScotland's current 'Surprise Yourself' campaign is a good example of this. In early March a joint direct mail piece from VisitScotland and Promote Shetland was sent to over 30,000 consumers promoting a wide range of things to see and do across Shetland.
- 8.4 The Shetland Brand Pack is completely consistent with the Shetland Marketing Strategy and is the first attempt to direct literature through the brand project in an organised way to a wide local audience.
- 8.5 It is likely that there will be future developments relating to the Brand Pack. There are possible options for example to introduce other cards - for example, relating to ex-pats and how they can become actively involved in supporting Shetland. This is particularly important given the highly positive feedback and connections made during Hamefarin' 2010.

9.0 Conclusion

- 9.1 The Shetland Brand pack is a good example of how PromoteShetland activities extend much beyond promoting Shetland in the traditional 'tourism' sense and shows clearly that the PromoteShetland initiative is moving positively in the right direction for the benefit of Shetland at large.

10.0 Recommendation

- 10.1 I recommend that the Development Committee agrees to recommend to the Executive Committee that Shetland Islands Council uses the 'Shetland Brand Pack' to encourage greater community understanding and use of the brand.



To: **Executive Committee - 4 July 2011**
From: **Chair – Education and Families Committee**

Education and Families Committee - Chair's Report

The attached is a summary of matters considered by the Education and Families Committee on 15 June 2011.

Items 1 requires consideration by the Executive Committee and the Council. The relevant report and draft minute extract is enclosed, namely:

- 1) Blueprint for Education in Shetland: Olnafirth Primary School Consultation

The following item was delegated to the Committee and does not require approval by the Executive Committee or the Council.

- Planning and Performance Management Framework: Summary Workplan

Chair – Education and Families Committee

1. Blueprint for Education in Shetland: Olnafirth Primary School Consultation

The Committee considered a report which presented a request from the Cabinet Secretary for Education and Lifelong Learning for local authorities to put a moratorium on rural school closures. The report set out the impact this would have on the proposed consultation process for Olnafirth Primary School. After discussion, the Committee agreed to recommend that the Council:

1. agree to the request from the Cabinet Secretary for Education and Lifelong Learning to implement a moratorium on proposed new rural school closures;
2. agree to the proposal to postpone the statutory consultation on the proposed closure of Olnafirth primary School until at least August 2012;
3. agree that if Statutory Consultation is necessary after August 2012, authority be delegated to the Head of Schools to arrange to do that under the requirements of the Schools (Consultation) (Scotland) Act 2010 and any amendments to that Act; and
4. request that Shetland is represented on the new Commission on the Delivery of Rural Education.

In terms of the political stance to be taken in terms of any current representation to be made by Council representatives at CoSLA or other meetings, the Committee advised that the Council was seeking reassurance and clarification from the Government as to where the centre of power for decision-making on matters relating to educational provision should be. The Council is strongly of the view that such power should remain at a local level, along with the necessary funding.

2. Planning and Performance Management Framework: Summary Workplan

The Committee considered the work plan and performance measures for the services within its remit in order to determine the relative priority and targets to deliver for the year ahead. The Committee noted the Service Statements included at Appendix 1, and approved these documents as the workplan to develop policy initiatives and manage performance over the next period. The Committee also addressed the following issues:

- Childcare – noted that much work and discussion had already taken place with relevant stakeholders and this would continue to be developed. A seminar would be held to consider the issues with a view to a report being presented to the Committee in August.
- Parenting – agreed that emphasis on the importance of this issue should be developed, particularly Corporate Parenting.
- GIRFEC [Getting it Right for Every Child] – agreed that this approach should continue to be actively promoted as best practice.
- Education – noted that a range of challenges would impact on education over the year, and another seminar would be planned to discuss the issues and impacts.
- ICT – noted that the Schools Service continued to explore and develop innovative ways of delivering education.
- Assets – noted that the Asset Strategy was being developed and agreed that it was important for the community as well as the Council that property was being used effectively.
- Skills and Learning Partnership - the effort being made in ensuring positive destinations for young people was recognised, although more work would be done on improving the numbers in relation to school leavers, and also developing meaningful performance indicators.

END

02/11 **Blueprint for Education in Shetland: Olnafirth Primary School
Consultation**
Decision:

The Committee **RECOMMEND** that Shetland Islands Council:

1. agree to request from the Cabinet Secretary for Education and Lifelong Learning to implement a moratorium on proposed new rural school closures
2. agree to the proposal to postpone the statutory consultation on the proposed closure of Olnafirth Primary School until at least August 2012
3. agree that if Statutory Consultation is necessary after August 2012, authority be delegated to the Head of Schools to arrange to do that under the requirements of the Schools (Consultation) (Scotland) Act 2010 and any amendments to that Act.
4. request that Shetland is represented on the new Commission on the Delivery of Rural Education.

Discussion then took place regarding the political stance to be taken by the Council in relation to the letter from the Cabinet Secretary. The Committee agreed to advise that the Council was seeking reassurance and clarification from the Government as to where the centre of power for decision-making on matters relating to educational provision should be, and that the Council is strongly of the view that such power should remain at a local level, along with necessary funding.



REPORT

To: Education and Families Committee

15 June 2011

From: Head of Schools

Blueprint for Education in Shetland: Olnafirth Primary School Consultation

1. Introduction

- 1.1 The purpose of this report is to request approval from Education and Families Committee to suspend the consultation on the proposed closure of Olnafirth Primary School until at least August 2012. This request follows a letter from the Cabinet Secretary for Education and Lifelong Learning asking Local Authorities to put a Moratorium on Rural School Closures.

2. Link to Council Priorities

- 2.1 Shetland Islands Council's Corporate Plan 2010-12 states:
'In the next two years we will:
- *Consider Blueprint proposals and implement the decisions taken.'*

3. Risk

- 3.1 The Blueprint for Education is a significant change management project, which addresses strategic priorities, allocation of resources based on need, a best value option appraisal and choices over value for money.
- 3.2 The risk of not addressing the issues raised through the Blueprint for Education may therefore include:
- not sustaining the best possible educational opportunities for pupils, based on evidence of attainment and achievement;
 - not providing equality of opportunity;
 - not being able to fully develop and sustain the service to embrace the new curriculum challenges, including vocational opportunities;
 - the service being unable to demonstrate value for money, in its current form;

- the service not being financially sustainable in its current form without significant changes to the current staffing levels.

4. Background

- 4.1 At Services Committee on 17 June 2010 (Min Ref: SC47/10) as part of the Blueprint for Education, changes to the school estate were proposed. At that meeting it was agreed to progress Primary Proposal 2 from four primary proposals put forward.
- 4.2 The proposed closure of Olnafirth Primary School was one element of Proposal 2.
- 4.3 Under the terms of the Schools (Consultation) (Scotland) Act 2010, Statutory Consultation is required to take forward a school closure proposal.
- 4.4 On 17 June 2010 Services Committee also agreed (Min Ref: SC47/10) to delegate authority to the Head of Schools to take forward the requirements of the Schools (Consultation) (Scotland) Act 2010. It was agreed that consultation on the proposed closure of Olnafirth Primary School be carried out between August and December 2011.

5. Current Situation

- 5.1 On Tuesday 31 May 2011 the Cabinet Secretary for Education and Lifelong Learning issued a letter asking Local Authorities to put a Moratorium on Rural School Closures, and this to run from 20 June 2011 to 20 June 2012 (Appendix A).
- 5.2 As a result of the request in the Ministerial letter the Schools Service believes that the statutory consultation plan for the proposed closure of Olnafirth Primary School cannot begin on 29 August 2011.
- 5.3 During the period of the moratorium a new Commission on the Delivery of Rural Education will review the Schools (Consultation) (Scotland) Act 2010.

6. Proposals

- 6.1 As a result it is proposed that the consultation on the proposed closure of Olnafirth Primary School be postponed until at least August 2012.

7. Financial Implications

- 7.1 It is not possible for Schools Service to continue to run the current model of provision within the financial constraints which are placed on

the service year on year. There is a need to radically change the current levels of staffing, to meet the challenging financial targets year on year. That work is progressing alongside the review of the number of schools required to deliver an efficient service.

- 7.2 The proposal to close Olnafirth Primary School includes three options for receiving school. Transfer costs are as follows:

Transfer to Lunnasting Primary School will secure estimated annual revenue savings of	£ 114,193
Transfer to Mossbank Primary School will secure estimated annual revenue savings of	£ 65,189
Transfer to Brae High School Primary Department will secure estimated annual revenue savings of	£ 81,356

8. Policy and Delegated Authority

- 8.1 In accordance with Section 2.3.1 of the Council's Scheme of Administration and Delegations, the Education and Families Committee has delegated authority to make decisions on matters within its functional areas in accordance with the policies of the Council, and the relevant provisions in its approved revenue and capital budgets.

9. Recommendation

It is recommended that Education and Families Committee:

- 9.1 agree to request from the Cabinet Secretary for Education and Lifelong Learning to implement a moratorium on proposed new rural school closures;
- 9.2 agree to the proposal to postpone the statutory consultation on the proposed closure of Olanfirth primary School until at least August 2012;
- 9.3 agree that if Statutory Consultation is necessary after August 2012, authority be delegated to the Head of Schools to arrange to do that under the requirements of the Schools (Consultation) (Scotland) Act 2010 and any amendments to that Act.

June 2011

Our Ref: HB/MM/sm

Report No: ED-10-F2

Education Convener

31st May 2011

Dear Education Convener

MORATORIUM ON RURAL SCHOOL CLOSURES

You will be aware that the Schools (Consultation) (Scotland) Act 2010 was introduced to update and strengthen the consultation procedures that local authorities apply when proposing a school closure, and to prescribe the factors that must be considered in relation to proposals for the closure of rural schools. The Scottish Parliament unanimously passed this Act and in so doing established a clear legislative presumption against closure of such schools and the need for educational benefit to be the driving force in any proposed closure.

However, since the Act came into force there have been significant differences concerning the operation of the legislation, between the Government and local authorities and between local authorities and communities. I believe that these differences have resulted in the original intentions of the Act not being fully adhered to in all cases. It is because of this that the SNP included the following commitment in our election manifesto:

“We intend to amend the Schools Consultation Act to strengthen the rights of communities and to ensure that consultation is genuine and based on accurate information. There will be a strong presumption against closure and revised means of supporting rural delivery.”

In order to create space for a comprehensive and fair assessment of the closures process, Ministers now consider that it would be best if there were a one year moratorium during which local authorities did not propose rural schools for closure. During this period a new Commission on the Delivery of Rural Education will be tasked with, amongst other things, reviewing the legislation and its application and making recommendations on how to reflect best practice and fulfil the manifesto commitment above. It will also examine the links between rural schools and the preservation, support and development of rural communities and will look at the funding issues surrounding the rural schools issue. Input from a wide range of organisations and individuals will be sought to help the Commission undertake its work and of course participation by local authorities', directly and through COSLA and ADES,

will be integral to the task. I will announce more details on the remit and membership of the Commission shortly.

I am therefore writing to you to ask your authority to impose such a moratorium from 20 June 2011 to 20 June 2012, during which time I would expect Councils to suspend any current rural school closure proposals and consultations and/or not to propose any new rural school closures¹.

I recognise that in some instances there will be proposals that are very near to completion. Therefore, if your Council has a closure proposal that on 20 June 2011 has completed the consultation process and Her Majesty's Inspectorate of Education (HMIE) has submitted its report to you then, under the terms of the moratorium, you can complete the process and take a final decision. In such circumstances, if the decision is to proceed with a closure, then Scottish Ministers will apply the 2010 Act and consider the proposal on its individual merits.

I also accept that there may be exceptional cases where, for example, schools are empty and for which mothballing is not an acceptable option; or cases in which a community has indicated a unanimous desire to see new educational provision such as a merger. Ministers will therefore be willing to examine possible exemptions to the moratorium in such exceptional cases.

This Government is committed to supporting rural communities and ensuring that all communities can rely on a process of robust and fair consultation in circumstances where a school is proposed for closure. Your cooperation in observing the moratorium will assist us enormously in fulfilling these ambitions.

I am copying this letter to your Council's Leader, Chief Executive and Director of Education.



MICHAEL RUSSELL

¹ A closure proposal covers all proposals listed under Section 1 of Schedule 1 of the Schools (Consultation) (Scotland) Act 2010.



To: Executive Committee - 4 July 2011

From: Chair – Shetland College Board

Shetland College Board - Chair's Report

Attached is a summary of matters considered by the Shetland College Board held on 16 June 2011.

A number of reports were for noting as follows:

- Director's Update
- Student Enrolments – 30 May 2011
- Report by HM Inspectorate of Education: Shetland College
- Report by Investors in People Scotland (IiP)

The following items were delegated to the Committee and do not require approval by the Executive Committee or the Council.

- Shetland College Operational Plan – 9 Month Update
- Shetland College Operational Plan 2011/12

Items 1 requires consideration by the Executive Committee and the Council. The relevant report and draft minute extract is enclosed, namely:

- 1) Shetland College Budget Estimates 2011-12

Chair – Shetland College Board

1. Director's Update

The Board noted a report which provided an update on current matters of importance, some of which were on the agenda as separate agenda items.

The Board endorsed a response that had been sent to the UHI Court by eleven of the academic partners regarding the UHI Executive Office's apparent commitment to a single tertiary entity model as the way forward for UHI, and it was agreed that it would be useful for the Council to also consider this matter.

2. Student Enrolments – 30 May 2011

The Board noted information relating to the number of full-time and part-time FE and HE enrolments recorded to date in the academic session 2010/11 and the number of weighted SUMS (WSUMS) FE enrolments it was estimated to collect.

3. Report by HM Inspectorate of Education (HMIE): Shetland College

The Board noted the findings of a review carried out by HMIE on behalf of the Scottish Funding Council (SFC) in March 2011.

4. Report by Investors in People (IiP)

The Board noted the findings of a review of Shetland College and Train Shetland carried out by IiP in April 2011.

5. Shetland College Budget Estimates 2011-12

The Board considered a report providing information on the sources of funding for the academic year 2011-12 which recommended endorsement of the proposed budget for Shetland College 2011-12 (set out in Appendix 1 of the report) and the updated charges for 2011-12 (set out in Appendix 2 of the report).

The Board agreed to recommend that the Council approve:

1. the proposed budget for the academic year 2011-12
2. the proposed fees for the academic year 2011-12

6. Shetland College Operational Plan 2010/11 Action Plan Update

The Board considered a report providing a 9-month update on the Action Plan of Shetland College's Operational Plan for the academic session 2010/11.

The Board resolved to note and approve the progress made by the College against the milestones and targets set in the Action Plan of its Operational Plan 2010/11 in the 9-month update.

7. Shetland College Operational Plan 2011/12

The Board considered a report providing Shetland College's Operational Plan for 2011/12 which had been constructed to show how the College plans to develop its activities in the academic year ahead.

The Board resolved to note and approve Shetland College's Operational Plan 2011/12, and to seek regular updates throughout the academic session 2011/12 on progress against the Operational Targets.

END

**Draft Minute Extract - Shetland College Board
Thursday 16 June 2011**

06/11 **Shetland College Budget Estimates 2011-12**

The Board **RECOMMENDED** that the Council approve:

1. the proposed budget for the academic year 2011-12
2. the proposed fees for the academic year 2011-12



REPORT

To: **Shetland College Board**

16 June 2011

From: **Director, Shetland College UHI and Train Shetland**

REPORT NO: BM184-F
Shetland College Budget Estimates 2011-12

1. Introduction

1.1 This report provides information on the sources of funding for the academic year 2011-12 and recommends endorsement of the proposed budget for Shetland College for 2011-12 (Appendix 1), and the updated charges for 2011-12 (Appendix 2).

2. Links to Corporate Priorities and Risks

2.1 This report contributes to the 2008-11 Corporate Plan Priority of “ensuring we are making the best use of our resources and delivering services as effectively as possible”. It also contributes to the corporate priority of “maximising the opportunities for further, higher and vocational learning, both for school leavers and for people returning to learning”.

2.2 The College requires to have an approved budget in place and therefore there would be significant business risk associated should the budget not be approved.

3. Sources of Funding

3.1 The following income is projected for 2011-12:

	£
Scottish Funding Council (FE)	1,504,730
Scottish Funding Council (HE)	280,000
Course Fees	378,814
Training Grants	253,016
Canteen/Nursery/Other Income	302,401

- 3.2 This income projection takes into account an 11% cut in our SFC Further Education funding for this academic year along with a further 2.6% reduction in our HE funding through the UHI partnership.
- 3.3 In light of the current financial climate, and in line with other colleges throughout Scotland, it is proposed to increase course fees for 2011-12 (attached as Appendix 2).

4. Budget Considerations

- 4.1 It is intended that the proposed budget will support the delivery of the College's Strategic Priorities and the Shetland Islands Council Single Outcome Agreement.
- 4.2 The College's Strategic Priorities for 2011-2016 are set out in the 2011-2016 Strategic Plan for Shetland College and were agreed at the last meeting of The Board of Management.
- 4.3 The budget recognises the agreed increase of 0.6% on lecturers salaries and any contractual incremental increases. No increase has been allowed for non-teaching staff in line with Shetland Islands Council policy. All operational costs have been reviewed and reduced where possible during the budget setting process, however non-controllable internal recharges from other Council departments have increased by over £25K.
- 4.4 The budget takes account of the anticipated student numbers for 2011-12 and the staffing requirements to deliver the courses being offered. Our income from the SFC and UHI is fixed by either our weighted SUMS allocation or our funded student numbers. Therefore any student enrolments over and above these targets will be fees only income.
- 4.5 The draft budget shows a deficit of £113,932. It is anticipated that this deficit will be significantly reduced by the end of the financial year, with any remaining deficit being funded from the Colleges uncommitted reserves.
- 4.6 An application for funding from the Economic Development Unit has been submitted. Should this be successful, it will provide funding for 1 year to underpin the development of the Honours year of the Creative Industries Degree. This funding has not been included in the budget presented to you today.
- 4.7 The SFC have stated that a further reduction in funding of approx 10% will take place in 2012-13 for both FE and HE provision. A full review of our curriculum within Shetland College which will not only include what we offer but also how we offer/deliver it will be conducted to ensure that the College can meet the financial challenges in the coming years.

5. Financial Implications

5.1 The draft budget is summarised below and detailed in appendix 1:-

	Income		£2,828,961
Less	Employee costs	£2,563,677	
	Operating costs	£354,835	
	Net Property Costs	£24,381	
Deficit			£113,932

6. Policy and Delegated Authority

6.1 Section 2.8 of the Council's Scheme of Administration and Delegations grants the Board of Management delegated authority to make decisions on matters in accordance with objectives which have been set by the Council, and the relevant provisions in its approved revenue and capital budgets. The recommended College budget and fees will therefore require onward approval by the Council.

7. Recommendations

The Shetland College Board is asked to recommend for further approval by the Council:

- 7.1 the proposed budget for the academic year 2011-12, as set out in Appendix 1; and
- 7.2 the proposed fees for the academic year 2011-12, as set out in Appendix 2.

Our Ref: DG/LAB
Date : June 2011

Report No. BM184-F

SHETLAND COLLEGE

	1011 Estimated Outturn £	1011 Actual Budget £	1112 Proposed Budget £
INCOME:			
Further Education Funding Council	-1,706,167	(1,656,269)	(1,504,730)
Higher Education Funding Council	-250,431	(286,500)	(280,000)
Course Fees	-347,117	(348,117)	(378,814)
Training Grants	-233,536	(231,000)	(253,016)
Canteen/Nursery/Other Income	-296,991	(287,993)	(302,401)
European Funding	0	0	0
Services	-40,000	(40,000)	(40,000)
Internal Transfer	-70,000	(70,000)	(70,000)
	-2,944,242	(2,919,879)	(2,828,961)

EXPENDITURE:

Employee Costs:			
Teaching Staff	1,574,730	1,577,530	1,518,699
Management & Admin	301,850	337,850	251,628
Support Staff	602,872	597,172	610,764
Unfunded Pensions	49,815	49,815	50,851
Liability Insurance	5,659	5,659	4,735
	2,534,926	2,568,026	2,436,677

External Staff Costs	66000	66050	70000
Staff Development	30,750	40750	30000
Recruitment & Relocation	10,500	8000	7000
Mileage & Other Staff Costs	27,500	31900	20000
	134750	146,700	127,000

Other Costs:			
Criminal Records Check	1,500	1500	1500
Equipment	22,000	31150	10000
Miscellaneous	1,350	1350	875
Office Administration	62,000	57700	50000
Classroom Materials/Learning Resources	72,000	72250	60000
Payments to Beneficiaries (funded projects)	23,000	7000	7000
Expenditure in Canteen/Nursery	48,000	44920	39920
External Exam Boards	61,000	61950	60000
Advertising	15,000	26000	25000
Recharges	74,627	74,627	100,540
	380,477	378,447	354,835

Sub total	3,050,153	3,093,173	2,918,512
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(SURPLUS)/DEFICIT	105,911	173,294	89,551
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PROPERTY & LEASING COSTS:

Legal Fees/Consultants	0	0	0
Rent & Lease Payments	185,313	185313	191100
Repair & Maintenance	60,000	60000	55000
Cleaning Costs	41,106	41106	42229
Rates	79,104	79104	86841
Energy Costs	40,225	40225	49181
Other Services, Insurance, Depreciation	12,049	12049	14058
Recharges	24,230	24230	31000

General Fund Contribution	-445,028	(445,028)	(445,028)
	(3,001)	(3,001)	24,381
TOTAL (SURPLUS)/DEFICIT	102,910	170,293	113,932
Opening Reserves	(750,441)		(647,531)
Projected (surplus)/deficit	102,910		113,932
Closing Reserves	(647,531)		(533,599)
Breakdown of Estimated Reserves			
Shetland College Phase 3			200,000
SFC Capital Funding			96,752
Remaining Uncommitted Reserves			236,847
			533,599

SHETLAND COLLEGE COURSE FEES 2011/12£
2011/12**FE Fees set by Funding Council:**

FE Full-Time	1008
FE Part-Time per 40 hour module	56.40

HE Fees set by Funding Council:

Degree - Existing Students	1285
Degree - New Students from 2006/07	1820
HN Full-Time (8 Modules or 15 HN Credits)	1285
HE Part-Time per Module (Degree)	161
HN Part-Time per HN Credit	86

Other Courses:

Alternative to Higher English	112.80
Assessor Awards	575
Care Higher	270
Certificate in Person Centred (Rogerian) Counselling	1162
Certificate in Supervision	546
City and Guilds IT Practitioners	431
CLAIT Certificate	173
CLAIT Diploma	288
College Certificate Computer Aided Draughting and Design	75
Diploma in Person Centred (Rogerian) Counselling & Psychotherapy (per yr)	2197
Early Years Higher	270
Fish and Shellfish	109
Hardware/Networking Class	75
Intro to Energy Use and Renewable Energy	58
Introduction to Counselling	259
Introduction to Web Design and Publishing	633
Maths Int 1	293
Maths Int 2	293
Meat and Poultry	109
Microsoft Certified Desktop Support Technician (MCDST)	610
Preparing for Christmas	40
Professional Development Award (HN Credit cost x Number of Credits)	

PDA's in Business & Management (3 credits)	258
PDA's in Business & Management (4 credits)	344
PDA Care Service Management (8 credits)	688
Psychology Higher	270
Psychology Intermediate 2	270
Social Care HNC (9 x HN unit plus SVQ 3 Social Work)	874
Sweets and Puddings	109
Tour Guides Part 1 - Shetland Studies	161

Evening Classes

Classes of 20 hour duration (non-certificated) (£3/hr)	60
Classes of 40 hour duration (non-certificated) (£3/hr)	120
Hospitality courses have smaller grp sizes so calculated at higher rate ph	

Room Hire

Half day	58
Full day	86
VC Suite (arrange through Bob Brandie)	58
VC Suite (arrange through Bob Brandie)	86

SVQs (to be paid in 3 installments)

Registered Managers Award	1955
SVQ4 Care	1955
SVQ2 Care - Skillseekers (6xFE unit cost + £1219 following June)	1557
SVQ2 Care (not Social Work dept)	1219
SVQ2 Childcare Learn & Dev (underpinning knowledge & IV)	414
SVQ2 Childcare Learn & Dev (Lerwick based - Full Award)	1185
SVQ2 Childcare Learn & Dev (outwith Lerwick - Full Award)	1421
SVQ3 Childcare Learn & Dev (underpinning knowledge & IV)	414
SVQ3 Childcare Learn & Dev (full award)	1541
SVQ2 Childcare Learn & Dev - Skillseekers (6xFE units + £1219 from June)	1557
SVQ Professional Cookery (Hospitality)	1955
SVQ 1 Food Prep & Cooking	518
SVQ2 Food & Drink	1955
SVQ (2/3/4) Business & Administration	978

SVQ5 Management	978
SVQs IT	1466
SVQs Construction	1829
SVQ2 Plant Operative (10/11 cost)	1150
SVQ2 Social Work (SIC Social Work department)	
SVQ3 Social Work (SIC Social Work department)	

European Computer Driving Licence

Level 1 Open Learning (includes materials - no classes)	109
Level 1 All Inclusive (materials and drop in classes)	161

Level 2 Open Learning (includes materials - no classes)	150
Level 2 All Inclusive (materials and drop in classes)	196

Level 1&2 Combined Registration and Tests Only (no materials provided)	167
Level 1&2 Combined Open Learning (includes materials - no classes)	219
Level 1&2 Combined All Inclusive (materials and drop in classes)	334

Advanced European Computer Driving Licence - per unit

Registration and Tests Only (no materials provided)	86
Open Learning (includes materials - no classes)	155
Drop in Classes (includes materials)	184

Community Learning

Courses which are funded through Adult Literacy and Numeracy Partnership are free.

charged by Admin Manager as part of monthly journal for SLA
charged by Admin Manager as part of monthly journal for SLA



REPORT

To: **Shetland College Board**

16 June 2011

From: **Director, Shetland College UHI and Train Shetland**

REPORT NO: BM183-F
Director's Update

1. Introduction

1.1 The purpose of this report is to provide the Board of Management of Shetland College and Train Shetland with an update on current matters of importance.

2. Links to Corporate Priorities and Risks

2.1 This report contributes to the corporate priority of maximising the opportunities for further, higher and vocational learning and the priority of making best use of our resources and delivering services as effectively and efficiently as possible.

2.2 This report is for noting and as such there are no significant risks attached.

3. Current Position

3.1 Shetland College Proposed Budget 2011-12

3.1.1 The proposed budget for 2011-12 is subject to another report on this agenda and in that report I draw to The Board's attention the substantial reduction in funding from the Scottish Funding Council for both FE and HE provision for this academic year along with a 33% increase in recharges from the SIC.

3.2 Shetland College Stress Audit

3.2.1 Having now worked our way through the identified issues and proposed solutions resulting from the workshops held with staff towards the end of last year I am keen to move forward to what I see as the next stage of the process...which is that we have separated the issues into 3 broad themes: Communication and Management Approach; Administration and Bureaucracy; Working collectively in a more efficient and effective manner. My proposal is that each of the Senior Team lead on one of these areas and we put together staff working groups to work through the issues under each

heading to agree a practical and agreeable solution.

We have agreed that the themes will be led by -

Communication & Management Approach - David Gray

Administration & Bureaucracy - Sue Smith

Working collectively in a more efficient and effective manner - Irene Peterson

As stated above I believe it is absolutely key that staff are engaged in this process from start to finish and that any solutions agreed are agreed collectively and are not a "management solution".

3.3 UHI

3.3.1 The UHI finance team have started to prepare financial models of the various options to change the UHI operating model, structure and shape to enable the completion of a paper for the June Court meeting.

3.3.2 There are currently 5 proposed "options for change" on the table for consideration and these are attached to this report as Appendix 1 through 5 for information.

3.4 UHI Shared LIS services Proposal

3.4.1 Due to the current financial climate and the need for reduced costs, the UHI partnership are looking at a proposal for shared LIS services across the partnership. In essence this would mean Shetland College handing over the management and control of our IT function to UHI Executive Office in Inverness (see appendix 6). This is not an attractive option for us for a number of reasons.

3.5 HMIE Report

3.5.1 The HMIE report from our recent engagement was published on the 26th May and is now available on the HMIE website. As previously stated, this is a very positive report and is an accurate representation of where we are as an organisation. The 4 areas identified for "development" had already been identified through our own internal self-assessment process.

3.6 Music Course

3.6.1 The NC programme in Music will be run for the first time in academic year 2011-12 after a decision to delay the planned start in 2010. The course will be run in collaboration with Shetland Arts and the learners will be based in the new Mareel Complex and make use of its state of the art facilities. From current applications we are looking to have a buoyant and viable first cohort.

3.7 Phase 3 development

3.7.1 With regard to the budget, while it is planned to go to tender in the hope that some of the contractors may be keen enough for the work to save us a bit by coming under the estimate, some potential savings have been identified in the event they are needed.

3.7.2 There does seem to be a realistic possibility of working within the proposed budget, but there is going to be very little slack for contingencies.

3.7.3 It is planned to be out to tender in early July with the aim of starting on site in October for a twenty month period to completion in early summer 2013.

3.8 UHISA Teaching Awards 2011

3.8.1 It gives me great pleasure to inform The Board that Simon Clarke was awarded the UHISA Teaching award for Greatest Expertise in VC Delivery

3.8.2 This is a great achievement and recognises Simon's commitment, dedication and expert use of Video conferencing and distance learning in delivering to our learners and learners across the UHI partnership.

4. **Financial Implications**

4.1 There are no direct financial implications from this report.

5. **Policy and Delegated Authority**

5.1 Section 2.8 of the Council's Scheme of Administration and Delegations grants the Board of Management delegated authority to make decisions on matters in accordance with objectives which have been set by the Council, and the relevant provisions in its approved revenue and capital budgets.

6. **Recommendations**

6.1 I recommend that the College Board notes the content of this report.

Our Ref: DG/LAB
Date : June 2011

Report No. BM183-F

UHI Academic Partnership.

The Holding Company model: a possible structure for the future.

David Green, May 2011

This proposal and the attached diagram represent one view of how some of the seemingly irreconcilable positions of partners in this venture might be reconciled in the future. It may not be anyone's ideal arrangement, but it may offer the basis for a pragmatic solution.

The proposal is predicated on the following:

Currently, and at long last, we have a university of which we are all immensely proud, and for which thousands of people have laboured over many years. This university was awarded title under its current and recently re-affirmed federal and collegiate structure.

There has been for a number of years a view from succeeding principals of UHI, shared by others, internally and externally, that the university should take overall responsibility in terms of both governance and management of the whole partnership, or at least of those partners that wish, or are enabled by their own constitutional arrangements, to fall in with this proposition. The arguments advanced for this position are numerous and complex, and are made in documents prepared by the principal of the University, elsewhere. They include a conviction that the finances of the partnership would be better managed in a single institution, and that the University should be that single institution. They also include reasons that are to do with academic and resource decision-making, financial resilience, student choice, support and offer, and strategic planning.

This proposition has also from time to time been associated with ideas that revolve around UHI providing a unique (to Scotland) form of tertiary education that might provide a model for other regions, and this is also associated with a notion of regional coherence, and of determining new types of progression and articulation within a single entity.

Resistance to this single tertiary entity proposition has been strong, from many, though not all, Academic Partners, and for a variety of reasons, reflecting the different roles and constitutional arrangements of the partners, as well as their current and historical situations and plans for the future. It is understood that some Academic Partners might be constrained by their own constitutions or business imperatives to remain outside any new arrangement – an associate relationship might be re-invented for such partners.

There is an impasse that could be crudely characterised as a situation in which the University wishes to take control of a number of partners, many of which resist this, with a number of those partners proposing a counter arrangement in which the partners would take control of the University. There are other models in between these two extremes, though there is not a neat continuum of options. There are serious issues to do with autonomy, local accountability, student choice, curriculum decision-making, the national roles of some partners, and important, though not mission-led or mission-critical, issues to do with practical problems such as the desire to ensure that whatever arrangement we agree does not add unnecessary cost – for example, requiring VAT to be added to transactions between parties.

The Holding Company proposal is an attempt to address the strategic issues that have been raised, while protecting the autonomy of all partner organisations, including the University, and offering a flexible and scalable arrangement that would allow Academic Partners to focus on theircore business and the university to focus on itscore business, relieved, so far as possible, of the burden of providing services that are best provided by a shared resource, managed and delivered by dedicated, coherent, expert teams.

The proposal also starts from a position that questions why a university would want to take ownership of a large and diverse further education programme, and the physical and human resources required to deliver that programme. The task of creating a successful and sustainable university will be challenging enough.

The Holding Company could have Directors drawn from all partners, or from an agreed number of partners, forming the majority of Directors, and from independent individuals or stakeholder organisations. This would be the fundable body, in its technical definition, accountable to the Scottish Parliament SFC, Audit Scotland, etc. The Directors of the Holding Company would be responsible for allocating financial resources to the subsidiary member organisations, based on a strategic decision-making process to be determined, and for ensuring the effective delivery of support services.

The bodies that would present themselves to the outside world, to potential students, customers, stakeholders and partners, would be the University and the Academic Partners, not the Holding Company, which would be as close to anonymous as possible.

The Chief Executive of the Holding Company would be the Accountable Officer and would preside over a small focused executive team. It is understood that this has the potential to add cost overhead, which would have to be compensated for elsewhere.

Support Services would provide those core shared services currently being exhaustively explored and discussed by teams within the UHI partnership. Service level agreements would be in place for all services.

The University would retain its arrangements for governance and management, with its Court, Chancellor, Principal/Vice Chancellor and its responsibilities for the core business of a university – teaching, student support, research, scholarship, commercialisation of research.

The Academic Partners would keep, or voluntarily change, their existing arrangements – so, for example, two or more partners might choose to merge for strategic and mutually beneficial reasons, but that would be a matter for their governing bodies. Academic Partners would not be *fundable bodies* in the technical sense, but they would be free to secure income other than that usually provided through the Scottish Funding Councils, SAAS, and government directly for institutional support, to the generality of Scotland's universities and colleges. In Academic Partners where the principal/director is currently the accountable officer to SFC and the Scottish Parliament, that would cease to be the case. In all other respects, the Academic Partners would retain their current constitutional arrangements - if they wished.

The federal/collegiate principle, on which university title was applied for and granted, by QAA, the Scottish Government and the Privy Council, would be preserved.

Discussion paper on Single Integrated Tertiary Entity.

1. Background & the Challenge

We face a financial challenge in making our university a financially sustainable institution. Financial sustainability has to be defined not just in terms of balancing the books from year to year, but in terms of producing sufficient surplus to enable the organisation to invest in new opportunities, to grow and change the nature of its activities from year to year. The financial challenge is set out in section 6 below.

At An Comann on 18th and 19th January a commitment was made to take a proposal to Academic Partner Principals on what options may exist for a single integrated institution to be created as a means inter alia to alleviate the significant financial cutbacks expected over the coming 3-5 years. This work will run in parallel with the constitutional changes being proposed by the Post Title Working Group and is not intended to conflict with the ongoing work of this group in any way but simply to focus on financial solutions whatever outcomes they may have for the constitutional structure of the University.

At An Comann we agreed that:

This committed the partnership to teasing out on a continuum, bounded by a single tertiary entity{1.TE} at one end and the collegiate federal model at the other, those positions which advance the goal of an institution with an integrated management.

This paper sets out in some detail a 1.TE, one end of the continuum; the other end of the continuum is the model in which we currently operate. This paper also states briefly alternative models for a “single integrated institution” and in doing so seeks to facilitate discussion on possible options which may shape such an institution, the opportunities offered to change the operating model, and the challenges which will be faced. The 1.TE is indicative in structure and not intended to be definitive or to preclude detailed testing; it merely sets out one model which conforms to some of the characteristics of single integration which were also articulated at An Comann.

2. Guiding Principles

We have articulated in a number of places the principles which should guide any significant change to the way in which we operate. They were most recently stated at Executive Board on 25 November and reaffirmed at An Comann in January. Any acceptable solution must be capable of satisfying as many of these principles as possible.

- Financial Sustainability – aim to create an institution which can not only meet its obligations to deliver excellence in teaching and research, grow to meet the aspirations of the region but also build financial strength by generating surpluses, developing commercial income streams thus reducing dependency on public sector funding.
- Student experience – we must be driven by what will best serve the needs of our students and the society which we serve, both by the learning experience we provide and by maintaining volume and range of activity.

- Mission led – our mission, our history and our success are based upon the dispersal of teaching, research, support services and administration to the benefit of all communities of the Highlands & Islands. This will support the development of remote and sparsely populated communities economically, educationally, culturally and thus be an agent of transformation in the region.
- Innovative – an institution which creates a new model for tertiary education in Scotland, blurring the traditional boundaries and perceptions of further and higher education and is recognised nationally for its innovative approaches to teaching and support.
- Local engagement – embedded in the communities which the university serves through regular, accessible engagement with communities, schools, employers and individuals. Clear understanding of local needs and priorities and able to respond to them by maximising the strengths of the wider partnership to support that delivery.
- Flexible, non-complex, transparent organisation structure – fleet of foot in decision making, outward looking, effective and responsive.
- Aligned to stakeholders' expectations – students, employers, staff, wider community, funders, quality agencies, Scottish Government, EU.

3. Possible Organisation Structure

A proposed high level organisation structure with functional responsibilities is set out at Appendix 1. It is indicative and in no way intended to spell out all the posts and functions required at every level. A parallel indicative committee structure is set out in Appendix 2.

There are several options which could be presented for a single tertiary entity structure. Further options can be modelled, if required, based on feedback from the initial meeting. This particular structure is modelled with the following two overriding characteristics:

- maximum integration of FE and HE - it posits a single horizontal structure of governance for their management. All academic business would be subject to the oversight of a VP with two APs/Directors of HE and FE. They in turn would assist the Heads of Schools in the management of the FE and HE business.
- integrative schools – some 10 schools are posited representing broad areas of academic activity both FE and HE and would replace the roles of university and college faculties, schools and subject networks. The Heads of School would be somewhere between the current Deans of Faculty and the current Subject Network Leaders and may be akin to Senior College Managers.
- the retention of local Campus/Area Managers – each campus or area (some campuses may be too small to justify single managers and the equivalent would therefore be an area manager) would have a manager responsible for local engagement – schools, advisory boards, the physical facilities, health and safety, basic personnel issues. Campus Managers

would be co-ordinated by the Secretary and linked into the services coming from academic support departments.

4. Possible Committee Structure

A proposed governance/committee structure is set out at Appendix 2. Again this can be modelled to reflect different options based on feedback. The immediate point to note is that, based on a single entity, there is scope for major reductions in complexity and numbers of committees.

The Academic Structure is based upon the proposition that the university would argue for a single quality system for both HE and FE and on the notion that the senior posts would be expected to work with maximum accountability and a lighter committee touch.

The 1.TE recognises that a new integrated institution with a single leadership, governance and management system would only have one Board of Governors but that the existing 13 AP Boards would lead to a loss of local community engagement, intelligence on local need etc and to that end the structure suggests CEBs (Community Engagement Boards), whose function would be to offer advice and direction on local needs. The Campus Managers would attend such Boards, gather their advice, direction and intelligence and feed it back to the University. The Chairs of the CEBs could be represented on the Board of the University through the election of one of their number.

5. Terms and Conditions

In any 1.TE there would be both pressure and scope for rationalising terms and conditions of staff. It would be essential to move towards this if a single entity employer was created. One way of looking at this may be in terms of a “flexible benefits” model where individual members of staff could make annual “trade offs” depending on personal preferences and institutional needs. There would be an opportunity to shape a new contract to the needs of the service and escape from legacy arrangements.

6. Financial Implications

The financial challenges which we face are set out in Appendix 3. The University’s strategic aims are currently delivered by a model that is fragmented and multiple entity driven. Each entity (of whatever size and nature) has its own full organisational structure, Board of Management, operational support, administrative support and the entire financial burden that goes with that structure. By becoming one entity we would remove the financial burden of running 14 separate individual organisations, the separate administrations and back-office activities that go with that structure. We would also secure savings by a more integrated academic provision and the application of C21C principles to the whole tertiary activity.

At this early stage in the exercise broad assumptions have been made as to the scope for savings and these are open to challenge and refinement as we progress. In broad terms, however, there are some significant areas of duplication which should offer scope for savings i.e.

- Servicing 14 boards of management/ Court
- Committee administration – estimate 420 senior committee meetings per annum with c5000 committee papers being produced
- Principals and Senior Executive staff (113 based on 2009 accounts)
- Senior/middle managers (52% of staff in 2009 were support/admin rather than teaching/research)
- Committee administration (In 2009 it was estimated that UHI had 420 separate committee meetings and consumed just over 5000 committee papers)
- Finance and Accounting
- Payroll
- Human Resources
- Information Technology
- Information Systems
- Libraries
- Marketing
- Procurement
- Student Registry
- Student records
- Admissions
- Student support
- Facilities Management
- Project Administration
- General Administration
- Risk Management
- Statutory requirements – health and safety, equality and diversity, FOI etc

We have not attempted at this stage to quantify the precise savings, but based upon the areas set out above, the benchmarking analysis and the sheer size of the turnover, we believe that

operational savings might be of the order of £12m per annum ie 10% of the £120m per annum turnover. This would equate to £53,000 per working day.

Some supporting analysis can be secured from an examination of the Tribal Report¹ and by an examination of AP accounts. We have examined 2008-9 as complete accounts were not available to us for later years. This is set out in Appendix 4 which suggests a potential reduction of some £10m per annum the partnership's cost base.

7. Transition

It needs to be stated that any major revision has to conform to the principle that the posts in the new structure would be filled by competition, probably in the first instance by opening the posts only to AP and EO employees, and appointing on the basis of competence to fill the post rather than opening all the posts to external competitive application. Obviously posts not fillable on the internal only application system would be opened to external applicants.

The scale of change would of course incur transitional funding for staff rationalisation, single service systems etc. The return from such a change however would suggest a good case for transitional funding from a "Spend to Save" initiative.

8. Other Options

Other possible organisational structures are attached at Appendix 5 together with an initial analysis of how well they fit with the guiding principles set out at Section 2 above.

¹The "Tribal Report" refers to a benchmarking study carried out in 2009; it sought to analysis UHI and its APs against some comparator institutions.

University of the Highlands and Islands

Post-title Working Group

Structuring the new University

Background

- 1 Following the meeting of the Post-Title Working Group (PTWG) in Inverness on 5th May 2011, it was requested that a revised version of the paper 'UHI: A new university' should be produced to reflect some of key themes of discussion at that meeting. The chair indicated that it was now essential for the Group to develop a set of imaginative recommendations for the Court that would not only reflect the individual and collective strengths of the partnership that has created the University, but would put the University on a sound financial and academic footing to support the communities and economies of the Highlands and Islands.
- 2 The paper is consciously broad brush: there are many matters of detail left out, and even some of the detail that is presented is illustrative. The purpose of the paper is to offer to the Court a broad structure for discussion. Following Court discussion, further work would then be undertaken to develop a more detailed and costed proposal for approval at a subsequent meeting of the Court.
- 3 For brevity, material from the previous paper ('UHI: A new university') is not repeated here. New readers should refer to that paper for the background argument. For the purposes of this paper it is assumed that the arguments for acting 'as if' we are a single institution are accepted.
- 4 Also for brevity, the analysis is almost entirely inward facing. It does not dwell on the wider implications of the external environment within which we operate. However, it is important to keep in mind such indicators as the recent Green Paper's emphasis on tertiary approaches and the emphasis given in the SNP manifesto to the educational landscape in Scotland.

A different University

- 5 **A tertiary institution.** As discussed in the previous paper, UHI is a different kind of university from the existing Scottish universities, although, as previously discussed, it has many characteristics in common with other Scottish, UK and international universities. One of the key areas in which it is different is in the tertiary nature of provision across the partnership with awards being made over the full spectrum of the Scottish Credit and Qualifications Framework (SCQF). Far from being a weakness, this is celebrated as a strength in the

partnership, allowing wide, flexible and progressive access to the populations we serve. Just as this is celebrated at the level of individual partners, the view has been taken in presenting this model that it should be celebrated at the level of the whole institution: we should be a tertiary university. It has been argued that to do otherwise would be costly, potentially counter to our mission, our access ambitions, diminish the overall quality of our offerings, weaken the partnership, and run counter to Government and Funding Council ambitions. By acting as if we are a single coherent tertiary institution we are confident that further efficiencies are likely to be possible through more integrated requirements and demands of the various external quality and funding regimes.

- 6 A diverse partnership.** The partners that have created and comprise the University are diverse. They include Colleges large and small with varying ownership patterns, as well as highly specialized institutions with a clear national role in addition to their regional significance. Our partners include highly research-intensive institutions with very significant elements of non-Funding Council income and also institutions very highly dependent on Funding Council income. One of the major strengths of our University lies in the very richness of this diversity. In relation to economic and community development it provides us with a very rich resource to offer if we can harness this strength to support development throughout the Highlands and Islands. Teaching-intensive institutions have much to learn from the research-intensive partners: research-intensive institutions have much to gain from links with the wide range of educational and pedagogical expertise and opportunities. If we can get the structure right, all partners have much to gain in terms of financial stability and sustainability by being part of the larger organization. We also have much to offer if we can provide a one-door entry to this rich resource throughout the Highlands and Islands.

However, it is recognized that it may be that, in the longer term, a particular partner may decide that the direction of travel of the University runs counter to its own specialized interests. The model presented in this paper is therefore based on two phases: a short-medium term (five years) and beyond that a longer term perspective. It is proposed that after five years the Court should review the structure of the University. It could be at that stage that all partners would decide to continue indefinitely within that structure – mode 1. Alternatively, it could be that all partners may decide to move together into a more fully integrated mode - mode 2. A third possibility might be for the majority of partners to move into mode 2 with an individual partner seeking to re-define its relationship to the University. These different modes and alternatives are outlined below.

Criteria for a new structure

- 7 The following criteria for an acceptable structure have been distilled from discussion at the PTWG and also from wider discussion with colleagues on Court, Partner Boards and senior staff, and Executive Office.
- 8 Any new structure must provide the basis for:
 - 8.1 a high quality student experience for all students with a capacity for continuing enhancement
 - 8.2 an effective, efficient, coherent and integrated service to the communities and economies we serve
 - 8.3 long-term financial sustainability with a capacity for investment for the future
 - 8.4 effective local responsiveness
 - 8.5 developing all key aspects of the business including research capacity and the potential for a successful application for Rdap
 - 8.6 drawing maximum benefit from the strengths of all parts of the partnership
 - 8.7 a university that can engage locally, regionally, nationally and internationally
 - 8.8 transparent, effective and efficient management in operational and strategic terms that engenders trust throughout the organization
 - 8.9 clear lines of responsibility/accountability in governance
 - 8.10 a nurturing of a cohesive integrated university community.

An effective management and governance regime is a prerequisites to achieving the cohesion and dynamism required to meet these objectives.

- 9 It would be quite wrong to suggest that the current structural arrangements are entirely dysfunctional. That is clearly not the case: the current structures have created this vibrant and different new University so full of potential. We have been judged by national standards and more than 'cleared the bar'. We can now look forward from this position of strength. In doing so, there is widespread agreement that we could be, and indeed must be, more efficient and effective in a variety of ways. We need to avoid wasteful duplication over the partnership; we need to build on the considerable strengths of all the partners and the Executive office in a more integrated and effective manner. We need a management framework that is equipped with effective tools to do the job. We need a governance framework devoid of any in-built conflicts of interest. We need to avoid thinking of the University and the Partners as separate entities – the Partners are key building blocks of the University: central direction and co-ordination on an institution-wide basis is also essential. Perhaps more than anything else however, our new structure has to reinforce a sense of shared trust between all parts of the enterprise. Trust in

transparent, effective and legitimate structures and trust that all commitments will be delivered and responsibilities exercised effectively. All the parts of our University have common interests: it is in the interests of the whole University community that all functions across the partnership are sustained and supported – central functions and partnership functions together are the engine of the University. It is in the interests of all concerned that the University as an overall entity flourishes – we all draw benefit from the health of the overall University of which we are a part. It is on this very fundamental rationale, underlying all the above criteria, that the proposed structure emphasizes the integration of Partners and Executive office.

The proposed structure in outline

10 Senior management. The proposed changes create new senior posts at the heart of the tertiary University. These posts would be filled through internal competition amongst the senior staff of the partner institutions and the current Executive Office. The post-holders would be located throughout the partnership as appropriate. These posts would be at the level of University Vice Principal with one at Deputy Principal level. In some cases backfilling would need to be provided to sustain effective delivery of both the new University-wide role and elements of existing roles. Thus, for example, if a Principal of a Partner institution were to be appointed to a new University Vice Principal post, backfilling would be provided to the extent necessary to release the required time for the new role. Thus, such an individual would be Principal of College X and Vice-Principal of UHI and Principal of College X. Each of these Vice-Principal posts would have designated pan-University responsibilities. There would be an open invitation to all senior staff in the Partner institutions and the Executive Office to apply for these posts. Once appointed, these Vice Principals would be line managed in relation to their University-wide responsibilities by the University Principal.

The detail of these posts is for further discussion, but, for example, we might have reporting to the University Principal:

- Vice-Principal (Academic – SCQF levels 1-6)
- Vice-Principal (Academic – SCQF Levels 7-12)
- Vice-Principal (Business Development)
- Vice-Principal (Registry and student services – the University Secretary)
- Vice-Principal (Research)
- Vice-Principal (International)

These posts are not all necessarily of the same size and may require different amounts of back-filling. However, all would have equal status. The responsibilities would run across all partner

institutions. These Vice-Principals would be located as appropriate across the Partnership. The appropriate Vice-Principals would line manage the Deans who in turn would line manage the subject network leaders. Given the size and complexity of the provision at FE levels throughout the network, it is important that under the Vice-Principal (Academic SCQF levels 1-6) a pan-University structure similar to the Deans and Subject Network Leaders be established to support and co-ordinate provision across the network at FE levels.

It is proposed to create one additional post through the same appointing process, the post of Deputy Principal. This post is proposed for two related reasons. Firstly, the major designated purpose of this role is partnership working – indeed the title could be Deputy Principal (Partnership Working). In exercising this function the Deputy Principal would have the key role of liaising with senior staff (and Chairs etc of Boards) at all partner institutions to ensure the effective operation of the links between each of the partners. The second main function of the Deputy Principal would be to co-ordinate the work of all the Vice-Principals, providing support and undertaking trouble shooting as required. In general, in these capacities the Deputy Principal would be deputizing for the Principal. This is required in order that the Principal be released to be outward-facing to a greater extent, developing and exploiting new relationships and opportunities on behalf of the University.

11 Central Academic Management. The central academic management would be undertaken by a new Academic Council (or Board...or Senate) which would be chaired by the Principal and comprise all UHI Vice-Principals, all Principals of partners who are not UHI Vice-Principals and the Deans. The Academic Council would be responsible for the strategic and operational management of the academic programme at all levels and also have oversight of the effective allocation and delivery of the shared services required to underpin the academic programme. The Academic Council would create whatever sub-committees it required to effect its efficient operation. These sub-Committees would normally be chaired by the appropriate UHI Vice-Principal.

12 Funding. All funding, for both FE and HE would flow through the UHI Principal and be allocated by the Academic Council. In this way the Council would then be in a position to take decisions regarding the overall academic programme supported by parallel resource allocation mechanisms.

13 Day-to-day senior management. At an operational level, the Principal would probably wish to establish a Senior Management Group which would meet relatively frequently (say, fortnightly) to ensure the

effective running of affairs and undertake trouble-shooting etc as appropriate. This senior group would comprise the Principal, Deputy Principal and Vice Principals. All this, however, would be within the context determined by the Academic Council.

14 Shared services. It would be for the Academic Council to determine the menu of shared services – the general principle being to avoid all unnecessary duplication in partners and achieve maximum economies of scale. A start has now been made with LIS. Further developments have also taken place in areas including international relations and examinations. A likely future candidate would be Registry services. It would be for the Academic Council to determine a schedule for rolling out these shared services. In general a specification for each service should be devised and partners invited to submit tenders against these specifications. Once contracts are awarded, the relevant Vice-Principal would have a defined management role in relation the oversight of effective delivery. The formal monitoring would be undertaken by the Academic Council with payments made and penalties imposed in line with the terms of the contract.

15 Governance. It is in the area of Governance that paragraph 6 above refers to a possible short-medium term mode (mode 1) and a longer term, mode 2. As indicated above, the move from mode 1 to mode 2 is by no means inevitable: the break point is a point of reflection for the Court on future direction.

15.1 **Mode 1.** In the initial phase (five years) each partner would continue to have its own Board to oversee the provision of the partner within the context established by the Academic Council of the University. It is proposed that the Chairs of the Partner Boards would meet under the Chair of the UHI Court on a regular basis as suggested in the previous paper from Michael Gibson. Also as suggested in that paper, it is proposed that the Partner Chairs would not also be members of the UHI Court, the latter being composed of independents appointed on the basis of the skills necessary to provide effective governance to a tertiary university.

15.2 **Mode 2.** Beyond the initial phase of five years, provided the first phase had been successful, consideration could be given to the possibility of becoming a fully integrated institution. In this context, there would cease to be formal Boards for each of the Partner Institutions and instead local Councils would be established to nurture and protect local interests as outlined in the previous paper 'UHI: A new university'. Were such a decision to be taken, and any partner wished to withdraw from such arrangements, the possibility could be explored of such an institution becoming an affiliated institution of UHI which would provide a defined relationship without direct UHI management rights and responsibilities.

Management Development

16 The changes outlined in this paper involve the development of considerable management skills and competencies. For example, some of the tasks associated with managing the complexities of large volumes of provision at FE levels could be relatively new to some individuals. Equally, the demands of developing and sustaining research infrastructures would be relatively new to others. It would be important to ensure that the implementation of the new framework was supported by individual and team development and training,

Conclusions

17 Through the structure of the Vice-Principals, Deputy Principal and the Academic Council the model attempts to build on the strengths of the partnership and diminish any sense of separation between partners and executive office. This is further reinforced by the centrality of the Academic Council which would be at the heart of all academic decision making and associated resource allocation decisions. The creation of a senior post focused on partner liaison provides an important focus for effective integrated operation. The maximum sharing of central services from partners allows us to build on all the expertise available with appropriate mechanisms to provide security of delivery. By operating in these ways 'as if' we are a single institution we should be able to achieve the context and also economies necessary to support the enhancement of the experience of our students and the capacity of our university.

Next steps

18 The above brief and very sketchy outline has almost certainly raised more questions than provided answers. Its purpose however has been to provide a framework for discussion. What emerges from that discussion will then need to be thought through in more detail and subjected to serious financial testing. It is hoped that the paper provides a useful start to that process.

The University 'Core' and Partnership Model.

As the newest and sixteenth university in Scotland, the University of the Highlands & Islands now has to build and establish its unique place amongst higher education providers in Scotland for the long term.

Introduction.

The rationale for creating the UHI was founded on two key dimensions; the proven capacity of universities to generate economic benefits in a region; and the recognition of the need to deliver higher education locally to the dispersed population of the highlands and islands. This second dimension addresses both the outward migration of young people seeking a university education, and also meets the needs of those people, of all ages, who cannot leave the region to study. Although the Open University successfully operates in the highlands and islands, its model of delivery does not suit or meet the needs of everyone. Equally a conventional university campus located somewhere in the region would fail to meet these needs any better than other Scottish universities. Given the geography of the region, the distributed model of delivery developed by the UHI partnership is essential to successfully meet these needs and expectations, and to deliver economic benefits across the region.

The new university has several important selling points / strengths, and these include:

- An established and unique model of distributed learning, with the potential to extend it geographically.
- A range of specialist niche, as well as 'mainstream' programmes.
- In the partnership, some nationally and internationally recognised research activities.
- The potential attractiveness to in-coming students of Academic Partners' highland and islands locations.
- A model which maximises public value through use of Academic Partners' existing infrastructures.
- The significant economic growth potential of the highlands and islands region.

So far UHI has mainly concentrated on the higher education needs of people in the region, although the volume of demand for undergraduate and post-graduate study from within the region is finite, and on its own, unlikely to enable the university to maintain a good range of programmes on a sustainable basis. To develop and achieve sustainability the UHI must attract HE students from elsewhere in Scotland and beyond. This may be achieved by bringing people in or alternatively by reaching out to people in other places to deliver where they are located. Critical to either strategy is the UHI's ability to be an attractive choice when compared with other more established universities. Therefore the UHI must develop a strong university profile, by providing the quality of student experience that meets and exceeds expectations, and also earns public recognition.

The concept of incorporating all of the other activities undertaken by the Academic Partners of UHI into a single Tertiary Institution would not enable the university to establish its credibility. It would create an organisation in which only around 20% of its business would be higher education, that is rather less than some of Scotland's Further Education Colleges.

Partners: Missions, diversity and complexity.

Members of the UHI partnership are a diverse group of organisations, ranging from small specialist institutions employing around 20 people, to FE Colleges with over 500 employees and 9,000 students. They have very different missions, and for all thirteen organisations, working with the UHI to provide university opportunities across the region, these activities are only one part of their mission. Each partner fulfils other important roles in their community or specialist field nationally or internationally and there is a clear rationale for the existence of each of the partners quite apart from their engagement with the UHI. All have their own networks of relationships and partnerships with other organisations, but in each case involvement with UHI adds an enriching dimension to their other activities. The FE colleges in particular are complex organisations with distinct characteristics and each meets a wide range of education and training needs in their area. They are also members of the community of Scotland's Colleges, working together and sharing an agenda to develop and deliver further education nationally.

The area in which the UHI partners are located is large, over three hundred miles North to South and one hundred and eighty miles East to West, with most partners more than 100 miles distant from other partners.

The Model

To deliver the potential of the new university and to ensure its long-term sustainability it is crucial for UHI to establish itself as a credible choice for young people and others seeking under-graduate and post-graduate study. For this to be achieved, UHI must have a clear and unambiguous university identity and be perceived to deliver high quality higher education.

The model proposed separates the core that is 'the University' from the provision of partnership support services currently managed mainly by UHI Executive Office. It is a commissioning and delivery model, in which there is clarity of roles, with the University defining, specifying and monitoring, and the Academic Partners delivering UHI programmes.

University of the Highlands & Islands

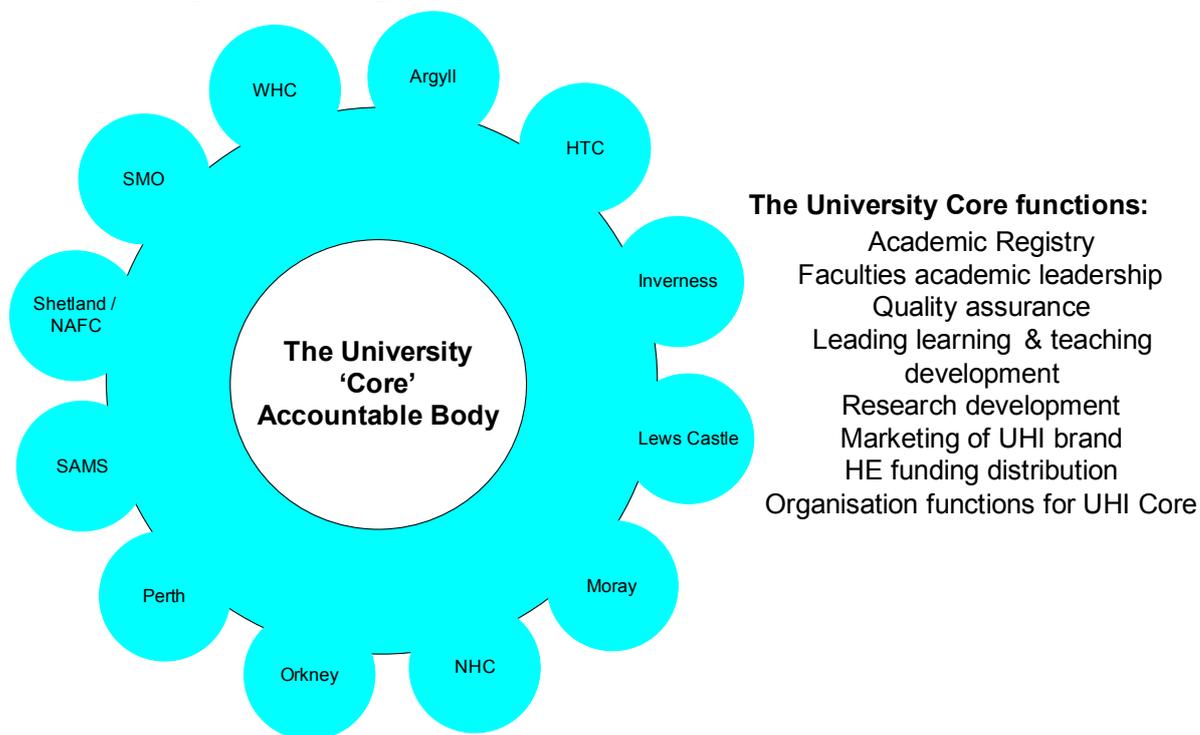


Figure 1. Shows the functions of the University 'Core' and responsibilities of the UHI Court.

This model enables UHI to develop as a university without the distractions of managing services and infrastructure beyond those identified in the Ernst & Young Report (June 2009, UHI Millennium Institute: Organisational review), which cannot be delegated due to risks. It maximises public best value through the efficient use of infrastructure, resources, and services, and it enables each academic partner to have appropriate facilities and resources to deliver its full mission, including the HE. These arrangements will be operated on a formal and structured business basis.

The model also recognises the need for the UHI to have greater direct control of academic strategies and policies related to its programme of courses. It is proposed that there should be formal contractual arrangements between the University and each Academic Partner to ensure that quality and delivery standards are clearly defined and adhered to, ensuring quality and consistency of the UHI student experience.

As proposed elsewhere, it is envisaged that the University Court would not include representatives of the Academic Partner Boards of Management. Instead a 'Council' chaired by the University Chancellor will be formed, with each Academic Partner Chair of the Board of Management as a member. This Council would be consulted about plans and proposals of the UHI. Principals and senior managers of the Academic Partners would also contribute to the strategic development of the University, as well as working with the UHI executive team to deliver the HE programme and research agenda.

The Partnership Support Services

The separation of the support services, currently managed mostly by UHI Executive Office, and establishing the Partnership Services Company will achieve four aims:

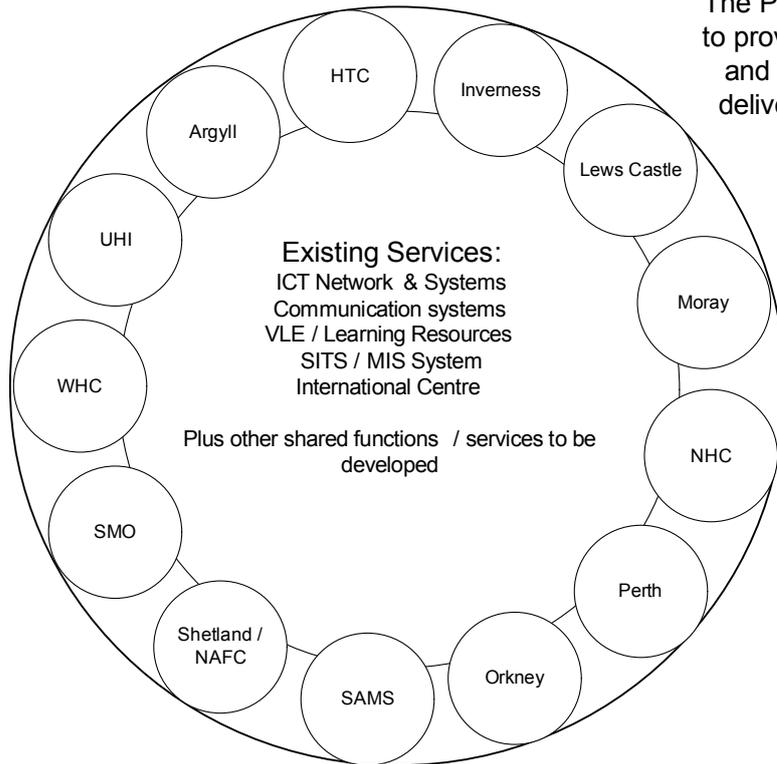
- Enable UHI to concentrate on its academic development as a university.
- Enable cost effective support services and infrastructure to be secured on a competitive business basis.
- Provide support services and infrastructure designed to enable academic partners to deliver their whole missions.
- Create a mechanism will facilitate a wide range of sharing arrangements across the partnership and between partners.

Figure 2 (below). Shows the Partnership Services Company. This will be a jointly owned company, with each partner, including UHI, as a share holder. The Company will deliver services itself in some cases, or contract for their supply from an Academic Partner, or by using out-sourcing arrangements.

All partners would be required to continue to use some services and infrastructure supplied under this arrangement, as they are at present, but other services would be available to be selected by each partner according to their own requirements.

The Partnership Services Company could be funded, subject to discussion, by a top slice of both FE and HE funding at source by the SFC on the request of the partnership, this would avoid VAT. However the VAT issue is likely to be resolved as a result of legislation by the UK Government being developed at the moment, therefore allowing normal payment for services supplied arrangements to operate.

The Partnership Services Company



The Partnership Services Company to provide cost-competitive services and infrastructure to partners for delivery of FE, HE, and research.

A jointly owned company. In some cases delivering services directly, or via an Academic Partner, or managing an out sourced service contract.

Financial Sustainability.

The separation of the University of the Highland & Islands organisation, from the delivery and procurement of support services and infrastructure for the partnership, and the formal business structure provided by the creation of the Partnership Services Company will lead to very significant efficiencies and considerable savings. Detailed work will be required to develop the model in depth and to quantify these financial benefits, but it is reasonable to conclude that effective implementation of these arrangements will result in financial sustainability for the UHI and the partners, and allow for a substantial increase of investment in capacity building in the partners.

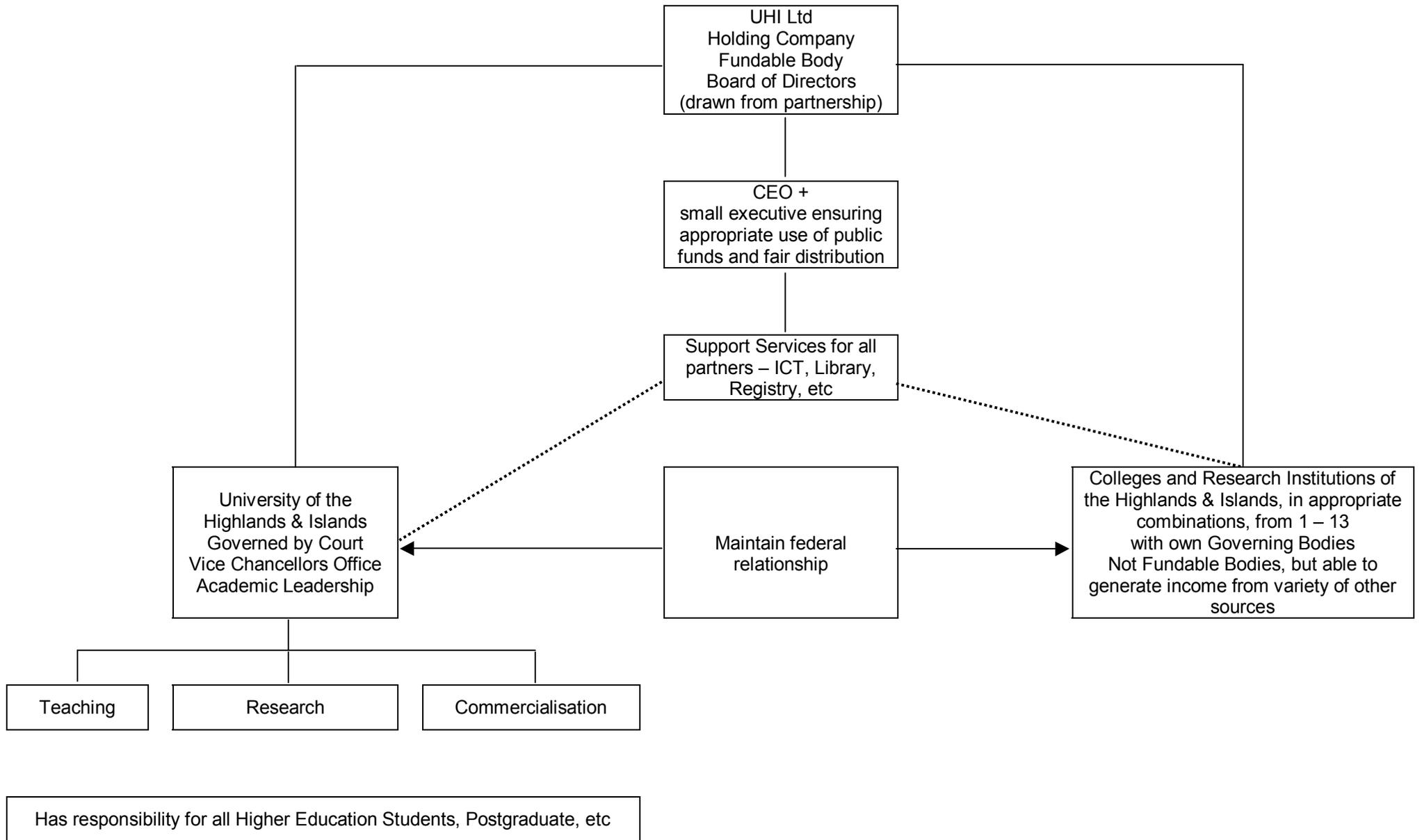
Evolution and development.

This model will enable the University to develop its position in the university sector in Scotland, and is designed to facilitate evolutionary development of the partnership and all of the partners. It will support and facilitate greater integration of services and infrastructure across the partnership and between individual partners, significantly improving learner experience.

The partnership work of the FE College academic partners to share learning resources and to work together in capacity building and sharing activities and services, some associated with Scotland's Colleges, will also be facilitated through these arrangements. In addition the model offers the potential to widen the partnership beyond the region, and to include other institutions in the delivery of UHI programmes.

Next Steps.

This paper briefly outlines the model, and is intended to provide a starting point for discussion and further exploration of the concept. It will require detailed modelling to test the concept and to develop organisational structures to enable a realistic assessment of its suitability to take the university and the partnership forward, and to identify with confidence its financial benefits.



The Fort Augustus Agreement

We are agreed to build on the significant current shared service activities by further developing shared services across the range of IT areas including:

- Applications delivery to the desktop, with a new common thin-client based service
- Collaboration and document management tools e.g. Sharepoint
- Email and calendaring (includes Blackberry service)
- Helpdesk, with extended hours
- IT access and identity management, IT security, etc.
- IT development services
- Library management system(Millennium) and associated technologies
- Local Area Networks
- Local technical support
- Maintenance and refresh of IT equipment
- Printing
- Software licensing
- Student records system (SITS) - including ID card system
- Telephony
- Timetabling
- Videoconferencing (studio and desktop)
- Virtual Learning Environment (Blackboard) and other technologies supporting e-learning
- Web hosting and development
- Wide Area Network, JANET access

Convergence on administrative applications (finance, HR, project management, CRM, etc.) is of interest to a number of partners but not all.

It is not expected that all these will be addressed immediately – the partnership will prioritise projects and services which have the prospect of short and medium-term returns.

A Programme Board will be established which will take on a set of responsibilities including:

- governance of the shared service(s)
- strategy including the development of a strategic roadmap
- ensuring delivery of projects within the roadmap
- prioritisation of developments and services
- finance and resources
- setting and assurance of service standards and quality
- development and agreement of the service definition/SLA and definition of common platforms
- communications and consultation strategy

The Programme Board will report to Executive Board.

We are agreed on the necessity of implementing standard platforms, a common application set and minimum specifications appropriate to purpose across the range of IT services.

The 'thin client' project will be progressed as a pilot project for further shared service developments.

Financial savings will be sought from this initiative. There may be start-up/transition costs but on an ongoing basis the overall service is expected to cost less. A business plan will be developed across the range of services in scope that takes into account impacts on other budget areas including, for example, energy savings.

Individual partner commitment to the shared service is contingent on financial acceptability.

We commit to staff transfers to the service provider(s) for partners who are fully participating. Staff may transfer under TUPE arrangements or by secondment as appropriate.

It is recognised that not all Academic Partners are able to participate in the same way, though all are committed to the principles of development of common platforms and standards. All Academic Partners will continue to receive and consume a standard core set of services which enable their active and effective participation in the UHI partnership.

The design and delivery of services should reflect the range of activities across the partnership including FE and HE learning and teaching, administration, commercial activity and research.

We agree that a service definition/service level agreement will be developed with input from all Academic Partners and that its agreement is a key and necessary stage in the implementation process. The Programme Board will also agree a strategic roadmap for the development and refresh of major IT systems and services.

We agree that the necessary next steps are:

- establishment of the Programme Board (its composition to be confirmed by Executive Board at its 26 May meeting)
- Programme Board to agree a consultation and implementation strategy
- development and agreement of the service definition/SLA and definition of common platforms and dependencies
- development and agreement of a set of business plans including financial model
- development and agreement of a transition plan

Partners agree to commit the necessary resource to achieve the above by a target date of 31 July 2011.

Delegates agree to commend the agreement above to their institutions.



To: Executive Committee - 4 July 2011

From: Chair – Development Committee

Development Committee - Chair's Report

The attached is a summary of matters considered by the Development Committee on 22 June 2011.

The following items were delegated to Committee.

- Planning and Performance Management Framework: Summary Workplan.
- European Commission White Paper – Roadmap to a Single European Transport Area – Towards a Competitive and Resource Efficient Transport System.
- Shetland Local Development Plan – Current Position

Exempt items

- Extension to Promote Shetland Contract
- LHD Ltd. Application for Financial Assistance
- Resilient for Financial Assistance
- Activity Report

The following items require consideration by the Council.

- Shetland Tourism Plan 2011-2014
- Tourism Financial Assistance Scheme
- Delegated Scheme for Loans to Purchase Whitefish Quota and/or Fishing Vessel Licences
- Bridging Loans Scheme, Private Sector Housing Estate Development
- Digital Shetland – A strategy to improve telecommunications across Shetland

The following item requires consideration by the Executive Committee and the Council. The relevant report is enclosed, namely;

- 1) Shetland Brand Pack

Chair – Development Committee

Summary of Decisions from Development Committee – 22 June 2011

1. Planning and Performance Management Framework

The Committee considered the work plan and performance measures for the services within its remit in order to determine the relative priority and targets to deliver for the year ahead. The Committee noted the Service Statements included at Appendix 1, and approved these documents as the workplan to develop policy initiatives and manage performance over the next period.

The Committee also addressed the following issues:

- Noted that staffing issues may have some impact on funding and the delivery of the workplans but that these would be addressed by management in terms of seeking value for money as well as ensuring sufficient resources were available.
- Agreed that the priorities for 2011/12 would be strengthened to seek stronger links between scenario planning, the Housing Strategy and the new Community Plan and to ensure the full involvement of staff.
- Agreed that more focus would be given to external transport issues within the priorities for future years.
- Agreed that the priority relating to the number of economically active people in Shetland should be strengthened from maintaining the numbers, to increasing them.

2. Shetland Brand Pack

The Committee considered a report that provided background information relating to the Shetland Brand Pack.

The Committee recommended to the Executive Committee that Shetland Islands Council uses the 'Shetland Brand Pack' to encourage greater community understanding and use of the Brand.

3. European Commission White Paper – Roadmap to a Single European Transport Area – Towards a Competitive and Resource Efficient Transport System

The Committee considered a report which set out the main issues contained in the EU Commission White Paper "Roadmap to a Single European Transport System", the areas of the developing legislation relevant to Shetland and to recommend a process to ensure Shetland's interests are effectively represented in the development of the legislation.

The Committee agreed that with the potential implications for Shetland from the White Paper, there may be a requirement for a Special meeting in the next cycle to consider this matter further.

4. Shetland Local Development Plan – Current Position

The Committee considered a report which provided information on the latest developments in the Plan preparation process.

The Committee agreed to note the report and that the next report deals with how to resource the Local Plan effort to get it back on track for delivery in 2012.

5. Shetland Tourism Plan 2011-14

The Committee considered a report, and agreed to endorse the Shetland Tourism Plan 2011-2014 as Shetland's Tourism Strategy and Action Plan for the next three years.

6. Tourism Financial Assistance Scheme

The Committee considered a report, and agreed to extend the Tourism Financial Assistance Scheme for a 3 year period from 1 July 2011 to 30 June 2014.

7. Bridging Loans Scheme, Private Sector Housing Estate Development

The report asked the Council to consider putting in place a bridging loan scheme for the development of private sector housing estates in Shetland.

The Committee recommended to the Council that it approve the scheme, and to grant delegated authority to the Head of Economic Development, or his nominee, to approve loans made within the terms of the Scheme.

8. **Delegated Scheme for Loans to Purchase Whitefish Quota and/or Fishing Vessel Licence**

The Committee considered a report and agreed to approve the continuation of Whitefish Quota and/or Fishing Vessel Licence Loan Scheme in the financial year 2011/12.

9. **Digital Shetland – A Strategy to improve Telecommunications across Shetland**

A report sought approval for a strategy to deliver improved telecommunications across Shetland and build on the opportunities that exist from the SHEFA 2 Interconnect project.

The Committee agreed to recommend that the Council:

- Formally adopt the 'Digital Shetland' document as a strategy for improving telecommunications in Shetland (subject to the availability of funds)
- Agree to proceed with tendering processes to establish likely costs of implementing the strategy
- Request that a strategic business plan be prepared in due course for the purposes of advising future Council investments.

EXEMPT

10. **Extension to Promote Shetland Contract**

The Committee considered a report, and agreed to extend the current Promote Shetland contract.

11. **LHD Ltd. Application for Financial Assistance**

The Committee considered a report, and approved an application for a loan facility towards the cost of purchasing whitefish quota.

12. **Resilient Fishing Company Ltd. Application for Financial Assistance**

The Committee considered a report, and approved the application for financial assistance.

Shetland Islands Council as Trustee of Shetland Development Trust

13. **Non-Public Activity Report**

The Committee noted a report, which provided updates on ongoing activities.

END



REPORT

To: Development Committee

22 June 2011

From: Project Manager

Report No: DV029 - F
Shetland Tourism Plan 2011-2014

1.0 Introduction

- 1.1 The purpose of this report is to invite the Development Committee to discuss the contents of the Shetland Tourism Plan 2011-2014 and if acceptable endorse it as Shetland's tourism strategy and action plan for the next three years.

2.0 Links with Corporate Plan

- 2.1 This report has strong links with Council Corporate Plan Policies to "support added value in tourism " and "Seek to lengthen the duration of the tourist season "

3.0 Risk Assessment

- 3.1 The European Directive 92/43/EEC requires competent authorities to carry out an appropriate assessment of plans and projects that are likely to have a significant environmental impact. In this instance, as per Section 8 of the Environment Assessment (Scotland) Act 2005, Shetland Islands Council as the responsible Authority has formally determined that the Shetland Tourism Plan 2011- 2014, which is the subject of this report will not lead to significant environmental impacts and does not require an environmental assessment.

4.0 Background

4.1 Shetland's Tourism Plan 2006- 2009

Shetland's previous strategy for developing tourism, which was endorsed by the Council's Executive Committee (5 September 2006 Min Ref 36/06) set out Shetland's strategy for developing tourism between 2006- 2009 and provided a list of actions and organisations committed to helping to achieve those actions within the 3-year period.

4.2 The 2006-2009 strategy was a key document leading to:

- Improved information on Shetland's accommodation needs
- Revisions to Council Grant Schemes and programmes to better target support to tourism businesses and the heritage sector.
- Development of Shetland as a destination in its own right
- Partnership working to provide improved gateway and information services
- Targeted development, interpretation and promotion of Shetland products to niche markets
- Increased understanding of the market and working relationship between private and public sector through Shetland Tourism Association (STA)

4.3 The outputs and impacts from those changes included:

- Setting up of a new destination marketing organisation "Promote Shetland" with the approval of the Scottish Government
- A pilot project to encourage new and better promoted heritage tourism products and to encourage visitor attractions to stay open longer in the season
- 50 new interpretive signs throughout Shetland & 8 new themed trail leaflets.
- 22 enhanced facilities and online personal specialist adviser services for yachts people generating a steady increase in visiting yachts (55 additional yachts recorded between 2007 and 2008)
- Cruise liner welcome and gateway services at Sumburgh Airport, a daily "whats on" and SMS messaging service for visitors.
- 500 visitors registered to attend the Shetland Homefarin 2010
- European and Global Geopark Network Membership "Geopark Shetland"
- £18 million investment attracted into tourism heritage infrastructure projects (ie Mareel music venue, Sumburgh Lighthouse, Scalloway Museum, Belmont House and Sandsayre Pier)
- £4 million investment in Fair Isle Bird Observatory and visitor facilities
- Targeted marketing and promotion including Shetland DVD, walking guide and marina guide, etc

4.4 Anecdotal evidence and year on year increases in the recorded number of visitors to top attractions throughout Shetland, as well as an increase in cruise line passengers suggests that there has been a steady increase in visitors to Shetland and a corresponding increase in income generated by the sector during this period. Quantifiable evidence of the current value of tourism to the Shetland economy and the number employed by the sector will be confirmed by the Shetland Input Output Survey and Shetland Employment Survey, which are both currently underway and will be reported to Council later in the year.

4.5 Historically the value and nature of tourism in Shetland has been measured by carrying out visitor surveys every 5 or 6 years. (ie 1995, 2000 and 2006) These surveys have the disadvantage of being expensive (ie an estimated £50,000 + to generate) and being out of date almost as soon as they are published. EDU in partnership with Promote Shetland and VisitScotland is currently investigating the potential for improved visitor feedback and data collection to monitor, measure and evaluate the value of tourism to Shetland on a more regular basis. Any research, or project generated by this process will be reported to the Development Committee later in the year.

4.6 Remit for a revised tourism strategy

When considering a new strategy initial consultation with STA, Promote Shetland and Highlands and Islands Enterprise (HIE), suggested that an update to the existing plan was required rather than a complete change of strategic direction. This decision was taken with reference to both the significant international economic changes that had taken place since the development of the 2006 - 2009 strategy; and, national aspirations to develop regional tourism strategies that provide a clear vision and identify key objectives and priority areas for growth and improvement.

It was decided that Shetland's vision *"To be a year round destination offering high quality products, service and experiences"* had not changed but the methods by which this could be achieved would require updating.

SIC, Economic Development Unit agreed to take the lead on revising the strategy and HIE agreed to fully fund the process through its existing advisory contracts. The successful candidate Stephen Budd, Highland Business Research, who also prepared the 2006-2009 Tourism Plan, was given 10 working days between June and October 2010 to carry out the commission.

4.7 As well as desk research this included collating the feedback to a questionnaire circulated to STA's 98 members and face-to-face interviews and meetings with representatives from businesses and organisations with an interest in developing Shetland's tourism industry. Their views determined the strategy and the tactics outlined in the Shetland Tourism Plan 2011-2014, which is the subject of this report and is attached as Appendix 1. A list of contributors is included on page 25.

4.8 A final draft of the Tourism Plan 2011- 2014 was presented to the Tourism and Culture Panel attended by the new Chief Executive of Visit Scotland, Malcolm Roughhead on the 24 January 2011 and the Environmental Assessment (Scotland) Act 2005 Screening Determination that the plan was not likely to lead to any significant environmental effects was issued on 23 March 2011.

5.0 Proposal

5.1 It is proposed that the Development Committee discuss the contents of the Shetland Tourism Plan 2011-2014 and if acceptable endorse it as Shetland's Tourism Strategy and Action Plan for the next three years. The plan is presented in two parts:

- 1 Strategic goals; and, recommendations; and,
- 2 Tactical recommendations and actions covering the three specific areas – product, promotion and service.

The central ambition of the tourism sector in Shetland is to grow and increase its absolute contribution to the Shetland economy. The plan highlights the role tourism can play in attracting more visitor- spend and in showcasing Shetland; attracting inward investment and promoting population growth. A main theme in the plan is a desire to make more of existing resources, business and product opportunities and improve how we do business online. It highlights the fact that we must punch above our weight in difficult times, when funding is much more restricted and deliver a good value and quality of experience that Shetland's target market demands. The plan also identifies measurable indicators of success against each recommendation eg increased attendance at events outside of peak periods; increase in known sustainable products and services, more tourism related business start up etc.

5.2 The Plan has close links with and is complementary to the Shetland Marketing Strategy which was approved by the Development Committee on 3 March 2011 Min ref 16/11.

5.3 If the plan is approved it will inform the strategic tourism goals and targets set in the SIC, Economic Development Service Plan and provide a starting point for revisions to the Council's projected tourism outputs in the next revision to Council's Economic Development Policy Statement.

5.4 It is intended that tactical recommendations and specific actions identified in the plan will be regularly monitored by the tourism sector at STA meetings. As well as representatives from industry these meetings are attended by the agencies committed to contributing to the delivery of specific actions in the plan eg Council, Promote Shetland, VisitScotland etc.

6.0 Financial Implications

6.1 There are no specific financial implications associated with this report. Any projects deriving from the Plan would be considered by Council on their own merit

7.0 Policy and Delegated Authority

- 7.1 The subject of this report complies with the Council's Economic Policy Statement 2007-2011 and in particular policy numbers 5, "Continue to develop Shetland as a tourist destination through development of high quality products and services "; 6 "Continue to promote Shetland as a high-quality visitor destination" and 7 "support people involved in products and services for the tourism sector". The Policy Statement was approved by the Development Committee on 24 April 2008 (02/08) and by the Council on 14 May 2008 (55/08).
- 7.2 The Development Committee has responsibility for the functional areas set out in Section 2.3.1 of the Scheme of Administration and Delegations to implement decisions within the remit.
- 7.3 As the subject of this report is covered by existing policy the Development Committee does have the delegated authority to make a decision.

8.0 Conclusion

- 8.1 The Shetland Tourism Plan outlines the consensus of all those consulted on how Shetland's tourism industry can best adapt to meet the challenges and opportunities it faces over the next few years.
- 8.2 It recognises that Shetland Islands Council, Promote Shetland and VisitScotland have a role to play in enabling tourism development but that it is the individual operators that will be responsible for delivering quality at the front line. It also highlights that the key to successfully achieving the strategy's objectives will be to work together to develop new products and services, better promotion and improved market intelligence; and, that the growth of tourism should be seen as an important part of the long term strategy that benefits the island in ways far beyond the number of bed nights achieved.
- 8.3 The plan is not intended to be prescriptive and permit only those specific developments described and no other. Unforeseen developments and new opportunities will continue to present themselves that are not specifically in the plan. However it does offer clear direction to all those involved in tourism related activities and can be used to target support and resources better for tourism related projects.

9.0 Recommendation

- 9.1 The Development Committee is invited to discuss the contents of the Shetland Tourism Plan 2011-14, which is attached as Appendix 1, and, if, acceptable endorse it as Shetland's Tourism Strategy and Action Plan for the next three years.

Our Ref: LC/JJ Str/Tour/001
Date: 14 June 2011

Report No: DV029-F

The Shetland Tourism Plan 2011–2014

The Shetland Tourism Plan 2011-2014 has been produced by Highland Business Research for Highlands and Islands Enterprise and Shetland Islands Council.

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Abbreviations used in this document:

Abbreviation	Body
Anglers	Shetland Anglers Association
EDU	SIC Economic Development Unit
HIE	HIE Shetland
Marinas	Shetland Marinas
PS	Promote Shetland
SAC	Shetland Arts and Crafts
SArts	Shetland Arts Development Agency
SAT	Shetland Amenity Trust
SCollege	Shetland College
SDI	Scottish Development International
SIC	Shetland Islands Council
STA	Shetland Tourism Association
STrans	SIC Transport
VS	VisitScotland

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Introduction

Our aim is to be a year-round destination offering high-quality products, services and experiences.

This goal was set in the 2006–2009 Shetland Tourism Plan and the Shetland tourism industry continues to support this ambition.

This 2011–2014 Shetland Tourism Plan updates the recommendations to reach this goal in a smart, realistic and ambitious way over the next four years and so it reflects both our progress in tourism along with the new challenges and opportunities facing us.

A big theme in the Plan is the desire and need to act creatively and make more of our existing resources, businesses and product opportunities. Equally important is improving how we do business online. Both these themes reflect the need to punch above our weight in difficult times as well as to respond to what our customers want. Our location away from major population areas means that we will continue to be quite an expensive destination to reach. This alone means that we have to work harder than other places in the UK to attract visitors and convince them that their visit will be worth the money in everything from service quality to things to see and do.

Working together is also crucial in creating opportunities to grow tourism. There is potential for working in partnership to result in new products, better promotion or delivering customer service and this will add to the size and importance of tourism.

Shetland has many strong physical and cultural assets attractive to tourists but those special characteristics tend to appeal to niche market segments, rather than the mass market. Many of those target market segments are high value ones which are not just driven by price, but by value and quality of experience. But even these niche market segments have alternatives and destinations worldwide that are competing with us to attract them. Our challenge then is to attract these visitors and to deliver the quality of visitor experience they demand.

Executive Summary

The 2011–2014 Tourism Plan has two parts:

1. Strategic goals and recommendations based on eight key strands.
2. Tactical recommendations and action items covering the three specific areas – product, promotion and service.

The eight key strands of the Plan are:

1. Shetland aims to grow its tourism sector

Creating more investment and more jobs.

2. Shetland will become a year-round destination offering a high-quality product and experience

To do this we need to develop further our successful range of autumn, winter and spring events.

3. Increasing the range of products and services for visitors

Visitor numbers can only expand if there is more for them to do in Shetland, attracting new visitors and encouraging them to return.

4. Effective partnerships are vital to develop the sector

Companies and organisations working together will spark innovation and increase opportunities.

5. Making the most of our online presence

Not only is this essential because of Shetland’s remoteness, but it is also the fastest growing and most economical way to promote tourism. Above all, it is expected by our customers.

6. Understanding, meeting and exceeding customer expectations to truly deliver satisfaction

Our service to customers has been improving in recent years but we still need to do more to ensure visitors receive value for money, so they will spread the word that Shetland is a ‘must visit’ destination.

7. A commitment to excellence in promotion, internally and externally

Shetland is doing well in presenting the islands to the outside world. We will continue to invest in excellent targeted marketing and communications. However, we also need to make sure our fellow islanders understand and appreciate the importance of tourism to the local economy and community life.

8. To establish an effective monitoring and evaluation mechanism

This means having clear actions, clearly expressed, making sure everybody involved knows what is expected of them, checking they’ve done their work and measuring the results against the targets in the Plan.

The specific tactics, actions and deliverables accompanying these eight strategic themes can be found in the tactics section of this Plan (Part 2).

Part 1: The Eight Strategic Strands

The central ambition of the tourism sector in Shetland is to grow and increase its absolute contribution to Shetland's economy.

To achieve this we can increase the overall total visitor numbers. We can also increase the per-head spending of visitors to Shetland. A combination of both approaches is recommended.

Before exploring the eight strands of this Plan, it is worth reminding ourselves what tourism brings to Shetland. It is an export market, despite the fact that it sells its product at home. It attracts money into Shetland that could have gone elsewhere. It is also a valuable window that showcases our islands as viable and vibrant places to live and work, something of longer term importance.

The growth of tourism should be seen as an important part of a long-term strategy that benefits the islands in ways far beyond the number of 'bed nights' achieved.

Tourism can sometimes be seen as having a small role in Shetland's economy and society. However, our tourism is a broad business that touches the following sectors and more:

- Design
- Crafts
- Programming and software
- Textiles
- Music
- Sport
- Visual arts
- Health and recreation
- Food and drink
- Transport
- Fixtures and fittings
- Construction
- Marketing

We also service a vibrant business community vital to Shetland's wider economy. Business travellers, an often overlooked segment, are of great importance to our economy and future population.

So, put simply, tourism here is about a lot more than hotels and sightseeing. Tourism can contribute to a diversified and sustainable economy, attracting and servicing inward investment and promoting population growth.

Strand 1: Shetland aims to grow its tourism sector

The growth of the tourism sector could be measured in many ways but ultimately should be judged on its contribution to our economy and society.

To achieve this we can increase demand, e.g. increase its overall visitor numbers. We can also increase our margins by encouraging visitors to Shetland to spend more. A combination of both approaches is recommended.

Doing more with what Shetland already has – e.g. through smart product creation, packaging and pricing – will be a major way of achieving this ambition.

Success indicators include:

- More visitors and/or more money generated by the sector

Strand 2: Shetland will become a year-round destination offering a high-quality product and experience

To become a less seasonal, more year-round destination, it is clear that we need to give visitors reasons to come in autumn, winter and spring and our activities and events must reflect this. This is closely linked to Strand 3 – increasing the range of products and services for visitors.

Success indicators include:

- Increased attendance at events/activities outside of peak periods
- Increased accommodation usage from the leisure sector outside of peak periods

Strand 3: Increasing the range of products and services for visitors

Increasing the range of products and services is about giving people more reasons to visit us, stay longer or come at other times of the year.

Products and services range from the large initiatives such as those undertaken by the Amenity Trust through to local community initiatives. It covers everything from the continued development of heritage sites through to the development of wildlife tours, cultural events and other activities that take account of Shetland's advantages.

Achieving this increase will involve a mixture of enabling and encouraging business to make the most of market opportunities, often by working together to create experiences that are greater than the sum of their parts. It will also involve supporting investment in larger products as well as exploiting the potential of existing underused areas.

Areas of particular development potential include:

- **HERITAGE SITES** – Shetland has a world-class collection of heritage sites that fit in completely with the aspirations of the successful idealist visitors identified in the brand research. Continued investment in developing this area is essential to the long-term success of the tourism sector and Shetland’s identity.
- **ARTS AND CRAFTS** – Shetland is world famous for its arts and crafts (particularly music and textiles) and these are experiences highly prized by the target visitor groups. A vibrant artistic and cultural life is seen both as a sign of an interesting place to visit and as a marker that the place could be a good one in which to live.
- **NATURAL HERITAGE** – Shetland’s unique natural heritage gives it an advantage over almost every other area in Britain. This is an area in which product offerings are quite advanced. The opportunities here lie perhaps more in the packaging of experiences or the diversification of untapped areas.
- **ACTIVITY TOURISM** – Visitors increasingly desire experiences where they can interact with the local culture and environment. Opportunities in this area include sports tourism (such as angling) as well as participating in cultural and learning activities.

Measurable outputs include:

- An increase in known sustainable products and services
- Increased spend and satisfaction
- More people entering tourism as a career of choice
- More tourism-related business start-ups

Strand 4: Effective partnerships are vital to develop the sector

The improved communication between various organisations and companies involved in tourism in Shetland is perhaps the glue that helps to bind much of this Plan together. Partnerships will offer opportunities to develop products and solutions that would not be possible alone, as well as providing the potential for better marketing, development and promotion.

Measurable outputs include:

- An increase in known sustainable products and services jointly conceived

Strand 5: Making the most of our online presence

Conducting business online is no longer an optional extra in running a business in our sector. Not only is this essential because of our remoteness, but it is also the fastest growing and most economical way to promote tourism. Above all, it is expected by our customers.

This need to respond to our customers brings new challenges as well as opportunities. Businesses of all sizes need to understand these challenges and opportunities if we are to make the most of perhaps the most important communication medium used by our visitors.

As well as enabling individual businesses to develop online, there is also the recognition that bodies like Promote Shetland must also have the ability to become world-class in online delivery.

Measurable outputs include:

- Number of businesses implementing online booking
- Businesses taking an increasing proportion of bookings online
- Businesses understanding and implementing the basics of online marketing

Strand 6: Understanding, meeting and exceeding customer expectations to truly deliver satisfaction

An understanding of customers and how to meet their needs remains vital to success. Delivering excellent customer service is the most obvious sign of this, but implicit in this is first identifying and understanding the needs and priorities of the customer and market segments.

This applies to all aspects of tourism, from the time customers start thinking about visiting a destination through to their time here. It's about how people research, how they book, what triggers them to book, overcoming their concerns and identifying their needs; and how they prefer to buy, what facilities they expect when they arrive, and how best to communicate with them before, during and after their stay.

Many of our tourism service providers are masters of the friendly welcome and have an excellent understanding of what makes a customer happy. However, many businesses would welcome help to refresh their skills.

There is also a place for extra customer insight through customer feedback or through a considered understanding of the latest industry intelligence. Bodies like Tourism Intelligence Scotland are dedicated to giving practical insight about tourism trends and this is something that can be promoted within the tourism community.

Measurable outputs include:

- Decision on the desirability of a centralised public feedback mechanism and implementation plan if there is interest
- Comparing customer satisfaction ratings for specific areas in any future visitor survey
- Raising awareness of online customer service practices and their adoption by the tourism industry within Shetland
- Setting specific targets to widen the distribution channels through which customers can access product

Strand 7: A commitment to excellent in promotion, internally and externally

Promotion is vital not only to attract visitors, but also in making the case for tourism at home.

We are one of the few areas that have our own marketing body to work alongside VisitScotland. Promote Shetland has wide industry support and has the capacity for innovative and specific marketing and communications dedicated to the Shetland brand. The global reach and resources of VisitScotland provide a significant complementary service, meaning that we have access to two strong bodies promoting tourism at home and abroad.

However, it is not just organisations like Promote Shetland that need to market and communicate well, but also any company wanting to attract customers from a vast, but challenging, global pool. Standards of online sales and promotion can sometimes still be weak and a barrier to growth.

There is a fear that public support for tourism at home will fall if our contribution to the economy and society is not understood. We must also understand and engage with audiences at home to continually show our contribution and to make the case for continued investment. Tourism has strong voices speaking for it at high levels and we need to work with all partners within the industry to ensure that tourism's contribution to Shetland continues to be appreciated and nurtured.

Measurable outputs include:

- Continued investment in 'natural' public sector led tourism products and services
- Improved and measurable return on investment (RoI) from promotional activities
- Increased number of business offering a professional web presence
- Promote Shetland becoming a 'best of breed' destination marketing organisation for a remote rural location

Strand 8: To establish an effective monitoring and evaluation mechanism

An independent and effective monitoring and evaluation mechanism should be established in order to guide the Plan in the coming years. This should include measures of progress that are specific, timely, directional and actionable. Specific examples are covered in the tactics section in Part 2 of this Plan.

What about transport?

Transport is overwhelmingly seen as a barrier to the growth of tourism. It is seen as expensive and considered by some to be suffering from issues of capacity in the high season. Additionally, there is majority support for the retention of links to Norway and the Northern Periphery areas.

While this Plan addresses areas where changes can be made (such as the initiatives that will come out of SIC Transport working more closely with the industry), much of the transport debate is already conducted at a national level and, as such, it is beyond this Plan to make the kind of difference that would be desired for tourism in Shetland.

However, working at a local level, tourism and transport can achieve significant changes. The coordination of efforts with SIC Transport, for example, to promote internal tourism will bring benefits, especially in outlying areas where the growth in tourism will have a larger impact. It is also vitally important that we as an industry are heard and can influence the transport debate at a higher level, particularly through ZetTrans and initiatives it is involved with.

Part 2: Tactical Recommendations

This section of the report details:

- Tactical recommendations relating to Shetland's tourism products
- Tactical recommendations relating to promotion
- Tactical recommendations relating to customer service and understanding

These tactics have been drawn up in partnership with the tourism industry and each recommendation includes an owner monitoring and evaluation process.

Tactical Product Recommendations

Item #	Owners	Description	Monitoring and evaluation process
1.	SAT PS EDU	<p>Support the case for continued investment in larger projects.</p> <p>The economic downturn means that spending will probably slow in many areas. The rationale for continued investment in larger projects (especially those connected to arts and heritage) is to increase the range of products in anticipation of later recovery, and to be ready to capitalise on this. Failure to do this will result in Shetland playing ‘catch-up’ in the event of better times returning.</p> <p>The case for continued investment needs to be made at the highest level within Shetland. Many representatives within the public sector are already ambassadors supporting the role of tourism to senior levels and this should continue.</p>	The success of this will be measured by the level of support larger investments continue to receive.
2.	EDU Community Groups	<p>Establish framework for a targeted ‘small grant’ scheme to promote the establishment of products in remote areas.</p> <p>The Heritage Tourism Development Scheme is an example of how social enterprises can be granted small sums in order to develop tourism products in their areas. The aim is to create a significant network of products that enhance areas and, combined, make as much difference to Shetland’s appeal as a single big project.</p>	The Heritage Tourism Development Scheme is currently a pilot project with success criteria established.
3.	STA SAT SArts EDU	<p>Explore packaging opportunities.</p> <p>Packaging and product development will be driven by visitor-facing companies and organisations (whether private companies or bodies like the Trusts or volunteer bodies) with public sector development bodies facilitating cooperation when required and appropriate.</p>	NA

Item #	Owners	Description	Monitoring and evaluation process
4.		<p>Broaden the range of products.</p> <p>Product development is not just about deepening the range of areas that are known to work, such as wildlife, culture and heritage, but is also about exploring possibilities to widen the range into new areas.</p> <ul style="list-style-type: none"> The tourism industry and public bodies will work in partnership to develop services and products. (STA, EDU, VS, PS, SAT, SArts) Exploring and developing the potential of existing activities by Shetland trusts to generate tourism products. Ideas include: events and activity tours; talks (particularly in the shoulder season). (SAT, SArts) Investigate opportunities for sport-based holidays in Shetland. (EDU, SIC, Sports and Leisure Recreational Trust, Sports Clubs, PS, Shetland Marinas) Develop and better promote the wide range of activities and services available for trout and sea angling. (EDU, Shetland Anglers Association, PS, VS) Shetland Arts and Craft Association to promote and develop an arts and craft trail with PS. (SAC, PS, EDU, VS) Shetland College to work with HIE to explore how they could understand, develop and promote 'learning' breaks. (HIE, SCollege) 	<p>STA</p> <p>EDU</p> <p>EDU</p> <p>Anglers</p> <p>SAC</p> <p>SCollege</p>
5.	STA	<p>Establish a network of experts who can facilitate specialist bookings.</p> <p>There are many participants within the tourism sector who have specialist knowledge that could facilitate more specialist enquiries. The emphasis is not on the contact managing a booking but rather on connecting specialists within the market to enhance enquiries and provide solutions.</p>	STA

Item #	Owners	Description	Monitoring and evaluation process
		<p>This system could also involve those with a good working knowledge of foreign languages.</p> <p>STA members to identify requirements and progress with suitable organisations as appropriate.</p>	
6.	VS	<p>Evaluate the success of the Tall Ship Temporary Accommodation Pilot Scheme for potential wider roll out.</p> <p>The idea of 'temporary hospitality' is to enable a pool of accommodation only to be made available in times of extreme lack of accommodation. Temporary Accommodation Providers are not meant to become an alternative to already established accommodation providers.</p>	
7.	EDU VS PS	<p>EDU, VS and PS to continue to engage with the whole tourism industry and bodies with appropriate representation.</p>	STA
8.	EDU STA STrans PS VS	<p>The tourism industry to work in partnership with SIC Transport to develop effective communications to facilitate greater use of public transport by visitors.</p> <p>SIC Transport will work with the tourism industry to provide more effective transport solutions. It is anticipated that this could result in new product opportunities and/or the broadening of the product offering to current visitors.</p>	STrans, EDU, PS, VS
9.	SAT SArts VS PS EDU HIE	<p>Undertake a review of the market for conference tourism.</p> <p>The Shetland Museum, Mareel and Shetland College provide facilities that can cater for groups visiting for business or specific activities beyond traditional leisure tourism. A review of business tourism demand and expectations needs to be undertaken before development of this market.</p>	EDU

Item #	Owners	Description	Monitoring and evaluation process
10.	STA HIE PS VS	<p>Market Intelligence Strand 1: Smarter use of market intelligence.</p> <p>Keeping abreast of market developments is an important way of making sure that products adapt to market demands.</p> <p>STA to invite a Tourism Intelligence Scotland representative to address the STA membership regularly. HIE to facilitate as required.</p> <p>Yearly briefing by PS and VS to STA on what they are seeing in visitor trends and how they are responding to them.</p>	EDU
11.	EDU VS PS STA HIE	<p>Market Intelligence Strand 2: Look at a renewed visitor survey, including smarter ways of conducting and sharing research.</p> <p>The target date for a visitor survey would be 2011. While traditional survey methods have an important role, looking at ways to supplement this information through less resource intensive and more timely data collection methods should also be considered.</p> <p>EDU, HIE, VS, and PS to identify what data can be collected and from where.</p>	EDU
12.	EDU HIE/SDI	<p>Attracting more major inward investment.</p> <p>Active engagement to attract inward investment will continue in line with SIC's Single Outcome Agreement. HIE will also work with SIC and Scottish Development International (SDI) to further these aims.</p>	
13.	SCollege HIE	<p>Exploring the potential of UHI/Shetland College to draw tourism.</p> <p>As well as being actively involved in tour guide training, Shetland College has the potential to develop tourism products (such as learning courses) in partnership with the tourism industry. However, it needs guidance on all aspect of marketing as well as overcoming known issues</p>	SCollege

Item #	Owners	Description	Monitoring and evaluation process
		such as inadequate accommodation to advance this.	
		HIE to liaise with Shetland College to understand early thoughts and how that might fit in with general development policies and the tourism industry.	

Tactical Promotional Recommendations

Item #	Owners	Description	Monitoring process
1.	PS	<p>Make the Promote Shetland online channel more effective.</p> <p>Promote Shetland has the ability to become one of the foremost UK destination marketing agencies. Achieving this will require a first-class understanding of the opportunities and challenges of online marketing in order to maximise impact.</p> <p>Actions:</p> <ul style="list-style-type: none"> • PS staff to have training in strategic online marketing and how to get the most out of online management data. • Appropriate PS staff to attend at least one major conference per year related to travel or online marketing. 	<p>STA and SIC</p> <p>In terms of online activities, visit.shetland.org needs to define a set of goals and key performance indicators that show meaningful movement.</p>
2.		<p>Improving online business</p> <p>A number of recommendations all relate to the ability of businesses to do business more effectively online.</p>	
	EDU STA PS VS	<p>Ensure that more businesses in Shetland can take bookings online and have the business skills required to understand and deliver their online business effectively.</p> <p>EDU to determine barriers to online booking adoption and devise ways to overcome these in partnership with the industry.</p>	STA
	HIE STA	<p>Develop online marketing and service skills courses and seminars.</p> <p>On an ongoing basis, arranging for businesses to be exposed to current best online business practices. Areas typically covered would include email marketing; social media; what your web</p>	STA

Item #	Owners	Description	Monitoring process
		data is telling you; feedback mechanisms; and the importance of usability.	
		STA to liaise with HIE to identify interest and how to practically implement.	
	STA EDU	Examine how best to capture customer feedback online to help business. The previous two strands of Market Intelligence concentrate on general strategy. This initiative is designed to help individual businesses collect, analyse and respond to customer feedback more easily and reliably. STA to liaise with EDU to identify barriers and opportunities.	STA
3.	STA PS VS	Internal promotion. Convincing an internal audience of the importance of tourism is almost as important as attracting external visitors. Continued and coordinated efforts need to be made to ensure that the benefits of tourism are understood at the highest levels. This can be done through a process of maintaining a constructive high profile; strategic briefings and sharing of information among elected representatives; using the strong voices already involved in the industry; and general lobbying.	
4.	PS VA SAT STrans STA	Shoulder season. Coordination between PS, SAT and VS to develop plans to develop the shoulder season through increased product offerings and promotion.	

Tactical Service Recommendations

Item #	Owners	Description	Monitoring process
1.	EDU SCollege STA HIE VS	Ongoing emphasis on training and raising of service standards. EDU, SCollege, VS, STA, HIE to work to deliver a Shetland Ambassador/customer care course, through Train Shetland.	STA
2.	STA EDU Train Shetland HIE VS	Training through the STA for 'temporary accommodation' initiative. If the 'temporary accommodation' scheme for peak capacity times is rolled out further, the STA has suggested that it might be willing to become involved in delivering group customer training to the temporary providers. STA to be kept abreast of ongoing ideas for any 'temporary hospitality' initiatives and to provide input into how to make them work. STA, EDU and Train Shetland to discuss (potentially to run) customer service workshops for 'temporary hospitality' participants and existing STA members.	STA

Managing the Plan

This section contains a number of items that do not fall directly into the product, promotion and service categories outlined in this Plan, but which are important if those aspects are to work. There are broadly two areas:

- Management of the Plan
- The monitoring and evaluation process

Management of the Plan

This section describes those processes needed to deliver the strategy effectively. Clear lines of responsibility are mostly already apparent and the following proposals build on them to facilitate the management, monitoring and evaluation of the Plan's items.

Placing the Tourism Plan in context

This Plan links to complementary plans like the current Single Outcome Agreement (SOA) and the SIC Corporate Plan and, as such, all actions need to be Specific, Measurable, Achievable, Realistic and Timely (SMART). In turn, the Plan will influence the production of the future SOA.

Monitoring and Evaluation

Monitoring and evaluation have already been mentioned as part of the tactical promotional recommendations and so this section concentrates on the processes for monitoring and evaluating the Plan.

Tactical Process Recommendations

Item #	Owners	Description	Monitoring process
1.	STA EDU PS	<p>Establish a panel to monitor the implementation of the Plan.</p> <p>Although this needs to be formal in the sense that its actions need to be transparent and accountable, it is also anticipated that this could be accommodated if required as an adjunct to a regular STA meeting.</p> <p>Initial participants should include the STA leadership, EDU, VS and PS.</p>	
2.	EDU PS	<p>Define a framework through which to effectively monitor the contributions of tourism and agencies delivering it.</p> <p>The purpose of this is to see impacts that local agencies are making on an ongoing basis to the growth of tourism in Shetland.</p>	EDU
3.	STA HIE	<p>Develop the organisational skills of the STA.</p> <p>Help the STA to develop their management and leadership skills to increase their effectiveness as guardians of the Tourism Plan.</p> <p>HIE Shetland to liaise with the STA to identify needs and develop a solution.</p>	STA
4.	EDU STrans STA	<p>ZetTrans membership.</p> <p>Ensure that the tourism industry is properly represented in the transport debate and is able to influence that debate.</p> <p>EDU to work with the STA and STrans to facilitate ways in which the STA could be more involved.</p>	STA EDU STrans

Appendix A: Input to the Plan

We would like to thank the following people for giving their time in the preparation of the Plan:

Name	Organisation
STA Membership	28 detailed responses were received from the STA membership with their ideas for the tourism Plan
Alan Blain	Shetland Amenity Trust
Andy Steven	Promote Shetland
Beth Cummings	Windward B&B
Billy Thompson	SIC, Service Manager – Transport, Planning and Support
Creenagh Lodge	Corporate Edge
David Nicol	NB Communications
Dennis Geldard	Shetland Marinas
Elma Johnson	Island Trails
Fiona Dally	Tall Ships
Gwilym Gibbons	Shetland Arts
Irene Peterson	Deputy Director, Shetland College UHI
Iris Hawkins	Chairperson of ZetTrans
Jimmy Moncrieff	Shetland Amenity Trust
Joe Rocks	STA Chair & Busta House Hotel
Jonathan Swale	SNH
Dr Jonathan Wills	Seabirds and Seals, SIC Councillor
Kathleen Coull	Accommodations and textiles
Ken Duerden	SIC, Ferry Services Manager
Linda Coutts	SIC, Economic Development Unit
Mark Georgeson	HIE
Mary Smith	Bonhoga Gallery
Mike Scott	Historic Scotland
Neil Grant	SIC, Economic Development Unit
Neil Henderson	SIC, Economic Development Unit
Robert Smith	Hotel Owner
Steve Henry	Self Catering Shetland
Steve Mathieson	VisitScotland
Tavish Scott	MSP

Appendix B: Supporting Strategies

Economy and Development

Shetland Islands Council Economic Development Policy Statement 2007–2011

Shetland Islands Council Single Outcome Agreement

The Shetland Marketing Strategy

Culture and Heritage

On the Cusp...Shetland's Cultural Strategy 2009–2013

A Hansel for Art: Our Plan for a Creative Future

A Strategy for Events and Festivals in Shetland

Transport

Shetland Transport Strategy

Marketing

The Shetland Marketing Strategy



REPORT

To: **Development Committee**

22 June 2011

From: **Project Manager**

**Report No: DV030–F
Tourism Financial Assistance Scheme**

1.0 Introduction

1.1 The purpose of this report is to present the case for continued assistance to the tourism sector in Shetland under the Tourism Financial Assistance Scheme (TFAS).

2.0 Links to Corporate Priorities

2.1 This report has strong links with Council Corporate Plan Policies to: “support added value in tourism “ and “seek to lengthen the duration of the tourist season”.

3.0 Risk Assessment

3.1 Competitive

In providing grant funding to businesses for the development of new products or services there is a risk that this will displace another local operator providing a similar product or service. Monitoring of the attached TFAS grant conditions can mitigate this risk.

4.0 Background

4.1 The recent downturn in the global economy has impacted on all areas of consumer behaviour and tourism is no exception. Research by VisitScotland suggests that tourism to Scotland is tending to mirror the current economic climate. UK travellers are adapting to the slump by spending less on holidays overall but on the plus side they are also looking closer to home than in previous years. International visitors to Scotland are also in decline, with fewer visitors from the US but an increase in the number of visitors from the eurozone taking advantage of a weak pound.

- 4.2 There is some evidence to suggest that Shetland's Tourism sector as a whole has performed better than may have been expected in these difficult times and that visitor numbers and income from visitors is increasing. Excellent television coverage eg Simon King's diaries and BBC documentary on the Folk Festival as well as other high quality Shetland destination marketing, particularly online (eg puffin cam etc) appears to be attracting an increasing number of visitors interested in Shetland's rich natural and cultural heritage.
- 4.3 The Shetland Gas Plant Development has also contributed to a significant increase in business visitors and in the number of visitors beds occupied, particularly in the North Mainland. Quantifiable evidence of the current value of tourism to the Shetland economy and the number employed by the sector will be confirmed by the Shetland Input Output Survey and Shetland Employment Survey, which are both currently underway and will be reported to Council later in the year.
- 4.4 Tourism remains an important sector in Shetland's aspirations to diversify and grow the economy and historically has attracted public sector grants for targeted commercial development. The current Council Tourism Financial Tourism Assistance Scheme offers 30% funding of up to £45,000 for eligible projects. The scheme has been designed to offset the costs associated with significantly upgrading existing visitor facilities and services to meet customer requirements; and support the development of new commercial tourism businesses, particularly in peripheral areas where the costs of setting up a new business tend to be greater and the relative return on investment lower than would be the case in more central locations.
- 4.5 The Shetland Tourism Plan 2011 –14, which is also being considered by this Committee, has an ambition that "Shetland will become a year round destination offering a high quality product and experience" and has set priorities for developing the tourism sector which include: continued investment in tourism; increasing the range of visitor products and services; making more of existing resources, business and product opportunities and improving the quality of our existing products and services to encourage more people to visit Shetland, stay longer and come at different times of the year.
- 4.6 The TFAS was revised in June 2009 with reference to a study carried out by Steve Westbrook in December 2007 that considered Shetland's Visitor Requirements for the 21st Century. In particular the study highlighted that:
- 4.6.1 Hotels and other accommodation businesses that would benefit from improving the quality of their accommodation or other aspects of their service should be encouraged to make these improvements.

- 4.6.2 An increase in the number of 4 star establishments (or high quality 3 star property where the natural constraints of a property preclude 4 star status) would help to attract those visitors who might currently be dissuaded from visiting Shetland (or returning) because of the relative lack of accommodation of this standards compared to other Scottish islands.
- 4.6.3 Initiatives aimed at promoting improved catering and the use of local produce should be encouraged. Experience from Orkney and elsewhere suggests that quality food with a strong local component, would help to give Shetland a good reputation amongst potential visitors.
- 4.6.4 In general any additional accommodation provision should be tailored to develop new tourist markets, which the establishments would attract – through their own marketing, joint marketing or packages. This would help to bring critical mass to Shetland’s tourism sector without the risk of saturation.
- 4.6.5 Patterns of demand tend to be localised within Shetland although accommodation demand within 30 minutes of Lerwick is particularly strong.
- 4.6.6 Lengthening the season is the accommodation sector’s highest priority. Product development linked to targeted marketing will give people reasons to visit Shetland and giving them a quality experience will promote recommendations and repeat visits. Heritage related development offers particular scope to grow Shetland’s tourism market.
- 4.7 In the two financial years since the scheme was approved it has supported six projects eg visitor safety equipment for a new boat charter service in Brae; the furnishing and equipping of Belmont House in Unst to provide new specialist visitor accommodation; a new amenities building, caravan and camping site in Burravoe; the expansion of a caravan hire business in Walls; the significant upgrading of an existing self catering cottage in Papil; and, the significant upgrading of showering and laundry facilities available to visitors at the Boating Club in Lerwick. The total cost of these projects was £263,420 and the contribution from the Council £68,077.
- 4.8 All these projects have been completed relatively recently so their impacts have still to be confirmed. Grantees are required to provide the Council with a statement of accounts, reports or other explanations relevant to the project for a period of five years after receipt of grant.

- 4.9 It should be noted that tourism projects, particularly those which require planning and other permissions, licences and tendering for trades people etc take time to complete and often require grant funding to be carried forward over two financial years. The EDU is currently aware of several projects, which are under development and will be submitted for consideration under the Tourism Financial Assistance Scheme in the current financial year.

5.0 Proposal

- 5.1 It is proposed that the Development Committee approve continued assistance to the tourism sector in Shetland under the Tourism Financial Assistance Scheme (TFAS). Details of the Scheme are shown in Appendix 1 attached to this report.
- 5.2 The Tourism Financial Assistance Scheme would continue to be a delegated Scheme, ie the Head of Economic Development or his nominee has the delegated authority to operate the Scheme in accordance with the guidelines detailed in Appendix 1. If any business or project requires a sum in excess of the Head of Economic Development's authority, or the project does not meet the criteria but may still be considered worthy of support, it can be brought forward to this Committee for consideration.
- 5.3 Grant assistance would continue to support the significant upgrading of all categories of existing accommodation; the provision of restaurant, café, craft, souvenir and other retail premises for tourists in all locations outside Lerwick; and, the provision of new commercially viable tourism related activities and services tailored to meet specific visitor markets.
- 5.4 In general new build self-catering accommodation will not be eligible for funding under the scheme except when it can be demonstrated that it was part of a wider product development initiative and catering for a new and additional visitor market or no suitable alternative accommodation was available within a reasonable distance (e.g. outer islands). This is because, when appraising the business case for this type of proposal, it is usually being considered as part of a longer-term property investment rather than a tourism initiative in its own right and therefore public funding is not a primary factor in deciding whether an applicant goes ahead with the project. These projects are also relatively common so there is no market failure to support.

6.0 Financial Implications

- 6.1 A sum of £75,000 has been allocated for the continuation of the Tourism Financial Assistance Scheme in the Economic Development Unit's budget for 2011-2012 under the Reserve Fund heading RRD1620 2402. In subsequent years the scheme would continue subject to finance being approved.

7.0 Policy and Delegated Authority

- 7.1 The subject of this report complies with the Council's Economic Policy Statement 2007-2011 and in particular policy numbers 5, "Continue to develop Shetland as a tourist destination through development of high quality products and services "; 6 "Continue to promote Shetland as a high-quality visitor destination" and 7 "support people involved in products and services for the tourism sector". The Policy Statement was approved by the Development Committee on 24 April 2008 (02/08) and by the Council on 14 May 2008 (55/08).
- 7.2 The Development Committee has delegated authority to implement decisions in accordance with Section 2.3.1 of the Council's Scheme of Administration and Delegations within the remit.
- 7.3 As the subject of this report is covered by existing policy the Development Committee does have the delegated authority to make a decision.

8.0 Observation

- 8.1 With regards state aid the TFAS would be eligible under block exemptions for local authorities, which are negotiated at national level. The current Block exemption covers aid to small and medium enterprises (SME's). An SME is defined as an enterprise with less than 250 employees and an annual turnover of less than 50 million euros.
- 8.2 The aid that can be awarded under Block exemption includes 30% grants for investment in tangible and intangible assets relating to the setting up of a new establishment, extension of an existing establishment, and fundamental change in the product or production of an existing establishment. Routine replacement is not covered.
- 8.3 The aid is awarded per project and not per recipient under the Block Exemption Scheme.

9.0 Conclusion

- 9.1 Tourism remains an important sector in Shetland aspirations to diversify and grow the economy
- 9.2 The Tourism Financial Assistance Scheme, as described in appendix 1 of this report is intended to offer grant assistance to targeted commercial tourism developments, within Council policy, and an incentive for the provision of tourism services and quality improvements in less favoured areas.
- 9.3 Larger infrastructure projects or new commercial tourism initiatives that do not fall within the scope of the TFAS will be considered on their policy merit and presented to Council for consideration.

10.0 Recommendation

- 10.1 I recommend that the Development Committee extend the Tourism Financial Assistance Scheme, as specified in Appendix 1, for a 3-year period from 01 July 2011 to 30 June 2014

Our Ref: LC/JJ Sch/Tour/001
Date: 14 June 2011

Report No: DV030-F

TOURISM FINANCIAL ASSISTANCE SCHEME

GENERAL

The Scheme will operate through the provision of up to 30% grant funding up to a maximum of £45,000.

All applicants will be required to fill out the Council's Corporate Application for Funding Form.

CONDITIONS

1. Financial assistance is available towards:-

- (a) The significant permanent improvement of and upgrading and equipping of facilities for visitors in existing accommodation and establishments. This includes establishments seeking to achieve a higher classification or grading award under the VisitScotland Star Grading Scheme.
- (b) The extension of existing accommodation establishments in order to provide significantly upgraded facilities and / or additional accommodation for tourists. This includes establishments seeking to achieve a higher grading under the VisitScotland Star Grading Scheme.
- (c) The provision of premises in order to provide quality new accommodation for receiving visitors. This will include the construction and equipping of new premises or the alteration, improvement and upgrading of existing buildings in order to provide this accommodation.

***NOTE** Applications for assistance towards new bed and breakfast/guest house facilities will only be considered if there are to be a minimum of 3 letting bedrooms with en suite facilities. Applications for upgrading existing bed and breakfast/guest house facilities will be accepted. However, if such applications refer to the provision of additional bedrooms, grant assistance will only be available if the work results in a minimum of three letting bedrooms with en suite facilities.

Applications for assistance towards new build self catering accommodation will only be considered when it can be demonstrated that it is part of a wider product development initiative and catering for a new and additional visitor market; or, no suitable alternative accommodation is available within a reasonable distance (e.g. outer islands).

- (d) The construction, renovation, alteration and equipping of premises to form restaurant, cafe and coffee shop facilities for tourists.
- (e) The construction, renovation, alteration and equipping of premises to form craft, souvenir and other retail premises for tourists.

- (f) The provision of new high quality venues, activities and services tailored to meet specific tourism markets, particularly where they encourage visitors to experience Shetland's unique selling features such its natural, built and cultural heritage, products or produce.
2. In respect of Conditions 1(a) to 1(c) assistance is available to all types of accommodation (except temporary buildings) in all locations outside Lerwick. The accommodation must be in a building and/or in a location, which the Council considers suitable for tourist use.
 3. Grant is paid at the rate of 30% of the actual eligible expenditure, subject to a maximum payment of £45,000.
 4. For all applications under Conditions 1(d)-(f), applicants will be required to demonstrate that the project/business will be operated on a commercial basis and that it will be financially viable. Assistance will not be available to any business/project, which, in the opinion of the Economic Development Unit, will jeopardise the viability of any existing business.
 5. VisitScotland may be consulted where appropriate on applications under the Scheme. Applicants are advised to discuss their projects informally with VisitScotland in advance of submitting an application.
 6. All applicants must contribute a minimum of 25% of the eligible costs of the project from their own resources. (This can include a bank loan or Shetland Trust loan).
 7. Before any assistance is actually paid applicants must produce adequate evidence that the balance of the cost of the project has been raised, e.g. letters of offer from other agencies, and/or letter from bank.
 9. Where appropriate, applicants must produce valid planning permission and a valid building warrant.
 10. Grant will be paid out on actual eligible expenditure as shown by original invoices satisfactorily receipted.
 11. All applicants must produce evidence of their right to occupy the building/site for at least 5 years and that they have permission of any lender holding a mortgage on the property.
 12. Applicants must obtain the necessary consents, authorisations or licenses from the Council's Infrastructure Services Department or produce evidence that these are not required.
 13. Normal repair and maintenance of buildings, facilities and equipment will not be eligible for assistance. The Council's decision on what constitutes repairs/maintenance and what constitutes improvements or upgrading will be final.
 14. Bar facilities or facilities used primarily by local people, e.g. an entertainment area, will not be eligible for assistance.
 15. Assistance will be confined to one project per firm per Council financial year. Applicants will be eligible to apply for assistance on a further project provided that it falls within a subsequent financial year.

16. All successful applicants must operate their business within Shetland for a period of at least 5 years from receipt of assistance.
17. Applicants will operate any grant-aided equipment within Shetland for a period of at least 5 years from the date of receipt of grant.
18. Accommodation and other facilities must be made available to bona fide tourists and be operated on a full-time basis at least during the tourist season 1 May to 30 September inclusive.
19. Any financial assistance awarded must be claimed within ONE YEAR of it being offered. If, by that date, an extension has not been requested and given, the offer of grant lapses. If grant is still sought at that time, a fresh application would be required.
20. Grant assistance for building work may be paid out in stages but final payment will be withheld until any necessary certificates of approval are produced e.g. completion certificate, fire certificate.
21. All successful applicants must make their premises available for inspection by Council representatives at all reasonable times.
22. Applicants MUST NOT commit themselves to any expenditure on a project, which is subject to an application for financial assistance before receiving the Council's decision on the application. Any expenditure so committed will not be eligible for assistance.
23. All grants will be subject to the availability of finance and all assistance is discretionary.
24. All applicants will maintain and operate their premises, machinery and equipment in such a way as to conform, to the satisfaction of the Council, with relevant Food, Health and Safety at Work and other trading legislation.
25. Applicants will supply independently prepared annual accounts of their business to the Council within 9 months of the end of the financial year for each of the 5 years following receipt of grant. The Council may however require the applicant to supply professionally audited accounts.
26. If the property is sold, transferred or otherwise disposed of within the 5 year period, the new owner must accept the grant conditions for the remaining period, failing which the grant will be repayable in full at the date of sale or transfer.
27. The Council reserves the right to find out the amount of arrears of debt, if any, owed to the Council by applicants for assistance granted until such time as arrears have been cleared or satisfactory arrangements have been made to clear the arrears.
28. Should any of the foregoing conditions be broken, Shetland Islands Council may, at its sole discretion, require repayment of all or part of any grant paid, and may also disqualify applicants from receiving any other grant and loan in terms of the Schemes operated by the Council.

LIMITATIONS TO GRANT ASSISTANCE

The policies listed below make transparent the circumstances under which the Council will not consider approving requests for assistance. These policies recognise that there are times when the wider public interest is not being served by approving assistance. It should be noted that applicants that are refused assistance might request that their case is presented to the Development Committee for a decision.

- 1** Assistance will only be approved when an application meets the Council's economic development policies.
- 2** Funding shall not be approved on any spending committed by an applicant for assistance before a decision is taken on that application by the Council.
- 3** Assistance shall not be approved to rescue businesses that are failing or have failed unless there is a demonstrable prospect of future viability.
- 4** Grant assistance is not available for the purchase of businesses or buildings. This is because such approvals can interfere with the market and may lead to an unfair advantage being given to an applicant.
- 5** In general, assistance is not available for projects/businesses that are in direct competition with existing businesses serving the Shetland market. Such assistance is likely to lead to unfair competition. However, in circumstances when specific assistance Schemes exist for that type of business or when the applicant business is operating in a remote area/outer island, grant assistance may be considered after careful examination of the project details.
- 6** Assistance is only available for commercial ventures and initiatives. This policy does not apply to projects that may not be commercial in themselves but which aim to serve commercial sectors. Community inspired infrastructure projects fall into this latter category.
- 7** Projects have to demonstrate viability and need for assistance. However, need for assistance is not a criterion when incentive Schemes are drawn up to encourage specific types of project.

Economic Development Unit
Shetland Islands Council



REPORT

To: Development Committee

22 June 2011

From: Project Manager

DV031-F

Delegated Scheme for Loans to Purchase Whitefish Quota and/or Fishing Vessel Licences

1.0 Introduction

- 1.1 The purpose of this report is to ask for approval for the continuation of Whitefish Quota and/or Fishing Vessel Licence Loan Scheme in the financial year 2011/12.

2.0 Links to Corporate Plan

- 2.1 The Council has set a target in the Corporate Plan of supporting six projects to encourage sustainable fisheries by Shetland vessels under the terms of the Community Fisheries Policies through the provision of £1.5m of loan finance between 2010-2012. This scheme is a key component to achieving that goal.
- 2.2 The more effective decision making enabled by delegating the approval of loan decisions, which require a short time scale, helps to achieve the Sustainable Economy Action Area of the Corporate Plan. Without delegated authority the Development Committee would have to take all the decisions, risking time restricted investments not being achieved within the required timescale.

3.0 Risk Management

- 3.1 As this report concerns the approval of a decision making process relating to assistance awarded by the Council to third parties, it seeks to ensure that proper procedures are in place to award such assistance. A particular risk is that the delegated authority may be misused in the process. However, this risk is mitigated by regular reporting, of the assistance awarded, to the Committee and then communicating these details to the media.

Background

- 3.1 On 29 April 2010 the Development Committee agreed to continue the Shetland Development Trust quota loan scheme under the delegated authority of the Economic Development Unit [Min. Ref: 30/10] in addition to providing loan finance to purchase fishing vessel licences following changes in legislation. As part of this approval the Committee approved a delegated scheme for loans to purchase whitefish quota and/or whitefish licences.
- 3.2 Given the short timescales often involved in the purchase of licences and quota the proposed delegated scheme will allow for investments in line with the guidelines at Appendix 2, to proceed within the required deadlines.
- 3.3 All decisions taken under delegated authority must comply with the policies listed in the Council's Economic Policy Statement 2007-2011 (Development Committee Min. Ref: 02/08)

4.0 Objectives of the Scheme

- 4.1 The objective of providing finance to purchase Fishing Vessel Licences is to, through commercial investment, build up the days at sea allocated to fishing businesses in Shetland in an attempt to improve the net worth of these businesses so that they can be more resilient to changing economic circumstances. Ownership of an additional licence and days at sea will improve the profitability of the local whitefish fleet whilst providing benefits to ancillary businesses.
- 4.2 The objective of providing finance to purchase Fishing Quota is to, through commercial investment, ensure that fishing vessels are able to land the majority of their catch thus making each fishing vessel more efficient in its fishing effort. In addition, purchasing quota ensures a larger share of the fish in the waters surrounding Shetland are owned by Shetland based businesses.

6.0 Proposal

- 6.1 It is proposed that this delegated loan scheme continue in the financial year 2011/12, as detailed in appendices one and two of this report. Appendix 1 is required to ensure specific data relating to a fish catching business is obtained along with the submission of the SIC corporate application form.

7.0 Financial Implications

- 7.1 The scheme will be funded from the Development Loans code which has a budget of £2,895,000 in 2011/12, held under ledger code RRD 6000 2700, of which £177,323 is committed.

- 7.2 The interest rate applied to whitefish quota and/or fishing vessel licence loans will be in line with the Interest Rate Policy which was approved by the Development Committee on 21 August 2008 [Min. Ref: 30/08] and ratified by Council on 10 September 2008 [Min. Ref: 113/08]. Each application will be assessed and an appropriate interest rate applied, in line with the aforementioned policy.
- 7.3 Approvals will be subject to a full financial assessment concluding that the applicant can service the term loan.

8.0 Policy and Delegated Authority

- 8.1 This report has been proposed under the Economic Development Policy number one, “rebuild confidence in the fish catching industry, particularly as regards the whitefish sector”, which was approved by the Development Committee on 24 April 2008, Min. Ref: [02/08], and by the Council on 14 May 2008, Min. Ref: [55/08].
- 8.2 In accordance with Section 2.3.1 of the Council’s Scheme of Administration and Delegations, the Development Committee has delegated authority to implement decisions within its remit.
- 8.3 As the contents of this report are covered by existing policy, the Development Committee does have delegated authority to make a decision.

9.0 2010/11 Scheme Review

- 9.1 The Scheme approved £362,500 of loans during the financial year 2010/11. These loans are detailed as follows

Fishing Licence Loan

Date: 23 August 2010
Applicant: Alison Kay Fishing Company Ltd.
Loan Approved: £112,500

Quota Loans

Date: 11 January 2011
Applicant: Victor Laurenson & Partners
Loan Approved: £150,000

Date: 2 March 2011
Applicant: Victor Laurenson & Partners
Loan Approved: £100,000

9.2 Following a report from the Head of Business Development to Committee on 18 November 2010 (Minute Reference 70/10), it was agreed that the economic benefits of funding from the Council be more clearly defined.

9.3 The following are the estimated benefits from providing the three loans, totalling £362,500, as detailed in paragraph 9.1:

Maintained Jobs:	12
Turnover Generated:	£143,000 per annum
Turnover Maintained:	approximately £2,600,000 per annum
Total impact on Shetland Economy:	£165,737 per annum
Improved Productivity:	approx. £12,395 per annum, per crew member
Increase in exports:	approx. £135,000 per annum

10.0 Conclusion

10.1 Without the purchase of additional days at sea and quota it is likely that fishing vessels will be lost from the Shetland fleet and/or vessel being tied up will be a regular sight in Shetland's harbours. Therefore, the provision of this scheme is essential to ensuring, where possible, vessels can purchase assets that ensure they have a better chance of survival in difficult times.

11.0 Recommendations

11.1 It is recommended that the Development Committee approve the continuation of the Delegated Scheme for Loans to purchase Fishing Vessel Licence and/or Quota for the financial year 2011/12.

Our Ref: SK/
Date: 14/06/11

Report No: DV031-F



Shetland Islands Council Economic Development Unit

Supplement for

Whitefish Quota and/or Fishing Vessel Licence Loan Scheme

Explanatory Notes and Additional Information

Overview of Project –

Applicant Name

Project Summary

Please complete all sections of the Council’s Application for Funding – Corporate Form with reference to this Supplement, the Guidelines and the Help Notes.

Corporate Form for Funding Applications Economic Development Projects

Applications for Loans to Purchase Quota or Fishing Vessel Licences Explanatory Notes and Additional Information

Types of Funding Available

The interest rate applied to borrowed finance will reflect the risk associated with investing in the business, in line with the current SIC Interest Rate Policy. Once an interest rate has been set it remains in place for the loan period. The term of the loan recommended is 5 years but does depend on the project's requirements, however, a period of no longer than 10 years is normally suggested.

The Council can consider applications for interest only periods and interest capitalisation periods but it is stressed that the project must demonstrate need for such conditions if they are to be applied.

Loans under this scheme will be limited to a maximum of 75% of the cost of the project. Applications above this limited will not be recommended for approval.

How to Apply

In order to be considered for loan funding, businesses are required to submit development proposals for assessment using the Council's Application for Funding – Corporate Form.

Applicants will be required to submit the following details:

- Financial projections for a period of at least 3 years – including profit and loss accounts, balance sheets
- Justification for seeking funding from the Council
- Agreement that other lenders are happy for quota/licence to be secured by an Assignment outwith existing security arrangements i.e. Floating Charge
- Evidence that the applicant is a member of the SFPO or the vessel to benefit from the project is a member of the SFPO.
- Impact on the business if the project does not proceed
- Project timescales
- Legal advisers details
- Copy of the partnership/business's incorporation certificate
- Breakdown of quota or licence to be purchased

Note that existing businesses will be asked to supply their accounts for the previous 3 years.

Advice on Completing the Council's Corporate Application:

- Step 1** – Read the menu of Economic Development policies at the end of this document to find out which policy(ies) your project will help to achieve.
- Step 2** – Complete the appropriate parts of Sections 1 and 2 of the Corporate Application form using the **Help Notes** provided.

- Step 3** – Now complete Section 3 of the Corporate Application Form. Use **Questions 22 and 23** to state the Economic Development policies that your project will help to achieve.
- Step 4** – Fill out Section 4 – Application Costs.
- Step 5** – Please now complete the Supplementary Information Section (beginning on the next page).
- Step 6** – Please complete sections 5, 6 and 7 of the Corporate Application form and send both forms to:

Shetland Islands Council
Economic Development Unit
Solarhus, 3 North Ness Business Park
Lerwick
ZE1 OLZ

Phone No: 01595 744940
Fax No: 01595 744961
e-mail: development@shetland.gov.uk

Decision Making Process

On receipt of an application Council staff will appraise the content and provide advice and feedback on the potential success of an application before progressing further.

Investment proposals which meet the Council's economic development policies will be approved by the Head of Economic Development (in consultation with the Chair of the Development Committee).

Monitoring of Investments

Council staff monitor investments to ensure that the investment beneficiaries meet the requirements and conditions of the Council. As part of the monitoring of all Council investments, staff will carry out annual business reviews on each company in receipt of financial assistance. The reviews aim to help both businesses and the Council to highlight problem areas within individual projects at an early stage.

**Supplementary Information
Applications for Loans and Other Commercial Investment Measures**

1(a) Declaration and Undertaking

We as the authorised signatory/signatories of (name of business) hereby undertake to provide the Shetland Islands Council with any other information which it may require to process this application.

We understand that further information in respect of our application may be required from our bank, solicitor, accountant or financial adviser. We hereby consent to these persons releasing to Shetland Islands Council such information as may be required.

We further understand that all applicants are required to meet the expenses involved in processing an application for financial assistance. (These expenses will include searches over the proposed security subjects and, if applicable, a search in the company's file.) We acknowledge that we will be liable for these expenses irrespective of the success or otherwise of our application. We further acknowledge that once our application has been approved then should the loan for whatever reason not proceed, We shall be liable for all costs in connection with any work which may have already been undertaken. We understand that the obligation to meet legal costs covers costs and fees associated with any future amendments and related documentation.

Anyone who knowingly makes a false declaration in order to obtain Council assistance fraudulently may be committing a criminal offence.

Full Names of Partners/Shareholders/Directors:

Name:

Signature:

Date:

1(b) Employment

Please state below current/proposed employment in your business.

	PERMANENT				SEASONAL			
	Current		Proposed		Current		Proposed	
	FT	PT	FT	PT	FT	PT	FT	PT
Partners/Shareholders								
Crew								
Other - Please Specify								
TOTAL								

(For current businesses only.) If the proposed development does not proceed, will this affect current employment levels in your business? Please give details.

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1(d) Licence Details

Please provide details of the licence to be purchased, including details of the vessel it is attached to, the official number, value and the days at sea allocation before and after purchase.

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1(e) Quota Details

Please provide details of the quota to be purchased, including the species breakdown, volume, FQA's and value..

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1(f) Environmental and Quality Standards

Please provide details of any relevant Environmental or Quality Standards achieved or proposed i.e. Responsible Fishing Scheme

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1(g) Securities

Apart from security on vessel, which should be outlined in 1(d) above, please describe any additional securities which are held in connection with the business i.e. security over licences and quota. Please also provide details of any Ranking Agreement which is currently in place.

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Economic Development Policies 2007 –2011 – Sustainable Economy

Section A - Traditional Sectors

Fisheries

1. Rebuild confidence in the fish catching industry, particularly as regards the white fish sector, and consolidate the current position of the pelagic sector (catching and processing)
2. Enhance Shetland's reputation as a high quality producer of fish and fish products
3. Encourage sustainable growth in Shetland's aquaculture industry

Tourism

4. Improve access to Shetland through better air and sea links
5. Continue to develop Shetland as a tourist destination, through development of high quality products and services
6. Continue to promote Shetland as a high-quality visitor destination
7. Support people involved in products and services for the tourism sector (this policy relates to quality standards and training)

Agriculture

8. Shift the emphasis of the agricultural industry in Shetland to a market-led economy which is less reliant on EU and UK subsidy payments
9. Add value in all areas of production, but especially in meat and wool
10. Support agricultural development projects that derive income from and enhance Shetland's natural heritage

Textiles

11. Encourage the expansion of the Shetland Textile sector

Section B - Oil Industry

12. Increase production of hydrocarbons through Sullom Voe Oil Terminal
13. Diversify Port of Sullom Voe to be less reliant on oil production
14. Encourage logistical operations at Lerwick, Scalloway, Scatsta and Sumburgh

Section C - New and Emerging Industries

Creative Industries

15. Establish robust broadband services to businesses, organisations and homes in Shetland
16. Support growth of businesses in the creative industries sector

Renewable Energy

17. Continue the development of the Viking Energy community wind farm project
18. Support research and development projects in renewable energy across the isles, in homes, businesses and community organisations
19. Investigate establishment of manufacturing processes in the renewable energy sector in Shetland

General

20. Investigate the provision of a drydock/lift for vessel maintenance in Shetland
21. Encourage new activities not presently located in Shetland
22. Encourage the expansion and development of new manufacturing and businesses providing new services
23. Facilitate new food and drink processing activities

Section D - Marketing

24. Improve Shetland's reputation as a place that offers:
 - a) Products of excellent quality that meet the needs and aspirations of the consumers most likely to be interested in what Shetland has to offer
 - b) Services provided to a standard that consistently exceeds customer expectations
25. Enable individuals and businesses to develop and promote Shetland products and services with confidence and pride

Section E - People and Community

26. Support community enterprises engaged in economic activities (Projects that have clear economic benefits)
27. Enable individuals to achieve their full economic potential (this policy is aimed at training schemes and at initiatives that promote particular groups of people to obtain better economic opportunities)

Section F - Business Guidance and Engagement

28. Encourage knowledge transfer into new and emerging businesses
29. Establish meaningful dialogue with Shetland's industries

Whitefish Quota and/or Fishing Vessel Licence Loan Scheme

Guidelines for Applicants

General

This scheme involves the consideration of loans to fishing business engaged in whitefish for the purchase of whitefish quota and/or fishing vessel licences. It aims to improve the value of these businesses and make them more resilient to the short-term fluctuations in catches and price that prevail in the industry. Beyond the impact on individual businesses, the scheme seeks to achieve economic development policies that will strengthen the fishing industry and related ancillary activities in Shetland.

Definition

In the context of this scheme, a “business” means a fishing partnership or fishing company that exists to fish for whitefish and is based in Shetland. The scheme is also open to the Shetland Fish Producers’ Organisation (SFPO).

The Measure

Based on fully commercial objectives, the scheme will consider applications for loans of up to 75% of the cost of whitefish quota, under a ceiling level of £250,000 per application. It is essential that the remaining 25% funding must be derived directly from the business and/or its shareholders.

Eligibility

Applications for loans are invited from businesses with whitefish vessels registered and operating from Shetland, that can comply with all of the conditions of this scheme, or from the SFPO.

Security

The Council will secure lending against the quota and/or licence. The quota and/or licence, once purchased will be ring fenced and held outside any existing securities involving secured creditors owed by the business. This will be done by the use of an Assignment and/or Deed of Release whereby any secured creditor must agree to the Council holding full security over the quota for the period of the loan. Once the loan is repaid in full the quota will fall under any existing Floating Charges and increase the value of assets of the company and security for any existing secured creditor.

Delegated Authority

The Head of Economic Development has delegated authority from Shetland Islands Council to approve loans to businesses under the conditions of the Scheme.

Assessment

Loans will only be made to partnerships/companies that can demonstrate viability through the production of acceptable projections and historic data on the leasing of quota and/or days at sea. Loans will only be approved where the partnership/company can demonstrate a direct benefit to a named fishing vessel to which the quota and or licence will be attached. The quota must be held with the SFPO pool.

Repayment Options

Each loan will be repaid to the Council over a maximum period of 10 years but usually 5 years for the purchase of quota only. Shorter term loans will be offered where the partnership/company can demonstrate its ability to meet loan repayments.

The borrower will make monthly interest and capital repayments during the period of the loan.

Conditions

All loans approved will be consistent with Council policy and all conditions in the Deed of Conditions, where appropriate, will apply to each case. In addition the following guidelines have been identified as necessary for a loan approval:

- Applicant must provide evidence that all other secured creditors have given approval for the Council to hold full security over the quota and/or licence to be purchased outwith any existing Floating Charge or any other security arrangement.
- Should the applicant wish to sell the quota and/or licence during the period of the loan they must seek prior authorisation from the Council.
- Each applicant must agree to supply accounts annually for the period of the loan.
- The quota and/or licence must be purchased through a local fishing agent.
- Applicants must submit written evidence of their partnership agreement or incorporation.
- Applicants must provide satisfactory written evidence that the quota will be held within the Shetland Fish Producers Organisation (SFPO).
- Applicants must provide evidence of the minimum 25% of the quota cost from existing business funds or from funds being introduced into the business by the applicants.

Interest Rate

The interest rate applied to whitefish quota and/or fishing vessel licence loans will be in line with the Interest Rate Policy which was approved by the Development Committee on 21 August 2008 [Min. Ref: 30/08] and ratified by Council on 10 September 2008 [Min. Ref: 113/08]. Each application will be assessed and an appropriate interest rate applied, in line with the aforementioned policy.

Contact Details

Economic Development Unit, 3 North Ness Business Park, Lerwick, ZE1 0LZ

Phone: 01595 744967

Fax: 01595 744954

Email: development@shetland.gov.uk



REPORT

To: Development Committee

22 June 2011

From: Head Of Economic Development

**Report No: DV037-F
Bridging Loans Scheme, Private Sector Housing Estate Development**

1.0 Introduction

1.1 This report recommends that the Council put in place a bridging loan scheme for the development of private sector housing estates in Shetland. The reason for considering this scheme is the current constraints on bank funding which is restricting private sector housing developments in Shetland.

2.0 Links to Corporate Plan 2010-12

2.1 This proposal links to the actions set out in the Corporate Plan under Section 1: Maintaining a Sustainable Economy and Section 2: Maintaining a Sustainable Society.

2.1.1 Stronger: We will ensure that the right house is available in the right place at the right price.

2.1.2 Wealthier: Businesses will be supported to overcome barriers to growth thereby improving profitability and longer-term performance.

3.0 Risk Assessment

3.1 The risk of developer business failure is a significant risk associated with this proposed scheme. The bridging loan would be secured on the site being developed, with only a maximum of 75% of the value of the site being lent. In addition the applicant would have to submit up to date accounts for examination.

- 3.2 There is also a risk that for whatever reason progress is not made to develop and sell houses and sites and the bridging funding to develop the estate becomes 'locked in'. The conditions and covenants of the proposed loan scheme are such that the outstanding funding can be called in at any point after the due date.
- 3.3 Any state aid risk by providing loan finance to a business within the construction sector has been mitigated by ensuring the loan terms are in line with terms defined in the SIC Interest Rate Policy, and therefore deemed to be commercial.

4.0 Background

- 4.1 There is a demand for private sector housing in Shetland that cannot be met by the existing housing stock. The Assessment of Housing Need and Demand Report, 2010, notes that only 1.7% of Shetland's private housing stock in 2005 was unoccupied compared to 6% nationally. The reports further notes that there is a strong tradition of self build in Shetland with 72% of new housing being single house build. There would therefore appear to be a strong demand for private sector housing in Shetland which is likely to remain unmet unless action is taken to stimulate the house build market.
- 4.2 Building firms are finding it much more difficult to obtain bridging facilities from high street banks. I understand that this has been worsened recently as the building industry on the UK mainland has slowed and housing developments and other projects are delayed or stalled, trapping investment funds.
- 4.3 Bridging funding is required to develop site infrastructure, roads, services, etc before houses sites can be sold or houses built.

5.0 Proposal

- 5.1 A Bridging Loan Scheme is proposed which would be available to all businesses for the purpose of developing private sector housing estates in Shetland:
 - 5.1.1 The scheme would allow developers to borrow up to 75% of the value of the site at any point in the development of the site.
 - 5.1.2 It is proposed that this should be a delegated scheme restricted to £300,000 per application. The Development Committee would consider requests for assistance for exceptional sums in excess of £300,000 on a case-by-case basis.
 - 5.1.3 The repayment period will be limited to 3 years.
 - 5.1.4 The sale of house sites or completed buildings on the site will trigger repayment of part of the loan.

- 5.1.5 Interest charged will be in line with the Council interest rate policy. In summary the interest rate applied will be the Base Reference Rate plus an additional percentage margin of between 0.6% and 10% above the Base Reference Rate.
 - 5.1.6 All valuations for the purpose of calculating security cover will be conducted through the services of the Asset & Properties Manager.
 - 5.1.7 A standard security will be taken over the whole of the site being developed. Ownership of land must therefore be confirmed.
 - 5.1.8 All legal and other transaction costs will be recharged.
 - 5.1.9 The development must comply with the Local Development Plan.
 - 5.1.10 The development must comply with the Shetland Local Housing Strategy.
 - 5.1.11 The development must have ducting for fibre telecom networks to each home.
 - 5.1.12 The scheme would only be available to private sector developments and would not be available for developments tendered by the Council or Housing Associations.
 - 5.1.13 From time to time government/external funding schemes for innovation targeted developments are made available for private sector house build. It will be a requirement of the scheme that these funds are applied for by the applicant and mandated where appropriate to the Council.
 - 5.1.14 Funding is required to be sought from banks and commercial lenders in the first instance along with full disclosure of the correspondence.
 - 5.1.15 Applications will be made using the standard "Application for funding from Shetland Islands Council" corporate form. The full details of the documentation for the Proposed Scheme will be determined by the Head of Economic Development or his nominee, taking advice from staff in Legal and Finance services.
- 5.2 Conditions of the Proposed Scheme are contained in Appendix 1 (attached).

6.0 Financial Implications

- 6.1 There is no budget set aside for this scheme. If approved, applications made under this scheme will be funded from the Loans budget RRD6000 2700. However it is likely that this budget will be oversubscribed in future so applications will be taken on a first come first served basis.
- 6.2 The interest rate applied to this scheme will be in line with the Interest Rate Policy which was approved by the Development Committee on 21 August 2008 (Min.Ref: 30/08) the recommendation from which was approved by Council on 10 September 2008 (Min Ref: 113/08). Each application will be assessed and an appropriate interest rate applied, in line with the aforementioned policy.
- 6.3 The EDU has a loans budget for 2011/12, being £2.895m. This was set in the Head of Finance's report to Council on 10 February 2011, (Report No. F-004-F (paragraph 5.3.3)) [Min. Ref.: 05/11]. where it was proposed that the loan book should be fully excluded from consideration of both the Capital and Revenue Budget processes, essentially because it is a recirculating fund, also generating an income from interest payments. The figure of £2.895m set was an a broadly estimated figure set on past lending patterns and predicted demand.
- 6.4 The Council will consider the "added value" secured from moving money from the investments held on behalf of the Council by fund managers into the local economy. In pure income terms the long term average expected rate of return from the Council's Reserves with the fund managers is 7.25% per annum. Any loss of interest from moving money from the external markets to the local economy must be justified from additional outputs and impacts.

7.0 Impacts

- 7.1 Unlocking the financial constraints on private house building should enable a further 10 to 20 houses to be built per annum. This will help keep the local construction industry with flexible work books, and will provide per annum housing for a further 20 to 40 people in modern high quality accommodation.

8.0 Policy & Delegated Authority

- 8.1 This report has been prepared based on the Shetland Economic Development Policy Statement 2007-2011 main aim to "Encourage enterprise and sustainable growth". The policy was approved by the Development Committee on 24 April 2008 (01/08 and by the Council on 14 May 2008 (55/08).

- 8.2 In accordance with Section 2.3.1 of the Council's scheme of Administration and Delegations, the Development Committee has delegated authority to implement decisions within its remit.
- 8.3 As this is a new scheme, and in the absence of budget, a decision of the Council is required.

9.0 Conclusions

- 9.1 The private sector housing stock in Shetland needs to be increased to enable Shetland's key strategic objective of 'maintaining the economically active population throughout Shetland'.
- 9.2 The scheme proposed in this report will assist private sector developers to finance new housing developments in Shetland.

10.0 Recommendations

- 10.1 I recommend that the Development Committee recommend to the Council to:
- 10.1.1 Approve the scheme described in paragraphs 5.1 to 5.2 above; and
- 10.1.2 Grant delegated authority to the Head of Economic Development or his nominee, to approve loans made within the terms of the Scheme, as set out in Appendix 1. Approvals would be included in a periodic information bulletin.

Our Ref: NG/JJ Sch/OI/006
Date: 14 June 2011

Report No: DV037-F

**Private Sector Housing Estate - Bridging Loan Scheme ("the Scheme")
TERMS AND CONDITIONS**

Availability

1. The Scheme is available to businesses ("the Applicant") undertaking private sector housing estate developments ("the Works") in Shetland. In respect of any works or approval the maximum loan is whichever is the lesser of 75% of the value of the site or the sum of £300,000.

Loan

2. The amount of the loan is the amount shown on the loan offer.

Purpose

3. The loan is for the purpose of providing the Applicant with a temporary loan facility to assist the Applicant in the cost of financing the execution of the Works.

Payment of Loan

4. Subject to these conditions, the loan will be advanced to the Applicant in tranches, once the loan application has been evaluated and approved by the Council's Economic Development Unit and all preconditions including provision of suitable security have been met. The Head of Economic Development shall be entitled to withhold the loan, or any part of it, if in his opinion it would be inadvisable and undesirable to release the loan or any part of it. Any misleading information submitted by the Applicant may render the application null and void.

Period of Loan and Repayment

5. The period of the loan shall be the period from the date of payment of the first tranche of the loan until the earlier of either (a) the date that is the 3 year anniversary of that date of payment or (b) the date of completion of the Works. The loan shall be repaid in full together with all interest thereon within ninety days after the end of the period of the loan. During the period of the loan, in the event of any sales of house sites by the Applicant, then the loan or a proportion of it shall be repayable equivalent to the income received by the Applicant from such sales. The Applicant shall be entitled to repay the loan, or any part of it, together with any interest accruing but without penalty, at any time before the end of the period of loan."

Interest

6. Interest will be charged on the sum borrowed at a rate that is compliant with European Commission State aid legislative requirements, to be determined on a case by case basis by the Economic Development Unit.

Repayment

7. The loan can be repaid at any time during the Works, but must be repaid in full within ninety days of the completion of the Works, or at the 3 year anniversary of the payment of the first tranche. Sale of house sites from the estate will trigger repayment tranches.

Payment in Full

8. All payments by the Applicant to Shetland Islands Council shall be made in full without deduction for or on account of any matter whatsoever.

Notices

9. If the Applicant wishes to give formal notice to Shetland Islands Council about their loan arrangements, they should write to the Head of Economic Development, Shetland Islands Council, Economic Development Unit, Solarhus, 3 North Ness Business Park, Lerwick, ZE1 0LZ. Notices to the Applicant will be sent to the address given, or such other address as the Applicant may notify in writing to Shetland Islands Council Economic Development Unit.



REPORT

To: Development Committee

22 June 2011

From: Project Manager - Telecoms

Report No: DV034-F

Digital Shetland – A strategy to improve telecommunications across Shetland

1.0 Introduction

- 1.1 The purpose of this report is to seek approval for a strategy to deliver improved telecommunications across Shetland and build on the opportunities that exist from the SHEFA2 Interconnect project.

2.0 Links to Corporate Priorities

2.1 The activities reported in this document:

- aim to fulfil commitments in Economic Development Policy Statement (2007-2011) to improve broadband services in Shetland.
- support the aim contained in Shetland Islands Council Corporate Plan (2010-2012) to achieve fast and reliable broadband throughout Shetland.
- will support the Council policy on job dispersal.
- will support the Council in the provision of high quality data and voice communication services to schools and other remote sites post Pathfinder, March 2014.

3.0 Risk Management

- 3.1 A detailed business case will be developed that will include costs / benefits, schedule and quality requirements.
- 3.2 PRINCE2 methodology will be followed including issue and risk registers.
- 3.3 Any procurement will follow Council policy/procedures, Scottish and UK Government guidance and EU procurement regulations.

- 3.4 The Council may need to take external advice to ensure that the implementation of the strategy is compliant with state aid rules.

4.0 Background

- 4.1 At Development Committee, on 29 April 2010 [Min Ref 29/10], it was agreed that the SHEFA2 Interconnect project (S2I) should press ahead with the connection of Lerwick to the Faroese fibre optic cable at Maywick, this connection being the solution to the first major restriction on connecting Shetland to world wide data communications network.
- 4.2 Connecting Lerwick to the SHEFA2 cable is the essential first step, however, it is important that the benefits that may come from the project are made available across the whole of Shetland. Further development of the Islands data communications network will be necessary to achieve this.
- 4.3 The Council currently uses the Scottish Government funded Pathfinder network to deliver telecommunications to all Council owned premises across Shetland. The contract comes to an end in 2014 and as yet, there is no plans being developed to provide services beyond that date. Since the 1980's the broadband speed needed to service the growing demands of businesses and private users has doubled every 18 months. There is no evidence of this increase slowing down. In March 2007 a small Shetland school was using approximately 4 Megabits per second (usually written 4Mbps). Extrapolating from this it can be seen that by March 2014, the end of the Pathfinder contract, the same school will be using 100Mbps
- 4.4 Shetland needs a communications network that can deliver 100Mbps by 2014 and is able to support speeds of 1000Mbps (1Gbps) by 2020
- 4.5 There are many reasons why Shetland will benefit from improved data communications. These include: job dispersal, pathfinder replacement, economic development, support for fragile communities, improved resources for tourism, attracting inward investment, improved facilities for home workers, better customer care, ability to react quickly to local events, increasing Shetland's reputation as a good place to do business, etc.

5.0 Proposal

- 5.1 This report sets out an overarching strategy to guide the work of the Shetland Telecom Project and ensure that Shetland has the best possible broadband services.
- 5.2 The strategy document 'Digital Shetland' is attached as appendix1.
- 5.3 The strategy aims to set out a framework for improving Shetland's telecommunications network.

- 5.4 The document outlines the required network for Council services and how this same network could be used to bring faster broadband speeds out to rural locations all across Shetland.
- 5.5 The proposed network could be a Council owned 'new build' or it could be done in partnership with an existing Telecommunications provider (Telco). Alternatively, the network could be achieved by a services contract with a Telco.
- 5.6 In order to establish the likely cost of implementing this strategy, it is proposed that the Council runs two tendering exercises simultaneously. The first tender will be a civil works contract to establish the cost of a 'new build' network. The second tender would be for telecoms providers so we can ascertain how much the network would cost if we proceeded with a service contract.
- 5.7 Once the tendering processes are complete, we will be in a position to put together a strategic business plan that would demonstrate which of the options (either new build or service contract) is likely to be the most economically advantageous for the Council and for Shetland as a whole. This business plan would then form the basis for a further report to the Council for funding.
- 5.8 Once the preferred solution is decided on, the size of the project will likely necessitate advertising in the Official Journal of the European Union and carrying out a tender in accordance with procurement legislation and related Council policy. This process can typically take between six and nine months to complete, although this will depend on the procurement options that are best suited to the project.
- 5.9 Whatever the outcome, the network needs to be complete in time for the end of the Pathfinder Project in March 2014.
- 5.10 If a Council owned network is the preferred solution, then it will have to go through the Capital Programme gateway process.

6.0 Financial Implications

- 6.1 BT's current charge for a 100Mbps circuit in an urban location on the UK mainland is approximately £14,000 per annum. If there is no existing fibre to the premises in question, as is the case to all but one of the rural Pathfinder sites, BT apply an additional installation charge. Previous experience is that this will be in the order of £10,000 with some sites possibly much higher. Using these figures, the 10 year net present value of leasing services to the Council's remote sites is calculated at approximately £4,750,000. Net present value for a Council owned network over the same 10 years is broadly comparable. Without having an overarching strategy in place it is difficult to engage with Telcos or civil works contractors to ascertain an actual cost of delivering the network capabilities required.
- 6.2 As part of the recommendations of this report, a definitive cost of providing the proposed network will be established. There are a number of options, which will be presented in due course to the Council. If the best option is to proceed with a

Council owned 'new build' then the likely cost will be in the region of £8m to £16m over 5 years. The project team are currently working on specification and tender documents which will lead to competitive dialogues with Telcos and Civil Works contractors. This will define the capital expenditure and operational cost requirements of the various different options. Once this process is complete the cost benefit analysis will be used to recommend a solution to the Council. If the Council decides to invest in a Telco owned network, it would be likely that the capital expenditure will be much reduced but the operational costs will be increased. The project aim is to maximize benefits and reduce the cost to the Council.

- 6.2 The likely total cost of running the two tendering processes and producing the strategic business plan and cost benefit analysis is estimated at approximately £40,000. The preparation of the tendering documents and the business plan is likely to need the input of industry experts to ensure that the best possible results are achieved.
- 6.3 Part of the proposal is to identify sources of grant aid.
- 6.4 There are currently funds available in the Shetland Telecom budgets RRD1551 1767 (External Consultants) and RRD1551 1767 (Other Professional Fees) which could be used for this project.
- 6.5 Project team staffing costs will be met from existing budgets, any other costs will be met from Shetland Telecom budget code RRD1551.

7.0 Observations

- 7.1 Pathfinder sites are spread across the whole of Shetland. Improved services and/or fibre optic delivery is not currently possible using existing Telco infrastructure.
- 7.2 Shetland Islands Council has over the years made telecommunications improvements a priority. The vast majority of (if not all) Local Authorities are now following suit and are preparing strategies or plans to ensure that their areas are not left behind.
- 7.3 The UK Government through their BDUK (Broadband Delivery UK) function are planning to invest up to £830m (£530m currently available) in the UK's broadband infrastructure. They are making this fund available through regional grants. HIE are coordinating a pilot project for the Highlands and Islands using these funds.
- 7.4 The route of the proposed fibre optic network passes most public sector buildings in Shetland including health centres, police stations and fire stations. At this time of extreme pressure on public funds, use of technology will be critical to providing (or improving) public sector services more efficiently and more effectively. As an example, the increased use of Telecare and Telemedicine will significantly reduce revenue costs whilst providing a fit for purpose service.

- 7.5 The use of telecommunications in the delivery of education is another area which could provide significant levels of savings whilst improving service.
- 7.6 It should be noted that, due to geographical and financial restrictions, it is likely that this fibre optic network will not cover some areas.
- 7.7 A long-term replacement of the 10Mbps line to the Fetlar Community Broadband Scheme is proceeding as part of another project. This will introduce high-speed wireless links to the isles, which if successful, will pave the way for similar technology to service Skerries, Whalsay, Foula etc.
- 7.8 Delivery of high quality telecoms will directly result in potential benefits to Shetland's businesses. A key element of any proposed investment in telecommunications infrastructure should be the ability of local businesses to innovate and benefit from the opportunities of better telecommunications.

8.0 Policy and Delegated Authority

- 8.1 This report has been prepared under Economic Development Policy number 15, "Establish robust broadband services to businesses, organisations and homes in Shetland" which was approved by the Development Committee on 24 April 2008 [Min. Ref. 02/08] and by the Council on 14 May 2008 [Min. Ref. 55/08].
- 8.2 In accordance with Section 2.3.1 of the Council's Scheme of Administration and Delegations, the Development Committee has delegated authority to implement decisions within its remit.
- 8.3 In accordance with Section 2.1.3 of the Scheme of Administration and Delegations, the determination of any matters of new Strategy require a decision of the Council.

9.0 Conclusions

- 9.1 If the Council wishes to influence the expansion and improvement of the Islands communications infrastructure it will need to provide significant funds for this, either through gap funding, partnership funding or by installing its own network.
- 9.2 Adopting this strategy will ultimately result in a detailed business plan with a cost benefit analysis of the various options open to the Council. At that point the Council will have to decide which of the many options it wishes to take.
- 9.3 The economic health of Shetland, to a large extent, is dependant on significant improvements to the telecommunications network.

10.0 Recommendation

- 10.1 It is recommended that the Committee recommend that the Council:

- 10.1.1 Formally adopt the 'Digital Shetland' document as a strategy for improving telecommunications in Shetland (subject to the availability of project funds).
- 10.1.2 Agree to proceed with tendering processes (as detailed in 5.6) to establish likely costs of implementing the strategy; and
- 10.1.3 Request that a strategic business plan be prepared in due course for the purposes of advising future Council investments.

Our Ref: MS/JJ RF/1312
Date: 14 June 2011

Report No: DV034-F



Digital Shetland

a strategy for Shetland's telecommunications future

The Vision

Shetland's Single outcome agreement, April 2011 – March 2012, identifies that key purpose of Shetlands Strategic framework is to:

“Maintain the number of economically active people throughout Shetland”

We are at the cusp of a monumental change in how society uses the new communications opportunities opened up by the Internet. Things that were once the province of specialists and computer geeks are now part of everyday life whether you are 8 or 80.

There is undeniable requirement for Shetland's telecommunications to be improved as they are not capable of providing the services the community, businesses and public sector need now and without significant investment they will altogether fail to deliver the needs of the future. This document asserts that:

To achieve this purpose, Shetland has to be at the forefront of the new wave of telecommunications developments and ensure that this position is maintained for the future.

Introduction

Two telecommunications networks currently serve Shetland

- BT – provides broadband and telephony to domestic and business premises,
- Cable & Wireless (Pathfinder) – provides telecommunications for the Councils remote and rural premises as well as a small number of locations in Lerwick,

The main network providing telecoms services to domestic users and the private sector in Shetland is the network owned and operated by BT. This network is not delivering the services **people** and **businesses** need.

The C&W Pathfinder Network does not deliver services to the **private sector** and does not deliver for communities. The technology deployed on the network does not have the longevity needed to deliver for the future needs of Shetland.

As things stand today, there is fundamental failure to deliver services in Shetland that are **reliable, resilient** and fit for the 21st Century

The SIC's intention to maintain the number of economically active people in the Isles will necessitate a growth in population as the age demographic rises. To achieve this the SIC will need to attract new businesses to Shetland. To a large extent this will be dependent on Shetland having the same or better telecommunication services as those available to the rest of the UK.

The Shetland Islands Council believes that fast and reliable broadband throughout Shetland will be both transformational and will have the potential for significant savings. The Corporate Plan (2010-2012) goes on to say that it will

“Develop the telecommunications network throughout Shetland to offer high level broadband services for business development in all areas of Shetland”

and by 2012 will complete the provision of a resilient broadband link to Lerwick; equip a Point-of-Presence service in Lerwick; encourage existing telecommunication companies to make full use of the new telecommunications infrastructure; produce a costed plan to provide high-speed broadband to benefit peripheral communities and facilitate the development of a data-centre in Lerwick.

The issue for Shetland is the same as for the rest of the developed world, the ever-increasing demand for digital technologies. Modern business is now dependant on telecoms. Trading online, e-mail, networking, video conferencing are all vital for new and existing business. Even the traditional industries such as fisheries and agriculture depend on new technologies to trade. Service industries such as Finance, Creative Industries, Commerce, Manufacturing, etc., all need better telecoms.

The public sector is facing ever more pressure to deliver services more efficiently and at less cost. The use of telecommunications will be a key element in changing the way the public sector operates to ensure efficiency and improve the services provided to the public.

Telehealth and TeleMedicine are a manifestation of this need to provide better cheaper. To support the full range of health and social services in remote and rural communities will necessitate advanced use of technology and communications. As communications services improve specialist services that currently require expensive and time consuming travel will be offered remotely and facilities for enhanced care in the home will develop. In a remote community like Shetland the benefits of extending and improving these services is of paramount importance.

The UK Government has announced that the UK will have the best broadband network in Europe by 2015. They are also willing to back this up by investing up to £830m through Broadband Delivery UK (BDUK). A series of pilot projects has already been announced. One of the pilot areas is the Highlands and Islands of Scotland. This strategy document will help to set out what Shetland needs as part of this project and how we will work in co-operation with HIE to ensure the best result for Shetland.

The Way Forward

This strategy will set out a program for improving Shetland's telecommunications infrastructure and services over the next five years through the development of the Islands backhaul network, backbone network and access network.

- **Backhaul network** – The network that connects Shetland to the rest of the world
- **Backbone Network** – The network which will connect Shetland's rural communities to the backhaul network
- **Access Network** – The network that connects homes and businesses to the backbone Network

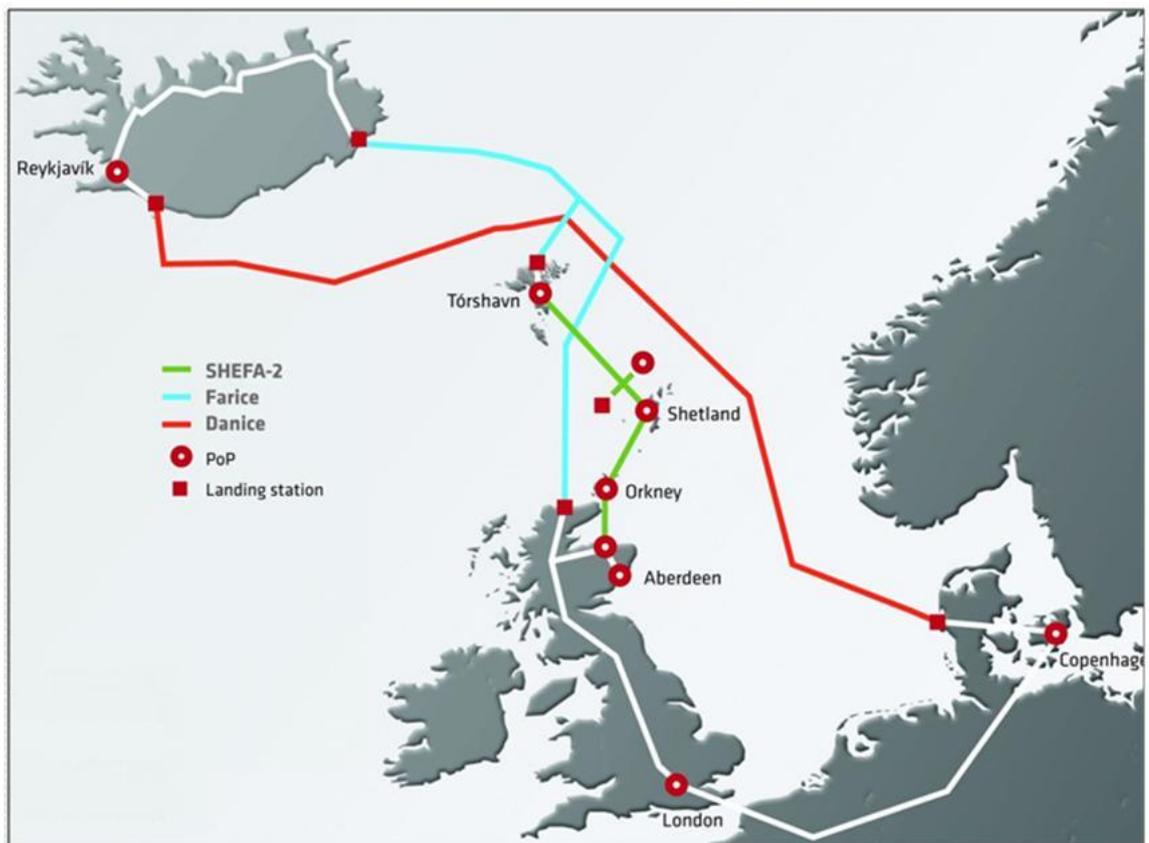
Piecemeal improvements to the Islands networks without an overarching strategy will result in a disjointed set of solutions that will not be cost effective, will be inefficient, and will result in a network that does not provide an optimal or all encompassing solution.

Development of new networks needs to be completed in a phased and logical manner to ensure the best results are achieved, costs are kept to a minimum and the investment is future-proof.

We will:

- Tender for a wholesale operator for the new backhaul network.
- Ensure that 80% of Shetland's communities are connected to a fibre optic backbone telecommunications networks by March 2016.
- Work with communities, Government, Regional Development Agencies and national telecommunications providers (Telco's) to extend and improve Shetlands access network ensuring that 90% of the Shetland population has access to next generation broadband (faster than 25Mbps) services by March 2016.
- Work with existing Telco's and service providers to deliver a broad range of domestic and business broadband services to customers connected to this access network.

The Shetland Islands Council's **Shefa2 Interconnect Project** has ensured that access to **resilient, reliable** and **affordable** backhaul is now possible through Faroese Telecom's SHEFA2 fibre optic cable.



Through ingenuity and innovation the Shetlands Islands Council is **delivering** fibre optic infrastructure in Shetland which is of the highest standard and also open and accessible.



By connecting to a Point of Presence (PoP) based at Lystina in Lerwick, telecommunication providers can gain access to a fully fibre optic resilient backhaul network.

Through technology trials and early adoption of the newest techniques, we can continually push down costs and deliver high quality networks.

The Backbone Network is the next step in ensuring that the whole of Shetland will benefit from improved communications. This backbone network will stretch from the main Point of Presence (PoP) in Lerwick out into Shetland's remote and rural communities. In order to deliver the services required over the coming decades, this backbone network will

need to be fibre optic based wherever and whenever possible.

Open access to this fibre optic network will be ensured so that existing and new Telco's can make their services available to end users.

Development of this backbone network will be done in conjunction with the existing Telco's (including mobile operators), Shetland businesses, communities and the public sector.

The Council's own use of the backbone network for communications between offices, schools and dispersed workers is an important technical and financial driver for this strategy.

The Council has over 75 sites currently using Cable & Wireless' **Pathfinder Network**. The contract for these services expires in March 2014 and there are no concrete plans for replacing this network. The Pathfinder Network is almost exclusively based on microwave technology and offers little or no option for increasing performance.

The Council's service needs will significantly outstrip the bandwidth available on the current Pathfinder network within 5 years.

Investment will be required to ensure that Council sites (including schools etc) will continue to benefit from the very best of services.

We will:

- Design a backbone network around the need to provide SIC premises across Shetland with a network that is able to meet their educational, business and service needs for the next 20 years.
- Replace those parts of the Pathfinder Network that are not able to meet the growing needs of Council users before their ability to deliver service is impaired.
- Design the backbone network to support business growth across Shetland.
- Design the backbone network to support and enable communities.
- Design the backbone network around the need to provide services to the rest of the Public Sector in Shetland.
- Provide a range of connectivity options, including open access to ducts and fibre for Telco's (including Mobile Operators).

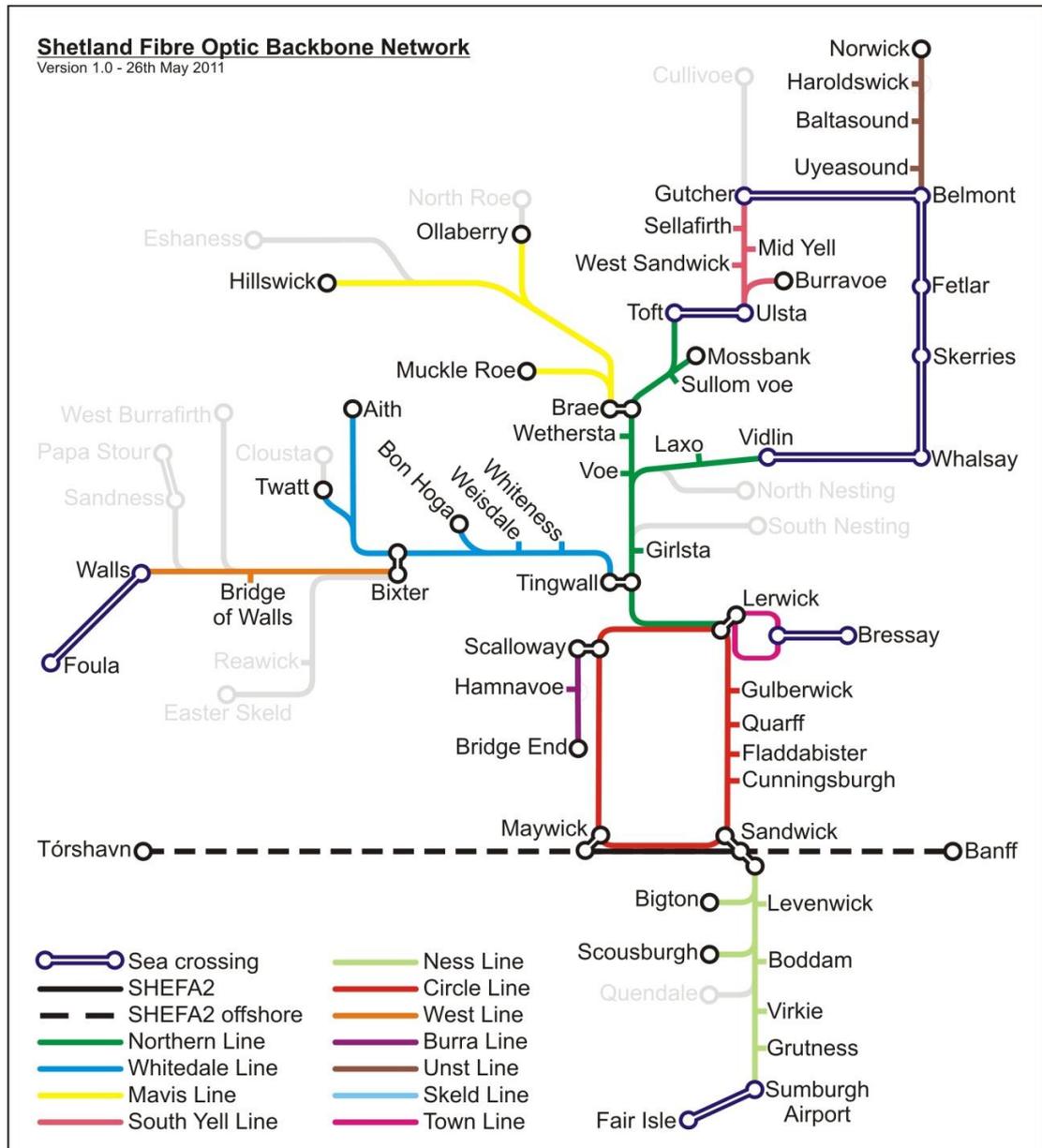
It is critical that investment is tailored to ensure that as many **communities** as possible can benefit from improved broadband connectivity. The UK Government's strategy to improve telecommunications supports the provision of "Digital Village Pumps" (DVP) across the UK. The DVP is a point within the community where a fibre optic backbone network terminates which can then be used to supply connections for a number of digital based services including: -

- Community broadband schemes
- Telco access networks
- Mobile phone operators
- Public Sector sites
- Private sector customers

The strategy will identify each DVP in Shetland. These could be a Council/Public Sector building (such as a school, health centre, library or office building) or a building owned by a Telco (telephone exchange) or even a street cabinet.

The technology used for connecting the last mile will depend to a large extent on the wants and needs of the customers in that location. The provision of DVPs allows communities to come together and decide which access network option best suits their needs.

In areas where there is an identifiable financial return the access networks might be provided by a Telco or a service provider. In other cases the access network may be installed by the local community.



We will:

- Identify the best location for Digital Village Pumps across Shetland.
- Encourage and provide technical support to Telco's and Service Providers to deliver access network improvements.
- Stimulate demand for improved broadband services.
- Encourage and support Community Broadband Schemes.
- Work with the industry to develop a 'quality standard' for community schemes.
- Provide guidance on technical, financial and legislative procedures for Community Schemes.
- Work with Internet Service Providers to ensure that as broad a range of service offerings as possible are available to end users in Shetland.

Scope

To achieve this vision the project will need to focus on what is necessary to take the way forward. Creating a clear design for the backbone network will be a key part of this.

The scope will include the design of a:

- fibre optic backbone network for the Shetland mainland.
- fibre optic backbone network for Yell.
- fibre optic backbone network for Unst.
- backbone interconnection between the Shetland mainland and Yell.
- backbone interconnection between Yell and Unst.
- backbone interconnection between Yell / Unst and Fetlar.
- backbone interconnection between the Shetland mainland and Whalsay.
- backbone interconnection between the Shetland Mainland and Papa Stour, Foula, Skerries, Bressay and Fair Isle.

Coordinating the work of agencies in Shetland and liaising with other National and International bodies will ensure that the best value and results can be achieved. It will also be important to work with established telecommunications operators.

The scope will include:

- Identification of all DVP locations that will be connected to the backbone network.
- Negotiating with Government agencies, the European Union, Telco's and mobile operator to ensure the widest possible use of the backbone network.
- Working with other network owners and operators to ensure that a common set of standards are developed and implemented.
- Working with backhaul network operators to ensure that Shetland prices are comparable with those available on the UK mainland.
- Liaising and cooperating with other public sector organisation in order to help meet the needs of these bodies in Shetland.
- Ensuring that any investment is based on the best technology available and takes into account any and all developments in telecommunications.
- Working with development agencies, Government Departments, public sector bodies and Telco's to avoid duplication of resources where possible.

The project will also need to ensure value for money in the delivery of the network and the long term value of the asset as well as its continued usability.

The scope will include:

- Drawing up and managing the tender process to deliver a framework agreement that will include all civil works necessary for implementation of this backbone network and interconnections.
- Development of a plan, including schedule, costs and quality standards, for the installation of the backbone network and its interconnections.
- Developing guidelines for local businesses and community groups that want to connect to the backbone network.

For the project to be successful it is important that those things that should not or cannot be done are identified as well as those things that have to be done.

The scope will not include:

- The design and installation of a Shetland wide access network.
- Connection of Shetlands remote islands by fibre optic cable.
- Provision of Internet services direct to business or domestic customers.

The Final Word

Shetland is a vibrant community, which has never been backward in coming forward. Our resilient community needs resilient communications in order to compete, prosper and develop. This strategy puts in place the path for ensuring that Shetland remains at the forefront of commerce, creativity, innovation and education for many generations to come.



REPORT

To: Shetland Islands Council

6 July 2011

From: Head of Finance

Report No: F-029-F

Submission of Draft Accounts 2010/11 for Audit

1.0 Introduction

- 1.1 This report presents the Draft and Unaudited 2010/11 Accounts for consideration and review. Specific financial policy issues are highlighted for consideration, including:
- an update on the External Auditors comments on the 2009/10 Accounts (the ISA 260 letter);
 - funding decisions on the capital programme;
 - the treatment of contingent liabilities and provisions; and
 - the next steps, including resourcing the financial accountancy function in the longer term.
- 1.2 An extract of the draft Accounts, showing the primary financial statements, is included at Appendix 1 and an update of key external audit issues are included at Appendix 2.

2.0 Background

- 2.1 The Local Authority Accounts (Scotland) Regulations 1985 (as amended) requires the Council to submit its unaudited financial statements for 2010/11 to the Controller of Audit by 30 June 2011. The accounts have been prepared and submitted on time.
- 2.2 At the same time, a copy of the financial statements has been passed to the Council's auditor, Audit Scotland.
- 2.3 The Head of Finance has previously submitted the draft accounts to a special Council meeting near the end of June, for noting, prior to submission to Audit Scotland. The Regulations do not

require the draft accounts to be formally presented to or approved by the Council. Rather the Regulations require the unaudited accounts to be “submitted to the authority”. Audit Scotland guidance has suggested that placement in the Member’s room would be sufficient to meet this requirement, with personal copies made available to Members as required.

- 2.4 In view of the additional time pressures in this first year of applying the International Financial Reporting Standards (IFRS) based accounting, it was not possible to present the Draft Accounts to the Special meeting scheduled for last week. As well as the complexity involved in restating the 2009/10 accounts, the ledger system was unavailable for three days at a critical time near the end of the process.
- 2.5 The draft annual accounts are therefore submitted to the first scheduled meeting of the Council, following the date of submission to the Controller of Audit.
- 2.6 The audited accounts will continue to be presented to Members for approval, in the autumn.
- 2.7 This report is intended to provide Members with the unaudited extract of the Draft Accounts 2010/11 for consideration and review insofar as they relate to the financial policies of the Council.

3 Links to Corporate Priorities

- 3.1 This report links to the Council’s corporate priorities, defined in its Corporate Plan, specifically in relation to reviewing financial performance relative to the Council’s financial priorities.

4 Risk Management

- 4.1 The recommendations from the Accounts Commission Public Hearing, in June 2010, highlighted some key risks around decision making, leadership and financial stewardship. This built on the concerns raised in the ISA 260 letter from the External Auditors, presented to Members in December 2010. The Council approved a Corporate Improvement Action Plan in November 2010 (minute reference SIC 161/10) to address the outstanding concerns. Presentation of the Draft Unaudited Statement of Accounts, which, subject to audit, complies with all the relevant accounting regulation and guidance, goes a long way towards addressing the key financial risks.

5 2010/11 Statement of Accounts

- 5.1 An overview of the Accounts to March 2011 is contained in the summaries below and an extract is included at Appendix 1 of the

primary financial statements. A separate Report to the Executive Committee on 4 July presented a more detailed analysis of the financial and service performance in 2010/11. A further Report to the Executive Committee addressed the financial planning process, for 2012/13 and beyond.

- 5.2 The overall movement on Reserves in the year is shown in Table 1 below. The overall impact of the projects and services provided during 2010/11, and funded from reserves, is that the Council has ended the year with a balance on general reserves, not including the ring fenced funds, at £249.931m. The reduction in reserves from the previous year is £8.764m. This is less than the budgeted draw, as there were exceptionally high gains on the sale of investments, interest and dividends due to very good market conditions. This takes the reserves to just below the Council's financial policy target of £250m.

Table 1: Movement in Reserves

Reserves	Opening Balance 1 April 2010 £m	Closing Balance 31 March 2011 £m
Capital Fund	(117.625)	(108.234)
Capital Efficiency/Spend to Save Reserve	0.000	(5.000)
Reserve Fund	(66.752)	(58.396)
Repairs & Renewals Fund	(74.318)	(63.401)
General Fund Balance	0	(3.000)
Revenue Efficiency/Spend to Save Reserve	0	(0.500)
Potential Contingent Liabilities	0	(11.400)
Discretionary Reserves	(258.695)	(249.931)
Marine Superannuation Fund	(2.974)	(2.660)
Pilot Boat Renewal Fund	(0.944)	(0.943)
Housing Repairs & Renewals Fund	(10.577)	(11.917)
Quarry Repairs & Renewals Fund	(0.150)	(0.150)
Insurance Fund	(0.254)	(0.220)
Hansel Funds	(0.077)	(0.091)
Central Energy Efficiency Fund	(0.083)	(0.052)
Ring Fenced Reserves	(15.059)	(16.033)
REVISED TOTAL	(273.754)	(265.964)

- 5.3 In preparing the Accounts, I have set aside four new reserves for specific purposes funded from a contribution from the Repair and Renewals Fund. This moves away from holding general provisions, for any purpose. For the most part, this reallocation of resources allows the Council to target activity at the areas

where efficiencies and savings can be secured on the revenue account. The reallocation does not change the overall amount of reserves available.

Table 2: New Reserves and Provisions

Reserves	Value of Reserve / Provision £m	Purpose
Capital Efficiency/Spend to Save Reserve	5.0	A challenge fund where projects can be supported if they can demonstrate ongoing revenue savings as a result of undertaking capital works
General Fund Balance	3.0	To pay for one-off or unexpected items in the year which were not built into the base budget
Revenue Efficiency/Spend to Save Reserve	0.5	A challenge fund where projects can be supported if they can demonstrate ongoing revenue savings as a result of undertaking additional revenue spend.
Potential Contingent Liabilities	11.4	To take account of what the Council might need to pay out by way of pending claims against the Council

5.4 The Shetland Towage pension deficit (estimated to be in the order of £8m) is currently being recalculated by the actuaries and will be known in the autumn. Once known, it is likely that I will make a recommendation that this be funded over a number of years, not as a one off contribution.

5.5 For financial planning purposes, the balance on the General Fund Discretionary Reserves was estimated to be £274 million at March 2011. The accounts present a draft reserves balance, subject to audit, of £249.9 million at March 2011, if the ring fenced funds are deducted from the overall amount. Overall, therefore the Reserves balances are £24M less than the “target balance” currently in the long term financial plans. A separate Report to the Executive Committee on 4 July 2011 set out the arrangements for taking forward the medium to long term financial strategy, including a review of the reserves policy.

- 5.6 Proposals for funding capital expenditure are agreed on a year on year basis. There are no proposals to incur any debt on any of the funds to March 2011. The total capital expenditure for the year has therefore been funded from reserves and capital receipts.
- 5.7 Members may recall that the Accounts Commission, and the External Auditors, raised a number of concerns regarding the stewardship of the Council's finances. The work done will be subject to detailed external audit checking over the summer months but a summary of the key actions taken to date by the Finance Service to put in place improvements is set out in Appendix 2.
- 5.8 A key aspect of the Corporate Improvement Action Plan was an agreement to work towards resolving the issue of the qualification regarding the Grouping of Accounts with those of Shetland Charitable Trust. The planned changes to Shetland Charitable Trust's constitution may in time result in the External Auditors being able to re-assess the grouping requirements for accounting purposes. In the meantime, it is probable that external audit will take the view that no material changes to the circumstances have been made and it is therefore likely that the Council's accounts will be qualified for the fifth consecutive year for non-compliance with the Statement of Recommended Practice (the SORP). Nevertheless, external legal opinion has now been received and discussions are taking place with Audit Scotland to attempt to reach a solution to this matter.
- 5.9 In terms of resourcing the financial accountancy function, additional resources have been brought in to assist with the planning and preparation of the draft accounts to March 2011 including compliance with IFRS and the resolution of issues raised with regard to 2009-10. Part of the process has been ensuring that the skills and knowledge have been transferred to the Finance staff, to ensure that future year's accounts can be prepared without reliance on external resources. In that respect, the work has been a "spend to save" part of the Corporate Improvement Action Plan. The proposals for the future management arrangements and structure of Finance Services will be taken forward by the Chief Executive as part of the current Management Review and forms part of the remit of the new post of Strategic Director – Corporate Services.
- 5.10 The formal external audit work will be undertaken over the summer months. A special meeting of Audit and Standards Committee has been set for 27 September 2011, to receive the audited accounts and hear the external auditor's opinion on the 2010/11 accounts.

6 Financial Implication

- 6.1 The cost of using external assistance has been met from the Chief Executive's "spend to save" budget of £1m, in support of the Corporate Improvement Action Plan.

7 Policy and Delegated Authority

- 7.1 As a statement of the Council's financial affairs for 2010/11, the draft accounts would usually be first presented to the Audit and Standards Committee to allow them to express their view on it to the Council. However the work involved in preparing the draft accounts and the scheduling of the Audit and Standards Committee makes that impossible and so the document is presented directly to the first available Council meeting, following submission to the Controller of Audit.
- 7.2 The full audited accounts will be presented for approval in the autumn cycle to Audit and Standards Committee (for scrutiny reasons) and to the Executive Committee (for financial policy matters).

8 Conclusion

- 8.1 The draft unaudited Statement of Accounts for 2010/11 is presented to the Council to allow Members an early view of the draft position, to assist with financial planning and policy decisions.

9 Recommendations

- 9.1 It is recommended that Council:
- (a) note the extract of the draft unaudited Statement of Account to March 2011, at Appendix 1;
 - (b) note that the external audit work will be undertaken on the draft statements over the summer months;
 - (c) note that the Final Audited Accounts have to be submitted by 30 September 2011;
 - (d) agree to establish the new reserves and provisions of £19.9m, as described at Table 2;
 - (e) agree that funding for capital expenditure to be met by use of receipts and a draw on reserves and from no additional debt.

Appendix 1

Draft Account and Notes to March 2011

Appendix 1: Key Financial Statements

Movement on Reserves

	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Other Statutory Funds £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance as at 31 March 2009	(70)	0	(18)	0				
Movement in reserves during 2009/10 (Surplus) or deficit on the provision of services	34,910	(458)				34,452		34,452

Other Comprehensive Income and Expenditure						0	21,637	21,637
Total Comprehensive Income and Expenditure	34,910	(458)	0	0	0	34,452	21,637	56,089
Adjustments between accounting basis & funding basis under regulations	(14,622)	755	0	0	0	(13,867)	13,867	0
Net Increase/Decrease before Transfers to Earmarked Reserves	20,288	297	0	0	0	20,585	35,504	56,089
Transfers to/from Other Statutory Reserves	(20,378)	(297)	5		21,025	355	(355)	0
Increase/Decrease in 2009/10	(90)	0	5	0	21,025	20,940	35,149	56,089

	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Other Statutory Funds £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance as at 31 March 2010	(160)	0	(13)	0				
Movement in reserves during 2010/11								
(Surplus) or deficit on the provision of services	2,134	9,959				12,093		12,093
Other Comprehensive Income and Expenditure						0	(63,767)	(63,767)
Total Comprehensive Income and expenditure	2,134	9,959	0	0	0	12,093	(63,767)	(51,674)
Adjustments between accounting basis & funding basis under regulations	18,327	(9,484)	0	(171)	0	8,672	(8,672)	0
Net Increase/Decrease before Transfers to	20,461	475	0	(171)	0	20,765	(72,439)	(51,674)

Earmarked Reserves

Transfers to Other Statutory Reserves	4,234			(24,700)	(20,466)	20,466	0
Transfers from Other Statutory Reserves	(24,678)	(475)		32,473	7,320	(7,320)	0
Increase/Decrease in 2010/11	17	0	0	(171)	7,773	7,619	(59,293)
Balance as at 31 March 2011	(143)	0	(13)	(171)	(265,821)	(266,148)	(246,984)

Comprehensive Income & Expenditure

2009/10 Net Expenditure £000		2010/11 Gross Expenditure £000	2010/11 Gross Income £000	Net Expenditure £000
50,894	Education Services	56,409	(8,304)	48,105
(536)	Housing Services	24,373	(12,422)	11,951
6,915	Cultural and Related Services	7,809	(878)	6,931
8,551	Environmental Services	9,143	(2,681)	6,462
2,196	Fire Services	2,197	0	2,197
13,321	Roads and Transport Services	36,802	(11,265)	25,537
11,847	Trading Services			0
1,972	Police Services	1,461	0	1,461
10,471	Planning and Development Services	27,341	(20,546)	6,795
26,744	Social Work	40,961	(8,004)	32,957
2,350	Central Services to the Public	2,925	(1,038)	1,887
6,649	Corporate and Democratic Core	7,572	0	7,572
2,268	Non Distributed Costs	10	(29,649)	(29,639)
143,642	Cost of Services	217,003	(94,787)	122,216
(44)	Other operating expenditure			(327)
(2,784)	Financing and Investment income and expenditure			(851)
0	Surplus or deficit of discontinued operations			0
(106,382)	Taxation and non-specific grant income			(108,945)
34,432	(Surplus) or Deficit on Provision of Services			12,093
(20,308)	Surplus or deficit on revaluation of Property, Plant and Equipment assets			(15,540)
(43,410)	Surplus or deficit on revaluation of available for sale financial assets			(16,676)
85,355	Actuarial gains/losses on pension assets/liabilities			(31,511)
0	Other Unrealised gains/losses			(40)
21,637	Other Comprehensive Income and Expenditure			(63,767)
56,069	Total Comprehensive Income and Expenditure			(51,674)

Balance Sheet

1 April 2009 £000	31 March 2010 £000		31 March 2011 £000
350,488	367,468	Property, Plant & Equipment	374,529
0	0	Investment Property	0
1,016	689	Intangible Assets	436
199,744	218,959	Long term Investments	222,322
18	13	Long Term Debtors	1,055
551,266	587,129	Long Term Assets	598,342
0	0	Short Term Investments	0
654	1,244	Assets held for Sale	206
3,465	3,610	Inventories	4,023
11,803	10,349	Short Term Debtors	7,537
26,459	20,906	Cash and Cash equivalents	7,273
42,381	36,109	Current Assets	19,039
(17,068)	(14,607)	Short Term Creditors	(13,126)
0	0	Provisions	0
0	0	Liabilities in Disposal Groups	0
(17,068)	(14,607)	Current Liabilities	(13,126)
0	0	Long Term Creditors	0
(53)	(4)	Provisions	(10)
(58,979)	(147,169)	Other Long Term Liabilities	(91,113)
0	0	Liabilities in Associates	0
0	0	Capital Grants Receipts in Advance	0
(59,032)	(147,173)	Long Term Liabilities	(91,123)
517,547	461,458	Net Assets	513,132
(294,707)	(273,767)	Usable Reserves	(266,148)
(222,840)	(187,691)	Unusable Reserves	(246,984)
(517,547)	(461,458)	Total Reserves	(513,132)

Cash Flow

CASH FLOW STATEMENT

	£000	£000
REVENUE ACTIVITIES		
Cash Outflows		
Cash paid to and on behalf of employees	(105,916)	
Other operating cash payments	(80,153)	
		<u>(186,069)</u>
Cash Inflows		
Rents	8,711	
Trading	1,130	
RSG	90,692	
DWP Grants	839	
Cash Received for goods and services	29,032	
Other operating cash receipts	3,019	
Other Government Grant	5,249	
Council Tax income	8,722	
NDR Income	8,672	
		<u>156,066</u>
Movement of working capital		
(Increase)/Decrease in Stock	(1,455)	
(Increase)/Decrease in Debtors	2,812	
Increase/(Decrease) in Creditors	(1,481)	
		<u>(124)</u>
NET REVENUE CASH OUTFLOW		<u><u>(30,127)</u></u>
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Cash Inflows		
Interest Received		<u><u>2,317</u></u>
CAPITAL ACTIVITIES		
Cash Outflows		
Purchase of Fixed Assets	(18,048)	
Purchase of Long Term Investments	(238,884)	
Purchase of Short Term Investments	(107,700)	
		<u><u>(364,632)</u></u>
Cash Inflows		
Sale of fixed assets	1,572	

Sale of Long Term Investments	253,280
Sale of Short term investments	119,300
Capital Grant receipts	4,657
	<u>378,809</u>
NET INCREASE/(DECREASE) IN CASH	<u>(13,633)</u>
Cash & Cash Equivalentents at 31 March 2010	<u>20,906</u>
Net movement of Cash and Cash Equivalentents during the year	(13,633)
Cash & Cash Equivalentent at 31 March 2011	<u>7,273</u>

Effect of Reclassification

Effect of Reclassification of Council Dwellings to Assets held for sale on Opening Balance Sheet 1 April 2009

		Restatement	Correction required to
	Opening Balance		Opening Balance
	April 2009		April 2009
	£000	£000	£000
Property, Plant and Equipment – Council Dwellings	59,931	-654	59,277
Long-term Assets	59,931	-654	59,277
Assets Held for Sale	0	654	654
Short-term Assets	0	654	654
Total Net Assets	59,931	0	59,931

Effect of Reclassification of Council Dwellings to Assets held for sale on 31 March 2010 Balance Sheet.

	As Previously Stated	As restated	Correction
	April 2010	April 2010	April 2010
	£000	£000	£000
Property, Plant and Equipment – Council Dwellings	61,135	-1,245	59,890
Long-term Assets	61,135	-1,245	59,890
Assets Held for Sale	0	1,245	1,245
Short-term Assets	0	1,245	1,245
Total Net Assets	61,135	0	61,135

These balance sheet adjustments had a nil effect on reserves, the Movement in Reserves Statement or to the Comprehensive Income and Expenditure Statement.

Effect of Reclassification of Investment Properties to PPE – Other Land and Buildings on the Opening Balance Sheet 1 April 2009

		Restatement	Correction required to
	Opening Balance		Opening Balance
	April 2009		April 2009
	£000	£000	£000
Property, Plant and Equipment – Other Land and Buildings	104,233	4,328	108,561
Investment Properties	4,328	-4,328	0
Long-term Assets	108,561	0	108,561
Total Net Assets	108,561	0	108,561

Effect of Reclassification of Investment Properties to PPE – Other Land and Buildings on 31 March 2010 Balance Sheet.

	As Previously Stated	As restated	Correction
	April 2010	April 2010	April 2010
	£000	£000	£000
Property, Plant and Equipment – Other Land and Buildings	117,562	4,503	122,065
Investment Properties	4,503	-4,503	0
Long-term Assets	122,065	0	122,065
Total Net Assets	122,065	0	122,065

These balance sheet adjustments had a nil effect on reserves, the Movement in Reserves Statement or to the Comprehensive Income and Expenditure Statement.

Effect of Reclassification of Deferred Government Grants from a balance sheet liability to being recognised as applied in the Capital Adjustment Account on Opening Balance Sheet 1 April 2009

		Restatement	Correction required to
	Opening Balance		Opening Balance
	April 2009		April 2009
	£000	£000	£000
Government Grants Deferred	-12,533	12,533	0
Long-term Liabilities	-71,565	12,533	-59,032
Total Net Assets	505,604	12,533	518,137
Unusable Reserves - CAA	-258,075	-12,533	270,608
Total Reserves	-505,604	-12,533	-518,137

Effect of Reclassification of Deferred Government Grants from a balance sheet liability to being recognised as applied in the Capital Adjustment Account on 31 March 2010 Balance Sheet.

	As Previously Stated	As restated	Correction
	April 2010	April 2010	April 2010
	£000	£000	£000
Government Grants Deferred	-15,751	15,751	0
Long-term Liabilities	-162,924	15,751	-147,173
Total Net Assets	446,282	15,751	462,033
Unusable Reserves - CAA	-243,032	-15,751	-258,783
Total Reserves	-446,282	-15,751	-462,033

Effect of Reclassification on treatment of deferred government grants in the Comprehensive Income and Expenditure Account.

	As Previously Stated	As restated	Correction
	2009/10	2009/10	2009/10
	£000	£000	£000
Cost of Services	142,524	1,153	143,662
Taxation and Non-Specific Grant Income	-102,011	-4371	-106,382
(Surplus) or Deficit on the Provision of Services	37,685	-3,218	34,467
Total Comprehensive Income and Expenditure	59,322	-3,218	56,014

Movement in Reserves Statement – The adjustment in the Movement in Reserves Statement was that the additional credit through the Comprehensive Income and Expenditure Statement, resulting in the deficit being reduced by £3.218m was debited from the General Fund and Credited to the Capital Adjustment Account.

Effect of Recognition of a "Holiday Pay" accrual under IAS 19 on Opening Balance Sheet 1 April 2009

		Restatement	Correction required to
	Opening Balance		Opening Balance
	April 2009		April 2009
	£000	£000	£000
Creditors	-16,478	-590	-17,068
Short term Liabilities	-16,478	-590	-17,068
Total Net Assets	505,604	-590	505,014
Unusable Reserves – Accumulated absences account	0	590	590
Total Reserves	-505,604	590	-505,014

Effect of Reclassification of Council Dwellings to Assets held for sale on 31 March 2010 Balance Sheet.

	As Previously Stated	As restated	Correction
	April 2010	April 2010	April 2010
	£000	£000	£000
Creditors	-14,032	-575	59,890
Short term Liabilities	-14,032	-575	59,890
Total Net Assets	446,282	-575	445,707
Unusable Reserves – Accumulated absences account	0	575	575
Total Reserves	-446,282	575	-445,707

Effect of Reclassification of recognition of Holiday Pay Accrual in the Comprehensive Income and Expenditure Account 2009/10.

	As Previously Stated	As restated	Correction
	2009/10	2009/10	2009/10
	£000	£000	£000
Cost of Services	142,524	-15	143,662
(Surplus) or Deficit on the Provision of Services	37,685	-15	37,660
Total Comprehensive Income and Expenditure	59,322	-15	59,307

N.B Under IFRS the opening balance sheet had a holiday pay accrual of £0.590m and it was re-assessed at 31 March 2010 as £0.575m. Therefore the net impact was a credit to the CIES in 2009/10.

Movement in Reserves Statement – The adjustment in the Movement in Reserves Statement was that the additional credit through the Comprehensive Income and Expenditure Statement, resulting in the deficit being reduced by £0.015m was debited from the General Fund and Credited to the Accumulated Absences Account.

Effect of Reclassification of Short Term Investments to Cash and Cash Equivalents on the Opening Balance Sheet 1 April 2009

		Restatement	Correction required to
	Opening Balance		Opening Balance
	April 2009		April 2009
	£000	£000	£000
Short Term Investments	16,506	-16,506	0
Cash and Cash Equivalents	9,953	16,506	26,459
Short-term Assets	41,727	0	41,727
Total Net Assets	505,604	0	505,604

Effect of Reclassification of Short Term Investments to Cash and Cash Equivalents on 31 March 2010 Balance Sheet.

	As Previously Stated	As restated	Correction
	April 2010	April 2010	April 2010
	£000	£000	£000
Short Term Investments	13,484	-13,484	0
Cash and Cash Equivalents	7,422	13,484	20,906
Short-term Assets	34,865	0	34,865
Total Net Assets	446,282	0	446,282

These balance sheet adjustments had a nil effect on reserves, the Movement in Reserves Statement or to the Comprehensive Income and Expenditure Statement.

ISA 260 and Accounts Commission Recommendations: Progress Report

Financial Statements

Risk: Statements not prepared within the required timescale and not International Financial Reporting Standards (IFRS) compliant, so not presenting a “true and fair view”.

Actions: The draft statements completed on time and in line with IFRS (except for outstanding issue of grouping the accounts with Shetland Charitable Trust). External resources have been brought in to ensure completion to all relevant regulations and guidance, including IFRS and the resolution of issues identified in 2009-10.

Group Accounts

Risk: The Council’s accounts are not compliant with the Statement of Recommended Practice (SORP), as Shetland Charitable Trust is not included in the group accounts. This matter is significant enough to warrant a qualification to the Council’s accounts.

Actions: The Corporate Improvement Action Plan, approved in November 2010, agreed to work towards resolving the issue. The planned changes to Shetland Charitable Trust’s constitution may in time result in the External Auditors being able to re-assess the grouping requirements for accounting purposes. In the meantime, no material changes to the circumstances have been made and it is therefore expected that the Council’s accounts will be qualified for the fifth consecutive year for non compliance with the SORP regarding failure to group the accounts of Shetland Charitable Trust.

Shetland Development Trust (SDT)

Risk: The audit on SDT was delayed so compromising the Council’s ability to include in the group accounts.

Actions: The timetables have been adjusted to ensure that the SDT external audit is completed in time to include in the Council’s accounts and grouped accordingly in accordance with Council accounting policies including IFRS and Council finance staff are liaising with the SDT auditors, KPMG, on these issues.

Capital Accounting

Risk: Reliance on a fixed asset system which may be producing incomplete or inaccurate information.

Actions: Dedicated external resource brought in to ensure all capital accounting transactions are accurate and this is reflected in the

draft accounts, subject to audit.

Financial Statements Adjustment

Risk: Failure to reconcile the Statement of Total Recognised Gains and Losses may result in the accounts not complying with the SORP.

Actions: Dedicated external resource brought in to ensure all transactions are SORP compliant and this is reflected in the draft accounts, subject to audit.

Treasury Management

Risk: Fund Managers report incomplete as regards the financial statements process, so causing delays and inefficiencies.

Actions: Not now required.

Pension Fund

Risk: Arrangements not adequate to ensure preparation of separate Pension Fund accounts.

Actions: Draft Accounts prepared for 30 June 2011 and an action plan will be developed to address the remaining governance and reporting requirements by the due date of 30 September 2011.

Whole of Government Accounts

Risk: The Council may continue to miss the deadline for submissions (30 July).

Actions: The revised Accounts format, full compliance with accounting requirements and advice from external resources will mitigate this risk

Budget Setting Process

Risk: The Council's policy on draw of Reserves may be breached.

Actions: Report to be presented to Executive Committee on 4 July, to establish timetable to address all aspects of financial planning, reserves policy and budget setting.

Financial Planning

Risk: Lack of clarity in financial information presented to Members may result in inappropriate decisions.

Actions: Revised Management accounts to be developed for first quarter of 2011/12 (July/August 2011)