



**Special Education and Families Committee
Shetland Islands Council**

**5 December 2011
7 December 2011**

Report Name: Anderson High School: Feasibility Report	
Report Number: CS-17-F	
Report Presented by Director of Children's Services	Children's Services

1.0 Summary

- 1.1 The purpose of this report is to present the feasibility report on the Anderson High School, as part of Shetland Islands Council's approved Gateway process, and to seek a resolution from Shetland Islands Council as to how the project should proceed.
- 1.2 The feasibility report, Appendix A, provides a comparison of the options with regard to secondary education as provided by the Anderson High School in Lerwick.
- 1.3 The feasibility report aims to address issues of a financial nature which arose through the consultation process to relocate the Anderson High School to a new, fit for purpose community school on a greenfield site at the Lower Staney Hill, Lerwick

2.0 Decision Required

- 2.1 In order to meet the requirements of the Gateway process agreed by Shetland Islands Council there are four options, which are considered within the feasibility report:
 - **Option 1** - Fit for purpose community school and hall of residence, Lower Staney Hill
 - **Option 2** - Do nothing, the Knab
 - **Option 3** - Refurbishment scheme, the Knab
 - **Option 4** - Fit for purpose community school, the Knab
- 2.2 The production of the feasibility report would have placed the Education and Families Committee in a position to recommend to Shetland Islands Council how they wish the project to progress considering all the

information on the options from the feasibility report. However, following a meeting with the Cabinet Secretary on 23 November 2011, the opportunity to bid for external funding in early 2012 has arisen. This means the following recommendations, are made.

2.3 The Education and Families Committee is asked to RECOMMEND that Shetland Islands Council RESOLVE to:

- 2.3.1 reconfirm the decision of June 2010 to build a new school at the Lower Staney Hill site, subject to a funding package which is in line with the Council's Reserves Policy and Strategic Budget Plans;
- 2.3.2 ensure that the project is affordable for Shetland Islands Council by:
 - (a) participating in the national bidding programme for investment in schools estate (which if successful may secure up to two-thirds funding of eligible costs);
 - (b) developing the accommodation schedule to national standards, including provision for secondary young people with complex additional support needs Shetland wide;
- 2.3.3 not pursue a new build hall of residence, in the meantime;
- 2.3.4 take full advantage of shared facilities with Shetland Recreational Trust;
- 2.3.5 note that participating in the national programme will require Shetland Islands Council to participate in a national partnership arrangement for design, procurement and facilities management probably through the non-distributing profit model.

3.0 Detail

- 3.1 This report includes the feasibility report as part of the Gateway process following the decision to relocate a new build Anderson High School to the preferred site at Lower Staney Hill.
- 3.2 As an essential component of Shetland Islands Council's Gateway process, the Strategic Director of Children's Services has completed a Service Need Case, including a Best Value assessment, as required by the decision taken on 8th December 2010, SIC min ref 168/10. The feasibility report considers the brief and service need requirements for delivering secondary education in Lerwick, the surrounding catchment areas and pupils transferring from Junior High Schools. This section includes the accommodation schedule which was developed in 2009 but which did not include any area for provision for pupils with complex additional support needs. This has been added to the end of the accommodation schedule.
- 3.3 The delivery of Curriculum for Excellence is challenging in the current Junior High School model. While the Education Blueprint proposals agreed by Shetland Island Council recognised the potential risks in retaining the current Junior High School model of provision, it is clear

from current work on the development of the curriculum and the resources required to deliver the senior phase, that more work needs to be done to make sure that Shetland Islands Council is fully implementing Curriculum for Excellence.

- 3.4 Shetland Islands Council is obliged under the Education (Scotland) Act 1980 to make special arrangements for pupils who could not otherwise attend the Anderson High School owing to the remoteness of their home. Special arrangements can include the provision of hall of residence accommodation. Therefore, the provision of a hall of residence has been included in the brief and is considered alongside the options for the school.
- 3.5 Each option is considered in turn, summarised and explored in detail taking into account the capital cost summary, ongoing revenue costs, net present value, timescale and programme, environmental, planning, accessibility, sustainability and health and safety.
- 3.6 The fourth option to provide a fit for purpose community school at the Knab should be included in any Gateway process where more than the proposal option and a do nothing option are being considered. Option 4 provides an already fully developed option to build a school. It also assists as a comparator to the preferred option against which all others are being compared.
- 3.7 There is a section in the feasibility report on comparisons of the procurement routes which Orkney Islands Council and Western Isles Council have taken with regard to their new builds.
- 3.8 The Scottish Futures Trust has provided funding for the new build's in Orkney and the Western Isles. They have shared the way in which they have utilised the funding which was made available to them with staff from Shetland Islands Council. There is also a comparison of the "classroom spaces" for the new Nicolson Institute, the Kirkwall Grammar and the proposed accommodation schedule for the Anderson High School. A new funding programme is being developed for future investments in school estates, which is likely to be announced in the new year.
- 3.9 The revenue and funding is clearly set out and the various funding options are presented. There are budgetary constraints which have to be considered particularly with the ongoing savings exercise as departments try to meet the reductions across budgets for the forthcoming years. There is currently no fully approved funding mechanism for paying for the capital costs or any additional revenue costs. This is a significant capital project and it will have a considerable impact on the projects which already exist in the Capital Programme. If Scottish Government grant can be secured, that will reduce the scale of the funding required but the deficit is likely to still be significant.
- 3.10 The conclusion in the feasibility report provides a comparison of the four options being considered.

4.0 Implications

Strategic

4.1 Delivery On Corporate Priorities – Maintaining a sustainable society: “We will ensure the local development plan, developments in Community Care and the Blueprint for Schools are aligned. This recognises the important link between land use, service delivery and sustainable communities.”

4.1.1 Schools:

- “Our challenge is to develop a modern Blueprint for the shape of education across Shetland for the next 10 years. This will be carried out with the knowledge that Shetland’s population projections anticipate a substantial reduction in the number of pupils within a relatively short period of time.”

4.1.2 Lifelong Learning

- “Lifelong learning makes a major contribution to the local economy, individuals and communities. We therefore want to maximise the opportunities for further, higher and vocational learning opportunities, both for school leavers and for people returning to learning.”

4.1.3 Smarter:

- “ We will provide help to individuals to get the learning opportunities they need, focusing on the long-term unemployed, the 18-24 age group, those misusing substances and winter leavers.”
- “ We recognise each person’s strengths, and building on these to give them greater capacity, increased confidence and encourage participation and responsible citizenship.”
- “We take a proactive approach to ensuring Shetland’s skills match Shetland’s economic need.”

4.2 Community /Stakeholder Issues – There was a statutory consultation under the Schools Consultation (Scotland) Act 2010 which resulted in the relocation of the proposed site to Lower Staney Hill. There needs to be further consultation as this project is progressed.

4.3 Policy And/Or Delegated Authority – The Education and Families Committee has authority to determine matters relating to its functional areas. However, the determination of any matters relating to new or variation of existing policy contained within the Asset Investment Plan [Capital Programme] is reserved to the Council, taking advice or comment from the relevant committee.

4.4 Risk Management – There have been risk assessments as this project has progressed over the years. Safety and Risk have provided risk assessments as part of this Gateway process.

- 4.5 Equalities, Health And Human Rights – The service need is that secondary education is provided in an environment which is compliant with the Equalities Act 2010.
- 4.6 Environmental – The current school, which is made up of an array of different build types ranging from early twentieth century listed buildings to 1960s clasp types will be relatively inefficient in energy terms. Current Building Standards require that buildings meet much stricter standards of energy efficiency in terms of the build form and the mechanical and electrical systems installed within; therefore, there should be a significant increase in energy performance compared with the existing buildings on a kWh per unit floor area basis. As the project is currently not at the design stage there can be no further comment on any proposal.

Resources

- 4.7 Financial – The full detail of each option is included within the feasibility report and the decisions of the Executive Committee and Shetland Islands Council with regard to the Strategic Budget Plan for 2012/13 and 2013/14. There is a programme being developed by the Scottish Government and the Scottish Futures Trust, whereby Local Authorities will be invited to bid for funding on school estate investment plans. The programme is likely to be open for bids early in 2012, and will be administrated through the Scottish Futures Trust, maximising the use of national procurement opportunities. If successful, funding of up to 67% of eligible costs may be available on schools which are designed to national accommodation standards. It is unclear at the moment if capital or revenue funding will be offered. There is no guarantee that a bid from Shetland Islands Council will be successful. If Shetland Islands Council can secure two-thirds funding, at a school the size of national standards, it may be possible to accommodate the matching funding within the existing budget strategy if Shetland Islands Council is prepared to make the new Anderson High School a priority project and defer other projects on the capital plan. Also, Shetland Islands Council will need to accept that the project will be aligned to the national framework arrangements. At national standards, the estimated cost of a 11,000 sq metre school would be £30,250,000. Experience elsewhere would suggest that the average grant rate on total costs is 60%. That could equate, if the project is successful, to grant aid of £18,000,000, leaving Shetland Islands Council to fund £12,000,000.
- 4.8 Legal – There are no legal implications from this report.
- 4.9 Human Resources – There are no direct implications for staff from this report.
- 4.10 Assets And Property – This may have implications for the Shetland Islands Councils assets, depending on which of the options is taken forward. The full detail is contained within the feasibility report.

5.0 Conclusions

In conclusion:

- 5.1 Option 2, to do nothing, is not an option as the building cannot support the long term delivery of a quality education service, beyond 15-20 years;
- 5.2 Option 3, the refurbishment scheme would be disruptive for the education of a generation of pupils up to 10 years duration and the price differential between this option and the new build is not significant enough to justify this option;
- 5.3 Option 1, to build a new school on a like for like basis is not affordable in the current economic climate, due to the potential impact on education and other Shetland Islands Council services;
- 5.4 Option 4 is presented to ensure that Members receive a full Options Appraisal and to assist as a comparator to the preferred option, but the difficulties associated with this option remain - educational disruption, transport and community impact;
- 5.5 And following the meeting with the Cabinet Secretary on 23 November 2011, the opportunity to bid for external funding in early 2012 has arisen. The recommendations are therefore set out in paragraph 2 above.

For further information please contact:

Helen Budge, Director of Children's Service

Tel: 01595 74 4064. E-mail: helen.budge@shetland.gov.uk

Report finalised: DRAFT – 23 November 2011

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Background documents:

Equality Act 2010:

<http://www.legislation.gov.uk/ukpga/2010/15/contents>

Climate Change (Scotland) Act 2009:

<http://www.legislation.gov.uk/asp/2009/12/contents>

The Education (Additional Support for Learning) (Scotland) Act 2004:

<http://www.legislation.gov.uk/asp/2004/4/contents>

The Education (Scotland) Act 1980:

<http://www.legislation.gov.uk/ukpga/1980/44>

National Care Standards:

<http://www.scotland.gov.uk/Topics/Health/care/17652/National-Care-Standards-1-1>

Creating excellent secondary schools - Commission for Architecture and the Built Environment

<http://www.cabe.org.uk/default.aspx?contentitemid=1935>

Range of publications on School Design, Sustainability, Optimising the Internal Environment, and Building Excellence by Architecture and Design Scotland

<http://www.scotland.gov.uk/Topics/Education/Schools/Buildings/Design>

Case studies are available which highlight good practice in school design across Scotland, and includes plans, images, user views and information on the design features of 20 projects covering all sectors.

www.scotland.gov.uk/schoolestate-casestudies

SIC Corporate Plan:

<http://www.shetland.gov.uk/corporateplan/documents/Refresh2010-11FINALAPPROVED.pdf>

SEPA:

<http://www.sepa.org.uk/>

School Estate Management Plans 2006 – 2010

Local Plan

<http://www.shetland.gov.uk/developmentplans/LocalPlanContents.asp>

Construction (Design and Management) Regulations:

<http://www.hse.gov.uk/construction/cdm.htm>

Public Private Partnership:

http://www.hm-treasury.gov.uk/ppp_index.htm

European Union (EU) Procurement Regulations:

http://europa.eu/legislation_summaries/internal_market/businesses/public_procurement/index_en.htm

International Facility Management Association:

<http://www.ifma.org/>

Scottish Futures Trust:

<http://www.scottishfuturestrust.org.uk/>

END

Feasibility Report

Anderson High School

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Feasibility Report

1.0 Executive Summary

- 1.1 This feasibility report provides a comparison of the options with regard to secondary education as provided by the Anderson High School in Lerwick.
- 1.2 The report aims to address 'issues of a financial nature' which arose through the consultation process to relocate the Anderson High School to a new, fit for purpose, community school on a greenfield site at the Lower Staney Hill, Lerwick.
- 1.3 Four options have been considered:
 - Option 1 - Fit for purpose community school and hall of residence, Lower Staney Hill
 - Option 2 - Do nothing, the Knab
 - Option 3 - Refurbishment scheme, the Knab
 - Option 4 - Fit for purpose community school, the Knab
- 1.4 The feasibility report should include a 'do nothing' option to consider if this is practicable.
- 1.5 There should be a do minimum option, which is the refurbishment option and which can offer a like for like comparison with the preferred option.
- 1.6 The options are in sketch format and reflect the stage of the project. They are not detailed designs but are sufficient for the cost consultants to prepare their estimates and identify associated risks / costs.
- 1.7 This report informs Members of the financial risks associated with each option in order that they may fully understand and be aware of such consequences prior to their consideration.
- 1.8 The current financial situation is discussed and considered.
- 1.9 As an essential component of Shetland Islands Council's Gateway process, the Strategic Director of Children's Services has completed a Service Need Case, including a Best Value assessment, as required by the decision taken on 8th December 2010, SIC min ref 168/10. The feasibility report considers the brief and service need requirements for delivering secondary education in Lerwick, the surrounding catchment areas and pupils transferring from Junior High Schools. This section includes the accommodation schedule which was developed in 2009 but which did not include any area for provision for pupils with complex additional support needs. This has been added to the end of the accommodation schedule.
- 1.10 Over the last 20 years various options have been considered, this report attempts to learn from these exercises. Previous work, reports and papers have been revisited to inform the present team.

- 1.11 Valuable help and advice has been provided from other Local Authorities with experience in similar projects.
- 11.12 The Conclusions section of the report considers each of the options and provides the following comparison:

Option1: Fit for Purpose Community School and Hall of Residence, Lower Staney Hill

- a) The most desirable but also the most expensive option.
- b) Whilst the design life for a new build school will be 60 years the school must address and accommodate the need within this timescale for large scale replacement of services and remodelling of facilities in order that the building can maintain its fit for purpose status.
- c) New buildings do not mean 'No maintenance' or disruption. Planned facilities management will be required in the initial 30 years to maintain the security for any funding sought and for the remaining 30 years for the council to realise / benefit from the asset.
- d) The maintenance spend on the new school would be lower than that for the existing school.

Option 2: Do Nothing, the Knab

- a) Not a viable option in the long term as a substantial increase in the current level of maintenance would be required to address the years of under spending and help to minimise unplanned disruption due to failures and breakdowns.
- b) This is likely to be the most disruptive option. Major works would be required in the near future.

Option 3: Refurbishment Scheme, the Knab

- a) The best value for money because it provides what the new build options offer at a cheaper cost.
- b) This is likely to be quite disruptive as works will be undertaken on site.

Option 4 – Fit for Purpose Community School, the Knab

- a) The cheapest new build option which performs better in the value for money analysis than option 1.
- b) Whilst the original scheme did not include a hall of residence, a new build or refurbishment scheme could be included.

- c) New buildings do not mean 'No maintenance' or disruption. Planned facilities management would be required in the initial 30 years to maintain the security for any funding sought and for the remaining 30 years for the council to realise / benefit from the asset.
- d) The maintenance spend on the new school would be lower than that for the existing school.
- e) The scheme would have an impact on the existing school and there would be disruption and nuisance to those attending the school and the surrounding residential area.

2.0 Introduction

2.1 Background

- 2.1.1 The Local Government in Scotland Act 2003, placed a duty on local authorities to make arrangements which secure best value. Best value is continuous improvement in the performance of the authority's function.
- 2.1.2 The local authority shall discharge its duties in a way which contributes to the achievement of sustainable development. The then Scottish Executive definition of 'sustainable' within the Best Value guidance is:-
"development which secures a balance of social, economic, and environmental well-being in the impact of activities and decisions; and which seeks to meet the needs of the present without compromising the ability of future generations to meet their own needs".
- 2.1.3 The Gateway Process was adopted by Shetland Islands Council at its meeting 24th March 2010, minute reference 47/10. The Gateway Process is designed to assist Shetland Islands Council fulfil its duties under the Local Government Scotland Act 2003 when dealing with its Capital Programme.
- 2.1.4 Having expressed its preference of the Lower Staney Hill site for the new Anderson High School Shetland Islands Council undertook a prescribed consultation with regards to the relocation as was required under The Schools (Consultation) (Scotland) Act 2010.
- 2.1.5 Following the consultation process and subsequent report from the Head of Schools to the Services Committee on the 7th December 2010, the Committee agreed to recommend to the Council that:-
- a) The Anderson High School is relocated from its current location at the Knab, Lerwick and a new fit for purpose, community school be built on a greenfield site at Lower Staney Hill, Lerwick; and
 - b) note that the consultation process has highlighted issues of a financial nature which are best addressed through a full Option Appraisal in line with the Gateway approach; and
 - c) note that it is Council policy for all capital projects to be subject to the gateway approach; and
 - d) therefore ask the Head of Schools and the Head of Capital Programming to complete a Service Need Case, in line with the Gateway policy, including a Best Value assessment, in order to progress the project to the next stage.
- 2.1.6 Shetland Islands Council accepted the Services Committee recommendations at their meeting on 8th December 2010, SC min ref 168/10.

3 Brief and Service Need for Secondary Education in Lerwick

3.1 Secondary Education in Lerwick

- 3.1.1 Shetland Islands Council is statutorily required to provide education to all children living within the local authority area. This should be delivered in fit for purpose buildings where children can comfortably experience all aspects of school life.
- 3.1.2 All schools, as far as reasonably possible should meet the requirements of the Equalities Act (2010).
- 3.1.3 This section is the outline brief and service need requirements for delivering secondary education in Lerwick, the surrounding catchment area and pupils transferring from current Junior High Schools.

3.2 Justification

- 3.2.1 The buildings that currently house the Anderson High School do not fully meet modern educational and building standards in the following areas:
- The building is not wholly compliant with the Equalities Act 2010, for pupils with additional support needs
 - Limited circulation and social space.
 - Limited suitable outdoor space for educational use.
 - Dated fabric and service installations.
 - Dining room space is limited.

3.3 Service Need

- 3.3.1 Children's Services require a school which:
- Meets the requirements of Curriculum for Excellence, inspiring and driving the approach to more effective learning and teaching which is thought provoking; motivating and empowering for the learners and is attention grabbing and eye opening;
 - Creates flexible spaces for flexible learning, including space for individual learning, group learning, specialized and open multi-purpose spaces;
 - Increases access to education through school design to ensure that it is inclusive for community use, learners with additional support needs, providing opportunities for integrated services and intra school integration;
 - Is suitable and better future proofed for flexibility and adaptability, being fit for purpose, enhancing the function and use, and responding to future changes in the scale and nature of demand and usage, ICT and other technology, and the changing ways education may be delivered;
 - Has comfortable learning spaces, maximizing natural daylight and ventilation, has sustainable design and uses sustainable design, materials and features;
 - Can support economic growth through preparing learners with skills for life, and provides opportunities for vocationally orientated learning environments;
 - Is safe and secure with appropriate access for learners and the community, considering how certain areas can be made secure at particular times to allow access;

- “greener”, more sustainable and environmentally efficient, assists with targets within the Climate Change (Scotland) Act 2009, and considers the environmental impact while enhancing biodiversity;
- Signals the high value we place on learning which people and communities can enjoy using and can be proud of, which is well designed, easily maintained, encourages continuous engagement with learning, and which is much more than just an educational establishment whose quality of environment supports an accessible range of services and opportunities, and which will enrich the communities it will serve, and the lives of learners and families.

3.4 When planning for future service needs, the following factors need to be addressed:

- Implementation of Curriculum for Excellence;
- The broad general education in S1-S3, where pupils will follow a curriculum broadly similar to that of their peers, up till the end of S3, with a common set of outcomes to achieve. In the current model, young people select options for national qualification courses at the end of S2 and will then follow courses which can be in class groups significantly smaller than those in S1 and S2. There should therefore be fewer small class groups in S3 to accommodate;
- The Senior Phase will feature pupils in what is currently the S4-S6 range. At the heart of the senior phase is an entitlement to personalisation and choice, whereby a young person and the school will develop an individualised timetable to meet their individual needs;
- The curriculum in the senior phase will, clearly, offer courses leading to national qualifications; however, it will also feature more vocational learning opportunities, opportunities to merge school learning experiences with those of other learning providers, and opportunities for learners to include work experience or volunteering within their learning. It is clear that models of provision will change each year as the nature of the learning needs of the young people change. Consequently the way in which the learning space is used will also change;

Implement the Blueprint for Education;

- The Blueprint for Education has seen an increase in the pupil roll of the Anderson High School through the closure of the secondary department of Scalloway Junior High School.
- The implementation of the hub model of secondary provision, is likely to have more impact on the building than the modest increase in the pupil roll. The concept of the hub model is the potential to share staff and resources between a group of secondary settings.
- The hub for Lerwick includes Aith Junior High School and Sandwick Junior High School.
- The Blueprint for Education secondary proposals three and four both suggested more far reaching closures of secondary departments. At that time Shetland Islands Council chose not to accept either of those proposals, however, these could be reconsidered at some time in the future. Thus planning must take cognisance of that possibility.
- The Education (Additional Support for Learning) (Scotland) Act 2004;

- Secondary educational provision for all pupils with complex additional support needs from across the whole of Shetland;
- Developments in learning and teaching, exam provision and the use of information and communications technology.

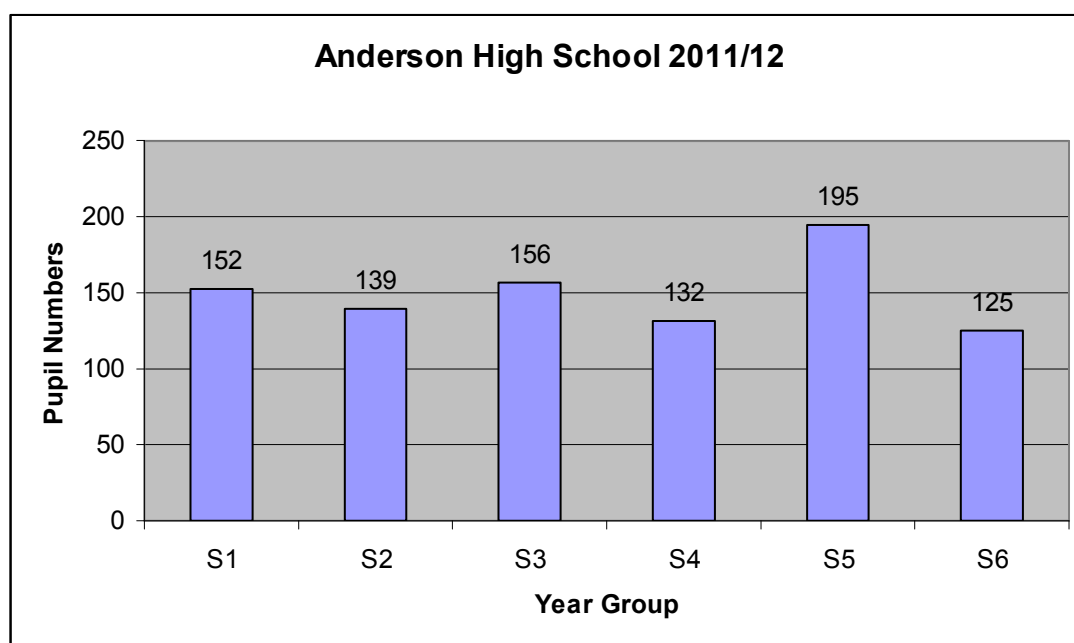
3.4.1 The proposed examination structure changes under Curriculum for Excellence, is likely to result in senior pupils undertaking national qualification courses in a more individualised way; our system will need to be flexible enough to accommodate this.

3.4.2 The reasons for the size set in the 2009 brief are set out below:

- The proposed accommodation schedule. This is included as annex E1;
- Accommodation sufficient to offer a wide range of curriculum choice;
- Designated social space to accommodate total pupil roll. The area sufficient to accommodate all pupils in bad weather;
- Good practice in modern school design would suggest that each child benefits from having individual storage for outdoor clothing, school bags;
- As a result of Shetland's junior high school model, higher than national average percentage of pupils in class 5 and 6;
- The science technician service which supports all of Shetland's schools is based in the Anderson High School;
- The craft and design technician who supports all of Shetland's secondary schools is based in the Anderson High School.

3.5 Capacity

3.5.1 The school should have the capacity for approximately 1000 pupils. The chart below details the current school roll of 899 pupils broken down between the year groups.



- 3.5.2 From the information available to us we have shown within the table below the projected school roll for the following 7 years. These projections do not show any significant roll changes within that period.

ANDERSON HIGH SCHOOL
Projected School Rolls
2012-2019

Session	S1	S2	S3	S4	S5	S6	Total
2012/13	125	152	139	156	156	109	837
2013/14	132	125	152	139	183	105	836
2014/15	136	132	125	152	161	123	829
2015/16	138	136	132	125	174	108	813
2016/17	154	138	136	132	151	117	828
2017/18	141	154	138	136	147	102	818
2018/19	144	141	154	138	156	99	832

- 3.5.3 The design should be flexible enough to allow future extension to the building should the current pupil number trends significantly change (for example as a result of the Community Planning Board's aspirations to increase the population of Shetland).
- 3.5.4 The room sizes detailed in the accommodation schedule contain an element of flexibility in order to allow the most effective planning of the overall building envelope.

3.6 Design Criteria

- 3.6.1 Shetland Islands Council wish to ensure that secondary education in Lerwick is designed to inspire pupils, in line with guidance provided by national agencies such as The Commission for Architecture and the Built Environment and Architecture and Design Scotland.
- 3.6.2 Commission for Architecture and the Built Environment has produced a design guide called, "*Creating excellent secondary schools*"
<http://www.cabe.org.uk/default.aspx?contentitemid=1935>
- 3.6.3 Architecture and Design Scotland has produced a range of publications on School Design, Sustainability, Optimising the Internal Environment, and Building Excellence, which focuses on the implications of the Curriculum for Excellence for school design.
<http://www.scotland.gov.uk/Topics/Education/Schools/Buildings/Design>

- 3.6.4 Case studies are available which highlight good practice in school design across Scotland, and includes plans, images, user views and information on the design features of 20 projects covering all sectors.
www.scotland.gov.uk/schoolestate-casestudies
- 3.6.5 It is therefore a requirement of this brief for a new school:
- that the design has taken account of Shetland Islands Council policies relating to design including the size, scale and dominance of the building in relation to the site;
 - that the design and the external finishes and building materials will help integrate the building successfully into the landscape around it;
 - that the design of the building integrates sympathetically with existing neighbouring buildings;
 - that there is appropriate access for anyone with additional support needs;
 - that the school design and grounds offer educational opportunities;
 - that the design ensures minimum inconvenience and disruption from breakdowns, repair and maintenance activities during construction, and in operation.
- 3.6.6 Outdoor education is integral to a broad, varied curriculum for all schools. It is essential therefore:
- that the design of the school grounds offer space for educational opportunities;
 - that the landscape helps integrate the school into its surroundings and provides areas that encourage physical activity;
 - that hard play space is provided in the immediate vicinity of the building;
 - that the external surroundings of the school must be landscaped and planted in a manner that will enhance the aesthetic qualities of the site whilst ensuring that all areas can be easily maintained. External sheltered areas to be provided where possible.

3.7 Access

- 3.7.1 A main point of access to the building is required, for staff, pupils, parents and members of the community that will serve as the sole out-of-hours use access to the school.
- *Pedestrian Access*
Pedestrian access should be physically segregated from vehicular traffic. Steps should be avoided wherever possible. Ramps should be provided in line with the Council's integration aspirations.
 - *Vehicular Access and Parking*
Vehicle access and parking layouts should facilitate free flow of traffic and avoid conflict between buses and car parking.
 - *Pupil Drop Off / Collection*
The pupil drop or collection point should be separate from the normal flow of school transport and traffic accessing the car park. This should be situated as near as practicable to the main entrance.

- *Incoming Goods Delivery Access*

Delivery access should be separate from main access. This should be secure from the outside of the building. This access will be controlled from inside the building only.

3.8 Community Use Requirements

3.8.1 Shetland Islands Council believe that community use of the school outwith the school day can assist in integrating the school into the community and therefore welcome the use of certain school facilities outwith the normal curriculum day. Existing community uses include:

- evening classes;
- meeting spaces for community groups;
- sports and leisure activities;
- community social events.

3.8.2 Any provision must therefore:

- be welcoming to the public;
- have a layout where community-used facilities and accommodation are easily accessed and clearly signposted;
- have a layout where facilities and accommodation can easily be segregated from the rest of the school building;
- ensure that the security of the school is not compromised by community use;
- ensure that community use can be provided with the minimum of staffing and revenue costs.

3.9 Design for Integration

3.9.1 Any provision should be 'barrier free' for all users with additional support needs.

3.10 Temperature / Ventilation

3.10.1 Any provision must be of energy efficient design and must ensure thermal comfort during occupied hours for seasonal variations. It should incorporate a natural ventilation system.

3.10.2 Given local wind conditions actual infiltration rates will be far higher than for an equivalent building built elsewhere. Particular attention should be paid to air tightness during the design and construction phases, and whole building or component air tightness testing is required.

3.10.3 It is the intention of Shetland Islands Council to heat the school facility by connecting into the localised district heating system, if possible.

3.11 Acoustic Aspects

3.11.1 All rooms must be acoustically insulated to ensure that lessons are not disturbed by noise from adjoining rooms, external ambience, or circulation space in accordance with Building Bulletin 93 Acoustic Design of Schools, a Design Guide.

3.12 Flexibility

- 3.12.1 Responsiveness to an evolving curriculum is a key success factor for every school, and the school must be designed to allow the greatest degree of flexibility to respond to change. Flexible learning spaces are therefore anticipated to be an important feature of the accommodation.

3.13 Environmental Factors / Sustainability

- 3.13.1 The design must fully adopt Shetland Islands Council's environmental, sustainability and transport aspirations, and it is a requirement. It should take account of national and local sustainability targets.

3.14 Affordability / Value for Money

- 3.14.1 Strategic long term investment and whole life cycle costing methods will be expected to be applied to key elements of the design. The new school should be, to the greatest level practicable, economic, durable and adaptable, in both capital and revenue operational costs. These whole life cycle costing appraisals should include the implications for transport, taking account of predicted trends.
- 3.14.2 Any provision should address foreseeable legislative and environmental changes that would be more expensive to retrofit/ repair/ replace in service rather than install from new build.

3.15 Building Services

- 3.15.1 Mechanical and electrical engineering service installations must be designed in accordance with good industry practice. All installations must be sustainable and have efficient, low maintenance operation with the latest technology applied to minimise running and replacement costs.
- 3.15.2 All mechanical and electrical systems and equipment must be specified and designed so that locally based companies can carry out routine maintenance, servicing and repairs and procure spare parts.

3.16 Maintenance

- 3.16.1 Any provision should be designed so as to minimise wherever possible the need for regular cleaning and maintenance.
- 3.16.2 Where regular cleaning and maintenance are required this should be made as easy and safe as possible, with only minimal requirements for specialist equipment, mobile access arrangements or specialist staff.

3.17 Security

- 3.17.1 The security of the facilities is of the utmost importance to Shetland Islands Council and any provision should be designed with discrete forms of security in

mind, in particular the number and location of entrances, the ability to monitor movements, location of car parking, lighting, etc.

- 3.17.2 Any provision must be designed in such a way as to encourage ease of access for legitimate use, whilst managing pupil and staff entrances to prevent unauthorised access. There is a need to provide an effective but unobtrusive security system to ensure the safety of pupils, staff, parents, members of the community, personal property, furniture, equipment, buildings and the site, 24 hours per day. It must be able to be secured in separate zones at times of limited use.
- 3.17.3 Unauthorised access to areas with a high risk of theft, malicious damage, or possible hazard must be minimised through suitable security measures such as door access systems.
- 3.17.4 Pupils should have restricted access to areas such as offices, stores and the staff room.
- 3.17.5 The security and safety of all property from possible vandalism must be addressed. Vandal resistant finishes must be provided where appropriate.

3.18 Technology

- 3.18.1 There is a requirement for up to date ICT infrastructure, to support modern learning methods. A flexible infrastructure for ICT is required.
- 3.18.2 Wireless technology and increased availability of laptops and other devices to pupils is a main factor in the future considerations.

3.19 Brief and Service Need for a Hall of Residence

- 3.19.1 Shetland Islands Council is obliged under the Education (Scotland) Act 1980 to make special arrangements for pupils who could not otherwise attend the Anderson High School owing to the remoteness of their home. Special arrangements can include the provision of hall of residence accommodation. Therefore, the provision of a hall of residence has been included in the brief and will be considered alongside the options for the school.
- 3.19.2 The schedule of accommodation for the hall of residence is taken from a previous scheme dated 2004.
- 3.19.3 Whilst the schedule has not been updated or revised it is in line with a pro rata analysis of the accommodation being provided as part of the Kirkwall Grammar School project.
- 3.19.4 The Kirkwall hall of residence was designed to meet the Scottish Government's National Care Standards for school care accommodation services. These services and standards are administered by Care Scotland.

- 3.19.5 The schedule has been used to prove the adequacy of the Lower Staney Hill site to accommodate the school and hall of residence within the education zone.

3.20 Corporate and Service Plans

- 3.20.1 This project will contribute towards the targets set out in Shetland's Single Outcome Agreement under the following:

- Percentage of population taking part in cultural and volunteering activities
- Proportion of working age population (16-64 years) who are in employment
- Social Capital
- The percentage of working age population with low or no qualifications (SCQF Level 4 or less)
- The number of adults from hard to reach groups accessing various learning opportunities
- Levels of attainment in National Qualifications at S4, S5 and S6
- The workforce is appropriately skilled for the local job market
- The percentage of school leavers in positive and sustained destinations
- The proportion of working age people achieving SCQF Level 6 or above
- Maintain positive child protection inspection reports
- All children with an identified need for a GIRFEC plan have one in place
- Increase the number of active people within Shetland
- Numbers and percentage of children walking or cycling to school
- Carbon reduction of public sector organisations.

- 3.20.2 This project is not specifically mentioned in the 2010-2012 Corporate Plan but contributes to it by the following:

- Maintaining a sustainable society - "We will ensure the local development plan, developments in Community Care and the Blueprint for Schools are aligned. This recognises the important link between land use, service delivery and sustainable communities."
- Schools - "Our challenge is to develop a modern Blueprint for the shape of education across Shetland for the next 10 years. This will be carried out with the knowledge that Shetland's population projections anticipate a substantial reduction in the number of pupils within a relatively short period of time."
- Lifelong Learning - "Lifelong learning makes a major contribution to the local economy, individuals and communities. We therefore want to maximise the opportunities for further, higher and vocational learning opportunities, both for school leavers and for people returning to learning."
- Smarter - "We will provide help to individuals to get the learning opportunities they need, focusing on the long-term unemployed, the 18-24 age group, those misusing substances and winter leavers."
- "We recognise each person's strengths, and building on these to give them greater capacity, increased confidence and encourage participation and responsible citizenship."
- "We take a proactive approach to ensuring Shetland's skills match Shetland's economic need."

3.2 Summary of Service Need

3.21.1 The following table shows a summary of how each of the options meets the service needs identified.

	Op1 - LSH	Op2 – Maintain	Op3 – Refurbish	Op4 - Knab
Provision of Education in fit for purpose building	Fully Met	Partially Met	Fully Met	Fully Met
Equality Act 2010	Fully Met	Partially Met	Fully Met	Fully Met
The Education (Additional Support for Learning) (Scotland) Act 2004	Fully Met	Partially Met	Partially Met	Fully Met
Broad General Education	Fully Met	Fully Met	Fully Met	Fully Met
Personalisation and Choice	Fully Met	Fully Met	Fully Met	Fully Met
Full Inclusion	Fully Met	Partially Met	Partially Met	Fully Met
ICT Provision	Fully Met	Fully Met	Fully Met	Fully Met
Security	Fully Met	Fully Met	Fully Met	Fully Met

4.0 Stakeholder and Client Consultation

4.1 A statutory consultation was undertaken on the relocation of the site of the Anderson High School.

4.2 Consultation with pupils, staff and parents took place 13th September 2010 as part of the gateway process.

4.3 Further consultation with pupils, staff and parents would be required on whichever option for secondary education in Lerwick is taken forward.

5.0 Technical Consultations

5.1 The following were consulted during this option appraisal:-

Shetland Islands Council:

- Planning
- Building Standards
- Environmental Health
- Safety & Risk
- Assets & Properties
- Building Services
- Roads
- Sport & Leisure

Other Shetland Agencies:

- Shetland Recreational Trust
- Shetland Heat Energy and Power

Other Local Authorities:

- Orkney Islands Council
- Western Isles Council
- Midlothian Council
- Derbyshire County Council
- Barnsley Borough Council
- Nottingham County Council

Others:

- Scottish Environment Protection Agency
- Sgoiltean Ùra (Western Isles arms length limited company running the schools improvement programme)
- Scape System Build Limited (Formerly Clasp)
- York University.

6.0 Project Options

6.1 Summary of Options

6.1.1 Option 1 Fit for Purpose Community School and Hall of Residence, Lower Staney Hill

This option provides a fit for purpose School and Hall of Residence within the Education Zone (the area designated by planning as zoned for education) adjacent to the Clickimin Leisure Centre.

6.1.2 Option 2 Do Nothing, the Knab

This option can be described as being 'do nothing additional to the required level of maintenance'. The current Janet Courtney Hall of Residence is maintained in this option. This option is required to be considered as part of the Gateway process.

6.1.3 Option 3 Refurbishment Scheme, the Knab

This option aims to address the accommodation shortfalls and condition of the existing school, as highlighted in the School Estate Management Plans 2006 – 2010 and in the project brief, through a series of phased refurbishment proposals. The Bruce Hall of Residence building (not currently part of the school) is refurbished and taken back into use as a Hall of Residence in this option, with the current Janet Courtney Hall of Residence being refurbished and used as part of the teaching accommodation for the school. This option is required to be considered as part of the Gateway process.

6.1.4 Option 4 Fit for Purpose Community School, the Knab

Although this option is not Shetland Islands Council policy, there remains an option to build a new school at the Knab Site. Therefore, this option is included together with the other options as a comparator to the preferred option. The current Janet Courtney Hall of Residence was to be maintained in this option, however a new build / refurbishment of the current Bruce Hall of Residence is considered.

6.2 Option Appraisal

6.2.1 Option 1 Fit for Purpose Community School and Hall of Residence, Lower Staney Hill

- 6.2.1.1 The sloping greenfield site at Lower Staney Hill is adjacent to the Clickimin Leisure Centre and has access to the adjoining playing fields. The peat covered slopes have rocky outcrops of the underlying stone. The site survey showed pockets of peat to 5 metres in places and deterioration in the surface rock. The survey indicated that the underlying strata should support a three storey development.
- 6.2.1.2 There is a 1 in 5 gradient to the lower eastern part of the site which increases to 1 in 3.5 towards the western boundary. The sketch proposals, illustrated in Annexe A1 and A2, attempt to minimise formation on-costs by limiting the amount of excavation and stepping the building up and along the contours.
- 6.2.1.3 The site is made up of two parcels of land. There is a large area to the north of Staney Hill Road which is owned by Shetland Leasing and Property. The smaller parcel of land to the south is privately owned. An allowance for the purchase costs of each is included in the external works costs.
- 6.2.1.4 It is proposed to build the school on the larger northern plot adjacent to the playing fields with the hall of residence being accommodated on the land to the south. Previous schemes have placed the school building further up the slope with consequentially high infrastructure on-costs. We have looked to reduce these costs by developing the lower part of the site and reconfiguring the playing field area.
- 6.2.1.5 The attached block plan at Annexe A1, illustrates the suggested layout and shows the school sitting around the car park and playing fields. The PE department is included within the footprint of the school, to prove it can be accommodated, however it could equally be accommodated as part of the Clickimin Leisure Centre. A new roundabout is introduced on Lower Lochside which affords access onto an enlarged roadway between the running track and playing field. The road would also serve the leisure centre, camp site and hall of residence. The existing exit from the leisure centre would be closed off. The main hall is situated at the centre of the block. This is desirable as the hub of the school but also takes advantage of the contours which recede at this point. The games hall encroaches outside the education zone onto flatter land. The previous site survey indicated this area to be peat on rock as elsewhere in the education zone. The landfill appears to peter out under the playing field along the northern shore of the former loch. Again this was done to minimise

excavation on-costs but aesthetically it helps to set the school into its surroundings.

- 6.2.1.6 Although the key items of accommodation are illustrated in Annexe A1, a more detailed plan will offer additional options as the tender documents and output specification are developed. An allowance to reflect the stage and level of detail of these sketch proposals is included in the cost summary at Annexe A3.
- 6.2.1.7 The building has been stepped up the slope by introducing single sided accommodation at lower levels. This attempts to mould the building to the land formation rather than flattening off large areas to accommodate the building. The sketch sections included in Annexe A2, illustrate the proposals. The blocks run south west to north east along and parallel to the contours.
- 6.2.1.8 Shared use of Clickimin Leisure Centre by the Physical Education department.
- a) The possibility of extending the Clickimin Leisure Centre and making this available for school use during the day has previously been investigated and costed. Shetland Recreational Trust have indicated their interest in exploring this possibility, to maximise the use of the leisure centre during the day, as well as at night.
 - b) An updated list of requirements was prepared by Anderson High School PE teaching staff, and this is in line with the previous scheme. The schedule of accommodation for the PE department is some 1661 m² but with circulation will be in the region of 1860 m². The build cost for the department will be somewhat lower than for classroom accommodation. If however we take the average cost per square metre rate of £2007.91; Cost Summary - annexe A3, the cost of a new build department will be in the region of £3.75 million. The previous scheme was costed in 2010 at £3.5 million.
 - c) From a sustainable viewpoint shared use of the leisure centre will maximise the use of an existing facility and the staffing resource attached to it. This would ensure that there would be no requirement for additional school staff in the evenings when the facilities could be available for community use. There is an opportunity here to maximise the use of the leisure centre and also enhance community resources both within and outside school hours.
 - d) Sportscotland have indicated that grants may be available towards the cost of shared use facilities. They have suggested building an enclosed all weather Astroturf pitch to provide a year round football and hockey facility. Sportscotland would be consulted during the preparation of the tender documentation and output specification, so that any potential external funding is maximised.
 - e) From the cost estimates there is not a significant difference in cost between the new build and shared solutions. For the purposes of this report a new build department has been included as part of the school.

- 6.2.1.9 A new hall of residence would be built on the site to the south of Lower Staney Hill Road. The communal accommodation (dining etc) is on the ground floor. There will be separate boys and girls bedroom wings. The hall of residence will accommodate 100 pupils in predominantly en-suite accommodation to meet the Scottish Governments 'National Care Standards' for school care accommodation services. Care Scotland who administer the standards would be consulted at an early stage of the design process. Whilst the proposed hall of residence has been included in the feasibility appraisal, the scheme is not interlinked and the respective costs are identifiable. Should it be decided to phase the development, retain the current hall of residence or site the hall of residence elsewhere the item can simply be removed.
- 6.2.1.10 The ground floor level of the proposed school is above the 5 metre risk level. There has been consultation with Scottish Environment Protection Agency (SEPA) and our colleagues in costal defence and drainage and have addressed and included for solutions to the items raised.
- 6.2.1.11 Disposal and alternative use of the existing Knab site must be considered with this option.
- 6.2.1.12 Whilst the Clasp classroom and halls of residence blocks are attached to listed buildings and therefore technically protected it is thought that permission to demolish these would be forthcoming as part of the general site decommissioning / re-use proposals.
- 6.2.1.13 Outline proposals for a re-use scheme have been discussed with the Planning Department. It is proposed that following decommissioning, the Knab site, including the three listed buildings, is sold in developable plots. The estimated decommissioning costs and realised site values are included in cost summary at Annexe A3.

6.2.2 Option 2 Do Nothing, the Knab

- 6.2.2.1 This option would be better described as 'do nothing additional to the current level of maintenance'.
- 6.2.2.2 Because of Shetland Islands Council's aspirations to build a new school the level of maintenance has been historically low. This low level of maintenance means that enhanced levels of repair and maintenance are now required.
- 6.2.2.3 Doing nothing is unsustainable in the long term, however a schedule of ongoing repair and maintenance has been prepared to cover a 20 year period, which reflects the estimated life of the school.
- 6.2.2.4 The Anderson Educational Institute, Janet Courtney and Bruce Halls of Residence are all listed buildings and have to be maintained or sold.
- 6.2.2.5 The central 1960's buildings which house music, home economics and pupil support are close to the end of the designed life of 60 years.

- 6.2.2.6 Dearle & Henderson, chartered surveyors, commented that the Mark 5 Clasp buildings were 'some of the best they had seen' following their condition survey 2007 / 2008. The original design life of these buildings was circa 60 years. York University, whose Clasp buildings are earlier versions dating between 1962 and 1970, have stated that they are hoping to extend the life of their units by a further 20 – 25 years. The Anderson High School Clasp blocks were erected in 1975 and the normal design life would have taken these up to 2035. With an appropriate programme of service replacement and repair the design life should be achieved, if not extended.
- 6.2.2.7 The Bruce Hall of Residence is not included in the Building Services schedule as this is not occupied by the school. The Bruce Hall of Residence is however connected to and serviced by the schools mechanical and electrical systems. Failures / shutdowns within the Bruce Hall of Residence will impact on the school. It is anticipated that the Bruce Hall of Residence will be isolated from all school systems.

6.2.3 Option 3 Refurbishment Scheme, the Knab

6.2.3.1 Introduction

- a) This option looks to maintain, repair and retain as much of the existing accommodation as possible. It addresses the condition and shortcomings of the existing buildings as identified in the School Estate Management Plans 2006 – 2010.
- b) The phasing and scheduling have been considered in an attempt to minimise the level of disruption and decanting occasioned by the works. Some parts of the existing school would be totally remodelled whilst other areas would be demolished to make way for new build elements to meet the service need.
- c) The Anderson Institute Building, Bruce and Janet Courtney Halls of Residence are listed buildings and included within the proposals. The Option 3 sketch drawing at Annexe C1, illustrate a suggested phased programme of works.
- d) This is not a prescriptive schedule but aims to achieve the objectives set out above.
- e) The current combined area of the school and additional support needs unit is currently 14,505 sq metres. This option could increase this to 17646 sq metres, if the Bruce is brought back into use and the Janet Courtney refurbished as teaching space. The new hall and social space included in this option would make the refurbished scheme larger than the proposed new build school.

6.2.3.2 Phase 1

- a) To create space within the school to allow for the proposed phased redevelopment without the need for temporary or external decant accommodation it is suggested that the Bruce Hall of Residence would be brought back into use as the new hall of residence. The Bruce Hall of Residence is not attached to the school and as such the works could easily be managed and contained with the minimum of disruption.
- b) The Bruce Hall of Residence, which was gifted to the community in 1919, is a listed building. A kitchen, dining room and bedroom wing was added in the 1970's.
- c) The original Bruce Hall of Residence would be retained. The 1970's Clasp extension would be carefully demolished and method of construction logged. This information would be very useful when scheduling works to Clasp blocks which would be refurbished.
- d) The Bruce Hall of Residence would be totally refurbished and an extension added to complement the upgraded accommodation. The hall of residence would accommodate 100 pupils in predominantly en-suite accommodation to meet national care standards.
- e) The Bruce Hall of Residence is currently occupied by services supporting families and children. These services would need to be accommodated elsewhere to ensure ongoing service delivery. Due to the ongoing asset strategy exercise a suitable solution has not been identified but facilities would have to be sourced and provided from within the design risk / stage allowance within the reported costs.
- f) A new all weather playing area would be laid adjacent to the games hall to replace the existing all weather playing area which is needed as part of the site for the new hall.
- g) A new gymnasium and fitness suite would be added to the games hall. The existing gymnasium forms part of the refurbished central area which would connect up to the new entrance in Phase 2.

6.2.3.3 Phase 2

- a) A new car park, bus drop off and entrance would be created off Knab Road. A new main entrance would be formed next to the games hall. This would link through into the former gymnasium which would be converted and would ultimately form part of the new multi-level central social space / concourse. The new entrance which can be locked off from the concourse area would also act as the foyer for the games hall for evening / weekend community use.
- b) The original Janet Courtney Hall of Residence built in 1939 would be refurbished together with the later clasp extension. The updated

accommodation would house the following departments:- music, home economics, pupil support and art.

6.2.3.4 Phase 3

- a) The music department, home economics and pupil support blocks would be demolished.
- b) A new main hall would be built on the site created.
- c) The former art department would be refurbished and fitted out to allow for the phased maintenance and repair within the existing accommodation / shell to begin.

6.2.3.5 Phase 4

- a) The central area would be refurbished. The existing hall would be converted into a new library and the existing one in the old Anderson Institute converted back into classrooms / tutorial rooms.

6.2.3.6 Shetland Island Council's Safety and Risk Department have been consulted and these proposals are within the capabilities of a Competent Contractor. Detailed schedules of work and programmes will be required as will a close working relationship with the school management team.

6.2.4 Option 4

Fit for Purpose Community School, the Knab

- 6.2.4.1 Although the Shetland Islands Council decision is that the preferred site is the Lower Staney Hill there remains a viable and well developed option to build a new school at the Knab, Lerwick. A plan can be found in Annexe D1.
- 6.2.4.2 This project hoped to achieve a new school on the same site as the current Anderson High School. It would have provided a school which was linked to the existing base for pupils with complex additional support needs. It would have provided secondary education in a modern fit for purpose building.
- 6.2.4.3 The project had developed the overall design size, the revised brief and accommodation schedule, the principles of the site of the new school on the Knab site and the detailed educational and technical impacts.
- 6.2.4.4 There was a project manager appointed, and early contractor involvement arrangements were put in place. The project team worked up the detailed design work, developed cost estimates and prepared the technical studies to support the planning application.
- 6.2.4.5 There was no proposal for the hall of residence within this scheme, however this has been considered in the 'Exploring Options' section, to ensure that the best information is available to Members.

7.0 Exploring Options

7.1 Option 1: Fit for Purpose Community School and Hall of Residence, Lower Staney Hill

7.1.1 Capital Cost Summary

Table 1 - Capital Costs for Option 1	£000	Note
School	42,862	
Hall of Residence	9,445	
The Knab Site	528	Decommissioning and land realisation
BREEAM* Excellent	1,046	Usually required by External Funders
Identified Risks	9,388	Would reduce as project moved forward
TOTAL COST	63,270	Traditional Construction Method

7.1.1.1 *These costs are for traditional construction. Costs for modular construction are included within the attached summary. The modular construction costs are marginally higher but may offer a shorter build programme.*

7.1.1.2 In exploring the options available, the individual cost of components have been identified, to ensure that Members have full information. Table 2 below provides the breakdown of cost per component.

Table 2 - Individual Component Costs for Option 1	£000	Note
Total Hall of Residence cost including BREEAM and Identified Risks	10,405	Hall of Residence could remain at Knab
Total PE and ASN Departments cost including BREEAM and Identified Risks	5,929	PE could be delivered at Clickimin, ASN could remain at Knab
Total School cost including BREEAM, Knab decommissioning and Identified Risks but excluding Hall of Residence, PE and ASN	46,936	
TOTAL COST	63,270	Traditional Construction Method

7.1.1.3 A copy of the Cost Summary can be found in Annexe A3, and the detailed cost estimate can be found at Annexe A4.

* BREEAM - British Research Establishment Environmental Assessment Method

7.1.2 Ongoing Revenue Costs

- 7.1.2.1 Table 4 below shows the estimated ongoing revenue cost of Rates and Maintenance on Option One, compared with the current spend on the Anderson High School. Option One is estimated to cost £133,000 more per annum. Full details are provided in Annexe F1.

Table 4 - Ongoing Revenue Costs for Option 1 compared to current budget	Current AHS, ASN & HOR £000	Option 1 £000	Variance £000
Rates	256	434	-178
Maintenance	563	518	45
TOTAL ONGOING COST	819	952	-133

- 7.1.2.2 It is not possible to assess other items of revenue spend such as Energy use etc until there is a detailed design, however the indications are that these costs would not be expected to reduce significantly due to the increased size of the building.

7.1.3 Net Present Value (NPV)

- 7.1.3.1 The Net Present Value of Option one is shown in the table below. The value excluding a new build Hall of Residence is also included for comparison.

Table 3 - Net Present Value for Option 1	£000	Note
New School and Hall of Residence	78,201	Includes 30 year lease cost
New School and maintained Hall of Residence at Knab	75,276	Includes 30 year lease cost for School only, Hall of Residence would be replaced at the end of its useful life

7.1.4 Timescale/ Programme

- 7.1.4.1 If a procurement route similar to the one employed by Orkney Islands Council and Midlothian Council was employed, and an instruction to commence the process is approved by the end of 2011 the school could be completed by 2016 / 2017.

7.1.5 Environmental

- 7.1.5.1 A copy of a Safeguarding and Constraints drawing is attached at Annexe A5. This shows the previous uses and restrictions for the site and adjoining area and is for background information.
- 7.1.5.2 The environmental impact of the scheme will be assessed and such measures as are required to be addressed would be included in the output specification
- 7.1.5.3 The Scottish Environmental Protection Agency (SEPA) have been consulted and methods to address rainwater collection and attenuation have been agreed in principle. These measures have been included in the cost estimates.
- 7.1.5.4 Decommissioning and site disposal, the Knab.
 - a) This is a residential area and due care and attention would be required to minimise the disruption to the surrounding environs.
 - b) Particular attention must be given during demolition works and asbestos removal.

7.1.6 Planning

- 7.1.6.1 The school and hall of residence are within the Education Zone which is included in the Local Plan. The ground works and proposed encroachment of the PE department outside of the zone are not thought to be problematic. A planning application would be required.

7.1.7 Accessibility

- 7.1.7.1 This is not a level site and careful consideration would be included in any output specification with regards to the need to pay due regard to requirements of BS 8300 and the Equality Act 2010.
- 7.1.7.2 As with any split level site accessibility issues would require a full access audit and the appropriate level of expenditure committed to create an accessible environment.

7.1.8 Sustainability

- 7.1.8.1 The new school would be built to meet current building standards and aim to achieve BREEAM excellent status. The new school should offer the opportunity to reduce it's carbon footprint.

7.1.9 Health & Safety

- 7.1.9.1 The school would be designed, built and managed in compliance with the Construction (Design and Management) regulations current at the time.

7.2 Option 2: Do Nothing, the Knab

7.2.1 Capital Cost Summary

- 7.2.1.1 This option does not include any capital costs.

7.2.2 Ongoing Revenue Costs

- 7.2.2.1 Table 7 below shows the estimated ongoing revenue cost of relevant items of expenditure on Option Two. Full details are provided in Annexe F3.

Table 7 - Ongoing Revenue Costs for Option 2	Option 2
	£000
Rates	256
Maintenance	563
TOTAL ONGOING COST	819

- 7.2.2.2 Other items of revenue spend such as Energy costs are not included, as the indications are that these costs would not be expected to vary depending on the option chosen. This is due to the increased size in all other options.

7.2.3 Net Present Value (NPV)

- 7.2.3.1 It is not possible to complete a Net Present Value calculation for Option Two as the estimated useful life is expected to be no more than 20 years, and NPVs are calculated over 60 years.

7.3 Option 3: Refurbishment Scheme, the Knab

7.3.1 Capital Cost Summary

Table 5 - Capital Costs for Option 3	£000	Note
Phase 1 - Hall of Residence, New Gym, Fitness Room and Astro Turf Playing Field	10,515	Bruce Hostel taken back into use as a Hall of Residence
Phase 2 - New Classrooms, External Work and New Main Entrance	13,833	Janet Courtney Hall of Residence converted into classrooms (avoids need for decant)
Phase 3 - New Hall and Social Space	3,826	
Phase 4 - Non-Teaching Refurbishment	1,435	
Phase 5 - Planned Maintenance Works	2,951	
BREEAM Excellent	651	Usually required by External Funders
Identified Risks	3,321	
TOTAL COST	36,533	

A copy of the cost summary estimate can be found at Annexe C2, and the detailed cost estimate can be found at Annexe C3.

7.3.2 Ongoing Revenue Costs

- 7.3.2.1 Table 8 below shows the estimated ongoing revenue cost of Rates and Maintenance on Option Three, compared with the current spend on the Anderson High School. Option Three is estimated to cost £349,000 more per annum, as a result of the estimated increase in rates related to the increased floor area. Full details are provided in Annexe F5.

Table 8 - Ongoing Revenue Costs for Option 3 compared to current budget	Current AHS, ASN & HOR	Option 3	Variance
	£000	£000	£000
Rates	256	381	-125
Maintenance	563	787	-224
TOTAL ONGOING COST	819	1168	-349

- 7.3.2.2 It is not possible to assess other items of revenue spend such as Energy use, etc until there is a detailed design, however the indications are that these costs would not be expected to vary depending on the option chosen.

7.3.3 Net Present Value (NPV)

- 7.3.3.1 The Net Present Value of Option Three is shown in the table below.

Table 9 - Net Present Value for Option 3	£000	Note
Refurbished School and Hall of Residence	52,025	Bruce Hostel is taken back into use as Hall of Residence

7.3.4 Timescale/ Programme

- 7.3.4.1 The refurbishment works could commence within 18 months and phases 1 – 4 completed by 2018. The scheduled items of maintenance and repair could commence within 12 months but would initially be limited to works which could be completed at weekends and during school holidays.
- 7.3.4.2 Alternatively, this option could be completed over a different time period, to take account of priorities and cash flow.

7.3.5 Environmental

- 7.3.5.1 This is a residential area and due care and attention would be required to minimise the disruption to the surrounding environs.
- 7.3.5.2 Particular attention must be given during demolition works and asbestos removal. The asbestos would be removed in small controlled areas by licensed specialist sub-contractors prior to any demolition works

7.3.5.3 This option retains use of the existing site.

7.3.6 Planning

7.3.6.1 The option meets policy with regards to sustainable development and also addresses the care and retention of the listed buildings.

7.3.6.2 The proposals are for the retention, refurbishment and redevelopment of existing facilities and uses on an established site.

7.3.6.3 The proposed new car park, bus drop off and associated entrance are similar to the previous new build scheme at the Knab.

7.3.6.4 Planning applications and Listed Building Consents will be required for the various phases of the proposals.

7.3.7 Accessibility

7.3.7.1 As with any split level site accessibility issues will require a full access audit and the appropriate level of expenditure committed to create an accessible environment.

7.3.8 Sustainability

7.3.8.1 The reduction in the schools carbon footprint offered by the new building options would be offset, in part, by the reuse of the embodied energy in the existing structures.

7.3.9 Health & Safety

7.3.9.1 Shetland Islands Council Safety and Risk Department have been consulted and it is thought that these proposals are within the capabilities of a Competent Contractor.

7.3.9.2 The works would be designed, undertaken and managed in compliance with the Construction (Design and Management) regulations current at that time.

7.3.10 Management

7.3.10.1 Detailed schedules of work and programmes would be required as would a close working relationship with the school management.

7.3.10.2 The Families and Children's Support Services in the Bruce Hall of Residence would be consulted and suitable arrangement made to ensure the continued delivery of the services if the use of the Bruce Hall of Residence was to change.

7.4 Option 4: Fit for Purpose Community School and Hall of Residence, The Knab, Lerwick

7.4.1 Cost Summary

Table 11 - Capital Costs for Option 4	£000	Note
Target Cost	40,808	
Inflationary Increase	4,749	Estimated
Hall of Residence	9,445	
TOTAL COST	55,002	Traditional Construction Method

A copy of the cost summary can be found in Annexe D2.

7.4.2 Detailed Costs

7.4.2.1 A detailed cost breakdown is available but not included on grounds of commercial confidentiality.

7.4.3 Life Cycle Costs (LCC) including a Hall of Residence

7.4.3.1 Table 10 below shows the estimated ongoing revenue cost of Rates and Maintenance on Option Four, where several options are considered for the Hall of Residence, compared with the current spend on the Anderson High School. The most cost effective option would be with a refurbished hall of residence, however this is still more expensive than current costs. Full details are provided in Annexe F6, F7 and F8.

Table 10 - Ongoing Revenue Costs for Option 4 compared to current budget	Current AHS, ASN & HOR	New School and Hall of Residence	New School & Maintain Current Hall of Residence	New School & Refurbish Hall of Residence	Highest Variance to current budget	Lowest Variance to current budget
	£000	£000	£000	£000	£000	£000
Rates	256	411	411	411	-155	-155
Maintenance	563	538	669	529	-106	34
TOTAL ONGOING COST	819	949	1,080	940	-261	-121

7.4.3.2 It is not possible to assess other items of revenue spend such as Energy use etc until there is a detailed design, however the indications are that these costs would not be expected to vary depending on the option chosen.

7.4.4 Net Present Value (NPV) including a Hall of Residence

7.4.4.1 The Net Present Value of Option Four is shown in the table below, in several connotations to aid comparison.

Table 6 - Net Present Value for Option 4	£000	Note
New School and Hall of Residence	71,315	Includes 30 year lease cost on School and Hall of Residence
New School and maintained Hall of Residence at Knab	69,161	Includes 30 year lease cost for School only, Hall of Residence would be replaced at the end of its useful life
New School and Refurbished Hall of Residence	79,164	Includes 30 year lease cost for School only

7.4.5 **Timescale/ Programme**

- 7.4.5.1 An updated building warrant would be required. Subject to negotiation this scheme could be completed by 2015 / 2016.

7.4.6 **Environmental**

- 7.4.6.1 The development would use existing infrastructure services. The existing district heating supply would be incorporated. This is redevelopment on a brown field site with an established use.
- 7.4.6.2 This is a residential area and due care and attention would be required to minimise the disruption to the surrounding environs.

7.4.7 **Planning**

- 7.4.7.1 Any updates or variations to the previous scheme would require planning permission.

7.4.8 **Accessibility**

- 7.4.8.1 This is not a level site, and due regard must be given to requirements of BS 8300 and the Equality Act 2010 which has largely replaced the Disability Discrimination Act 2005. The disability equality duty under the Disability Discrimination Act 2005 still applies.
- 7.4.8.2 As with any split level site accessibility issues would require a full access audit and the appropriate level of expenditure committed to create an accessible environment.

7.4.9 **Sustainability**

- 7.4.9.1 The new school would be built to current standards and aim to achieve BREEAM excellent. This is required if external funding is used to fund this option. The development would use existing infrastructure services. The existing district heating supply would be incorporated. This is redevelopment on a brown field

site with an established use. The new school should offer the opportunity to reduce it's carbon footprint.

7.4.10 Health & Safety

7.4.10.1 The school will be designed, built and managed in compliance with the Construction (Design and Management) regulations current at that time. The scheme would have an impact on the existing school and there would be disruption and nuisance to those attending the school and the surrounding residential area.

8.0 Procurement and Implementation

8.1 Introduction

8.1.1 In considering procurement options, different models of procurement used by Orkney Islands Council, Midlothian Council and Western Isles Council in their schools improvement programmes have been investigated.

8.1.2 If Scottish Government support were forthcoming then this may drive the procurement route chosen.

8.1.3 Both Orkney Islands Council and Western Isles Council have used a standard Scottish Schools Public Private Partnership Contract which their respective legal departments have amended to suit their needs.

8.2 Orkney Islands Council

8.2.1 Following the survey of the Scottish school estate in 2005 / 2006, Orkney applied for and was offered Scottish Government support for a Public Private Partnership school improvement programme. This was supported by an annual grant for 30 years. This was later changed to a cash advance for the construction phase followed by a reduced annual grant to cover facilities management.

8.2.2 The Public Private Partnership route set out the design and build route adopted. A dedicated in-house Council team prepared the output specification.

8.2.3 The project was advertised in accordance with European Union (EU) Procurement Regulations. From the six expressions of interest three were chosen to progress to the competitive dialogue stage.

8.2.4 From the three bidders one was chosen on a quality / value scoring mechanism which ensured Orkney Islands Council maximised design quality and value for money.

8.2.5 The contract was let including hard facilities management. A full explanation of facilities management is provided below. The council kept soft facilities management in house hoping to benefit the local economy. In hindsight they now think that this should have been let with the main package.

8.2.6 Facilities Management

8.2.6.1 One definition of facilities management, provided by the International Facility Management Association (IFMA) is:

"A profession that encompasses multiple disciplines to ensure functionality of the built environment by integrating people, place, process and technology."

8.2.6.2 This is to say, it is the management of many facilities and disciplines by one organisation, for another organisation. This is often contracted for a specific project, and can range from operating and maintaining one aspect of the project, i.e. catering, to the whole project in its entirety.

8.2.6.3 Examples of specific facilities include: cleaning; IT maintenance; security; building upkeep.

8.2.6.4 The contractor usually supplies its own human resources.

8.2.6.5 It is the responsibility of facilities management to ensure that all necessary resources and equipment are available and in place, so that an organisation's staff can do their job, or carry out the functions of a specific project.

8.2.6.6 The services facilities management offers are sometimes considered to be divided into "hard services" and "soft services." Hard services include such things as ensuring that a building's environmental functions – such as the heating or air conditioning - are functioning within legal and operational guidelines. Soft services include such things as monitoring the tasks carried out within, or the upkeep of, the building, as pertains to cleaners, builders and electricians.

8.3 Western Isles Council

8.3.1 The project was funded by the Scottish Government as in Orkney.

8.3.2 Western Isles Council however chose to appoint its own Architects. As Lead Consultants they in turn appointed the other members of the design team. This team helped carry out the initial feasibility studies.

8.3.3 Unlike Orkney Islands Council, where the management has been kept in-house, Western Isles Council took up the Scottish Governments advice and set up an arms length special purpose vehicle (SPV) to undertake the schools improvement programme. This SPV is a limited company with a board of directors, which operates as a private commercial undertaking. The board is made up of five Councillors, two experienced commercial Executive Directors and the Head of Operations of the company.

8.3.4 The architect and design team were novated to the SPV to produce the detailed design and output specification.

- 8.3.5 The project was then advertised in accordance with EU Procurement regulations. The scheme was then tendered from a selected list of Design and Build Contractors. The facilities management works were tendered as a separate contract but the two elements were interlinked by an Interface Agreement. This ensured that the facilities management contractor had an input into the design and specification of the buildings they had to maintain.
- 8.3.6 The Contractor was chosen on a price / quality assessment. The architect and design team were then novated to the successful contractor. The result is a design that has been value engineered by both the main contractor and the facilities management.
- 8.3.7 The contract is administered by the SPV.

8.4 Procurement Route

Whilst neither scheme is complete both Local Authorities are satisfied, if not pleased, with their chosen procurement route.

9.0 Additional information for comparison with other local authorities.

- 9.1 The Scottish Futures Trust (SFT) uses a notional mainland cost of £2,200 per sq metre when estimating the budget cost for a school. This would be subject to a distant island increment increase of 25% bringing the allowance up to £2,750 per sq metre.
- 9.2 The SFT table below gives the allowable square metre rate per child depending on school roll.

SECONDARY SCHOOLS (2/3rds Grant Funding)

Space Allocation	
(based on pupil numbers)	Sqm
up to 400	13
401-800	12
801-1200	11
1201+	10

- 9.3 Midlothian Council use the Scottish Futures Trust's 11 sq metres which they inform us is quite adequate to provide good social, circulation and break out areas.
- 9.4 Shetland has a more extreme climate than the central mainland and as such circulation allowances should be increased to reflect this.
- 9.5 The Western Isles have a similar climate and need for enclosed social space. The realised and declared maximum area / pupil for the new 1100 space Nicholson Institute in Stornoway is 12.09 sq metres.

- 9.6 Orkney Islands Council planned for 14.5 sq metres per pupil in their output specification but through their procurement route have realised close to 17 sq metres.
- 9.7 The proposed schedule for the Anderson High School and Additional Support Needs Unit of 17,400 equates to 17.4 sq metres per pupil. This is considerably more than Western Isles but similar to that achieved in Orkney.
- 9.8 Whilst Western Isles Council and Orkney Islands Council have pupil support and additional support needs facilities they do not have a central additional support needs unit which caters for children from across all their Islands like Gressy Loan. If this is discounted then the area per pupil drops to 16.4 sq metres which is lower than Orkneys realised rate. At the time of our visit July 2011 Orkney Islands Council were revisiting the additional support needs provision.
- 9.9 Orkney Islands Council and Western Isles Council have used their allowances in different ways.
- 9.10 Orkney Islands Council would appear to have exceeded the grammar school portion of the assessed project costs (using SFT criteria) by some £6 million but have enhanced community use of the school by including an arts theatre and drama studio within their proposals. Their achieved sq metre rate is similar to the current AHS schedule.
- 9.11 Western Isles Council have carefully managed their allowance. Using the same criteria to assess the high schools costs Western Isles Council would appear to have under spent by some £4 million. The original programme included five schools but they were able to add in a sixth shortly after contract award. A clause had been included in the tender documents to permit such an addition within the contract. It would appear that they planned tight hoping to include the sixth school within their allowance.
- 9.12 The realised cost per sq metre rates achieved for both schools were very competitive at £2,153 and £2,180 respectively. Both Councils have admitted to being fortunate and have benefitted from the downturn in the construction industry.
- 9.13 In the present financial climate Western Isles Council approach to keep the school within the allowances would seem prudent. However Orkney Islands Council have enhanced their school and its use by choosing to commit additional monies from reserves / savings.
- 9.14 If central government funding became available for the AHS scheme, the SFT criteria would be used to set the project cost.
- 9.15 Scottish Futures Trust have offered the following by way of an illustration:
‘ Project Cost for a 1000 pupil High School in Shetland based on current metrics would be 1000 pupils x 11m²/pupil x £2,200/m² x 1.25 - £30,250,000 ’

9.16 The central government contribution would be $\frac{2}{3}^{\text{rds}}$ which would equate to £20,166,666.67. One third would have to be met by Shetland Islands Council from revenue savings, £1million savings would equate to £10million capital contribution on a 1:10 ratio. Shetland Islands Council would have to commit to these savings for a 30 year period. It is at this stage where Shetland Islands Council could decide to commit reserves to bolster the accommodation as in Orkney or work within the limitations as per the Western Isles.

9.17 For illustration:-

9.17.1 Using Scottish Futures Trust calculations the school ought to be 11,000 sq metres. Any enhancement from this will need to be funded by a competitive sq metre build rate and or additional monies from Shetland Islands Council.

9.17.2 A new build square metre rate for the school has been estimated at £2,510 per sq metre. This includes preliminaries, contingencies, BREEAM and land purchase but excludes the identified risks. Using the Scottish Futures Trust allowance a school of some 12,050 sq metres would be affordable without any enhancement.

9.17.3 To bring this up to Orkney Islands Council's planned rate of 14.5 sq metres / pupil an additional 2.45 sq metres / pupil would be required. This would equate to additional funding in the region of £6.15 million at the estimated rate. This is a lower percentage uplift when compared with what Orkney Islands Council would appear to have contributed to the base cost allowance.

9.17.4 The capital sum would be £36.4 million. The planned schedule would be 14,500 sq metres. Orkney Islands Council's pro rata were £33 million and 13,042 sq metres.

9.17.5 Kirkwall Grammar School have realised a 17% enhancement through the competitive dialogue process. If Orkney Islands Council's procurement route were adopted and appropriately managed to seek to enhance the provision through the competitive dialogue stage it may be possible to realise close to 17,000 sq metres.

9.17.6 Our estimated build cost at this preliminary stage is £2,510 per sq metre. Orkney Islands Council's planned rate was approximately £2,530 per sq metre but the contract was let at £2,153. Orkney Islands Council set an upper limit to the capital cost so the contractors engineered economies allowed for an increase in the realised area.

Orkney Islands Council - Planned:	£2,530 x 13,042	=	£32,996,260
Orkney Islands Council - Realised:	£2,153 x 15,286	=	£32,910,758

These are approximate and for illustration only.

9.18 The existing accommodation schedule including the Additional Support Needs Unit and an enhanced general circulation allowance is 17,400 sq metres.

- 9.19 The proposed Anderson High School has been compared with Kirkwall Grammar School, Orkney and The Nicholson Institute, Stornoway, Lewis. Both these schools had looked at alternative greenfield sites and chose to build, and are building, adjacent to the existing schools.
- 9.20 Orkney Islands Council demolished their PE department to remove the need to phase the development.
- 9.21 Western Isles Council have demolished the humanities classroom block and vacated two listed buildings. The departments are in temporary accommodation until the scheme is completed.
- 9.22 The accommodation schedules have been compared for the teaching spaces of the three schools. This comparison has been included at annex E1.

10.0 Revenue and Funding

10.1 Additional Annual Revenue Costs

- 10.1.1 Table 12 shows a summary of the ongoing rates and maintenance costs for each option. Full details are provided in Annexe F.

Table 12 - Summary of Ongoing Revenue Costs for all options	Estimated Rates £000	Estimated Maintenance £000	Total Ongoing Cost £000	Additional Cost £000
Option 1a - New School and Hall of Residence	434	518	952	133
Option 1b - New School and Maintain Current Hall of Residence	434	660	1094	275
Option 2a - Do Nothing Additional	256	563	819	
Option 2b - Maintain Current School & Make Provision for Replacement	256	527	783	-36
Option 3 - Refurbishment	381	787	1,168	349
Option 4a - New School & New Hall of Residence	411	538	949	130
Option 4b - New School & Maintain Current Hall of Residence	411	669	1,080	261
Option 4c - New School & New or Refurbished Hall of Residence	411	529	940	121

It is not possible to assess other items of revenue spend such as Energy use etc until there is a detailed design, however the indications are that these costs would not be expected to vary depending on the option chosen.

- 10.1.2 The new build options generate an estimated annual saving but this is not significant. Once leasing costs are factored in however, the total ongoing revenue spend for the new build options rises significantly by between £3.225M - £4.15M. The following table shows the level of estimated annual leasing costs for each of the new build options.

Table 13 - Annual Leasing Costs (excluding grants and SFT)	Estimated Lease £000
Option 1a - New School and Hall of Residence	4,150
Option 1b - New School and Maintain Current Hall of Residence	3,400
Option 4a - New School and Hall of Residence	3,890
Option 4b - New School & Maintain Current Hall of Residence	3,225
Option 4c - New School & Refurbished Hall of Residence	3,225

- 10.1.3 It should be noted that the level of spend on the current Anderson High School has been artificially low for over a decade whilst Shetland Islands Council have wrestled with the decision of what to do. The actual spend for maintenance on the current Anderson High School for 2008/09 was £164,840, 2009/10 was £169,380 and for 2010/11 was £174,685.
- 10.1.4 The major revenue cost in any school is staffing, and this study assumes that staffing levels will be as per the Blueprint for Education regardless of the option chosen.
- 10.1.5 No compensating revenue savings have been identified to meet the additional costs identified above.

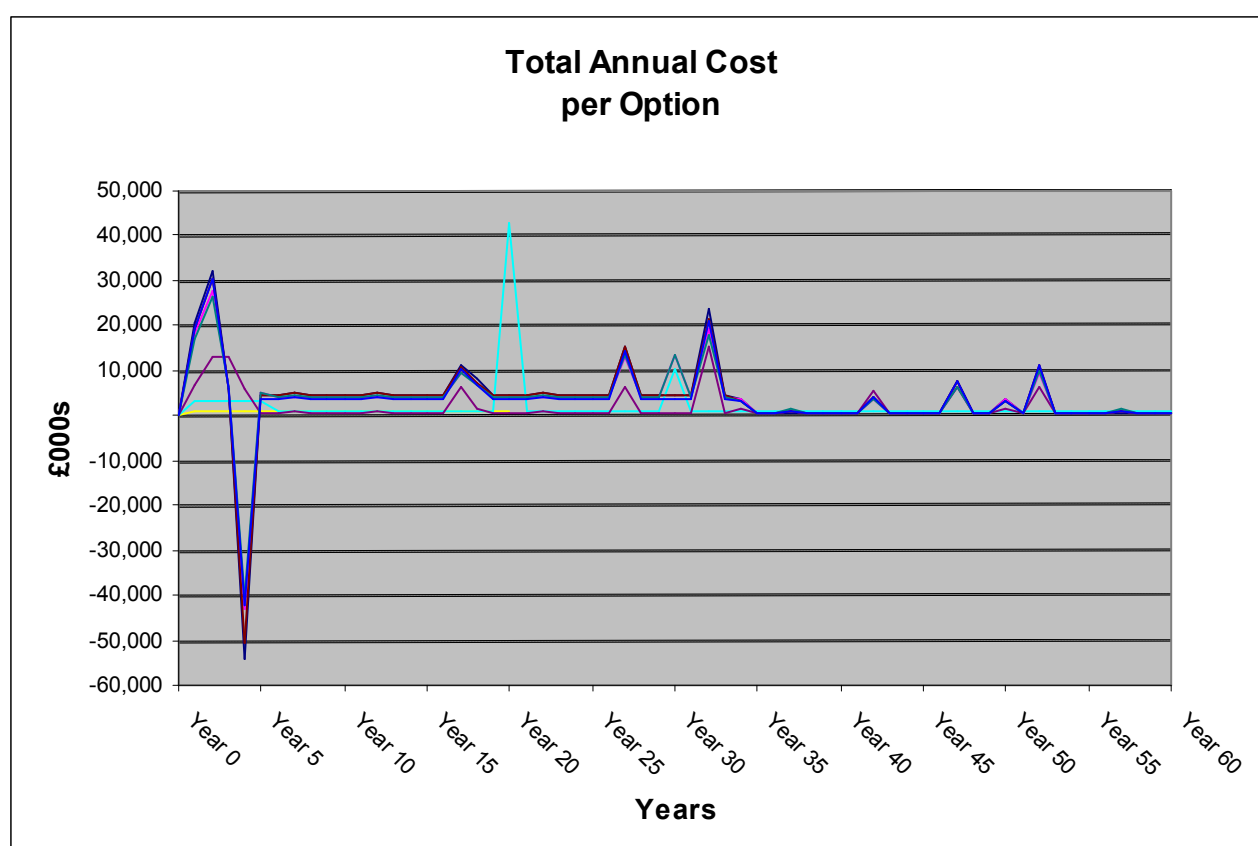
10.2 Cost of Capital

- 10.2.1 Table 14 below shows the Net Present Value (NPV) of each option with regard to Capital and Revenue cost over the assumed life of a new build (60 years).

Table 14 - Net Present Values	£000
Option 2b - Maintain Current School & Hall of Residence, make provision for replacement	35,312
Option 3 - Refurbished School and Hall of Residence	52,025
Option 4b - New School and maintained Hall of Residence at Knab	69,161
Option 4a - New School and Hall of Residence	71,315

Option 1b - New School and maintained Hall of Residence at Knab	75,276
Option 1a - New School and Hall of Residence	78,201
Option 4c - New School and Refurbished Hall of Residence	79,164
Option 2a - Do Nothing	N/A

- 10.2.2 Net Present Value is a standard method of assessment for capital investment decisions, which allows for a comparison of ongoing revenue costs (such as maintenance) and one off capital costs (such as construction costs) over the same time frame. The following graph demonstrates the total annual spend for each option over the 60 year period.



- 10.2.3 It is not necessary to know which option is which in the above example. It is used simply to demonstrate the variations in costs over the 60 year time period. It is because of these variations that NPV is used, as it enables a like for like comparison, which would otherwise be unavailable.
- 10.2.4 The individual NPV tables are included at Annexe F. All options include replacement costs as required in the 60 year period including Option 2b, i.e. replacement school after 30 years.

- 10.2.5 Table 14 shows that the most expensive option is Option 4c, and Option 2b is the least expensive. This assessment is purely financial and does not take account of service need.

10.3 Budgetary Constraints

- 10.3.1 On 3rd October 2011, the Executive Committee agreed the Strategic Budget Plan for 2012/13. The Framework for budget preparation includes:

- Presumption against service extension, which will cost more;
- Focus on efficiencies, especially internal efficiencies;
- Reduce significantly (by at least 50%) the current level of non-contractual and non terms and conditions overtime payments;
- Priority to be given to the provision of statutory services, delivered to national standards with an allowance for cost of Shetland factors (geographically dispersed population, diseconomies of scale, etc);
- That by 2012/13, the total expenditure on the revenue account will be no greater than £102.3M.

- 10.3.2 Aligned to that decision, Shetland Islands Council agreed on 3rd November 2011, that:

- the General Fund discretionary Reserves (the Reserve Fund, Capital Fund and Repairs and Renewals Fund) should be maintained at no less than £250 million (the Reserves Floor policy);
- the Council should set a target to re-instate the reserves to that value, over the medium term;
- the draw on the Capital Fund for the 5 Year Capital Programme be set at £28m;
- the Council remains debt free for general capital investments;
- the draw on the Repair and Renewal Fund to be set at £3.3m for 2012/13;
- the draw on the Reserve Fund to be set at £3.3m for 2012/13;
- The objective for the General Fund revenue account is to be in balance by 2013/14;
- the Council takes a specific decision as part of the 2012/13 budget exercise to agree the draw on reserves appropriate to balance the budget in that financial year, as part of the transitional arrangements required to move towards the account being in balance from national grant and Council Tax by 2013/14.

- 10.3.3 The proposals in this Feasibility Study are non compliant with the Strategic Budget Plan in the following areas:

- the proposals will incur additional revenue costs, for which no compensating savings have been identified;
- the proposal does not secure efficiencies in service delivery or ways of working;

- the accommodation schedule is in excess of national standards (although the weather related factors for increased social space is acknowledged);
- depending on the funding model, there is the potential to exceed the recently approved sustainable draw on the Capital Fund and/or Repairs and Renewals Fund.

10.4 Value for Money and Best Value

- 10.4.1 From a value for money / best value perspective, this Study does not, in its current form, clearly demonstrate the educational and wider community benefits which might accrue from a capital investment of this magnitude. It is estimated that the buildings remaining useful life is in the order of 15 – 20 years.
- 10.4.2 The Anderson High School Capital Project is not yet fully funded. There is an agreement in principle in place with Shetland Charitable Trust for a sale and leaseback arrangement. However, the Council did not take a decision to build the ongoing annual cost into the current and longer term budget plans. The additional cost will therefore be required to be met from savings on other established budgets, beyond the level set in the Strategic Budget Plan.
- 10.4.3 There is currently no provision in Shetland Islands Council's budget plans to meet the additional revenue costs of this project. Any additional running costs therefore would require to be added to Shetland Islands Council's currently declared deficit of £26m to meet by 2013/14.
- 10.4.4 A specific policy decision will be required to determine:
- if the Director of Children's Services will be required to meet the ongoing additional costs from savings across that service area; or
 - if Shetland Islands Council wishes to prioritise spend on the Anderson High School and seek savings from other approved budgets across the Council.

10.5 Funding Options

- 10.5.1 There are a number of options open to Shetland Islands Council for funding Capital investments of this nature. Shetland Islands Council, as mentioned, above has reaffirmed its policy commitment to remaining debt free for its general capital programme. There is, however, an acknowledgement that projects of this scale need to be considered separately. The following Table 16 summarises the capital spend requirement for each option.

TABLE 16 - Capital Cost	1 - New School and HoR	1 - New School & Maintain HoR	2 - Do Nothing	2 - Minor Works	3 - Refurbishment	4 - New School and HoR	4 - New School & Maintain HoR	4 - New School & Refurb HoR
	£000	£000	£000	£000	£000	£000	£000	£000
School	53,825	52,644			26,018	45,557	45,675	45,675
Hall of Residence	9,445				10,515	9,445		10,515
Total Capital Cost	63,270	52,644			36,533	55,002	45,675	56,190
Cost Per Pupil - School	54	53			22	46	46	46
Cost Per Bed - Hall of Residence	94				105	94		105

10.5.2 The options available to Shetland Islands Council include:

Capital / Revenue Grants
 Capital Receipts
 Capital from Current Revenue
 Prudential Borrowing
 Sale and Leaseback
 Reserves

10.5.3 Capital Receipts could be generated by selling the land and buildings at the Knab Site and credited to the cost of the new build at Lower Staney Hill. This has been taken into account in the calculations, thus reducing the total cost of Option 1 only.

10.5.4 If Shetland Islands Council had a surplus on the Revenue Account, it could apply that to fund Capital Expenditure (CFCR). That is not the case at the moment as the Revenue Account is in deficit and requires a contribution from reserves to balance it.

10.5.5 Prudential Borrowing would require a policy decision of the Council to take out a loan from an external provider, at market rates, to pay for the project over the life of the asset. That would only be applicable to Option 1 and 4; the new builds. There is no funding from the Scottish Government, at the time of writing, to support the ongoing loan and leasing costs; in that respect Shetland Islands Council would have to find the annual cost from savings from elsewhere (either within Children's Services or by targeting savings on other service areas). There is a requirement to comply with the Prudential Code, the regulatory framework for capital investment in fixed assets. There is a need to test and demonstrate compliance with: affordability, prudence and sustainability.

- 10.5.6 The Sale and Leaseback Arrangement, as previously agreed with Shetland Charitable Trust, involved Shetland Islands Council paying for the project up front, then selling the asset onto Shetland Charitable Trust and leasing it back over the life of the asset. This only applies to the new build options, not the refurbishment or maintenance options. There is no external funding support for a sale and leaseback arrangement so the ongoing running costs will need to be met from savings on other projects or services over the life of the asset (either within Children's Services or by targeting savings on other service areas). This arrangement has the added challenge of Shetland Islands Council having to meet the cashflow requirements of paying for the project up front.
- 10.5.7 Shetland Islands Council can use the Capital Fund to pay for capital assets. The value of the Capital Fund at March 2011 was £108,200,000 and the estimated value by March 2012 is £97,100,000. At the moment, the Capital Fund is fully committed over the next 5 years, at the reduced draw on Reserves of £28m over a 5 year period. The Capital Costs of Options 1, 3 and 4, without grant aid, are in excess of the agreed draw on reserves over a 5 year period. This would mean that no other capital projects were undertaken, other than the Anderson High School project, and that Shetland Islands Council would need to agree to break their recent policy decision to draw more than the sustainable level from reserves.
- 10.5.8 Shetland Islands Council can use the Repairs and Renewals Fund to fund maintenance and refurbishment works. The agreed draw on reserves has been set at £3.3m per annum. Only Option 2 would be affordable from this source.
- 10.5.9 A summary of the potential funding arrangements for each option is shown in the table below.

Alternative Funding Arrangements by Option

Option	Option 1 New School at Lower Staney Hill	Option 2 Do Nothing/ Minimum Investment	Option 3 Refurbishment/ Redevelopment	Option 4 New School at the Knab
Funding Arrangements	Capital / Revenue Grants Capital Receipts Prudential Borrowing Sale and Leaseback Capital Fund	Repairs and Renewals Fund	Capital Fund Repairs and Renewals Fund	Capital Grants Prudential Borrowing Sale and Leaseback Capital Fund

- 10.5.10 The following Table 15 shows the balance remaining on the Capital Fund (based on total fund value), should it be used to fund an option. The estimated opening balance at 1st April 2012 is £97M.

TABLE 15 - Impact of Cost on the Capital Fund	1 - New School and HoR £000	1 - New School & Maintain HoR £000	2 - Do Nothing £000	2 - Minor Works £000	3 - Refurbishment £000	4 - New School and HoR £000	4 - New School & Maintain HoR £000	4 - New School & Refurb HoR £000
Balance Remaining on Capital Fund	33,730	44,356	97,000	97,000	60,467	41,998	51,325	40,810

10.6 Implications to Other Services

- 10.6.1 This is a significant, large scale project, which cannot be accommodated by Shetland Islands Council without considerable impact on other services and budget plans.
- 10.6.2 Options 1, 3 and 4, if approved, will have significant impact on other services, from a financial perspective.
- 10.6.3 If Shetland Islands Council chooses to fund the Capital project from the Capital Fund, without grant aid, no other projects will be able to proceed for the duration of the construction period. In addition, the draw on reserves will be greater than the sustainable level, so the reserves will drop below the target policy floor and be unable to generate returns for investment in other projects across Shetland Islands Council.
- 10.6.4 If Shetland Islands Council chooses to proceed with the Refurbishment / Redevelopment proposal, Option 3, and fund it from the Repairs and Renewals Fund (estimated value at March 2011 was £63,400,000), no other maintenance projects could be funded from that source for the duration of the construction period. The estimated draw would exceed that approved sustainable draw on reserves and would require a policy change.
- 10.6.5 If prudential borrowing or sale and leaseback arrangements are approved, for the new build options, the additional annual cost would be in the region of £3.2 m - £4.2 m per annum. This would increase the current deficit on the revenue account (currently £26m) and additional savings of an equivalent amount will need to be found on an ongoing basis, from Children's Services or elsewhere.
- 10.6.6 If the Council pursues an application through the Scottish Government and Scottish Futures Trust, there are opportunities for two-thirds grant funding.

11.0 Conclusions

11.1 Option1: Fit for Purpose Community School and Hall or Residence, Lower Staney Hill

- 11.1.1 The proposed fit for purpose community school at the Lower Staney Hill would offer the least disruptive and most attractive option for the staff, pupils, parents and the community living in the Knab area, but does not represent 'value for money' when compared with the other options.
- 11.1.2 The scheme will meet the service need. The scheme is of a size which would attract a large mainland contractor.
- 11.1.3 There would be opportunities for local contractors to provide sub-contract labour. The works could be completed by 2017. This scheme, with full facilities management, would offer a 60 years designed life.

11.2 Option 2: Do Nothing, the Knab

- 11.2.1 A 'Do Nothing' option which has to be considered as part of the appraisal is not sustainable in the long term as an increase in the current scope of the maintenance works and budget would be required.
- 11.2.2 The school is currently meeting its basic functional need and could continue to do so if an appropriate programme of improvement works were put in place to address the condition of the existing buildings.
- 11.2.3 There would be on going disruption and nuisance occasioned by the works. Temporary decant accommodation would be required. The programme could be broken down into smaller works packages which would attract local interest from consultants and contractors.
- 11.2.4 Whilst the listed buildings would need to be retained it is likely that a new school / facilities would be required in 5 –15 years depending on the level of improvement works undertaken

11.3 Option 3: Refurbishment Scheme, the Knab

- 11.3.1 The major elements of the refurbishment scheme could be completed by 2018, but normal maintenance and repair works would continue beyond this date.
- 11.3.2 The scheme meets service need and addresses the current condition and shortfalls in the accommodation.
- 11.3.3 The scheme offers a like for like minimal comparison with the new build options.
- 11.3.4 A detailed and prescribed schedule of works would need to be prepared for each phase to minimise the disruption and nuisance to the school, staff, pupils and neighbouring properties.

- 11.3.5 The scheme offers value for money when compared with the new build options. The scheme is practical and achievable. There would be on going disruption and nuisance occasioned by the works. Temporary decant accommodation may be required depending on the phasing plan adopted. If larger packages were agreed, to shorten the programme, decant facilities may be required to accommodate those areas displaced by the works.
- 11.3.6 The scheme could be broken down into smaller works packages which would attract local interest from consultants and contractors.
- 11.3.7 The current families and children's services, provided in and from the Bruce Hall of Residence, would need to be accommodated elsewhere.
- 11.3.8 Shetland Island Council's Safety and Risk department believe that the proposed works are manageable by a competent contractor.
- 11.3.9 Refurbishment schemes similar to that proposed have been undertaken in mainstream public sector schools throughout the United Kingdom.
- 11.3.10 Most of the top public schools are on historic developed sites where the original accommodation has been refurbished, maintained and remodeled as the school has developed. Additional accommodation has been organically planned and built within the existing campuses and yet these schools still seem to maintain their academic performance.
- 11.3.11 Whilst the listed buildings would need to be retained and maintained regardless of use, further re-development will be required within the next 20 – 30 years.
- 11.4 Option 4: Fit for Purpose Community School, the Knab**
- 11.4.1 The scheme would have an impact on the existing school and there would be disruption and nuisance to those attending the school and the surrounding residential area. These items should be addressed by a competent contractor.
- 11.4.2 The scheme offers better value for money than Option 1 because of savings in infrastructure costs, identified risk, land purchased and build costs of a new additional support needs unit.
- 11.4.3 The scheme would meet service need.
- 11.4.4 There would be opportunities for local contractors to provide sub-contractor labour.
- 11.4.5 The works could be completed by 2015 subject to negotiation which is considerably less time than the refurbishment scheme and 2 years sooner than the new build at Lower Staney Hill.
- 11.4.6 Although this scheme is not Shetland Islands Council policy, it remains a viable and well developed option to act as a comparator to the preferred option.

11.5 Comparison

11.5.1 Option1: Fit for Purpose Community School and Hall of Residence, Lower Stanley Hill

- a) The most desirable but also the most expensive option.
- b) Whilst the design life for a new build school will be 60 years the school must address and accommodate the need within this timescale for large scale replacement of services and remodelling of facilities in order that the building can maintain its fit for purpose status.
- c) New buildings do not mean 'No maintenance' or disruption. Planned facilities management will be required in the initial 30 years to maintain the security for any funding sought and for the remaining 30 years for the council to realise / benefit from the asset.
- d) The maintenance spend on the new school would be lower than that for the existing school.

11.5.2 Option 2: Do Nothing, the Knab

- a) Not a viable option in the long term as a substantial increase in the current level of maintenance would be required to address the years of under spending and help to minimise unplanned disruption due to failures and breakdowns.
- b) This is likely to be the most disruptive option. Major works would be required in the near future.

11.5.3 Option 3: Refurbishment Scheme, the Knab

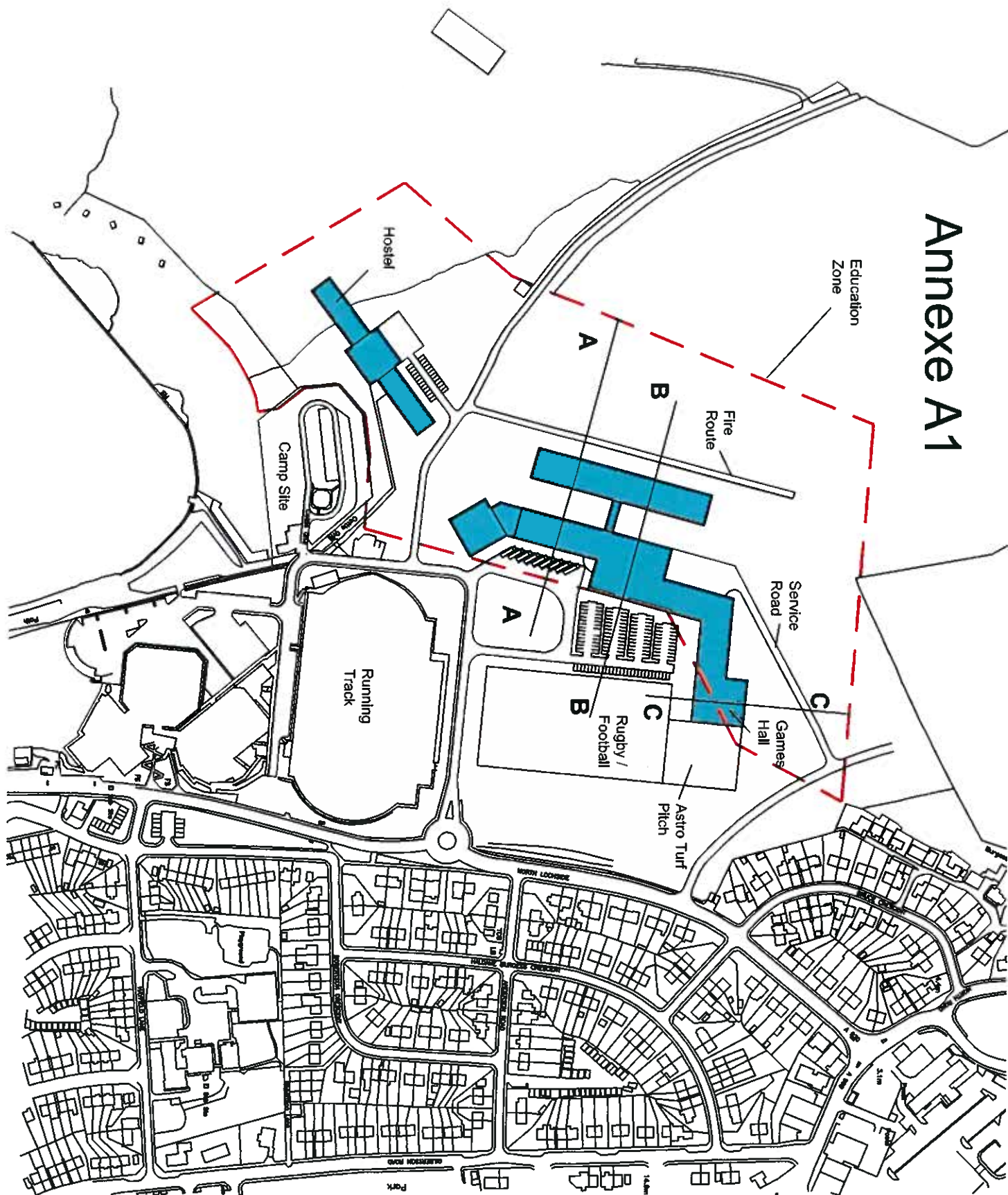
- a) The best value for money because it provides what the new build options offer at a cheaper cost.
- b) This is likely to be quite disruptive as works will be undertaken on site.

11.5.4 Option 4 – Fit for Purpose Community School, the Knab

- a) The cheapest new build option which performs better in the value for money analysis than option 1.
- b) Whilst the original scheme did not include a hall of residence, a new build or refurbishment scheme could be included.
- c) New buildings do not mean 'No maintenance' or disruption. Planned facilities management would be required in the initial 30 years to maintain the security for any funding sought and for the remaining 30 years for the council to realise / benefit from the asset.
- d) The maintenance spend on the new school would be lower than that for the existing school.
- e) The scheme would have an impact on the existing school and there would be disruption and nuisance to those attending the school and the surrounding residential area.


Annexe A

- A1 Block Plan
- A2 Site Sections
- A3 Cost Summary
- A4 Cost breakdown
- A5 Safeguarding and Constraints

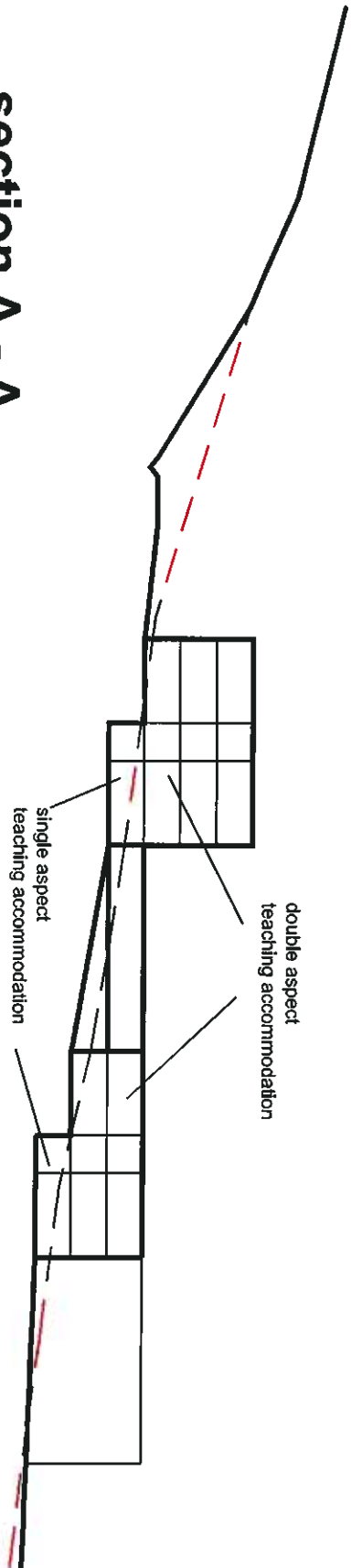


Annexe A1

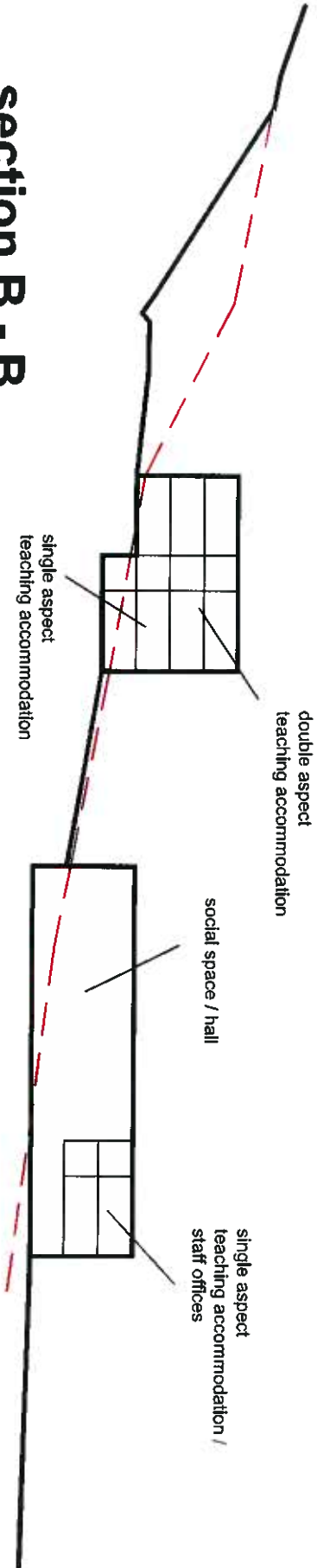
- 85 -

New Anderson High School	Lower Staney Hill Gateway Study	 <p>Shetland Islands Council Capital Programme Services Executive Services Department Greenhead House, Laxa, Shetland, ZE1 0PY Telephone: 744140 (STD Code 01595) Fax: 744136</p>	<p>Revision No. Date</p> <p>A3</p>
		Block Plan	<p>Job Code GCE 1304 Org.No. SK.11 Rev. Drawn s/s Scale 1:2500 @ A3 Date 30/08/2011 AutoCAD File</p>

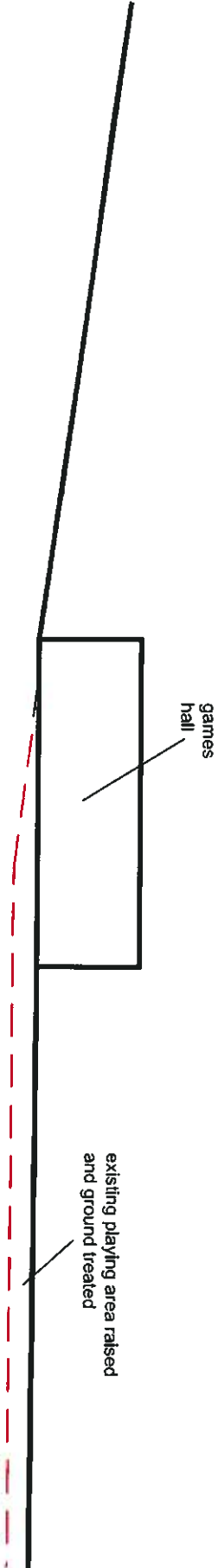
section A - A




section B - B



section C - C



Annexe A2

		Revision		No.	Date
New Anderson High School	Lower Staney Hill Gateway Study		Shetland Islands Council		
			Capital Programme Service Executive Services Department Greenhead House, Lerwick, Shetland, ZE1 0PY Telephone: 7441140 (STD Code 01595) Fax: 7441136		
			A3		
Sections		Job Code GCE 1304	Org.No. SK.18	Rev.	Drawn sts
		Scale 1:500 @ A3	Date 30/08/2011	AutoCAD File	

EXECUTIVE SUMMARY:

Annexe A3

Job Title	ANDERSON HIGH SCHOOL, LERWICK
Gross Floor Areas	
Option 1 (Lower Staney Hill - New Build)	New secondary school - 17,400m ² and 100 bed hostel accommodation - 4,428m ² (Adjacent Site)
Option 3 (Refurbishment of Existing)	Refurbishment/Conversion, Partial Demolition and New extensions to existing school at Knab Road, Lerwick - 22,405m ²
Dates	Pricing Level Cost Base Date - 3Q 2011
Exclusions	VAT, Finance charges, Legal costs, Planning & Building Warrant fees, Planning consultant, Geotechnical investigations, Topographic survey, Noise climate survey, Inflation, Loose fittings, furniture and equipment.

FEASIBILITY COST ANALYSIS	Cost	Cost/m2	Functional Unit Cost
<u>Option 1 - New Build</u>			
Secondary School (Traditional Build)			
Secondary School	£ 34,937,614.00	£ 2,007.91	
External Works	£ 7,924,841.00	£ 455.45	
See attached cost breakdown (pages 4 to 5)	£ 42,862,455.00	£ 2,463.36	£ 38,965.87
Hostel Accommodation (Traditional Build)			
Hostel Accommodation (100 Bed)	£ 7,216,949.00	£ 1,629.11	
External Works	£ 2,228,153.00	£ 502.97	
See attached cost breakdown (pages 6 to 7)	£ 9,445,102.00	£ 2,132.08	£ 94,451.02
Existing AHS Site Works & Identified Risks			
Asbestos Removal & Demolition	£ 600,000.00		
Stripping, isolating existing services, etc	£ 165,000.00		
Strip-out, making safe/secure existing listed buildings	£ 150,000.00		
Works associated with existing uncharted utilities	£ 230,000.00		
	£ 1,145,000.00		
BASE COST - OPTION 1	53,452,557.00	(incl. OH&P, professional fees)	
Potential Land Realisation Costs			
Site Infrastructure Costs	£ 3,500,000.00		
Land Realisation	-£ 4,117,000.00		
	-£ 617,000.00		
BREEAM Adjustment			
Increase from Base cost to achieve Excellent rating	1,046,151.14		
	53,881,708.14		
Stage/Design Risk Adjustment & Identified Risks			
Order of Cost Estimate/Feasibility Stage & Risk	9,388,171.00		
TOTAL FEASIBILITY COST - OPTION 1	£ 63,269,879.14		

EXECUTIVE SUMMARY:

Annexe A3

Job Title	ANDERSON HIGH SCHOOL, LERWICK
Gross Floor Areas	
Option 1 (Lower Staney Hill - New Build)	New secondary school - 17,400m ² and 100 bed hostel accommodation - 4,428m ² (Adjacent Site)
Option 3 (Refurbishment of Existing)	Refurbishment/Conversion, Partial Demolition and New extensions to existing school at Knab Road, Lerwick - 22,405m ²
Dates	Pricing Level Cost Base Date - 3Q 2011
Exclusions	VAT, Finance charges, Legal costs, Planning & Building Warrant fees, Planning consultant, Geotechnical investigations, Topographic survey, Noise climate survey, Inflation, Loose fittings, furniture and equipment.

FEASIBILITY COST ANALYSIS	Cost	Cost/m2	Functional Unit Cost
<u>Option 1 - Modular Alternative</u>			
Modular Accommodation			
Option 1 Feasibility Cost (as above)	£ 53,452,557.00		
Modular construction in lieu of traditional (School)	£ 3,175,331.00		
Modular construction in lieu of traditional (Hostel)	£ 655,916.00		
BASE COST - OPTION 1 (Modular)	57,283,804.00		
Potential Land Realisation Costs			
Site Infrastructure Costs	£ 3,500,000.00		
Land Realisation	-£ 4,117,000.00		
	-£ 617,000.00		
BREEAM Adjustment			
Increase from Base cost to achieve Excellent rating	1,145,676.08		
	57,812,480.08		
Stage/Design Risk Adjustment & Identified Risks			
Order of Cost Estimate/Feasibility Stage & Risk	9,781,249.00		
TOTAL FEASIBILITY COST - OPTION 1 (Modular)	£ 67,593,729.08		

OPTION 1 - LOWER STANEY HILL - NEW BUILD

Annexe A4

SUMMARY & COST BREAKDOWN:

Job Title	NEW ANDERSON HIGH SCHOOL, LERWICK
Gross Floor Area	School - 17,400m ² (6 levels)
	Hostel - 4,428m ² (3 levels)
Location	Lower Stane Hill, Clickimin
Dates	Pricing Level Cost Base Date - 3Q 2011
Project Details	New secondary school including associated roads/parking, landscaping, services, drainage, site furniture and lighting. New hostel on adjacent site including associated roads/parking, landscaping, services, drainage, site furniture and lighting.
Site Conditions	Sloping green field site, adjacent to existing Clickimin leisure centre. Rock to be removed to form a suitable level base. Unrestricted working space and access assumed.
Client	Shetland Islands Council
Contract	Traditional
Basis of Analysis	Indicative Plans
Exclusions	VAT, Finance charges, Legal costs, Planning & Building Warrant fees, Planning consultant, Geotechnical investigations, Topographic survey, Noise climate survey, Inflation, Loose furniture and equipment.

COST SUMMARY	TOTAL	COST/M2
School		
Building Works	£ 34,937,614.00	2007.91
External Works	£ 7,924,841.00	455.45
	£ 42,862,455.00	£2,463.36
Hostel		
Building Works	£ 7,216,949.00	1629.11
External Works	£ 2,228,153.00	502.97
	£ 9,445,102.00	£2,132.08
<u>Total Project Cost</u>	£ 52,307,557.00	£1,999.91

OPTION 1 - LOWER STANEY HILL - SCHOOL BUILDING

GIFA 17400.00 m2

ELEMENT		TOTAL	COST/M2
1	<u>SUBSTRUCTURE</u>		
1A	Substructure	£ 2,856,000.00	
		2,856,000.00	164.14
2	<u>SUPERSTRUCTURE</u>		
2A	Frame	£ 2,241,120.00	128.80
2B	Upper Floors	£ 945,000.00	54.31
2C	Roof	£ 966,000.00	55.52
2D	Stairs & Balustrading	£ 546,360.00	31.40
2E	External Walls	£ 1,186,680.00	68.20
2F	Windows & External Doors	£ 1,144,920.00	65.80
2G	Internal Walls & Partitions	£ 995,280.00	57.20
2H	Internal Doors	£ 405,420.00	23.30
		8,430,780.00	484.53
3	<u>FINISHES</u>		
3A	Wall Finish	£ 645,540.00	37.10
3B	Floor Finish	£ 1,155,360.00	66.40
3C	Ceiling Finish	£ 1,398,960.00	80.40
		3,199,860.00	183.90
4	<u>FITTINGS & FURNISHINGS</u>		
4A	Fittings	£ 2,800,000.00	
		2,800,000.00	160.92
5	<u>SERVICES</u>		
5A-G	Mechanical Installations	£ 5,133,000.00	295.00
5H-M	Electrical Installations	£ 3,706,200.00	213.00
5N	BWIC	£ 843,900.00	48.50
		9,683,100.00	556.50
	BUILDING TOTAL	26,969,740.00	1549.99
	Preliminaries (17.5%)	4,719,705.00	
	Contingency (5%)	1,584,473.00	
	Sub Total	33,273,918.00	1912.29
	Professional fees (5%)	1,663,696.00	95.61
	TOTAL ESTIMATED BUDGET COST	34,937,614.00	2007.91

OPTION 1 - LOWER STANEY HILL - SCHOOL EXTERNAL WORKS

GIFA 17400.00 m2

ELEMENT		TOTAL	COST/M2
6	<u>SITEWORKS</u>		
6A	Siteworks	£ 4,317,500.00	248.13
6B	Drainage	£ 1,800,000.00	103.45
		6,117,500.00	351.58
	EXTERNALS TOTAL	<u>6,117,500.00</u>	351.58
	Preliminaries (17.5%)	1,070,563.00	
	Contingency (5%)	359,404.00	
	Sub Total	<u>7,547,467.00</u>	433.76
	Professional fees (5%)	377,374.00	21.69
	TOTAL ESTIMATED BUDGET COST	<u>7,924,841.00</u>	455.45

OPTION 1 - LOWER STANEY HILL - HOSTEL BUILDING

GIFA 4430.00 m2

ELEMENT		TOTAL	COST/M2
1	<u>SUBSTRUCTURE</u>		
1A	Substructure	£ 760,000.00	
		760,000.00	171.56
2	<u>SUPERSTRUCTURE</u>		
2A	Frame	£ 531,600.00	120.00
2B	Upper Floors	£ 167,250.00	37.75
2C	Roof	£ 230,000.00	51.92
2D	Stairs & Balustrading	£ 110,000.00	24.83
2E	External Walls	£ 505,000.00	114.00
2F	Windows & External Doors	£ 338,000.00	76.30
2G	Internal Walls & Partitions	£ 274,700.00	62.01
2H	Internal Doors	£ 228,100.00	51.49
		2,384,650.00	538.30
3	<u>FINISHES</u>		
3A	Wall Finish	£ 203,800.00	46.00
3B	Floor Finish	£ 190,000.00	42.89
3C	Ceiling Finish	£ 115,000.00	25.96
		508,800.00	114.85
4	<u>FITTINGS & FURNISHINGS</u>		
4A	Fittings	£ 250,000.00	
		250,000.00	56.43
5	<u>SERVICES</u>		
5A-C	Sanitaryware Installations	£ 280,000.00	63.21
5D-G	Mechanical Installations	£ 661,000.00	149.21
5H-M	Electrical Installations	£ 582,600.00	131.51
5J	Lift Installations	£ 120,000.00	27.09
5N	BWIC	£ 24,000.00	5.42
		1,667,600.00	376.43
	BUILDING TOTAL	5,571,050.00	1257.57
	Preliminaries (17.5%)	974,934.00	
	Contingency (5%)	327,300.00	
	Sub Total	6,873,284.00	1551.53
	Professional fees (5%)	343,665.00	77.58
	TOTAL ESTIMATED BUDGET COST	7,216,949.00	1629.11

OPTION 1 - LOWER STANEY HILL - HOSTEL EXTERNAL WORKS

GIFA 4430.00 m2

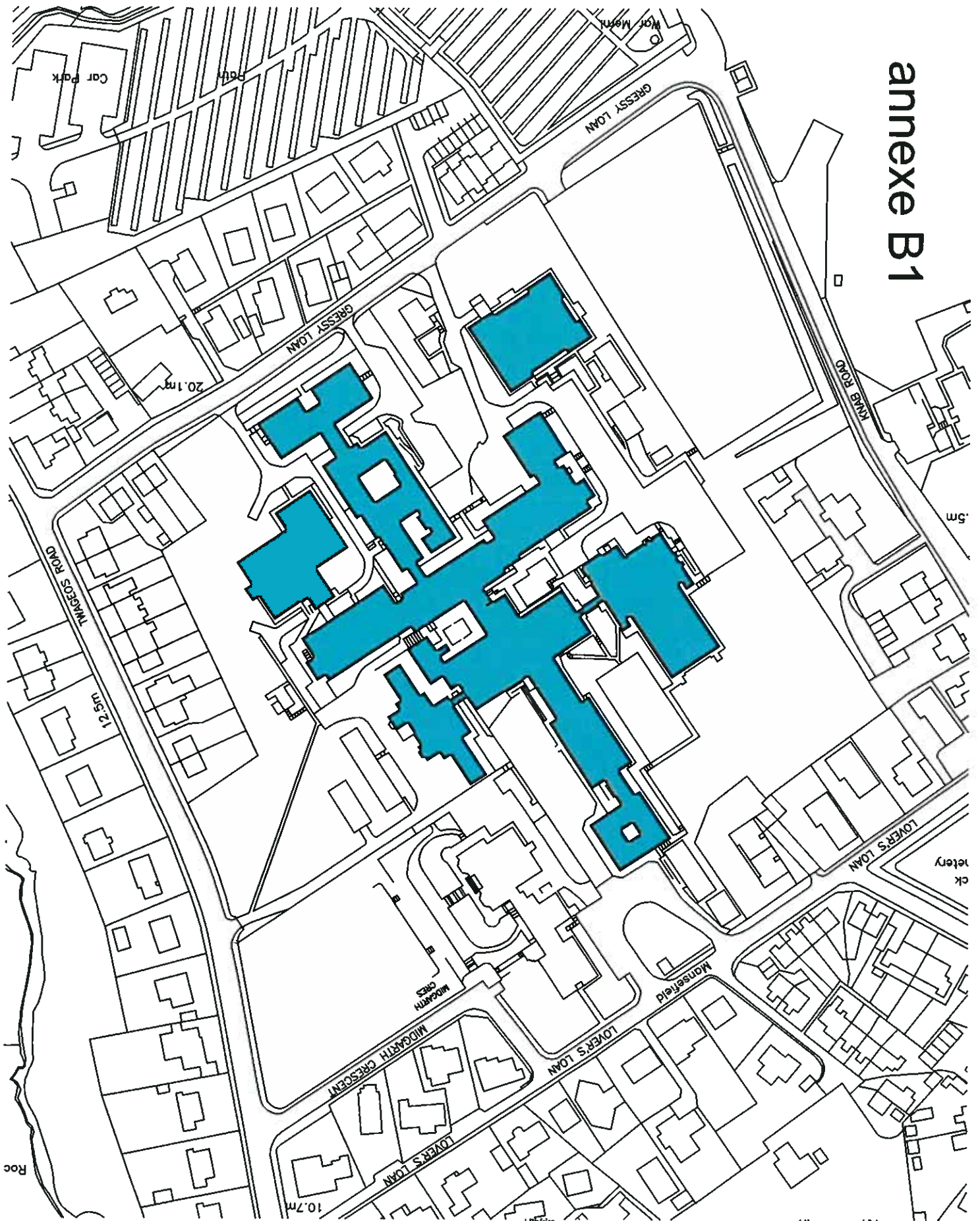
ELEMENT		TOTAL	COST/M2
6	<u>SITEWORKS</u>		
6A	Siteworks	£ 1,320,000.00	297.97
6B	Drainage	£ 400,000.00	90.29
		1,720,000.00	388.26
	EXTERNALS TOTAL	<u>1,720,000.00</u>	388.26
	Preliminaries (17.5%)	301,000.00	
	Contingency (5%)	101,050.00	
	Sub Total	<u>2,122,050.00</u>	479.02
	Professional fees (5%)	106,103.00	23.95
	TOTAL ESTIMATED BUDGET COST	<u>2,228,153.00</u>	502.97



Annexe B Do Nothing

B1 Block Plan

annexe B1



New Anderson High School

Gateway Study
Base Scheme
The Knab



Shetland Islands Council
Capital Programme Service
Executive Services Department
Greenhead Base, Lerwick, Shetland, ZE1 0PY
Telephone: 744140 (STD Code 01595)
Fax: 744136

A3

Existing Block Plan

Job Code	Org.No.	Rev.	Drawn
GCE 1304			MS
Scale	Date	AutoCAD File	
1:1250 @ A3			

Annexe C


- C1 Block Plan
- C2 Cost Summary
- C3 Cost Breakdown



PH I
PH II
PH III
PH IV non - teach refurbishment + library
Rolling programme of refurbishment / adaptation
Future Expansion



Annexe C1

Revision		No.	Date														
New Anderson High School	Gateway Study Base Scheme The Knab	<div><div>Shetland Islands Council Capital Programme Service Executive Services Department Groundwood House, Lerwick, Shetland, ZE1 0PY Telephone: 7441140 (STD Code 01595) Fax: 7441136</div></div> <div>A3</div>															
		<table><tr><td>Job Code</td><td>Org.No.</td><td>Rev.</td><td>Drawn als</td></tr><tr><td>GCE 1304</td><td>SK.08</td><td></td><td></td></tr><tr><td>Scale</td><td>Date</td><td colspan="2">AutoCAD File</td></tr><tr><td>1:1250 @ A3</td><td>08.03.2011</td><td colspan="2"></td></tr></table>		Job Code	Org.No.	Rev.	Drawn als	GCE 1304	SK.08			Scale	Date	AutoCAD File		1:1250 @ A3	08.03.2011
Job Code	Org.No.	Rev.	Drawn als														
GCE 1304	SK.08																
Scale	Date	AutoCAD File															
1:1250 @ A3	08.03.2011																
Proposed Refurbishment																	

EXECUTIVE SUMMARY:

Annexe C2

Job Title	ANDERSON HIGH SCHOOL, LERWICK
Gross Floor Areas	
Option 1 (Lower Staney Hill - New Build)	New secondary school - 17,400m ² and 100 bed hostel accommodation - 4,428m ² (Adjacent Site)
Option 3 (Refurbishment of Existing)	Refurbishment/Conversion, Partial Demolition and New extensions to existing school at Knab Road, Lerwick - 22,405m ²
Dates	Pricing Level Cost Base Date - 3Q 2011
Exclusions	VAT, Finance charges, Legal costs, Planning & Building Warrant fees, Planning consultant, Geotechnical investigations, Topographic survey, Noise climate survey, Inflation, Loose fittings, furniture and equipment.

FEASIBILITY COST ANALYSIS	Cost	Cost/m2	Functional Unit Cost
<u>Option 3 - Refurbishment/Conversion</u> Phase 1 - Bruce Building, New Gymnasium & Astro Phase 2 - Janet Courtney, New Entrance & Externals Phase 3 - Demolition & New Hall/Social Phase 4 - Non-Teaching Refurbishment Phase 5 - Planned Maintenance Works See attached cost breakdown (pages 8 to 13)	£ 10,514,716.00 £ 13,833,285.00 £ 3,825,707.00 £ 1,435,203.00 £ 2,951,487.00		
BASE COST - OPTION 3	32,560,398.00		(incl. OH&P, professional fees)
BREEAM Adjustment Increase from Base cost to achieve Excellent rating	651,207.96		
	33,211,605.96		
Stage/Design Risk Adjustment Order of Cost Estimate/Feasibility Stage (10%)	3,321,161.00		
TOTAL FEASIBILITY COST - OPTION 3	£ 36,532,766.96		
<u>Option 3 - Modular Alternative</u> Modular Accommodation to Hostel Option 2 - Feasibility Cost (as above) Modular construction in lieu of traditional (New extension only)	£ 32,560,398.00 £ 665,625.00		
BASE COST - OPTION 3 (Modular)	33,226,023.00		(incl. OH&P, professional fees)
BREEAM Adjustment Increase from Base cost to achieve Excellent rating	664,520.46		
	33,890,543.46		
Stage/Design Risk Adjustment Order of Cost Estimate/Feasibility Stage (10%)	3,389,055.00		

EXECUTIVE SUMMARY:

Annexe C2

Job Title	ANDERSON HIGH SCHOOL, LERWICK
Gross Floor Areas	
Option 1 (Lower Staney Hill - New Build)	New secondary school - 17,400m ² and 100 bed hostel accommodation - 4,428m ² (Adjacent Site)
Option 3 (Refurbishment of Existing)	Refurbishment/Conversion, Partial Demolition and New extensions to existing school at Khab Road, Lerwick - 22,405m ²
Dates	Pricing Level Cost Base Date - 3Q 2011
Exclusions	VAT, Finance charges, Legal costs, Planning & Building Warrant fees, Planning consultant, Geotechnical investigations, Topographic survey, Noise climate survey, Inflation, Loose fittings, furniture and equipment.

FEASIBILITY COST ANALYSIS	Cost	Cost/m2	Functional Unit Cost
TOTAL FEASIBILITY COST - OPTION 3	<u>£ 37,279,598.46</u>		

OPTION 3 - REFUBISHMENT OF EXISTING SCHOOL

Annexe C3

SUMMARY & COST BREAKDOWN:

Job Title	EXISTING ANDERSON HIGH SCHOOL, LERWICK
Gross Floor Area	Existing Refurbishment/Conversion - 17,035 m ²
	New Building/Extensions - 5,370 m ²
Location	Knab Road, Lerwick
Dates	Pricing Level Cost Base Date - 3Q 2011

Project Details	Existing secondary school and associated accommodation refurbishment and conversion with new gymnasium & hall. Partial demolition.
Site Conditions	Existing school
Client	Shetland Islands Council
Contract	TBC
Basis of Analysis	Indicative Plans
Exclusions	VAT, Land purchase costs, Finance charges, Legal costs, Planning & Building Warrant fees, Planning consultant, Geotechnical investigations, Topographic survey, Noise climate survey, Inflation, Loose furniture and equipment.

COST SUMMARY	PHASE SPLIT	PHASE TOTAL	COST/M2
Refurbishment of existing School			
<u>Phase 1</u>			
Bruce Building Refurb and Extension	9,550,579.73		2,247.20
New Gym and Fitness	867,116.27		2,252.25
New Astro pitch	97,020.00		
	£ 10,514,716.00		
<u>Phase 2</u>			
Janet Courtney Conversion/Refurbishment	7,875,598.59		1,761.88
Formation of new Main Entrance	1,106,686.36		2,329.87
External Works	4,851,000.05		
	£ 13,833,285.00		
<u>Phase 3</u>			
Demolition, New Hall/Social	3,825,707.00		2,833.86
	£ 3,825,707.00		
<u>Phase 4</u>			
Non-Teach Refurbishment	1,435,203.00		1,157.42
	£ 1,435,203.00		
<u>Phase 5</u>			
Planned Maintenance Works	2,951,487.00		288.37
	£ 2,951,487.00		
<u>Total Project Cost</u>		£ 32,560,398.00	£ 1,453.26

OPTION 3 - EXISTING SCHOOL REFURB (PHASE 1)

GIFA 4635.00 m2

WORKS	TOTAL	COST/M2	%
1 BRUCE BUILDING			
1.1 Asbestos removal	£ 27,000.00	5.83	
1.2 Demolish existing extension	£ 70,000.00	15.10	
1.3 Refurbishment of existing building (1,250m ²)	£ 1,468,750.00	316.88	
1.4 New residential accommodation (3,000m ²)	£ 5,325,000.00	1148.87	
	6,890,750.00	1486.68	91%
2 GYM BUILDING			
2.1 New build gymnasium & fitness (385m ²)	£ 625,625.00	134.98	
	625,625.00	134.98	8%
3 ASTRO PITCH			
3.1 New astro pitch	£ 70,000.00		
	70,000.00	15.10	1%
BUILDING TOTAL	7,586,375.00	1636.76	
Preliminaries (20%)	1,517,275.00		
Contingency (10%)	910,365.00		
Sub Total	10,014,015.00	2160.52	
Professional fees (5%)	500,701.00	108.03	
TOTAL ESTIMATED BUDGET COST	10,514,716.00	2268.55	

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OPTION 3 - EXISTING SCHOOL REFURB (PHASE 2)

GIFA 4945.00 m2

ELEMENT	TOTAL	COST/M2	%
1 <u>Conversion of Janet Courtney</u>			
1.1 Removal of asbestos	£ 35,000.00	7.08	
1.2 Convert Residential to Teaching (3,350m ²)	£ 4,103,750.00	829.88	
1.3 New build extensions to Teaching (350m ²)	£ 638,750.00	129.17	
1.4 Convert to Teacher Accommodation (770m ²)	£ 904,750.00	182.96	
	5,682,250.00	1149.09	57%
2 <u>Formation of New Main Entrance</u>			
2.1 New extension forming new entrance (285m ²)	£ 520,125.00	105.18	
2.2 Convert existing for new entrance (190m ²)	£ 278,350.00	56.29	
	798,475.00	161.47	8%
3 <u>Externals</u>			
3.1 Car Parking/Bus, Access Rd, Drainage, etc	£ 3,500,000.00		
	3,500,000.00	707.79	35%
BUILDING TOTAL	9,980,725.00	2018.35	
Preliminaries (20%)	1,996,145.00		
Contingency (10%)	1,197,687.00		
Sub Total	13,174,557.00	2664.22	
Professional fees (5%)	658,728.00	133.21	
TOTAL ESTIMATED BUDGET COST	13,833,285.00	2797.43	

OPTION 3 - EXISTING SCHOOL REFURB (PHASE 3)

GIFA	1350.00	m2
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ELEMENT		TOTAL	COST/M2
1	<u>New Hall/Social Space</u>		
1.1	Asbestos removal	£ 16,000.00	11.85
1.2	Demolish existing blocks	£ 78,000.00	57.78
1.3	New build Hall (1,350m ²)	£ 2,666,250.00	1975.00
		2,760,250.00	2044.63
	BUILDING TOTAL	<u>2,760,250.00</u>	2044.63
	Preliminaries (20%)	552,050.00	
	Contingency (10%)	331,230.00	
	Sub Total	<u>3,643,530.00</u>	2698.91
	Professional fees (5%)	182,177.00	134.95
	TOTAL ESTIMATED BUDGET COST	<u>3,825,707.00</u>	2833.86

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OPTION 3 - EXISTING SCHOOL REFURB (PHASE 4)

GIFA 1240.00 m2

ELEMENT		TOTAL	COST/M2
1	<u>Non Teach Refurbishment</u>		
1.1	Asbestos removal	£ 12,500.00	10.08
1.2	Refurbishment of existing (1,240m ²)	£ 1,023,000.00	825.00
		1,035,500.00	835.08
	BUILDING TOTAL	<u>1,035,500.00</u>	835.08
	Preliminaries (20%)	207,100.00	
	Contingency (10%)	124,260.00	
	Sub Total	<u>1,366,860.00</u>	1102.31
	Professional fees (5%)	68,343.00	55.12
	TOTAL ESTIMATED BUDGET COST	<u>1,435,203.00</u>	1157.42

OPTION 3 - EXISTING SCHOOL REFURB (PHASE 5)

GIFA 10235.00 m2

ELEMENT		TOTAL	COST/M2
1	<u>Planned Maintenance Works</u>		
1.1	Asbestos Removal	£ 82,500.00	8.06
1.2	Main Teaching Block (5,800m ²)	£ 1,160,000.00	113.34
1.3	Anderson Building (1,220m ²)	£ 244,000.00	23.84
1.4	Existing Gym Building (1,250m ²)	£ 250,000.00	24.43
1.5	ASN Building (965m ²)	£ 193,000.00	18.86
1.6	Tech. Building (1,000m ²)	£ 200,000.00	19.54
	<i>Note: Costs based upon £200/m² at present for minor replacements/sundry repairs only</i>	2,129,500.00	208.06
	BUILDING TOTAL	2,129,500.00	208.06
	Preliminaries (20%)	425,900.00	
	Contingency (10%)	255,540.00	
	Sub Total	2,810,940.00	274.64
	Professional fees (5%)	140,547.00	13.73
	TOTAL ESTIMATED BUDGET COST	2,951,487.00	288.37

Annexe D

D1 Plan

D2 Cost Summary



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Annexe D1

OVERALL PROPOSAL

NOTE
THIS DRAWING IS ONE OF A SERIES AND
SHOULD BE READ IN ASSOCIATION WITH
THE OTHER DRAWINGS IN THAT SERIES
THE CONTRACTOR'S PROGRAMME AND
THE STRATEGIC PHASING REPORT

2008			
New Anderson High School			
Project	Phasing Drawing	Overall Proposal	AI
2008-10	10/08/08	10/08/08	AS
CLARIFICATION 1. 10/08/08 2. 10/08/08 3. 10/08/08 4. 10/08/08			
1. 10/08/08 2. 10/08/08 3. 10/08/08 4. 10/08/08			

RPP
ARCHITECT

ESTIMATED COSTS IN RE-ACTIVATING O'HARE McGOVERN CONTRACT:

Annexe D2

Job Title	ANDERSON HIGH SCHOOL, LERWICK
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Re-activation of original contract	
Target Cost Contract as at June 2009	£ 40,808,086.00
Add - Allowance for inflationary increases <i>(based on RPI indices incl. allowance upto Jan 2012)</i>	£ 5,509,091.61
	£ 46,317,177.61

Annexe E1

ACCOMMODATION SCHEDULE 2009

Accommodation Schedule

Department	Room	Floor Area (sqm)
English		
General teaching	Classroom (English)	60
General teaching	Classroom (English)	60
General teaching	Classroom (English)	60
General teaching	Classroom (English)	60
General teaching	Classroom (English)	60
General teaching	Classroom (English)	60
General teaching	Classroom (English)	60
General teaching	Classroom GP/PSE	49
General Teaching	Seminar Room - English	17
Non-Teaching Spaces	Faculty Base - English	42

Mathematics		
General teaching	Classroom (Mathematics)	60
General teaching	Classroom (Mathematics)	60
General teaching	Classroom (Mathematics)	60
General teaching	Classroom (Mathematics)	60
General teaching	Classroom (Mathematics)	60
General teaching	Classroom (Mathematics)	60
General teaching	Classroom (Mathematics)	60
General teaching	Classroom (Mathematics)	60
General Teaching	Seminar Room - Maths	17
Non-Teaching Spaces	Faculty Base - Maths	42

Humanities		
General teaching	Classroom (Humanities : History)	60
General teaching	Classroom (Humanities : History)	60
General teaching	Classroom (Humanities : Geography)	60
General teaching	Classroom (Humanities : Geography)	60
General teaching	Classroom (Humanities : Geography)	60
General teaching	Classroom (Humanities : Modern Studies)	60
General teaching	Classroom (Humanities : Modern Studies)	60
General teaching	Classroom (Humanities : RMPS)	60
General teaching	Classroom (Humanities : RMPS)	60
General Teaching	Seminar Room - Humanities	17
Non-Teaching Spaces	Faculty Base - Humanities	42

Sciences - Chemistry		
Science	Science Laboratory (Chemistry)	77
Science	Science Laboratory (Chemistry)	77
Science	Science Laboratory (Chemistry)	77
Storage	Science Prep/Storage	42
Science	Science Laboratory (AH)	53

Sciences - Physics		
Science	Science Laboratory (Physics)	77
Science	Science Laboratory (Physics)	77
Science	Science Laboratory (Physics)	77
Storage	Science Prep/Storage	42
Science	Science Laboratory (AH)	53

Sciences - Biology		
Science	Science Laboratory (Biology)	77
Science	Science Laboratory (Biology)	77
Science	Science Laboratory (Biology)	77
Non-Timetabled Spaces	Greenhouse	12
Storage	Science Prep/Storage	42
Science	Science Laboratory (AH)	53

Sciences - Shared		
Science	Science Laboratory (Biology/Physics/Chemistry)	77
Non-Teaching Spaces	Faculty Base - Science	42

Modern Languages		
General teaching	Classroom (Languages)	60
General teaching	Classroom (Languages)	60
General teaching	Classroom (Languages)	60
General teaching	Classroom (Languages)	60
General teaching	Classroom (Languages)	60
General teaching	Classroom GP/PSE	60
General Teaching	Seminar Room - MFL	17
Non-Teaching Spaces	Faculty Base - MFL	39

Business Studies		
General teaching	Classroom (Business Studies)	60
General teaching	Classroom (Business Studies)	60
Practical Teaching	Computer Studies (Business Studies)	68
Practical Teaching	Computer Studies (Business Studies)	68
Non-Teaching Spaces	Faculty Base - ICT	39

ICT		
Practical Teaching	Computer Studies (ICT)	68
Practical Teaching	Computer Studies (ICT)	68
Practical Teaching	Computer Studies (ICT)	68
General Teaching	Seminar Room - ICT	17

Technology		
Practical Teaching	CDT - Craft (wood/metal)	116
Practical Teaching	CDT - Craft (wood)	87
Practical Teaching	CDT - Craft (metal)	87
Practical Teaching	CDT - Non Craft (Drawing/Design)	78
Practical Teaching	CDT - Non Craft (Drawing/Technology)	78
Practical Teaching	CDT - Non Craft (Drawing/Technology)	78
Non-Teaching Spaces	Faculty Base - CDT	34
Storage	Wood Store (CDT)	49
Storage	Craft Store	35
Storage	Non Craft Store	23

Art and Design		
Practical Teaching	Art and Design (3D)	112
Practical Teaching	Art and Design (2D)	87
Practical Teaching	Art and Design (2D)	87
Practical Teaching	Art and Design (2D)	87
Non-timetabled space	Art and Design resource area	42
Non-timetabled space	Kiln	10
General Teaching	Seminar Room - A&D	17
Non-Teaching Spaces	Faculty Base - A&D	34
Storage	Art & Design Store	31

Music		
Practical Teaching	Music	69
Practical Teaching	Music	69
Practical Teaching	Music	69
Non-timetabled space	Music Group Room	15
Non-timetabled space	Music Group Room	15
Non-timetabled space	Music Group Room	15
Non-timetabled space	Music Group Room	15
Non-timetabled space	Music Group Room	57
Non-timetabled space	Music Group Room	57
Non-Teaching Spaces	Faculty Base - Music	25
Storage	Music Store	29
Storage	Music (Large Instrument store) pupils	39

Home Economics		
Practical Teaching	Home Economics	84
Practical Teaching	Home Economics	84
Practical Teaching	Home Economics	84
Practical Teaching	Vocational Training	29
Non-Teaching Spaces	Faculty Base - HE	29
Storage	Home Economics Store	42

ASN		
Non-timetabled space	ASN General	29
Non-timetabled space	ASN General	29
Non-timetabled space	ASN General	58
Non-timetabled space	ASN General/Life Skills	58
Non-timetabled space	ASN/Learning Support	29
Non-timetabled space	ASN/Learning Support	29
Non-timetabled space	ASN/Learning Support small	10
Non-timetabled space	ASN/Learning Support small	10
Non-timetabled space	ASN/Learning Support small	10
Non-timetabled space	ASN/Learning Support small	10
Non-timetabled space	ASN/Learning Support large	19
Non-timetabled space	ASN/Learning Support large	19

Pupil Support		
Non-Teaching Spaces	Guidance Office	58
Non-Teaching Spaces	Guidance / Interview Rooms	12
Non-Teaching Spaces	Guidance / Interview Rooms	12
Non-Teaching Spaces	Guidance / Interview Rooms	12
Non-Teaching Spaces	Pupil Support / Behaviour	29
Non-Teaching Spaces	Pupil Support / Behaviour	29
Non-Teaching Spaces	Pupil Support / Behaviour	29
Non-Teaching Spaces	Pupil Support / Behaviour Office	12

Physical Education		
General teaching	Classroom (PE)	60
PE	Games Hall(s)	1048
PE	Gymnasium (19X10)	190
Non-Teaching Spaces	Fitness Suite	87
Non-Teaching Spaces	Faculty Base - PE	34
Non-Teaching Spaces	Changing PE	26
Non-Teaching Spaces	Changing PE	26
Non-Teaching Spaces	Changing PE	26
Non-Teaching Spaces	Changing PE	26
Non-Teaching Spaces	Changing PE	26
Non-Teaching Spaces	Changing PE	26
Storage	Games Hall Store	78
Storage	Gymnasium Store	39

Public/ Spectator Toilets	Included elsewhere	
Staff Toilet / Changing	Included elsewhere	
Disabled Toilets / Changing	Included elsewhere	

Whole School		
Non-timetabled space	Library (inc. Librarians office)	252
	Stage (fixed)/Drama	106
Assembly / Social Space	Main Hall/Social/Dining areas	1000
Non-timetabled space	Recording/control room	15
Non-Teaching Spaces	Changing Drama	31
Non-Teaching Spaces	Changing Drama	31
Storage	Drama Store	19
Storage	Assembly/Social Space store (furniture)	34
Non-Teaching Spaces	Meeting Room	49
Non-Teaching Spaces	Staffroom	97
Non-Teaching Spaces	Medical Suite	29
Non-Teaching Spaces	Kitchen	160
Non-Teaching Spaces	Toilets (Pupils, staff, visitors)	174
Non-Teaching Spaces	Disabled Toilets	41
Non-Teaching Spaces	Hub / Server	10
Non-Teaching Spaces	Plant Rooms	668
Non-Teaching Spaces	Exam Office & Store	19
Storage	Exam Desk Store (near Games Hall)	24
Storage	Exam Desk Store (near Main Hall)	10
Storage	Cleaners' office, central and local stores	20
Storage	General Classroom Storage across the school	98

SMT		
Non-Teaching Spaces	Head Teacher	24
Non-Teaching Spaces	Depute Head Teacher	19
Non-Teaching Spaces	Depute Head Teacher	19
Non-Teaching Spaces	Depute Head Teacher	19

Janitorial		
Non-Teaching Spaces	Janitor	19
Storage	Janitor (Workshop and Office)	29
Storage	Garage for tractor, quad,outdoor sports	19

Administration		
Non-Teaching Spaces	Admin / Repro	107
Storage	Admin / Repro store	19

Science Technician Service		
Non-Teaching Spaces	Technicians (store)	87
Non-Teaching Spaces	Technicians (Chemicals prep and store)	63
Non-Teaching Spaces	Technicians (workshop and office)	24

IT Technician Service		
Non-Teaching Spaces	ICT Technician Workshop	32
Storage	ICT Technician Store	16

Circulation and Cores (Level -2)		544
Circulation and Cores (Level -1)		985
Circulation and Cores (Level 0)		1085
Circulation and Cores (Level 1)		947
Circulation and Cores (Level 2)		573
Circulation - PE Department	Included elsewhere	

Total Room Area	11343
Circulation and Cores	4134
* Misc. Circulation and Partitions - (Approx 5%)	900
Total Floor Area	16377

Additional Support Needs Unit 1023

Grand Total – Floor Area 17400

* This total will be subject to change as the development of the design progresses.

		Anderson High School	Nicolson Institute	Kirkwall Grammer School	
Total Number of Teachers		79	75.8	74	
Department	Accommodation	No. of rooms and area in sq m	No. of rooms and area in sq m	No. of rooms and area in sq m	
English					
Subject Teaching Staff		8	9.4 (inc. media Studies)	9	
			(teachers shared between subjects)		
General teaching	Classrm (English)	8 rms @ 60	9 rms @ 60 (some rms shared with Mod Langs and Media studies)	5 rms @ 62	
General teaching	Classrm (English) Double classroom			1 rm @ 124	
General teaching	Classrm GP/PSE	1 rm @ 49			
General Teaching	Seminar rm - English	1 rm @ 17		1 rm @ 40	
Non-Teaching Spaces	Faculty Base - English	1 rm @ 42	1 rm @ 40	1 rm @ 35	
Non-Teaching Spaces	English - Store (Off - Corridor Store)		1 rm @ 30	1 rm @ 25	
Non-Teaching Spaces	English / Media Store		1 rm @ 10		
Mathematics					
Subject Teaching Staff		8	8	8	
General teaching	Classrm (Mathematics)	8 rms @ 60	8 rms @ 60	8 rms @ 62	
General Teaching	Seminar rm - Maths	1 rm @ 17		1 rm @ 29	
Non-Teaching Spaces	Faculty Base - Maths	1 rm @ 42	1 rm @ 45	1 rm @ 40	
Non-Teaching Spaces	Mathematics - Store (Off - Corridor Store)		1 rm @ 25		
Humanities					
Subject Teaching Staff - Social Subjects		7	6	7	
Subject Teaching Staff - RME		2	3	2	
General teaching	Classrm (Humanities : History)	9 rms @ 60	11 rms @ 60 (some rms shared with gaelic)	9 rms @ 62	
General Teaching	Seminar rm - Humanities	1 rm @ 17			
Non-Teaching Spaces	Faculty Base - Humanities	1 rm @ 42	1 rm @ 45	1 rm @ 40	
Non-Teaching Spaces	RME - Store (Off - Corridor Store)		1 rm @ 30	1 rm @ 25	
Sciences					
Subject Teaching Staff		10	10.2	12	
Science	Science Laboratory	10 rms @ 77	10 rms @ 70	9 rms @ 75	
Science	Science Laboratory (AH)	3 rms @ 53	1 rm @ 30	1 rm @ 30	
Non-Teaching Spaces	Faculty Base - Science	1 rm @ 42	1 rm @ 50	1 rm @ 45	
Storage	Science Prep/Storage	3 rms @ 42			
	Chemical Store		1 rm @ 10	1 rm @ 10	
	Science General Store - Chemistry		1 rm @ 26	1 rm @ 30	
Science Technician etc.					
Non-Teaching Spaces	Technicians (store)	1 rm @ 87		1 rm @ 12	
Non-Teaching Spaces	Technicians (Chemicals prep and store)	1 rm @ 63	1 rm @ 70	1 rm @ 40	
Non-Teaching Spaces	Technicians (workshop and office)	1 rm @ 24		1 rm @ 36	
Non-Timetabled Spaces	Greenhouse	1 rm @ 12	1 rm @ 22		
Modern Languages					
Subject Teaching Staff		5	4	4	
General teaching	Classrm (Languages)	5 rms @ 60	4 rms @ 60spm	4 rms @ 70	
General teaching	Classrm GP/PSE	1 rm @ 60			
General Teaching	Seminar rm - MFL	1 rm @ 17			
Non-Teaching Spaces	Faculty Base - MFL	1 rm @ 39	1 rm @ 25	1 rm @ 20	
General Teaching	Oral prep rm		1 rm @ 11		
Non-Teaching Spaces	store - (off corridor store)		1 rm @ 15	1 rm 20	
Business Studies/ICT					
Subject Teaching Staff		6	6	5	
General teaching	Classrm (Business Studies)	2 rms @ 60		2 rms @ 70	
Practical Teaching	Computer Studies (Business Studies)	5 rms @ 68	6 rms @ 70	2 rms @ 70	
Non-Teaching Spaces	Faculty Base - ICT	1 rm @ 39	1 rm @ 30	1 rm @ 20	
General Teaching	Seminar rm - ICT	1 rm @ 17			
Non - Teaching Spaces	Store		1 rm @ 20	1 rm @ 10	
Non - Teaching Spaces	Store			1 rm @ 10	
Technology					
Subject Teaching Staff		4	4.8	7 (includes Home Ec)	
Practical Teaching	CDT - Craft (wood/metal)	1 rm @ 116		2 rms @ 95	
Practical Teaching	CDT - Craft (wood)	2 rms @ 87			
Teaching	CDT - Non Craft (Drawing/Design)	3 rms @ 78		3 rms @ 70	
Non-Teaching Spaces	Faculty Base - CDT	1 rm @ 34		1 rm @ 35	
Storage	Wood Store (CDT)	Various rms 107		Various rms 75	
Storage	Preparation rm			1 rm @ 45	
Art and Design					
Subject Teaching Staff		4	3.1	4	
Practical Teaching	Art and Design (3D)	1 rm @ 112			
Practical Teaching	Art and Design (2D)	3 rms @ 87	4 rms @ 70	4 rms @ 85	
Non-timetabled space	Art and Design resource area	1 rm @ 42			
Non-timetabled space	Kiln	1 rm @ 10	1 rm @ 13	1 rm @ 10	
General Teaching	Seminar rm - A&D	1 rm @ 17	1 rm @ 40		

Non-Teaching Spaces	Faculty Base - A&D	1 rm @ 34	1 rm @ 21	1 rm @ 20	
Storage	Art & Design Store	1 rm @ 31	1 rm @ 40	1 rm @ 20	
Practical Teaching	Dark rm			1 rm @ 10	
Non-timetabled space	Library			1 rm @ 10	
Music					
Subject Teaching Staff		2	2	2	
Practical Teaching	Music	3 rms @ 69	2 rms @ 70	3 rms @ 65	
Practical Teaching	Music		1 rm @ 50		
Instrumental Practice rms	Music Group rm	4 rms @ 15	5 rms @ 10	6 rms @ 10	
Non-timetabled space	Music Group rm	2 rms @ 57	1 rm @ 20	6 rms @ 7	
Non-Teaching Spaces	Faculty Base - Music	1 rm @ 25	1 rm @ 20	1 rm @ 25	
Storage	Music Store	1 rms @ 29	1 rm @ 15	2 rms @ 10	
Storage	Music (Large Instrument store) pupils	1 rm @ 39	1 rm @ 25	1 rm @ 25	
Subject Teaching Staff - Media					
Practical Teaching	Music Media / Recording Studio		20	20	
Home Economics					
Subject Teaching Staff		3	3	(includes technology)	
Practical Teaching	Home Economics	3 rms @ 84	2 rms @ 90	2 rms @ 80	
Practical Teaching	Home Economics		1 rm @ 100		
Practical Teaching	Vocational Training	1 rm @ 29			
Non-Teaching Spaces	Faculty Base - HE	1 rm @ 29	1 rm @ 25		
Storage	Home Economics Store	1 rm @ 42			
Practical Teaching	Home Economics Fabric Classrms		1 rm @ 80		
Practical Teaching	Home Economics Theory rm		1 rm @ 40	1 rm @ 65	
Practical Teaching	Home Economics Food Preparation rm		1 rm @ 20	3 rms = 25	
Storage	Various Storage		5 rms =30	1 rm @ 10	
Storage	Home Economics Laundry		1 rm @ 5	1 rm @ 5	
Storage	Food class - Presentation Area			1 rm @ 15	
ASN					
Subject Teaching Staff		10	6.5	0	
Non-timetabled space	ASN General	4 rms @ 29	1 rm @ 30	2 rms @ 35	
Non-timetabled space	ASN General	2 rms @ 58		1 rm @ 30	
Non-timetabled space	ASN General/Life Skills	1 rm @ 58		2 rm @ 20	
Non-timetabled space	ASN/Learning Support small	4 rms @ 10		2 rms @ 6	
Non-timetabled space	ASN/Learning Support large	2 rms @ 19			
Non-timetabled space	ASD Support			1 rm @ 20	
Non-timetabled space	Craft+adapted Home Economics			1 rm @ 30	
Non-timetabled space	SEBN (social, emotional, behavioural needs) support			1 rm @ 30	
Non-timetabled space	SEBN classrm small			2 rms @ 8	
Non-timetabled space	Sensory rm		1 rm @ 10	1 rm @ 10	
Non-timetabled space	Physio rm			1 rm @ 22	
Non-timetabled space	Staff base		1 rrom @ 60		
Non-timetabled space	General Store		1 rm @ 10		
Pupil Support					
Subject Teaching Staff	Pupil Support	5	0	7	
Non-Teaching Spaces	Guidance Office	1 rm @ 58	1 rm @ 30	1 rm @ 60	
Non-Teaching Spaces	Guidance / Interview rms	3 rms @ 12	3 rms @ 10, 7.5, 5	3 rm @ 10	
Non-Teaching Spaces	Pupil Support / Behaviour	3 rms @ 29	3 rms @ 40	2 rms @ 25, 15	
Non-Teaching Spaces	Pupil Support / Behaviour		3 rms @ 20		
Non-Teaching Spaces	Pupil Support / Behaviour Office	1 rm @ 12		1 rm @ 12	
Non-Teaching Spaces	Pupil Support - Quiet rm		1 rm @ 10		
Storage	Various storage			Various rms = 40sqm	
Non-Teaching Spaces	Curriculum Support Base			1 rm @ 35	
Non-Teaching Spaces	Social worker office			1 rm @ 10	
Physical Education					
Subject Teaching Staff	Physical Education	5	5	4	
General teaching	Classrm (PE)	1 rm @ 60	1 rm @ 60	1 rm @ 60	
PE	Games Hall(s)	1 rm @ 1048		1 rm @ 476	
PE	Gymnasium	1 rm @ 190	2 rms @ 266	1 rm @ 216	
Non-Teaching Spaces	Fitness Suite	1 rm @ 87		1 rm @ 80	
Non-Teaching Spaces	Faculty Base - PE	1 rm @ 34	1 rm @ 45	1 rm @ 20	
Non-Teaching Spaces	Changing PE	6 rms @ 26	4 rms @ 24	6 rms @ 44	
Storage	Games Hall Store	1 rm @ 78	1 rm @ 27.7	1 rm @ 71	
Storage	Gymnasium Store	1 rm @ 39	1 rm @ 26	1 rm @ 22	
PE	Dance Studio			1 rm @ 166	
PE	Multi Purpose Space			1 rm @ 125	
Whole School					
Non-timetabled space	Library (inc. Librarians office)	1 rm @ 252	1 rm @ 212	1 rm @ 320	
Non-timetabled space	Stage (fixed)/Drama	1 rm @ 106	1 rm @ 300	1 rm @ 400	
Assembly / Social Space	Main Hall/Social/Dining areas	1 rm @ 1000	1 rm @ 400	1 rm @ 252	
Assembly / Social Space	Social Space General		1 rm @ 120		
Assembly / Social Space	6th Year social space / Library		1 rm @ 100		
Subject Teaching Staff	Drama			3	
Non-Teaching Spaces	Changing Drama	2 rms @ 31	2 rms @ 12.5	2 rms @ 15	
Storage	Drama Store	1 rm @ 19	1 rm @ 35	4 rms @ 8, 10, 10, 15	
Practical Teaching	Drama Sudio			1 rm @ 70	
Practical Teaching	Drama Classrm			1 rm @ 70	
Storage	Arts Theatre Store			1 rm @ 70	
	General				
Non-Teaching Spaces	Meeting rm	1 rm @ 49		1 rm @ 45	
Non-Teaching Spaces	Staffrm	1 rm @ 97	1 rm @ 91	1 rm @ 100	
Non-Teaching Spaces	Medical Areas	1 rm @ 29	4 rms = 55	4 rms =43	

Non-Teaching Spaces	Kitchen	160	110	100	
SMT					
Non-Teaching Spaces	Head Teacher	24	25	25	
Non-Teaching Spaces	Depute Head Teacher	<u>3rms@19</u>	<u>3rms@15</u>	3rms @ 15	
Non-Teaching Spaces	Depute Head Teacher		21		
Non-Teaching Spaces	Business Manager		15	15	
Non-Teaching Spaces	visiting services office		10		
Non-Teaching Spaces	kitchen		6		
Janitorial					
Non-Teaching Spaces	Janitor	19	15		
Storage	Janitor (Workshop and Office)	29		36	
Administration					
Non-Teaching Spaces	Admin / Repro	107	70	60	
Storage	Admin / Repro store	19	25		
Non-Teaching Spaces	ICT Technician Workshop	32	24	36	
Storage	ICT Technician Store	16	23	12	
	Total Floor Area	10,084	8,374	8,854	

AHS NEW BUILD ON LOWER STANEY HILL SITE WITH NEW BUILD HALL OF RESIDENCE

Discounted Cash Flow
Discount Rate (%)

5.75 Long Run Rate of Return

NPV : AHS NEW BUILD ON LOWER STANEY HILL SITE WITH NEW BUILD HALL OF RESIDENCE

Year	Discount Factor	Capital Cash Flow	Lease	Rates	Adamsons Rep & Maint	TOTAL Revenue Cash Flow	Cash Flow	Discounted Cash Flow	Cumulative Discounted Cash Flow
		£000	£000	£000	£000	£000	£000	£000	£000
0	1.000								
1	0.946	20,551					20,551	19,434	19,434
2	0.894	32,295					32,295	28,879	48,313
3	0.846	5,872			25	25	5,897	4,986	53,299
4	0.800	-54,168	4,150	437	25	4,612	-49,556	-39,625	13,674
5	0.756		4,150	437	25	4,612	4,612	3,487	17,161
6	0.715		4,150	437	25	4,612	4,612	3,298	20,459
7	0.676		4,150	437	349	4,936	4,936	3,337	23,796
8	0.639		4,150	437	25	4,612	4,612	2,949	26,745
9	0.605		4,150	437	25	4,612	4,612	2,788	29,533
10	0.572		4,150	437	25	4,612	4,612	2,637	32,170
11	0.541		4,150	437	25	4,612	4,612	2,493	34,664
12	0.511		4,150	437	349	4,936	4,936	2,523	37,187
13	0.483		4,150	437	25	4,612	4,612	2,230	39,417
14	0.457		4,150	437	25	4,612	4,612	2,108	41,525
15	0.432		4,150	437	25	4,612	4,612	1,994	43,519
16	0.409		4,150	437	25	4,612	4,612	1,885	45,405
17	0.387		4,150	437	6,768	11,355	11,355	4,390	49,794
18	0.366		4,150	437	3,393	7,980	7,980	2,917	52,711
19	0.346		4,150	437	25	4,612	4,612	1,594	54,306
20	0.327		4,150	437	25	4,612	4,612	1,508	55,813
21	0.309		4,150	437	25	4,612	4,612	1,426	57,239
22	0.292		4,150	437	349	4,936	4,936	1,443	58,682
23	0.276		4,150	437	25	4,612	4,612	1,275	59,956
24	0.261		4,150	437	25	4,612	4,612	1,205	61,162
25	0.247		4,150	437	25	4,612	4,612	1,140	62,302
26	0.234		4,150	437	25	4,612	4,612	1,078	63,380
27	0.221	10,461	4,150	437	25	4,612	15,073	3,331	66,711
28	0.209		4,150	437	25	4,612	4,612	964	67,675
29	0.198		4,150	437	25	4,612	4,612	912	68,587
30	0.187		4,150	437	25	4,612	4,612	862	69,449
31	0.177		4,150	437	25	4,612	4,612	815	70,264
32	0.167	19,245	4,150	437	25	4,612	23,857	3,987	74,251
33	0.158		4,150	437	25	4,612	4,612	729	74,980
34	0.149			437	3,393	3,830	3,830	572	75,552
35	0.141			437	25	462	462	65	75,617
36	0.134			437	25	462	462	62	75,679
37	0.126			437	349	786	786	99	75,778
38	0.119			437	25	462	462	55	75,833
39	0.113			437	25	462	462	52	75,886
40	0.107			437	25	462	462	49	75,935
41	0.101			437	25	462	462	47	75,982
42	0.096			437	3,912	4,349	4,349	415	76,397
43	0.090			437	25	462	462	42	76,439
44	0.085			437	25	462	462	39	76,478
45	0.081			437	25	462	462	37	76,516
46	0.076			437	25	462	462	35	76,551
47	0.072			437	7,306	7,743	7,743	559	77,110
48	0.068			437	25	462	462	32	77,142
49	0.065			437	25	462	462	30	77,172
50	0.061			437	3,393	3,830	3,830	234	77,406
51	0.058			437	25	462	462	27	77,433
52	0.055	10,461		437	25	462	10,923	597	78,029
53	0.052			437	25	462	462	24	78,053
54	0.049			437	25	462	462	23	78,076
55	0.046			437	25	462	462	21	78,097
56	0.044			437	25	462	462	20	78,117
57	0.041			437	349	786	786	32	78,150
58	0.039			437	25	462	462	18	78,168
59	0.037			437	25	462	462	17	78,185
60	0.035			437	25	462	462	16	78,201
		44,718	124,500	24,909	31,085	180,494	225,212	78,201	

Average Annual Maintenance

518,076

AHS NEW BUILD ON LOWER STANEY HILL SITE WITH MAINTAINED HALL OF RESIDENCE

Discounted Cash Flow
Discount Rate (%)

5.75 Long Run Rate of Return

NPV : AHS NEW BUILD ON LOWER STANEY HILL SITE MAINTAINED HALL OF RESIDENCE

Year	Discount Factor	Capital Cash Flow	Lease	Rates	Rep & Maint	TOTAL Revenue Cash Flow	Cash Flow	Discounted Cash Flow	Cumulative Discounted Cash Flow
		£000	£000	£000	£000	£000	£000	£000	£000
0	1.000								
1	0.946	16,832			1,366	1,366	18,199	17,209	17,209
2	0.894	26,451			1,366	1,366	27,817	24,875	42,084
3	0.846	4,809			1,366	1,366	6,176	5,222	47,306
4	0.800	-43,542	3,400	437	1,366	5,203	-38,339	-30,656	16,650
5	0.756		3,400	437	1,366	5,203	5,203	3,934	20,584
6	0.715		3,400	437	166	4,003	4,003	2,862	23,447
7	0.676		3,400	437	425	4,262	4,262	2,882	26,329
8	0.639		3,400	437	166	4,003	4,003	2,560	28,888
9	0.605		3,400	437	166	4,003	4,003	2,420	31,309
10	0.572		3,400	437	166	4,003	4,003	2,289	33,598
11	0.541		3,400	437	166	4,003	4,003	2,164	35,762
12	0.511		3,400	437	425	4,262	4,262	2,179	37,941
13	0.483		3,400	437	166	4,003	4,003	1,935	39,877
14	0.457		3,400	437	166	4,003	4,003	1,830	41,707
15	0.432		3,400	437	166	4,003	4,003	1,731	43,437
16	0.409		3,400	437	166	4,003	4,003	1,637	45,074
17	0.387		3,400	437	5,615	9,452	9,452	3,654	48,728
18	0.366		3,400	437	3,199	7,036	7,036	2,572	51,300
19	0.346		3,400	437	166	4,003	4,003	1,384	52,684
20	0.327		3,400	437	166	4,003	4,003	1,309	53,993
21	0.309		3,400	437	166	4,003	4,003	1,237	55,230
22	0.292		3,400	437	425	4,262	4,262	1,246	56,476
23	0.276		3,400	437	166	4,003	4,003	1,107	57,582
24	0.261		3,400	437	166	4,003	4,003	1,046	58,629
25	0.247		3,400	437	166	4,003	4,003	989	59,618
26	0.234		3,400	437	166	4,003	4,003	936	60,554
27	0.221	9,085	3,400	437	166	4,003	13,089	2,893	63,447
28	0.209		3,400	437	166	4,003	4,003	837	64,284
29	0.198		3,400	437	166	4,003	4,003	791	65,075
30	0.187	9,500	3,400	437	125	3,962	13,462	2,516	67,591
31	0.177		3,400	437	125	3,962	3,962	700	68,291
32	0.167	15,481	3,400	437	125	3,962	19,443	3,249	71,540
33	0.158		3,400	437	125	3,962	3,962	626	72,166
34	0.149			437	3,158	3,595	3,595	537	72,704
35	0.141			437	125	562	562	79	72,783
36	0.134			437	125	562	562	75	72,858
37	0.126			437	384	821	821	104	72,962
38	0.119			437	125	562	562	67	73,029
39	0.113			437	125	562	562	64	73,093
40	0.107			437	125	562	562	60	73,153
41	0.101			437	125	562	562	57	73,209
42	0.096			437	3,305	3,742	3,742	358	73,567
43	0.090			437	125	562	562	51	73,618
44	0.085			437	125	562	562	48	73,666
45	0.081			437	125	562	562	45	73,711
46	0.076			437	125	562	562	43	73,754
47	0.072			437	6,004	6,441	6,441	465	74,219
48	0.068			437	125	562	562	38	74,258
49	0.065			437	125	562	562	36	74,294
50	0.061			437	3,158	3,595	3,595	220	74,514
51	0.058			437	125	562	562	32	74,546
52	0.055	9,085		437	125	562	9,647	527	75,073
53	0.052			437	125	562	562	29	75,102
54	0.049			437	125	562	562	27	75,130
55	0.046			437	125	562	562	26	75,156
56	0.044			437	125	562	562	25	75,180
57	0.041			437	384	821	821	34	75,214
58	0.039			437	125	562	562	22	75,236
59	0.037			437	125	562	562	21	75,257
60	0.035			437	125	562	562	20	75,276
		47,703	102,000	24,909	39,600	166,509	214,212	75,276	

Average Annual Maintenance

660,001

AHS MAINTAIN CURRENT SCHOOL AND HALL OF RESIDENCE - DO NOTHING ADDITIONAL

Discounted Cash Flow

Discount Rate (%)

5.75 Long Run Rate of Return

NPV : AHS MAINTAIN CURRENT SCHOOL AND HALL OF RESIDENCE - DO NOTHING ADDITIONAL

Year	Discount Factor	Capital Cash Flow	Rates	Rep & Maint	Revenue Cash Flow	Cash Flow	Discounted Cash Flow	Cumulative Discounted Cash Flow
		£000	£000	£000	£000	£000	£000	£000
0	1.000							
1	0.946		259	1,463	1,722	1,722	1,628	1,628
2	0.894		259	1,463	1,722	1,722	1,540	3,168
3	0.846		259	1,463	1,722	1,722	1,456	4,624
4	0.800		259	1,463	1,722	1,722	1,377	6,000
5	0.756		259	1,463	1,722	1,722	1,302	7,302
6	0.715		259	263	522	522	373	7,675
7	0.676		259	263	522	522	353	8,028
8	0.639		259	263	522	522	334	8,362
9	0.605		259	263	522	522	315	8,677
10	0.572		259	263	522	522	298	8,975
11	0.541		259	263	522	522	282	9,257
12	0.511		259	263	522	522	267	9,524
13	0.483		259	263	522	522	252	9,776
14	0.457		259	263	522	522	239	10,015
15	0.432		259	263	522	522	226	10,240
16	0.409		259	263	522	522	213	10,454
17	0.387		259	263	522	522	202	10,655
18	0.366		259	263	522	522	191	10,846
19	0.346		259	263	522	522	180	11,026
20	0.327		259	263	522	522	171	11,197
			5,176	11,258	16,435	16,435	11,197	

Average Annual Maintenance

562,921

CANNOT CARRY OUT FULL 60 YEAR NPV APPRAISAL AS SCHOOL DOES NOT HAVE AN ESTIMATED LIFE BEYOND 20 YEARS.

AHS MAINTAIN CURRENT SCHOOL AND HALL OF RESIDENCE, AND MAKE PROVISION FOR REPLACEMENT

Discounted Cash Flow

Discount Rate (%)

5.75 Long Run Rate of Return

NPV : AHS MAINTAIN CURRENT SCHOOL AND HALL OF RESIDENCE AND MAKE PROVISION FOR REPLACEMENT

Year	Discount Factor	Capital Cash Flow	Rates	Rep & Maint	Revenue Cash Flow	Cash Flow	Discounted Cash Flow	Cumulative Discounted Cash Flow
		£000	£000	£000	£000	£000	£000	£000
0	1.000							
1	0.946		259	2,463	2,722	2,722	2,574	2,574
2	0.894		259	2,463	2,722	2,722	2,434	5,008
3	0.846		259	2,463	2,722	2,722	2,302	7,309
4	0.800		259	2,463	2,722	2,722	2,176	9,486
5	0.756		259	2,463	2,722	2,722	2,058	11,544
6	0.715		259	263	522	522	373	11,917
7	0.676		259	263	522	522	353	12,270
8	0.639		259	263	522	522	334	12,603
9	0.605		259	263	522	522	315	12,919
10	0.572		259	263	522	522	298	13,217
11	0.541		259	263	522	522	282	13,499
12	0.511		259	263	522	522	267	13,766
13	0.483		259	263	522	522	252	14,018
14	0.457		259	263	522	522	239	14,257
15	0.432		259	263	522	522	226	14,482
16	0.409		259	263	522	522	213	14,696
17	0.387		259	263	522	522	202	14,897
18	0.366		259	263	522	522	191	15,088
19	0.346		259	263	522	522	180	15,269
20	0.327	42,000	259	166	425	42,425	13,868	29,136
21	0.309		259	166	425	425	131	29,268
22	0.292		259	166	425	425	124	29,392
23	0.276		259	166	425	425	117	29,509
24	0.261		259	166	425	425	111	29,620
25	0.247		259	166	425	425	105	29,725
26	0.234		259	166	425	425	99	29,825
27	0.221		259	166	425	425	94	29,919
28	0.209		259	166	425	425	89	30,007
29	0.198		259	166	425	425	84	30,091
30	0.187	9,500	259	125	384	9,884	1,847	31,939
31	0.177		259	125	384	384	68	32,006
32	0.167		259	125	384	384	64	32,071
33	0.158		259	125	384	384	61	32,131
34	0.149		259	125	384	384	57	32,189
35	0.141		259	125	384	384	54	32,243
36	0.134		259	125	384	384	51	32,294
37	0.126		259	4,884	5,142	5,142	650	32,944
38	0.119		259	2,775	3,034	3,034	363	33,306
39	0.113		259	125	384	384	43	33,350
40	0.107		259	125	384	384	41	33,391
41	0.101		259	125	384	384	39	33,430
42	0.096		259	125	384	384	37	33,466
43	0.090		259	125	384	384	35	33,501
44	0.085		259	125	384	384	33	33,534
45	0.081		259	125	384	384	31	33,565
46	0.076		259	125	384	384	29	33,594
47	0.072	7,934	259	125	384	8,318	601	34,195
48	0.068		259	125	384	384	26	34,221
49	0.065		259	125	384	384	25	34,246
50	0.061		259	125	384	384	23	34,269
51	0.058		259	125	384	384	22	34,292
52	0.055	13,520	259	125	384	13,904	760	35,051
53	0.052		259	125	384	384	20	35,071
54	0.049		259	2,775	3,034	3,034	148	35,219
55	0.046		259	125	384	384	18	35,237
56	0.044		259	125	384	384	17	35,254
57	0.041		259	125	384	384	16	35,270
58	0.039		259	125	384	384	15	35,285
59	0.037		259	125	384	384	14	35,299
60	0.035		259	125	384	384	13	35,312
		72,954	15,529	31,591	47,120	120,073	35,312	

Average Annual Maintenance

526,517

AHS Option 2b

AHS REFURBISH CURRENT BUILDINGDiscounted Cash Flow
Discount Rate (%)

5.75 Long Run Rate of Return

NPV : AHS REFURBISH CURRENT BUILDING

Year	Discount Factor	Capital Cash Flow	Rates	Rep & Maint	Revenue Cash Flow	Cash Flow	Discounted Cash Flow	Cumulative Discounted Cash Flow
		£000	£000	£000	£000	£000	£000	£000
0	1.000							
1	0.946	6,263	384	225	609	6,872	6,499	6,499
2	0.894	12,612	384	225	609	13,221	11,822	18,321
3	0.846	12,252	384	225	609	12,861	10,875	29,196
4	0.800	5,405	384	225	609	6,014	4,809	34,005
5	0.756		384	225	609	609	460	34,465
6	0.715		384	225	609	609	435	34,901
7	0.676		384	724	1,108	1,108	749	35,650
8	0.639		384	225	609	609	389	36,039
9	0.605		384	225	609	609	368	36,408
10	0.572		384	225	609	609	348	36,756
11	0.541		384	225	609	609	329	37,085
12	0.511		384	724	1,108	1,108	566	37,652
13	0.483		384	225	609	609	294	37,946
14	0.457		384	225	609	609	278	38,224
15	0.432		384	225	609	609	263	38,488
16	0.409		384	225	609	609	249	38,737
17	0.387		384	5,888	6,272	6,272	2,425	41,161
18	0.366		384	1,258	1,642	1,642	600	41,761
19	0.346		384	225	609	609	211	41,972
20	0.327		384	225	609	609	199	42,171
21	0.309		384	225	609	609	188	42,359
22	0.292		384	724	1,108	1,108	324	42,683
23	0.276		384	225	609	609	168	42,851
24	0.261		384	225	609	609	159	43,011
25	0.247		384	225	609	609	151	43,161
26	0.234		384	225	609	609	142	43,303
27	0.221	6,067	384	6,067	6,451	12,518	2,767	46,070
28	0.209		384	225	609	609	127	46,197
29	0.198		384	225	609	609	120	46,318
30	0.187		384	225	609	609	114	46,432
31	0.177		384	225	609	609	108	46,539
32	0.167	14,790	384	225	609	15,399	2,573	49,113
33	0.158		384	225	609	609	96	49,209
34	0.149		384	1,258	1,642	1,642	245	49,454
35	0.141		384	225	609	609	86	49,540
36	0.134		384	225	609	609	81	49,622
37	0.126		384	724	1,108	1,108	140	49,762
38	0.119		384	225	609	609	73	49,835
39	0.113		384	225	609	609	69	49,903
40	0.107		384	225	609	609	65	49,968
41	0.101		384	225	609	609	62	50,030
42	0.096		384	5,041	5,425	5,425	518	50,548
43	0.090		384	225	609	609	55	50,603
44	0.085		384	225	609	609	52	50,655
45	0.081		384	225	609	609	49	50,705
46	0.076		384	225	609	609	47	50,751
47	0.072		384	6,186	6,570	6,570	475	51,226
48	0.068		384	225	609	609	42	51,267
49	0.065		384	225	609	609	39	51,307
50	0.061		384	1,258	1,642	1,642	100	51,407
51	0.058		384	225	609	609	35	51,442
52	0.055		384	6,067	6,451	6,451	352	51,795
53	0.052		384	225	609	609	31	51,826
54	0.049		384	225	609	609	30	51,856
55	0.046		384	225	609	609	28	51,884
56	0.044		384	225	609	609	27	51,911
57	0.041		384	749	1,133	1,133	47	51,957
58	0.039		384	225	609	609	24	51,981
59	0.037		384	225	609	609	22	52,004
60	0.035		384	225	609	609	21	52,025
		57,389	23,040	47,242	70,282	127,672	52,025	

Average Annual Maintenance

787,370

AHS NEW BUILD SCHOOL AND HALL OF RESIDENCE ON KNAB SITE

Discounted Cash Flow
Discount Rate (%)

5.75 Long Run Rate of Return

NPV : AHS NEW BUILD SCHOOL AND HALL OF RESIDENCE ON KNAB SITE

Year	Discount Factor	Capital Cash Flow	Lease	Rates	Rep & Maint	Revenue Cash Flow	Cash Flow	Discounted Cash Flow	Cumulative Discounted Cash Flow
		£000	£000	£000	£000	£000	£000	£000	£000
0	1.000								
1	0.946	19,251					19,251	18,204	18,204
2	0.894	30,251					30,251	27,051	45,255
3	0.846	5,500		414	60	474	5,974	5,052	50,307
4	0.800	-55,003	3,890	414	60	4,364	-50,639	-40,491	9,816
5	0.756		3,890	414	60	4,364	4,364	3,300	13,116
6	0.715		3,890	414	60	4,364	4,364	3,120	16,236
7	0.676		3,890	414	579	4,883	4,883	3,302	19,538
8	0.639		3,890	414	60	4,364	4,364	2,790	22,328
9	0.605		3,890	414	60	4,364	4,364	2,639	24,966
10	0.572		3,890	414	60	4,364	4,364	2,495	27,462
11	0.541		3,890	414	60	4,364	4,364	2,359	29,821
12	0.511		3,890	414	579	4,883	4,883	2,497	32,317
13	0.483		3,890	414	60	4,364	4,364	2,110	34,427
14	0.457		3,890	414	60	4,364	4,364	1,995	36,422
15	0.432		3,890	414	60	4,364	4,364	1,887	38,309
16	0.409		3,890	414	60	4,364	4,364	1,784	40,093
17	0.387		3,890	414	6,676	10,980	10,980	4,245	44,337
18	0.366		3,890	414	2,962	7,266	7,266	2,656	46,994
19	0.346		3,890	414	60	4,364	4,364	1,509	48,502
20	0.327		3,890	414	60	4,364	4,364	1,427	49,929
21	0.309		3,890	414	60	4,364	4,364	1,349	51,278
22	0.292		3,890	414	579	4,883	4,883	1,427	52,705
23	0.276		3,890	414	60	4,364	4,364	1,206	53,911
24	0.261		3,890	414	60	4,364	4,364	1,141	55,052
25	0.247		3,890	414	60	4,364	4,364	1,079	56,131
26	0.234		3,890	414	60	4,364	4,364	1,020	57,151
27	0.221	10,712	3,890	414	60	4,364	15,076	3,332	60,483
28	0.209		3,890	414	60	4,364	4,364	912	61,395
29	0.198		3,890	414	60	4,364	4,364	862	62,257
30	0.187		3,890	414	60	4,364	4,364	816	63,073
31	0.177		3,890	414	60	4,364	4,364	771	63,844
32	0.167	17,224	3,890	414	60	4,364	21,588	3,608	67,452
33	0.158		3,890	414	60	4,364	4,364	690	68,141
34	0.149			414	2,962	3,376	3,376	505	68,646
35	0.141			414	60	474	474	67	68,713
36	0.134			414	60	474	474	63	68,776
37	0.126			414	579	993	993	125	68,902
38	0.119			414	60	474	474	57	68,958
39	0.113			414	60	474	474	54	69,012
40	0.107			414	60	474	474	51	69,063
41	0.101			414	60	474	474	48	69,111
42	0.096			414	3,882	4,296	4,296	411	69,521
43	0.090			414	60	474	474	43	69,564
44	0.085			414	60	474	474	40	69,604
45	0.081			414	60	474	474	38	69,643
46	0.076			414	60	474	474	36	69,679
47	0.072			414	7,123	7,537	7,537	545	70,223
48	0.068			414	60	474	474	32	70,256
49	0.065			414	60	474	474	31	70,286
50	0.061			414	2,962	3,376	3,376	206	70,493
51	0.058			414	60	474	474	27	70,520
52	0.055	10,712		414	60	474	11,186	611	71,131
53	0.052			414	60	474	474	24	71,156
54	0.049			414	60	474	474	23	71,179
55	0.046			414	60	474	474	22	71,201
56	0.044			414	60	474	474	21	71,221
57	0.041			414	579	993	993	41	71,262
58	0.039			414	60	474	474	19	71,281
59	0.037			414	60	474	474	18	71,298
60	0.035			414	60	474	474	17	71,315
		38,648	116,700	24,012	32,283	172,995	211,643	71,315	

Average Annual Maintenance

538

AHS NEW BUILD ON KNAB SITE WITH MAINTAINED HALL OF RESIDENCEDiscounted Cash Flow
Discount Rate (%)

5.75 Long Run Rate of Return

NPV : AHS NEW BUILD ON KNAB SITE WITH MAINTAINED HALL OF RESIDENCE

Year	Discount Factor	Capital Cash Flow	Lease	Rates	Rep & Maint	Revenue Cash Flow	Cash Flow	Discounted Cash Flow	Cumulative Discounted Cash Flow
		£000	£000	£000	£000	£000	£000	£000	£000
0	1.000								
1	0.946	15,986			1,200	1,200	17,186	16,252	16,252
2	0.894	25,121			1,200	1,200	26,321	23,537	39,788
3	0.846	4,568		414	1,401	1,815	6,383	5,397	45,186
4	0.800	-45,675	3,225	414	1,401	5,040	-40,635	-32,492	12,694
5	0.756		3,225	414	1,401	5,040	5,040	3,811	16,505
6	0.715		3,225	414	201	3,840	3,840	2,746	19,251
7	0.676		3,225	414	546	4,185	4,185	2,829	22,080
8	0.639		3,225	414	201	3,840	3,840	2,455	24,536
9	0.605		3,225	414	201	3,840	3,840	2,322	26,858
10	0.572		3,225	414	201	3,840	3,840	2,196	29,053
11	0.541		3,225	414	201	3,840	3,840	2,076	31,129
12	0.511		3,225	414	546	4,185	4,185	2,139	33,269
13	0.483		3,225	414	201	3,840	3,840	1,857	35,126
14	0.457		3,225	414	201	3,840	3,840	1,756	36,881
15	0.432		3,225	414	201	3,840	3,840	1,660	38,541
16	0.409		3,225	414	201	3,840	3,840	1,570	40,111
17	0.387		3,225	414	5,552	9,191	9,191	3,553	43,664
18	0.366		3,225	414	2,765	6,404	6,404	2,341	46,005
19	0.346		3,225	414	201	3,840	3,840	1,328	47,333
20	0.327		3,225	414	201	3,840	3,840	1,255	48,588
21	0.309		3,225	414	201	3,840	3,840	1,187	49,775
22	0.292		3,225	414	546	4,185	4,185	1,223	50,999
23	0.276		3,225	414	201	3,840	3,840	1,061	52,060
24	0.261		3,225	414	201	3,840	3,840	1,004	53,064
25	0.247		3,225	414	201	3,840	3,840	949	54,013
26	0.234		3,225	414	201	3,840	3,840	898	54,911
27	0.221	9,232	3,225	414	201	3,840	13,073	2,889	57,800
28	0.209		3,225	414	201	3,840	3,840	803	58,603
29	0.198		3,225	414	201	3,840	3,840	759	59,362
30	0.187	9,500	3,225	414	160	3,799	13,299	2,485	61,847
31	0.177		3,225	414	160	3,799	3,799	671	62,518
32	0.167	14,088	3,225	414	160	3,799	17,887	2,989	65,508
33	0.158		3,225	414	160	3,799	3,799	600	66,108
34	0.149			414	2,724	3,138	3,138	469	66,577
35	0.141			414	160	574	574	81	66,658
36	0.134			414	160	574	574	77	66,735
37	0.126			414	646	1,060	1,060	134	66,869
38	0.119			414	160	574	574	69	66,937
39	0.113			414	160	574	574	65	67,002
40	0.107			414	160	574	574	61	67,064
41	0.101			414	160	574	574	58	67,122
42	0.096			414	3,141	3,555	3,555	340	67,461
43	0.090			414	160	574	574	52	67,513
44	0.085			414	160	574	574	49	67,562
45	0.081			414	160	574	574	46	67,608
46	0.076			414	160	574	574	44	67,652
47	0.072			414	5,884	6,298	6,298	455	68,107
48	0.068			414	160	574	574	39	68,147
49	0.065			414	160	574	574	37	68,184
50	0.061			414	2,724	3,138	3,138	192	68,375
51	0.058			414	160	574	574	33	68,409
52	0.055	9,232		414	160	574	9,806	536	68,944
53	0.052			414	160	574	574	30	68,974
54	0.049			414	160	574	574	28	69,002
55	0.046			414	160	574	574	27	69,028
56	0.044			414	160	574	574	25	69,053
57	0.041			414	646	1,060	1,060	44	69,097
58	0.039			414	160	574	574	22	69,120
59	0.037			414	160	574	574	21	69,141
60	0.035			414	160	574	574	20	69,161
		42,053	96,750	24,012	40,148	160,910	202,963	69,161	

Average Annual Maintenance

669

AHS NEW BUILD SCHOOL AND REFURBISHED HALL OF RESIDENCE ON KNAB SITE

Discounted Cash Flow
Discount Rate (%)

5.75 Long Run Rate of Return

NPV : AHS NEW BUILD SCHOOL AND REFURBISHED HALL OF RESIDENCE ON KNAB SITE

Year	Discount Factor	Capital Cash Flow	Lease	Rates	Rep & Maint	Revenue Cash Flow	Cash Flow	Discounted Cash Flow	Cumulative Discounted Cash Flow
		£000	£000	£000	£000	£000	£000	£000	£000
0	1.000								
1	0.946	19,251					19,251	18,204	18,204
2	0.894	30,251					30,251	27,051	45,255
3	0.846	5,500		414	60	474	5,974	5,052	50,307
4	0.800	-35,160	3,225	414	60	3,699	-31,461	-25,157	25,150
5	0.756		3,225	414	60	3,699	3,699	2,797	27,947
6	0.715		3,225	414	60	3,699	3,699	2,645	30,592
7	0.676		3,225	414	579	4,218	4,218	2,852	33,444
8	0.639		3,225	414	60	3,699	3,699	2,365	35,809
9	0.605		3,225	414	60	3,699	3,699	2,236	38,046
10	0.572		3,225	414	60	3,699	3,699	2,115	40,161
11	0.541		3,225	414	60	3,699	3,699	2,000	42,161
12	0.511		3,225	414	579	4,218	4,218	2,157	44,317
13	0.483		3,225	414	60	3,699	3,699	1,788	46,105
14	0.457		3,225	414	60	3,699	3,699	1,691	47,796
15	0.432		3,225	414	60	3,699	3,699	1,599	49,396
16	0.409		3,225	414	60	3,699	3,699	1,512	50,908
17	0.387		3,225	414	6,676	10,315	10,315	3,987	54,895
18	0.366		3,225	414	2,962	6,601	6,601	2,413	57,308
19	0.346		3,225	414	60	3,699	3,699	1,279	58,587
20	0.327		3,225	414	60	3,699	3,699	1,209	59,796
21	0.309		3,225	414	60	3,699	3,699	1,143	60,939
22	0.292		3,225	414	579	4,218	4,218	1,233	62,172
23	0.276		3,225	414	60	3,699	3,699	1,022	63,195
24	0.261		3,225	414	60	3,699	3,699	967	64,162
25	0.247		3,225	414	60	3,699	3,699	914	65,076
26	0.234		3,225	414	60	3,699	3,699	865	65,941
27	0.221	10,712	3,225	414	60	3,699	14,411	3,185	69,126
28	0.209		3,225	414	60	3,699	3,699	773	69,899
29	0.198		3,225	414	60	3,699	3,699	731	70,630
30	0.187		3,225	414	60	3,699	3,699	691	71,321
31	0.177		3,225	414	60	3,699	3,699	654	71,975
32	0.167	17,224	3,225	414	60	3,699	20,923	3,497	75,472
33	0.158		3,225	414	60	3,699	3,699	585	76,056
34	0.149			414	2,962	3,376	3,376	505	76,561
35	0.141			414	60	474	474	67	76,628
36	0.134			414	60	474	474	63	76,691
37	0.126			414	60	474	474	60	76,751
38	0.119			414	60	474	474	57	76,807
39	0.113			414	60	474	474	54	76,861
40	0.107			414	60	474	474	51	76,912
41	0.101			414	60	474	474	48	76,960
42	0.096			414	3,882	4,296	4,296	411	77,370
43	0.090			414	60	474	474	43	77,413
44	0.085			414	60	474	474	40	77,453
45	0.081			414	60	474	474	38	77,492
46	0.076			414	60	474	474	36	77,528
47	0.072			414	7,123	7,537	7,537	545	78,072
48	0.068			414	60	474	474	32	78,105
49	0.065			414	60	474	474	31	78,135
50	0.061			414	2,962	3,376	3,376	206	78,342
51	0.058			414	60	474	474	27	78,369
52	0.055	10,712		414	60	474	11,186	611	78,980
53	0.052			414	60	474	474	24	79,005
54	0.049			414	60	474	474	23	79,028
55	0.046			414	60	474	474	22	79,050
56	0.044			414	60	474	474	21	79,070
57	0.041			414	579	993	993	41	79,111
58	0.039			414	60	474	474	19	79,130
59	0.037			414	60	474	474	18	79,147
60	0.035			414	60	474	474	17	79,164
		58,490	96,750	24,012	31,764	152,526	211,017	79,164	

Average Annual Maintenance

529

**Shetland Islands Council****7 December 2011****Appointment to Chair of Environment and Transport Committee etc.**

LA-66-11-F

**Report Presented by Executive Manager –
Governance and Law****Corporate Services Department****1.0 Summary**

- 1.1 Councillor Iris Hawkins resigned as an Elected Member of the Council, with effect from 30 September 2011. As a result, the Council is required to appoint to a number of vacancies including the office bearer's post of Chair to the Environment and Transport Committee.

2.0 Decision Required

- 2.1 I recommend that the Council appoint to the vacancies listed in Appendix 1.

3.0 DetailProposal

- 3.1 The Council is asked to appoint a Chair of the Environment and Transport Committee and appoint to a number of vacancies listed in Appendix 1.
- 3.2 In some cases, positions are available to all Councillors, whilst there are some that are ex officio appointments to the Chair of Environment and Transport and others are for Central Ward Members only.
- 3.3 The Council may also wish to consider the forthcoming by-election and appoint, in absentia, the new Central Ward Member, to some of these vacancies.
- 3.4 Should the position of office bearer fall to a holder of any other existing post, and a vacancy is thereby created, that vacancy should also be

appointed to at this meeting to avoid any significant gaps in decision making affecting the Council during the following cycle of meetings.

- 3.5 There are a number of external ex-officio appointments held by the Chair of the Environment and Transport Committee and this will be taken up by the postholder and notified to the external body once the appointment has been made.

Method of Appointment

- 3.6 Part B of the Council's Standing Orders sets out the method of election of office bearers in paragraph 10.5 to 10.8, as follows:

- Councillors to be appointed will be determined by a vote or votes in each of which Members will be entitled to vote for as many candidates as there are vacancies, but they may not cast more than one vote for any candidate.
- The vote will normally be taken by a show of hands, unless the Council resolve in the case of any particular appointment to take the vote by secret ballot.
- The name of the candidate having fewest votes will be deleted from the list and a fresh vote, or votes, will be taken. This process of elimination will be continued until the number of candidates equals the number of vacancies.
- Where only one vacancy requires to be filled and any candidate has an absolute majority of the votes, the candidate will be declared appointed. Otherwise the name of the candidate having fewest votes will be deleted from the list. This process of elimination will be continued until one candidate has a majority of the votes.
- If in any vote among more than two candidates there is equality of votes among the candidates having the least votes, the candidates whose names will be eliminated will be determined by an additional vote. The candidate having fewest votes will be deleted from the list. Where in any additional vote there is equality in votes, the candidate to be eliminated will be determined by lot.

4.0 Implications

Strategic

- 4.1 Delivery On Corporate Priorities – The recommendation in this report is not linked directly to any of the Corporate Priorities.
- 4.2 Community /Stakeholder Issues – None
- 4.3 Policy And/Or Delegated Authority – In accordance with Section 2 of the Council's Scheme of administration and delegations all appointments to any part of the political management framework are matters reserved to the Council.

The method of appointment shall be in accordance with the Council's Standing Orders, Part B of the Council's Constitution, as set out in paragraph 3.5 above.

Office Bearer appointments carry approved duty status in terms of the Council's Scheme of Councillors' approved duties as described in Part G of the Council's Constitution.

4.4 Risk Management – None

4.5 Equalities, Health And Human Rights – None.

4.6 Environmental – None.

Resources

4.7 Financial – There are no additional costs to be added to the existing Members' budgets, as the appointment contained in this report are required to fill a vacancy.

4.8 Legal – None.

4.9 Human Resources – None.

4.10 Assets And Property – None.

5.0 Conclusions

5.1 The Council is required to appoint to a number of vacant positions including the Office Bearer role of Chair for the Environment and Transport Committee, and appoint to any vacancy that may be created as a result, to ensure continuity of business.

For further information please contact:

Jan Riise

744551 jan.riise@shetland.gov.uk

29 November 2011

List of Appendices

Appendix 1 - Ex Officio Appointments

Background documents:

- Council's Standing Orders:
<http://intranet2/Policy/Shared%20Documents/4PartBStandingOrdersapproved12052011.pdf>
- Council's Remuneration and Approved Duties:
<http://intranet2/Policy/Shared%20Documents/7PartGRemunerationandApprovedDutiesapproved12052011.pdf>

END

INTERNAL APPOINTMENTS

Appointment	Committee	Available To
Chair	Environment and Transport	All Members New Member (in absentia)
	Existing Members	
	A Wishart (Vice-Chair) J Simpson R Henderson A Doull G Robinson A Hughson R Nickerson J Henry C Miller F A Robertson	

Appointment	Committee	Available To
Ex Officio	Executive Committee	Chair of Environment and Transport

Appointment	Committee	Available To
Additional Member	Development	All Remaining Members New Member (in absentia)
	Existing Membership	
	A Cooper (Chair) A Doull (Vice Chair) J Simpson R Henderson W Manson F Robertson B Fullerton J Budge L Angus A Wishart	

Appointment	Committee	Available To
Member	Harbour Board	All Remaining Members New Member (in absentia)
	Existing Members	
	R Henderson (Chair) A Cooper (Vice-Chair) A Doull B Fullerton J Henry R Nickerson F Robertson	

Appointment	Committee	Available To
Member	Education and Families	Central Ward Member New Member (in absentia)
	E Fullerton (Chair)	

Appointment	Committee	Available To
Member	Planning Board	Central Ward Member New Member (in absentia)

EXTERNAL APPOINTMENTS

Appointment	Group	Available To
Ex Officio	CoSLA Convention	Chair of Environment and Transport

Appointment	Group	Available To
Member	Community Planning Delivery Group	All Members New Member (in absentia)
	Existing Members	
	A Cluness J Simpson A Cooper L Angus	

Appointment	Group	Available To
Member	Community Safety Partnership	All Members New Member (in absentia)
	Existing Members	
	A Cooper	

Appointment	Group	Available To
Substantive Member	KIMO	All Members New Member (in absentia)
	Existing Members	
	J Henry (substantive) R Nickerson (substantive) J Simpson (substantive) L Baisley (substantive) A Cooper (substitute) G Robinson (substitute) J Wills (substitute)	

Appointment	Group	Available To
Substantive Member	NFLA (Nuclear Free Local Authorities)	All Members New Member (in absentia)
	Existing Member	
	R Nickerson (Substitute)	

Appointment	Group	Available To
Member	Scottish Water Liaison Group	Central Ward Member New Member (in absentia)
	Existing Members	
	Allan Wishart Frank Robertson Rick Nickerson Jim Henry Alastair Cooper Robert Henderson	

Appointment	Group	Available To
Member	Sumburgh Airport Consultative Committee	All Members New Member (in absentia)
	Existing Members	
	J Budge A Duncan R Nickerson L Angus	

Appointment	Group	Available To
Substantive Member	ZetTrans	Ex officio Chair for Environment and Transport Committee
	Existing Members	
	C Miller, Substantive F Robertson, Substantive A Wishart, Substantive R Henderson, Substitute A Doull, Substitute	

Appointment	Group	Available To
Member	Shetland Fisheries Training Centre Trust	All Members New Member (in absentia)
	Existing Members	
	(Ex Officio Convener) resigned) L Angus J Henry E Fullerton	



Shetland Islands Council

7 December 2011

Appointments to Education and Families Committee - Religious Representatives

LA-65-F

**Report Presented by
Executive Manager – Governance and Law**

Corporate Services Department

1.0 Summary

- 1.1 This report addresses the statutory requirement to have religious representation on the Education and Families Committee, and seeks agreement on the appointment of two religious representatives to the Committee.

2.0 Decision Required

- 2.1 That the Council **RESOLVES** to appoint Ms Radina McKay and Ms Angela Nunn as Religious Representatives on the Council's Education and Families Committee.

3.0 Detail

- 3.1 At its meeting on 21 September, following recommendation from the Education and Families Committee, the Council resolved to appoint the Church of Scotland nomination to the Committee, Tom Macintyre, and delegated authority to the then Head of Legal and Administration to continue consultation with the Shetland Council of Churches Trust and Shetland Inter Faith, and report back to the next meeting of the Council.
- 3.2 On 31 October, the Executive Manager - Governance and Law and the Chair of Education and Families Committee met with Val Turner, Chair of the Shetland Council of Churches Trust. The background and legal position was discussed, along with the method by which the Trust would seek its nomination. Following the meeting, a formal request for a nomination was made, and this was duly followed by the nomination of Ms Angela Nunn. A personal statement from Ms Nunn is attached, along with a covering letter from the Trust which sets out how their

nomination was arrived at, and some background information as to the Trust's remit.

- 3.3 A meeting was also held with four representatives from Shetland Inter Faith on 4 November. Again, the background and legal position was discussed, and it was agreed that Shetland Inter Faith would be asked to provide a nomination for appointment by the Council on 7 December. A formal request was made, and accordingly Ms Radina McKay has been nominated. A copy of Ms McKay's personal statement, along with an e-mail from Shetland Inter Faith explaining how their nomination was arrived at are also attached as appendices to this report.

4.0 Implications

Strategic

- 4.1 Delivery On Corporate Priorities – In addition to the statutory requirement, the appointment of religious representatives would meet the outcomes of the Council's Equality Statement in relation to the need to ensure that Democratic bodies better reflect the diversity of Shetland's communities, and would assist the Council in meeting its objective of ensuring high quality education services.
- 4.2 Community /Stakeholder Issues – Consultation was undertaken with the Shetland Council of Churches Trust and with Shetland Inter Faith. Copies of their responses are attached as appendices to this report.
- 4.2 Policy And/Or Delegated Authority – Section 1.2.1(2a) of the Council's Scheme of Administration and Delegations, states that when the Education and Families Committee is considering any of the functions of the Council as education authority, three persons interested in the promotion of religious education will be voting members of the Committee. In addition, any appointment to a body which forms part of the political management framework is reserved to the Council in terms of Section 2.1.3(1a) of the said Scheme.
- 4.3 Risk Management – Not complying with the statutory requirements, exposes the Council to complaint and/or legal action.
- 4.4 Equalities, Health And Human Rights – The appointment of religious representatives is required in circumstances where a committee is established to discharge the functions of the education authority. Primary legislation requires the Council to make these appointments, and there is no question of this amounting to a breach of Human Rights legislation.
- 4.5 Environmental – None.

Resources

- 4.6 Financial – All members of the Council's committees are entitled to claim legitimate expenses. An additional three Members of the Committee is not expected to incur a significant increase in costs, and will be contained within the current budget for Members' expenses.

4.7 Legal – The Council is required by Section 124 of the Local Government (Scotland) Act 1973 as revised by Section 31 of the Local Government etc. (Scotland) Act 1994 to appoint three representatives of religious interests to its Education and Families Committee.

4.8 Human Resources – None.

4.9 Assets And Property – None.

5.0 Conclusions

5.1 In fulfilling the statutory requirement to have religious representation on the Education and Families Committee, this report seeks to appoint the remaining representatives.

For further information please contact:

Jan-Riise, Executive Manager – Governance and Law

01595 744551 jan.riise@shetland.gov.uk

28 November 2011

List of Appendices

Appendix 1 – Letter from Shetland Council of Churches Trust

Appendix 2 – Personal Statement from Ms Angela Nunn

Appendix 3 – E-mail from Shetland Inter Faith

Appendix 4 – Personal Statement from Ms Radina McKay

Background documents:

Shetland Islands Council – [21 September 2011](#)

END

Val Turner
 Chair, Shetland Council of Churches Trust
 Easthouse
 Whiteness
 Shetland ZE2 9LL

18 Nov 2011

Dear Mr Riise

Education and Families Committee – Religious Representatives

Thank you for the recent meeting and subsequent correspondence regarding our representative to the Council's Education and Families Committee.

Our nomination is for Ms Angela Nunn, Territorial Envoy with the Salvation Army. Ms Nunn has recently taken up full time employment with the Salvation Army, having previously taught at the Anderson High School and also having taught outside of Shetland. Although she has only recently become a Trustee of the Shetland Council of Churches Trust (SCCT), she has been well known to many of us due to her involvement with the Salvation Army in Shetland in a voluntary and trainee capacity.

The nomination was arrived at as a result of consultation with the Trustees of the SCCT, who have expressed their whole hearted support for this. (We discovered that our previous nominee was ineligible due to his holding part time paid employment with the SIC.)

The Shetland Council of Churches existed prior to its establishment as a Charitable Trust, as a body to bring together all Christian denominations in Shetland: to facilitate co-operative working, joint events, exchange of information and to make appointments of suitable individuals to appropriate bodies in cases exactly like this, where one representative is required to represent all denominations. Should the individual selected not be a Trustee, they would be expected to report to meetings, either in person or in writing.

Trustees are elected by the appropriate managing body of each Christian denomination within Shetland. At present we have appointed representatives (in most cases, one minister and two lay people) from the following denominations:

Catholic
 Episcopal
 Church of Scotland
 Methodist
 Pentecostal
 Baptist
 Salvation Army

Under the constitution, we currently have vacancies for the Congregational Church and the United Free Church. A Quaker representative is regularly in attendance. As a result we are the elected representatives of the Church within Shetland, comprising a considerable sector of the population.

If you have any further questions or require any further information, I would be very happy to supply it.

Your sincerely,

Val Turner
Chair
Shetland Council of Churches Trust



SHETLAND ISLANDS COUNCIL

2 STATEMENT

Please provide a brief pen picture describing the skills, experience and special characteristics that you would bring to the position and a statement of the contribution you would hope to make if appointed.

I have been working as a minister for the Salvation Army since 28/07/2011, having lived in Shetland for nine years. Prior to that I have had twenty years experience as a teacher – twelve years full time, with pupil support responsibilities, seven years as a self-employed music teacher and four years as a supply teacher. (The last two over lapped) During this time I acquired many skills, both in practical matters: administration, organisation, handling paperwork and meeting deadlines, managing a department; and on an interpersonal level; working as part of a team, managing a team, meeting with parents, dealing with troubled teenagers in the classroom, motivating pupils and colleagues. In order to survive the challenges and enjoy them I needed to make full use of certain qualities: a good sense of humour, the ability to think on my feet, patience, perseverance, creativity, enthusiasm and dedication.

My favourite part of the job was always the pastoral care role of the form tutor; being responsible for Personal and Social Education, taking a daily interest in my students' well-being and helping them to get as much out of their time in school as possible, despite the fact that some of them came from very difficult and troubled backgrounds.

I would bring to this committee an in depth background knowledge of the education system, experience of working with young people and their families and, above all, a passionate desire to promote the well-being of children and families – to play whatever part I can to help young people and families have the best quality of life possible.

Nomination of Inter Faith Representative to SIC Education and Families Committee

At the request of the Chair of the Education and Families Committee, members of the Shetland Inter Faith management committee were asked to take soundings from the faith communities in Shetland regarding a nomination for a representative to sit on the Committee. The composition of the Shetland Inter Faith management committee reflects the religious communities present in Shetland – Bahai', Buddhist, Christian, Muslim and Pagan (there are no formal links with Jewish people).

The different religious communities are not always organised in a structured way, so much of the discussion is informal. Through the members of the Shetland Inter Faith management committee, an invitation was given that if anyone wanted to attend an open meeting on Wednesday 23rd November they were welcome to do so. At this meeting people reported their progress in seeking suitable candidates for nomination.

The different religious communities are cautious about this kind of representation, and discussion on the remit of such a nominee took place. Those present agreed that they were very happy to nominate a person to sit on the education committee on their own merit and contribute from their own religious and life experience. If, however, on a particular issue it was necessary to seek the views of a wider spectrum of religious views then the representative would arrange consultation with appropriate groups or with Shetland Inter Faith.

After careful deliberation, the group unanimously supported the nomination of Radina McKay.



SHETLAND ISLANDS COUNCIL

2 STATEMENT

Please provide a brief pen picture describing the skills, experience and special characteristics that you would bring to the position and a statement of the contribution you would hope to make if appointed.

Educational Qualifications

My educational background is in social work and education. The courses which I have undertaken to complete my BS (Hons) Social Sciences OU Degree include Social Psychology and Child Development, as well as Theory and Practice related to working with youth, children and families.

Over the years I have developed practical and theoretical knowledge and skills which are applicable to the work done by the Education and Family Committee.

In addition of being a mother of three boys I have extensive practical experience particularly in the voluntary sector but also, to a lesser extent, in the private sector.

School Parent Council

1. Serving on the Bell's Brae School Parent Council for a number of years working in partnership with the educational authorities at the school, gaining a firsthand experience of the establishment and promotion of an inclusive agenda, seeking to ensure that parent's voices are taken into account in the running of the school.

Administrative Experience

2. Service on the Spiritual Assembly of the Baha'is of Shetland for many years, which as an administrative and consultative body is responsible for promoting the education and the wellbeing of its own members and the members of the wider community.

Child Education

3. Over the past twenty years I have undertaken the planning and delivering of classes and workshops for children of all ages which through the deployment of music, art, stories and discussions seek to foster a sound understanding of moral and spiritual concepts.

Youth Work

4. In more recent years, facilitation of a junior youth empowerment programme intended to enhance the moral and intellectual development of young people between the age of eleven and fifteen by fostering skills and insights through delivering service projects targeted and focused on the needs of their particular communities.



Private Sector

5. My husband and I are partners in a small architectural practice Alan McKay Architect which has been running for five years. I have full responsibility for financial management and shared responsibilities for major decisions about business development.

Shetland Befriending Scheme

6. I have been a volunteer for Shetland Befriending Scheme for at least eight years, which has given me the opportunity to work with children with challenging social backgrounds and specific social and educational needs.

The foregoing list of my education and experience has, I believe, equipped me with the following skills and abilities which I would hope to contribute as a member of the Educational and Family committee.

- A broad-based academic and practical understanding of how children learn including the challenges faced by children with learning difficulties.
- Analytical and conceptual skills that link theory with practice including the ability to study reports, identify key issues and understand their application
- Direct experience of balancing the aspiration of educational policy against real world constraints such as finance and frequently differing agendas.
- A substantive experience of committee service and consultation with emphasis on achieving unified decisions within the context of opposing viewpoints.
- Firsthand experience, insight and appreciation of the problems faced by families from deprived backgrounds and/or who have children with educational challenges
- Understanding of the value of diversity and recognizing the benefits it can bring to policy making and service provision.
- Extensive experience of fostering harmonious and effective working relationships with both adults and children.



Shetland Islands Council

**Executive Committee
Shetland Islands Council
Audit and Standards Committee**

**28 November 2011
7 December 2011
15 December 2011**

Final Audited Accounts 2010/11

F-042-F

Report Presented by Head of Finance

Finance Service

1.0 Summary

- 1.1 The purpose of this report is to present the final signed and audited accounts for 2010/11 for approval and to receive Audit Scotland's Annual Report on the 2010/11 Audit.

2.0 Decision Required

- 2.1 The Executive Committee is asked to RECOMMEND to the Council:
- a) approval of the final signed and audited accounts for 2010/11; and
 - b) note Audit Scotland's Annual Report on the 2010/11 Audit and approve the Action Plan.
- 2.2 The Executive Committee is further asked to APPROVE the Action Plan devised to address the audit risks; and
- 2.3 The Audit and Standards Committee is asked to CONSIDER the Annual Report, the Action Plan, and the Finance Service Improvement Plan and make comment as appropriate.

3.0 Detail

- 3.1 The Annual Audit Plan requires the Council to receive the Annual Report and Certified Accounts by December 2011. These are included at Appendix 1.
- 3.2 The accounts remain qualified in respect of the Council's not grouping the accounts with those of Shetland Charitable Trust. The Council continues to work towards reaching a resolution to this matter with Shetland Charitable Trust in time for preparation of the 2012/13 accounts.

- 3.3 The 2010/11 Annual Report from Audit Scotland contains a number of risks that require to be addressed. The Annual Report is enclosed as Appendix 2 to this Report. The risk areas identified are:
- resolving the group accounts qualification
 - ensuring the 2011/12 final accounts closedown is adequately resourced, pro-activity managed and that the accounts are prepared code compliant and in a timely manner
 - adequately resourcing the finance function, including appointments to key posts
 - preparing to comply with charity accounting regulations
 - developing further the reporting arrangement on budgets
 - addressing the slippage on the capital programme
 - ensuring compliance with the reserves policy
 - completing the risk management arrangements
- 3.4 An Action Plan to address these issues has been drawn up and is included as Appendix B: Action Plan (part of Appendix 2). The Action Plan is realistic and achievable within the timeframe.
- 3.5 A separate Appendix 3 is included in the revision of this report for Audit and Standards Committee, comprising a copy of the Finance Service Improvement Plan as approved by the Executive Committee (appears as a separate item on the Executive Committee agenda).

4.0 Implications

Strategic

- 4.1 Delivery On Corporate Priorities – The preparation and presentation of the Accounts is a key element of the Council's overall governance and reporting arrangements.
- 4.2 Community /Stakeholder Issues – NONE.
- 4.3 Policy And/Or Delegated Authority –The Audit and Standards Committee remit includes consideration of all reports from the external auditors, including the External Auditor's Annual Report and to review the Council's financial performance as contained in the Annual Report. The Executive Committee's remit includes overseeing the financial affairs of the Council. Receiving the unaudited and audited accounts of the Council and related certificates and reports is a matter reserved by the Council
- 4.4 Risk Management – The Final Accounts and the Annual Report from Audit Scotland includes the identification of key financial risks and internal control arrangements in place to manage those risks, together with any improvement actions required.
- 4.5 Equalities, Health And Human Rights – NONE.
- 4.6 Environmental – NONE.

Resources

- 4.7 Financial – NONE.
- 4.8 Legal – NONE.
- 4.9 Human Resources – NONE.
- 4.10 Assets And Property – NONE.

5.0 Conclusions

- 5.1 The Council is required to prepare and publish a set of Accounts, within a set timescale. The accounts are then subject to external audit and currently Audit Scotland is the Council's nominated auditors. Audit Scotland has now certified the accounts as being a true and fair statement of the Council's financial position at 31 March 2011, except in one respect. The Accounts remain qualified in respect of the non grouping of accounts with those of Shetland Charitable Trust. Audit Scotland have provided an Annual Report of the 2010/11 accounts and have identified several areas of risk which require to be addressed. An Action Plan has been agreed to ensure that those risks are well managed and resolved, within a reasonable timeframe.

For further information please contact:

Hazel Sutherland

Head of Finance

Email: hazel.sutherland@shetland.gov.uk

Telephone: 01595 74 4607

15 November 2011

List of Appendices

Appendix 1: Final Audited and Certified Accounts 2010/11

Appendix 2: Annual Report on 2010/11 Accounts by Audit Scotland

Appendix 3: Finance Service Improvement Plan

Background documents:

NONE.

END

Shetland Islands Council

Statement of Accounts 2010/11



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Introduction

Welcome to the Council's accounts for the year 2010/11. These look very different from those that you will be used to seeing in the past. In particular, this year we have been required to adopt a new approach to the presentation of the Accounts.

This is intended to make the information presented more relevant and to give you a better understanding of the most significant financial matters that have affected the Council and the wider group of organisations covered by the Accounts.

Nonetheless the accounts remain, as they must, a rather technical document but I hope that the Explanatory Foreword will help you better understand the financial affairs of the Council. The Explanatory Foreword below does not comment on policies but concentrates on trying to explain the financial facts in respect of 2010/11.

Explanatory Foreword

The purpose of the foreword is to explain the most significant aspects of the authority's financial performance, year-end financial position and cash flows in a concise and understandable manner; for ease of understanding and in the interest of conciseness the foreword is structured under broad headings below.

The Regulatory Framework

First of all it is helpful to understand the regulatory framework within which the authority works. In Scotland the local authority accounting framework is enacted as follows:

- section 96 of the Local Government (Scotland) Act 1973 requires Scottish authorities to keep accounts;
- section 12 of the Local Government in Scotland Act 2003 places a duty of Best Value on the authority and also a duty to observe proper accounting practices; the Code of Practice on Local Authority Accounting in the United Kingdom (the Code), supported by International Financial Reporting Standards (IFRS), the Best Value Accounting Code of Practice, the Prudential Framework and other statutory guidance issued under section 12 of the 2003 Act, defines proper accounting practices for local authorities in the UK;
- the Local Authority Accounts (Scotland) Amendment Regulations 2011 (SSI No.2011/64) amended the Local Authority Accounts (Scotland) Regulations 1985 (SI No.1985/267) to require local authorities in Scotland to prepare a Remuneration Report as part of the annual statutory accounts;
- under paragraph 3 of the Local Authority Accounts (Scotland) Regulations 1985 (s1 1985/267, Finance circular 5/1985) the "proper officer" is formally responsible for the form of accounts; the Code requires this officer to sign, date and submit the un-audited statement of accounts to the authority and the Controller of Audit by 30 June.

The Code was developed by the CIPFA/LASAAC Code Board under the oversight of the Financial Reporting Advisory Board and has effect for financial years commencing on or after 1 April 2010. The overriding requirement of the Code is that the Statement of Accounts provides a true and fair view of the financial position and the financial transactions of the authority. The Code reiterates the primacy of legislative requirements whereby the overriding principle of local authority accounts is that, where an accounting treatment is prescribed by law, the legal requirement must be applied even where this contradicts accounting standards.

The primary financial statements and notes to the accounts, including the accounting policies, form the relevant Statement of Accounts for the purpose of the auditor's certificate and opinion.

Primary Financial Statements

The Statement of Accounts summarises the authority's transactions for the year, its year-end position at 31 March 2011 and its cash flows. All monetary amounts shown in the statements are rounded to the nearest one thousand pounds for the purposes of presentation. The Statement of Accounts is prepared in accordance with the International Accounting Standards Board (IASB) Framework for the Preparation and Presentation of Financial Statements (the IASB Framework) as interpreted by the Code.

The four primary statements and their relationships are explained in more detail below:

- **Movement in Reserves Statement** – this shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and those that the authority is not able to use to provide services but must set aside under statute and accounting regulations.

The (Surplus) or Deficit on the Provision of Services line shows the true economic cost of providing the authority's services which is different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for setting Council Tax and dwelling rents.

The Net Increase/Decrease before Transfers to Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from reserves are undertaken by the Council.

- **Comprehensive Income and Expenditure Statement** – this shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices (GAAP), rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement, as explained above, and the adjustments made between the accounting basis and the funding basis to reflect the amount available to the authority to meet future capital and revenue expenditure is disclosed at note 7.

- **Balance Sheet** – this shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, ie those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves are those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.
- **Cash Flow Statement** – this shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (ie borrowing) to the authority.

Financial Performance – Budget Out-turn

Council services are paid for from national taxation by way of a grant from the Government, non-domestic rates; local taxation by way of the council tax and more generally from fees and charges. The Council is also able to draw on income which it generates from reserves to pay for services and projects.

The Council's financial performance is presented in the four primary statements. The out-turn position for each of the budgeted funds, excluding accounting practice adjustments, as compared to the budget set is summarised below.

Further details were presented in a report to the Executive Committee of the Council on 4 July 2011, which is available on the Council's website.

2010/11 Budget v Expenditure	Original Budgeted Draw on Reserves £m	Revised Budgeted Draw on Reserves £m	Actual Draw on Reserves (after capital trfs) £m	Revised Budget v Actual Variance Fav/(Adv) £m
General Fund Revenue	2.000	15.070	14.740	0.330
Reserve Fund Revenue	11.366	11.366	11.050	0.316
Harbour Account	(3.898)	(3.898)	(2.357)	(1.541)
Housing Revenue Account	(0.398)	(0.398)	0.489	(0.887)
Capital	31.300	31.300	7.350	23.950
Total	40.370	53.440	31.272	22.168

The main variances against revised budget arose in the following areas:

- a net underspend of £0.330m on the General Fund;
- a net underspend of £0.316m on the Reserve Fund, mainly to do with the scheduling of grant aid expenditure;
- a net reduction in the contribution to the Reserve Fund, from surpluses on the Harbour Account of £1.541m, mainly due to reduced income streams;
- a net overspend of £0.887m on the Housing Revenue Account from meeting new build capital spend from revenue;
- a net underspend of £23.950m on capital, of which £4.060m was transferred to revenue, with the remainder being slippage or revisions to the programme, i.e. projects not commencing as originally anticipated in 2010/11.

In 2010/11, the Council continued to face significant financial pressures. Potential future pressures relate to the general economic climate such as:

- the potentially lower level of returns on funds invested in equities;
- the reduction in direct government support through the revenue support and capital grants;
- reduction in household income and the ability to pay for goods and services and Council Tax.

From a service perspective there is a growing need for community care and services for people with learning disabilities, increases in fuel costs impacting on the transport network and the severe weather resulting in increases to the winter maintenance service.

The Council was successful in securing a new income stream from the gas processing plant, based at Sullom Voe, which was a very welcome increase in industry at a time of more general economic recession.

During the year, the Council undertook some significant service redesign projects, with a view to achieving significant savings in areas where efficiencies could be implemented. The projects were called “Ports for the Future” and the “Education Blueprint” and both projects have made significant contributions to delivering ongoing revenue savings. A different model of providing community care was developed, through an extra care housing scheme, which is a more cost effective model than permanent care places. That work is continuing into 2011/12, alongside a new drive for efficiencies and some focused best value reviews around community care and infrastructure services.

The Chief Executive introduced a Vacancy Management Panel, to critically review the Council’s approach to recruitment to vacant posts. This system, alongside general budget pressures, has created a slow down and stabilisation of overall staffing numbers, so helping to manage staffing costs. Reducing the Council’s overall staffing costs by a significant amount will be a key part of the 2011/12 savings process.

The start of the process of management reform saw the amalgamation of some posts, following the early retiral of some senior managers. That work continues into 2011/12 with the formal approval of a management review, which has a target saving of fifteen senior management posts and £1 million per annum.

Another key area of cost is property costs. The Council had developed a specific project to look for savings and efficiencies in the way in which it uses property. There will be a drive to find uses for, or dispose of, vacant properties and a concentrated effort to support dispersed working and shared services across all areas of Shetland.

The Council's 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).
- Use of reserves to support General Fund revenue spending to be reduced by a minimum of £1 million per year (with a target level of £1 million 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 year, subsequently modified to a Programme of no more than £100 million over five years.

In 2010/11 the Council budgeted to draw £40.370m from reserves, in order to balance the accounts. However, the actual draw on reserves in 2010/11 is £31.272m. 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 reserves of £268.899m. This is a reduction in reserves from the previous year of £4.856m. This is less than the estimated draw on reserves as there were exceptionally high gains on the sale of investments, interest and dividends due to very good market conditions.

The Council holds the following balances in reserves:

Reserves	Opening Balance 1 April 2010 £m	Closing Balance 31 March 2011 £m
Capital Fund	(117.625)	(108.404)
Capital Efficiency/Spend to Save Reserve	0.000	(5.000)
Reserve Fund	(66.752)	(61.621)
Repairs & Renewals Fund	(74.318)	(62.900)
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)	(252.825)
Marine Superannuation Fund	(2.974)	(2.582)
Pilot Boat Renewal Fund	(0.944)	(0.942)
Housing Repairs & Renewals Fund	(10.577)	(12.035)
Quarry Repairs & Renewals Fund	(0.150)	(0.150)
Insurance Fund	(0.254)	(0.222)
Hansel Funds	(0.083)	(0.090)
Central Energy Efficiency Fund	(0.077)	(0.052)
Ring Fenced Reserves	(15.059)	(16.073)
TOTAL	(273.754)	(268.898)

The overall level of reserves of £268.898m is in accordance with the long-term strategy for maintaining the financial policies of the Council. However, when the funds to be used for specific purposes are deducted, the level of reserves held for general use falls to £252.825m, just above the financial policy floor of £250 million set by the Council.

The reserves held are more than adequate to manage risks and unplanned expenditure in the short term. However, there is a significant risk that the Council's reserves will be fully used in a short period of time if expenditure levels are not brought into line with the level of income able to be generated.

The Council is taking immediate steps to address this financial risk by bringing forward the financial planning process for 2012/13 and started that process in July 2011. It has recognised the need to pro-actively manage the exercise as a significant change management project, involving all staff and the local community.

A risk has been identified that not all of the General Fund reserves are held in a way that can be quickly converted to cash. There is no short-term risk associated with how the money is held but over time, if the Council has a need to make a significant and unplanned draw on reserves, it may need to borrow to secure the cash required. This issue will be addressed in detail in the financial planning process.

The Council has no external debt at 31 March 2011.

The Council agreed, in November 2010, a Corporate Improvement Action Plan, to address concerns raised by the Accounts Commission. The detail of that process is set out in the Governance Statement. The concern surrounded the Council's capacity to deliver the overall financial strategy with specific recommendations for improvement as follows:

- The Council should establish rigorous processes to ensure that it can put its use of resources on a footing that is consistent with implementing and sustaining its financial strategy, and demonstrate that it can deliver services in a way which achieves Best Value.
- The Council should address the weaknesses in its finance function to ensure that it complies with good practice and relevant objective standards, and provides appropriate information to allow councillors to exercise robust strategic budget management.
- The Council should ensure that the qualification of its accounts in relation to the accounting treatment of the Shetland Charitable Trust is resolved in time for the audit of the financial statements for 2010/11.

The Council is making progress in addressing these high-risk issues. The Council agreed to support the work of all the actions in the Corporate Improvement Action Plan through an investment in a £1 million improvement budget.

The Council continues to work closely with Shetland Charitable Trust to resolve the qualification on the accounts. The planned actions should resolve this issue for the 2012/13 accounts.

The emerging picture for next few years' financial predictions is that the gap between income and expenditure on the revenue account will be about £25 million, off-set by any ongoing savings achieved in the current year. The extent of the savings required is such that the Council has put in place early arrangements to tackle the budget deficit. This work will include a process of staff and community engagement, to help councillors to make choices over the services provided, the level of service provided and the quality of service provided to this community. Alongside this work, the Council is updating its corporate priorities, through a process called "scenario planning" to take a long term view of how the Council can contribute to Shetland remaining a vibrant, safe and healthy place to live and work.

Accounting Ratios

CIPFA Scotland Directors of Finance Section, working with Audit Scotland, are developing a suite of accounting ratios for incorporation into the financial statements.

The planned indicators are intended to represent a Council's sustainability and the affordability of its financial plans. They will also aid the Council to demonstrate the effectiveness of its financial management.

Unfortunately, the planned suite of ratios has not been finalised by CIPFA in time for inclusion within the 2010/11 financial statements but this Council is committed to including them from 2011/12 onwards.

Material Items of Income and Expenditure

Pension

The Council is still the administering authority for the Local Government Pension Scheme and more details of what this means are included in Note 33 to the accounts. However, it is worth noting that the Pension Fund accounts are no longer included within the Shetland Islands Council's financial statements. This is because there is now a statutory requirement for the publication of a separate Pension Fund annual report. Any person interested in obtaining a copy of the Shetland Pension Fund financial statements can do so by going to the following web link:

http://www.shetland.gov.uk/council/documents/Shetland_Islands_Council_Pension_Fund_Account_2010-11.pdf

It is worth mentioning that as at 31 March 2011, the Council's Pension Fund had a net pension liability of £91.113m, a significant reduction from the previous year's figure of £147.169m. This arose mainly, but not wholly, from upward movements in fund assets and changes in the way in which inflation is applied to future pension increases (i.e. future pension increases will be linked to CPI rather than RPI), as introduced by the Chancellor of the Exchequer in his statement on 22 June 2010.

We continue to monitor and measure this pension liability and make changes to cash contributions as required as part of the regular assessment made by an independent actuary.

It should be noted that the 10/11 net pension liability (source: Hymans Robertson LLP "IAS19 as at 31 March 2011 – Results Schedule") at time of writing is an unaudited amount.

Changes in Accounting Policies

A move to an IFRS based code of practice from a UK GAAP based SORP has resulted in a number of significant changes to accounting practice. The date of transition to the Code was 1 April 2009. The IFRS 1 - First Time Adoption of International Financial Reporting Standards requires retrospective application of accounting policy changes although in limited circumstances it permits exceptions to this requirement.

The Code clearly specifies which exemptions from retrospective application are available to local authorities. Shetland Islands Council has applied the following exemptions in accordance with the Code:

- **Depreciated Historical Cost** - the Code states that the depreciated historical cost of an asset at 1 April 2009 (the transition date) is its depreciated historical cost at 31 March 2009 under the SORP. With the exception of assets where the carrying amount is restated due to other accounting policy changes (for example, leased assets and non-current assets held for sale), the authority is required to carry forward depreciated historical cost figures without any restatement.
- **IFRIC 4** - Shetland Islands Council reviewed its contracts and other arrangements existing at 1 April 2009 under IFRIC 4 to determine whether any contained (the substance of) a lease whereby the authority would be required to account for those

leases retrospectively from the date of commencement of the lease but none were found to contain the substance of a lease.

Details of Shetland Islands Council first time adoption can be found on page 39.

Annual Governance Statement

Scope of Responsibility

Shetland Islands Council is responsible for administering and safeguarding public money received from national and local sources, on behalf of the community. The Council is also responsible for ensuring that its business is conducted in accordance with legislation and proper standards and that public money is used properly, safeguarded and accounted for appropriately. Further, the Council has a duty to secure “value for money”, sometimes referred to as economy, efficiency and effectiveness, and “best value” in all its spending decisions. We, as Chief Executive (Alistair Buchan) and Head of Finance (Hazel Sutherland), acknowledge our responsibility for ensuring that an effective system of overall governance and internal financial control is maintained and applied.

In general terms, the Council Members, led by the Leader, are responsible for setting the strategic direction for the Council and deciding on key policy objectives, of both a financial and service nature. The Council staff, led by the Chief Executive as Head of Paid Service, is responsible for putting in place the appropriate systems to make sure that the policy decisions taken by Council Members are implemented. How this process works, the decision-making and implementation, is referred to as the governance arrangements of the Council.

The Governance Framework

The governance framework covers some key elements and processes, as set out below:

- The legal powers, duties and functions of the Council and roles and responsibilities of the people who take decisions on behalf of the community.
- The levels at which decisions can be made, referred to as the Scheme of Delegation.
- The Administrative Regulations and the rules around how committees are run and decisions are made.
- The Financial Regulations and rules about contracting with other parties.
- How the Council performs in delivering services and securing value for money.
- The process of internal control and checking that the Council’s policies and procedures are being followed, through the work of the Internal Audit staff and others.

There are also a number of key documents which combine to create the governance arrangements, as follows:

- In response to the funding which the Council receives from the Scottish Government through national taxation, the Council has committed, through **the Single Outcome Agreement**, to achieving certain targets and improvements across services which are deemed to be a priority at national and local level. Often, this work is done in partnership with other public, voluntary or private sector organisations.

- The key objectives which this Council has signed up to deliver, drawn from the Single Outcome Agreement and local members' commitment to their constituents, are drawn together into the **Corporate Plan**.
- Shetland Islands Council administers a number of funds held on behalf of the community and a key strand of the governance arrangements relates to how that money is invested, what level of reserves to hold for future generations and formal approval of the spending plans each year. Looking after the Council's finances covers six key strands:
 - Medium and Long Term Financial Planning;
 - Fund and Investment Management;
 - Budget Strategy;
 - Budget Approval and Management;
 - Accountability and the Final Accounts;
 - Risk Management and Insurance.

A key element of making sure that everything works is to have good connections between all the different elements of governance and have good relationships between Council Members and staff, through a shared culture, shared objectives, shared values and shared behaviours. This is set out in Codes of Conduct for Council Members and staff. Where concerns around the conduct of Council Members are felt to have taken place, referrals can be made to the Standards Commission for Scotland. A range of human resources policies are in place to support concerns and complaints raised against staff.

The Council is planning to formally approve a Code of Governance, based on best practice guidance.

The Governance Framework

The overall objective of the Council, through the Single Outcome Agreement and the Corporate Plan, approved in June 2010, is to secure the long-term economic health of the community by ensuring that we maintain our economically active population.

Flowing from that overall objective are a range of strategic and service specific targets, such as:

- ensuring the economy is healthy and diverse by growing the private sector;
- meeting Shetland's skills and learning needs to support the growing economy;
- intervening early to minimise or eliminate poverty and deprivation and promote healthy lifestyles;
- establishing patterns of early intervention to help young people, adults and families to live safely and independently and fulfil their full potential;
- providing affordable housing; and
- making sure we organise and carry out all business properly.

The Council is not able on its own to solve all the social, economic and environmental issues facing the community. The Council therefore works with other partners to provide services which are joined up around the needs of individuals, families, organisations and communities. This work is often formalised through partnership agreements, which have been established to tackle specific issues, such as: the Community Health and Care Partnership; the Community Safety Partnership; the Skills and Learning Partnership and the Carbon Group.

Priority areas that the Council, with its partners, set out to achieve progress on throughout the year were:

Priority Area	Progress Assessment	Progress Commentary
Fast and reliable broadband throughout Shetland	GREEN / AMBER	Good progress being made on provision of resilient broadband to Lerwick, but challenges remain in being able to roll this out to other areas.
Development of renewables	GREEN / AMBER	Progress continues to be made, but continues to be restricted by decisions made outwith Shetland on the interconnector. First phase of the Smart Grid project is on schedule for implementation later this year.
Decide on and implement the Blueprint for Education	GREEN	The Blueprint process is still on target to meet the statutory consultation and reporting milestones.
Decide on Shetland's long-term transport infrastructure	GREEN	Currently on target to present a proposed programme over a period of 20 years to Council in 2011.
Get more affordable Housing	GREEN	A number of projects are being developed by the Housing Service to provide different options for people to access affordable housing, such as agreement to progress sales of houses and building plots as a pilot and agreement to progress a shared ownership model for low cost home ownership.
Intervene early to tackle any poverty	AMBER	Multi-agency work continues, in particular through Getting it Right for Every Child and With You For You, and improvements can still be made. However, the risk in this area is the impact on those on low income and benefits with the potential for a reduction in services and changes to the national benefit system.
Make sure we organise and carry out all our business properly	AMBER	Progress being made on development and approval of Corporate Improvement Action Plan and achieving long-term financial policy objectives. However, due to the current financial context, risks remain in meeting targets.

The Council's decision-making structure was based around three main committees, each reporting to the full Council, namely: Infrastructure, Development and Services Committees. These Committees, led by a Chair and Vice Chair, held the responsibility for developing strategies and policies across the range of local government services, alongside the resources and money required to deliver those services.

In May 2011 the Council renewed the governance arrangements. The Council has introduced a committee structure around four strategic groupings: Environment and Transport; Economic Development; Social Services; and Education and Families. A refreshed policy and performance framework underpins the new governance arrangements, including a focus on service prioritisation, resource allocation, performance management and securing efficiencies.

The overall strategic direction, in terms of setting corporate priorities and allocating resources, rests with a new Executive Committee. The Executive Committee also has responsibility for overall financial planning arrangements, the reserves policies, budget setting and monitoring. The decision-making process is appropriately supported and challenged through the Audit and Standards Committee, with a remit to oversee standards within the Council.

The Committees ensure that their decisions are implemented by: drawing up action plans and receiving progress reports; setting and monitoring performance targets; and receiving budget monitoring reports on revenue and capital spend. From time to time, committees receive reports on performance from external scrutiny bodies, such as: the External Auditors; the Housing Regulator; the Social Work Inspectorate; and Her Majesty's Inspector of Education.

At the beginning of the financial year 2010/11, there were complaints against four councillors outstanding. The complaints against all four were investigated and in relation to two were not upheld, but in the case of the other two a report was submitted by the Chief Investigating Officer to the Standards Commission. Following a hearing where the breach was admitted under mitigation, the Commission handed down a sanction of "censure" against the two councillors: the circumstances were reported to a meeting of Shetland Islands Council on 27 October 2010.

During 2010/11, three further Standards Commission complaints against five councillors were lodged but all of those were dismissed, there being no discernible breach warranting further formal investigation.

The financial strategy of the Council is to maintain reserves levels at £250 million. The underpinning philosophy to this policy is to maintain the capital sums for future generations to enjoy. Shetland, given its remote location, has seen many periods of economic downturn in its history. In times of relative stability and economic health the Council considers it appropriate to set aside funding for future use, should difficult economic times occur again. The Council agrees each year, as part of the budget setting process, how much money will be drawn from reserves to pay for services and specific projects.

A detailed analysis on the finance policy and reserves' levels is included at page 8.

The Audit and Standards Committee's remit ensures that the work of the Council, from both a control and performance perspective, is checked and scrutinised. As well as an annual plan, the Committee can call for one-off reviews to investigate a particular issue. The Council's Service Manager Internal Audit reports directly to the Audit and Standards Committee.

The Internal Audit Service reports directly to the Council's Section 95 Officer, the Head of Finance, and has direct access to the Chief Executive, if required. Working to an annual audit plan, their work is endorsed to ISO 9001:2008 quality standard for systems based audit work.

The Audit and Standards Committee also holds responsibility for the Council's Risk Management arrangements. The Council employs a dedicated Safety and Risk Manager to ensure that the Council's arrangements for strategic and operational risks are robust and embedded in day-to-day work practices. A risk management board supports this work, with representatives from each service department. The Council has secured external assistance to develop a comprehensive set of Business Continuity Plans across all service areas. These plans set out what actions the Council will take to maintain service delivery in the event of a major incident or emergency.

The Chief Executive chairs the Central Safety Committee, with representatives from service departments and unions. Clear lines of communication and reporting are established between departmental health and safety forums through to this strategic forum, to ensure that all risks associated with health and safety matters are acknowledged, resourced and addressed.

The formal approval of the Budget each year gives staff the authority to spend money and raise charges for services delivered to the community. The Financial Regulations explain the rules under which decisions and choices on how to spend money can be made, with a focus on value for money. The highest proportion of Council expenditure is on staff and assets.

The Council has a range of policies and procedures relating to staff. The Performance Review Policy seeks to ensure that there is a good connection between the strategic direction of the Council, the priorities of each service area and the work of all staff, including front line staff. The Council has an approved Code of Conduct and a Policy on Reporting Concerns at Work is in place. A system of formally responding to complaints exists, with a referral and review process through to senior managers.

A formal investment appraisal system has been established for capital expenditure decisions, known as the Gateway Process. This aims to ensure that options have been fully explored before decisions to incur capital expenditure are made, in order that value for money can be demonstrated. All capital spending proposals are drawn together into one overall capital plan. The process involves a formal project management approach, with clear stages and roles and responsibilities.

A project management approach, using PRINCE methodology, also underpins all the investment decisions for ICT systems and product development.

As part of the Final Accounts work, potential and actual contingent liabilities are identified and actions agreed to mitigate the risk of cost or loss to the Council. A review of financial performance is also carried out so that cost pressures and financial risks can be identified and managed.

The Corporate Management Team receives regular progress and performance reports on all aspects of the work of the Council, to identify problems or issues which need to be resourced or alternative solutions found in order that the Council may deliver on its stated objectives.

Review of Effectiveness

The Council has a responsibility for ensuring the continuing effectiveness of its governance framework and systems of internal control. The review of effectiveness is informed by:

- direct feedback from members of the public through a variety of mechanisms including the local media and formal consultation exercises;
- progress towards key strategic and service objectives, as demonstrated through reporting on targets and performance;
- financial and budget monitoring, including comparisons on cost and quality through benchmarking exercises;

- Internal Audit reviews on specific services and on activities which occur across the Council;
- the work of managers within the Council, which will include self evaluation against key performance standards such as the Best Value 2 Framework, How Good is Our School, Balanced Score Card, and ISO:9001;
- the Annual Report and Accounts;
- external inspections and quality assurance reports and recommendations for improvement; and
- External Audit and the Accounts Commission observations, comments and recommendations for improvement following Best Value and/or Financial Accounting audit work, including the Assurance and Improvement Plan.

The Council's external auditor, Audit Scotland, reports to the Accounts Commission through the Controller of Audit. The Accounts Commission's role is to help ensure that public money is spent properly, efficiently and effectively. It is responsible for the audit of all local authorities, police and fire and rescue joint boards and other similar public bodies. The Commission operates independently of local authorities and of the Scottish Government, and it reports in public. Where the Accounts Commission has concerns about the operation of a public body, it can call for further reports to investigate the issues in more detail.

In 2009/10, for the fourth consecutive year, Audit Scotland gave a qualified opinion on the financial statements of Shetland Islands Council, with respect to an issue over the grouping of accounts with Shetland Charitable Trust.

The 2009/10 audit work also identified a significant number of late adjustments to the financial statements and areas of non-compliance with accounting requirements, to the extent that Audit Scotland expressed concerns over financial stewardship. Concerns were also expressed over the Council's ability to achieve savings that would enable it to live within the financial policy framework set.

In December 2009 the Commission expressed serious concerns about Shetland Islands Council. The Controller of Audit therefore called for a report under Section 102(1) of the Local Government (Scotland) Act 1973. At the time, the Chair of the Accounts Commission stated that, "the qualifications may be symptoms of deeper problems at the Council. Bearing in mind the Council's duties to deliver best value to local people we have decided to seek further evidence from Audit Scotland on how the Council is being run".

This led to the Accounts Commission holding a public hearing on 28 and 29 June 2010, where a wide range of areas for improvement were discussed in respect of the Council's governance arrangements. The Hearing provided an opportunity for the Commission to hear at first hand from the Council on how it was addressing the concerns raised by Audit Scotland.

The recommendations from the Public Hearing, as set out in a Report by the Controller of Audit, are set out below in full.

Recommendations

The Commission makes the following recommendations to Shetland Islands Council:

The Council must put in place a comprehensive programme of improvements as a matter of urgency to address the issues we have identified. The programme should set clear objectives, milestones and timescales for delivery.

This programme of improvements should ensure that:

- the Council can develop the leadership, governance and strategic direction it requires;
- there is the basis for effective working relationships among councillors and between councillors and officers;
- all procedures for decision-making are robust and transparent, and can command public confidence;
- the Council has the capacity to deliver its financial strategy.

In particular, the programme of improvements should address the following specific recommendations:

- a) The Council should establish a comprehensive programme of training and development to be undertaken by all councillors and senior officers to enable them to understand how to perform effectively in their roles and how to demonstrate the value of good governance through their conduct. This programme should ensure that:
 - councillors, in particular those holding positions with additional responsibilities, are able to develop clear and authoritative strategic leadership;
 - councillors are able to distinguish appropriately the requirements of their separate duties as local representatives and corporate leaders;
 - mutual trust and respect is established among and between councillors and officers for their respective roles;
 - senior officers establish a strong and effective commitment to meet their strategic corporate responsibilities.
- b) The Council should review its approach to governance and ensure that rigorous systems are in place to support clear and transparent decision-making, such as formal recording of meetings and routine systems for the dissemination of decisions and information to staff and the public.
- c) The Council should agree effective procedures for engaging with the local community and understanding its needs and expectations, and put these procedures on a systematic basis.

- d) 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.
- e) The Council should develop a systematic approach to engaging with the wider local government community, ensuring regular attendance at meetings of professional and representative bodies and learning from good practice.
- f) Councillors and senior officers should work together to improve the management information available to councillors, to enhance the capacity and commitment to deliver robust appraisal of policy choices, and thereby help to ensure that councillors are supported to develop the skills to discharge their scrutiny role rigorously.
- g) Councillors should work together to ensure that they have a shared understanding of the requirements of the Code of Conduct and other relevant guidance for the way they approach the Council's business.
- h) The Council should review the way in which it advises councillors on the issue of their interests, and ensure that it is able to explain coherently and publicly the way in which councillors are expected to approach recurring issues such as the role of councillors as trustees of Shetland Charitable Trust.
- i) The Council should ensure that senior officers, particularly the relevant statutory officers, are able fully to advise councillors on their obligations.
- j) The Council should establish rigorous processes to ensure that it can put its use of resources on a footing that is consistent with implementing and sustaining its financial strategy, and demonstrate that it can deliver services in a way which achieves Best Value.
- k) The Council should address the weaknesses in its finance function to ensure that it complies with good practice and relevant objective standards, and provides appropriate information to allow councillors to exercise robust strategic budget management.
- l) The Council should ensure that the qualification of its accounts in relation to the accounting treatment of the Shetland Charitable Trust is resolved in time for the audit of the financial statements for 2010/11.
- m) The Council should ensure that robust and transparent procedures are established and followed for the creation and filling of all posts, and the performance management and appraisal of all staff.

A full copy of the Findings and Recommendations can be accessed on the following web link.

http://www.audit-scotland.gov.uk/docs/local/2010/ac_100816_shetland_findings.pdf

The Council was required to put in place an Improvement Plan to establish a comprehensive programme of improved governance to address all the concerns raised. The Chief Executive, appointed in July 2010, put together the Corporate Improvement Action Plan and this was approved by the Council in November 2010.

The Council acknowledges the weaknesses which were identified in the Council's governance arrangements and welcomes the clarity from the external scrutiny of what is required to change to ensure that the Council works towards best practice. Considerable work has been done in 2010/11 to address this and significant progress has been made.

As at June 2011, a significant number of items in the Corporate Improvement Action Plan have been fully implemented and the Council continues to make good progress in other areas. Audit Scotland, on behalf of the Accounts Commission, continue a watching brief on progress and will formally undertake a review of progress culminating in a report at the end of 2011. Both the Single Outcome Agreement and the Corporate Plan have been refreshed and updated. Work has been done to ensure that there is consistency of message with regard to the strategic direction, influencing services on the ground and for all staff throughout the organisation. More focused performance measures and targets have been set, moving away from measuring how we do things to challenging the difference which the service or activity actually makes to people's lives.

In February 2011 the Council identified significant savings, in the order of £9 million, to achieve a balanced revenue budget and set the Council Tax within the financial policy framework. To date, £5.100m of ongoing revenue savings have been secured. Similarly, significant adjustments to the Capital Programme were agreed to reduce the total spend by £5 million in 2011/12 in line with a more affordable draw on reserves. This work was done through a Member/Officer Working Group, focused on financial resources and led by the Leader and Chief Executive. The process demonstrated the Council's ability to work together to reach strategic solutions to some long standing matters.

Internal and external data indicates that the Council provides high quality services to the community. There remain concerns for some service areas, about the cost of providing those services and a real focus has begun on identifying ways of making savings, ideally from doing our work more efficiently and comparing what we do with other areas.

Significant challenges have been addressed in balancing the services which local communities would like to see with an affordable and efficient level of service, such as with the debates on the school estate and transport links.

The arrangements in place for the management of the Council's investments, through unitised products and cash investments are robust and risk-based. The portfolio is split by category of investment and by value of investment, to ensure that the risks are spread across funds, investment type and fund managers. The arrangements are subject to an external quality assurance and scrutiny check through Hymans Robertson.

During the 10/11 financial year Audit Scotland, the Council's External Auditors, have raised specific concerns by letter on the following items:

- the Council's state of readiness with regard to adopting the International Financial Reporting Standard (IFRS); and
- potential internal control weaknesses with regard to contracts and procurement.

The Council has commissioned external assistance to ensure that the Council addresses all aspects of the IFRS and the Final Accounts to 31 March 2011 are prepared in accordance with this guidance.

The Head of Capital Programme Service has drawn up an action plan to address the concerns raised by Audit Scotland. In addition, detailed analysis has been done on expenditure incurred during 2010/11 to confirm that no legislative or policy breaches have occurred. The raised awareness of legal and policy requirements relating to procurement, which also came about from Internal Audit work, and the improved systems and procedures which are now being developed and implemented, will go some way towards ensuring that any risk of internal control weaknesses are minimised, or avoided in the future. This is an area of work that the Council will continue to work hard at to make sure that all the relevant legislation, regulations and policies are followed, through an updated strategy, improved guidance and training.

The Internal Audit work programme has been completed, with some minor carry forward of work into the 2011/12 financial year. A programme of cross-Council corporate audits has been particularly effective in identifying and addressing areas of high strategic risk, such as procurement and contracts. This is an increasingly effective tool in ensuring effective governance and strong internal controls. As a result of their work, improved practices have been addressed by the Corporate Management Team with regard to the application of the Council's Standing Orders for Tenders and Contracts; the Relocation Policy and absence management.

Specifically, with regard to the adequacy and effectiveness of the internal financial control arrangements, the Council's Service Manager Internal Audit states in his annual report for 2010/11 that managers had generally undertaken to rectify issues through agreed action plans to a satisfactory degree.

However, in relation to the key issues identified in the original review of Remote Working, progress had not been in accordance with original timescales. In addition, the follow up audit of Economic Development identified that some key issues had not been fully resolved in relation to whitefish quotas, VAT and other tax matters. With effect from 2010/11 Internal Audit introduced Corporate Reviews covering specific topics across the Council. The contracts review identified a number of issues of concern and these have been taken forward and were subject to a recent report to Council. Absence Management was a further area where compliance with policy was poor. Communication has been issued in relation to this.

Risk registers throughout the Council are still not fully completed although progress has been made in the last year. Completion of these is important to fully assess risks faced by the Council.

Internal Audit concluded that the Council's system of internal control was generally adequate and effective to provide reasonable assurance that the assets were safeguarded, waste or inefficiency was avoided, reliable financial information was produced, and that value for money was continuously sought. This assumed that issues identified and agreed are or have been addressed.

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

involvement of the members that represent the Council on these boards. The Council also identified the Shetland Development Trust as an entity to be included in its Group Accounts as a “subsidiary”, as its trustee is the Council. The activities of the Trust are now effectively run through the Council via its Development Committee and Economic Development Unit. However, the Trust is still currently accounted for as a separate entity using systems outside the scope of the Council’s internal audit process.

Significant Governance Issues

The system of governance can provide only reasonable (and not absolute) assurance that assets are safeguarded, the transactions are authorised and properly recorded, that material errors or irregularities are either prevented or would be detected within a timely period, and that all the significant risks impacting on the achievement of our objectives have been mitigated.

Work continues apace to address the key improvements required to develop and implement more effective governance arrangements for Shetland Islands Council. Some key strategic actions are highlighted below.

- **Audit Qualification and Non-Compliance Issues.** Additional resources have been brought in to address the specific concerns on the application of accounting regulations. Shetland Islands Council recognises the need to resolve the issue of grouping of accounts with the Shetland Charitable Trust. However, it has not been possible to prepare the 2010/11 Accounts as a group and the Council regrets that the qualification will continue into a fifth year. The Council is, however, working to resolve the situation. The Shetland Charitable Trust is in a process of renewing the composition of the Trust and when that work is complete it will be possible to reassess the relationship between the Council and the Trust, for accounting purposes. It is envisaged that this work will be completed in time for the preparation of the 2012/13 Final Accounts.
- **Clear Common Purpose.** A process of “scenario planning” what Shetland might look like in 20 years is being developed with a wide range of local people. From this, the Council will develop a “clear, common purpose” around which future plans will be built.
- **Decision Making Processes.** A new committee structure has been implemented with the core documents to support that work approved in May 2011. With a more transparent decision making process in place, it is hoped that the number of referrals to the Standards Commission will decrease, as the community builds confidence in Council decisions.
- **Financial Sustainability.** Work continues to put a focus on managing the cost of services downwards, seeking more efficient ways of delivering services, linked with a review of the policy on reserves.
- **Communications and Community Engagement.** A clear, consistent and common approach to communicating within the Council and with the local community, and seeking their views as to how we do our work, is being developed.
- **Financial Monitoring.** Forward focused and analytical budgetary reports to Corporate Management Team and Council Members will be developed from July 2011.

- **Asset Strategy.** A comprehensive asset strategy, to make more efficient use of public sector buildings across partner agencies and promote dispersed ways of working, will be in place by December 2011.
- **Workforce.** The Council's workforce strategy is being developed, alongside key policy updates including: recruitment; competency; and the code of conduct.
- **Management Review.** The Council has approved a new management structure to support the Chief Executive in managing services on behalf of the Council. The structure is based on five strategic director positions for: children; community care; development; infrastructure; and corporate services. The process of recruitment will take place in the summer of 2011 and, from a financial perspective, has an objective to save £1 million per annum by reducing the overall number of management posts across the Council by fifteen.

Conclusion

The difficulties surrounding the governance arrangements, risks and internal controls in Shetland Islands Council have been well documented over the past year. Activity over the last six months has demonstrated the Council's capacity to work together to address the weaknesses and put in place modern, appropriate and robust structures, systems and procedures to make Shetland Islands Council "fit for purpose" in delivering all that is expected of modern local government. It is a challenge and will continue to be so for the next eighteen months as the new ways of working bed in. While the corporate improvements are made, we are reassured that the level of service at the front line continues to be delivered to the local community.

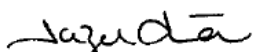
Significant corporate risks have been identified, but plans are in place to mitigate those risks and implement improvements to how the Council operates at all levels. Regular progress reports are presented to Council Members on the Corporate Improvement Action Plan. For core services and systems, robust arrangements are in place and are operating as planned; exceptions and non-performance are highlighted for action.

We propose over the coming year to continue to take steps to address all the improvement actions identified; we are confident that Shetland Islands Council has turned the corner in its approach and attitude to ensuring effective governance arrangements are in place. We look forward to the Accounts Commission follow up later in 2011, to help us assess our progress.

There is a common saying that an organisation is only as good as the staff who work there. Shetland Islands Council is no different in that respect and we pay them thanks for their hard work, dedication and commitment to the public services they provide to this community. More specifically, we thank the staff who have worked hard to prepare and present this set of Accounts.


Overall, we consider the governance and internal control environment provides reasonable and objective assurance that any significant risks impacting on the achievement of our principal objectives will be identified and actions taken to avoid or mitigate their impact.

Hazel Sutherland CPFA



Head of Finance

Alistair Buchan



Chief Executive

Remuneration Report

Introduction

The Remuneration Report is set out in accordance with the Local Government Accounts (Scotland) Regulations 1985 (as amended by the Local Authority (Scotland) Amendment Regulations 2011 (SSI No. 2011/64)). These Regulations require various disclosures on the remuneration and pension benefits of senior councillors and employees.

All information disclosed in the tables in this Remuneration Report was audited by Audit Scotland. The other sections of the Remuneration Report were reviewed by Audit Scotland to ensure that they are consistent with the financial statements.

From 2011/12 the Code of Practice on Local Authority Accounting in the UK (the Code) will require the disclosure of exit packages. This disclosure has been included in the Remuneration Report for 2010/11.

Remuneration arrangements of Senior Councillors

The remuneration of councillors is regulated by the Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2007 (SSI No. 2007/183). The Regulations provide for the grading of councillors for the purposes of remuneration arrangements, as either the Convener of the Council, senior councillors or councillors. A senior councillor is a councillor who holds a significant position of responsibility in the Council's political management structure, usually referred to as the chair or vice-chair of a committee, sub-committee or board.

When determining the level of remuneration for councillors the Scottish Ministers consider the recommendations of the Scottish Local Authority Remuneration Committee (SLARC). SLARC is an advisory Non-Departmental Public Body set up in 2005 to advise Scottish Ministers on the remuneration, allowances and expenses incurred by local authority councillors.

The salary that is to be paid to the Convener of the Council is set out in the amended Regulations SSI 2008/415 which came into effect on 10 February 2009. For 2010/11 the salary for the Convener of Shetland Islands Council was £27,057.96. It was confirmed that Shetland Islands Council could apply the remuneration payable for a Civic Head to the position of Vice-Convener. For 2010/11 the salary for the Vice-Convener was £20,293.92

The Regulations also set out the remuneration that may be paid to senior councillors and the total number of senior councillors the Council may have. The maximum yearly amount that may be paid to a senior councillor is 75 per cent of the total yearly amount payable to the Leader of the Council. The total yearly amount payable by the Council for remuneration of all of its senior councillors shall not exceed £164,376. The Council is able to exercise local flexibility in the determination of the precise number of senior councillors and their salary within these maximum limits.

The nine senior councillor positions are:

- Chair of Services Committee
- Chair of Infrastructure Committee
- Chair of Audit and Scrutiny Committee
- Chair of Development

- Chair of the following sub-committees or boards:
 - Shetland College/Train Shetland
 - Inter Island Ferries
 - Harbour
 - Planning; and
 - Licensing.

As the Vice-Convener is also the Chair of Development only one additional remuneration (that which would have been payable to a Civic Head) was paid in respect of these two positions in 2010/11. Similarly, the Chair of Planning is also the Vice-Convener of the Orkney and Shetland Valuation Joint Board so again only one responsibility allowance was paid in 2010/11 in respect of the latter position, and that additional remuneration was paid by the Board.

In 2010/11, excluding the Convener and the Vice-Convener, Shetland Islands Council therefore had eight senior councillors and the additional remuneration paid to these councillors totalled £144,958.

The Regulations also permit the Council to pay contributions or other payments as required to the Local Government Pension Scheme in respect of those councillors who elect to become councillor members of the Local Government Pension Scheme.

The original policy, following the regulations, which encompasses the salaries of all elected members including the Convener, Vice-Convener and senior councillors was agreed at a meeting of the full Council on 8 February 2007, in a Report entitled Review of Committee and Decision Making Structures, and is available at the web address below.

<http://www.shetland.gov.uk/coins/submissiondocuments.asp?submissionid=5835>

The scheme was updated on 7 March 2011 to reflect amendments to the Committee Structure, including the positions which attract special responsibility allowances.

<http://www.shetland.gov.uk/coins/submissiondocuments.asp?submissionid=11923>

Remuneration of Conveners and Vice-Conveners for Joint Boards

In addition to the senior councillors of the Council the Regulations also set out the remuneration payable to councillors with the responsibility of a Convener or a Vice-Convener of a Joint Board such as the Orkney and Shetland Valuation Joint Board. The Regulations require the remuneration to be paid by the Council of which the Convener or Vice-Convener (as the case may be) is a member. The Council is also required to pay any pension contributions arising from the Convener or Vice-Convener being a member of the Local Government Pension Scheme.

The Vice-Convener of the Orkney and Shetland Valuation Joint Board is also a senior councillor of Shetland Islands Council.

The Council is reimbursed by the Orkney and Shetland Valuation Joint Board for the additional remuneration paid to the councillor from being the Vice-Convener of the Joint Board.

Remuneration of Senior Employees

Remuneration is the term used to describe the total payments made to staff and will include salary payments and allowances such as distant islands allowance and statutory duty allowances.

The salary of senior employees is set by reference to national arrangements. The Scottish Joint Negotiating Committee (SJNC) for Local Authority Services sets the salaries for the Chief Executives of Scottish Local Authorities. On 24 June 2010 the full Council approved payment in excess of the rate set by the SNJC due to the need to appoint an interim Chief Executive. Remuneration for interim appointments are unavoidably higher than standard rates. Circular CO/144 sets the amount of salaries for the Chief Executives of Scottish local authorities for the period 2008 to 2011. The salaries of the Executive Directors and Heads of Service are based on a fixed percentage of the Chief Executive's salary for Shetland Islands Council, as detailed in circular CO/144, in three bandings. Executive Directors receive 93% (maximum point of 6 point salary range) of the amount of the Chief Executive's salary. Heads of Service fall into two bandings, to reflect their level of responsibility, at 75% (maximum point of 10 point salary range) and 65% (maximum point of 8 point salary range) of the Chief Executive's salary. These arrangements were agreed through approval of report "SIC Staff Organisational Change Proposals" at a meeting of the full Council on 17 May 2000 and updated through the Organisational Update and Change Report at a meeting of the full Council on 13 April 2006. Four Heads of Service holding the named statutory posts also receive an annual allowance to reflect their specific duties, ranging from £5,000 - £8,000 per annum. This was agreed through approval of report "Head of Services Salaries" at a meeting of the full Council on 18 February 2009.

The senior employees of the Council are those who form the Council's Corporate Management Team, those who report directly to the chief executive and those who hold certain statutory positions, namely:

- Chief Executive
- Executive Director, Education and Social Care
- Executive Director, Infrastructure
- Assistant Chief Executive
- Head of Service Finance, being the Chief Financial Officer
- Head of Service Legal, being the Chief Legal Officer
- Head of Service Schools, being the Chief Educational Officer
- Service Manager Social Work, being the Chief Social Work Officer
- Head of Service, Economic Development
- Head of Service, Capital Programmes

Other benefits received by senior employees are an essential car user allowance and some have the provision of a mobile phone/blackberry. These benefits are currently being reviewed.

General Disclosure by pay band (paragraph 4 of the Schedule)

The Regulations require the Remuneration Report to provide information on the number of persons whose remuneration was £50,000 or more. This information is to be disclosed in bands of £5,000.

Remuneration Bands	Number of Employees	
	2010/11	2009/10
£50,000 - £54,999	41	58
£55,000 - £59,999	29	35
£60,000 - £64,999	17	12
£65,000 - £69,999	14	15
£70,000 - £74,999	15	11
£75,000 - £79,999	5	1
£80,000 - £84,999	2	1
£85,000 - £89,999	0	0
£90,000 - £94,999	3	0
£95,000 - £99,999	0	0
£100,000 - £104,999	2	0
£105,000 - £109,999	0	0
£110,000 - £114,999	0	0
£115,000 - £119,999	0	0
£120,000 - £124,999	0	0
£125,000 - £129,999	0	0
£130,000 - £134,999	2	0
£135,000 - £139,999	0	0
£140,000 - £144,999	1	0
Total	131	133

The table above includes staff that terminated employment during 2010/11. Many of the staff who left received remuneration packages that included compensation for loss of office, and because of this payment a number of staff's remuneration has increased in the 2010/11 year only.

Summary of Remuneration paid to Councillors

The Council paid the following salaries, allowances and expenses to all councillors (including the senior councillors).

	2010/11 £000	2009/10 £000
Salaries	357	357
Allowances	33	34
Expenses	95	93
TOTAL	485	484

The annual return of councillors' salaries and expenses for 2010/11 is available for any member of the public to view at Finance Services, Montfield during normal working hours.

Disclosure of Remuneration for Senior Councillors

Councillor Name	Designation	2010-11				2009-10	Notes
		Salary, Fees and Allowances	Taxable Expenses (a)	Benefits other than Cash	Total Remuneration 2010-11	Total Remuneration 2009-10	
		£	£	£	£	£	
Mr A Cluness	Convener	27,057.96	0.00		27,057.96	27,328.42	
Mr J Simpson (b)	Vice Convener & Chairperson of Development Committee	20,293.92	154.50		20,448.42	20,748.68	
Mrs F Grains	Chairperson - Audit & Scrutiny Committee	17,755.92	117.69		17,873.61	18,088.58	
Mr L Angus	Chairperson - Services Committee (Part 2010/11)	19,456.06	81.65		19,537.71	20,521.90	Chair of Services to 03/02/2011
Mrs E Fullerton	Chairperson - Services Committee (Part 2010/11)	16,682.34	311.86		16,994.20	16,866.18	Chair of Services from 17/02/2011
Mr R Henderson	Chairperson - Inter Island Ferries Board	17,755.92	117.84		17,873.76	18,098.66	
Mrs I Hawkins	Chairperson - Infrastructure Committee (Part 2009/10)	20,040.00	0.00		20,040.00	19,714.44	Chair of Infrastructure from 17/09/2009
Mr A Wishart	Chairperson - Infrastructure Committee (Part 2009/10)	16,233.96	0.00		16,233.96	18,259.47	Chair of Infrastructure to 16/09/2009
Mr A Cooper	Chairperson - Harbour Board	17,755.92	106.42		17,862.34	18,219.19	
Mr F Robertson (c)	Chairperson - Planning Board & Vice Convener of O & S VJB	19,278.96	470.23		19,749.19	19,777.78	
Mr C Cmith	Chairperson - Licencing Sub-Committee	17,755.92	0.00		17,755.92	17,979.86	
Mr A Hughson	Chairperson - Shetland College/Train Shetland Mgmt	17,755.92	0.00		17,755.92	17,987.74	

- Notes:
- a) Taxable Expenses – Telephone Line Rental/Broadband
 - b) Mr J Simpson only receives one senior councillor payment even though he holds two positions.
 - c) Mr F Robertson only receives one senior councillor payment even though he holds two positions. The position of Vice-Convener of the Orkney and Shetland Valuation Joint Board attracts a payment of £3,405 per annum, which is included in the salary figure detailed above but is reimbursed to the Council by the Board.

Remuneration of Senior Employees of the Council

Name of Senior Official	Designation	2010/11					2009/10	Notes
		Salary, Fees and Allowances	Taxable Expenses (a)	Compensation for Loss of Employment (e)	Benefits other than in Cash	Total Remuneration 2010/11	Total Remuneration 2009/10	
		£	£	£	£	£	£	
M Goodlad	Chief Executive					0.00	16,662.03	Terminated Employment 31/05/2009
	Chief Executive - Full Yr Remn 09/10 £98,887.50					0.00		
D Clark	Chief Executive					0.00	73,476.79	Employed 1/06/2009 to 24/02/2010
	Chief Executive - Full Yr Remn 09/10 £98,887.50					0.00		
A Buchan (b)	Chief Executive from 5/07/2010	118,278.88			18,821.97	137,100.85		Commenced with SIC 05/07/2010
	Chief Executive - Full Yr Remn 10/11 £141,803					0.00		
H Sutherland (c)	Executive Director: Education & Social Care	93,526.36	822.00			94,348.36	77,922.00	Acting Chief Executive 09/9/09 to 18/10/09 & 25/01/10 to 08/8/10
G Greenhill	Executive Director: Infrastructure	77,268.00	1,011.40			78,279.40	74,568.64	
W Shannon	Assistant Chief Executive	66,948.00	822.00			67,770.00	66,192.00	
G Johnston	Head of Service: Finance	73,713.44	822.00	27,075.42		101,610.86	71,316.96	Efficiency Retirement 31/03/2011
J Riise (d)	Head of Service: Legal and Administration	72,201.12	822.00			73,023.12	73,121.95	
H Budge	Head of Service: Schools	72,201.12	822.00			73,023.12	71,316.96	
R M Sinclair	Head of Service: Capital Programme	55,000.88	822.00			55,822.88	43,964.88	
J R Smith	Head of Service: Organisational Development	65,172.09	822.00			65,994.09	66,745.67	
N Grant	Head of Service: Economic Development	65,253.00	822.00			66,075.00	64,539.00	
M A Williamson	Service Manager: Social Work	56,289.25	991.01			57,280.26	55,330.73	

Notes

(a) Taxable Expenses - Essential Car User Allowance & Telephone Line Rental/Broadband

(b) A Buchan - Salary, Fees and Allowances, includes SIC Secondment Allowance. Benefits other than in cash include provided accommodation, car and return family trips

(c) H Sutherland remuneration in 2010/11 includes payment of £12,803.91 in respect of Acting Chief Executive in 2009/10 & 2010/11. The remuneration for H Sutherland's substantive post equated to £80,722.45 in 2010/11.

(d) Jan Riise carries out both Returning Officer & Deputy Returning Officer Duties. Deputy Returning Officer Duties were carried out in 2009/10 and the associated fee in this regard is included in the 2009/10 figure disclosed above.

(e) Compensation for loss of Employment - The figures detailed in this column are the Compensatory Added Years (CAYs) Lump Sum Payment paid on termination of employment.

(f) Data has not been disclosed in respect of confidentiality agreements where such agreements were agreed prior to 7 February 2011 (the date the amendment Regulations were laid before the Scottish Parliament).

Pension Benefits – Senior Councillors

The pension entitlements for senior councillors for the year to 31 March 2011 are shown in the table below, together with the contribution made by the Council to each senior councillor during the year.

Name of Councillor	Designation	In-Year Employer Pension Contributions			Accrued Pension Benefits			Notes
		Year ending 31 March 2011	Year ending 31 March 2010		As at 31 March 2011	As at 31 March 2010	Increase / (Decrease)	
		£	£		£	£	£	
Mr A Cluness	Convener	8,608.90	8,388.00	Pension	2,076.86	1,311.31	765.55	
				Lump Sum	2,079.02	1,941.86	137.16	
Mr J Simpson	Vice-Convener & Chairperson - Development Committee	6,456.79	6,291.12	Pension	1,636.72	986.21	650.51	
				Lump Sum	1,152.07	1,096.57	55.50	
Mrs F Grains	Chairperson - Audit & Scrutiny Committee	0.00	0.00	Pension	0.00	0.00	0.00	Pension Scheme's age limit exceeded
				Lump Sum	0.00	0.00	0.00	
Mr L Angus	Chairperson - Services Committee (Part 2010/11)	6,182.00	6,212.40	Pension	1,317.97	776.87	541.10	Chair of Services to 03/02/2011
				Lump Sum	927.16	878.73	48.43	
Mrs E Fullerton	Chairperson - Services Committee (Part 2010/11)	5,313.97	5,032.56	Pension	937.90	491.19	446.71	Chair of Services from 17/02/2011
				Lump Sum	1,146.15	968.82	177.33	
Mr R Henderson	Chairperson - Inter Island Ferries Board	5,649.26	5,504.40	Pension	1,167.92	736.00	431.92	
				Lump Sum	1,337.53	1,235.92	101.61	
Mrs I Hawkins	Chairperson - Infrastructure Committee	6,376.06	6,041.86	Pension	1,037.50	616.75	420.75	Chair of Infrastructure from 17/09/2009
				Lump Sum	1,267.87	1,121.04	146.83	
Mr A Wishart	Chairperson - Infrastructure Committee	5,165.11	5,578.84	Pension	1,135.03	743.92	391.11	Chair of Infrastructure to 16/09/2009
				Lump Sum	1,311.91	1,276.69	35.22	
Mr A Cooper	Chairperson - Harbour Board	5,649.26	5,504.40	Pension	1,098.94	758.38	340.56	
				Lump Sum	1,371.09	1,336.51	34.58	
Mr F Robertson	Chairperson - Planning Board & Vice-Convener of O & S VJB	6,133.87	5,976.48	Pension	1,732.47	1,102.74	629.73	
				Lump Sum	1,626.71	1,523.45	103.26	
Mr C Cmth	Chairperson - Licencing Sub-Committee	5,649.26	5,504.40	Pension	1,055.39	658.72	396.67	
				Lump Sum	1,316.75	1,223.66	93.09	
Mr A Hughson	Chairperson - Shetland College/Train Shetland Mgmt	5,649.26	5,504.40	Pension	1,021.09	687.34	333.75	
				Lump Sum	1,247.81	1,193.66	54.15	

Note

Para 61 of Guidance confirms "The Pension disclosure for Joint Boards for a convener or vice-convener is limited to the contribution the Board has been asked to make to that person's pension by the Council of which the convener or vice-convener is a member. the amount of In Year Employer Pension Contributions included in the above figures for Frank Robertson the vice-chair of the Orkney & Shetland VJB amount to £505.47 in 2010/11 and £471.98 in 2009/10.

Pension Benefits - Senior Employees

Name of Senior Official	Designation		In-Year Employer Pension Contributions			Accrued Pension Benefits			Notes
			Year ending 31 March 2011	Year ending 31 March 2010		As at 31 March 2011	As at 31 March 2010	Increase (Decrease)	
			£	£		£	£	£	
M Goodlad	Chief Executive	ER Strain		2,564.81	Pension Lump Sum		11,571.20 33,904.00	(11,571.20) (33,904.00)	Terminated employment 31/05/2009, pension benefits preserved
David Clark	Chief Executive	ER Strain		11,294.99	Pension Lump Sum				Scheme membership less than 2 years - no pension benefits due.
A Buchan	Chief Executive	ER Strain	14,066.63		Pension Lump Sum				Accrued Pension Benefits held with OIC
H Sutherland	Executive Director: Education & Social Care	ER Strain	29,960.93	23,901.04	Pension Lump Sum	26,373.73 70,405.91	23,851.31 67,383.22	2,522.42 3,022.69	Acting Chief Executive from 09/09/09 to 18/10/09 and 25/01/10 to 08/08/10
G Greenhill	Executive Director: Infrastructure	ER Strain	24,609.51	22,772.56	Pension Lump Sum	2,658.30 246.16	1,307.10 234.82	1,351.20 11.34	
W Shannon	Assistant Chief Executive	ER Strain	21,322.54	20,264.76	Pension Lump Sum	17,086.64 44,563.17	15,584.20 43,485.16	1,502.44 1,078.01	
G Johnston	Head of Service: Finance	ER Strain	22,995.71 155,711.86	21,853.36	Pension Lump Sum	27,182.57 74,327.60	25,357.24 72,547.99	1,825.33 1,779.61	Efficiency Retirement 31/03/2011
J Riise	Head of Service: Legal and Administration	ER Strain	22,995.71	21,853.36	Pension Lump Sum	23,436.23 62,632.58	21,649.85 61,143.11	1,786.38 1,489.47	Includes Returning Officer Pension Benefits
H Budge	Head of Service: Schools	ER Strain	20,640.82	21,007.46	Pension Lump Sum	16,759.13 50,277.40	15,472.57 46,417.71	1,286.56 3,859.69	
N R J Grant	Head of Service: Economic Development	ER Strain	20,782.81	19,752.36	Pension Lump Sum	7,341.67 15,497.74	6,102.64 15,123.07	1,239.03 374.67	
R M Sinclair	Head of Service: Capital Programme	ER Strain	17,527.95	13,374.32	Pension Lump Sum	14,300.26 37,398.75	10,286.21 28,744.24	4,014.05 8,654.51	
A Williamson	Chief Social Work Officer	ER Strain	17,881.86	16,859.42	Pension Lump Sum	21,107.49 57,726.70	19,627.71 56,161.04	1,479.78 1,565.66	
Total			368,496.33	195,498.44		569,322.03	575,954.39	(6,632.36)	

Notes

- a) The "strain" costs detailed are the cost to the Pension Fund (which requires to be met upfront by the General Fund) for allowing staff to retire early with an unreduced LGPS pension & lump sum.
- b) Head of Legal & Administration has pension benefits arising from his Returning Officer duties in respect of Local Government and Scottish Parliamentary Elections. A single disclosure of the pension benefits is detailed above and detailed below is the pension benefits associated with Returning Officer duties.

Returning Officer	Accrued Pension Benefits		
	As at 31 March 2011	As at 31 March 2010	Increase (Decrease)
	£	£	£
Pension	680.98	624.08	56.90
Lump Sum	1,588.88	1,588.88	0.00

Pension Benefits

Pension benefits for councillors and local government employees are provided through the Local Government Pension Scheme (LGPS). The pension scheme is a funded pension scheme consisting of payment from members of the scheme as well as the employer.

Councillors' pension benefits are based on career average pay. Councillors pay for each year or part year ending 31 March (other than the pay in the final year commencing 1 April) is increased by the increase in the cost of living, as measured by the appropriate index (or indices) between the end of that year and the last day of the month in which their membership of the scheme ends. The total of the revalued pay is then divided by the period of membership to calculate the career average pay. This is the value used to calculate the pension benefits.

For local government employees this is a final salary pension scheme. This means that pension benefits are based on the final year's pay and the number of years that the person has been a member of the scheme.

The scheme's normal retirement age for both councillors and employees is 65.

From 1 April 2009 a five-tier contribution system was introduced with contributions from scheme members being based on how much pay falls into each tier. This is designed to give more equality between the cost and benefits of scheme membership. Prior to 2009 contributions rates were set at 6% for all non-manual employees.

The tiers and members contribution rates for 2010/11 remain at the 2009/10 rates, (due to negative increases in the costs of living index for 2010/11) and are as follows:	Contribution Rate	Contribution Rate
	2010/11 %	2009/10 %
Whole time pay:		
On earnings up to and including £18,000	5.50	5.50
On earnings above £18,000 and up to £22,000	7.25	7.25
On earnings above £22,000 and up to £30,000	8.50	8.50
On earnings above £30,000 and up to £40,000	9.50	9.50
On earnings above £40,000	12.00	12.00

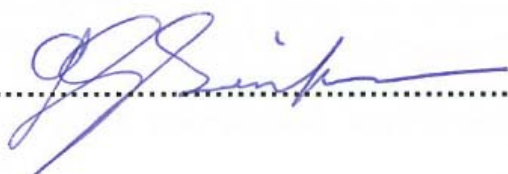
If a person works part-time their contribution rate is worked out on the whole-time pay rate for the job, with actual contributions paid on actual pay earned.

There is no automatic entitlement to a lump sum. Members may opt to give up (commute) pension for lump sum up to the limit set by the Finance Act 2004. The accrual rate guarantees a pension based on 1/60th of final pensionable salary and years of pensionable service. (Prior to 2009 the accrual rate guaranteed a pension based on 1/80th and a lump sum based on 3/80th of final pensionable salary and years of pensionable service).

The value of the accrued benefits has been calculated on the basis of the age at which the person will first become entitled to receive a pension on retirement without reduction on account of its payment at that age; without exercising any option to commute pension entitlement into a lump sum; and without any adjustment for the effects of future inflation.

The pension figures shown relate to the benefits that the person has accrued as a consequence of their total Local Government service, and not just their current appointment. The figures will also reflect any transfer of pension benefits from another pension fund or scheme.

Joseph G Simpson
Leader



30 September 2011

Alistair Buchan
Chief Executive



30 September 2011

Statement of Responsibilities for the Statement of Accounts

The Council's Responsibility

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that the proper officer has the responsibility for the administration of those affairs; in this Council the proper officer is the Head of Finance;
- manage its affairs to secure economic, efficient and effective use of resources and to safeguard its assets;
- acknowledge the audited accounts must be laid before a meeting of the authority (i.e. the Council under SIC/Scheme of Administration and Delegations par. 2.1.3 sub par. 1 (G)) within two months of receipt of the audit certificate.

The Head of Finance's Responsibilities

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

It is the responsibility of the Head of Finance to sign, date and submit the un-audited statement of accounts to the authority and Controller of Audit by 30 June.

In preparing this Statement of Accounts, the Head of Finance has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the local authority Code.

The Head of Finance has also:

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

The Statement of Accounts presents a true and fair view of the financial position of the authority at the reporting date and its income and expenditure for the year ended 31 March 2011.



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Hazel Sutherland CPFA.
Head of Finance

Movement in Reserves Statement

	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve / Capital Funds £000	Capital Grants Unapplied £000	Other Revenue Statutory Funds £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance as at 31 March 2009	(70)	0	(114,308)	0	(180,329)	(294,707)	(222,090)	(516,797)
Movement in reserves during 2009/10:								
(Surplus) or deficit on the provision of services	34,949	(458)				34,491		34,491
Other Comprehensive Income and Expenditure						0	21,637	21,637
Total Comprehensive Income and Expenditure	34,949	(458)	0	0	0	34,491	21,637	56,128
Adjustments between accounting basis & funding basis under regulations (Note 7)	(14,662)	755	0	0	0	(13,907)	13,907	0
Net (Increase)/Decrease before Transfers to Statutory Reserves	20,287	297	0	0	0	20,584	35,544	56,128
Net Transfers to/(from) Other Statutory Reserves	(20,378)	(297)	(4,273)		25,304	356	(356)	0
(Increase)/Decrease in 2009/10	(91)	0	(4,273)	0	25,304	20,940	35,188	56,128

Balance as at 31 March 2010	(161)	0	(118,581)	0	(155,025)	(273,767)	(186,902)	(460,669)
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	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve / Capital Funds £000	Capital Grants Unapplied £000	Other Revenue Statutory Funds £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance as at 31 March 2010	(161)	0	(118,581)	0	(155,025)	(273,767)	(186,902)	(460,669)
Movement in reserves during 2010/11:								
(Surplus) or deficit on the provision of services	(19,728)	9,943	0	0	0	(9,785)	0	(9,785)
Other Comprehensive Income and Expenditure							(43,277)	(43,277)
Total Comprehensive Income and expenditure	(19,728)	9,943	0	0	0	(9,785)	(43,277)	(53,062)
Adjustments between accounting basis & funding basis under regulations (Note 7)	16,745	(9,454)	0	(171)	0	7,120	(7,120)	0
Net (Increase)/Decrease before Transfers to Statutory Reserves	(2,983)	489	0	(171)	0	(2,665)	(50,397)	(53,062)
Net Transfers to/(from) Other Statutory Reserves	0	(489)	4,224	0	3,615	7,350	(7,350)	0
(Increase)/Decrease in 2010/11	(2,983)	0	4,224	(171)	3,615	4,685	(57,747)	(53,062)

Balance as at 31 March 2011	(3,144)	0	(114,357)	(171)	(151,410)	(269,082)	(244,649)	(513,731)
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Total usable and unusable reserves are shown within disclosure notes 21 and 22 respectively.

Comprehensive Income and Expenditure Statement for year ended 31 March 2011

2009/10 Net Expenditure £000	Notes	2010/11 Gross Expenditure £000	2010/11 Gross Income £000	2010/11 Net Expenditure £000
50,933	Education Services	56,104	(8,304)	47,800
1,523	Housing Services	8,779	(5,677)	3,102
(2,059)	Housing Revenue Account	15,578	(6,758)	8,820
6,915	Cultural and Related Services	7,706	(877)	6,829
8,551	Environmental Services	9,094	(2,681)	6,413
2,196	Fire Services	2,197	0	2,197
13,321	Roads and Transport Services	21,394	(9,847)	11,547
11,847	Trading Services	28,272	(17,341)	10,931
1,972	Police Services	1,461	0	1,461
10,471	Planning and Development Services	14,765	(4,796)	9,969
26,744	Social Work	40,887	(8,384)	32,503
2,370	Central Services to the Public	2,436	(310)	2,126
6,649	Corporate and Democratic Core	7,572	0	7,572
2,268	Non Distributed Costs	(28,826)	0	(28,826)
143,701	Cost of Services	187,419	(64,975)	122,444
(44)	Other operating income	9		(327)
(2,784)	Financing and Investment income and expenditure	10		(23,050)
(106,382)	Taxation and non-specific grant income	11		(108,852)
34,491	(Surplus) or Deficit on Provision of Services			(9,785)
(20,308)	(Surplus) on revaluation of Property, Plant and Equipment assets			(15,540)
(43,410)	(Surplus) on revaluation of Available-for-Sale financial assets	22		(19,382)
0	Amounts recycled from the Available-for-Sale Financial Instrument Reserve upon derecognition	22		23,156
85,355	Actuarial (gains)/losses on pension assets/liabilities	33		(31,511)
21,637	Other Comprehensive Income and Expenditure			(43,277)
56,128	Total Comprehensive Income and Expenditure			(53,062)

Balance Sheet as at 31 March 2011

1 April 2009 £000	31 March 2010 £000		Notes	31 March 2011 £000
350,488	367,468	Property, Plant & Equipment	12	374,529
1,016	689	Intangible Assets	13	436
199,744	218,959	Long term Investments	14	222,739
18	13	Long Term Debtors	14	1,066
551,266	587,129	Long Term Assets		598,770
3,465	3,609	Inventories	15	4,023
11,803	10,349	Short Term Debtors	16	8,516
26,459	20,906	Cash and Cash equivalents	17	7,376
654	1,245	Assets held for Sale	18	206
42,381	36,109	Current Assets		20,121
(17,818)	(15,396)	Short Term Creditors	19	(14,037)
(17,818)	(15,396)	Current Liabilities		(14,037)
(53)	(4)	Provisions	20	(10)
(58,979)	(147,169)	Other Long Term Liabilities	33	(91,113)
(59,032)	(147,173)	Long Term Liabilities		(91,123)
516,797	460,669	Net Assets		513,731
(294,707)	(273,767)	Usable Reserves	21	(269,082)
(222,090)	(186,902)	Unusable Reserves	22	(244,649)
(516,797)	(460,669)	Total Reserves		(513,731)

The unaudited accounts were issued on 26 July 2011 and the audited accounts were authorised for issue on 30 September 2011.



..... Date: 30 September 2011

Hazel Sutherland CPFA
Head of Finance

Cash Flow Statement for year ended 31 March 2011

2009/10 £000	2010/11 £000	2010/11 £000
OPERATING ACTIVITIES		
Cash Outflows		
(99,109) Cash paid to and on behalf of employees	(102,976)	
(75,754) Other operating cash payments	(88,270)	
(4,168) Precepts paid	(3,407)	
<u>(179,031)</u>		(194,653)
Cash Inflows		
3,706 Housing Rents	2,711	
0 Trading	551	
84,694 RSG	86,894	
676 DWP Grants	769	
30,243 Sales of goods and services	39,561	
10,256 Other operating cash receipts	3,575	
13,679 Other Government Grant	12,220	
7,857 Council Tax income	8,647	
9,189 NDR Income	8,672	
<u>160,300</u>		163,600
Movement of working capital		
(145) (Increase)/Decrease in Stock	(414)	
1,454 (Increase)/Decrease in Debtors	1,833	
(2,422) Increase/(Decrease) in Creditors	(1,359)	
<u>(1,113)</u>		60
<u>(19,844)</u>		<u>(30,993)</u>
INVESTING ACTIVITIES		
Cash Outflows		
(24,578) Purchase of Fixed Assets	(18,048)	
(170,448) Purchase of Long Term Investments	(238,884)	
(195,438) Purchase of Short Term Investments	(107,700)	
<u>(390,464)</u>		(364,632)
Cash Inflows		
932 Sale of Fixed Assets	1,572	
194,793 Sale of Long Term Investments	253,383	
199,434 Sale of Short term investments	119,300	
4,371 Capital Grant receipts	4,657	
5,225 Interest Received & Dividends	3,183	
<u>404,755</u>		382,095
<u>14,291</u>		<u>17,463</u>
FINANCING ACTIVITIES		
0 Cash Outflows	0	
0 Cash Inflows	0	
<u>0</u>		0
<u>(5,553)</u>		<u>(13,530)</u>
NET INCREASE/(DECREASE) IN CASH		
<u>26,459</u>		<u>20,906</u>
(5,553) Net movement of Cash and Cash Equivalents during the year		(13,530)
<u>20,906</u>		<u>7,376</u>

Refer to note 17 for an analysis of the components of cash and cash equivalents.

Accounting adjustments made to prior year comparatives to comply with International Financial Reporting Standards

These financial statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11. The Code requires that for the first time, Local Authority accounts in 2010/11 should be prepared in accordance with International Financial Reporting Standards (except in instances where the Code allows departures), and the comparative figures for the 2008/09 and 2009/10 Balance Sheets as well as the 2009/10 Comprehensive Income and Expenditure Statement should be restated from UK Generally Accepted Accounting Principles (UK GAAP) where required. The reconciliation to IFRS from the previous UK GAAP accounts is summarised in the tables below.

Restatement of Shetland Islands Council's 2008/09 UK GAAP Balance Sheet on an IFRS basis

	2008/09 UK GAAP Balance Sheet £000	Adjustment 1 IAS 20 £000	Adjustment 2 - IAS 40 £000	Adjustment 3 - IFRS 5 £000	Adjustment 4 - IAS 19 £000	Adjustment 5 - IAS 7 £000	IFRS based Balance Sheet 1 April 2009 £000
Non-Current Assets:							
PPE - Council Dwellings	59,931			(654)			59,277
PPE - Other Land & Buildings	104,233		4,328				108,561
Investment Properties	4,328		(4,328)				0
Current Assets:							
Assets Held for Sale	0			654			654
Short-Term Investments	16,506					(16,506)	0
Cash & Bank / Cash & Cash Equivalents	9,953					16,506	26,459
Current Liabilities:							
Short-Term Creditors	(16,478)				(1,340)		(17,818)
Long-Term Liabilities:							
Government Grants Deferred	(12,533)	12,533					0
Reserves:							
Capital Adjustment Account	(258,075)	(12,533)					(270,608)
Accumulating Compensated Absences Adjustment Account	0				1,340		1,340

Adjustment 1 – IAS 20 Accounting for Government Grants and disclosure of Government assistance – Under IFRS accounting, Shetland Islands Council is required to recognise all grant income in its entirety at the point at which it is received. Therefore all deferred government grants have been written out of the liabilities in the balance sheet, recognised through the Income and Expenditure account and subsequently transferred from the General Fund to the Capital Adjustment Account.

Adjustment 2 – IAS 40 Investment property – Under the strict criteria of IAS 40, Shetland Islands Council had £4.328m of property which had to be re-categorised out of investment property because it did not meet the IFRS requirements to be classified as such. Instead, it has been determined that under IFRS these assets better meet the criteria of Other Land and Buildings and have therefore been transferred into that category.

Adjustment 3 – IFRS 5 Assets Held for Sale – Shetland Islands Council had a number of council houses that were in the process of being sold to tenants at 31 March 2009. As such, these are required to be separately disclosed under IFRS 5 under a category named *Assets Held for Sale*. This adjustment is to transfer those council houses from non-current assets to assets held for sale under current assets.

Adjustment 4 – IAS 19 Employee Benefits – Under this IFRS accounting standard, Councils are required to recognise a liability for all holiday pay and other entitlements that employees had accrued at the financial year-end. This liability reflects the difference between the holiday entitlement earned at 31 March and the actual amount of holidays taken. At Shetland Islands Council, the excess of holiday entitlement earned over the holidays actually taken by 31 March, as well as TOIL and flexi-time balances due back to employees, has resulted in a liability of £1.340m. The Scottish Government has introduced Statutory Mitigation for this additional cost so that its negative impact can be removed from the General Fund and transferred to a new Accumulating Compensated Absences Adjustment Account. This has been reflected in the adjustment above.

Adjustment 5 – IAS 7 Cash Flow Statement – Under IFRS accounting, Shetland Islands Council must show cash and cash equivalents as a single balance on the face of the Balance Sheet. Cash and cash equivalents include the bank balances, petty cash, overdrafts (if they are integral to the cash management of the organisation) and investments due to mature within 3 months of the balance sheet date. Therefore an adjustment was made to consolidate the short-term investments balance with the bank balance as all the short-term investments would be available to Shetland Islands Council in cash within 3 months of 31 March 2009.

Reconciliation of Shetland Islands Council's 1 April 2009 IFRS Balance Sheet to the 2009/10 IFRS Balance Sheet

	1 April 2009 IFRS Balance Sheet £000	UK GAAP In-year Balance Sheet Movements £000	Adjustment 1 - IAS 20 £000	Adjustment 2 IAS 40 £000	Adjustment 3 IFRS 5 £000	Adjustment 4 IAS 19 £000	Adjustment 5 - IAS 7 £000	IFRS based Balance Sheet 31 March 2010 £000
Non-Current Assets:								
PPE - Council Dwellings	59,277	1,204			(256)			60,225
PPE - Other Land & Buildings	108,561	13,329		175				122,065
PPE - Vehicles, Furniture & Plant	37,418	(1,185)			(268)			35,965
Assets Under Construction	23,323	(418)			(67)			22,838
Investment Properties	0	175		(175)				0
Current Assets:								
Assets Held for Sale	654	0			591			1,245
Short-Term Investments	0	(3,022)					3,022	0
Cash & Bank / Cash & Cash Equivalents	26,459	(2,531)					(3,022)	20,906
Current Liabilities:								
Short-Term Creditors	(17,818)	2,446				(25)		(15,397)
Long-Term Liabilities:								
Government Grants Deferred	0	(3,218)	3,218					0
Reserves:								
Capital Adjustment Account	(270,608)	15,043	(3,218)					(258,783)
Accumulating Compensated Absences Adjustment Account	1,340	0				25		1,365

Adjustment 1 – IAS 20 Accounting for Government Grants and disclosure of Government assistance – Under IFRS accounting, Shetland Islands Council is required to recognise all grant income in its entirety at the point at which it is received. Therefore all deferred government grants received in 2009/10 have been written out of the liabilities in the balance sheet, recognised through the Income and Expenditure account and subsequently transferred from the General Fund to the Capital Adjustment Account.

Adjustment 2 – IAS 40 Investment property – During 2009/10, Shetland Islands Council recognised an increase in its investment property balance. However, under IFRS, no properties meet the criteria as being investment properties and therefore this balance has been transferred to Other Land and Buildings.

Adjustment 3 – IFRS 5 Assets Held for Sale – Shetland Islands Council had a number of council houses that were in the process of being sold to tenants at 31 March 2010 (£0.915m). As such, these are required to be separately disclosed under IFRS 5 in a category named *Assets Held for Sale*. This adjustment is to transfer those council houses from non-current assets to assets held for sale under current assets. In addition, the houses held for sale in the 1 April 2009 balance sheet were subsequently sold (£0.654m) and therefore written out of this balance. Therefore the net movement for 2009/10 was £0.261m. In addition, a number of Vehicles, Furniture and Plant (£0.268m) and Assets Held for Sale (£0.067m) were re-categorised as being held for sale.

Adjustment 4 – IAS 19 Employee Benefits – Under this IFRS accounting standard, Councils are required to recognise a liability for all holiday pay entitlement that employees had accrued at the financial year-end. This liability reflects the difference between the holiday entitlement earned at 31 March and the actual amount of holidays taken. At Shetland Islands Council, the excess of holiday entitlement earned over the holidays actually taken by 31 March has resulted in a liability of £1.365m. The Scottish Government has introduced Statutory Mitigation for this additional cost so that its negative impact can be removed from the General Fund and transferred to a new Accumulating Compensated Absences Adjustment Account. At 31 March 2010, the holiday pay accrual was re-calculated and was found to have increased by £0.025m. As a result this adjustment is to reflect the increase in the accrual, and a debit to the Accumulating Compensated Absences Adjustment Account to reflect the increase.

Adjustment 5 – IAS 7 Cash Flow Statement – Under IFRS accounting, Shetland Islands Council must show cash and cash equivalents as a single balance on the face of the Balance Sheet. Cash and cash equivalents include the bank balances, petty cash, overdrafts (if they are integral to the cash management of the organisation) and investments due to mature within 3 months of the balance sheet date. At 31 March 2009 the entire balance of short term investments were considered to be cash equivalents, and the same assessment was made at 31 March 2010. Under UK GAAP the short-term investment balance reduced by £3.022m during 2009/10, however under IFRS this reduction was against the cash and cash equivalent balance, and therefore this adjustment has been made to reflect that.

Reconciliation of Shetland Islands Council's 2009/10 SORP based Income and Expenditure Account to an IFRS based Comprehensive Income and Expenditure Statement

	£000	£000
(Surplus) or Deficit on Provision of Services for year ended 31 March 2010 (SORP)		37,685
IAS 20 Adjustment - Accounting for Government Grants and disclosure of Government assistance - Recognition of all the income received in capital grants during 2009/10 (£4.371m) offset by the reversal of the government grant amortisation credited to service expenditure as applied under the SORP (£1.153m).	(3,218)	
IAS 19 Adjustment – Employee Benefits – The holiday pay accrual was re-calculated at the 2009/10 year-end and this resulted in a net reduction of £0.015m on the liability. This adjustment is to reflect the movement on the accrual during the year and has resulted in a credit to the Income and Expenditure account.	25	
TOTAL VALUE OF CODE (IFRS) ADJUSTMENTS		(3,193)
(Surplus) or Deficit on Provision of Services for year ended 31 March 2010 (Code basis)		34,492



Notes to the Financial Statements

1. Accounting Policies

1.1 General Principles

The Code specifies the applicable accounting policies for:

- selecting measurement bases for recognising assets, liabilities, gains and losses in the statement of accounts;
- making changes to reserves;
- the minimum disclosure requirements.

A valid estimation technique can be used to derive the monetary amount (i.e. the one that best reflects the economic reality of a transaction or event) to be recognised in the financial statements in such circumstances when the basis of measurement for the monetary amount cannot be applied with certainty (and the range of options is considered to be material).

1.2 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Changes in accounting policies are made only when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the authority's financial position or financial performance.

Changes in accounting estimates are accounted for prospectively i.e. in the current and future years affected by the change, and do not give rise to a prior period adjustment.

Prior period adjustments arise as a result of a change in accounting policies or to correct a material error. Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

1.3 Accounting Conventions and Concepts

The accounting convention adopted in the Statement of Accounts is historical cost modified by the revaluation of certain categories of non-current assets and financial instruments.

The concept of the authority as a going concern is based on the premise that its functions and services will continue in existence for the foreseeable future.

The concept of materiality derives from the premise that financial statements need not be precisely accurate to represent a true and fair view. It is a matter of professional judgement as to whether users of the accounts could come to different conclusions about the authority's standards of stewardship or make different economic decisions as a result of deviations from the provisions set out in the Code.

The accounting policies, which have a significant effect on the amounts recognised in the financial statements of Shetland Islands Council, are summarised below.

a) Accruals of Income and Expenditure

(1) Recognition of Income and Expenditure in the Comprehensive Income and Expenditure Statement

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the authority.
- Revenue from the provision of services is recognised when the authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the authority.
- Supplies are recorded as expenditure when they are consumed but where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

(2) Recognition of Debtors and Creditors on the Balance Sheet

Where revenue and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

b) Cash and Cash Equivalents

In the Cash Flow Statement cash (represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours) and cash equivalents (investments that mature in no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value) are shown net of bank overdrafts that are repayable on demand.

c) Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- amortisation of intangible non-current assets attributable to the service.

The authority is not required to raise Council Tax to fund depreciation, amortisation, revaluation or impairment losses but is required to make an annual contribution from revenue equal to loans fund principal charges (Scotland). The General Fund is balanced by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

d) Contingent Assets

Where an event has taken place that gives the authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority, a contingent asset is disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential but not recognised in the Balance Sheet.

e) Contingent Liabilities

Contingent liabilities are disclosed in note 34 to the accounts but not recognised in the Balance Sheet, in such circumstances where:

- an event has taken place that gives the authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority;
- a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

f) Employee Benefits

(1) Accumulated Absences

The Accumulated Absences account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

(2) Benefits Payable During Employment

Short-term employee benefits (i.e. those due to be settled within 12 months of the year-end) such as wages, salaries, paid annual leave, paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees are recognised as an expense for services in the year in which employees render service to the authority.

An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit.

The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

(3) Termination Benefits

Termination benefits are amounts payable as a result of a decision by the authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. These costs are charged on an accruals basis to the relevant service line in the Comprehensive Income and Expenditure Statement when the authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

(4) Post Employment Benefits

Employees of the authority are members of two separate pension schemes:

- The Teachers' Pension Scheme, administered by the Scottish Government;
- The Local Government Pension Scheme, administered by Shetland Islands Council.

Both schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees work for the authority. The arrangements for the teachers' scheme however mean that liabilities for these benefits cannot ordinarily be identified specifically to the authority. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

(5) The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of Shetland Islands Council's pension fund attributable to the authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, projections of earnings for current employees.
- Liabilities are discounted to their value at current prices using a discount rate of 5.5% which is equivalent to the gross redemption yield on the iBoxx Sterling Corporate AA bonds over 15 years index at the valuation date but with the removal of recently re-rated bonds from the index.
- The pension fund assets attributable to the authority are included in the Balance Sheet at their fair value:
 - quoted securities – current bid price;
 - unquoted securities – professional estimate;
 - unitised securities – current bid price;
- The change in the net pensions liability is analysed into seven components:
 - **current service cost** – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
 - **past service cost** – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;
 - **interest cost** – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;

- **expected return on assets** – the annual investment return on the fund assets attributable to the authority, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- **gains or losses on settlements and curtailments** – the result of actions to relieve the authority of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;
- **actuarial gains and losses** – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve. Actuarial gains and losses are shown within Other Comprehensive Income and Expenditure within the Comprehensive Income and Expenditure Statement;
- **contributions paid to the pension fund** – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards in the Movement in Reserves Statement.

This treatment requires appropriations to and from the Pension Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits earned by employees.

(6) Discretionary Benefits

The authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

g) Events After the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue.

Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period whereby the Statement of Accounts is adjusted to reflect such events;
- those that are indicative of conditions that arose after the reporting period whereby the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

h) Exceptional Items and Prior Period Adjustments

Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Prior period adjustments that arise as a result of a change in accounting policies or to correct a material error are applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

i) Financial Instruments

Financial Assets

Financial assets are classified into two types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market;
- Available-for-Sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

(1) Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For this authority it means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

On an annual basis loans and receivables are assessed for impairment. Events that provide objective evidence of impairment include significant financial difficulties of the counterparty or a breach of contract. Impairment losses and gains or losses on derecognition are taken to the Surplus or Deficit on the provision of services.

(2) Available-for-Sale Assets

Available-for-Sale assets are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument which initially is measured and carried at fair value.

Available-for-Sale financial assets are shown in the Balance Sheet at fair value which is based on the unit price provided by the Council's external fund providers. The fund providers use the following principles when determining the unit price:

- Instruments with quoted market prices – the market price;
- Investments with no quoted market prices – probable realisation value based on recent market transactions, reference to transactions that are substantially the same and discounted cash flows.

Changes in fair value are balanced by an entry in the Available-for-Sale Financial Instrument Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets.

Upon derecognition, any balance on the Available-for-Sale Financial Instruments Reserve in relation to the assets sold are recycled through the Surplus or Deficit on the Provision of Services. To ensure there is no mismatch between Other Comprehensive Income and Expenditure and the Movement in Reserves Statement, recycled amounts are also deducted as an additional item from the Other Comprehensive Income and Expenditure to avoid overstating gains for the year.

Where assets are identified as impaired because there is a significant or prolonged decline in the fair value below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

There were gains on revaluation of £19.382m as at 31 March 2011 (2010: £43.410 m) and therefore no impairment has been identified and the Council did not carry out an impairment review.

j) Foreign Currency Translation

Where the authority has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March 2011. Resulting gains or losses are recognised in the Financing and

Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

k) Government Grants and Contributions

Government grants, third party contributions and donations are recognised as due to the authority and hence credited to the Comprehensive Income and Expenditure Statement when there is reasonable assurance that the authority will comply with any conditions attached to payment of the grants.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

l) Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the authority as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the authority.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the authority will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset.

Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase. Research expenditure cannot be capitalised nor expenditure on the development of websites if the website is solely or primarily intended to promote or advertise the authority's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the authority can be determined by reference to an active market. In practice, no intangible asset held by the authority meets this criterion and they are therefore held at cost less accumulated amortisation. The depreciable amount of an intangible asset is amortised over its useful life on a straight-line basis to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. The useful life and amortisation rate used in the calculation of amortisation is 1 – 8 years.

An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

m) Inventories and Long Term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the weighted average costing formula, except for fuel which is calculated on a First in First Out (FIFO) basis.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

n) Landfill Allowances Schemes

Landfill allowances, whether allocated by DEFRA or purchased from another Waste Disposal Authority (WDA), are recognised as current assets and are initially measured at fair value. The scheme has been placed under review in Scotland since 2008/09 as a result of the absence of an active market for the allowance and hence assets and liabilities are measured at nil in 2010/11. Due to the inactive market, penalties have been suspended but not cancelled. As the authority has not exceeded its allowance (regulation 19 of the landfill allowance scheme) there is no potential contingent liability.

o) Leases

Operating Leases

(1) The Authority as Lessee

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

(2) The Authority as Lessor

Where the authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is

credited to the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

Finance Leases

The Council recognises a finance lease when the risks and rewards of the asset substantially lie with the Authority. The accounting treatment of finance leases is to recognise the asset on the Council's Balance Sheet as well as a liability to represent future principal repayments. A depreciation charge is recognised in the Comprehensive Income and Expenditure Statement as well as an interest charge.

None of the authority's existing leases meet the definition of a finance lease.

p) Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2010/11 (BVACOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the authority's status as a multifunctional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in BVACOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement.

q) Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

(1) Recognition

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

(2) Measurement

Assets are initially measured at cost, comprising:

- the purchase price;
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management;
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Assets are carried in the Balance Sheet using the following measurement bases:

- infrastructure - held at Depreciated Historical Cost (DHC);
- community assets and assets under construction are held at Historical Cost.
- dwellings – fair value, determined using the basis of Existing Use Value for Social Housing (EUV-SH);
- all other assets – fair value, determined as the amount that would be paid for the asset in its Existing Use Value (EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, Depreciated Replacement Cost (DRC) is used as an estimate of fair value.

Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

Where decreases in value are identified, they are accounted for as follows:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains);
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

(3) Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for as follows:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains);
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement;
- where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

(4) Depreciation

Depreciation is provided for all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

The following useful lives and depreciation rates have been used in the calculation of depreciation (Straight Line method):

- | | |
|---|---------------|
| • Council Dwellings: | 30 - 50 years |
| • Other Land and Buildings: | 7 - 120 years |
| • Vehicles, Plant, Furniture and Equipment: | 1 - 50 years |
| • Infrastructure: | 5 - 60 years |

The straight-line method referred to above has been used, until an asset is either revalued or there are additions to the asset, at which point depreciation is then calculated over the remaining outstanding life.

Surplus assets are depreciated on a straight-line basis over their useful economic life. The relevant economic life for surplus assets is in line with those stated above for each category of asset.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

(5) Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is

reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and are valued at the lower of their carrying amount before they were classified as Held for Sale. They are adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale and adjusted for their recoverable amount at the date of the decision not to sell (assets to be abandoned or scrapped are not reclassified as Assets Held for Sale).

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal are categorised as capital receipts. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against Council Tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

r) Provisions

Provisions are made where an event has taken place that gives the authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic

benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the authority settles the obligation.

The authority has entered into a low minimal risk financial guarantee for £1.831m, which is classified as a contingent liability and hence not recognised within the financial statements. This risk was quantified when determining the level of the General Fund Balance.

s) Reserves

Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the authority – these reserves are explained in the relevant policies.

t) Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council Tax.

u) Value Added Tax

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

2. Accounting Standards Issued, not Adopted

As a consequence of FRS 30 relating to heritage assets the Code has introduced a change in accounting policy to be adopted for 2011/12 and onwards. FRS 30 requires heritage assets to be measured at valuation and disclosed as a separate classification on the face of the Balance Sheet. Depreciation is not required on heritage assets, which have indefinite lives but their carrying amount should be reviewed where there is

evidence of impairment. Heritage assets that are used by the authority for other activities or to provide other services are operational assets and should be accounted for as Property, Plant and Equipment.

The Code states that valuations of heritage assets may be made by any method that is appropriate and relevant but where it is not practicable to obtain a fair value, such assets should be measured at historical cost (Audit Scotland technical bulletin published 23/03/11, local authority chapter). The Code gives authorities the discretion to elect to treat community assets in the same way as heritage assets should it believe that valuation is a better measurement of their economic benefits and service potential, however, this authority does not intend to take up this option in the near future.

The treatment of heritage assets represents a change in accounting policy which would require retrospective application for 2011/12. The authority currently classifies two heritage museum buildings, the Croft House Museum and Bod of Gremista, as operational buildings under Property, Plant and Equipment; these buildings will be reclassified in 2011/12. The museums were revalued in 2010/11 and their total carrying amount in the Balance Sheet is £1.451m. Due to the recent revaluation it is estimated that this change in accounting policy will have no significant impact on the 2011/12 financial statements.

3. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- a) There is a high degree of uncertainty about future levels of funding for local government in general. This Council, like others, continues to face significant financial pressures related to the general economic climate and faces specific demographic pressures related to its unique geographical location. Despite the recession, the Council was successful in securing a new income stream from the new gas processing plant, based at Sullom Voe.
- b) For resource planning and allocation purposes the Council has had to make critical judgments about (a) the growing need for community care and services for people with learning disabilities, (b) the impact on the transport system from increases in fuel costs, (c) the risk of severe weather resulting in increases to the winter maintenance service and (d) meeting the challenges of implementing the "Blueprint for Education" and "Ports for the Future".
- c) Had current levels of spend been continued into next year the authority would have been facing a budget gap of around £25 million; however, early arrangements have been put in place to tackle this potential budget deficit. It is envisaged that a process of staff and community engagement, working alongside a "scenario planning" initiative, will help councillors make difficult choices regarding the services to be provided over the medium to longer term time-frame; however, there is insufficient evidence at this time to indicate that the assets of the authority might be impaired as a result of a need to close facilities and reduce levels of service provision.

- d) One area where a long-standing issue remains unresolved is the relationship between the Council and the Shetland Charitable Trust. The Council continues to work closely with the Trust to resolve any issues whereby the Council could be deemed to have the ability to control the Trust even though it does not exert actual control. It is anticipated that the qualification issue will not be resolved before the 2012/13 accounts.

4. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors; however, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the authority's Balance Sheet at 31 March 2011 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

a) Property, Plant and Equipment

The Council's policy states that for componentisation to occur, an individual component of an asset must exceed 25% of the overall cost of the asset and have a different useful life. The policy states that all assets with a Net Book Value in excess of £1 million which were acquired, re-valued or enhanced during the year were to be reviewed.

Of the nine assets identified for review, three were found to have the same useful life as their individual components and the remaining six were found not to contain any individual components in excess of 25% of the value of the asset. A test of these remaining assets was carried out to ascertain the level of componentisation had the policy required a value in excess of 20%, 15% and 10%. The result of this testing was that four assets would have been identified at 20% and an additional asset would have been identified at 10%.

The net effect of a change in policy to 10% would be to increase the depreciation charge by 0.66% and decrease the total Net Book Value of assets by 0.57%, which would not be considered material for the accounts.

b) Provisions

The authority reviewed its "Equal Pay" provision based on the number of claims settled to date. One claim remained outstanding at the end of 2009/10 and one was received during 2010/11. The Council does not envisage any further claims arising as a result of precedents being set by other authorities at some time in the future. The authority believes that the two remaining cases will be resolved during 2011/12 and has increased its provision to £10,000 based on an average settlement rate of £5,000 per case.

c) Pensions Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are

projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the authority with expert advice about the assumptions to be applied. The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of £32.823m however the assumptions interact in complex ways. During 2010/11, the authority's actuaries advised that the net pensions liability had decreased by £56.056m largely as a result of estimated future payments being linked to CPI rather than RPI.

d) Arrears

At 31 March 2011, the authority had a balance on sundry debtors of £2.410m within short term debtors for Other Entities and Individuals. A review of significant balances suggested that an impairment of doubtful debts of 8% (£201,000) is appropriate in the current economic climate.

Council Tax collection does not impose a significant impairment risk as historically only 0.38% of charges levied is ever written off. It is estimated that no more than £30,000 will eventually be written off from Council Tax charges of £7.878m levied during 2010/11.

e) Reserves

A sensitivity analysis of the Council's General Fund usable reserves demonstrates that £3 million is sufficient to mitigate unanticipated expenditure or reduced income in the current financial climate. An estimated contingent liability of £11.4m has been recorded for a number of outstanding legal cases and a guarantee to Viking Energy.

5. Material Items of Income

The Council received £1.572m in capital receipts during 2010/11. This was comprised of 50 social housing dwellings for £0.810m in total and a vessel for £0.762m.

6. Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Head of Finance on 26 July 2011. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2011, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

7. Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total Comprehensive Income and Expenditure Statement recognised by the authority in the year, in accordance with proper accounting practice, to the resources that are specified by statutory provisions as being available to the authority to meet future capital and revenue expenditure.

2010/11	Usable Reserves				Movement Unusable Reserves £000
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	
Adjustments primarily involving the Capital Adjustment Account:					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:					
Charges for depreciation and impairment of non-current assets	(11,598)	(1,532)	0	0	13,130
Revaluation losses on Property Plant and Equipment	(1,933)	(10,986)	0	0	12,919
Amortisation of intangible assets	(525)	0	0	0	525
Capital grants and contributions applied	4,486	0	0	0	(4,486)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	(335)	(909)	0	0	1,244
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:					
Statutory provision for the financing of capital investment	635	1,969	0	0	(2,604)
Capital expenditure charged against the General Fund and HRA balances	618	1,195	0	0	(1,813)
Adjustments primarily involving the Capital Grants Unapplied Account:					
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	171	0	0	(171)	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	0
Adjustments primarily involving the Capital Receipts Reserve:					
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	764	808	(1,572)	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	1,572	0	(1,572)
Adjustments primarily involving the Pensions Reserve:					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	13,961	0	0	0	(13,961)
Employer's pensions contributions and direct payments to pensioners payable in the year	10,583	1	0	0	(10,584)
Adjustment primarily involving the Accumulated Absences Account:					
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(82)	0	0	0	82
Total Adjustments	16,745	(9,454)	0	(171)	(7,120)

2009/10 Comparative Figures	Usable Reserves				Movement Unusable Reserves £000
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	
Adjustments primarily involving the Capital Adjustment Account:					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:					
Charges for depreciation and impairment of non-current assets	(12,099)	(1,693)	0	0	13,792
Revaluation losses on Property Plant and Equipment	(4,620)	0	0	0	4,620
Amortisation of intangible assets	(489)	0	0	0	489
Capital grants and contributions applied	4,371	0	0	0	(4,371)
Revenue expenditure funded from capital under statute	(567)	0	0	0	567
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(902)	0	0	0	902
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:					
Statutory provision for the financing of capital investment	120	1,947	0	0	(2,067)
Capital expenditure charged against the General Fund and HRA balances	1,445	494	0	0	(1,939)
Adjustments primarily involving the Capital Grants Unapplied Account:					
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	0	0	0	0	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	0
Adjustments primarily involving the Capital Receipts' Reserve:					
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	926	20	(946)	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	946	0	(946)
Adjustments primarily involving the Pensions Reserve:					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(12,211)	(124)	0	0	12,335
Employer's pensions contributions and direct payments to pensioners payable in the year	9,389	111	0	0	(9,500)
Adjustment primarily involving the Accumulated Absences Account:					
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(25)	0	0	0	25
Total Adjustments	(14,662)	755	0	0	13,907

8. Transfers to/(from) other Statutory Reserves

This note sets out the amounts transferred to and from General Fund and HRA balances and other statutory reserves to provide financing for current and future expenditure plans.

	Transfers out	Transfers in	Net transfers to/(from) other statutory funds	Transfers out	Transfers in	Net transfers to/(from) other statutory funds
	2009/10	2009/10	31 Mar 2010	2010/11	2010/11	31 Mar 2011
	£000	£000	£000	£000	£000	£000
General Fund:						
General Fund	6,782	(27,070)	(20,288)	26,408	(26,426)	(18)
Hansel	0	(83)	(83)	0	(7)	(7)
Central Efficiency	0	(7)	(7)	25	0	25
Total	6,782	(27,160)	(20,378)	26,433	(26,433)	0
Capital:						
Capital Fund	1,351	(5,600)	(4,249)	12,351	(3,129)	9,222
Capital Efficiency/Spend to Save Reserve	0	0	0	0	(5,000)	(5,000)
Pilot Boat Renewal Fund	0	(24)	(24)	14	(12)	2
Usable Capital Receipts	0	0	0	1,572	(1,572)	0
Elimination of inter Capital Fund transfers	0	0	0	(6,587)	6,587	0
Total	1,351	(5,624)	(4,273)	7,350	(3,126)	4,224
Other Revenue Statutory Funds:						
Revenue Efficiency/Spend to Save Reserve	0	0	0	0	(500)	(500)
Marine Fund	85	(32)	53	621	(229)	392
Reserve Fund	18,808	(1,196)	17,612	27,529	(22,398)	5,131
Repairs & Renewals Fund	9,688	(2,049)	7,639	25,046	(13,628)	11,418
Quarry Repairs & Renewals Fund	0	0	0	0	0	0
Housing Repairs & Renewals Account	308	(273)	35	489	(1,947)	(1,458)
Insurance Fund	0	(35)	(35)	66	(34)	32
Potential Contingent Liabilities	0	0	0	0	(11,400)	(11,400)
Elimination of inter Revenue Fund transfers	0	0	0	(26,829)	26,829	0
Total	28,889	(3,585)	25,304	26,922	(23,307)	3,615
Balance at 31 March	37,022	(36,369)	653	60,705	(52,866)	7,839
Capital Grants Unapplied	0	0	0	0	0	0
Usable Capital Receipts	0	(297)	(297)	0	(489)	(489)
Total Usable Reserves	37,022	(36,666)	356	60,705	(53,355)	7,350

a) Reserves Held for Revenue Purposes

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

The Revenue Efficiency/Spend to Save Reserve is an earmarked general fund reserve established at the end of 2010/11. This fund was established to facilitate the costs associated with implementing future revenue savings plans.

The Marine Fund was established by contributions from the Harbour Account for the purpose of covering the unfunded element of pensions of Harbour staff. It made a contribution of £0.621m to the Harbour Account during the year.

The Reserve Fund was established under Section 67(i) of the Zetland County Council Act 1974. This Act empowers the Council to transfer to the fund surpluses arising on the Harbour Account. The fund may be used to defray certain expenditure on the harbour undertaking and for any other purpose that is solely in the interest of the County and its inhabitants.

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

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

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

The Potential Contingent Liabilities Fund is an earmarked general fund reserve established at the end of 2010/11. The purpose of this fund is to set aside monies to meet the financial obligations that may arise if known contingent liabilities crystallise.

The Hansel Fund and the Central Efficiency Fund are earmarked general fund reserves that were established several years ago. The Central Efficiency Fund has been set up to fund the reduction in energy consumption and carbon emissions. The Hansel Funds are held for the benefit of residents in care establishments.

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

b) Reserves Held for Capital Purposes

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

The Capital Efficiency/Spend to Save Reserve was established during 2010/11. It is a specific capital fund set aside for the purpose of financing energy related projects with a view to reducing energy costs to the General Fund.

The Pilot Boat Renewal Fund was established by the Council, as Pilotage Authority in 1983 to defray expenditure on the building of vessels for boarding and landing duties. It has been funded by contributions from the Harbour Account.

The Usable Capital Receipts Reserve and the Capital Grants Unapplied Account are also used for capital purposes. An analysis of the movement within these accounts is shown within disclosure note 21.

9. Other Operating Income

Gains and Losses on the disposal of non current assets.

31 March 2010 £000		31 March 2011 £000
0	Levies	0
(44)	Gains/losses on the disposal of non-current assets	(327)
(44)	Total	(327)

10. Financing and Investment Income and Expenditure

31 March 2010 £000		31 March 2011 £000
5,059	Pensions interest cost and expected return on pensions assets	3,383
(5,225)	Interest receivable and similar income	(2,291)
(2,618)	Other investment income	(986)
0	Realised gains in relation to Available for Sale assets	(23,156)
(2,784)	Total	(23,050)

11. Taxation and Non-Specific Grant Income

31 March 2010 £000		31 March 2011 £000
(8,497)	Council tax income	(8,629)
(9,189)	Non domestic rates	(8,672)
(84,325)	Non ring fenced government grants	(86,894)
(4,371)	Capital grants and contributions	(4,657)
(106,382)	Total	(108,852)

12. Property, Plant and Equipment

Movement in 2010/11	Council Dwellings	Other Land & Buildings	Vehicles, Furniture, Plant & Equipment	Infra-structure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation								
At 1 April 2010	62,082	131,144	49,876	145,837	6,533	251	22,838	418,561
- additions	1,839	716	2,750	1,213	1	2	11,486	18,007
- donations	0	0	0	0	0	0	0	0
revaluation increases/(decreases) recognised in the Revaluation Reserve	8,626	3,701	(119)	0	973	0	352	13,533
revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(11,713)	(3)	(29)	0	0	0	(1,313)	(13,058)
derecognition – disposals	0	0	0	0	0	0	0	0
derecognition – other	0	0	0	0	0	0	0	0
assets reclassified (to)/ from Held for Sale	(212)	0	0	0	0	0	0	(212)
other movements in cost or valuation	(34)	8,783	1,428	146	0	442	(11,003)	(238)
At 31 March 2011	60,588	144,341	53,906	147,196	7,507	695	22,360	436,593
Accumulated Depreciation and Impairment								
at 1 April 2010	(1,857)	(9,080)	(13,911)	(26,223)	(9)	(13)	0	(51,093)
depreciation charge	(1,579)	(3,979)	(4,169)	(3,341)	0	(62)	0	(13,130)
depreciation written out to the Revaluation Reserve	1,726	126	155	0	0	0	0	2,007
depreciation written out to the Surplus/Deficit on the Provision of Services	139	0	0	0	0	0	0	139
impairment losses/ (reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0	0	0
impairment losses/ (reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	0
derecognition – disposals	0	0	0	0	0	0	0	0
derecognition – other	0	0	0	0	0	0	0	0
assets reclassified (to)/ from Held for Sale	6	0	0	0	0	0	0	6
other movements in depreciation and impairment	(6)	70	1	0	0	(58)	0	7
At 31 March 2011	(1,571)	(12,863)	(17,924)	(29,564)	(9)	(133)	0	(62,064)
Net Book Value								
at 31 March 2011	59,017	131,478	35,982	117,632	7,498	562	22,360	374,529
at 31 March 2010	60,225	122,064	35,965	119,614	6,524	238	22,838	367,468

Comparator Movement in 2009/10	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Furniture, Plant & Equipment £000	Infra-structure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Con- struction £000	Total Property, Plant and Equipment £000
Cost or Valuation								
At 1 April 2009	60,599	121,625	48,684	138,331	5,893	250	23,323	398,705
- additions	1,674	299	2,711	3,073	42	0	17,116	24,915
- donations	0	0	0	0	0	0	0	0
revaluation increases/(decreases) recognised in the Revaluation Reserve	(291)	5,644	(54)	0	0	0	226	5,525
revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	0
derecognition – disposals	(24)	(120)	(801)	(8)	0	0	(7,762)	(8,715)
derecognition – other	0	0	0	0	0	0	0	0
assets reclassified (to)/ from Held for Sale	(915)	0	(722)	0	0	0	(67)	(1,704)
other movements in cost or valuation	1,039	3,775	58	4,441	598		(9,998)	(87)
At 31 March 2010	62,082	131,223	49,876	145,837	6,533	250	22,838	418,639
Accumulated Depreciation and Impairment								
at 1 April 2009	(1,322)	(13,064)	(11,266)	(22,548)	(8)	(9)	0	(48,217)
depreciation charge	(757)	(5,446)	(3,908)	(3,676)	(1)	(4)	0	(13,792)
depreciation written out to the Revaluation Reserve	0	0	0	0	0	0	0	0
depreciation written out to the Surplus/Deficit on the Provision of Services	217	9,342	49	0	0	0	0	9,608
impairment losses/ (reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0	0	0
impairment losses/ (reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	0
derecognition – disposals	0	10	760	1	0	0	0	771
derecognition – other	0	0	0	0	0	0	0	0
Eliminated on reclassification to Asset Held for Sale	5	0	454	0	0	0	0	459
other movements in depreciation and impairment at 31 March 2010	0	0	0	0	0	0	0	0
at 31 March 2010	(1,857)	(9,158)	(13,911)	(26,223)	(9)	(13)	0	(51,171)
Net Book Value								
at 31 March 2010	60,225	122,065	35,965	119,614	6,524	237	22,838	367,468
at 31 March 2009	59,277	108,561	37,418	115,783	5,885	241	23,323	350,488

a) Capital Commitments

At 31 March 2011, the authority had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2011/12 and future years, budgeted to cost £14.531m. Similar commitments at 31 March 2010 were £11.814m. The major commitments are:

- Scalloway dredging £2.873m
- Walls piers £2.751m
- Fetlar breakwater £2.246m
- Sellaness tugs £1.214m
- Fibre optic cable £1.029m

b) Revaluations

The authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. All valuations were carried out internally. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset. The significant assumptions applied in estimating the fair values are:

- the properties are all freehold;
- that no high alumina cement, concrete or calcium chloride addition or other potentially deleterious material was used in the construction of the properties and that none has been subsequently incorporated;
- that the properties are not subject to any unusual or especially onerous restrictions, encumbrances, or outgoings and that good title can be shown;
- that the properties and their values are unaffected by any matters which would be revealed by a local search or inspection of any register and the use and occupation are both lawful;
- that the inspection of those parts which have not been inspected would not cause the valuation to be altered;
- that the land and properties are not contaminated;
- that no statutory or other grants are available to carry out any improvements or repairs;
- that there are no outstanding Statutory Notices affecting any of the properties.

c) The total revalued amount analysed across each of the preceding financial years - rolling programme:

This statement shows the annual asset valuations within the rolling programme. The valuations for operational and non-operational assets are carried out by Alan Rolfe (MRICS) of the Asset and Properties Unit. Valuations are carried out as at 1 April of the respective year.

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

	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Non-operational Assets £000	Total all Assets £000
2010/2011	59,842	8,183	330	10,434	78,789
2009/2010	8,562	72,391	0	1,578	82,531
2008/2009	532	17,605	0	77	18,214
2007/2008	60,321	8,448	0	1,380	70,149
2006/2007	40,783	25,114	0	775	66,672

13. Intangible Assets

The authority accounts for its software as intangible assets to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets represent purchased licenses. All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the authority.

a) Useful lives assigned to the major software suites used by the authority are:

Years	Assets
3 years	Webroster
5 years	Financial Management Systems
5 years	Asset Management System
5 years	Payroll/HR/Pension Systems
5 years	COINS
5 years	Orchard Management System
5 years	SWIFT System
5 years	Libraries Systems
5 years	Planning Systems
5 years	Tranman
5 years	GIS Innogistic System
5 years	Intuit System
5 years	Symantec
5 years	Web Filtering Systems
5 years	Microsoft Licenses
5 years	Corporate Back Up Systems
5 years	Benefits Legislation Software
5 years	Risk Assessment Software
7 years	Housing Online Repairs System
10 years	None

b) The movement on Intangible Asset balances during the year is as follows:

31 March 2010 £000		31 March 2011 £000
	Balance at start of year:	
1,924	Gross carrying amounts	2,086
(908)	Accumulated amortisation	(1,397)
1,016	Net carrying amount at start of year	689
	Additions:	
0	Internal development	0
74	Purchases	41
0	Acquired through business combinations	0
0	Assets reclassified as held for sale	0
0	Other disposals	0
0	Revaluations increases or decreases	0
0	Impairment losses recognised or reversed directly in the Revaluation Reserve	0
0	Impairment losses recognised in the Surplus/Deficit on the Provision of Services	0
0	Reversals of past impairment losses written back to the Surplus/Deficit on the Provision of Services	0
(489)	Amortisation for the period	(525)
88	Other changes	231
689	Net carrying amount at end of year	436

There are no items of capitalised software that are individually material to the financial statements.

c) Intangible asset commitments

At 31 March 2011 the Council had only one commitment with regard to intangible assets. This was in relation to software for the Planning Department with a commitment totalling £0.078m.

14. Financial Instruments

a) Categories of Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet:

Long-Term		Current			Long-Term		Current
31 March 2009 £000	31 March 2010 £000	31 March 2009 £000	31 March 2010 £000		31 March 2011 £000	31 March 2011 £000	
				Financial Assets:			
				Investments:			
0	0	0	0	Loans and receivables	0	0	
199,744	218,959	0	0	Available for sale financial assets	222,739	0	
199,744	218,959	0	0	Total Investments	222,739	0	
				Debtors:			
3	2	0	0	Loans and receivables	1,051	271	
15	11	0	0	Financial assets carried at contract amounts	15	1	
0	0	0	0	Accured Interest Debtor	0	0	
18	13	0	0	Total Debtors	1,066	272	
				Financial Liabilities:			
				Other Long-Term Liabilities:			
0	0	0	0	PFI and finance lease liabilities	0	0	
0	0	0	0	Total Other Long-Term Liabilities	0	0	
				Creditors:			
0	0	0	0	Accured Interest liability	0	(119)	
0	0	0	0	Total Creditors	0	(119)	

b) Income, Expense, Gains and Losses

Financial Assets: Loans and Receivables	Financial Assets: Available for Sale	Total	Financial Assets: Loans and Receivables	Financial Assets: Available for Sale	Total		Financial Assets: Loans and Receivables	Financial Assets: Available for Sale	Total
31 March 2009 £000			31 March 2010 £000				31 March 2011 £000		
0	24	24	0	11	11	Interest expense	0	25	25
0	0	0	0	0	0	Losses on de-recognition	0	0	0
0	0	0	0	0	0	Reduction in fair value	0	0	0
0	0	0	0	0	0	Impairment Losses	516	0	516
0	635	635	0	723	723	Fee expenses	0	957	957
0	659	659	0	734	734	Total expense in (Surplus)/Deficit on the Provision of Services	516	982	1,498
0	(7,454)	(7,454)	(27)	(5,206)	(5,233)	Interest income	(54)	(4,259)	(4,313)
0	0	0	0	0	0	Interest income accrued on impaired financial assets	0	0	0
0	0	0	0	0	0	Increases in fair value	0	0	0
0	0	0	0	0	0	Gains on de-recognition	0	(23,156)	(23,156)
0	0	0	0	0	0	Fee income	0	0	0
0	(7,454)	(7,454)	(27)	(5,206)	(5,233)	Total income in (Surplus)/Deficit on the Provision of Services	(54)	(27,415)	(27,469)
0	0	0	0	(43,410)	(43,410)	Gains on revaluation	0	(19,382)	(19,382)
0	29,970	29,970	0	0	0	Losses on revaluation	0	0	0
0	29,970	29,970	0	(43,410)	(43,410)	(Surplus)/Deficit arising on revaluation of financial assets in other CI&E	0	(19,382)	(19,382)
0	23,175	23,175	(27)	(47,882)	(47,909)	Net Gain/(Loss) for the Year	462	(45,815)	(45,353)

c) Fair Values of Assets and Liabilities

Financial liabilities and assets represented by loans, receivables and long-term debtors and creditors are carried in the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- no early repayment or impairment is recognised;
- where an instrument will mature in next 12 months, carrying amount is assumed to approximate to fair value;
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair value of the assets is lower than the carrying amount because the authority's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is lower than the rates available for similar loans at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2011) attributable to the commitment to receive interest below current market rates.

31 March 2010			31 March 2011	
Carrying Amount £000	Fair Value £000		Carrying Amount £000	Fair Value £000
1301	1301	Loans and Receivables	1322	1322
20	20	Long-Term Debtors (mortgages)	16	16

Available-for-Sale assets and assets and liabilities at fair value through profit or loss are carried in the Balance Sheet at their fair value. These fair values are based on public price quotations where there is an active market for the instrument.

15. Inventories

	Ports & Harbours		Trading Operations		Infrastructure		Total	
	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10
	£000	£000	£000	£000	£000	£000	£000	£000
Balance outstanding at start of year	2,383	2,110	752	909	474	447	3,609	3,466
Purchases	960	883	1,752	1,100	1,419	1,107	4,131	3,090
Recognised as an expense in the year	(626)	(609)	(1,736)	(1,253)	(1,342)	(1,077)	(3,704)	(2,939)
Written off Balances	0	0	(13)	(4)	0	(4)	(13)	(8)
Reversals of write offs in previous years	0	0	0	0	0	0	0	0
Balance outstanding at year end	2,717	2,384	755	752	551	473	4,023	3,609

Inventories include consumable stores, maintenance materials, building services (work-in-progress, property acquired or constructed for sale).

16. Short-Term Debtors

31 March 2009 £000	31 March 2010 £000		31 March 2011 £000
2,239	2,179	Central Government Bodies	1,290
215	534	Other Local Authorities	389
824	95	NHS Bodies	67
80	124	Public Corporation and Trading Funds	106
8,445	7,417	Other Entities and Individuals	6,664
11,803	10,349	Total	8,516

a) Movements in Impairment Allowance

The Council has made allowance for the risk of incurring bad debts on its General Fund and Housing Revenue Account. The debtor figures in the Balance Sheet are shown net of this allowance and the movement between years is shown in the table below:

31 March 2010 £000		31 March 2011 £000
(379)	Opening balance-General Fund	(402)
77	Miscellaneous Invoices written off	108
44	Council Tax written off	24
(144)	(Charge)/Credit to General Fund for provision	(143)
(402)		(413)
(138)	Opening balance-Housing Revenue Account	(175)
5	Miscellaneous Invoices written off	2
54	Rents written off	38
(96)	(Charge)/Credit to HRA for provision	(20)
(175)		(155)

17. Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

31 March 2009 £000	31 March 2010 £000		31 March 2011 £000
27	20	Cash held by the Authority	22
9,926	7,402	Bank current accounts	7,251
16,506	13,484	Short-term certificates of deposit	103
26,459	20,906	Total	7,376

18. Assets Held for Sale

31 March 2010 £000		31 March 2011 £000
654	Balance outstanding at start of year	1,245
	Assets newly classified as held for sale:	
1,245	Property, Plant and Equipment	206
0	Intangible Assets	0
	Assets declassified as held for sale:	
0	Property, Plant and Equipment	0
0	Intangible Assets	0
(654)	Assets sold	(1,245)
1,245	Balance outstanding at year-end	206

19. Short-Term Creditors

31 March 2009 £000	31 March 2010 £000		31 March 2011 £000
2,326	2,159	Central Government Bodies	3,252
17	129	Other Local Authorities	277
675	59	NHS Bodies	33
323	334	Public Corporations and Trading Funds	344
14,477	12,715	Bodies External to General Government	10,012
0	0	Financial Instruments Accrued Interest Expense	119
17,818	15,396	Total	14,037

20. Provisions

The council has provided £10,000 for two "Equal Pay" claims that were outstanding at 31 March 2011. Further details of the provision can be found in disclosure note 4.

31 March 2010 £000		31 March 2011 £000
(53)	Balance at 1 April	(4)
0	Additional provisions made	(6)
0	Amounts used	0
49	Unused amounts reversed	0
0	Unwinding of discounting	0
(4)	Balance at 31 March	(10)

21. Usable Reserves

The movements in the authority's usable and unusable reserves are detailed in disclosure note 7.

Reconciliation of Usable Funds to the balance sheet

31 March 2010 £000	Description	31 March 2011 £000
(273,754)	General Fund and Other Funds (See Note 8)	(268,898)
(13)	Usable Capital Receipts Reserve	(13)
0	Capital Grants Unapplied Account	(171)
(273,767)	Total balance of usable reserves at 31 March	(269,082)

Usable Capital Receipts Reserve

The Capital Receipts Reserve was established for the purpose of financing capital expenditure. Returns in the year are credited to the General Fund. The source of funding is capital receipts not applied during the year.

31 March 2010 £000		31 March 2011 £000
(18)	Balance at 1 April	(13)
(941)	Sales income from fixed assets	(1,572)
946	Application	1,572
(13)	Balance at 31 March	(13)

Capital Grants Unapplied Account

Under IFRS, grants and contributions unapplied at the balance sheet date are reviewed to ascertain whether there are any conditions attached to the grant or contribution. Where there is no such condition, the grant or contribution is recognised in the Comprehensive Income and Expenditure Account and transferred to the Capital Grants Unapplied Account, where it will remain until the associated expenditure is incurred. The Capital Grants Unapplied Account reflects the capital resource from grants and contributions that is available to finance expenditure.

31 March 2010 £000		31 March 2011 £000
0	Balance at 1 April	0
0	Capital Grant and Contributions unapplied during the year	(171)
0	Application of grants to capital financing transferred to the capital adjustment account	0
0	Balance at 31 March	(171)

22. Unusable Reserves

Reconciliation of Unusable Funds to the balance sheet

31 March 2010 £000	Description	31 March 2011 £000
(53,504)	Revaluation Reserve	(64,271)
(23,148)	Available-for-Sale Financial Instruments Reserve	(19,376)
(258,783)	Capital Adjustment Account	(253,562)
147,169	Pensions Reserve	91,113
1,365	Accumulated Absences Account	1,447
(186,901)	Total balance of unusable reserves at 31 March	(244,649)

a) Revaluation Reserve

The Revaluation Reserve contains the gains made by the authority arising from increases in the value of its Property, Plant and Equipment (and Intangible Assets). The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost;
- used in the provision of services and the gains are consumed through depreciation;
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

31 March 2010 £000		31 March 2011	
		£000	£000
(33,946)	Balance at 1 April		(53,504)
(19,914)	Upward revaluation of assets	(29,007)	
198	Downward revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services	13,467	
	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		(15,540)
1,615	Difference between fair value depreciation and historical cost depreciation	1,636	
231	Accumulated gains on assets sold or scrapped	404	
0	Investment asset gains	0	
0	Prior year difference between ledger and asset register	2,733	
(1,688)	Amount written off to the Capital Adjustment Account		4,773
(53,504)	Balance at 31 March		(64,271)

b) Available-for-Sale Financial Instruments Reserve

The Available-for-Sale Financial Instruments Reserve contains the gains made by the authority arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

- revalued downwards or impaired and the gains are lost;
- disposed of and the gains are realised.

31 March 2010 £000		31 March 2011	
		£000	£000
22,145	Balance at 1 April		(23,148)
(43,786)	Upward revaluation of assets		0
0	Removal of previously unrealised gains in relation to assets sold		23,155
(1,507)	Unrealised revaluation gains to Other Comprehensive Income and Expenditure		(19,383)
(23,148)	Balance at 31 March		(19,376)

c) Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The authority accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

31 March 2010 £000		31 March 2011 £000
58,979	Balance at 1 April	147,169
85,355	Actuarial (gains) and losses on pensions assets and liabilities	(31,511)
12,335	Reversal of items relating to retirement benefits debited or credited to the Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(13,961)
(9,500)	Employer's pensions contributions and direct payments to pensioners payable in the year	(10,584)
147,169	Balance at 31 March	91,113

d) Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is:

- debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis) credited with the amounts set aside by the authority as finance for the costs of acquisition, construction and enhancement.

The Account contains:

- accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the authority;
- revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

31 March 2010 £000		31 March 2011 £000	£000
(270,608)	Balance at 1 April		(258,782)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
13,792	Charges for depreciation and impairment of Non-Current assets	13,130	
4,620	Revaluation losses on Property, Plant and Equipment	12,919	
489	Amortisation of Intangible assets	525	
0	Revenue expenditure funded from capital under statute	0	
902	Amounts of Non-Current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,244	27,818
0	Adjustment amounts written out of the Revaluation Reserve		(4,773)
0	Net written out amount of the cost of Non-Current assets consumed in the year		0
	Capital financing applied in the year:		
(947)	Use of the Capital Receipts Reserve to finance new capital expenditure		(1,572)
(4,371)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing		(4,486)
0	Application of grants to capital financing from the Capital Grants Unapplied Account		0
(2,067)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances		(2,604)
(1,939)	Capital expenditure charged against the General Fund and HRA balances (CFCR)		(1,813)
1,347	Reverse 2009/10 credit from General Fund Appropriation		0
0	Capital Fund Reserve		(7,350)
(258,782)	Balance at 31 March		(253,562)

e) Accumulated Compensated Absences Account

The Accumulated Compensated Absences Account absorbs the differences that would otherwise arise on the General Fund balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March 2011. Statutory arrangements require that the impact on the General Fund balance is neutralised by transfers to or from the Account.

31 March 2010 £000		31 March 2010 £000
1,340	Balance at 1 April	1,365
0	Settlement or cancellation of accrual made at the end of the preceding year	0
25	Amounts accrued at the end of the current year	82
0	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	0
1,365	Balance at 31 March	1,447

23. Segmental Reporting

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Best Value Accounting Code of Practice.

Decisions about resource allocation are taken by the Council on the basis of budget reports analysed across Funds. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year
- expenditure on some support services is held centrally.

The authority's principal funds as recorded in the budget reports for the year are as follows:

Income and Expenditure Analysis 2010/11	Support Services £000	Recharged Services £000	General Fund £000	Reserve Fund £000	Housing Revenue Account £000	Harbour Account £000	Total £000
Fees, charges and other service income	648	1,301	18,549	3,249	6,666	15,563	45,976
Total Income	648	1,301	18,549	3,249	6,666	15,563	45,976
Employee expenses	19,710	3,666	66,157	816	3	7,861	98,213
Operating costs	6,287	5,811	28,768	2,129	2,004	4,079	49,078
Transfer Payments	(19)	0	8,694	9,289	14	92	18,070
Financing Costs	0	0	0	0	0	0	0
Support service recharges	0	0	0	0	0	0	0
Total expenditure	25,978	9,477	103,619	12,234	2,021	12,032	165,361
Net expenditure	25,330	8,176	85,070	8,985	(4,645)	(3,531)	119,385

Income and Expenditure Analysis Comparative Figures 2009/10	Support Services £000	Recharged Services £000	General Fund £000	Reserve Fund £000	Housing Revenue Account £000	Harbour Account £000	Total £000
Fees, charges and other service income	981	1,313	20,594	1,816	6,031	15,140	45,875
Total Income	981	1,313	20,594	1,816	6,031	15,140	45,875
Employee expenses	18,589	3,497	61,317	97	(5)	6,446	89,941
Operating costs	6,047	5,234	26,816	2,946	2,120	3,966	47,129
Transfer Payments	(35)	0	8,558	9,070	32	105	17,730
Financing Costs	0	0	0	0	0	0	0
Support service recharges	0	0	0	0	0	0	0
Total expenditure	24,601	8,731	96,691	12,113	2,147	10,517	154,800
Net expenditure	23,620	7,418	76,097	10,297	(3,884)	(4,623)	108,925

31 March 2010 £000	Summary reconciliation between Budget reported and Comprehensive Income and Expenditure Statement	31 March 2011 £000
108,925	Net expenditure in the Income and Expenditure Analysis	119,385
8,669	Net expenditure of services and support services not included in the Analysis and not reported to management for decision making	5,846
26,107	Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the	(2,787)
143,701	Cost of Services in Comprehensive Income and Expenditure Statement	122,444

Detailed reconciliation between budget reports and Comprehensive Income and Expenditure Statement

2010/11	Income and Expenditure Analysis £000	Services and Support Services not in Analysis £000	Amounts not reported to management for decision making £000	Amounts included in I&E but not reported to management for decision making £000	Total £000
Fees, charges & other service income	42,620	2,181	60	14,802	59,663
Interest and investment income	179	(125)	0	0	54
Income from council tax	9	0	0	0	9
Government grants and contributions	3,168	2,081	0	0	5,249
Total Income	45,976	4,137	60	14,802	64,975
Employee expenses	98,213	4,552	0	(18,241)	84,524
Other service expenses	67,148	5,176	5	0	72,329
Depreciation, amortisation and impairment & interest	0	0	0	26,574	26,574
Interest Payments	0	0	0	0	0
Precepts & Levies	0	0	310	3,682	3,992
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	0
Total expenditure	165,361	9,728	315	12,015	187,419
Cost of Services	119,385	5,591	255	(2,787)	122,444

Comparative Figures 2009/10	Income and Expenditure Analysis £000	Services and Support Services not in Analysis £000	Amounts not reported to management for decision making £000	Amounts included in I&E but not reported to management for decision making £000	Total £000
Fees, charges & other service income	39,694	1,297	3	13,605	54,599
Interest and investment income	116	0	0	0	116
Income from council tax	5	0	0	0	5
Government grants and contributions	6,060	2,155	0	(4,371)	3,844
Total Income	45,875	3,452	3	9,234	58,564
Employee expenses	89,941	2,382	0	2,844	95,167
Other service expenses	64,859	9,459	(8)	1,153	75,463
Depreciation, amortisation and impairment & interest	0	0	0	26,901	26,901
Interest Payments	0	0	0	0	0
Precepts & Levies	0	0	291	4,443	4,734
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	0
Total expenditure	154,800	11,841	283	35,341	202,265
Cost of services	108,925	8,389	280	26,107	143,701

24. Statutory Trading Operations (STO)

The authority has established two trading units where the service managers are required to operate in a commercial environment and balance their budgets by generating income from other parts of the authority or other organisations. Details of those units with a turnover of greater than 2.5% of the Council's revenue budget in 2010/11 are as follows:

	2008/09		2009/10		2010/11	
	£000	£000	£000	£000	£000	£000
The authority has deemed its Highways construction and repair undertaking as a trading operation. The trading objective is to break even over a 3 year rolling period.						
Turnover	(6,776)		(6,518)		(7,760)	
Expenditure	6,930		6,188		7,562	
Surplus		154		(330)		(198)
Cumulative surplus - over last three financial years		(129)		(240)		(374)
The authority has deemed its Building Maintenance undertaking concerned with the repair and maintenance of council houses, schools and public buildings as a trading operation. The trading objective is to break even over a 3 year rolling period.						
Turnover	(4,606)		(4,880)		(4,713)	
Expenditure	4,826		4,595		4,588	
Surplus		220		(285)		(125)
Cumulative surplus - over last three financial years		(81)		(148)		(190)
Net (surplus)/deficit on trading operations		374		(615)		(323)

The table above is presented exclusively to show whether each STO met its statutory financial target. The figures for 2008/09 and 2009/10 are based on UK GAAP in line with the legislative requirement for those years. The 2010/11 figures are based on IFRS as specified in the Code of Practice on Local Authority Accounting. For this reason the figures quoted are not regarded as suitable for trend analysis.

Trading operations are incorporated into the Comprehensive Income and Expenditure Statement. Some are an integral part of one of the authority's services to the public (e.g. refuse collection), whilst others are support services to the authority's services to the public (e.g. schools catering). The expenditure of these operations is allocated or recharged to headings in the Net Operating Expenditure of Continuing Operations. The allocation of this expenditure is as follows:

31 March 2010 £000		31 March 2011 £000
(285)	Net Surplus on trading operations	(125)
24	Services to the public included in Expenditure of Continuing Operations	35
(752)	Support services allocated to Expenditure of Continuing Operations	(830)
(1,013)	Net Surplus credited to Costs of Services	(920)

25. Agency Services

The authority is required by legislation to provide a collection service for Scottish Water, involving the collection of around £2.7 million of Scottish Water charges. The legislation stipulates a minimum amount Scottish Water must pay in commission for this service.

31 March 2010 £000		31 March 2011 £000
33	Expenditure incurred in collection service for Scottish Water	33
(61)	Commission payable by Scottish Water	(62)
(28)	Net surplus arising on the agency arrangement	(29)

26. External Audit Costs

The authority has incurred the following costs in respect of external audit services provided by Audit Scotland in accordance with the Code of Audit Practice:

31 March 2010 £000		31 March 2011 £000
263	Fees payable to Audit Scotland with regard to external audit services carried out by the appointed auditor for the year	242
0	Fees payable in respect of other services provided by Audit Scotland during the year (related to IFRS - prior year restatement)	5
263	Total	247

27. Grant Income

The authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2010/11:

31 March 2010 £000		31 March 2011 £000
	Credited to Taxation and Non-Specific Grant Income	
(8,497)	Council tax income	(8,629)
(9,189)	Non-domestic rates	(8,672)
(84,325)	Non ring-fenced government grants	(86,894)
(4,371)	Capital grants and contributions	(4,657)
(106,382)	Total	(108,852)
	Credited to Services	
(1,932)	NHS	(178)
(792)	Council Tax Benefits Subsidy	(788)
(2,708)	Housing Benefit Subsidy	(2,855)
(1,512)	Housing Support Grant	(1,233)
(10)	ERDF & ESF	(42)
(142)	Training Grants	(319)
(713)	Shetland Development Trust	0
(94)	Central - Government Grants	(69)
(266)	Cultural - Government Grants	(206)
1,600	Education - Government Grants	(2,824)
(149)	Environment - Government Grants	(126)
(926)	Housing - Government Grants	0
(780)	Planning & Development - Government Grants	(136)
(261)	Roads & Transport - Government Grants	(477)
(401)	Social Work - Government Grants	(468)
(9,086)	Total	(9,721)

There are a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver if the grant is not fully spent on the specified project.

31 March 2010 £000		31 March 2011 £000
	Capital Grant Receipts in Advance	
0	NHS - Joint Therapy Unit/Eric Gray Resource Centre	89
0	Government Grant - Low Carbon Vehicle Procurement Support Scheme	82
0	Total	171

28. Related Parties

The authority is required to disclose material transactions with related parties, bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the authority.

a) Central Government and Other Public Bodies

Central government has effective control over the general operations of the authority – it is responsible for providing the statutory framework within which the authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the authority has with other parties (e.g. Council Tax bills, housing benefits). Details of all grants received from central government and other public bodies can be found in note 27.

b) Members

Members of the Council have direct control over the Council's financial and operating policies. The Council holds a Register of Members' Interests, open to public inspection at the Town Hall during office hours. The Register details the bodies where members are represented or for which they have declared an interest. The Council made payments totalling £7.529m (£7.529m in 2009/10) to these bodies.

c) Officers

All service managers and above were required to disclose any involvement with related parties of the Council.

The manager for sport and leisure is responsible for the grant payable to Shetland Golf Club under a three-year service level agreement and is also a member of the golf club. In order to ensure that no undue influence has occurred with regard to the transaction, the assessment is undertaken by another member of staff and the Executive Director presented the report for consideration by Council Members.

29. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the authority that has yet to be financed.

31 March 2010 £000		31 March 2011 £000
	Capital Investment:	
24,915	Property, Plant and Equipment	18,007
74	Intangible Assets	41
0	Revenue Expenditure Funded from Capital under Statute	0
24,989	Total Capital Investment	18,048
	Sources of Finance:	
947	Capital Receipts	1,572
4,721	Government Grants and Other Contributions	4,486
	Sums set aside from Revenue:	
8,066	Direct Revenue Contributions and Application of Reserves	9,163
11,229	Loans Fund Principal	2,827
24,963	Total Capital Financing	18,048
	Explanation of Movements in Year:	
9,162	Increase in underlying need to borrow	223
9,162	Increase in Capital Financing Requirement	223

30. Operating Leases

a) The Authority as a Lessee

The future minimum lease payments due under non-cancellable leases in future years are:

31 March 2010 £000		31 March 2011 £000
272	Not later than one year	173
150	Later than one year and not later than five years	638
996	Later than five years	852
1,418	Total	1,663

31 March 2010 £000		31 March 2011 £000
1,418	Minimum lease payments	1,663
0	Contingent rents	0
(289)	Sub-lease payments receivable	(245)
1,129	Total	1,418

The above table shows lease payments for the year.

b) The Authority as a Lessor

The authority leases out property and equipment under operating leases for the following purposes:

- for the provision of community services, such as sports facilities, tourism services and community centres
- for economic development purposes to provide suitable affordable accommodation for local businesses.

The future minimum lease payments receivable under non-cancellable leases in future years are:

31 March 2010 £000		31 March 2011 £000
40	Not later than one year	45
42	Later than one year and not later than five years	228
239	Later than five years	58
321	Total	331

No contingent rents were recognised in the period (2009/10: £nil).

During 2010/11 the Council did not have any finance leases (2009/10: £nil).

31. Termination Benefits

The Council terminated 36 employee contracts in 2010/11, incurring liabilities of £1.480m (£0.018m in 2009/10). Of the 36 contracts, 15 formed part of the Blueprint for Education review and 12 were part of the Ports of the Future project.

32. Pension Schemes Accounted for as Defined Contribution Schemes

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by the Scottish Public Pensions Agency (SPPA). The Scheme provides teachers with specified benefits upon their retirement, and the authority contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The Scheme is technically a defined benefit scheme. It is administered separately by the SPPA. The Council is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme. The reason why sufficient information is not available to determine the Council's share of the scheme is because it has always been accounted for nationally with no detailed records for each local authority member.

In 2010/11, the Council paid £2.618m to the SPPA in respect of teachers' retirement benefits, representing 14.9% of pensionable pay. The figures for 2009/10 were £2.518m and 14.9%. There were no contributions remaining payable at the year-end. The authority is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. In 2010/11 these amounted to £0.740m (£0.720m for 2009/10), representing 4.21% of teachers pensionable pay (4.23% for 2009/10). These costs are accounted for on a defined benefit basis.

33. Defined Benefit Pension Schemes

a) Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the authority makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the authority has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement. The authority participates in two post-employment schemes:

- The Local Government Pension Scheme, administered locally by Shetland Islands Council is a funded defined benefit final salary scheme, meaning that the authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.
- Arrangements for the award of discretionary post-retirement benefits upon early retirement is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made; however, there are no investment assets built up to meet these pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

b) Transactions Relating to Post-employment Benefits

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions.

The charge required to be made against Council Tax, however, is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund balance via the Movement in Reserves Statement during the year:

	Local Government Pension Scheme	
	31 March 2011 £000	31 March 2010 £000
Comprehensive Income and Expenditure Statement		
Cost of Services:		
Current service cost	11,561	5,554
Past service cost	(30,072)	1,722
Settlements and curtailments	1,167	0
Financing and Investment Income and Expenditure:		
Interest cost	17,900	14,125
Expected return on scheme assets	(14,517)	(9,066)
Total Post-Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	(13,961)	12,335
Other Post-Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
Actuarial gains and losses	31,511	(85,355)
Total Post-Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	17,550	(73,020)
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(13,961)	12,335
Actual amount charged against the General Fund Balance for pensions in the year:		
Employers' contributions payable to scheme	9,134	8,284
Retirement benefits payable to pensioners	1,450	1,216

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to 31 March 2011 is a loss of £70.720m.

c) Assets and Liabilities in Relation to Post-Employment Benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

	Total Liabilities: Local Government Pension Scheme	
	31 March 2011 £000	31 March 2010 £000
Opening balance at 1 April	342,879	193,332
Current service cost	11,561	5,554
Interest Cost	17,900	14,125
Contributions by scheme participants	3,593	3,447
Actuarial gains and losses	(33,309)	131,475
Benefits paid	(7,721)	(6,776)
Past service costs	(30,072)	1,722
Entity combinations	0	0
Curtailments	1,167	0
Settlements	0	0
Closing balance at 31 March	305,998	342,879

Reconciliation of fair value of the scheme (plan) assets:

	Local Government Pension Scheme	
	31 March 2011 £000	31 March 2010 £000
Opening balance at 1 April	195,710	134,353
Expected rate of return	14,517	9,066
Actuarial gains and losses	(1,798)	46,120
Employer contributions	10,584	9,500
Contributions by scheme participants	3,593	3,447
Benefits paid	(7,721)	(6,776)
Entity combinations	0	0
Settlements	0	0
Closing balance at 31 March	214,885	195,710

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date.

Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £12.756m (2009/10 £55.235m).

d) Scheme History

	2006/07 £000	2007/08 £000	2008/09 £000	2009/10 £000	2010/11 £000
Present value of liabilities:					
Local Government Pension Scheme	223,057	197,917	193,332	342,879	305,998
Discretionary Benefits	0	0	0	0	0
Fair value of assets in the Local Government Pension Scheme	187,924	179,810	134,353	195,710	214,885
Surplus/(Deficit) in the scheme:	(35,133)	(18,107)	(58,979)	(147,169)	(91,113)
Local Government Pension Scheme	(14,449)	1,208	(40,844)	(122,943)	(68,445)
Discretionary Benefits	(20,684)	(19,315)	(18,135)	(24,226)	(22,668)
Total	(35,133)	(18,107)	(58,979)	(147,169)	(91,113)

The liabilities show the underlying commitments that the authority has in the long run to pay post-employment (retirement) benefits. The total liability of £306 million has a substantial impact on the net worth of the authority as recorded in the Balance Sheet, resulting in a negative overall balance of £91 million. However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy:

- the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary
- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2012 is £10.2 million. Expected contributions for the Discretionary Benefits scheme in the year to 31 March 2012 are £0.5 million.

e) Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Hymans Robertson LLP, an independent firm of actuaries, has assessed both the Local Government Pension Scheme and Discretionary Benefits liabilities. Estimates for the Shetland Island Council's Pension Fund are based on the latest full valuation of the scheme as at 1 April 2011.

The inflation measure for determining the minimum pension increases in 2010/11 is the Consumer Price Index (CPI), compared to the Retail Price Index (RPI) in 2009/10.

In the UK budget statement on 22 June 2010 the Chancellor announced that with effect from 1 April 2011 public service pensions would be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI). This has the effect of reducing the authority's liabilities in the Shetland Island Council Pension Fund by £56.056m and has been recognised as a past service gain in accordance with guidance set down in UITF Abstract 48, since the change is considered to be a change in benefit entitlement. There is no impact upon the General Fund or Housing Revenue Account.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme	
	31 March 2011	31 March 2010
Long-term expected rate of return on assets in the scheme:		
Equity investments	7.5%	7.8%
Bonds	4.9%	5.0%
Other	5.2%	5.4%
Mortality Assumptions:		
Longevity at 65 for current pensioners:		
Men	21.5	21.5
Women	24.9	24.9
Longevity at 65 for future pensioners:		
Men	23.5	23.5
Women	27.0	27.0
Rate of inflation	2.8%	3.8%
Rate of increase in salaries	5.1%	5.3%
Rate of increase in pensions	2.8%	3.8%
Rate for discounting scheme liabilities	5.5%	5.5%
Take-up of option to convert annual pension into retirement lump sum	70%	85%

The Discretionary Benefits arrangement has no assets to cover its liabilities. The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

	31 March 2011	31 March 2010
	%	%
Equity investments	80	80
Debt instruments	9	8
Other assets	11	12

f) History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2010/11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2011:

	2006/07	2007/08	2008/09	2009/10	2010/11
	%	%	%	%	%
Differences between the expected and actual return on assets	(0.51)	(15.60)	(47.60)	23.57	(0.84)
Experience gains and losses on liabilities	0.94	0.06	(4.19)	1.85	(0.13)

The actuarial present value of promised retirement benefits calculated similarly to the defined benefit obligation under IAS19, is shown in the table below:

	31 March 2011	31 March 2010
	£000	£000
Present Value of Promised Retirement Benefits	299,000	345,000

34. Contingent Liabilities

At 31 March 2011, the authority had contingent liabilities of £11.4 million.

The Council has provided security cover, in the form of a irrevocable letter of credit for £1.896m, to National Grid Electricity Transmission PLC in respect of its agreement with Viking Energy in relation to an inter-connector cable to Shetland. The sum would only be payable if Viking Energy withdrew from the wind farm project and therefore would not need a grid connection. As it is uncertain whether Viking Energy would withdraw from the project and the timing of such an event is unknown the authority has included the security cover as a contingent liability, in line with the Code.

The pension benefits accruing to the staff of Shetland Towage up until 10 February 2006 were transferred to the Shetland Islands Council Pension Fund. The assets of Shetland Towage's Pension Scheme that funded these benefits were also transferred with the Council agreeing to cover any funding shortfall. The amount of any shortfall will depend upon when the Council chooses to fund it but an actuarial valuation as at 31 March 2011 indicated a funding shortfall of £8.091m. The Council will review the position once the outcome of the 2011 triennial valuation is completed in December 2011.

There are a number of other projects, regarding which the Council is currently in legal dispute. These claims are being contested and are at present unresolved and not admitted and therefore the potential financial impact has not been disclosed.

35. Nature and Extent of Risks arising from Financial Instruments

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

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

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

a) Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the authority's customers. This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet one of the following categories:

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

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

The authority has a policy of not lending more than £3 million of its surplus balances to any single organisation at any one time, apart from the Council's own bank; no deposits were placed with any financial institutions during the financial year 2010/11.

The following analysis summarises the authority's potential maximum exposure to credit risk at 31 March 2011, based on experience of default and uncollectability, adjusted to reflect current market conditions: -

	Amount at 31 March 2011	Historical experience of default (expressed as % of A)	Historical experience adjusted for market conditions at 31 March 2011	Estimated maximum exposure to default and uncollectability at 31 March 2011	Estimated maximum exposure at 31 March 2010
	A	B	C	A*C	
	£000	%	%	£000	£000
Deposits with Banks	8,500	0	0	0	0
Customers	102	25	25	26	173

No credit limits were exceeded during the reporting period and the authority does not expect any losses from non-performance by any of its counterparties in relation to deposits and local authorities.

The authority does not generally allow credit for customers, such that £0.447m of the £2 million balance is past its due date for payment. The past due, but not impaired, amount can be analysed by age as follows:

31 March 2010 £000		31 March 2011 £000
69	Less than three months	36
276	Three to six months	143
200	Six months to one year	104
316	More than one year	164
861	Total	447

b) Liquidity Risk

The authority has external investments with fund managers amounting to £223 million at 31 March 2011. The authority has ready access to these funds to ensure that cash is available as needed, so there is no significant risk that it will be unable to meet its commitments under financial instruments. Instead, the risk is that the authority will be bound to sell external investments at a time of unfavourable market conditions.

There are no current external capital borrowings and there is no requirement for external capital borrowings during 2011/12. All creditors are due to be paid in less than one year.

c) Market Risk

(1) Interest rate risk

The authority's investment strategy aims to manage interest rate risk within the Council's investments by having various investment portfolios managed by external fund managers. The investment portfolios are also separated into different asset classes to minimise the overall exposure to interest rate movements. The entire investment portfolio is held in unitised funds. As at 31 March 2011 the composition of these funds has been diversified between the following asset classes:

- UK Equities - 37%
- Overseas Equities - 38%
- UK Government Bonds - 20%
- Other Bonds - 5%

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

The Council at present has no external variable or fixed rate borrowing and is therefore not exposed to increased charges from movements in the interest rate. A risk has been identified that not all of the general fund reserves are held in a way that can be quickly converted to cash. There is no short-term risk associated with how the money is held but, over time, if the Council has a need to make a

significant and unplanned draw on reserves, it may need to borrow to secure the cash required. This issue will be addressed in detail in the financial planning process.

The treasury management team actively assesses interest rate exposure to determine the impact on the authority's financial reserves strategy and hence medium to longer-term financial strategy, which in turn informs the annual budget setting process.

According to this risk assessment, a general shift of +/- 1% in the UK Stock Market, which is the market with the largest investment exposure, would result in a gain or loss in the region of £0.800m for 2011/12.

(2) Price risk

The authority had £223 million of investments as at 31 March 2011 in the form of equity shares and bonds held within unitised products. The authority is consequently exposed to losses arising from movement in the price of the shares and bonds.

The authority's investment strategy reduces its exposure to price movements by diversifying its investment portfolio through the use of external fund managers, asset classes, investment guidelines and benchmarks.

The authority's external investments are all classified as 'available-for-sale' meaning that all movements in price will impact on gains and losses recognised in the Comprehensive Income and Expenditure Statement. A general shift of 5% in the general price of shares (positive or negative) would have resulted in a £8.376m gain or loss being recognised in the Comprehensive Income and Expenditure Statement for 2010/11.

(3) Foreign exchange risk

The authority has £85.930m invested in overseas equities and bonds held within unitised products, which are denominated in foreign currencies. The exposure to risk of loss in adverse movements in exchange rates are greatly reduced through the use of currency hedging strategies to specifically negate any currency movement impact.

Housing Revenue Account (HRA)

a) Introduction and Statutory Background

The Housing (Scotland) Act 1987 provides the statutory framework for the housing accounts of Scottish local authorities. Part X of the 1987 Act requires a local authority to keep a Housing Revenue Account (HRA) of the income and expenditure for each year in respect of the houses, buildings and land specified in Part I of Schedule 15.

Part X of the 1987 Act and Schedule 15 thereto make significant provisions relevant to the preparation of the financial statements:

- Section 203(1) – housing authorities have a duty to keep a HRA.
- Section 203(5) – the HRA must be kept in accordance with Part II of Schedule 15 regarding debits, credits and supplementary provisions.
- Section 204 – the Scottish Government has the power to limit General Fund contributions to HRA.
- Schedule 15 – Housing authorities have a duty to avoid a deficit in the HRA – if there is a deficit a General Fund contribution must be made equal to the deficit.
- Schedule 15 – the Scottish Government may decide that items of income or expenditure, either generally or of a specific category, shall be included or excluded from the HRA.
- Schedule 15 – with the consent of the Scottish Government, a housing authority may exclude or include any items of income or expenditure in the HRA.
- Schedule 15 – the Scottish Government may direct rectification of the Account if it is of the opinion that items of income or expenditure have not been, or have been improperly, credited or debited in the HRA.

The operation of the HRA in terms of statutory debits and credits is governed by Part II of Schedule 15 of the 1987 Act and will include income, i.e. dwelling rents, services and other charges, Housing Support Grant and expenditure, i.e. repairs, maintenance and management, capital financing costs, bad debts and voids.

Paralleling the treatment for the Council's wider operations, the transactions relating to the HRA have been separated into two statements:

- the HRA Income and Expenditure Statement;
- the Movement on the HRA Statement.

As the Movement on the HRA Statement incorporates the surplus or deficit on the HRA Income and Expenditure Statement, it effectively meets the statutory requirement to include the HRA as a single statement in the Statement of Accounts.

b) The HRA Income and Expenditure Statement

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with appropriate accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

Housing Revenue Account Income and Expenditure Statement

2009/10 £000		2010/11 £000 £000	
	Expenditure		
2,324	Repairs and maintenance	2,317	
563	Supervision and management	529	
1,679	Depreciation and impairment of non-current assets	12,518	
96	Movement in the allowance for bad debts	20	
136	Other expenditure	194	
4,798	Total expenditure		15,578
	Income		
(5,145)	Dwelling rents	(5,411)	
(195)	Non-Dwelling rents	(116)	
(1,512)	Housing Support Grant	(1,233)	
(5)	Other Income	2	
(6,857)	Total income		(6,758)
	HRA share of other amounts included in the whole authority Net Cost of Services but not allocated for specific services		
(2,059)			8,820
	Net cost of HRA services as included in the Comprehensive Income and Expenditure Statement		
106	HRA services' share of Corporate and Democratic Core	125	
(1,953)	Net Cost/(Income) of HRA Services		8,945
	HRA share of operating income and expenditure included in the Comprehensive Income and Expenditure Statement		
(20)	(Gain) or loss on sale of HRA non-current assets	100	
1,456	Interest payable and similar charges	901	
0	Interest and investment income	(4)	
59	Pension interest cost & expected return on pension assets	1	
1,495	Net HRA share of operating expenditure	998	
(458)	(Surplus) or deficit for the year on HRA services		9,943

c) Movement on the Housing Revenue Account Statement

2009/10 £000		2010/11 £000
0	Balance on the HRA at the end of the previous year	0
(458)	Surplus or (deficit) on the HRA Income and Expenditure Statement	9,943
755	Adjustment between accounting basis and funding basis under statute	(9,454)
297	Net increase or (decrease) before transfers to or from reserves	489
(297)	Net Transfers to or (from) reserves	(489)
0	Increase or (decrease) in year on the HRA	0
0	Balance on the HRA at the end of the current reporting year	0

The adjustments between accounting basis and funding basis under regulations are shown within disclosure note 7 and transfers to or from other Statutory Reserves are shown within disclosure note 8.

d) Notes to the Housing Revenue Account

(1) Number and Types of Dwellings

The following table shows the stock movements by apartment size. In 2010/11 a number of properties were identified as HRA properties that had previously been counted under general housing stock.

31 March 2010 Number	Housing Stock	31 March 2011 Number
88	1 Apartment	95
406	2 Apartment	417
550	3 Apartment	564
696	4 Apartment	678
39	5 Apartment	39
0	6 Apartment	0
2	8 Apartment	2
1,781		1,795

(2) Amount of Rent Arrears

The table below summarises the rent arrears position for the HRA dwellings. The trend shown below is of a decrease in the number of properties in arrears, but the amount of arrears has increased per property.

31 March 2010 £000		31 March 2011 £000
125	Rent Arrears	119
374	Number of properties in arrears (Number)	325
21.0	Properties in arrears as share of total stock (%)	18.1
334	Average amount per property in arrears (£)	366

(3) Provision for Bad Debts

The following table summarises the movements on the bad debt provision during 2010/11:

2009/10 £000		2010/11 £000	2010/11 £000
(138)	Balance as at 1st April		(175)
	Bad rent debt written off		
41	Over £1,000 (Council approved)	27	
13	Under £1,000 (delegated authority)	11	
<u>54</u>			38
5	Miscellaneous bad debt written off		2
<u>(79)</u>			<u>(135)</u>
(96)	Contribution to/(from) Housing Revenue Account		(20)
<u>(175)</u>	Balance as at 31st March		<u>(155)</u>

(4) Void Rents

The following table summarises the income lost due to voids in 2010/11. These amounts are included in the "Other expenditure" line of the Housing Revenue Account Income and Expenditure Statement

2009/10 £000		2010/11 £000
4	Ladies Drive Void Rents and Charges	2
84	General Needs Void Rents and Charges	67
31	Sheltered Housing Void Rents and Charges	36
1	Refurbishment Properties Void Rents and Charges	20
<u>120</u>		<u>125</u>

(5) Depreciation and Impairment of Non-Current Assets

The depreciation and impairment charge to the Housing Revenue Account increased significantly from £1.679m in 2009/10 to £12.518m in 2010/11. The main reason for this increase was a revaluation of council dwellings resulting in a reassessment of the split in the value of the assets between land and buildings. This resulted in an impairment charge of £10.986m on the land and there was a subsequent upward revaluation of buildings totalling £10.351m reflected in the revaluation reserve.

Council Tax Income Account

a) Statutory Background

The Council Tax Income Account (Scotland) shows the gross income raised from council taxes levied and deductions made under statute. The resultant net income is transferred to the Comprehensive Income and Expenditure Account.

Council Tax is payable on any dwelling which is not an exempt dwelling (prescribed by an order made by the Scottish Government). The amount of Council Tax payable depends on the valuation band of the dwelling.

Council Tax Income Account

2009/10 £000		2010/11 £000
<u>(9,729)</u>	Gross Council Tax levied and contributions in lieu	<u>(9,847)</u>
(9,729)		(9,847)
(4)	Council Tax benefits (net of Government grant)	(3)
1,156	Other discounts and reductions	1,162
60	Write-offs of uncollectable debts and allowance for impairment	34
20	Adjustment to previous years' community charge and council tax	25
<u><u>(8,497)</u></u>	Transfer to General Fund	<u><u>(8,629)</u></u>

(1) Council Tax base

Overleaf is the analysis of the Council Tax base used to set the 2010/11 charges. The analysis sets out the number of chargeable dwellings in each valuation band before and after adjustment for exemptions and discounts, with all figures also shown after conversion to band D equivalents.

(2) Charge setting

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

(3) Deductions

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

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

- **Discounts** - Council Tax bills can be reduced by discounts for dwellings with less than two adults. If only one adult lives there the bill may be cut by 25%. If the property is unoccupied and is no-one's sole or main residence the bill may be cut by up to 50%. If the property is a second home or long-term empty the discount will only be 10%. Certain persons will not be counted when establishing the number of residents, these being students, student nurses, apprentices, Youth Training trainees, persons with a severe mental impairment, adults for whom child benefit is still payable, people absent in nursing homes or hospitals, prisoners, care workers, and members of religious communities.
- **Reliefs** - If a house has been structurally altered for a disabled person the Council Tax bill may be set at the next band lower in value than that shown in the Valuation List. A reduction is also available for houses in band A.

COUNCIL TAX VALUATION BANDS 2010/11

	BAND A	BAND A	BAND B	BAND C	BAND D	BAND E	BAND F	BAND G	BAND H	TOTAL
	Subject to Disabled Relief	£0 to £26,999.99	£27,000.00 to £34,999.99	£35,000.00 to £44,999.99	£45,000.00 to £57,999.99	£58,000.00 to £79,999.99	£80,000.00 to £105,999.99	£106,000.00 to £211,999.99	Over £212,000.00	
Council Tax Weighting per Band	5	6	7	8	9	11	13	15	18	
Total Properties per Register (Number)		3,073	1,782	2,587	1,661	1,153	214	51	1	10,522
Gross Tax Base (Properties x Weighting)		18,438	12,474	20,696	14,949	12,683	2,782	765	18	82,805
Adjusted Properties (Band D Equivalents)		2,049	1,386	2,300	1,661	1,409	309	85	2	9,201
Vacant Properties (Number.):										
Mandatory Standard Exemptions		(176)	(57)	(67)	(47)	(10)	(3)	(2)	(1)	(363)
Chargeable Dwellings subject to Disabled										
Reduction (Number)		(12)	(6)	(13)	(11)	(5)	0	(1)	0	(48)
Dwellings Effectively Subject to Tax by Virtue										
of :										
Disabled Relief (Number)	12	6	13	11	5	0	1	0	0	48
Class 18 (MoD) Dwellings (Number)	0	0	0	0	0	1	0	0	0	1
Revised Total Properties (Number)	12	2,891	1,732	2,518	1,608	1,139	212	48	0	10,160
Types of Property (Number):										
Single Discount (25%)	4	1,259	715	947	351	170	19	9	0	3,474
Double Discount (50%)	0	290	107	69	34	21	4	0	0	525
No Discount (0%)	8	1,342	910	1,502	1,223	948	189	39	0	6,161
	12	2,891	1,732	2,518	1,608	1,139	212	48	0	10,160
Properties Subject to Council Tax (Number)	11	2,431	1,500	2,247	1,503	1,086	205	46	0	9,029
Net Tax Base (Properties x Weighting)	55	14,586	10,500	17,976	13,527	11,946	2,665	690	0	71,945
Adjusted Properties (Band D Equivalents)	6	1,621	1,167	1,997	1,503	1,327	296	77	0	7,994
COUNCIL TAX 2010/11:										
General Fund Charge										
Tax Yield (£)	7,722	1,706,738	1,228,295	2,102,958	1,582,922	1,397,682	312,185	80,291	0	8,418,793
Charge per Property (£)	702	702	819	936	1,053	1,287	1,521	1,755	2,106	10,881

Non-Domestic Rate Income Account

a) Statutory Background

Occupiers of non-domestic property pay rates based on the valuation of property within the valuation roll for the area. The non-domestic rate poundage is determined by the Scottish Government.

The Non-Domestic Rate Account (Scotland) is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate non-domestic rate account. The statement shows the gross income from the rates and deductions made under statute. The net income is paid to the Scottish Government as a contribution to the national non-domestic rate pool.

Non-Domestic Rate Income Account

2009/10 £000		2010/11 £000
(15,520)	Gross rates levied and contributions in lieu	(17,912)
(15,520)		(17,912)
3,196	Reliefs and other deductions (net)	3,751
11	Payment of interest	0
38	Write-offs of uncollectable debts and allowance for impairment	4
156	Adjustments to previous years' national non-domestic rates	83
(12,119)	Contribution to national non-domestic rates pool	(14,074)

(1) Analysis of Rateable Values

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

The amount paid for non-domestic rates is determined by the rateable value agreed by the Assessor multiplied by the rate per £ (rate poundage) that is announced annually by the Scottish Government. The national non-domestic rate poundage set for 2010/11 is 40.7p (down from 48.1p) with a large business supplement of 0.7p for all subjects with a rateable value above £29,000. The aim of the reduction in poundage is to offset the increase in rateable values in Scotland due to the 2010 rateable value revaluation.

The Small Business Bonus Scheme was introduced by the Scottish Government from 1 April 2008, replacing the Small Business Rate Relief Scheme and applies to properties with a rateable value of £18,000 or less. Larger businesses will continue to contribute to the cost of the scheme by paying a supplement on the rate poundage for all subjects with a rateable value above £29,000. For 2010/11 this supplement is 0.7p (0.4p in 2009/10) on the rate poundage of all properties with a rateable value above £29,000, therefore the rate is 41.4p in the pound.

Category	Number of Subjects	Rateable Value £000
Commercial	561	6,447
Industrial	487	24,450
Other	857	12,171
TOTAL	1905	43,068

Trust Funds Administered by the Council

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

Fund Balance 31 March 2010 £000		Fund Balance 31 March 2010 £000
(16,910)	Shetland Development Trust	(16,855)
(647)	Zetland Educational Trust	(649)
(52)	Gilbertson Trust	(52)
(3)	William Strong Bequest	0
(2)	Samuel Mullay Bequest	(3)
(5)	Other	(5)
(17,619)	Total	(17,564)

The Zetland Educational Trust, with an income of £14,461 and expenditure of £12,464, pays bursaries to university students, aids apprentices and supports educational trips. The Gilbertson Trust, with an income of £941, makes annual payments of £20 to deserving persons, mainly in Lerwick, amounting to £100. These and the Samuel Mullay Bequest are registered with the Office of the Scottish Charity Regulator. The other trusts are, due to their low annual income, dormant.

The Office of the Scottish Charity Regulator gave consent for the William Strong Bequest to be wound up; the Trustees donated the closing balance of £3,262 to Crossreach, the social care arm of the Church of Scotland. Confirmation was received on 15 February 2011, from the Office of the Scottish Charity Regulator, that the William Strong Bequest had been removed from the Scottish Charity Register.

Details of the Shetland Development Trust can be found in the notes to the Group Accounts.

Group Accounts

a) Introduction

The Code of Practice on Local Authority Accounting in the United Kingdom 2011 requires the Council to prepare group accounts where the authority has interests in subsidiaries, associates and/or jointly controlled entities, subject to the consideration of materiality.

With regard to the position of Shetland Charitable Trust, Shetland Islands Council recognises the need to resolve the issue of grouping of accounts with Shetland Charitable Trust. However, it has not been possible to include the results of the Shetland Charitable Trust in the 2010/11 Group Accounts and the Council regrets that the qualification is likely to continue into a fifth year.

The Council is, however working to resolve the situation. The Shetland Charitable Trust is in the process of reviewing the composition of the Trust and when that work is complete it will be possible to reassess the relationship between the Council and the Trust for accounting purposes. It is envisaged that this work will be completed in time for the preparation of the 2012/13 Final Accounts.

b) Statement of Group Accounting Policies

The accounting policies of the Group Accounts are the same as those for the Council's single entity accounts. Where component bodies of the group prepare their financial statements on a different basis to that of Shetland Islands Council, appropriate accounting adjustments will be made, where they would have a material impact, to ensure that accounting treatments are in compliance with the Code of Practice on Local Authority Accounting in the United Kingdom 2011.

(1) Group Boundary

Shetland Islands Council considers all entities in which it has an interest for consolidation into the Group Accounts. The following criteria are used for determining whether an entity falls within the Group Accounts and if so, on what grounds:

Materiality

Where the financial impact of omitting an entity from the group accounts would not cause a user of the accounts to form a different view on the accounts, the council has opted not to include these entities within the group boundary. Shetland Islands Council has therefore not included the Trust Funds (detailed in Note 38), with the exception of the Shetland Development Trust on the grounds that they are immaterial in relation to the group accounts.

Subsidiary

The Code defines a subsidiary as an entity which the authority controls through the power to govern their financial and operating policies so as to obtain benefits

from the entity's activities. Control is usually presumed where an authority owns more than half the voting power of the entity.

The Council has identified two entities which fall under the criteria of subsidiaries:

- Shetland Towage; and
- Shetland Development Trust.

The Shetland Development Trust has been consolidated into the Group Statements as a subsidiary. Shetland Towage has been excluded as it is not currently operational nor does it hold significant assets and is therefore not material.

Associates

The Code defines an associate as an entity for which the authority is an investor that has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the entity. The Council has identified four entities that meet the definition of an associate and, as such, both have been included in the Group Accounts as associates. These are;

- Northern Joint Police Board;
- Highlands and Islands Fire Board;
- Orkney and Shetland Valuation Joint Board; and
- Zetland Transport Partnership.

(2) Method of Consolidation

In accordance with the Code, the subsidiary Shetland Development Trust, has been fully consolidated. The Shetland Development Trust has a financial year-end of 31 March 2011. This means that the financial statements of the subsidiary are consolidated by adding like items of assets, liabilities, reserves, income and expenses together line by line to those of the Council's financial statements. All intra-group balances and transactions are eliminated upon consolidation.

The four associates have been consolidated at their financial year-ends of 31 March 2011 using the equity method, which is in compliance with the Code. This approach involves consolidating the Council's share of the net surplus or deficit for the year, as well as a share of the net assets of the entities. These results are expressed as a separate line within the Group Comprehensive Income and Expenditure Account and Group Balance Sheet. The Council's share of the results is deemed to be equal to the share of the funding that the Council contributed to each entity. In 2010/11 that was as follows –

- Northern Joint Police Board – In 2010/11 the Council contributed 6.15% of the Board's operating costs (6.42% in 2009/10);
- Highlands and Islands Fire Board – In 2010/11 the Council contributed 10.08% of the Board's operating costs (9.36% in 2009/10);
- Orkney and Shetland Valuation Joint Board – The Council contributed 51.7% of the Board's operating costs (51.8% in 2009/10); and

- Zetland Transport Partnership – In 2010/11 the Council contributed 100% of the partnership's operating costs (100% in 2009/10).

With the exception of the Shetland Development Trust, all group entities prepared their financial statements in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2011. The Shetland Development Trust's accounts have been converted to a Code compliant basis where material (except as detailed below).

Financial Assets

All investments are classified as Available-for-Sale and are shown at fair value which is based on the quoted market bid price, except for investments held by the Shetland Development Trust. These are valued at cost less provision for impairment where evidence exists.

Pensions Accounting

Pension assets and liabilities have been included in the accounts on the basis of IAS 19. The Shetland Development Trust is exempt from IAS 19 and no adjustment has been made in the Trust's accounts for it.

Group Movement in Reserves Statement 2010/11

	General Fund Balance £000	HRA £000	Capital Receipts Reserve / Capital Funds £000	Capital Grants Unapplied £000	Other Revenue Statutory Reserves £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000	Authority's share in Reserves of subsidiaries and associates £000	Total Group Reserves £000
Balance as at 31 March 2010	(161)	0	(118,581)	0	(155,025)	(273,767)	(186,902)	(460,669)	18,335	(442,334)
Movement in Reserves during 2010/11										
(Surplus) or deficit on the provision of services	(19,728)	9,943	0	0	0	(9,785)	0	(9,785)	737	(9,048)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	(43,277)	(43,277)	(10,990)	(54,267)
Total Comprehensive Income and Expenditure	(19,728)	9,943	0	0	0	(9,785)	(43,277)	(53,062)	(10,253)	(63,315)
Adjustments between accounting basis and funding basis under regulations	16,745	(9,454)	0	(171)	0	7,120	(7,120)	0	0	0
Adjustment for a change in the authority's share of equity in its associates (See Note 10)	0	0	0	0	0	0	0	0	(620)	(620)
Net (Increase)/Decrease before Transfers to Statutory Reserves	(2,983)	489	0	(171)	0	(2,665)	(50,397)	(53,062)	(10,873)	(63,935)
Net Transfers to/(from) Other Statutory Reserves	0	(489)	4,224	0	3,615	7,350	(7,350)	0	0	0
(Increase)/Decrease in 2010/11	(2,983)	0	4,224	(171)	3,615	4,685	(57,747)	(53,062)	(10,873)	(63,935)
Balance as at 31 March 2011	(3,144)	0	(114,357)	(171)	(151,410)	(269,082)	(244,649)	(513,731)	7,462	(506,269)

Group Movement in Reserves Statement 2009/10

	General Fund Balance £000	HRA £000	Capital Receipts Reserve / Capital Funds £000	Capital Grants Unapplied £000	Other Revenue Statutory Reserves £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000	Authority's share in Reserves of subsidiaries and associates £000	Total Group Reserves £000
Balance as at 31 March 2009	(70)	0	(114,308)	0	(180,329)	(294,707)	(222,090)	(516,797)	3,592	(513,205)
Movement in Reserves during 2009/10										
(Surplus) or deficit on the provision of services	34,949	(458)	0	0	0	34,491	0	34,491	2,485	36,976
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	21,637	21,637	12,661	34,298
Total Comprehensive Income and Expenditure	34,949	(458)	0	0	0	34,491	21,637	56,128	15,146	71,274
Adjustments between accounting basis and funding basis under regulations	(14,662)	755	0	0	0	(13,907)	13,907	0	0	0
Adjustment for a change in the authority's share of equity in its associates (See Note 10)	0	0	0	0	0	0	0	0	(403)	(403)
Net (Increase)/Decrease before Transfers to Statutory Reserves	20,287	297	0	0	0	20,584	35,544	56,128	14,743	70,871
Net Transfers to/(from) Other Statutory Reserves	(20,378)	(297)	(4,274)	0	25,304	355	(355)	0	0	0
(Increase)/Decrease in 2009/10	(91)	0	(4,274)	0	25,304	20,939	35,189	56,128	14,743	70,871
Balance at 31 March 2010	(161)	0	(118,582)	0	(155,025)	(273,768)	(186,901)	(460,669)	18,335	(442,334)

Group Comprehensive Income and Expenditure Account for year ended 31 March 2011

2009/10 Net Expenditure £000		2010/11 Gross Expenditure £000	2010/11 Gross Income £000	2010/11 Net Expenditure £000
50,933	Education Services	56,104	(8,304)	47,800
1,523	Housing Services	8,779	(5,677)	3,102
(2,059)	Housing Revenue Account	15,578	(6,758)	8,820
6,915	Cultural and Related Services	7,706	(877)	6,829
8,551	Environmental Services	9,094	(2,681)	6,413
2,196	Fire Services	2,197	0	2,197
13,321	Roads and Transport Services	21,394	(9,847)	11,547
11,847	Trading Services	28,272	(17,341)	10,931
1,972	Police Services	1,461	0	1,461
9,739	Planning and Development Services	14,838	(5,457)	9,381
26,744	Social Work	40,887	(8,384)	32,503
2,370	Central Services to the Public	2,436	(310)	2,126
6,649	Corporate and Democratic Core	7,572	0	7,572
2,268	Non Distributed Costs	(28,826)	0	(28,826)
1,529	Associates and Joint Ventures accounted for on an equity Basis	6,795	(8,121)	(1,326)
144,498	Cost of Services	194,287	(73,757)	120,530
(44)	Other operating income			(327)
(1,489)	Financing and investment income and expenditure			(21,252)
(106,382)	Taxation and non-specific grant income			(108,852)
393	Tax expenses			853
36,976	(Surplus) or deficit on Provision of Services			(9,048)
(20,308)	(Surplus) on revaluation of Property, Plant and Equipment assets			(15,540)
(43,410)	(Surplus) on revaluation of Available-for-Sale financial assets			(19,383)
0	Amounts recycled from the Available-for-Sale Financial Instrument Reserve upon derecognition			23,156
85,355	Actuarial (gains)/losses on pension assets/liabilities			(31,511)
12,661	Share of other comprehensive income and expenditure of Associates and Joint Ventures			(10,989)
34,298	Other Comprehensive Income and Expenditure			(54,267)
71,274	Total Comprehensive Income and Expenditure			(63,315)

Group Balance Sheet as at 31 March 2011

1 April 2009 £000	31 March 2010 £000		Notes	31 March 2011 £000
350,508	367,478	Property, Plant and Equipment		374,529
12,080	10,807	Intangible Assets	4	9,608
200,593	219,498	Long-term Investments	5	223,169
4,047	3,296	Long-term Debtors	5	3,495
567,228	601,079	Long-Term Assets		610,801
3,465	3,609	Inventories		4,023
11,896	10,468	Short-term Debtors	6	9,004
29,075	24,841	Cash and Cash Equivalents	7	10,972
654	1,245	Assets Held for Sale		206
45,090	40,163	Current Assets		24,205
(18,773)	(16,640)	Short-Term Creditors	8	(15,454)
(18,773)	(16,640)	Current Liabilities		(15,454)
(53)	(4)	Provisions		(10)
(58,979)	(147,169)	Other Long-Term Liabilities		(91,113)
(21,308)	(35,095)	Liabilities in Associates/Joint Ventures		(22,160)
(80,340)	(182,268)	Long-Term Liabilities		(113,283)
513,205	442,334	Net Assets		506,269
(294,707)	(273,767)	Usable Reserves		(269,082)
(222,090)	(186,902)	Unusable Reserves		(244,649)
3,592	18,335	Group Reserves		7,462
(513,205)	(442,334)	Total Reserves		(506,269)

Group Cash Flow Statement for the year ended 31 March 2011

2009/10 £000	2010/11 £000	2010/11 £000
OPERATING ACTIVITIES		
Cash Outflows		
(99,109) Cash paid to and on behalf of employees	(102,976)	
(76,347) Other operating cash payments	(88,879)	
(4,168) Precepts paid	(3,407)	
(312) Taxation	(642)	
<u>(179,936)</u>		(195,904)
Cash Inflows		
3,706 Housing Rents	2,711	
0 Trading	551	
84,694 RSG	86,894	
676 DWP Grants	769	
30,286 Sales of goods and services	40,511	
10,256 Other operating cash receipts	3,575	
13,679 Other Government Grant	12,220	
7,857 Council Tax income	8,647	
9,189 NDR Income	8,672	
<u>160,343</u>		164,550
Movement of working capital		
(145) (Increase)/Decrease in Stock	(414)	
1,428 (Increase)/Decrease in Debtors	1,464	
(2,133) Increase/(Decrease) in Creditors	(1,186)	
<u>(850)</u>		(136)
<u>(20,443)</u>		<u>(31,490)</u>
INVESTING ACTIVITIES		
Cash Outflows		
(24,676) Purchase of Fixed Assets	(18,048)	
(171,430) Purchase of Long Term Investments	(238,884)	
(195,438) Purchase of Short Term Investments	(107,900)	
<u>(391,544)</u>		(364,832)
Cash Inflows		
932 Sale of Fixed Assets	1,572	
197,259 Sale of Long Term Investments	253,383	
199,444 Sale of Short term investments	119,300	
4,371 Capital Grant receipts	4,657	
5,747 Interest Received & Dividends	3,541	
<u>407,753</u>		382,453
<u>16,209</u>		<u>17,621</u>
FINANCING ACTIVITIES		
0 Cash Outflows	0	
0 Cash Inflows	0	
<u>0</u>		0
<u>(4,234)</u>		<u>(13,869)</u>
NET INCREASE/(DECREASE) IN CASH		
<u>29,075</u>		<u>24,841</u>
(4,234) Net movement of Cash and Cash Equivalents during the year		(13,869)
<u>24,841</u>		<u>10,972</u>

c) Notes to the Group Accounts

(1) Subsidiaries

The Group Accounts include the consolidation of the accounts of Shetland Development Trust (SDT) as a subsidiary of the Council.

(a) Shetland Development Trust (SDT)

The SDT is a public non-charitable trust and duly registered by Deed of Trust on 8 January 1996. The function of SDT is to assist local businesses by providing loan finance or by purchasing equity or leasing assets. The Council exercises 100% of the Trust's voting rights.

(2) Associates

The Group financial statements include the consolidation of the investments in Northern Joint Police Board (NJPB), Highland and Islands Fire Board (HIFB), Zetland Transport Partnership (ZetTrans) and Orkney and Shetland Valuation Joint Board (O&SVJB) as associates.

(a) Northern Joint Police Board (NJPB)

The NJPB was established at local government re-organisation in 1975 and provides policing services to the Highlands and Islands. In 2010/11 the Council contributed 6.15% of NJPB operating costs (6.42% in 2009/10) and its share of the year-end net liability of £17.750m (£28.704m in 2009/10) is included in the group balance sheet.

The table below details Shetland Islands Council's share of NJPB's financial results for the year –

	2010/11 £000	2009/10 £000
Gross Income	(4,757)	(4,573)
Gross Expenditure	3,966	5,855
Net (Surplus)/Deficit	(791)	1,282
Non-Current Assets	2,855	3,017
Current Assets	931	874
Current Liabilities	(443)	(495)
Non-Current Liabilities	(21,093)	(32,100)
Capital and Reserves	17,750	28,704

(b) Highland and Islands Fire Board (HIFB)

The HIFB was established at local government re-organisation in 1975 and provides fire services to Councils in the Highlands and Islands.

In 2010/11 the Council contributed 10.08% of HIFB operating costs (9.36% in 2009/10) and its share of the year-end net liability of £4.146m (£5.862m in 2009/10) is included in the group balance sheet.

The table below details Shetland Islands Council's share of HIFB's financial results for the year –

	2010/11 £000	2009/10 £000
Gross Income	(3,058)	(2,587)
Gross Expenditure	2,639	2,818
Net (Surplus)/Deficit	(419)	231
Non-Current Assets	4,714	4,265
Current Assets	486	382
Current Liabilities	(432)	(329)
Non-Current Liabilities	(8,914)	(10,180)
Capital and Reserves	4,146	5,862

Neither of the associates disclosed a value for contingent liabilities as the financial impact was unknown. The authority therefore cannot disclose its share of these contingent liabilities.

(c) Zetland Transport Partnership (ZetTrans)

ZetTrans was formed in 2006/07 by the Regional Transport Partnerships (Establishment, Constitution and Membership) (Scotland) Order 2005, made under the Transport (Scotland) Act 2005.

The table below details Shetland Islands Council's share of ZetTrans' financial results for the year –

	2010/11 £000	2009/10 £000
Gross Income	(1,708)	(1,579)
Gross Expenditure	1,708	1,579
Net (Surplus)/Deficit	0	0
Non-Current Assets	0	0
Current Assets	1,593	1,511
Current Liabilities	(1,593)	(1,511)
Non-Current Liabilities	0	0
Capital and Reserves	0	0

(d) Orkney and Shetland Valuation Joint Board (O&SVJB)

The O&SVJB provides the valuation service for Orkney and Shetland and is funded by both Councils.

The Council provides six members of the Board out of twelve and contributed 51.7% of the Board's operating costs (51.8% in 2009/10) and its share of the year-end net liability of £0.264m (£0.529m in 2009/10) is included in the group balance sheet.

The table below details Shetland Islands Council's share of O&SVJB's financial results for the year –

	2010/11 £000	2009/10 £000
Gross Income	(307)	(290)
Gross Expenditure	190	306
Net (Surplus)/Deficit	(117)	16
Non-Current Assets	0	0
Current Assets	12	11
Current Liabilities	(18)	(15)
Non-Current Liabilities	(258)	(525)
Capital and Reserves	264	529

Orkney and Shetland Valuation Joint Board have no contingent liabilities or capital commitments for the year ended 31 March 2011 (2010: nil).

(4) Group Intangible Assets

Group 31 March 2010 £000		Group 31 March 2011 £000
Balance at start of year:		
20,483	Gross carrying amounts	20,645
(8,403)	Accumulated amortisation	(9,838)
12,080	Net carrying amount at start of year	10,807
Additions:		
0	Internal development	0
74	Purchases	41
0	Acquired through business combinations	0
0	Assets reclassified as held for sale	0
0	Other disposals	0
0	Revaluations increases or decreases	0
0	Impairment losses recognised or reversed directly in the Revaluation Reserve	0
0	Impairment losses recognised in the Surplus/Deficit on the Provision of Services	0
0	Reversals of past impairment losses written back to the Surplus/Deficit on the Provision of Services	0
(1,435)	Amortisation for the period	(1,471)
88	Other changes	231
10,807	Net carrying amount at end of year	9,608

Included in the group intangible assets is a Fish Quota for £8.817m and a Fishing Boat Licence for £0.355m, both relating to Shetland Development Trust. The costs of these assets are amortised over a period of 20 years, being their estimated useful lives.

(5) Group Financial Assets

The following categories of financial instrument are carried in the Balance Sheet:

Group		Group			Group	
Long-Term		Current			Long-Term	Current
31 March 2009 £000	31 March 2010 £000	31 March 2009 £000	31 March 2010 £000		31 March 2011 £000	31 March 2011 £000
				Financial Assets:		
				Investments:		
200,593	219,498	0	0	Available for sale financial assets	223,169	0
200,593	219,498	0	0	Total Investments	223,169	0
				Debtors:		
3	2	0	0	Loans and receivables	1,051	271
4,029	3,283			Loans and receivables - Shetland Development Trust	2,429	
15	11	0	0	Financial assets carried at contract amounts	15	1
4,047	3,296	0	0	Total Debtors	3,495	272
				Financial Liabilities:		
				Creditors:		
0	0	0	0	Accrued Interest Liability	0	(119)
0	0	0	0	Total Creditors	0	(119)

Shetland Development Trust has made provisions for irrecoverable loans and for equity investments where there is a risk of the business failing.

	Equity Investments £000	Loans and Receivables £000
Cost at 31/03/2011	7,681	10,045
<i>Provisions</i>		
At beginning of year	7157	8,923
Provided during year	94	
Released during the year		(1,307)
Total provided at 31/03/2011	7,251	7,616
Value net of provisions	430	2,429

(6) Group Short-Term Debtors

Group 31 March 2009 £000	Group 31 March 2010 £000		Group 31 March 2011 £000
2,239	2,179	Central Government Bodies	1,290
215	534	Other Local Authorities	389
824	95	NHS Bodies	67
80	124	Public Corporation and Trading Funds	106
8,445	7,417	Other Entities and Individuals	6,664
93	119	Trade Debtors of Subsidiaries	488
11,896	10,468	Total	9,004

(7) Group Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

Group 31 March 2009 £000	Group 31 March 2010 £000		Group 31 March 2011 £000
27	20	Cash held by the authority	22
2,616	3,935	Cash held by subsidiaries	3,596
9,926	7,402	Bank current accounts	7,251
16,506	13,484	Short-term certificates of deposit	103
29,075	24,841	Total	10,972

(8) Group Short-Term Creditors

Group 31 March 2009 £000	Group 31 March 2010 £000		Group 31 March 2011 £000
2,482	2,208	Central Government Bodies	3,512
17	129	Other Local Authorities	277
675	59	NHS Bodies	33
1,071	1,313	Public Corporations, Trading Funds and Charities	1,438
14,477	12,715	Bodies External to General Government	10,012
51	216	Accruals and Deferred Income	182
18,773	16,640	Total	15,454

(9) Financial Impact

The inclusion of the five organisations (subsidiary and associates) changes the net worth of the Group from the figure shown in the Council's own Balance Sheet.

The Group net worth at £506.269m is a reduction of £7.462m from the Council's Group's net worth of £513.731m. This as in previous years, reflects the downward impact on net worth from the pension liabilities of the Police and Fire Boards. This was partially offset by the surpluses of the Shetland Development Trust.

(10) Adjustment for a change in the authority's share of equity in its associates

The Group Movement in Reserve Statement contains a credit of £0.620m (£0.403m 2009/10) which reflects the changes in Shetland Islands Council's equity share in its associates. This has largely resulted from Shetland Islands Council's share of equity in Northern Joint Police Board (NJPB) decreasing from 6.42% in 2009/10 to 6.15% in 2010/11.

(11) Remuneration Report

No remuneration report has been compiled for the Group as the Shetland Development Trust does not have any senior employees nor makes payments to senior councillors.

Independent Auditor's Report

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

I certify that I have audited the financial statements of Shetland Islands Council and its group for the year ended 31 March 2011 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the group and authority-only Movement in Reserves Statements, Comprehensive Income and Expenditure Statements, Balance Sheets, and Cash-Flow Statements, the authority-only Housing Revenue Account Income and Expenditure Statement, the Council Tax Income Account, and the Non-domestic Rate Account, the Trust Funds and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 (the 2010/11 Code).

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

Respective responsibilities of the Responsible Financial Officer and auditor

As explained more fully in the Statement of Responsibilities set out on page 33, the Responsible Financial Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the body's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Responsible Financial Officer; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the Statement of Accounts to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis for qualified opinion

The Code requires group accounts to be prepared by local authorities where they have interests in entities meeting the definitions of subsidiaries, associates and joint ventures. Group accounts are required to give a true and fair view and a full picture of the authority's activity and financial position.

The council's group accounts do not include the transactions of the Shetland Charitable Trust and its subsidiaries. In my opinion, the substance of the council's relationship with the trust gives it the power to control the trust's activities. As a result, the omission of the trust results in a material mis-statement of the group accounts.

Based on prior year financial statements, I estimate that the Shetland Charitable Trust, and its subsidiaries would contribute:

- a deficit position of approximately £5 million to the Group Comprehensive Income and Expenditure Account (resulting from income of £10 million and expenditure of £15 million)

- net assets of approximately £217 million to the Group Balance Sheet (resulting from fixed assets of £30 million, investments of £183 million, net current assets of £7 million and long term liabilities of £3 million.)

Qualified opinion

In my opinion, except for the omission of the results of Shetland Charitable Trust from the group accounts, the financial statements:

- give a true and fair view in accordance with applicable law and the 2010/11 Code of the state of the affairs of the group and of the local government body as at 31 March 2011 and of the income and expenditure of the group and the local government body for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2010/11 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973 and the Local Government in Scotland Act 2003.

Opinion on other prescribed matters

In my opinion:

- the part of the remuneration report to be audited has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 1985; and
- the information given in the Explanatory Foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I am required to report by exception

I am required to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit; or
- the Annual Governance Statement and Statement on the System of Internal Financial Control does not comply with Delivering Good Governance in Local Government; or
- there has been a failure to achieve a prescribed financial objective.

I have nothing to report in respect of these matters.

Fiona Mitchell-Knight

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

30th September 2011

Glossary of Terms

Much of the terminology used in this report is intended to be self-explanatory, however, the following definitions and interpretations of terms may be helpful:

1. Employee Expenses

This includes salaries, wages, overtime, bonus enhancements (if any), employer's pension and national insurance, travelling and subsistence expenses and other staff allowances.

2. Corporate and Democratic Core

Corporate and Democratic Core costs include the costs of policy-making and all other member based activities together with costs that relate to the general running of the Council. The Best Value Accounting Code of Practice stipulates that such costs are to be excluded from the total cost relating to service activity.

3. Non-Distributed Costs

Non-Distributed Costs represent costs that cannot be allocated to specific services. The Best Value Accounting Code of Practice stipulates that such costs are to be excluded from the total cost relating to service activity.

4. Transfer Payments

Transfer payments are made to agencies where no goods or services are received in return. For example, the cost of providing footwear and clothing grants for school children and students.

5. Precepts and Levies

Requisition payments made to associates and joint ventures.

6. Usable Reserves

Reserves that can be used to fund expenditure or to reduce local taxation.

7. Unusable Reserves

Those reserves kept only to manage the accounting processes for non-current assets, financial instruments and retirement benefits.

8. Capital Expenditure

This is expenditure incurred in creating, acquiring or improving assets. Borrowing, income from the sale of existing assets, revenue funds or external grants and contributions normally finances capital expenditure.

9. Void Rents

This refers to instances whereby the Council has forgone the opportunity to collect rental income on a property as a result of it being unoccupied.

Shetland Islands Council

Annual report on the 2010/11 audit



Prepared for Members of Shetland Islands Council and the Controller of Audit
October 2011

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. It provides services to the Auditor General for Scotland and the Accounts Commission. Together they ensure that the Scottish Government and public sector bodies in Scotland are held to account for the proper, efficient and effective use of public funds.

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Key messages

2010/11

This report summarises the key findings from the 2010/11 audit of Shetland Islands Council.

The acting chief executive is working with officers and elected members to drive the council's improvement framework. In November 2010, the council prepared an improvement plan to address the findings reported following the Accounts Commission hearing in June 2010. We have monitored the council's progress against the improvement plan throughout the year. The findings from this work will be included in a report which will be presented by the Controller of Audit to the Accounts Commission in December 2011. To avoid duplication therefore we have only made brief comments in this report in some governance and performance areas. More detailed comment will be included in the Controller of Audit's progress report.

The council's financial statements are an essential part of accounting for the stewardship of its resources. For the fifth consecutive year, we have given a qualified opinion on the financial statements of the council. The qualification relates to the fact that the council has not included the results of the Shetland Charitable Trust (SCT) in its 2010/11 group financial statements. We have not received any further evidence from the council to support the view that the SCT should not be included within the council's group. It remains our view, therefore, that the omission of the SCT and its subsidiaries from the council's group financial statements is not in accordance with The Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 (the Code), and represents a material mis-statement of the group figures.

As has been reported in previous years, there were significant problems with the council's preparation and submission of the financial statements. The number of errors and omissions in the 2010/11 financial statements submitted for audit was unacceptable. The number of revisions to these statements has increased substantially the amount of work for both the council's finance staff and the audit team to conclude the audit this year. A greater concern is that the council advertised for public inspection a set of financial statements that were not Code compliant and have now been changed substantially. More rigorous review processes need to be put in place so that the 2011/12 unaudited financial statements comply with the Code and present a true and fair view of the council's position.

The significant problems identified during the audit have highlighted that there is a need to adequately resource the finance department to ensure it has the capacity to deliver Code compliant financial statements. The recruitment of an Executive Manager for Finance, who will be the replacement Section 95 finance officer, should be advanced as soon as possible. The council should ensure that the new Section 95 officer has adequate authority, profile and opportunity to challenge directors of services on budgetary matters, during times when choices will need to be made on where resources are to be spent.

The council continues to provide a range of high quality services, however the cost of providing these is leading to the council using substantial amounts of reserves each year

which cannot be sustained over the longer term. All scrutiny agencies agree that the council needs to demonstrate that it delivers services in a way which delivers best value.

In 2010/11, Shetland Islands Council spent £187 million on the provision of public services. The council's net operating expenditure in 2010/11 was £122 million. This was met by central government and local taxation of £109 million, giving a deficit of £13 million, 11% of net expenditure for the year (27% in 2009/10). Investment income of £23 million was received during the year which created an overall surplus of £10 million.

The net operating expenditure includes a one off credit of £31.5 million in respect of the savings caused by a change in the basis for uprating pensions from the retail prices index to the consumer prices index. For comparison purposes, if this amount was removed, there would have been an increase in the cost of services for 2010/11 of £10.2 million (7%) when compared with 2009/10. Due to the pension adjustment and favourable stock market conditions, the council achieved its financial strategy of maintaining a £250 million reserves threshold and, at 31 March 2011, the council had total funds of £268.9 million. This is a decrease of £4.9 million from the previous year.

The council's long-term aim remains reducing the demand on reserves so that the draw on reserves will be zero in 2012/13. The economic climate and the outturn reports prepared by the council during 2011/12 indicate that the council may not achieve this.

The council still needs to demonstrate that it is able to collectively take the difficult decisions to reduce the draw on reserves to the level that will allow them to maintain the £250 million reserves strategy. To support members with these decisions, it is essential that an effective budget monitoring reporting process is in place. The format of budget monitoring reports to members has recently been revised and more detailed information on budgets and the use of reserves was presented to the Executive Committee in October 2011 than in previous years. However, in our opinion, the clarity of the members financial monitoring reports could be improved further, to clearly demonstrate the reason for financial pressures in the council and how corporate savings are to be delivered to reduce the draw on reserves.

Outlook

Looking ahead, it is clear that the outlook for public spending for the period 2012/13 to 2014/15 remains very challenging. The recent Scottish Government's Spending Review confirms that significant budget reductions will be required in these years.

In addition, the Audit Scotland Report "*Scotland's public finances: responding to challenges*" contained a number of key messages for councils to consider given the financial constraints being faced.

The council is currently preparing a long term financial plan for 2012/13 onwards with the focus on an outcome based approach to service delivery. Continuing to deliver high quality public services with a reducing budget will be a significant challenge for the council.

Introduction

1. This report is the summary of our findings arising from the 2010/11 audit of Shetland Islands Council. The purpose of the annual audit report is to set out concisely the scope, nature and extent of the audit, and to summarise the auditor's opinions (i.e. on the financial statements), conclusions and any significant issues arising. The report is divided into sections which reflect the extent of our public sector audit model.
2. A number of reports have been issued in the course of the year in which we make recommendations for improvements (Appendix A). We do not repeat all of the findings in this report, but instead focus on the financial statements and any significant findings from our wider review of Shetland Islands Council.
3. Appendix B is an action plan setting out the high level risks we have identified from the audit. Officers have considered the issues and agreed to take the specific steps in the column headed "planned management action". We do not expect all risks to be eliminated or even minimised. What we expect is that the council understands its risks and has arrangements in place to manage these risks. Members should ensure that they are satisfied with the proposed management actions and have a mechanism in place to assess progress.
4. This report is addressed to the members and the Controller of Audit and should form a key part of discussions with the Audit and Standards Committee, either prior to, or as soon as possible after, the formal completion of the audit of the financial statements. Reports should be made available to the Scottish Parliament, other stakeholders and the public, where appropriate. Audit is an essential element of accountability and the process of public reporting.
5. This report will be published on our website after consideration by the council. The information in this report may be used for the annual overview report on local authority audits to the Accounts Commission later this year. The overview report is published and presented to the Local Government and Communities Committee of the Scottish Parliament.
6. The management of the council is responsible for preparing financial statements that show a true and fair view and for implementing appropriate internal control systems. Weaknesses or risks identified by auditors are only those which have come to our attention during normal audit work, and may not be all that exist. Communication by auditors of matters arising from the audit of the financial statements or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.

Financial statements

7. Audited bodies' financial statements are an essential part of accounting for their stewardship of the resources made available to them and their performance in the use of those resources.
8. Auditors are required to audit financial statements in accordance with the timescales set by Audit Scotland, which may be shorter than statutory requirements, and give an opinion on:
 - whether they give a true and fair view of the financial position of audited bodies and their expenditure and income
 - whether they have been properly prepared in accordance with relevant legislation, the applicable accounting framework and other reporting requirements.
9. Auditors review and report on, as appropriate, other information published with the financial statements, including the explanatory foreword, governance statement and the remuneration report. Where required, auditors also review and report on the Whole of Government Accounts return. This section summarises the results of our audit of the financial statements.

Audit opinion

10. For the fifth year we have given a qualified opinion on the financial statements of Shetland Islands Council. The Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 (the Code) requires local authorities with interests in subsidiaries, associates and/or joint ventures to prepare group accounts in addition to their single entity financial statements, unless their interest is considered not material. Whilst the council has prepared group financial statements for 2010/11, it has not included the results of the Shetland Charitable Trust (SCT) in its group. In our opinion, the substance of the council's relationship with this body represents a significant interest and this omission results in a material mis-statement of the group accounts. Based on prior year financial statements, we estimate that the SCT and its subsidiaries would add a deficit of £5 million to the group comprehensive income and expenditure account and £217 million to the group balance sheet. This issue is discussed further at paragraph 17.

Refer Action Plan No. 1

Legality

11. Through our planned audit work we consider the legality of the council's financial transactions. In addition, the head of finance has confirmed that, to the best of her knowledge and belief, and having made appropriate enquiries of the council's management team, the financial transactions of the council were in accordance with relevant legislation and regulations. There are no legality issues arising from our audit which require to be brought to members' attention.

Annual governance statement

12. We are satisfied with the disclosures made in the annual governance statement and the adequacy of the process put in place by the council to obtain the necessary assurances. The statement reflects the fact that the council has developed an improvement plan and that progress against this is due to be reported to the Accounts Commission.

Remuneration report

13. We are satisfied that the remuneration report has been prepared in accordance with the Local Authority Accounts (Scotland) Act 1985 and Scottish Government finance circular 8/2011. The disclosures within the 2010/11 financial statements include all eligible remuneration for the relevant council officers and elected members.

Accounting issues

14. Local authorities in Scotland are required to follow the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 (the Code). We are satisfied that the final version of the 2010/11 financial statements prepared by the council at the end of September, and on which the audit opinion is based, is in accordance with the Code with the exception of the exclusion of the SCT results from the group accounts which is a material departure from the Code.

Group accounts

15. The diversity of service delivery vehicles used by local authorities means that consolidated group accounts are required to give a true and fair view of a council's income and expenditure. The council has disclosed interests in one operational subsidiary and four associates and has included them in its group accounts in accordance with the Code. All four associates are audited by Audit Scotland and audit assurance has been taken from this work. The auditor of the subsidiary body, Shetland Development Trust (SDT), is KPMG who provided us with appropriate audit assurances.
16. We would like to highlight the following issues:
 - With the exception of the SDT, all group entities prepared their financial statements in accordance with the Code. The SDT's figures used for inclusion in the council's group have been converted to a Code compliant basis where differences in treatment are material with the exception of financial assets and pensions. In relation to financial assets, all investments in the group accounts are classified as Available-for-Sale and are shown at fair value which is based on the quoted market bid price, except for investments held by the SDT. These are valued at cost less provision for impairment where evidence exists. Pension assets and liabilities have been included in the council's accounts on the basis of International Accounting Standard (IAS) 19. The SDT is exempt from IAS 19 and no adjustment has been made in the trust's accounts for it. We have raised no objections to this treatment given the level of disclosure that has been made in relation to it.
 - All bodies within the group received unqualified audit opinions from their auditors.

Group accounts audit qualification

17. As auditors, we have a statutory responsibility to report our opinion as to whether or not the financial statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code. The accounting treatment of the Shetland Charitable Trust (SCT) has resulted in the qualification of the council's group financial statements for the sixth consecutive year (five years by Audit Scotland, one by PricewaterhouseCoopers). Group financial statements are required to present a complete picture of the council's activities and financial position. We have not received any further evidence from the council to support its contention that the financial statements of the SCT should not be included within the group. It remains our view, therefore, that the omission of the SCT and its subsidiaries from the council's group accounts is not in accordance with the Code and represents a material mis-statement of the group accounts.
18. The qualification of the council's financial statements has led to a number of Section 102 reports being made by the Controller of Audit and contributed to a public hearing by the Accounts Commission. The Accounts Commission findings which were published following the public hearing in June 2010, stated that no reason had been heard which would lead to disagreement with the appointed auditor on this matter.
19. Our concerns about the SCT have always related to the group accounting issue only and the need for the council's head of finance, as the Section 95 officer, to prepare the financial statements in accordance with the Code. We acknowledge that the trust is a separate legal entity, but, because of the nature of the council's relationship with the SCT, we remain of the opinion that, to comply with accounting requirements, the financial results of the SCT should be consolidated into the council's group accounts. As reported above the Code requires that local authorities should include interests in subsidiaries, associates and/or joint ventures in their group accounts. In our opinion, the following factors support our view that the council has an interest in the SCT and its results should be included in the council's group accounts.
20. **Structure:** SCT currently has 23 trustees - 21 councillors, the Lord Lieutenant of Shetland and the head teacher of Anderson High School. All Shetland councillors are appointed ex officio as trustees, but one councillor decided to stand down as a trustee due to a declared conflict of interest. In our opinion, this structure means that the council has the power to govern the financial and operational policies of the trust.
21. The relationship between the council and the trust has also been reported elsewhere. Following the public hearing in June 2010, the Accounts Commission issued findings stating that, in relation to the SCT, "councillors refused to acknowledge the possibility of conflicts of interest in relation to council business". In July 2010, the Office of the Scottish Charity Regulator (OSCR) identified a "real risk of systemic and specific conflict" and imposed a system of "tailored monitoring" on the trust. OSCR encouraged the trust to "move forward to adopt different, less high risk and more appropriate governance arrangements". In 2011, the SCT formed a Governance Review Group, which was a working group of trustees, to develop a set of proposals which it believes will ensure the trust's long-term future. The Group recommended that the SCT should change its structure so that it is governed by a body of 15

trustees, seven of whom will be councillors and the remaining 8 being members of the Shetland public. A change in the structure of the SCT has also been recommended by the QC appointed jointly by the trust and the council in 2011. The QC's opinion was that "the constitution of the Trust requires to be changed. This is because in a situation where the interests of the Trust and the interests of the council may be said either to be in potential conflict, or where the provision of a service by one may be to the potential advantage to the other, the trustees who are councillors will have a conflict of interest". Despite these recommendations in September 2011, the trustees voted against the proposals to reform the trust and have resolved to hold a referendum to decide on the future structure of the SCT.

- 22. Purpose of the SCT:** the purpose of the trust is to make grants or loans for any charitable purpose which benefits the Shetland Islands or its inhabitants. The SCT provides services (arts and culture, amenity and environment, recreation and care facilities) which benefit the council community in addition to those provided by the council. It is our opinion that, if the trust no longer provided these services, the council would incur additional costs in providing these services. The council is, therefore, obtaining benefits from the trust's activities. Specific examples of this are as follows:
- On 3 December 2008, a report was agreed by the council which discussed the impact of the world financial crisis on the council and the SCT. The report acknowledged that the charitable trust relies heavily on investment income to fund its current service provision. The report stated "if the circumstances in the markets jeopardise the trust's ability to fund the various activities covered at present, the council will need to consider whether it will need to provide alternative funding".
 - In relation to the Rural Care Model, the SCT provides care homes and the council is responsible for the management and services within the homes. The result of this is that residents in Shetland receive a high level of service in excess of that due to be provided by the council as part of its statutory responsibilities. Without consolidation of SCT results, there is a lack of transparency in the total cost of providing this level of service to the Shetland community. If the SCT were to remove its level of input to the Rural Care Model, the council would require to review its strategy and any decisions taken will impact on the council's resources and the level of service provided to the community.
- 23. Financial relationships:** the SCT was created by the council to receive the oil disturbance payments (until 1 September 2000) which otherwise may have been received by the council. Total disturbance payments to the SCT totalled £81 million. The trust's current sources of income are investment income and rental income with no ongoing financial support from/to the council. However, the following inter-related transactions that have taken place between the council and the SCT also support the council's interest in the council and its inclusion of the trust in the council's group accounts:
- The Shetland Development Trust, a subsidiary of the council, agreed in September 2010 to donate its current and future undistributed surpluses to the SCT. It was estimated that this would be in the region of £0.8 million per annum. This arrangement was revoked in September 2011.

- The SCT owns 90% of the share capital of one of its subsidiaries, Viking Energy. The council has provided security cover in the form of an irrevocable letter of credit for £1.896 million to National Grid Electricity Transmission (NGET) plc in respect of the NGET's agreement with Viking Energy in relation to an inter-connector cable to Shetland. The head of finance has explained that this guarantee was part of the partnership arrangements between the council, the SCT, Viking Energy and Scottish and Southern Energy. It was provided by the council to ensure the continuation of the project and was aligned to the council's overall economic development objectives. The guarantee will be payable if Viking Energy withdraws from the windfarm project and therefore would not need a grid connection. The amount of £1.896 million has been disclosed in the council's accounts as a contingent liability.

24. In conclusion, in our opinion, the above factors demonstrate that the council has an interest in the SCT and its results should be included in the council's group accounts. The Code gives information on the required accounting treatment of the trust in the group accounts. The Code states that entities which the authority controls, through the power to govern their financial and operating policies so as to obtain benefits from the entities' activities should be treated as subsidiaries. The Code describes that control is presumed to exist where an organisation holds more than half of the voting power of an entity. As noted above, given the current structure of the trust, our view is that the council has control through its majority interest on the trust board. It is also our opinion that the council is benefitting from the trust's activities. In this situation the Code requires that the trust's activities should be treated as if it is a subsidiary of the council.
25. If the structure of the trust were changed in the future, the audit qualification would be reviewed by the auditor. The impact on the qualification would depend on the remaining level of control that the council has the power to exercise over the trust. This is dependent on the proportion of trustees that are council members. The level of control that remains with the council would influence the accounting requirements regarding the council's relationship with SCT. It should be noted, however, that, as stated above, the structure of the trust is not the only factor relevant to our decision. The results of the SCT may still require to be included in the council's group accounts, even with a reduced number of council trustees. However, it is likely that the proportion of the trust's financial results that would need to be consolidated to comply with the Code would change.

Group balances and going concern

26. Excluding SCT, the net effect of inclusion of all of the council's group entities on the group balance sheet is to reduce net assets by £7.5 million, mainly because of pension liabilities. However, all group bodies' accounts have been prepared on a going concern basis as pension liabilities will be funded as they fall due through a combination of employee and employer contributions, government grants and council tax. If the SCT were included within the group results this would contribute net assets of £217 million to the group balance sheet, based on prior year audited financial statements.

27. The council has an obligation to meet a proportion of the expenditure of the joint boards of which it is a constituent member. All of these boards (Northern Police, Highlands and Islands Fire and Orkney and Shetland Valuation) had an excess of liabilities over assets at 31 March 2011 due to the accrual of pension liabilities. In total, these deficits amounted to £330.3 million (2009/10 £533.5 million), with the council's share being £22.2 million (2009/10 £48.9 million).

Accounts submission

28. On 27 September we reported to the Audit and Standards Committee that, as reported in previous years, there were significant problems with the preparation and submission of the financial statements.
29. Section 95 of the Local Government (Scotland) Act 1973 states that “every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that the proper officer of the authority has responsibility for the administration of those affairs.” The council’s Section 95 officer with this responsibility is the head of finance who also has an obligation to ensure that the council’s accounts are prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 (the Code). All councils are required to submit accounts to the Controller of Audit by 30 June, prior to them being audited by the appointed auditor’s team between 1 July and 30 September.
30. The Section 95 officer who was in post at the start of the financial year retired from the council on 31 March, together with the financial accountant. The current Section 95 officer was appointed in April 2011 on an interim basis. The changes in the finance section were progressed as part of a planned restructuring of council departments. It was recognised by the council that the scale of these changes was substantial at a key stage in preparing the council’s financial statements. The council, therefore, employed specialist external support to assist with the preparation of the statements. In the council’s opinion this process was only partially successful. The Section 95 officer was responsible for ensuring that these arrangements were adequate for compiling the financial statements.
31. The council’s unaudited financial statements were submitted to the Controller of Audit on the deadline date of 30 June. This version of the statements is expected to be of appropriate quality to be advertised for public inspection. However, the statements submitted for audit did not comply with the Code as several sections were incomplete. In particular, the group accounts section of the I statements had not been prepared. Further to this, the council’s statements included the accounts of the Shetland Pension Fund which should have been submitted separately to the Controller of Audit on 30 June. The statements had also not been reviewed or discussed by council members prior to being submitted for audit as is considered good practice in other local authorities.
32. A second set of accounts was submitted for audit on 4 July but it still did not comply with the Code in several major areas. On the 18 July, the appointed auditor wrote to the head of finance to express her serious concerns on the quality of the accounts that had been submitted for audit and on the lack of working papers to support the figures in the financial

statements. The impact of the poor quality of the accounts and working papers was that the audit team could not progress the audit and there was a risk that the audit would not be concluded by the 30 September deadline.

33. In response, a third set of draft accounts was provided for audit on 26 July together with more detailed working papers. This set of financial statements was more complete than the previous versions, although the group accounts section was still incomplete. This version of the unaudited accounts was submitted to the Controller of Audit on the same day and was later advertised in the local press for public inspection.
34. The audit team began working on the revised version of the accounts on 26 July. The delay in submitting these accounts, and the fact that this was the third set of unaudited accounts prepared, led to a large amount of duplication in the audit process, which had originally started on 30 June, and additional work for the auditors and the finance section staff.
35. On 6 September the matters arising identified through the audit of these revised statements were discussed with the head of finance. As a consequence, a further version of the financial statements was provided to external audit on 12 September. This version reflected a number of the errors and amendments identified through the audit process. However, in our opinion, it did not incorporate all the amendments requested by us at the meeting of 6 September. Also, as late as 22 September, some supporting information requested relating to financial instruments and reserves was incomplete. When this information was received, significant errors in the accounts were identified which then had to be corrected.
36. A final set of updated financial statements including all agreed amendments was provided to us for checking on 30 September, being the final day of Audit Scotland's audit deadline. This is the version of the financial statements that contains the audit opinion.
37. In conclusion, the number of errors and omissions in the financial statements submitted for audit was unacceptable. The number of revisions to these accounts has increased substantially the amount of work for both finance staff and the audit team to conclude the audit this year. Of greater concern is that the council advertised for public inspection a set of financial statements that were not Code compliant and have now been changed substantially. More rigorous review processes need to be put in place so that the 2011/12 unaudited financial statements comply with the Code and present a true and fair view of the council's position.
38. The significant problems encountered during the audit of the financial statements has highlighted that there is a need to adequately resource the finance section, to ensure it has the capacity to deliver Code compliant financial statements by the required deadlines. The council has reviewed the structure of the finance function and is currently recruiting a Director of Corporate Services who will oversee the section.

Refer Action Plan No. 2

39. The current Section 95 officer is due to leave the council and the post of an Executive Manager for Finance has been advertised, who will take on this role. It is essential that recruitment to this position is advanced as soon as possible. It is considered good practice for

Section 95 officers to be a member of the senior management team. In the council's new structure this post will be an executive manager's role. The council should therefore ensure that the new Section 95 officer has adequate authority, profile and opportunity to challenge directors of services on budgetary matters, during times when choices will need to be made on where resources are to be spent.

Refer Action Plan No. 3

Prior year adjustments

40. The 2010/11 financial statements have been prepared in accordance with the Code which is based on International Financial Reporting Standards (IFRSs) instead of the previous practice of preparing financial statements under UK Generally Accepted Accounting Principles (GAAP). This transition required a prior year adjustment to the 2009/10 audited financial statements and the restatement of the 1 April 2009 opening balance sheet position. The main areas that required restatement include the treatment of government grants, the inclusion of an accrual for employee benefits such as annual leave and accounting for assets held for sale. These changes resulted in the net asset position of the council as at 31 March 2010 changing from £446.282 million to £460.669 million. However, the accounting nature of these adjustments means that there has been no change to the usable reserves of the council.

Pension costs

41. At 31 March 2011 the pension fund had a net pension liability of £91.1 million, a significant reduction from the previous year's figure of £147.2 million. This arose mainly from upward movements in fund assets and the new way of linking future pension increases to CPI rather than RPI.

Pension fund accounting requirements

42. The council is responsible for the management and administration of Shetland Islands Council Pension Fund. From 2010/11 there is a requirement for a separate annual report and financial statements to be produced for pension funds. The audit of the pension fund is ongoing and a separate annual report will be issued by us.

Whole of government accounts

43. The whole of government accounts (WGA) are the consolidated financial statements for all branches of government in the UK. The council submitted the consolidation pack to the Scottish Government on 11 August, thereby missing the deadline date of 29 July. A revised WGA pack was prepared by the council and submitted for audit in October 2011. Due to this late submission, the deadline of 30 September to complete the audited return was not achieved. This is the second consecutive year that the deadline has been missed and the council should review its processes to ensure that the 2011/12 WGA dates are achieved.

Refer Action Plan No. 4

Trust funds

44. Shetland Islands Council administers, as sole trustee, 8 trust funds related to specific services. Charitable bodies are required to comply with the requirements of the Charities Accounts (Scotland) Regulations 2006, meaning a full set of financial statements is required for each trust fund. However the Office of the Scottish Charities Regulator (OSCR) has deferred full implementation until 2013/14, allowing the council to rely on its existing disclosures for trust funds in the council's financial statements, supplemented with additional working papers.
45. OSCR's feedback on last year's submissions from each local authority allocates councils to one of four categories, fully compliant (0 councils), above average (2 councils), average (20 councils) and below average (8 councils). The main factors considered by OSCR were compliance of the Trustees Annual Report, the layout and content of financial information and the move towards independent external scrutiny of the accounts. Shetland Islands Council was assessed in the "Below Average" category.

Refer Action Plan No. 5

Outlook

Carbon Trading

46. In April 2010 a complex system of charging for carbon emissions was introduced by the EU. The council is now required to purchase and account for carbon credits to cover all of its non transport related energy usage. Incentives and penalties are built into the system to encourage a reduction in carbon emissions. The council monitors energy consumption and receives all energy bills centrally. 2010/11 is the registration year and the council has informed us that the costs incurred are approximately £2,000 and that the costs in 2011/12 are expected to be at a similar level. The impact of this on the council will be kept under review.

Audit appointment for 2011/12

47. Audit appointments are made by the Accounts Commission, either to Audit Scotland staff or to private firms of accountants for a five year term. 2010/11 is the last year of the current audit appointment and we would like to thank officers and members for their assistance during the last five years. The procurement process for the next five years was completed in May 2011. From next year (2011/12) Audit Scotland will again be the appointed auditor for Shetland Islands Council but a different audit team will be in place. We look forward to continuing the good working relationships that exist.

Financial position

48. Audited bodies are responsible for conducting their affairs and for putting in place proper arrangements to ensure that their financial position is soundly based.
49. Auditors consider whether audited bodies have established adequate arrangements and examine:
 - financial performance in the period under audit
 - compliance with any statutory financial requirements and financial targets
 - ability to meet known or contingent, statutory and other financial obligations
 - responses to developments which may have an impact on the financial position
 - financial plans for future periods.
50. These are key areas in the current economic circumstances. This section summarises the financial position and outlook for the organisation.

Financial results

51. In 2010/11, Shetland Islands Council spent £187 million on the provision of public services. The council's net operating expenditure in 2010/11 was £122 million. This was met by central government and local taxation of £109 million, giving a deficit of £13 million, 11% of net expenditure for the year (27% in 2009/10). Investment income of £23 million was received during the year which created an overall surplus of £10 million.
52. Net operating expenditure includes a one off credit of £31.5 million in respect of the savings caused by a change in the basis for uprating pensions from the retail prices index to the consumer prices index. For comparison purposes, if this amount was removed, there would have been an increase in the cost of services of 2010/11 of £10.2 million (7%) when compared with 2009/10.
53. The budget set for 2010/11 was based on a Band D council tax level of £1,053 with planned contributions from reserves of £40.37 million. Council decisions during the year revised the budgeted draw on reserves to £53.44 million.
54. After taking account of statutory adjustments, the actual draw on reserves was £31.27 million, a favourable variance of £22.17 million against the revised budget. The main reason for the variance against budget was a net underspend of £23.95 million on capital, of which £4.06 million was transferred to revenue, with the remainder being slippage or revisions to the programme. A net underspend of £0.33 million on the general fund and an £0.887 million overspend on the Housing Revenue Account were reported.

Financial position

55. Exhibit 1 shows the balances in the council's funds at 31 March 2011 compared to the previous year. Funds include a capital fund which may be used to defray capital expenditure or repay loan principal, and a repair and renewal fund to finance expenditure incurred in repairing, maintaining, replacing and renewing assets. The council's funds at 31 March 2011 totalled £268.898 million, a decrease of £4.856 million on the previous year.

Exhibit 1: Reserves

Description	31 March 2010 £ million	31 March 2011 £ million
General Fund	0.000	3.000
Capital Fund	117.625	108.404
Repair and Renewal Fund	85.989	76.027
Reserve Fund	66.752	61.621
Insurance Fund	0.254	0.222
Capital Efficiency/ Spend to Save Reserve	0.000	5.000
Revenue Efficiency/Spend to Save Reserve	0.000	0.500
Potential Contingent Liability	0.000	11.400
Marine Superannuation Fund	2.974	2.582
Hansel Funds	0.083	0.090
Central Energy Efficiency Fund	0.077	0.052
Total	273.754	268.898

Source: Shetland Islands Council 2010/11 financial statements

56. The overall level of reserves of £268.898 million is in accordance with the long-term strategy for maintaining the financial reserves of the council. However, when the funds to be used for specific purposes are deducted, the level of reserves held for general use falls to £252.825 million, just above the financial policy floor of £250 million. With current levels of draws on reserves, there is a significant risk that the council's reserves will be fully used in a short period of time if expenditure levels continue to exceed income. The council took steps to address this risk by bringing forward the financial planning process for 2012/13 onwards to July 2011.
57. A report by the Head of Finance to the Executive Committee in October 2011 highlights that, if approved budgets for 2011/12 are achieved, the council's reserves will fall to £219 million.

The report states that "it is imperative that the council sets challenging and ambitious financial targets to get the draw on reserves back to a sustainable level." Another report at this time says that by the end of June 2011, £7 million out of the £9.4 million budget shortfall for 2011/12 has been identified as savings achieved. At the same time unallocated savings included in the budget, result in corporate savings still to be achieved in 2011/12 of £6.1 million. There is therefore a risk that the council's minimum floor level of £250 million of reserves will not be maintained beyond 2011/12 unless expenditure is further reduced. The council is now preparing for the 2012/13 budget-setting process with the knowledge that difficult decisions will have to be made to ensure that sufficient levels of reserves are maintained for future years.

58. On 3 October the Executive Committee approved a paper which detailed preliminary principles on the use of reserves for the 2012/13 budget strategy. This includes maintaining a reserves policy for the total of the general fund discretionary reserves (the reserve fund, the capital fund and the repairs and renewal fund) at no less than £250 million. The reserves policy is to be kept under review as part of the council's improvement action plan work on financial management. At the same meeting the Executive Committee also set out a three year Strategic Budget plan for the financial years 2012/13 onwards.
59. The council still needs to demonstrate that they are able to collectively take the difficult decisions to reduce the draw on reserves to the level that will allow them to maintain the £250 million reserves target. To support members in making these decisions, it is essential that a strong budget reporting process is in place. In our 2009/10 report to members we reported that there was scope for more clarity in the financial information that is presented to members.
60. In November 2010 the council approved an improvement plan which covered a wide range of activities across the council. One of the actions on the plan is to establish rigorous processes to ensure that its use of resources is on a footing consistent with implementing and sustaining its financial strategy. A financial planning and budgeting framework report was agreed by the Executive Committee in July 2011, and this has been further developed through the October report discussed above. The council has developed a timetable to review its reserves and charging policies and has implemented Spend to Save projects. The impact of these actions will be kept under review as part of the 2011/12 audit.
61. The budget setting processes have been reviewed and changes implemented. The format of financial monitoring reports to members has also been revised and more information on budgets and the use of reserves was presented to the Executive Committee in October 2011. However, in our opinion, the clarity of these reports could be improved further. For example, the report presented to members in October monitoring the overall financial performance of the council could contain more detail to more clearly demonstrate where and why the financial pressures in the council are occurring and how the corporate savings are to be delivered to reduce the draw on reserves. It is essential that budget monitoring reporting to members continues to develop to ensure they have a complete view of the financial challenges facing the council and the options that are available.

Refer Action Plan No. 6

62. External advice has also been obtained to maintain momentum on achieving efficiencies and savings for the period 2011/12 to 2013/14 and progress on this is monitored by the corporate management team. A timetable of activity has been developed to review high level cost changes and new cost pressures.
63. A suite of national financial indicators has been developed in consultation with the CIPFA Directors of Finance working group. The indicators will assist in evaluating the council's financial sustainability and the affordability of financial plans. They also demonstrate the effectiveness of the financial management arrangements. In future years the Executive Manager - Finance should consider reporting these indicators as part of the financial statements. For 2010/11 Audit Scotland is compiling the financial indicators, and they may be published in the Local Government Overview report for 2010/11. The indicators will be issued to the council separately for consideration when they are available for all councils.

Capital investment and performance

64. In October 2010 the council approved a five year capital programme. The 2010/11 financial statements detail capital expenditure of £18 million, split between the housing programme and the general services programme. The housing programme includes areas such as new house building, external upgrading, energy efficiency and meeting the Scottish housing quality standard. The general services programme includes investments on infrastructure assets and new tugs.
65. The planned capital expenditure for 2010/11 was originally £49.4 million, but this budget was revised to £27.7 million. There was slippage of £4.9 million and a further £4.8 million of expenditure incurred was transferred to revenue to comply with the Code. The level of slippage and delay in progressing capital projects is substantial. This has been carried forward into 2011/12 and 2012/13, the capital programme for 2011/12 has also been reduced by £5 million. Whilst the level of slippage was reported to the Executive Committee in July, the implications of the slippage on individual projects and the impact on service delivery were not included in this report.

Refer Action Plan No. 7

Treasury management

66. The current economic climate means that interest rates on borrowing and investments are low. The council does not have any borrowings but, with large reserves, the main impact has been the continuing reduction of investment income from £7.8 million in 2009/10 to £3.3 million in 2010/11 (£10.8 million and £13 million in 2008/09 and 2007/08 respectively). The council sold a large number of investments during the year and realised gains of £23 million were transferred to reserves. At March 2011 the council held cash of £7.3 million.

Resource Management

Asset management

67. A new Local Housing Strategy for 2011-16 was finalised by the council during the year and this sets the key housing priorities for Shetland for the next five years. The council's aims in the strategy are to increase the housing supply to meet the high levels of demand as well as improving the condition and sustainability of houses. The strategy was developed in partnership with the Housing Strategies Steering Group which is a multi-agency group which develops, implements and monitors the council's housing strategies.
68. The assets and properties service has experienced ongoing staffing issues which have resulted in delays in a number of projects over the last three years. The council had plans to complete a review of the non-housing estate by the end of March 2008 but, due to staffing shortages, this has still not been done. An asset strategy manager was appointed in April 2011 and a draft asset strategy and action plan is due to be completed by December 2011. The timing of the review of non-housing estate will be included in the action plan.

Procurement

69. The Public Procurement Reform Programme aims to drive continuous improvement in public sector procurement. In 2009, the Scottish Government introduced an annual evidence-based assessment, the procurement capability assessment (PCA), to monitor public bodies' adoption of good purchasing practice and as a basis for sharing best practice. The AIP highlighted that the council's score in 2009 of 16% was significantly lower than the Scottish average and that actions across the organisation were required to improve this score. The council's score for 2010 had not improved from the 2009 level.
70. In 2010, the council established a new procurement section to offer support and guidance on procurement practices to officers. A procurement network was also set up to help progress procurement practices across the organisation.
71. In 2011 we performed a follow-up review of the actions taken by the council in response to the Audit Scotland report "Improving Public Sector Purchasing". At the time of our review, the council's procurement strategy had not been updated. A revised strategy was due to be approved by the end of October 2011. The council intends to use this revised strategy as the basis of an action plan for focussing on the high priority areas identified by the PCA.

Financial Regulations

72. The council's financial regulations govern the procurement of goods, work and services and there are standing orders in place covering tendering and contracts. As part of the council's improvement plan, these documents are currently being reviewed with a view to implementation before the end of the 2011/12 financial year.

People management

- 73. An interim chief executive has been in post since August 2010. He has worked with officers and elected member to drive the council's improvement plan. The plan includes the review of the council's officer structures. A review of the management structure of the council has now been completed and there are now five director posts. Four of these posts are filled but there is still a vacancy for a Director of Corporate Services. A further restructure has been done of senior manager posts with amalgamation of posts following the departure of some senior managers. The management review which was approved in 2011/12 has a target saving of 15 senior management posts equating to £1 million per annum.
- 74. A workforce efficiency strategy was developed as part of the response to the financial challenges being faced and progress on achieving it is reported to the Executive Committee. The most recent development in relation to this strategy is the implementation of an Efficiency Partnership Group (EPG). The aim of the EPG is to facilitate closer working on the major challenge of identifying efficiency saving and implementing efficiency programmes. The EPG will oversee the impact on staff of the changes and will be a sub-group of the Employee Joint Consultative Committee (EJCC).
- 75. A Vacancy Management Panel was introduced during the year to critically review the council's approach to recruitment to vacant posts. This system, alongside general budget pressures, has created a slowdown and stabilisation of overall staffing numbers and staffing costs. Reducing the council's overall staffing costs by a significant amount is a key part of the council's 2011/12 planned savings.

Outlook

2011/12 budget

- 76. The council, like all public sector organisations, faces a very challenging financial climate. Budget savings required in 2011/12 are far in excess of those needed in previous years and this requires strategic planning and the implementation of sustainable measures to balance the budget, including rigorous monitoring. As noted above, there is a risk that the council's current minimum floor level of £250 million of reserves will be breached in 2011/12. In response to these challenges the council has agreed a revised financial planning and budgeting framework. The financial reserves strategy is also to be kept under review.

Financial forecasts beyond 2011/12

- 77. Looking ahead, it is clear that the outlook for public spending for the period 2012/13 to 2014/15 remains very challenging. The recent Scottish Government's Spending Review confirms that significant budget reductions will be required in these years. The council is currently preparing a long term financial plan for 2012/13 onwards with the focus on an outcome based approach to service delivery. Continuing to deliver vital public services with a reducing budget will be a significant challenge for the council.

Refer Action Plan No. 8

Governance and accountability

78. The three fundamental principles of corporate governance – openness, integrity and accountability – apply to all audited bodies, whether their members are elected or appointed, or whether they comprise groups of people or an individual accountable officer.
79. Through its chief executive or accountable officer, each body is responsible for establishing arrangements for ensuring the proper conduct of its affairs, including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements. Audited bodies usually involve those charged with governance (including audit committees or similar groups) in monitoring these arrangements.
80. Consistent with the wider scope of public audit, auditors have a responsibility to review and report on audited bodies' corporate governance arrangements as they relate to:
 - corporate governance and systems of internal control
 - the prevention and detection of fraud and irregularity
 - standards of conduct and arrangements for the prevention and detection of corruption.

Corporate governance

81. Following our report on the 2008/09 audit, in December 2009 the Controller of Audit presented a report to the Accounts Commission under section 102(1) of the Local Government (Scotland) Act 1973. The Accounts Commission requested additional audit work to be carried out and a further report was presented by the Controller of Audit in May 2010. This was a wide-ranging report and covered issues including:
 - The recruitment, performance appraisal and negotiated settlement of the previous Chief Executive
 - The position of the Assistant Chief Executive
 - Working relationships within the council
 - Strategic leadership in the council
 - Financial management
 - Aspects of governance and accountability

The Controller of Audit's report of May 2010 concluded that the council needed to improve its governance and accountability arrangements.

82. After consideration of the Controller of Audit's reports, in June 2010 the Accounts Commission held a public hearing. The Commission reported that it found the approach to governance haphazard and recommended that the council put in place an improvement plan to ensure that:

- The council can develop the leadership, governance and strategic direction it requires.
 - There is a basis for effective working relationships among councillors and between councillors and officers.
 - All procedures for decision-making are robust and transparent and can command public confidence.
 - The council has the capacity to deliver its financial strategy.
83. In response, the interim Chief Executive presented a report to the council in September 2010 which stated that the council is currently working on "the development and implementation of a corporate improvement process" and that this "should be the primary focus of the council for the next 12 months". Council members approved the proposal from the Chief Executive to "commission specific pieces of work with input from local government colleagues who have offered their support in developing and embedding best practice".
84. Since the September 2010 report, the audit team has continued to review developments made by the council. All of the issues raised by the Accounts Commission have been included within the improvement plan, approved by the council in November 2010 and workstreams are in place to ensure objectives are achieved. Progress on the improvement plan is reported to the council's Audit and Standards Committee. The audit team is currently working with colleagues to prepare a report for the Accounts Commission on the council's progress against its improvement plan. This report is due to be presented at the December 2011 Accounts Commission meeting. To avoid duplication, with the exception of financial management, detailed discussion of the progress on the areas raised by the Accounts Commission has not been included in this report.

Processes and committees

85. Effective scrutiny is central to good governance, with a significant role for members to scrutinise performance, hold management to account and support the modernisation agenda. During the year the council's political leadership, committee structure and decision making processes were significantly revised. In May, the council introduced a committee structure around four strategic groupings: Environment and Transport; Economic Development; Social Services; and Education and Families. A refreshed policy and performance framework underpins the new governance arrangements, including a focus on service prioritisation, resource allocation, performance management and securing efficiencies.
86. The overall strategic direction, in terms of setting corporate priorities and allocating resources, rests with a new Executive Committee. The Executive Committee also has responsibility for overall financial planning arrangements, the reserves policies, budget setting and monitoring. The decision making process is supported through the Audit and Standards Committee which has a remit to oversee standards within the council.
87. As part of the annual audit process and in preparation for the 2011 report to the Accounts Commission, the audit team has attended a number of committee meetings to review the

revised structure. It is too early to judge how effective the changes have been, and the audit team will continue to attend committee meetings in 2011/12.

Internal control

- 88. While auditors concentrate on significant systems and key controls in support of the opinion on the financial statements, their wider responsibilities require them to consider the financial systems and controls of audited bodies as a whole. However, the extent of this work should also be informed by their assessment of risk and the activities of internal audit.
- 89. No material weaknesses in the accounting and internal control systems were identified during the audit which could adversely affect the ability to record, process, summarise and report financial and other relevant data so as to result in a material misstatement in the financial statements.
- 90. As part of our work, we took assurance from key controls within the council's financial systems, with the controls of three key systems being tested by internal audit. The results of our review of key controls were reported to the Audit & Standards Committee in August 2011. The identified weaknesses were taken into account in our approach to the audit of the financial statements, resulting in additional audit testing of fixed assets. Areas where key control improvements could be made have been discussed with officers and have either already been implemented or will be implemented in due course.

Risk management

- 91. In our 2008/09 and 2009/10 reports we highlighted that the council was in the process of reviewing and updating the strategic and departmental risk registers to reflect the council's priorities. Due to the restructuring in the council, this work has not been progressed across all services. Risk management across the council is now re-assigned to the new business unit team leaders, who are currently being appointed. It is important that the business unit risk registers are progressed to ensure that the council is aware of the risks that it needs to manage effectively.

Refer Action Plan No. 9

ICT

- 92. The council has maintained good progress in providing a stable information management environment. This is being achieved through the implementation of policies, guidance, standards and training to meet the council's information governance requirements. The council recognised the need to maintain an information asset register (IAR) as part of good governance and the Information Technology Infrastructure Library (ITIL) compliance project included the creation of a system catalogue which was the basis for the IAR.
- 93. The council makes good use of ICT to support and deliver services. It also recognises the need for continuing capital investment in its ICT infrastructure to ensure its continued effective operation. There is an ICT strategy in place covering the period 2007-2012 and there is an ICT infrastructure plan for the provision of corporate ICT infrastructure, education

infrastructure, corporate information security, mobile working and customer management investment.

94. ICT strategy has adopted the use of virtualisation technology to help manage information storage. This should achieve cost savings and improve operational efficiency. Currently, virtualisation technology is used for a Business Continuity/Disaster recovery (BC/DR) platform, the ICT helpdesk and the mobile telephone server. The nondomestic rates system is currently being upgraded to use the technology. When vendor support is assured and in-house knowledge is developed, the council is planning to initiate a full virtualisation project for all servers in 2013.
95. The council's business continuity planning (BCP) including the ICT plan was tested at the end of 2009. Since then, the council has implemented an ITIL service catalogue where every system/service has its business continuity arrangements reviewed at least annually.

Data handling and security

96. Data handling and security continues to receive public and media attention as a result of a number of national incidents relating to lost data. The council shares data with a number of organisations such as the Department for Work and Pensions and other government departments. Information security is now a service delivery issue where a significant failure of controls could lead to loss of stakeholder confidence, higher compliance costs due to enforcement action, withdrawal of third party services such as payment card processing and legal fees relating to civil and criminal litigation. From April 2010 the Information Commissioner's office has been using new powers to fine organisations up to £500,000 for serious data protection breaches.
97. The work carried out to maintain progress with the council's information management plans include:
- The inclusion of information risks and data sharing risks as part of the standard risk register.
 - The System Catalogue as part of ITIL includes a section to ensure data sharing information is captured and maintained when changes are made to applications processing personal data.
 - Train Shetland offers regular security training courses. ICT security is a part of staff induction training.
 - An Information Officers group has been set up to improve awareness and understanding of information management and security in each service.
98. The Audit Scotland online survey YourBusiness@Risk (YB@R) was reissued in May 2011 to help assess the effectiveness of new and upgraded policies. This was issued to around 2,000 staff and helped raise awareness of ICT security issues and policy. In general, good and improving levels of awareness were evident in a number of areas surveyed. However, the survey identified areas where more progress is required, for example the number of people finding it necessary to write down passwords had increased. In response, best practice

guidelines are being developed and will be published on the council's intranet by the end of 2011.

99. The Government Secure Extranet (GSX) is a secure network that allows public sector organisations to interact and share data privately and securely. To be allowed access to the GSX, local government authorities must be in compliance with the Code of Connection (CoCo). As part of this, GSX email has been implemented and the council has been appropriately accredited following a compliance audit in August 2011.
100. Other data security initiatives by the council include the issue of encrypted memory sticks to all councillors and other users on demand. Laptops, including members' laptops have also been encrypted where this was deemed necessary because of the sensitive nature of the data.

Shared services

101. A major challenge facing councils is the need to achieve potential cost savings through opportunities for shared IT developments. In June 2011, a report on the review of ICT in the public sector in Scotland was published. The report describes a state of fragmentation in which organisations have local plans and strategies and the prevalent model is one of "stand alone self-sufficiency". The report recommends that this is no longer affordable and organisations should commit to an era of sharing in ICT that will offer better value while still meeting the needs of individual organisations and their customers.
102. The council's ICT Service provides services to most public sector partners in Shetland e.g. the Charitable Trust, Shetland Arts, the Assessor. Plans to provide ICT services to the Shetland Recreational Trust are well advanced and will be implemented by March 2012. In addition, the ICT Service provides the ICT Helpdesk service for NHS Shetland and also acts as a BC/DR site for them.

Prevention and detection of fraud and irregularities

103. Audited bodies are responsible for establishing arrangements to prevent and detect fraud and other irregularity. Auditors review and report on these arrangements.
104. Shetland Islands Council has appropriate arrangements in place to help prevent and detect fraud, inappropriate conduct and corruption. These arrangements include: an anti-fraud and corruption policy and response plan; a whistleblowing policy; codes of conduct for elected members and staff; and defined remits for committees.

National Fraud Initiative in Scotland

105. The National Fraud Initiative (NFI) in Scotland brings together data from councils, police boards, fire and rescue boards, health bodies and other agencies, to help identify and prevent a wide range of frauds against the public sector. These include housing benefit fraud, occupational pension fraud and payroll fraud. The NFI has generated £58 million cumulatively up to the end of March 2010. If fraud or overpayments are not identified in a body, and the

NFI exercise has been undertaken properly, assurances may be taken about internal arrangements for preventing and detecting fraud.

- 106.** The 2009/10 NFI national annual report was published May 2010, which included Shetland as one of seven Scottish councils where improvement was required. The council was also criticised in our 2009/10 annual report for its level of engagement in the NFI process. In response the head of finance presented a report to the Audit and Scrutiny Committee on 27 September 2010. The council considers that it has, on the whole, delivered on the targets agreed, which were based on the milestone dates within the 2010-11 NFI handbook. The council has said that in its opinion all matches, or a reasonable sample of matches, have been investigated and reported with no intentional fraud discovered. However, the exercise highlighted a number of concessionary travel and disabled parking badges that had not been cancelled for deceased persons. The council consider that the 'Tell Us Once' project should reduce the risk of this issue arising in future. We will review the council's response to the NFI initiative as part of our ongoing audit work and the results will be included in a national report to be published in May 2012.

Standards of conduct and arrangements for the prevention/detection of bribery and corruption

- 107.** Audited bodies are responsible for ensuring that their affairs are managed in accordance with proper standards of conduct and have proper arrangements in place for implementing and monitoring compliance with standards and codes of conduct, standing orders and financial instructions. Auditors consider whether bodies have adequate arrangements in place. We have concluded that the arrangements in Shetland Islands Council are satisfactory and we are not aware of any specific issues that we need to report.

Roles and relationships

- 108.** The Scottish Government issued a revised Councillors' Code of Conduct in December 2010. The main changes included clarification of the rules on registering and declaring interests, and the new decision-making procedures for planning applications. To assist in complying with the revised procedures for registering and declaring interests, the Standards Commission recently conducted a training session in the form of a roadshow for Shetland Islands Council. The event was led by the Standards Commission's Convenor and supported by a Senior Investigating Officer from the Office of the Public Standards Commissioner for Scotland. The occasion was well attended by the council leadership and members together with the Chief Executive, the Monitoring Officer and other council lawyers and committee officers all of whom received guidance on the operation of the new code of conduct.
- 109.** Complaints alleging breaches of the Councillors' Code of Conduct are referred to the Public Standards Commissioner for Scotland who determines whether, in his view, there has been a breach. If no evidence is found, the matter is closed. However, if he concludes that there has been a breach of the Code, he reports to the Standards Commission which then decides whether to hold a hearing.

110. At the beginning of 2010/11, the council's Monitoring Officer was aware of outstanding complaints against four councillors. These complaints were investigated with the result that two of them were not upheld while the remaining two led to a report being submitted to the Standards Commission. Following a hearing, the Commission handed down a sanction of "censure" against two councillors and this was reported at a council meeting in October 2010. During 2010/11 there were three further complaints made to the Standards Commission against five councillors. All of these complaints were dismissed.

Best Value, use of resources and performance

111. Audited bodies have a specific responsibility to ensure that arrangements have been made to secure Best Value.
112. The Local Government (Scotland) Act 1973 places a duty on the auditors of local government bodies to be satisfied that proper arrangements have been made for securing Best Value and complying with responsibilities relating to community planning. Auditors of local government bodies also have a responsibility to review and report on the arrangements that audited bodies have to prepare and publish performance information in accordance with directions issued by the Accounts Commission.
113. As part of their statutory responsibilities, the Accounts Commission may procure, through Audit Scotland, examinations of the use of resources by audited bodies and publish reports or guidance. Auditors may be requested from time to time to participate in:
- a performance audit which may result in the publication of a national report
 - an examination of the implications of a particular topic or performance audit for an audited body at local level
 - a review of a body's response to national recommendations.
114. Auditors may also consider the use of resources in services or functions, where the need for this is identified through local audit risk assessments.
115. During the course of their audit appointment, auditors should also consider and report on progress made by audited bodies in implementing the recommendations arising from reviews in earlier years.

Management arrangements

Vision and strategic direction

116. The council's corporate plan was agreed in 2008 and was refreshed in 2010 for several reasons including the need to include the impact of the economic downturn and the development of the Single Outcome Agreement (SOA). The plan is divided into two main parts: Maintaining a Sustainable Economy, Society and Environment, and Organising Ourselves Better which sets out the key actions by the council to ensure the plan is delivered efficiently and effectively. The revision of the corporate plan was a positive step by the council and will help ensure that actions are planned to address current conditions. Progress on the corporate plan is reported to the council at 6-monthly intervals.
117. The Section 102 report prepared by the Controller of Audit in May 2010 stated that "the council has not demonstrated that it can set a clear strategic direction, backed by sound and

consistent decision making." Since then, the improvement plan has been developed by the council to address the concerns expressed by the Accounts Commission. As noted previously, the council's progress against the plan will be reported to the Accounts Commission in December 2011.

Performance management

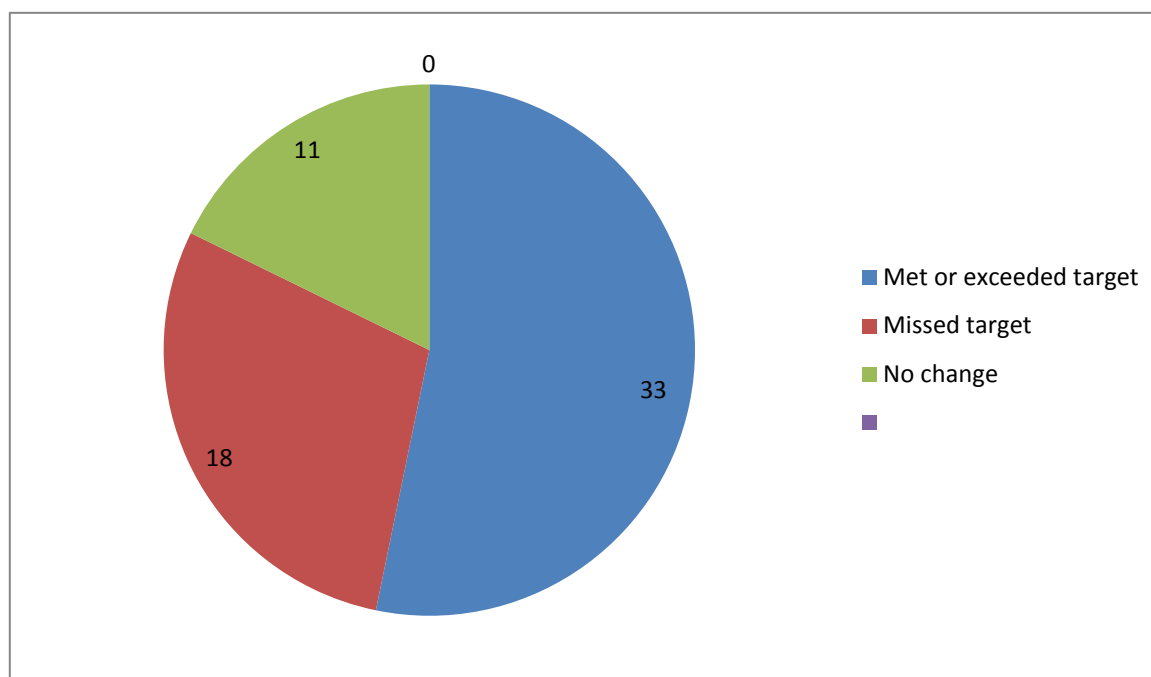
118. The council is continuing to develop its performance management system and this is a specific workstream on the council's improvement plan. The council was aiming to fully embed its Planning and Performance Management Framework (PPMF) by September 2011 but there has been some slippage and further work is still required. During the year, workshops were held to develop PPMF and its use and format was approved by the Executive Committee in July 2011. Covalent software was purchased during the year and a PPMF project team is established. More detail on the council's performance management arrangements will be included in the December progress report.

Overview of performance in 2010/11

119. In the AIP it was reported that the council continues to provide a wide range of high quality services. However, the cost in providing these services has led to the council using substantial amounts of its reserves on an annual basis. All scrutiny agencies agreed that the council is still not demonstrating that it delivers services in a way which demonstrates best value.

Statutory performance indicators

120. In 2010/11, a total of 62 Statutory Performance Indicators (SPIs) were required and these show that performance has continued to improve as illustrated in Exhibit 2 below.

Exhibit 2: Improvements demonstrated by SPIs

Source: Shetland Islands Council SPI data returns

121. Some of the improved areas in 2010/11 include:

- the levels of sickness absence recorded by teachers
- the cost of collecting council tax
- asset management - the proportion of operational buildings that are in satisfactory condition and are suitable for use
- the levels of home care delivered to clients aged over 65
- the number of attendances at sports facilities
- the average time taken to re-let housing in low demand.

122. Some of the areas which have worsened include:

- the number of planning applications dealt with in two months
- the percentage of invoices paid within two months
- the number of visits to libraries
- the percentage of homeless decision notifications which are issued within 28 days of presentation
- the cost of refuse collection per property.

National performance reports

- 123.** Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. Reports in the last year of direct interest to the council are detailed in Exhibit 3.

Exhibit 3: A selection of National performance reports 2010/11

- | | |
|---|--|
| <ul style="list-style-type: none">• The cost of public sector pensions in Scotland• How councils work: an improvement series for councillors and officers - Arms-length external organisations• Scotland's public finances: responding to the challenges• Maintaining Scotland's roads: a follow-up report | <ul style="list-style-type: none">• Physical recreation services in local government• An overview of local government in Scotland 2010• Community Health Partnerships• Improving energy efficiency: a follow-up report• Transport for health and social care |
|---|--|

Source: www.audit-scotland.gov.uk

Scotland's public finances: responding to challenges

124. This report provides an overview of the financial environment facing the public sector in Scotland and the cost pressures currently faced. It outlines what the public sector is doing to respond to current and future budget reductions, and highlights a number of key risks and issues that the public sector needs to manage in responding to the challenges. Key messages in the report include the following:

- The budget reductions affect revenue and capital expenditure differently with the capital budget taking the largest cut in percentage terms.
- Public bodies are finding it difficult to plan beyond 2011/12, as they do not have a clear view of their budgets beyond this date. The Scottish Government plans to publish detailed spending plans for 2012/13 to 2014/15 in September 2011, which should establish a framework that bodies can use for future spending plans.
- The need to reduce costs provides public bodies with an opportunity to reform and streamline public service delivery. However, in doing so, bodies must focus on long-term financial sustainability.
- Pay restraint and reducing workforce levels are the most common approaches being taken by public bodies to reduce costs over the next few years. Good workforce planning is necessary to ensure that the right people and skills are available to deliver effective public services in the future.
- Public bodies are considering how they can work better together to reduce costs. While a number of initiatives are being planned to increase working together, sharing resources and involving voluntary and private organisations, progress to date has been limited.

125. As a reflection of the economic climate, budget savings required in 2011/12 are far in excess of those needed in previous years and this requires strategic planning and the implementation of sustainable measures to balance the budget, including rigorous monitoring. As reported above, Shetland Islands Council recognise this and is now preparing for the 2012/13 budget-

setting process with the knowledge that difficult decisions will have to be made to ensure that sufficient levels of reserves are maintained for future years.

Progress against audit risks identified in the Shared Risk Assessment

- 126.** The Shared Risk Assessment (SRA) includes areas of scrutiny uncertainty, where associated audit and scrutiny activity was identified. In the Assurance and Improvement Plan (AIP) update 2011 - 14 we said that we would monitor key service developments and further evidence of performance during the annual audit process and comment within this report. The following paragraphs note the position against the areas of uncertainty identified.
- 127.** Areas of uncertainty continued to be identified in relation to the housing service in the AIP and this led to a review of risk areas by the Scottish Housing Regulator (SHR) in 2011. The SHR reported that a number of improvements had been made since their last inspection and that the council is acting to address the areas of risk identified in the 2011 AIP. The extent of the improvements will be reviewed by the LAN as part of the AIP update for 2012.
- 128.** The AIP also highlighted the following areas of risk as having significant concerns and risks:
- Vision and strategic direction
 - Governance and accountability
 - Performance management
 - Asset management & procurement
 - People management
 - Financial position.

These areas have been discussed earlier in this report and, where appropriate, risks have been included in the action plan. We will be reporting progress on several of these areas to the Accounts Commission in December 2011. Progress in these areas will be considered as part of the LAN's review of the AIP, to start soon.

Outlook

- 129.** A Best Value 2 review of Shetland Islands Council is included in the AIP for 2012/13. The timing of this review will be kept under review by the LAN as part of the AIP process. In addition, the AIP includes the following planned activity by other scrutiny bodies over the next three years including:
- Care Inspectorate – Adoption and Fostering (2012/13)
 - Care Inspectorate – Initial Scrutiny Level Assessment (ISLA) review (2011/12 to 2013/14)

Appendix A: Audit reports

External audit reports and audit opinions issued for 2010/11

Title of report or opinion	Date of issue	Date presented to Audit Committee
Annual Audit Plan – Shetland Islands Council	1 February 2011	21 February 2011
Shared Risk Assessment / Assurance and Improvement Plan	1 April 2011	2 June 2011
Review of internal controls	28 June 2011	11 August 2011
Report to those charged with governance on the 2010/11 audit	22 September 2011	27 September 2011
Audit opinion on the 2010/11 financial statements	27 September 2011	27 September 2011

Appendix B: Action plan

Key Risk Areas and Planned Management Action

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
1	10	Group Accounts The council did not include the results of the charitable trust in the group accounts and an audit qualification was reported. Risk: <i>the council's 2011/12 financial statements will not be compliant with the Code.</i>	The council is working towards resolution of the qualification for the 2012/13 accounts. The council is seeking updated legal advice. The council receives regular feedback from the trust's general manager on governance arrangements. The council's position with the trust will be reviewed if revised governance arrangements for SCT are implemented.	Chief Executive	September 2012
2	38	Financial statements The number of errors identified in the 2010/11 financial statements was unacceptable. The accounts preparation processes need to be reviewed. The finance section should be adequately resourced to ensure it has the capacity to deliver Code compliant financial statements. Risk: <i>the submission of Code compliant statements may not be</i>	Executive Manager - Finance post has been advertised, with a decision expected in November 2011. Team Leader - Accountancy Post to be filled thereafter. Post of Financial Accountant to be recruited, target date January 2012. Development work on core skills and competencies planned for October	Chief Executive (in absence of Director of Corporate Services) & Executive Manager - Finance	March 2012

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
		<i>achieved for 30 June 2012.</i>	2011. Six monthly accounts to September 2011 planned for November 2011. Critical path analysis and detailed timetable for 2011/12 accounts to be developed by December 2011.		
3	39	Replacement Section 95 Officer The Section 95 finance officer is to leave the council soon. Risk: <i>the management of the finance section and the council's ongoing budgetary position will not be effectively managed.</i>	Executive Manager - Finance post has been advertised, with a decision expected in November 2011. Suitable arrangements for hand-over and cover until appointment made are in hand.	Chief Executive	Recruitment decision November 2011
4	43	Whole of Government Accounts (WGA) Due to the council's late submission of the WGA return to the Scottish Government, the deadline of 30 September to complete the audited return was not achieved. Risk: <i>there is a risk that the council will not achieve future statutory deadlines if procedures are not improved within the finance section.</i>	Critical path analysis and detailed timetable for 2011/12 accounts to be developed by December 2011. Pro-active management of timetable and resources throughout the closedown and audit period.	Executive Manager - Finance	March 2012

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
5	45	<p>Charity accounting requirements</p> <p>Shetland Island Council was assessed in the "Below Average" category by OSCR.</p> <p>Risk: <i>the council's 2013/14 trust accounts will not be compliant with the Code.</i></p>	<p>Identification of new reporting requirements to comply with OSCR by March 2011.</p> <p>Training needs analysis and development requirements identified by March 2011.</p> <p>Incorporated into critical path analysis by September 2012 for 2013/14 accounts.</p>	Executive Manager - Finance	March 2012
6	61	<p>Budget reporting to members</p> <p>There is a need for budget monitoring reports for members to be further developed to support them making decisions on the use of resources.</p> <p>Risk: <i>financial decisions may not be made on a sound basis if members do not properly understand their implications from the management information provided.</i></p>	<p>Detailed management accounts to service committees by December 2011.</p> <p>All council decisions are to be accompanied by the overview of council's finance and the impact on financial plans and reserves of any decisions.</p> <p>Each cycle the Executive Committee to receive overview of Strategic Budget Plan, including corporate savings target delivery.</p>	Executive Manager - Finance	December 2011
7	65	<p>Capital programme</p> <p>There is substantial slippage on the capital</p>	Capital programme reprioritised in October 2010 and as	Executive Manager - Capital	Completed February 2011 with

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
		<p>programme.</p> <p>The impact on service delivery is not clear in the capital monitoring reports to members.</p> <p>Risk: <i>delays in progressing capital projects could impact on service delivery.</i></p>	<p>part of the budget reduction exercise in February 2011. This was done in consultation with affected services, to minimise adverse impact on service delivery. The result is a relatively even spend profile across the 5-year programme that takes account of resourcing and external constraints in order to minimise the likelihood of slippage in 2011/12 and beyond.</p>	Programme	ongoing review
8	77	<p>Reserves</p> <p>The overall level of reserves held for general use was £252.3 million which is close to the financial floor policy level of £250 million.</p> <p>The head of finance is forecasting that current levels of expenditure indicate that reserves will fall to £219 million by 31 March 2012.</p> <p>Risk: <i>the council's aim of reducing the draw on reserves to zero by 2012/13 will not be achieved.</i></p>	<p>Deliver on the Strategic Budget Plan and Reserves Policy Principles by March 2013.</p>	Executive Manager - Finance	March 2012

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
9	91	<p>Risk management</p> <p>The council's risk register is incomplete due to the lack of data provided by individual departments.</p> <p>Risk: <i>risks to the council may exist and uncontrolled due to the lack of a comprehensive up to date risk register.</i></p>	After the imminent appointment of new team leader positions, the risks identified in the departmental and strategic risk registers will be re-assigned across the whole council to the new business units.	Executive Manager - Governance and Law	Sign off by CMF February 2012

Finance Service: Performance and Improvement Plan

This Performance and Improvement Plan identifies the key improvement actions necessary to secure an efficient and effective Financial Services function across the Council. It includes all the recommended actions for improvement, identified by Audit Scotland and reported to Audit and Standards Committee and other Council committees.

The Plan has been categorised under the following headings:

- Strategic
- Accountancy
- Expenditure
- Revenue
- Pension Fund

Strategic Issues

Issue to Address	Planned Management Action	Responsible Officer	Target Date
Group Accounts The council did not include the results of the charitable trust in the group accounts and an audit qualification was reported.	The council is working towards resolution of the qualification for the 2012/13 accounts. The council is seeking updated legal advice. The council receives regular feedback from the trust's general manager on governance arrangements. The council's position with the trust will be reviewed if revised governance arrangements for SCT are implemented.	Chief Executive	September 2012

Appendix 3

Issue to Address	Planned Management Action	Responsible Officer	Target Date
Replacement S95 Officer The S95 finance officer is to leave the council.	Executive Manager -Finance post has been advertised, with a decision expected in November 2011. Suitable arrangements for hand-over and cover until appointment made are in hand.	Chief Executive	Recruitment decision November 2011
Adequate Resourcing of the Finance Function For some years, the Council's external auditors have reported on their concerns over the adequacy of the Finance Function Risk highlighted in the Internal Control Report from Audit Scotland, August 2011	Executive Manager – Finance post advertised for recruitment. Financial Accountant – post advertised November 2011. Recruit to Team Leader posts – awaiting appointment of Executive Manager – Finance. Training Needs Analysis – by December 2011. Training and Development Plan – ongoing on an informal basis, formalised from April 2012.	Chief Executive and Executive Manager – Finance	By January 2012
Financial / HR / Administration Review Part of the Corporate Savings identified in the Strategic Budget Plan approved in October 2011.	The project objectives is to investigate the ways in which the business systems of the Council are carried out and put in place better arrangements to secure efficiencies, safeguard good internal control procedures, avoid error and waste and resource accordingly, across all Council services.	Head of Finance	From April 2012

Appendix 3

Issue to Address	Planned Management Action	Responsible Officer	Target Date
Performance Indicators / Accounting Ratios Indicators developed nationally to test the Council's sustainability and affordability of plans.	Develop the Performance Indicators agreed at a national level and provide a systematic mechanism for reporting on the performance of Finance Services to all stakeholders, including the formal reporting requirements for the 2011/12 Accounts.	Head of Finance	From April 2012
Financial Regulations Part of the Corporate Improvement Action Plan approved in November 2010	Update current Financial Regulations for new legislation, policy direction and best practice examples from elsewhere. Clear link to the Corporate Governance Framework and the Systems of Internal Control.	Head of Finance	December 2011
Long Term Financial Planning Policy A key aspect of the Corporate Improvement Action Plan, agreed in November 2010.	Preliminary Policy Principles agreed by Executive Committee October 2011 for General / Reserve Fund / Capital Fund activity. Update long term financial planning assumptions rate of return. Review baseline assumptions (book or market value). Housing Revenue Account Business Plan developed. Harbour Account Business Plan developed.	Head of Finance	By February 2012

Appendix 3

Issue to Address	Planned Management Action	Responsible Officer	Target Date
Strategic Budgeting Aligned to the Long Term Financial Planning Policy, this is a key improvement action from the Corporate Improvement Action Plan agreed in November 2010.	Aligned to Corporate Priorities, balanced to agreed draw on reserves, robust and achievable , with services demonstrating best value. Revenue Account, by February 2012. Capital Programme, by March 2012.	Head of Finance	From April 2012
Insurance Fund Assessment of cost and impact of adjusting the self insurance level.	Develop options and levels of self insurance. Assess risks and potential costs. Undertake an actuarial review of the Insurance Fund to determine adequacy and future application.	Head of Finance and Executive Manager – Governance and Law	During 2012
Efficiency Plans Government return	Ensure that the arrangements for planning, reporting and monitoring efficiency savings across the Council are robust and linked to the overall budget process.	Head of Finance and Executive Manager – Performance and Improvement	From April 2012
Access and Authorisation Rights Risk highlighted in the Internal Control Report from Audit Scotland, August 2011	Part of Financial Regulations review, specifically: critically review the number and level of authorisation rights. Head of Finance to sign off new requests for authorisation rights. Systematic, 3 monthly review of current arrangements. Automated process for capturing new starts, changes and vacancies.	Head of Finance	By December 2011

Accountancy

Issue to Address	Planned Management Action	Responsible Officer	Target Date
<p>Financial statements</p> <p>The number of errors identified in the 2010/11 financial statements was unacceptable.</p> <p>The accounts preparation processes need to be reviewed.</p> <p>The structure of the finance department should also be reviewed to ensure it has the capacity to deliver Code compliant financial statements.</p>	<p>Executive Manager -Finance post has been advertised, with a decision expected in November 2011.</p> <p>Team Leader -Accountancy Post to be filled thereafter.</p> <p>Post of Financial Accountant to be recruited, target date January 2012. Development work on core skills and competencies planned for October 2011.</p> <p>Six monthly accounts to September 2011 planned for November 2011.</p> <p>Critical path analysis and detailed timetable for 2011/12 accounts to be developed by December 2011.</p>	Head of Finance	March 2012
<p>Whole of Government Accounts (WGA)</p> <p>Due to the council's late submission of the WGA return to the Scottish Government, the deadline of 30 September to complete the audited return was not achieved.</p>	<p>Critical path analysis and detailed timetable for 2011/12 accounts to be developed by December 2011.</p> <p>Pro-active management of timetable and resources throughout the closedown and audit period.</p>	Head of Finance	September 2012

Appendix 3

Issue to Address	Planned Management Action	Responsible Officer	Target Date
Charity accounting requirements Shetland Island Council was assessed in the "Below Average" category by OSCR.	Identification of new reporting requirements to comply with OSCR, by March 2012. Training needs analysis and training / development requirements, by March 2012. Incorporated into Critical Path Analysis by September 2012 for 2013/14 accounts.	Head of Finance	March 2012
Budget reporting There is a need for budget reporting to continue to develop to support members in making decisions on the use of resources.	Detailed Management Accounts to service committees by December 2011. All council decisions are to be accompanied by the overview of council's finance and the impact on financial plans and reserves of any decisions. Each cycle the Executive Committee to receive overview of Strategic Budget Plan, including corporate savings target delivery.	Head of Finance	December 2011
Reserves The overall level of reserves held for general use was £252.3 million which is close to the financial floor policy level of £250 million.	Deliver on the Strategic Budget Plan and Reserves Policy Principles, by March 2013.	Head of Finance	March 2012

Appendix 3

Issue to Address	Planned Management Action	Responsible Officer	Target Date
The head of finance is forecasting that current levels of expenditure indicate that reserves will fall to £219 million by 31 March 2012.			
Systems Review To undertake a review of the Financial Management Systems in use to maximise their potential in improving controls, securing efficiencies and avoiding waste.	Project Plan developed by end October 2011. Implementation / Action Plan agreed, by December 2011. Implementation from April 2012 for Integra, Seagate Reports, System Security, Budgeting, Interfaces, etc.	Service Manager – Accountancy	From April 2012
Budget Systems Development Implement the Council's policy and performance management framework in respect of the budgeting process.	Ensure budget process is fully aligned with corporate priorities, is zero based, based on service need, is focused on service outcomes, has been tested for "best value options" and compared with relevant benchmarking authorities.	Head of Finance	From April 2012
Shetland Development Trust accounts Completion and audit aligned to close down.	Ensure that the Shetland Development Trust accounts are completed in a timely manner and code compliant, for inclusion in the Council's group accounts.	Head of Finance and Director of Development	By April 2012

Appendix 3

Issue to Address	Planned Management Action	Responsible Officer	Target Date
Capital Accounting System Risk highlighted in the Internal Control Report from Audit Scotland, August 2011	Revised Procedures and annual plan. Training and skills development. Computerised year end entries.	Head of Finance	Complete.

Expenditure

Issue to Address	Planned Management Action	Responsible Officer	Target Date
Systems Review To undertake a review of the Financial Management Systems in use to maximise their potential in improving controls, securing efficiencies and avoiding waste.	Project Plan developed by end October 2011. Implementation / Action Plan agreed, by December 2011. Implementation from April 2012 for CHRIS upgrades and modules, including timesheets, expenses, requisitioning, etc.	Service Manager - Expenditure	From April 2012
To undertake a review of the Financial Management Systems in use to maximise their potential in improving controls, securing efficiencies and avoiding waste.	Project Plan developed by end October 2011. Implementation / Action Plan agreed, by December 2011. Implementation from April 2012 for Integra, Purchase Ordering and Purchase Ledger.		

Appendix 3

Issue to Address	Planned Management Action	Responsible Officer	Target Date
Payroll Documentation Risk highlighted in the Internal Control Report from Audit Scotland, August 2011	Part of the Financial/ HR / Administration Review to ensure robust processes, integrity of the data, appropriate authorisation.	All Directors, Executive Manager – Human Resources for Service Manager – Expenditure	By March 2012

Revenues

Issue to Address	Planned Management Action	Responsible Officer	Target Date
Systems Review To undertake a review of the Financial Management Systems in use to maximise their potential in improving controls, securing efficiencies and avoiding waste.	Project Plan developed by end October 2011. Implementation / Action Plan agreed, by December 2011. Implementation from April 2012 for sales ledger.	Revenue Services Manager	From April 2012
Welfare Benefits Reform New legislation	Proactively manage the service choices and resources required to respond to new legislation on Welfare Benefits Reform.	Revenue Services Manager	Ongoing

Pension Fund

Issue to Address	Planned Management Action	Responsible Officer	Target Date
AXISe – Member Data Inaccurate or out of date information - risk highlighted in Review of Internal Controls, August 2011.	Independently checked at year end.	Team Leader – Expenditure	Complete
Pension Fund Investments Compliance with legislation – risk highlighted in Review of Internal Controls, August 2011.	Investments now in unitised products, removing the risk of non-compliance with legislation.	Head of Finance	Complete.
Statement of Investment Principles Compliance with legislation – risk highlighted in Review of Internal Controls, August 2011.	Statement of Investment Principles to be reviewed.	Treasury Accountant	March 2012
Governance Arrangements Risk of inadequate governance arrangements – highlighted in Review of Internal Controls August 2011.	Assessment of current practice with SPPA guidance Circulate SPN/LG No 3/2011. Draft the Governance and Compliance Statement. Develop Action Plan for any areas of non-compliance with guidance. Report to Pension Fund Management Committee.	Head of Finance	September 2011, Complete

Appendix 3

Issue to Address	Planned Management Action	Responsible Officer	Target Date
Governance Compliance Statement Action Plan agreed September 2011.	Consider the representation arrangements generally for the consultative committee and specifically for deferred members.	Executive Manager – Finance	From May 2012
Governance Compliance Statement Action Plan agreed September 2011.	Formalise the skills and competency framework for panel/committee members involved in the Pension Fund, undertake training needs assessment and formalise training arrangements including where necessary mandatory training to fulfil the role.	Chief Executive, Executive Managers – Governance and Law and Finance	From May 2012
Governance Compliance Statement Action Plan agreed September 2011.	Regular financial and performance reporting established through the new decision making structure.	Executive Manager – Finance	From May 2012
Governance Compliance Statement Action Plan agreed September 2011.	Investment Strategy and objectives reviewed in light of recent and predicted equity / bond performance.	Treasury Accountant	December 2011
Governance Compliance Statement Action Plan agreed September 2011.	Communication and consultation arrangements enhanced through web-site and newsletters.	Executive Manager - Finance	From May 2012
Systems Development Shared procurement opportunity, approved September 2011.	Implement new system for Pensions Administration through collaborative tender process.	Service Manager – Expenditure	Ongoing

Appendix 3

Issue to Address	Planned Management Action	Responsible Officer	Target Date
The Pensions Regulator Reforms Pensions Auto Enrolment.	Proactively manage the service choices and resources required to respond to new legislation.	Service Manager - Expenditure	Ongoing

**Executive Committee****28 November 2011****Strategic Budget Plan: Developing the Asset Investment Plan**

F-045-F

Head of Finance**Executive Services****1.0 Summary**

- 1.1 The purpose of this report is to establish the framework for developing the Asset Investment Plan, following the approval of the preliminary Reserves Policy and the Strategic Budget Plan.

2.0 Decision Required

- 2.1 The Executive Committee is asked to recommend to the Council approval of the framework for developing the Asset Investment Plan, as follows:
- (a) agree to apply capital government grants received to enhance the value of the 5 year programme; and
 - (b) agree to apply, in the first instance, any capital receipts generated from the Asset Strategy on disposal to reduce the ongoing running costs of the North Ness Office accommodation;
 - (c) agree to assess each of the uncommitted capital projects against the strategic agendas and financial policy framework set out in the Strategic Budget Plan, as summarised in the prioritisation system at Appendix 1;
 - (d) investigate the potential for resources to be applied to Spend to Save schemes, to secure ongoing revenue savings

3.0 Detail

- 3.1 The Council's Capital Programme will be referred to as the Asset Investment Plan.
- 3.2 On 3 November 2011, the Council approved a preliminary Reserves Policy to guide the 2012/13 and beyond budgets. In relation to capital, the Council agreed:

- the draw on the Capital fund for the 5 year Capital Programme be set at £28M;
 - the Council remains debt free for general capital investments; and
 - separate consideration be given to the significant capital investment projects, the new Anderson High School and the Fixed Links/Transport Links Projects.
- 3.3 The Council receives capital grants from the Scottish Government, currently at £5.1m. The Council can use the grants, to add to the overall value of the capital programme. In light of the direct impact of cuts to the capital programme on the local economy, it is proposed to apply any capital grants received in full.
- 3.4 From time to time, the Council can secure capital receipts from the sale of assets. Initially, any receipts generated need to be applied to reduce the ongoing revenue costs of the new North Ness office accommodation.
- 3.5 The Rolling Programmes have been categorised as either Capital or Revenue, in line with accounting regulations. The Asset Investment Plan will consist only of named schemes, assessed through the Gateway process.
- 3.6 The Asset Investment Plan will be an integral part of the Planning and Performance Management framework. It is the mechanism by which the Council can resource the key priorities, as described in the various strategic documents. There are specific links to:
- the Asset Strategy
 - the Infrastructure/Roads plans;
 - the vessel Replacement programme; and
 - the plant, vehicles and equipment Replacement programmes
- 3.7 Table 1 below sets out the summary of available Resources for the 5 year Programme from 2012/13 to 2016/17.

Table 1: Summary of Financial Resources

	Item	£m
	Draw on Capital fund	28.0
<u>Add</u>	Applied Capital Grants (est)	28.9
<u>Add</u>	Applied Capital Receipts	<u>0.0</u>
	Gross Available Resources	56.9
<u>Less</u>	Contractually Committed Projects	<u>(3.7)</u>
	Net Available Resources	<u>53.2</u>

- 3.8 In order to maintain existing services, facilities and infrastructure, the Council has to ensure that it maintains and replaces its existing assets to ensure they remain fit for purpose. The categories are:
- Vessels
 - Roads and Infrastructure
 - Burial Grounds
 - Vehicles and Plant
 - ICT equipment
- 3.9 The estimated current value of maintaining existing assets is set out in Table 2 below, as a percentage of the total value of the Council's assets and with an indication of the replacement cycles.

Table 2: Maintain Existing Assets

<u>Programme</u>	5 Year Estimate £m
Vessels/Terminals	10
Roads/Infrastructure/Vehicles & Plant	16
Burial Grounds	1
ICT Equipment	4
Estimated 5 year Total	<u>31</u>

- 3.10 The projects, as mentioned, will be separately identified in future. However, the table provides an indication of the potential capital investment required to maintain existing assets. Relating that to Table 1 above, this could reduce the available resources for other schemes by a considerable amount, as follows:

	£m
Net Available Resources (Table 1)	53
<u>Less</u> Estimate to maintain Existing Assets	(31)
Resources Available for Specific Projects	<u>22</u>

- 3.11 Moving to how the Council might wish to prioritise which projects are the ones which should form part of the new Asset Investment Plan, there are four scenarios which could be considered:
- The Status Quo
 - Unfunded Corporate Priorities
 - Strategic Budget Plan
 - Spend to Save

- 3.12 The Status Quo scenario would deliver on the projects already approved through decisions of this, and previous, Councils. There are two specific difficulties with this approach. Firstly, the projects have been developed prior to the approval of the Strategic Budget Plan, so some may involve growth, enhanced services and increased running costs. Also there are some significant capital projects, which remain unfunded, such as:
- The new Anderson High School
 - The Fixed Links/Transport Links Plans
 - Affordable Housing; and
 - Broadband
- 3.13 At the moment, the cost of the new Anderson High School project and the Fixed Link/Transport Link projects are significantly in excess, on their own, of the total available funding estimated at £22m over the 5 year period. Realistically, these projects can only proceed where:
- A Spend to Save proposal can be demonstrated; and
 - Significant external grant funding can be secured.
- 3.14 A small level of investment could be made available for affordable housing and broadband, if Members are so minded, if reductions can be made on other projects.
- 3.15 If the Council moved to align the new Asset Investment Plan with the Strategic Budget Plan, the projects put forward would not need to incur additional running costs and indeed, would be expected to contribute to ongoing revenue savings.
- 3.16 The next natural step would be to focus a significant proportion of available capital on Spend to Save projects, to assist in getting the revenue account back into balance.
- 3.17 In determining the right mix of projects, Members will need to consider the balance between maintaining existing assets, delivering on current projects, funding corporate priorities and promoting Spend to Save schemes.
- 3.18 A prioritisation system has been developed to assist the Council to make choices over which projects should be funded. This is included at Appendix 1 and is drawn from the Strategic Budget Plan.

4.0 Implications

Strategic

- 4.1 Delivery On Corporate Priorities – The Council's overall financial policy framework is a key mechanism for delivering the Council's corporate objectives, as described in the Community Plan, the Corporate Plan and other strategic documents.
- 4.2 Community /Stakeholder Issues – None

4.3 Policy And/Or Delegated Authority – The Executive Committee’s remit is to advise the Council in the development of its strategic objectives, policies and priorities, including financial matters. Approval of the financial strategy and budget framework is a matter reserved by the Council.

4.4 Risk Management – None

4.5 Equalities, Health And Human Rights – None

4.6 Environmental – None

Resources

4.7 Financial – none; the decisions of this Report will inform the future level of capital and revenue expenditure.

4.8 Legal – None

4.9 Human Resources – None

4.10 Assets And Property – None

5.0 Conclusions

5.1 As a result of the approval of the Strategic Budget Plan, there is a need to refine the Council’s Asset Investment Plan. The amount of available funding is significantly less than previously approved. There is a need to better align the Asset Investment Programme with the Council’s Policy and Performance Management framework, so that the resources are applied to the Council’s stated corporate objectives. The current programme needs to be reset to appropriately balance corporate priorities, maintaining existing assets, current projects and Spend to Save schemes. A detailed assessment of the current plan will be undertaken, to assist Members with determining the relative priority of each category of projects.

For further information please contact:

Hazel Sutherland, Head of Finance

Telephone: 01595 744607

E-mail: hazel.Sutherland@shetland.gov.uk

16 November 2011

List of Appendices

Appendix 1: Prioritisation System

Background documents:

Strategic Budget Plan

<http://www.shetland.gov.uk/coins/viewDoc.asp?c=e%97%9Dc%90n%7E%90>

Reserves Policy

<http://www.shetland.gov.uk/coins/viewDoc.asp?c=e%97%9Dc%90n%7E%8F>

END

Project Prioritisation System

- Project must not represent growth in service or increased level of provision
- Capital spend must not result in increased revenue costs and, ideally, it should result in reduced revenue costs
- All service delivery options must have been considered and the financial implications impartially presented
- Project must predominantly represent true capital spend – any integrated maintenance work must be clearly identified
- Project must be in line with the Council's Strategic Budget Plan
- Funding for the project must be clearly identified, including an evaluation of external funding options
- Project must be specifically referred to in a Service Plan or the Corporate Plan
- Proposals must refer to individual schemes – not to funding that would be applied to a programme of work

**Executive Committee****28 November 2011****Housing Revenue Account: Business Plan**

F-046-F

**Joint Report by Executive Manager – Housing
and the Head of Finance****Housing and Finance****1.0 Summary**

- 1.1 The purpose of this report is two-fold. It makes recommendations for some principles for preparation of the estimates on the Housing Revenue Account (HRA), following an external Business Plan Review. It also sets out the Council's case on responding to the consultation on the proposed abolition of Housing Support Grant (HSG), from April 2013.

2.0 Decision Required

- 2.1 The Executive Committee is asked to recommend to the Council to:-
- (a) agree the key findings from the Business Plan Review and note that the actions will be taken forward through the Housing and Finance Service Plans;
 - (b) agree that the Housing Revenue Account cannot at the moment, afford any new build proposals beyond the 30 units currently committed;
 - (c) develop the Housing Revenue Account estimates from an affordable rents for existing tenants perspective (CPI plus 0.5%);
 - (d) agree that the Housing Repair and Renewal fund will be used to generate income towards the maintenance programme for existing stock; and
 - (e) respond to the Scottish Government consultation on the abolition of Housing Support Grant by 2013 based on the following principles:-
 - (i) to challenge the Scottish Government's assertion that withdrawal of Housing Support Grant would have no significant impact on Shetland Islands council tenants; and
 - (ii) agree in principle to the abolition of Housing Support Grant from 2013, subject to appropriate one-off or transitional arrangements being put in place to secure the long term sustainability of the Housing Revenue Account

3.0 Detail

- 3.1 An external adviser was commissioned to undertake a fundamental review of the Council's Housing Revenue Account. The Council's situation is unique, in terms of the level of debt carried on the number of housing stock and in terms of the payment of Housing Support Grant.
- 3.2 The overall brief was to model the long term sustainability of the Housing Revenue Account over a 30 year timeframe. The key considerations for modelling various scenarios included: -
- Housing Support Grant
 - Capital Programme levels of spend
 - Housing Debt
 - Rents
 - New build programme
- 3.3 The major assumptions used in the model are:
- Housing Support Grant – continuing at present levels – c. £1m p.a.
 - Rents – current and increasing @ RPI + 0.5% p.a.
 - RPI – 2.5% for 30 years
 - Rent Loss – General Needs @ 1.8% - Sheltered @ 5%
 - Housing Stock Loss – 11/12 @ 20 & 15 p.a. thereafter
 - Gross RTB Proceeds - £50k p.u. increasing @ RPI
 - Expenditure/Recharges – as at present increasing @ RPI + 0.5%
 - R & R Fund (£10.5m) – investment income of c. £0.5m p.a.
 - Capital Programme – per current 5 year programme to 2014/15 then £2.5m p.a. thereafter – subject to reduction in stock numbers
 - Maintenance – as at present increasing @ RPI + 0.5%
 - Housing Debt - £40.5m repayable over 40 years
 - New Build – 30 units
- 3.4 The key findings and conclusions from the review are:
- the Housing Revenue Account cannot afford to fund a new build programme without additional grants and increased rents;
 - the Housing Revenue Account is reliant on Housing Support Grant for the viability of the fund;
 - the Housing Revenue Account is dependent on income from the Housing Repairs and Renewals fund for a sustainable position; and
 - a more formal Rents Policy should be developed, in consultation with tenants.
- 3.5 A complete list of the outcome of the review is included below:
- the Shetland HRA is peculiar to that of other landlord Local Authorities
 - a continuation of HSG at current levels is fundamental to maintain the current viability profile of the HRA

- an advancement of future HSG monies to improve both short-term and long-term viability would likely be beneficial to both Scottish Government and the Council
 - the Repair and Renewal Fund – the basis of this fund moving forward needs to be reviewed to take account of the current environment in which the HRA is operating. A more strategic approach is needed with regard to the use of this fund in the future
 - new Build Council housing is at very best marginal given current rents/build costs/grant availability and a mix of additional grant/capital and increased rents is likely to be necessary to continue the current programme beyond 30 units
 - the Council should continue to develop its emerging relationships with Hjaltsland Housing Association and the private sector to seek to maximise the opportunities available on Shetland for more mixed tenure new build housing
 - Housing Debt – internal arrangements between the Council and its HRA need to be placed on a formal long-term footing based on the modelling assumptions
 - the Council needs to move to more formal HRA business planning process and engage appropriately with Members, Officers and Tenants
 - financial modelling skills and the model itself would benefit from being upgraded to take account of the improvement that has been identified in this consultancy work as needing to be achieved in the short-term
 - Rents – a formal review of rents (in consultation with tenants) would be welcomed to bring transparency and simplicity to future rent charging. The Council should then adopt a longer term view to charging rents by consulting and then adopting a longer-term rent policy
 - updated stock condition survey information is needed to bring confidence to the HRA business planning process and to help inform the future capital programme based on the Council's aspirations as a Landlord and the needs of Tenants.
- 3.6 The Scottish Government has issued a consultation on the abolition of Housing Support Grant, by 2013. The proposals are included at Appendix 1, which poses the question, "Do you agree that Housing Support Grant should be abolished from April 2013 onwards?"
- 3.7 Members will note that the Business Plan Review highlighted the reliance of the Housing Revenue Account on Housing Support Grant for its long-term viability. In responding to the consultation papers, Members are asked to only agree in principle to the abolition so long as appropriate one-off or transitional arrangements are put in place with the Scottish Government to secure the long-term viability of the fund.

4.0 Implications

Strategic

- 4.1 Delivery On Corporate Priorities – the Council has a commitment to increase the supply of housing units, through the Local Housing Strategy. Alternative funding models will need to be explored to fulfil that objective, beyond the resources available to the Housing Revenue Account.

- 4.2 Community /Stakeholder Issues – the Housing (Scotland) Act 2001 places a duty on the Council to consult with tenants on any proposal by the Council concerning ‘its policy in relation to housing management, repairs or maintenance where the proposal, if implemented, is likely significantly to affect the tenant’. The Council is also specifically required by the 2001 Act to consult on rent setting and charging proposals.
- 4.3 Policy And/Or Delegated Authority – the Executive Committee’s remit is to advise the Council in the development of its strategic financial policies. Approval of the financial strategy and budget framework is a matter reserved by the Council. The service aspect of the Business Plan Review will be taken forward through the Social Services Committee.
- 4.4 Risk Management – failure to secure a sustainable Housing Revenue Account may place the Council in a position of being unable to balance the account in future.
- 4.5 Equalities, Health And Human Rights – none.
- 4.6 Environmental – none.

Resources

- 4.7 Financial – the decision in this report form the basis of preparing the capital and revenue budgets on the Housing Revenue Account, which will be presented for formal approval in February 2012.
- 4.8 Legal – none.
- 4.9 Human Resources - none.
- 4.10 Assets And Property - none.

5.0 Conclusions

- 5.1 The Council’s Housing Revenue Account has a unique and complex set of challenges. It carries a significant amount of historic debt, for previous construction programmes and for the residual debt on properties sold under the Right to Buy Scheme. The Housing Revenue Account is reliant on special sources of funding to balance every year – from the Housing Support Grant currently paid by the Government and from an internal fund – the Housing Repairs and Renewals fund. Rent levels in Shetland are set at the high end of the national scale. The Council has ambitions to increase the supply of affordable housing, as identified in the Local Housing Strategy. Various mechanisms are being developed to find innovative solutions to increase the supply of houses overall, through partnership work with other public sector agencies and the private sector. New schemes have been developed aimed at individuals and families to encourage people to find ways to secure affordable housing for themselves. There are obligations under homelessness legislation to meet. The assessment undertaken by the external adviser confirms that the Housing Revenue Account cannot afford to contribute to a new build programme, without additional grants

or rent increases. The Council will, therefore, need to address the issue of funding for affordable housing from other sources, if it wishes to make affordable housing a priority in the overall Capital Programme Review. There is a significant threat to the viability of the Housing Revenue Account from the proposed abolition of Housing Support Grant and it is important that the Council negotiates an appropriate solution as compensation for the removal of this annual grant.

For further information please contact:

Anita Jamieson, Executive Manager – Housing

Telephone number: 01595 744363

e-mail address: anita.jamieson@shetland.gov.uk

Hazel Sutherland, Head of Finance

telephone number: 01595 744607

e-mail address: hazel.Sutherland@shetland.gov.uk

16 November 2011

List of Appendices

Appendix 1: Scottish Government Consultation on Abolition of Housing Support Grant.

Background documents:

None.

END

The Scottish Government

Council Tax on Long-Term Empty Properties and the Housing Support Grant – Consultation on Proposals for Legislation

Section 2 - the Housing Support Grant

Introduction

The second area we would like to consult on is the abolition of Housing Support Grant (HSG) from April 2013. HSG originated (as a separate housing subsidy) in the Housing (Financial Provisions) (Scotland) Act 1978 and was modified in the Housing (Scotland) Act 1987. The grant is payable when a local authority cannot balance its council housing account (referred to as the Housing Revenue Account or HRA) by either putting rents up or cutting management and maintenance expenditure on its housing stock or both.

This imbalance has usually occurred in the past when HRAs have taken on too much debt over too short a space of time for the accounts to adjust properly [12]. Such a debt situation actually developed in the 1960s and 1970s when a number of Scottish councils built extensive council housing estates consisting of thousands, or even tens of thousands, of properties often on the periphery of towns and cities in Scotland. HSG gradually rose and then exceeded £200m per year in the early 1980s as a result of a significant number of authorities across Scotland claiming very large amounts (tens of millions of pounds per year in some cases), such was the scale of the housing debt problem. It is therefore a grant that was designed to operate when the council housing picture, and indeed the entire housing market picture in Scotland, was very different to the one we see today.

Current position

The Grant is currently payable to one local authority in Scotland (Shetland Islands Council), largely for historical reasons. It has fallen away (or not re-occurred) in mainland Scotland year after year for various reasons (Central Government debt reduction measures, stock transfer, prudential borrowing by Local Government) and is now less than £1 million/year. This is still a significant sum in the Shetland Islands as there are only around 1,800 properties, but the Grant makes up about 15% of total council house income. The level of HSG paid to the Council is already decreasing and discussions are ongoing with Shetland Islands Council as to how their HRA can adjust to a removal of HSG.

Councils in the rest of the UK receive no HRA subsidy from the Government, although some have, for more than 20 years, been recipients of HRA subsidy from other councils. This system is about to end due to the reform of the HRA system in England and Wales. From April 2012, the UK Parliament will abolish the subsidy system and replace it with a system of self-standing HRAs in England, much as we have in Scotland. This effectively means that all councils in the UK that continue to own Council housing will have to ensure that the housing service is financially independent by making sure that their debt interest and other costs are all met from income from the Council's homes (mainly from rents, but also potentially sales of land or homes).

Overview of what the Scottish Government is proposing

The Scottish Government is proposing to abolish HSG as, apart from the historical legacy in Shetland which is fading over time, it has no role (and should have no role) in the council housing finance system. The arrangements for local authority borrowing, more technically referred to as the prudential regime, place the responsibility for ensuring that levels of borrowing and debt are prudent and financially sustainable in the hands of the local authorities themselves. Under such a financial regime, HSG creates a perverse incentive for local authorities to borrow more money for housing. It is

conceivable that the extra costs of paying interest on debt from this borrowing could be claimed under HSG.

While the Scottish Government is committed to assisting councils with financial capacity to build new council housing by providing limited subsidy to help unlock prudential borrowing capacity, the Scottish Government believes that the solution to housing shortages in a modern economy is not to recreate the housing policies (and the associated debts) of the 1960s and 1970s. Today people can, and should, be able to choose between different housing tenures according to their preferences and the resources they have available to them. These proposals on HSG will not affect the Hostels Grant.

The costs of implementing the abolition of HSG

HSG does not currently impact on any Scottish local authorities other than Shetland. Its abolition should not impose any direct administrative costs on them. Shetland Islands Council would, as things stand today, lose a dwindling stream of revenue which currently stands at under £1 million per year. Given that the grant is in decline and this transition period will be the subject of ongoing discussions with Shetland Islands Council, the decision to abolish HSG in April 2013 still leaves over two years to manage that process. There may be a small administrative gain associated with the Shetland Islands Council not having to claim for the grant, but this may be offset by the one-off administrative indirect adjustment to budgets that would be required without (the dwindling level of) HSG.

What will Scottish council housing finance look like following abolition of HSG?

Given the limited significance of the HSG at national level and its decreasing projected level (HSG accounted for 0.1% of total HRA rental income in 2010-11 and benefits 0.6% of council tenants in Scotland), the aggregate financial landscape for Scottish council housing will look very similar without HSG as it would with it. Going forward, Scottish Government would prefer to use the resources it has to subsidise new build council housing rather than to pay the interest costs on historic debt, which is effectively the role of HSG.

What will be the impact of the abolition of HSG on council tenants?

Given the grant is restricted to one council, there should not be any impact on tenants in Council areas other than Shetland. The effect on tenants in Shetland will depend on how the Council chooses to manage its housing debt levels (the amount of HSG required would be likely to be very modest in 2013 anyway). We do not believe that withdrawing the HSG in 2013 should have a significant negative impact on Shetland Islands Council tenants, although the potential impact of this will be discussed in more detail with the Council over the coming months.

The abolition would remove the potential for the Scottish Government to be required to provide any future subsidy for Councils' housing budgets if at some point a local authority returned to levels of debt that would be regarded (under most definitions) as not being prudent. This should be a situation which local authorities seek to avoid, and should be encouraged to avoid. However, as set out above, authorities should not be given a perverse incentive to enter into excessive borrowing through the continuing availability of the HSG. For these reasons, Scottish Government believes that, ultimately, the abolition of HSG will prove to be a positive thing for Council tenants. It will help ensure across the 26 authorities that run a council housing service that their landlord operates the housing budget with a proper degree of financial discipline and with a view to (sustainably) developing additional new housing.

Consultation Questions***Question on the Housing Support Grant***

10. Do you agree that Housing Support Grant should be abolished from April 2013 onwards?

**Shetland Islands Council****7 December 2011****Small Trusts Annual Report and Accounts to 31 March 2011: Zetland Educational Trust, Gilbertson Trust and Samuel Mulla Bequest**

F-048-F

Report Presented by Head of Finance**Finance Service****1.0 Summary**

- 1.1 The purpose of this report is to present for approval the Annual Report and Accounts to 31 March 2011 for the three small trusts administered by Shetland Islands Council.

2.0 Decision Required

- 2.1 The Council is asked to APPROVE:

- a) the Annual Report and Accounts for the Zetland Educational Trust for 2010/11;
- b) the Annual Report and Accounts for the Gilbertson Trust for 2010/11; and
- c) the Annual Report and Accounts for the Samuel Mulla Bequest for 2010/11.

3.0 Detail

- 3.1 The Office of the Charities Regulator (OSCR) requires the Council to produce and submit within 9 months of the end of the financial year the Accounts and an Annual Report for all charities which it administers. The Charities are:

- The Zetland Educational Trust (Appendix 1)
- The Gilbertson Trust (Appendix 2)
- The Samuel Mulla Bequest (Appendix 3)

- 3.2 The Accounts have been prepared by staff in Finance Services, on the basis of the 2005 Statement of Recommended Practice (SORP), May 2008 Accounting and Reporting by Charities.
- 3.3 The Accounts have been checked as accurate by an independent person. There is no requirement for a full audit of the accounts.
- 3.4 The concerns raised by Audit Scotland have been addressed in full in the Accounts and Annual Reports attached as appendices 1 to 3 to this report.

4.0 Implications

Strategic

- 4.1 Delivery On Corporate Priorities – NONE.
- 4.2 Community /Stakeholder Issues – NONE.
- 4.3 Policy And/Or Delegated Authority – The Council is receiving the Annual Report and Accounts of the charities which it administers as Trustor. This matter is not delegated to any committee.
- 4.4 Risk Management – NONE.
- 4.5 Equalities, Health And Human Rights – NONE.
- 4.6 Environmental – NONE.

Resources

- 4.7 Financial – NONE.
- 4.8 Legal – NONE.
- 4.9 Human Resources – NONE.
- 4.10 Assets And Property – NONE.

5.0 Conclusions

- 5.1 The Council is required to prepare and submit to OSCR the Annual Report and Accounts in respect of the charities which it administers, within nine months of the end of the financial year.

For further information please contact:

Hazel Sutherland

Head of Finance

Email: hazel.sutherland@shetland.gov.uk

Telephone: 01595 74 4607

1 December 2011

List of Appendices

Appendix 1: Zetland Educational Trust Annual Report and Accounts 2010/11

Appendix 2: Gilbertson Trust Annual Report and Accounts 2010/11

Appendix 3: Samuel Mulla Bequest Annual Report and Accounts 2010/11

Background documents:

Scottish Charity Accounts – An updated guide to the 2006 Regulations

http://www.oscr.org.uk/media/277541/scottish_charity_accounts_updated_guide_full.pdf

END

Zetland Educational Trust Schemes 1961 to 1965

Scottish Charity No SC001146

Annual Report & Financial Statements

For the Year Ended 31 March 2011

Trustees' Annual Report For the Year Ended 31 March 2011

The trustees have pleasure in presenting their report together with the financial statements and the independent examiner's report for the year ended 31 March 2011.

Reference & Administration Information

Charity Name - Zetland Educational Trust Schemes 1961 to 1965 known as Zetland Educational Trust and sometimes referred to as ZET.

Charity No – SC001146

Address – Montfield, 28 Burgh Road Lerwick Shetland, ZE1 0TY

Current Trustees
Shetland Islands Council

Structure Governance & Management

Constitution

The Zetland Educational Trust, as currently constituted, was formed in 1961 (and amended in 1965) by the amalgamation of a number of bequests.

Trustees

The trustee is Shetland Islands Council, the local authority for the Shetland Islands area.

Management

The elected members are responsible for any major decisions relating to the Trust.

Authority to award grants has been delegated to the education service. The nominated officer for 2010/11 was the Head of Schools.

The Head of Schools had the power to authorise expenditure within the limits of the income of the Trust. Nominated staff within the Schools Service are then responsible for the day-to-day administration of the funds.

As a result of a management restructuring exercise, responsibility for the administration of the Zetland Educational Trust will transfer to the Executive Manager – Quality Improvement, with effect from September 2011.

Objectives & Activities

Charitable purposes

The purpose of the Trust is educational in nature, to enhance the educational benefit of people belonging to Shetland.

The Zetland Educational Trust comprises of a number of endowments as specified in the Zetland Educational Trust schemes 1961 and 1965, which are vested in Shetland

Islands Council as the governing body and statutory successors to the County Council for the County of Zetland.

The Zetland Educational Trust will not generally cover activities where alternative sources of funding are available.

The Zetland Educational Trust will only provide a grant of 75% of total project costs unless under exceptional circumstances, the remainder of project costs to be met by fundraising activities or in-kind support. The Trust will not give funds retrospectively.

The Trust aims to support a wide range of beneficiaries with smaller sums (e.g. £200-£2000) of money that will allow projects to happen that wouldn't otherwise be able to happen. The Trust will also consider larger projects where it is thought the overall educational benefits would make a real difference to the enhancement of education in Shetland. The amount of monies available through the ZET will vary year on year depending on interest generated on funds held. Projects that are considered to be innovative and make creative use of resources as well as being new will be viewed favourably. All applications are expected to be of a certain quality and will be judged by the ZET management group on their own merit. The final decision rests with the Head of Schools.

The Trust will fund projects that fall under the following headings:

Educational Excursions

The Trust may provide assistance to meet the costs of organised educational excursions for the benefit of pupils attending school centres in Shetland. Suitable excursions may include visits to places of historical interest, museums, art galleries, zoological gardens, workshops, exhibitions, and any other places and also attendance at lectures, concerts, performances and displays. The pupils and young persons should derive some educational benefit from attending the excursion.

Special Equipment

The Trust may fund improving education by providing or assisting to provide special equipment which is in addition to what the local authority may reasonably be expected to supply.

Promotion of Ability and Skill in Swimming

The Trust may spend money for the promotion and encouragement of swimming among pupils in Shetland by organised instruction, meeting travelling and other expenses of teams, paying fees, travelling expenses and personal expenses of instructors and other methods as appear appropriate.

Promotion of Knowledge of Shetland

The Trust may spend money in promoting a knowledge of Shetland, its character, its skills and its arts among persons being educated in Shetland by, for example, assisting to establish and maintain a museum at a suitable centre in Shetland, assisting to meet the costs of making films designed to develop the knowledge of Shetland and any other methods as appear appropriate.

Educational Experiments and Research

The Trust may spend money providing assistance to bodies and persons approved by them to undertake educational experiments and research, including archaeological research which, in the opinion of the Trust, will be for the educational benefit of persons in Shetland.

Application Process

Applications are invited on an annual basis from individuals, schools and other educational organisations operating in Shetland.

Monitoring Process

A project evaluation form is completed by those receiving an award, giving a summary of how the money was spent and how the award benefited the school/group/etc. Any funding not utilised as specified is repaid.

Achievements & Performance

During the year ten bursaries were disbursed to university students to support their studies. These are issued in the name of the original donors E. & M. Gair and Arthur Anderson. There are currently six and four recipients respectively with payments in the year totalling £2,000.

The Trust also provides grants for projects of a general educational nature, in line with the objectives set out above. In 2010/11 this totalled £10,462. Among the projects supported was a 'Science and Outdoor Garden' at a day care nursery and 'Developing Debating Skills' by a junior high school.

A breakdown of the total expenditure on grants and donations of £12,462 is shown at Note 4.

Financial review

The Trust holds assets of £648,775, at 31 March 2011.

In the year, the Trust earned £14,461 from bank investments and spent £12,462 on grants and donations. After management fees of £2, the Trust was left with a surplus in the year of £1,997.

The only source of funding of the Trust is bank interest. In 2009, in response to the low UK base rate, most of the Trust's cash was placed on a 1-year fixed deposit with a guaranteed interest rate that matured in January 2010. With low interest rates continuing, assets were again placed in a 2-year fixed interest investment in March 2010 with interest payable on the anniversary of the investment. This ensures that bursaries and grants are awarded within a known income.

Bursaries of £200 are awarded annually for university students, two in the name of E. & M. Gair and one in the name of Arthur Anderson. These continue to be awarded as the students progress through their degrees.

Any remaining interest will reflect the number and value of grants available to be paid during the year.

Reserves Policy

Revenue income not spent in the year, other than £600, is transferred to the capital of the Trust and is not available for distribution.

There is no charge made by the Council for work involved in the administration of the Trust.

Declaration

Approved by the trustees on 7 December 2011 and signed on their behalf by:

_____ Dated : _____

Hazel Sutherland CPFA
Head of Finance

Statement of Receipts and Payments - For the Year Ended 31 March 2011

	Note	Unrestricted funds to nearest £	Total 2011 to nearest £	Total 2010 to nearest £
Receipts				
Income from bank investments		14,461	14,461	20,932
Total receipts		14,461	14,461	20,932
Payments				
Investment management costs	(5)	2	2	3
Grants and donations	(4)	12,462	12,462	11,218
Total payments		12,464	12,464	11,221
Net receipts / (payments)		1,997	1,997	9,711
Surplus / (deficit) for year		1,997	1,997	9,711

The Notes on page 7 form an integral part of these accounts

Statement of balances - As at 31 March 2011

	Unrestricted funds to nearest £	Total 2011 to nearest £	Total 2010 to nearest £
Cash Funds			
Cash and bank balances at start of year	21,778	21,778	17,067
Transfer to Investment			(5,000)
Surplus / (deficit) shown on receipts and payments account	1,997	1,997	9,711
Cash and bank balances at end of year	23,775	23,775	21,778

		Market valuation to nearest £	Last year to nearest £
Investments			
Bank of Scotland - Fixed Term Deposit		625,000	625,000
Total		625,000	625,000

Trust balances at 31 March 2011

	£
Cheque Account	23,775
Fixed Term Deposit	625,000
Total	648,775

The Notes on page 7 form an integral part of these accounts

Approved by the trustees on 7 December 2011 and signed on their behalf by:

_____ Dated : _____
Hazel Sutherland CPFA
Head of Finance

Notes to the Accounts – For the Year Ended 31 March 2011

1 Basis of Accounting

These accounts have been prepared on the Receipts & Payments basis in accordance with the Charities & Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

2 Nature and purpose of funds

The furtherance of the ZET objectives is achieved by unrestricted funds within the limits of the funds available annually. These funds are maintained in a fixed interest account and, to enable payment of annual awards, a balance is held in a cheque account. This account forms part of the Shetland Islands Council's banking contract and is interest bearing.

3 Related Parties Transactions

During 2010/11 all the grant awards went to projects directly run by the trustee, Shetland Islands Council, or were paid directly to accounts controlled by trustee staff. Typically these have been created for particular educational excursions or for activities outwith formal learning.

4 Bursaries & Grants made

Type of activity or project supported	Number	£
Arthur Anderson Bursaries	4	800
E & M Gair Bursaries	6	1,200
Educational Excursion	7	5,592
Special Equipment	1	2,000
Swimming	1	990
Knowledge of Shetland	1	1,500
Experiments and Research	1	522
<u>09/10 Grants Repaid</u>		
Special Equipment – Part	2	(142)
Total		12,462

5 Costs

Bank charges are the only costs, which the Trust incurs.

6 Trustee remuneration

No remuneration was paid during the period to any charity trustee or person connected to a trustee.

7 Trustee expenses

No expenses were paid to any charity trustee during the period.

Gilbertson Trust

Scottish Charity No SC001895

Annual Report & Financial Statements

For the Year Ended 31 March 2011

Structure Governance & Trustees' Annual Report For the Year Ended 31 March 2011

The trustees have pleasure in presenting their report together with the financial statements and the independent examiner's report for the year ended 31 March 2011.

Reference & Administration Information

Charity Name - Gilbertson Trust

Charity No – SC001895

Address – Montfield, 28 Burgh Road Lerwick Shetland, ZE1 0TY

Current Trustees

Shetland Islands Council

Structure Governance & Management

Constitution

The Gilbertson Trust was formed in 1905 by a donation from Robert Paterson Gilbertson to the Provost, Magistrates and Councillors of the Burgh of Lerwick. As the successor body to the Provost, Magistrates and Councillors of the Burgh of Lerwick, Shetland Islands Council is now the trustee of the Trust.

Trustees

The trustee is the Shetland Islands Council, the local authority for the Shetland Islands area.

Management

The elected members are responsible for any major decisions relating to the Trust. The officers of the Council manage the Trust.

Objectives

Charitable purposes

The purpose of the Trust is to give aid and assistance to poor and deserving persons in the Burgh of Lerwick and the County of Shetland, the area for which the Shetland Islands Council is the local authority.

Achievements & Performance

The Trust gives grants of £20 per annum to deserving elderly persons and there were five payments made during the year.

Financial review

The trust maintains a Treasurers Account with the Bank of Scotland and has an investment held with the Alliance Trust Plc.

The Alliance Trust Plc pays quarterly dividends, which are paid into the Gilbertson Trust's bank account. Until recent years the account provided a reasonable rate of interest, this changed with the low UK base rate and recently the bank completely withdrew interest. The banking investment is therefore currently being reviewed.

Reserves Policy

The Deed of Trust places a requirement on the Council to maintain, and where possible augment, the Capital of the Fund. The capital value of the trust should be maintained at £41,313 and is not available for distribution.

There is no charge made by the Council for work involved in the administration of the Trust.

Plans for the Future

The trustee, Shetland Islands Council, intends to investigate the rearrangement of the Trust in accordance with the terms of section 39 of the Charities and Trustee Investment (Scotland) Act 2005 with a view to enabling the resources of the Trust to be applied to better effect for charitable purposes consistent with the intention of its original benefactor.

Declaration

Approved by the trustees on 7 December 2011 and signed on their behalf by:

_____ Dated: _____

Hazel Sutherland CPFA
Head of Finance

Statement of Receipts and Payments - For the Year Ended 31 March 2011

	Unrestricted funds to nearest £	Total 2011 to nearest £	Total 2010 to nearest £
Receipts			
Income from investments	941	941	974
Total receipts	941	941	974
Payments			
Grants and donations	100	100	100
Total payments	100	100	100
Net receipts / (payments)	841	841	874
Surplus / (deficit) for year	841	841	874

The Notes on page 5 form an integral part of these accounts

Statement of balances - As at 31 March 2011

	Unrestricted funds to nearest £	Total 2011 to nearest £	Total 2010 to nearest £
Cash Funds			
Cash and bank balances at start of year	31,386	31,386	30,512
Surplus / (deficit) shown on receipts and payments account	841	841	874
Cash and bank balances at end of year	32,227	32,227	31,386

	Market valuation to nearest £	Last year to nearest £
Investments		
Alliance Trust Plc - Ordinary Stock	40,062	37,565
Total	40,062	37,565

Trust balances at 31 March 2011

	£
Cheque Account	32,227
Ordinary Stock	40,062
Total	72,289

The Notes on page 5 form an integral part of these accounts

Approved by the trustees on 7 December 2011 and signed on their behalf by:

_____ Dated : _____
Hazel Sutherland CPFA
Head of Finance

Notes to the Accounts – For the Year Ended 31 March 2011

1 Basis of Accounting

These accounts have been prepared on the Receipts & Payments basis in accordance with the Charities & Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

2 Nature and purpose of funds

The furtherance of the Gilbertson Trust objectives is only to a degree achieved. The income received is no longer at a level to make any formal grant system viable. The Trust makes payment of grant to clients that were historically approved.

3 Trustee remuneration

No remuneration was paid during the period to any charity trustee or person connected to a trustee.

4 Trustee expenses

No expenses were paid to any charity trustee during the period.

5 Transactions

There were no transactions with charity trustees and connected persons during the period.

Samuel Mulla Bequest
Scottish Charity No SC012874
Annual Report & Financial Statements
For the Year Ended 31 March 2011

Trustees' Annual Report For the Year Ended 31 March 2011

The trustees have pleasure in presenting their report together with the financial statements and the independent examiner's report for the year ended 31 March 2011.

Reference & Administration Information

Charity Name – Samuel Mullay Bequest

Charity No – SC012874

Address – Montfield, 28 Burgh Road Lerwick Shetland, ZE1 0TY

Current Trustees

Shetland Islands Council

Structure Governance & Management

Constitution

Samuel Mullay in his will, dated 13 September 1905, bequeathed £1,000 to the Provost and Magistrates of the town of Lerwick, Shetland. The interest from this Bequest was to be used to 'paying and maintaining a properly trained and qualified nurse, to reside in Lerwick to attend respectable natives of said town in their own homes, in time of illness where their circumstances do not admit of their procuring such attention for themselves'.

As the successor body to the Provost, Magistrates and Councillors of the Burgh of Lerwick, the Shetland Islands Council is now the trustee of the Trust.

Trustees

The trustee for the Trust is the Shetland Islands Council, the local authority for the Shetland Islands area.

Management

The elected members are responsible for any major decisions relating to the trust. The officers of the Council manage the trust.

Objectives

Charitable purposes

The interest from the Bequest was to be applied to provide nursing facilities in Lerwick.

Achievements & Performance

Due to its low annual income, the Bequest has not made any payments since the early 1990s and is currently not active.

Financial review

The trust maintains a Treasurers Account with the Bank of Scotland and has Government Stock.

The 2.5% Consolidated Stock pays quarterly dividends, which are paid into the Samuel Mulla Bequest's bank account. Until recent years the account provided a reasonable rate of interest, this changed with the low UK base rate and recently the bank completely withdrew interest. The bank investment is therefore currently being reviewed.

Reserves Policy

The Deed of Trust places a requirement on the Council to maintain, and where possible augment, the Capital of the Fund. The capital value of the trust should be maintained at £1,352 and is not available for distribution.

There is no charge made by the Council for work involved in the administration of the Trust.

Plans for the Future

The trustee of the Bequest, the Shetland Islands Council, intends to investigate the rearrangement of the Bequest in accordance with the terms of section 39 of the Charities and Trustee Investment (Scotland) Act 2005 with a view to enabling the resources of the Bequest to be applied to better effect for charitable purposes consistent with the intention of its original benefactor.

Declaration

Approved by the trustees on 7 December 2011 and signed on their behalf by:

_____ Dated : _____

Hazel Sutherland CPFA
Head of Finance

Statement of Receipts and Payments - For the Year Ended 31 March 2011

	Unrestricted funds to nearest £	Total 2011 to nearest £	Total 2010 to nearest £
Receipts			
Income from investments	22	22	22
Total receipts	22	22	22
Payments			
Grants and donations	-	-	-
Total payments	-	-	-
Net receipts / (payments)	22	22	22
Surplus / (deficit) for year	22	22	22

The Notes on page 5 form an integral part of these accounts

Statement of balances - As at 31 March 2011

	Unrestricted funds to nearest £	Total 2011 to nearest £	Total 2010 to nearest £
Cash Funds			
Cash and bank balances at start of year	2,059	2,059	2,037
Surplus / (deficit) shown on receipts and payments account	22	22	22
Cash and bank balances at end of year	2,081	2,081	2,059

	Market valuation to nearest £	Last year to nearest £
Investments		
Government Stocks - 2.5% Consolidated Stock	421	411
Total	421	411

Trust balances at 31 March 2011

	£
Cheque Account	2,081
Consolidated Stock	421
Total	2,502

The Notes on page 5 form an integral part of these accounts

Approved by the trustees on 7 December 2011 and signed on their behalf by:

_____ Dated : _____
Hazel Sutherland CPFA
Head of Finance

Notes to the Accounts – For the Year Ended 31 March 2011

1 Basis of Accounting

These accounts have been prepared on the Receipts & Payments basis in accordance with the Charities & Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

2 Nature and purpose of funds

The Samuel Mulla bequest is no longer active because of its low annual income and therefore the furtherance of its objectives cannot be achieved.

3 Trustee remuneration

No remuneration was paid during the period to any charity trustee or person connected to a trustee.

4 Trustee expenses

No expenses were paid to any charity trustee during the period.

5 Transactions

There were no transactions with charity trustees and connected persons during the period.



Shetland Islands Council

7 December 2011

Blue Badge Scheme Reform

Report No. TR-28-11-F

Chair's Report - Executive Committee – 7 November 2011

1.0 Summary

- 1.1 The purpose of this report is to consider a recommendation from the Executive Committee in relation to a report requiring a Council decision due to the introduction of new charges.
- 1.2 The Committee considered details regarding the introduction of a centralised process of producing the entitlement cards, and took into account the costs that will be imposed upon the Council. The Committee considered the introduction of a charge for the issuing of Blue Badges to ensure the costs of the scheme can be sustainably administered by the Transport Service.

2.0 Decision Required

- 2.1 The Executive Committee recommends that the Council RESOLVES to, with effect from 1 January 2012, levy: (a) a charge of £13.50 for each new blue badge; (b) a charge of £5.00 for any replacements issued; and (c) a charge of £15.95 for each fast tracked badge.

3.0 Report

- 3.1 A report relating to the processing of applications and associated costs for the Blue Badge Scheme was presented to the Executive Committee. Copies of the report have been previously circulated, or can be accessed via the Council's website at the link shown, or by contacting Committee Services.
- 3.2 In the absence of a Chair, the Vice-Chair will present information to the Council as to any debate or issues that the Committee considered.

4.0 Implications

- 4.1 Detailed information concerning the proposal is contained within the report already circulated to Members, including the strategic and resources implications for the Council.
- 4.2 The main consideration for the Council in terms of this report relate to the financial implications, summarised as follows:

“Financial:

Payments will be processed through the Council (unless the applicant has paid online) and the Council will be invoiced by Northgate on a monthly basis.

Applicants will be able to pay for their badges online and the payment will go directly to the Council. The Council will be charged £4.60 for each badge that is processed. This cost is fixed for five years.

There is an option to fast-track an application and the additional cost for this is £2.45.

There is an option to have the badges posted either directly to the applicants or to the Transport Planning Service for forwarding. The latter would increase the cost to the Council in line with current postal rates.

Current costs are noted in section 3.17 and estimated costs for the new system are noted in section 3.18.

There is scope for local variation on the charge to be applied for a Blue Badge.

A charge of £13.50 per ordinary badge and £15.95 per fast tracked badge would cover all the costs associated with the administration of the new system.

The financial implication of not charging for badges, calculated based on the number issued in 2010/11, would be an increase in the Council's revenue spending of £4,405.50 (330 badges @ £13.35 each).

This would impact upon the final quarter of the 2011/12 financial year and is not included in the current budget lines.

Future budgets would include the costs associated with the scheme as required revenue.”

- 4.3 There are no additional implications to be considered by the Council, other than those set out in the report.

For further information please contact:

*Josie Simpson, Chair of Executive Committee; or
Michael Craigie, Executive Manager – Transport Planning Service
01595 744160, michael.craigie@shetland.gov.uk*

15 November 2011

List of Appendices

None

Background documents:

Blue Badge Scheme Reform

Report No. TR-28-11-F

<http://www.shetland.gov.uk/coins/submissiondocuments.asp?submissionid=12638>

END



Shetland Islands Council

7 December 2011

Autistic Spectrum Disorder Policy for Children and Young People

Report No. CS-15-11-F

Joint Chairs' Report -

Executive Committee – 7 November 2011

Education and Families Committee – 9 November 2011

1.0 Summary

- 1.1 The purpose of this report is to consider a recommendation from the Education and Families Committee and the Executive Committee in relation to a report requiring a Council decision due to the introduction of a new policy.
- 1.2 The Committees considered a report regarding a new policy which gives detail of the definition of Autistic Spectrum Disorder and the support available from Children's Services for children and young people with Autistic Spectrum Disorder.
- 1.3 The Autistic Spectrum Disorder Policy for Children and Young People outlines a framework to support children, young people and young adults with the disorder. It outlines the strategies and priorities to ensure that each child, young person and young adult with Autistic Spectrum Disorder reach their potential.
- 1.4 The policy clarifies the responsibilities of services within the authority to work collaboratively in order to ensure that the needs of children, young people and young adults with Autistic Spectrum Disorder, and their families, are met.
- 1.5 The policy clarifies the responsibilities in relation to legislation and government policy that concerns the rights and needs of children, young people and young adults with Autistic Spectrum Disorder.
- 1.6 In addition it sets out key priorities for Children's Services, and this will ensure that there is continual development in provision for children and young people with Autistic Spectrum Disorder. The policy clarifies the responsibilities in relation to legislation and government policy that concerns the rights and needs of children, young people and young adults with Autistic Spectrum Disorder.

2.0 Decision Required

- 2.1 The Education and Families Committee and the Executive Committee recommends that the Council RESOLVES to approve the Autistic Spectrum Disorder Policy for Children and Young People.

3.0 Report

- 3.1 A report relating to the introduction of a new policy for Autistic Spectrum Disorder was presented to the Committees for consideration. Copies of the report have been previously circulated, or can be accessed via the Council's website at the link shown, or by contacting Committee Services.
- 3.2 The Chair will present information to the Council as to any debate or issues that the Committees considered.

4.0 Implications

- 4.1 Detailed information concerning the proposal is contained within the report already circulated to Members, including the strategic and resources implications for the Council.
- 4.2 There are no additional implications to be considered by the Council, other than those set out in the report.

For further information please contact:

*Josie Simpson, Chair of Executive Committee;
Betty Fullerton, Chair of Education and Families Committee; or
Helen Budge, Director of Children's Services
Tel: 01595 74 4064. E-mail: helen.budge@shetland.gov.uk*

15 November 2011

List of Appendices

None

Background documents:

Autistic Spectrum Disorder Policy for Children and Young People
Report No. CS-15-11-F

<http://www.shetland.gov.uk/coins/submissiondocuments.asp?submissionid=12636>

END



Shetland Islands Council

7 December 2011

Policy on Attendance in School

Report No. CS-14-11-F

Joint Chairs' Report -

Executive Committee – 7 November 2011

Education and Families Committee – 9 November 2011

1.0 Summary

- 1.1 The purpose of this report is to consider a recommendation from the Education and Families Committee and the Executive Committee in relation to a report requiring a Council decision due to the introduction of a new policy.
- 1.2 The Committees considered a report which outlined the proposed Policy on Attendance in School, along with its associated appendices.
- 1.3 The Policy on Attendance in School draws together existing policy and practice in this area in Shetland schools. In doing so, it sets out a clear framework within which education staff can help to ensure that young people attend school regularly and punctually. This will in turn help each young person to realise their full educational potential.

2.0 Decision Required

- 2.1 The Education and Families Committee and the Executive Committee recommended that the Council RESOLVES to adopt the Policy on Attendance in School.

3.0 Report

- 3.1 A report relating to the introduction of a new policy for Attendance in School was presented to the Committees for consideration. Copies of the report have been previously circulated, or can be accessed via the Council's website at the link shown, or by contacting Committee Services.
- 3.2 The Chair will present information to the Council as to any debate or issues that the Committees considered.

4.0 Implications

- 4.1 Detailed information concerning the proposal is contained within the report already circulated to Members, including the strategic and resources implications for the Council.
- 4.2 There are no additional implications to be considered by the Council, other than those set out in the report.

For further information please contact:

*Josie Simpson, Chair of Executive Committee;
Betty Fullerton, Chair of Education and Families Committee; or
Robert Sim, Quality Improvement Officer
Tel: 01595 74 4039. E-mail: robert.sim@shetland.gov.uk*

15 November 2011

List of Appendices

None

Background documents:

Policy on Attendance in School

Report No. CS-14-11-

<http://www.shetland.gov.uk/coins/submissiondocuments.asp?submissionid=12637>

END



Shetland Islands Council

7 December 2011

Homeless Policy

Report No. HS-13-11-F

Joint Chairs' Report -

Executive Committee – 7 November 2011

Social Services Committee – 2 November 2011

1.0 Summary

- 1.1 The purpose of this report is to consider a recommendation from the Social Services Committee and the Executive Committee in relation to a report requiring a Council decision due to the introduction of a new policy.
- 1.2 The Committees considered a report seeking approval of the Homeless Policy document. The Homeless Policy sets out how the Council will meet its obligations and responsibilities to people who are homeless or threatened with homelessness, in line with the agreed priorities set out in the Local Housing Strategy 2011-2016.

2.0 Decision Required

- 2.1 The Social Services Committee and the Executive Committee recommends that the Council **RESOLVES** to adopt the Homeless Policy document.

3.0 Report

- 3.1 A report relating to the introduction of a new policy for responding to homelessness was presented to the Committees for consideration. Copies of the report have been previously circulated, or can be accessed via the Council's website at the link shown, or by contacting Committee Services.
- 3.2 The Chairs will present information to the Council as to any debate or issues that the Committees considered.

4.0 Implications

- 4.1 Detailed information concerning the proposal is contained within the report already circulated to Members, including the strategic and resources implications for the Council.
- 4.2 The main consideration for the Council in terms of this report relate to the risk management implications, summarised as follows:

“Risk Management - The Council has a duty to comply with current legislation, promote good practice and have regard to the Code of Guidance on Homelessness, as well as having regard to the Prevention of Homelessness Guidance, Guidance on Meeting the Best Interests of Children who are Homeless, and Guidance for local authorities on regulation 5 of the homeless persons (provision of non-permanent accommodation)(Scotland) regulations 2010. Without a dedicated policy on Homelessness, there is a risk that those requirements may not meet and/or the risk of inconsistency being applied in the assessment and decision making processes. Further, the existence of a dedicated Policy provides clarity to applicants, support services, partner agencies and other interested bodies, as well as formalising accountability.”

- 4.3 There are no additional implications to be considered by the Council, other than those set out in the report.

For further information please contact:

*Josie Simpson, Chair of Executive Committee;
Cecil Smith, Chair of Social Services Committee; or
Anita Jamieson, Executive Manager - Housing
(01595) 744360, anita.jamieson@shetland.gov.uk*

15 November 2011

List of Appendices

None

Background documents:

Homeless Policy - Report No. HS-13-11-F

<http://www.shetland.gov.uk/coins/submissiondocuments.asp?submissionid=12634>

END



Shetland Islands Council

7 December 2011

Temporary Accommodation Policy

Report No. HS-14-11-F

Joint Chairs' Report -

Executive Committee – 7 November 2011

Social Services Committee – 2 November 2011

1.0 Summary

- 1.1 The purpose of this report is to consider a recommendation from the Social Services Committee and the Executive Committee in relation to a report requiring a Council decision due to the introduction of a new policy.
- 1.2 The Committees considered a report seeking approval of the Temporary Accommodation Policy document. The Policy sets out how the Council will meet its obligations and responsibilities to people who are homeless or threatened with homelessness, in line with the agreed priorities set out in the Local Housing Strategy 2011-2016.

2.0 Decision Required

- 2.1 The Social Services Committee and the Executive Committee recommends that the Council **RESOLVES** to adopt the Temporary Accommodation Policy document.

3.0 Report

- 3.1 The Committees considered a report relating to the introduction of a new policy on how the Council will meet its responsibilities to provide temporary accommodation to people who are homeless or threatened with homelessness in Shetland. Copies of the report have been previously circulated, or can be accessed via the Council's website at the link shown, or by contacting Committee Services.
- 3.2 The Chairs will present information to the Council as to any debate or issues that the Committees considered.

4.0 Implications

- 4.1 Detailed information concerning the proposal is contained within the report already circulated to Members, including the strategic and resources implications for the Council.
- 4.2 The main consideration for the Council in terms of this report relate to the risk management implications, summarised as follows:
- “Risk Management - The Council has a duty to comply with current legislation, promote good practice and have regard to the Code of Guidance on Homelessness, as well as having regard to the Prevention of Homelessness Guidance, Guidance on Meeting the Best Interests of Children who are Homeless, and Guidance for local Authorities on Regulation 5 of the Homeless Persons (provision of non-permanent accommodation)(Scotland) regulations 2010. Without dedicated policies on homelessness and the provision of temporary accommodation, there is a risk that those requirements may not be met and/or the risk of inconsistency being applied in the assessment and decision making processes. Further, the existence of a dedicated policy provides clarity to applicants, support services, partner agencies and other interested bodies, as well as formalising accountability.”
- 4.3 There are no additional implications to be considered by the Council, other than those set out in the report.

For further information please contact:

*Josie Simpson, Chair of Executive Committee;
Cecil Smith, Chair of Social Services Committee; or
Anita Jamieson, Executive Manager - Housing
(01595) 744360, anita.jamieson@shetland.gov.uk*

15 November 2011

List of Appendices

None

Background documents:

Temporary Accommodation Policy - Report No. HS-14-11-F

<http://www.shetland.gov.uk/coins/submissiondocuments.asp?submissionid=12635>

END

**Shetland Islands Council****7 December 2011****Statutory Review of Polling Districts and Places**

LA-67-11-F

**Report Presented by Executive Manager –
Governance and Law****Corporate Services Department****1.0 Summary**

- 1.1 The purpose of this report is to advise the Council of the outcome of the statutory review of polling districts and places.

2.0 Decision Required

- 2.1 That the Council **RESOLVE** to approve the revised Parliamentary Polling Scheme.

3.0 Detail

- 3.1 The Electoral Administration Act 2006 (the “2006 Act”), through amendment to the Representation of the People Act 1983, places a duty on the local authority to review its UK Parliamentary polling districts and polling places every four years. The first such review completed in December 2007. It should be noted that these legislative requirements only pertain to the UK Parliamentary polling arrangements.
- 3.2 The aims of the review are: (a) to ensure that all the electors in the constituency have such reasonable facilities for voting as are practicable in the circumstances; and (b) to ensure that so far as is reasonable and practicable, the polling places are accessible to all electors, including those who are disabled.
- 3.3 Consultation on the Scheme [Appendix 1] commenced formally on 1 November 2011, and was completed on 18 November.
- 3.4 During the consultation exercise, I consulted with Community Councils, Disability Shetland and Voluntary Action Shetland.

Disability Shetland had no objections to the Scheme, but asked that we remind electors not to park in disabled parking bays unless entitled to do so, and that polling staff ensure that entrances and exits are not blocked or restricted. As a statutory consultee, the Parliamentary Returning Officer (Chief Executive, Orkney Islands Council) has no comments on the proposed Scheme and supports its approval.

- 3.5 As there were no objections to the proposed Scheme, no further changes are proposed at this time. However, one member of the public has suggested a change to the polling place at North Unst Hall in Haroldswick to the Baltasound Public Hall. This statutory review of polling places for UK Parliamentary elections does not preclude a review taking place at any other time. I am therefore consulting with Unst Community Council on this suggestion, with a view to possibly making that change for the Council elections in May 2012. The Returning Officer already has delegated authority from the Council [SIC Min. Ref. 55/01] to designate polling places in Shetland for all other elections, and to ensure that the polling arrangements for all elections are the same in order to ensure there is no voter confusion.

4.0 Implications

Strategic

- 4.1 Delivery On Corporate Priorities – The recommendations in this report support the Council's corporate improvement plan aim of encouraging active citizenship.
- 4.2 Community /Stakeholder Issues – Public consultation took place over three weeks in November and no objections have been received. One comment was made, and the Returning Officer is seeking the views of the local community further on this matter, and will use his delegated authority to apply the most practical solution arising from the consultation, and amend your Scheme accordingly.
- 4.3 Policy And/Or Delegated Authority – The final determination of UK Parliamentary Polling Districts and Places must be made by the local authority in terms of the Electoral Administration Act 2006.
- 4.4 Risk Management – The Council would be in breach of legislation if it fails to undertake this statutory review.
- 4.5 Equalities, Health And Human Rights – All polling places have undergone an accessibility audit for election purposes, and are fully compliant. No issues regarding accessibility have been raised and Disability Shetland were a formal consultee in the process.
- 4.6 Environmental – None.

Resources

- 4.7 Financial – None.
- 4.8 Legal – None.

4.9 Human Resources – None.

4.10 Assets And Property – None.

5.0 Conclusions

5.1 As a result of consultation, the proposed UK Parliamentary polling arrangements are submitted for approval, with no changes proposed to the existing arrangements.

For further information please contact:

Jan Riise, Returning Officer

01595 744551

28 November 2011

List of Appendices

Appendix 1 - Scheme of Polling Arrangements

Background documents:

[Electoral Administration Act 2006](#)

END

SHETLAND ISLANDS COUNCIL – REVIEW OF POLLING DISTRICTS AND PLACES - CONSULTATION

Ward Name	Polling District	Current Polling Place (as at 5 May 2011 elections)	Returning Officer's Recommendation / Proposed Polling Place
Ward 1 North Isles	UNST NORTH	North Unst Public Hall	No change*
	UNST SOUTH	Uyeasound Public Hall	No change
	FETLAR	Fetlar Community Centre	No change
	YELL NORTH	Sellafirth Public Hall	No change
	YELL SOUTH	Mid Yell Public Hall	No change
	WHALSAY & SKERRIES	Symbister Public Hall	No change
Ward 2 Shetland North	NORTHMAVINE NORTH	North Roe Public Hall	No change
	NORTHMAVINE CENTRAL	Hillswick Public Hall	No change
	NORTHMAVINE SOUTH	Sullom & Gunnister Public Hall	No change
	MUCKLE ROE & BUSTA	Brae Community Hall	No change
	DELTING WEST – NORTH	Voe Hall	No change
	DELTING WEST – SOUTH		
	DELTING EAST – SOUTH		
	DELTING EAST – NORTH	Mossbank Public Hall	No change
	LUNNASTING	Lunnasting Hall	No change
	NESTING	South Nesting Public Hall	No change
Ward 3 Shetland West	WALLS	Walls Public Hall	No change
	SANDSTING & AITHSTING – WEST		
	SANDNESS	Sandness Hall	No change
	CLOUSTA	Aith Hall	No change
	AITHSTING EAST		No change
	SANDSTING EAST	Skeld Hall	No change
	WEISDALE	Whiteness & Weisdale Public Hall	No change
	WHITENESS		

SHETLAND ISLANDS COUNCIL – REVIEW OF POLLING DISTRICTS AND PLACES - CONSULTATION

Ward Name	Polling District	Current Polling Place (as at 5 May 2011 elections)	Returning Officer's Recommendation / Proposed Polling Place
Ward 4 Shetland Central	GIRLSTA & GOTT	Tingwall Public Hall	No change
	SCALLOWAY	Scalloway Public Hall	No change
	TRONDRA	Burra Public Hall	No change
	BURRA		
Ward 5 Shetland South	QUARFF	Quarff Public Hall	No change
	CUNNINGSBURGH	Cunningsburgh Village Club	No change
	SANDWICK	Carnegie Hall	No change
	LEVENWICK & BIGTON	Levenwick Hall	No change
	DUNROSSNESS	Dunrossness Public Hall	No change
Ward 6 Lerwick North	NORTH LERWICK	Gilbertson Park Games Hall	No change
	BRESSAY	Bressay Public Hall	No change
Ward 7 Lerwick South	SOUTH LERWICK	Gilbertson Park Games Hall	No change
	GULBERWICK	Gulberwick Community Hall	No change

*subject to further consultation with the community for Local Government Elections in 2012.

**Shetland Islands Council****7 December 2011****Amendment to Community Councils' Constitution**

LA-51-11-F

**Report Presented by
Executive Manager – Governance and Law****Corporate Services Department****1.0 Summary**

- 1.1 The purpose of this report is to seek approval from the Council for an amendment to the Constitution for Community Councils in Shetland, relating to the examination of accounts, and an amendment to the Constitution for the Gulberwick, Quarff and Cunningsburgh Community Council in relation to their membership.

2.0 Decision Required

- 2.1 That the Council RESOLVES to approve the amendments to the Constitution for Community Councils, as detailed in Appendix 1.

3.0 Detail

- 3.1 The Constitution for Community Councils requires, in paragraph 8.4:
- “At least once per year all Community Council accounts shall be audited by a qualified accountant acceptable to the Director of Finance of Shetland Islands Council.”
- 3.2 Increasing costs of employing a qualified accountant was a factor in considering whether an alternative method of auditing could be achieved. In this regard, and after consultation with the Head of Finance and her staff, it was agreed that paragraph 8.4 of the Constitution be amended to read as follows:

At least once per year all Community Council accounts shall be audited by an appropriately qualified independent examiner acceptable to the

Chief Finance Officer of Shetland Islands Council. A list of approved examiners will be maintained by the Association of Shetland Community Councils (ASCC).

- 3.3 The ASCC has consulted with all Community Councils and they are all in favour of this amendment. Community Council can continue with their current arrangements, but the amendment simply allows an alternative option to be considered, including the use of services provided by Voluntary Action Shetland.
- 3.4 Gulberwick, Quarff and Cunningsburgh Community Council considered a motion to increase the number of Community Councillors from 9 to 10, in order to allow a further member representing Gulberwick to be appointed. The Community Council unanimously accepted the amendment at their meeting on 21 September 2011, as follows:
- “A proposal to amend the membership of the Constitution had previously been circulated to members. It was proposed that the existing membership be increased by one elected member seat. It was noted that this is subject to SIC approval. Members agreed that Gulberwick would now have three seats on the Community Council to fairly represent the residents of the area. Quarff would continue to have two seats and Cunningsburgh would continue to have five seats. The amendment to the constitution was unanimously approved by members present.”
- 3.5 By-elections for new or existing Community Council vacancies will commence in January 2012.

4.0 Implications

Strategic

- 4.1 Delivery On Corporate Priorities – The outcome of this report will support the Council’s Corporate Plan targets for Maintaining a Sustainable Society.
- 4.2 Community /Stakeholder Issues – Community Councils themselves instigated the amendments being proposed, and each Community Council has been consulted.
- 4.3 Policy And/Or Delegated Authority – Paragraph 10.3 of the Constitution for Community Councils states – “Formal approval by the Council shall be required for all amendments to this Constitution”.
- 4.4 Risk Management – None.
- 4.5 Equalities, Health And Human Rights – None.
- 4.6 Environmental – None.

Resources

- 4.7 Financial – None.

4.8 Legal – None.

4.9 Human Resources – None.

4.10 Assets And Property – None.

5.0 Conclusions

5.1 The proposed amendments have been approved by Community Councils and approval by the Council will complete the process as required by the Constitution.

For further information please contact:

Jan Riise, Executive Manager – Governance and Law

01595 744551

28 November 2011

List of Appendices

Appendix 1 – Proposed Amendments to Constitution

Background documents:

Constitution for Community Councils in Shetland.

END

Proposed Amendments to the Constitution for Community Councils in Shetland

1.

Section 8 Amendment – Paragraph 8.3 shall be replaced with the following:

- 8.3 At least once per year all Community Council accounts shall be audited by an appropriately qualified independent examiner acceptable to the Chief Finance Officer of Shetland Islands Council. A list of approved examiners will be maintained by the Association of Shetland Community Councils (ASCC).

2.

Section 4 of the Constitution for Gulberwick, Quarff and Cunningsburgh – Paragraph 4.1 shall be replaced with the following:

4.1 The membership of the Community Council shall comprise:

- (a) 10 elected members;
- (b) co-opted members filling seats in the absence of elected members;
- (c) additional co-opted members;
- (d) ex-officio, the local Councillor(s) for the Community Council area of Gulberwick, Quarff and Cunningsburgh.