

**Shetland Islands Council****5 December 2012****INTER ISLAND FERRIES REVIEW DECISION MAKING PROCESS**

ISD-14-12-F

**Director of Infrastructure Services and
Director of Development****Infrastructure and Development
Directorates****1.0 Summary**

- 1.1 The purpose of this report is to ask Council to agree the decision making process for the final report on the Inter Island Ferries Review.

2.0 Decision Required

- 2.1 Council is asked to RESOLVE that the final report on the Inter Island Ferries Review be brought straight to a special meeting of the Council following completion of the review and consideration of staffing matters by the Employees Joint Consultative Committee.

3.0 Introduction

- 3.1 The Inter Island Ferries Review is a cross cutting review that covers the functional areas of the Environment and Transport Committee and the Development Committee. It is also clear that the final report of this review will have implications which fall under the remit of the Executive Committee with regard to staffing matters and these will be considered by the Employees Joint Consultative Committee prior to presentation of the final report to Council.
- 3.2 The Council considered a joint report on the Inter Island Ferries Review on 31 October 2012 from the Director of Infrastructure Services and the Director of Development Services (Report No: ISD-10-12-F), which provided an update on progress regarding the Inter Island Ferry Service Review. In addition, a supporting paper in the form of a joint Chairs' report (Development Committee and Environment and Transport Committee) was tabled at the meeting and Council agreed a number of options for further consultation.
- 3.3 The consideration by the Development Committee and Environment and Transport Committee at the key stage of formulating options for

further consultation allowed for the separation of the strategic and operational matters in the consideration of the options for further consultation. However, the final report will bring together the strategic, operational and staffing matters and it is appropriate for all members to consider the full range of implications arising from this review and decision. As such, it is recommended that the final report be brought directly to Council rather than following the route of Development Committee, Environment and Transport Committee and Executive Committee and then finally to Council.

- 3.4 This approach will allow for a full debate on the entire cross cutting issues within the appropriate forum of Council rather than potentially restricting the debate to functional areas that fall within the remit of individual committees. It will also provide a clearer decision making process for communities and individuals who are interested in this review, as it will be clear when, and at which meeting, the decision will be made allowing those who wish to attend the meeting to do so.

4.0 Implications

- 4.1 Delivery On Corporate Priorities – The recommendations in this report are in line with the Council Improvement Plan Area 4;
- We ensure the Council exhibits good governance and maintains strong internal accountability
- 4.2 Community / Stakeholder Issues – The recommendation in this report will provide a clear decision making process that will allow the community and stakeholders to understand the decision making process.
- 4.3 Policy And/ Or Delegated Authority – Shetland Islands Council, Constitution, Part c, Scheme of Administration and Delegations, delegates and refers a number of functions to various committees as detailed below.

Executive Committee

- Be responsible for the development and operation of Council as an organisation and all matters relating to organisational development and staffing, officer structures and systems of performance appraisal.
- Be responsible for the development of cross-departmental change including for example customer management, workforce deployment and asset management and health and safety matters.

Environment and Transport

Advise the Executive Committee and the Council in the development of service objectives, policies and plans concerned with service delivery within the functional areas relating to the natural environment, roads transport and ferry services, building services and environmental services.

Development

Advise the Executive Committee and the Council in the development of service objectives, policies and plans concerned with service delivery within the functional areas relating to strategic regeneration, development and transport planning, economy and business, energy, telecommunications, agriculture, fisheries, arts, culture, and tourism.

As these functions are delegated or referred from Council under the constitution, Council can also exercise the functions directly itself if it is minded to do so.

- 4.4 Risk Management – None.
- 4.5 Equalities, Health and Human Rights – None.
- 4.6 Environmental – None.
- 4.7 Financial Resources – The recommendations contained in this report will avoid duplication and make the most effective use of Member and Officer time.
- 4.8 Legal – None.
- 4.9 Human Resources – None.
- 4.10 Assets and Property – None

5.0 Conclusions

- 5.1 The recommendations in this report will provide for a clear decision making process for the completion of the Inter Island Ferries Review process.

For further information please contact:

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01595 744851, phil.crossland@shetland.gov.uk

Neil Grant, Director of Development Services
01595 744968, neil.r.j.grant@shetland.gov.uk

3 December 2012



Shetland Islands Council

5 December 2012

The Future of the Shetland Agricultural Business Scheme and the Shetland Rural Development Scheme

Report No. SIC-1205-DV046

Chair's Report – Development Committee – 14 November 2012

1.0 Summary

- 1.1 The purpose of this report is to consider the recommendation from the Chair of the Development Committee in relation to a report requiring a Council decision.
- 1.2 The Committee considered a report which sought approval for the continuation of the two existing agricultural development schemes operated by the Council, the Shetland Agricultural Business Scheme and the Shetland Rural Development Scheme, in modified forms and with smaller annual budgets.

2.0 Decision Required

- 2.1 The Council **RESOLVES** to adopt the recommendation from Development Committee, namely, to completely cease the funding of the two schemes for the foreseeable future, but with provision made for review and possible reintroduction of the schemes when and if the Council's financial situation improves in the next few years.

3.0 Report

- 3.1 The report concluded that in line with the Council's drive to reduce expenditure, a review of the two agricultural economic development schemes (SABS and SRDS) concludes that both schemes should have their annual budgets reduced, to £60,000 and £40,000 respectively. This will save the Council an annual figure of £60,000 over current expenditure.
- 3.2 The matter went to a vote, with the resolution that the funding cease for the two agricultural schemes.

- 3.3 Copies of the report have been previously circulated, or can be accessed via the Council's website at the links shown, or by contacting Committee Services.
- 3.4 The 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 proposals are 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:

Alastair Cooper, Chair of Development Committee
22 November 2012

List of Appendices

None

Background documents:

The Future of the Shetland Agricultural Business Scheme and
the Shetland Rural Development Scheme
Report No. SIC-1205-DV046

<http://www.shetland.gov.uk/coins/submissiondocuments.asp?submissionid=13792>

END



Shetland Islands Council

5 December 2012

Freefield Centre Review

Report No. SIC-1205-CC24

Chair's Report – Social Services Committee – 31 October 2012

1.0 Summary

- 1.1 The purpose of this report is to consider recommendations from the Chair of the Social Services Committee in relation to a report requiring a Council decision.
- 1.2 The Committee considered a report which presented information regarding the outcome and options of the review of the services provided by the Council at the Freefield Centre in Lerwick.

2.0 Decision Required

- 2.1 The Council **RESOLVES** to adopt the recommendations from the Social Services Committee, namely that the Council approve the proposals for changes to the services currently provided at Freefield, namely that:
 - 1) the Community Care Service continues to work with VAS, customers and other stakeholders of the Freefield Centre to identify alternative means of providing the service;
 - 2) where appropriate, options for voluntary sector provision will be promoted through the work being done as part of the Reshaping Care for Older People work programme;
 - 3) staff in Community Care continue to support people with an assessed need in line with the eligibility criteria set out in the With You For You process; and
 - 4) we are supported to continue the very positive work that we have done over the past 2 months, in being able to support the transfer of service in a timely and seamless manner.

3.0 Report

- 3.1 The report concluded that the type of service provided by the Council at Freefield in Lerwick is not available in other areas of Shetland, and that access to the service is open and does not adhere to the Council's eligibility criteria for community care services.

The proposals in the report would achieve the target of £80,000 savings per annum presented as an option for budget cuts in the report to the Council on 9 February 2012. This would be done in close consultation and involvement of service users, building on their ideas.

The Community Care Service would continue to support the most vulnerable service users by meeting their assessed needs. The focussed work in collaboration with VAS has shown that not only can current service provision be sustained in the main, but that other activities can be achieved.

- 3.2 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.
- 3.3 The Chair will present any information to the Committee as to the debate or the issues that the Committee considered.

4.0 Implications

- 4.1 Detailed information concerning the proposals are 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:

Cecil Smith, Chair of Social Services Committee
31 October 2012

List of Appendices

None

Background documents:

Freefield Centre Review
Report No: CC-24-12-F

<http://www.shetland.gov.uk/coins/Agenda.asp?meetingid=3696>

END



Shetland Islands Council

5 December 2012

Day Care Review

Report No. SIC-1205-CC27

Chair's Report – Social Services Committee – 31 October 2012

1.0 Summary

- 1.1 The purpose of this report is to consider recommendations from the Chair of the Social Services Committee in relation to a report requiring a Council decision.
- 1.2 The Committee considered a report which presented information regarding the ongoing review of day care services provided in care centres across Shetland.

2.0 Decision Required

- 2.1 The Council **RESOLVES** to adopt the recommendation from the Social Services Committee, namely to:

Approve the proposals for changes to the day care services currently provided at care centres including that:

1. The Community Care Service continues to work with day care customers and their families/carers to identify alternative support and venue(s) for lunch and social club activities that will contribute to realising the savings target in 2012/13 of £1M;
2. Options for voluntary sector provision will be promoted through the work being done as part of the Reshaping Care for Older People work programme;
3. Staff in Community Care continue to support people with an assessed need in line with the eligibility criteria set out in the With You For You process;

4. The shift of provision from the Council to the Third Sector and Community Groups is continued in a timed, staged manner, thus supporting budget savings.

3.0 Report

3.1 The report concluded that:

- Day care is still used predominantly for social activities and to provide short breaks for family carers.
- The service is highly valued by the people who attend day care and their families.
- This type of service can be provided successfully by voluntary groups in the community and there is funding available through Reshaping Care to pump prime projects.
- On-going work with VAS and other voluntary sector groups through the Reshaping Care programme will continue to explore and develop options for alternative social activity programmes in the community.
- The Community Care Service would continue to support the most vulnerable service users by meeting their assessed needs.

3.2 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.

3.3 The Chair will present any information to the Committee as to the debate or the issues that the Committee considered.

4.0 Implications

4.1 Detailed information concerning the proposals are 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:

Cecil Smith, Chair of Social Services Committee
31 October 2012

List of Appendices

None

Background documents:

Day Care Review

Report No: CC-27-12-F

<http://www.shetland.gov.uk/coins/Agenda.asp?meetingid=3697>

END



Shetland Islands Council

5 December 2012

Shetland College & Train Shetland Management Arrangements

Report No. SIC-1205-SCB021

Chair's Report – Shetland College Board – 23 November 2012

1.0 Summary

- 1.1 The purpose of this report is to consider the recommendation from the Chair of the Shetland College Board in relation to a report requiring a Council decision.
- 1.2 The Board considered a report which provided an update regarding the post of Principal of Shetland College, and proposed a scope of work to identify options for the most effective delivery of FE and HE education in Shetland against a background of increasingly limited resources.

2.0 Decision Required

- 2.1 The Council RESOLVES to approve the recommendation from the Shetland College Board, namely:
 - to note the temporary arrangements which are presently being implemented for the position of Principal of Shetland College.
 - that work is commissioned on a Review of FE and HE provision in Shetland.

3.0 Report

- 3.1 Measures are being taken to put in place temporary arrangements for the post of Principal of Shetland College and Train Shetland, and it is recommended that the Council commission a review of FE and HE provision in Shetland.

- 3.2 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.
- 3.3 The Chair will present any information to the Committee as to the debate or the issues that the Committee considered.

4.0 Implications

- 4.1 Detailed information concerning the proposals are 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:

Mr D ratter, Chair of Shetland College Board
26 November 2012

List of Appendices

None

Background documents:

Shetland College & Train Shetland Management Arrangements

<http://www.shetland.gov.uk/coins/submissiondocuments.asp?submissionid=13879>

END



Shetland Islands Council

5 December 2012

Fund Management Annual Investment Report 2011/12

Report No. SIC-1205-F-050

Chair's Report – Executive Committee Committee – 23 November 2012

1.0 Summary

- 1.1 The purpose of this report is to consider recommendations from the Interim Chair of the Executive Committee in relation to a report requiring a Council decision.
- 1.2 The Committee considered a report inform Members on the position and performance of the Council's external investments with fund managers for the financial year 2011/12.
- 1.3 This report also complies with the consent issued by the Scottish Ministers under the Local Government Investments (Scotland) Regulations 2010, and with the requirements of the CIPFA Code of Practice for Treasury Management in Public Services, in respect of the requirement to report to the Council an annual investment report, which evaluates the Council's investment performance for the previous financial year.

2.0 Decision Required

- 2.1 The Council RESOLVES to approve the recommendation from the Executive Committee, namely to:
 - approve the Annual Investment Report for 2011/12 for the purposes of the consent issued by the Scottish Ministers by virtue of section 40 of the Local Government in Scotland Act 2003;
 - note with satisfaction the performance of Baillie Gifford (equity fund) in 2011/12;
 - note the performance of Insight (bond fund) in 2011/12; and

note with dissatisfaction the performance of GMO (equity fund) in 2011/12.

3.0 Report

- 3.1 The report concluded that during 2011/12 Insight outperformed their bond benchmark but they did not reach the target. They have though added real value to the fund over and above the market return. GMO underperformed their equity benchmark in 2011/12, which is disappointing. A review of this mandate will be undertaken in 2012/13 once it has reached its initial five year investment period. Baillie Gifford not only outperformed their equity benchmark in 2011/12 but the target as well, this is a very good performance during volatile equity markets.
- 3.2 All of the funds produced positive returns during 2011/12. The bond fund market rose the highest with equities just positive over the year. This along with the fund managers' management of the funds helped to contributed £6 million in investment returns to the Council's reserves during 2011/12.
- 3.3 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.
- 3.4 The Chair will present any information to the Committee as to the debate or the issues that the Committee considered.

4.0 Implications

- 4.1 Detailed information concerning the proposals are 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:

Mr G Robinson, Chair of Executive Committee
27 November 2012

List of Appendices

None

Background documents:

Fund Management Annual Investment Report 2011/12
F-050-F

<http://www.shetland.gov.uk/coins/submissiondocuments.asp?submissionid=13863>

END



Shetland Islands Council

5 December 2012

Final Audited Accounts 2011/12

Report No. SIC-1205-F-044

Chair's Report – Audit and Standards Committee – 27 September 2012

1.0 Summary

- 1.1 The purpose of this report is to consider recommendations from the Interim Chair of the Audit and Standards Committee in relation to a report requiring a Council decision.
- 1.2 The Committee considered a report which presented the final signed and audited accounts for 2011/12 and to receive Audit Scotland's report to those charged with governance on the 2011/12 Audit

2.0 Decision Required

- 2.1 The Council RESOLVES to approve the recommendation from Audit and Standards Committee, namely to:
 - Approve the final signed and audited accounts for 2011/12; and
 - Note Audit Scotland's report to those charged with governance on the 2011/12 Audit.

3.0 Report

- 3.1 The report concluded that 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 2012.

- 3.2 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.
- 3.3 The Chair will present any information to the Committee as to the debate or the issues that the Committee considered.

4.0 Implications

- 4.1 Detailed information concerning the proposals are 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:

Ms V Wishart, Interim Chair of Audit and Standards Committee
22 November 2012

List of Appendices

None

Background documents:

Final Audited Accounts 2011/12
F-044-F

<http://www.shetland.gov.uk/coins/submissiondocuments.asp?submissionid=13665>

END



**Shetland Islands Council
Audit and Standards Committee**

**5 December 2012
13 December 2012**

Final Audited Accounts 2011/12

F-057-F

**Report Presented by Executive Manager –
Finance**

Corporate Services

1.0 Summary

- 1.1 The purpose of this report is to present the final signed and audited accounts for 2011/12 for noting and to receive Audit Scotland's Annual Report on the 2011/12 Audit.

2.0 Decision Required

- 2.1 The Shetland Islands Council / Audit and Standards Committee is asked to NOTE:
- a) The final signed and audited accounts for 2011/12; and
 - b) Audit Scotland's Annual Report on the 2011/12 Audit and approve the Action Plan.
- 2.2 The Council is further asked to APPROVE the management actions devised to address the audit risks.

3.0 Detail

- 3.1 The Annual Audit Plan requires the Council to receive the Annual Report and Certified Accounts by December 2012.
- 3.2 The accounts were issued with an unqualified audit opinion meaning that Audit Scotland has concluded that they give a true and fair view of the financial position and income and expenditure of the council and its group for the year (2011/12). The accounts have been included as Appendix 1.

- 3.3 The 2011/12 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:
- Inadequate resources in the Finance Section would negatively impact on the quality of the accounts and the quality of financial information prepared to support Members' decision making.
 - The impact on service delivery resulting from slippage in the capital programme.
 - The council may not make necessary improvements in its PCA score.
 - The impact of inadequate workforce planning arrangements in light of the medium term financial plan's savings requirements.
 - The challenging medium term financial plan is not delivered.
 - The lack of fully completed risk registers across the council.
 - The need to develop a more focussed ICT strategy.
 - The potential impact on service quality arising from the savings requirement.
- 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 timescales identified.

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 – Receiving the unaudited and audited accounts of the Council and related certificates and reports is a matter reserved by the Council. 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.
- 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 2012. Audit Scotland has provided an Annual Report of the 2011/12 accounts and has 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:

James Gray

Executive Manager – Finance

Email: james.gray2@shetland.gov.uk

Telephone: 01595 74 4607

14 November 2012

List of Appendices

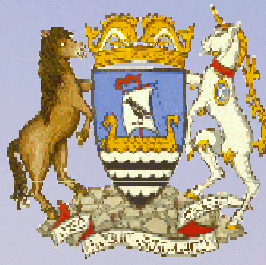
Appendix 1: Final Audited and Certified Accounts 2011/12

Appendix 2: Annual Report on 2011/12 Accounts by Audit Scotland

Background documents:

NONE.

END



Shetland Islands Council

Statement of Accounts 2011/12



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Cover photograph – Winter sunrise over Brae by
Margaret Cheriyan

Page 39 photographs by Jeanette Nowak, Jenny
Skinner and Kim Rendall

Introduction

Welcome to the Council's Statement of Accounts for the 2011/12 financial year. It is our aim to ensure that the information contained within these Accounts is as clear and understandable as possible in order to make them accessible to the widest audience possible. However, it is necessary and correct that Shetland Islands Council's Annual Accounts adhere to the relevant statutory and regulatory requirements which, in places, can unfortunately result in this document becoming rather technical. It is for this reason that I would encourage users of this document to study the Explanatory Foreword, in conjunction with the Financial Statements, as its purpose is to offer interested parties an easily understandable guide to the most significant matters reported in the Accounts.

The 2010/11 financial year proved to be challenging for many local authorities' finance teams across the country as a result of the introduction of International Financial Reporting Standards (IFRS), which replaced a well established accounting regime. One significant difference arising from this was that the Statement of Accounts now requires much wider input from officers working in departments outside of Finance. I am pleased to see that the changes arising from the introduction of IFRS are becoming embedded within the Finance Service and the wider Council's working practices.

Following a year of significant change, the financial reporting requirements in this second year have remained relatively similar. The only notable change that I would bring to your attention is the requirement for the Council to comply with an accounting standard concerned with the treatment of Heritage Assets. I believe that this development has been dealt with in order to comply with this requirement.

One final change I would highlight in the Statement of Accounts is that I have attempted to include financial information on the Shetland Charitable Trust in the Council's group accounts. My opinion is that it is a requirement of the Code of Practice on Local Authority Accounting in the United Kingdom to include the Shetland Charitable Trust results in the group accounts, and I have found no compelling evidence to make a departure from the Code. As a result I have used publicly available financial information on the Charitable Trust as a basis for consolidating its figures into the Council's group accounts.

I would highlight that the grouping of the Shetland Charitable Trust accounts was done to comply with an accounting definition of 'control' as set out in IAS 27: *Consolidated and Separate Financial Statements*. However, it is worth noting that legally, the Shetland Charitable Trust is independent from the Council and is not controlled by the Council.

Finally, I would like to express my thanks to all those Council officers who have had a role in the preparation of this document, and in particular to those in the Finance Service who have worked diligently and with dedication throughout this process.

James Gray MA (Hons), CPFA
Executive Manager – Finance (Section 95 Officer)
Shetland Islands Council
June 2012

Explanatory Foreword

The purpose of the foreword is to explain the most significant aspects of the authority's financial performance during 2011/12 and year-end financial position as at 31 March 2012. In addition, it provides some narrative on the financial outlook for the Council during 2012/13 and beyond.

Primary Financial Statements

The Statement of Accounts summarises the authority's transactions for the year, its year-end position at 31 March 2012 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 of Practice on Local Authority Accounting in the United Kingdom.

A description of the purpose of primary statements has been included on page 35, immediately prior to the four statements: the Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Balance Sheet and Cash Flow Statement. These four Statements are accompanied by Notes to the Accounts which set out the Accounting Policies adopted by the Council and provide more detailed analysis of the figures disclosed on the face of the primary financial statements.

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.

Financial Performance in 2011/12

The Council's financial performance is presented in the four primary statements. The Comprehensive Income and Expenditure Statement (CI&ES) presents the full economic cost of providing Council services in 2011/12. This differs from the budgeted outturn position which was reported to the Executive Committee of the Council on 25 June 2012, which is available on the Council's website.

The reason for this is that the Comprehensive Income and Expenditure Statement includes accounting adjustments required to comply with proper accounting practice, but which under statute do not impact upon local taxation payers. The outturn position reflects only those costs that are required to be met from local taxation. Therefore the difference between the Comprehensive Income and Expenditure Statement and the actual outturn position is purely as a result of necessary accounting adjustments to the former. The Cost of Services of £146.601 million, which is disclosed on the Comprehensive Income and Expenditure Statement, has been reconciled to the outturn used for management decision making of £128.566 million at Note 24 – Amounts Reported for Resource Allocation Decisions.

It is also important to note that the Council reports its outturn position by individual Account, as these are required to be accounted for separately under legislation. The revenue Accounts managed by the Council are the General Account, the Housing Revenue Account and the Harbour Account. The Comprehensive Income and Expenditure Account is the consolidation of all three of these accounts to reflect the Council's overall financial results for the year.

The outturn position for each of the budgeted funds, excluding accounting practice adjustments, as compared to the budget set is summarised below.

2011/12 Budget v Expenditure	Original Budgeted Draw from Reserves £m	Revised Budgeted Draw from Reserves £m	Actual Draw from Reserves £m	Revised Budget v Actual Variance Under/(Over) £m
General Account	21.247	27.448	32.002	(4.554)
Housing Revenue Account	(0.258)	(0.154)	0.007	(0.161)
Harbour Account	(2.103)	(1.851)	(2.185)	0.334
Total Revenue Draw	18.886	25.443	29.824	(4.381)
Capital Account	13.174	8.457	5.945	2.512
Total	32.060	33.900	35.769	(1.869)

General Account

The 2011/12 General Account budget required the Council to achieve in-year savings of £9.4 million. As a result of a number of management efficiency initiatives, such as a restructure of the Council's senior management team, these savings were fully delivered. Approximately £6 million of the savings can be considered to be recurring, which means the benefit of achieving these was not only felt in 2011/12, but will continue to be beneficial in future years.

The table above shows a net overspend of £4.554 million on General Account, which can be attributed to a number of one-off payments. Primarily, these were a payment to the Lerwick Port Authority of £4.883 million, termination costs of £1.536 million and a settlement of single status back pay awards totalling £0.346 million. When the one-off nature of these costs are removed, there were further underlying savings of £2.211 million against the approved budget. When coupled with the delivery of the £9.4 million of budgeted savings, the Council achieved a total savings figure of £11.8 million.

However, despite this good performance against the revised General Account budget, the total draw on reserves was still £32.002 million, which is clearly unsustainable beyond the immediate short term.

Harbour Account

The Harbour Account exceeded its budgeted surplus by £0.334 million, which allowed it to make a larger contribution to the Reserve Fund of £2.185 million. This occurred as a result of an increased contribution from the Marine Fund to meet one-off termination costs on the Harbour Account, but this was somewhat offset by reduced income from harbour and towage dues as a result of less activity than originally anticipated.

Housing Revenue Account

The financial position of the Housing Revenue Account (HRA) continues to be a significant challenge for the Council. This is due to the need to invest in the current housing stock to meet national housing targets by 2015 as well as managing the pressure for new build

housing to meet the high demand, against a backdrop of having to service and repay a historic debt on the HRA, which stood at £40.566 million on 31 March 2012.

There was a net overspend of £0.161 million on the HRA in 2011/12 against the revised budget. This arose due to the Account funding capital from current revenue of £0.828 million in the year for new build housing.

Capital Account

In 2011/12 Shetland Islands Council incurred capital expenditure of £16.845 million against a budget of £22.273 million representing an under spend of £5.428 million in the year. Of this total, £8.457 million was budgeted to be drawn from the Capital Fund, but as a result of the under spend the actual draw of £5.945 million was £2.512 million less than anticipated.

The main reason for the under spend on the capital budget arose as a result of slippage on the programme, i.e. projects not commencing or progressing as originally anticipated in 2011/12.

The most significant General Account capital expenditure during the year was –

- The dredging of Scalloway Harbour which incurred expenditure of £2.516 million during the year;
- The construction of the breakwater on the island of Fetlar, costing £1.571million;
- Construction work on the pier in Walls in West Shetland which incurred expenditure of £0.976 million;
- A total spend of £0.950 million on the vehicle and plant replacement programme;
- The upgrade of the Bixter to Aith road (Phase 2) on which a total spend of £0.817 million was recorded; and
- £0.734 million on fibre optic cables as part of the provision of broadband internet access to the Shetland Islands.

In 2011/12, the Council continued to face significant financial pressures largely driven by external factors, which were outwith the control of the organisation. The most significant of these were –

- Increases in fuel costs, particularly for ferries, which was the overriding factor for the ferries service over spending by £0.609 million in the year;
- A material decrease in funding levels provided by the Scottish Government (General Revenue Grant and share of National Non-Domestic Rates pool) from £95.340 million in 2010/11 to £91.710 million in 2011/12 which equates to a 3.8% reduction year to year;
- A lower than average return on the Council's invested reserves. The invested reserves, which stood at £222.739 million at the start of the financial year, generated a return of £7.099 million, which represents only a 3.2% return on the opening balance, against a long term average of 5.75%. This occurred as a result of the instability in the financial markets arising from the current economic climate.

The Balance Sheet as at 31 March 2012

The Balance Sheet sets out the total net worth of Shetland Islands Council at a snapshot in time. When comparing the net worth of the Council at the date of the last Balance Sheet on 31 March 2011, it can be seen that there has been an overall reduction in the net worth of the organisation of £36.436 million in the past 12 months. This figure matches the Total Comprehensive Income and Expenditure figure in the Comprehensive Income and Expenditure Account as this details all transactions that occurred during the financial year that have led to the movement in the net worth of the Council. The most significant events that have led to this reduction in net worth are as follows –

- The Council's Long-term Investments decreased from £222.739 million to £193.170 million as a result of the Council calling back £36 million of funds during the year, which was partially off-set by returns on investments totalling approximately £7 million during the year;
- The pension liability, representing the unfunded element of the Council's anticipated future pension payment commitment increased by approximately £13.4 million during the year. This happened as a result of changes in the actuarial assumptions used to determine how much the Council will have to pay out in future pension payments. These changes indicate that the Council will have to make higher payments than previously thought, which has increased the overall liability;
- The first two events above, resulting in a reduction in the Council's net worth, were partially offset by unrealised gains arising from upward revaluations of Property, Plant and Equipment of £6.2 million.

It should be noted that it is not unusual for large fluctuations from year to year in the Council's total net worth and the closing net assets of £477.295 million at 31 March 2012 is still higher than the £460.669 million recorded two years ago at 31 March 2010.

The Council's Reserves

The Council holds the following balances in reserves:

Reserves	Opening Balance 1 April 2011 £m	Closing Balance 31 March 2012 £m
Capital Fund	(108.404)	(100.542)
Capital Efficiency/Spend to Save Reserve	(5.000)	(9.096)
Reserve Fund	(61.621)	(57.129)
Repairs & Renewals Fund	(62.900)	(51.576)
General Fund Balance	(3.000)	(3.000)
Revenue Efficiency/Spend to Save Reserve	(0.500)	(0.510)
Potential Contingent Liabilities	(11.400)	(0.849)
Discretionary Reserves	(252.825)	(222.702)
Marine Superannuation Fund	(2.582)	(2.021)
Pilot Boat Renewal Fund	(0.942)	(0.960)
Housing Repairs & Renewals Fund	(12.035)	(12.259)
Quarry Repairs & Renewals Fund	(0.150)	(0.153)
Insurance Fund	(0.222)	(0.293)
Council Tax Second Homes Receipts	0.000	(0.511)
Hansel Funds	(0.090)	(0.104)
Central Energy Efficiency Fund	(0.052)	(0.043)
Ring Fenced Reserves	(16.073)	(16.344)
TOTAL	(268.898)	(239.046)

The overall notional level of usable reserves was £239.046 million at 31 March 2012. However, it should be noted that the level of reserves immediately available to the Council is, in effect, the amount of cash that is invested, which is shown on the balance sheet to be £193.170 million. The main reason for the difference between the two figures is that internal borrowing has occurred against the reserves, so the reserves are not fully backed up by cash at the present moment. This will cease to be the case once all internal borrowing is fully repaid to the reserves.

The Council has no external debt as at 31 March 2012.

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 could be fully used in approximately 5 years if expenditure levels are not brought into line with the level of income available to the organisation. This scenario is based on –

- A draw on reserves similar to 2011/12 being required for the next 5 years to balance the budget – this would equate to a total draw of £178.845 million over the period;
- A reduced contribution to the Reserve Fund from the Harbour Account of approximately £10 million over the next 5 years; and
- A poor performance, in terms of financial returns, on the reserves that are invested as a result of the global financial uncertainty impacting upon financial markets.

As a result of these risks, the Council set a revenue budget on 9 February 2012, which sought to reduce expenditure over a period of 2 years in order bring the budget into financial balance by 2014/15.

2012/13 Budget and Medium Term Financial Outlook

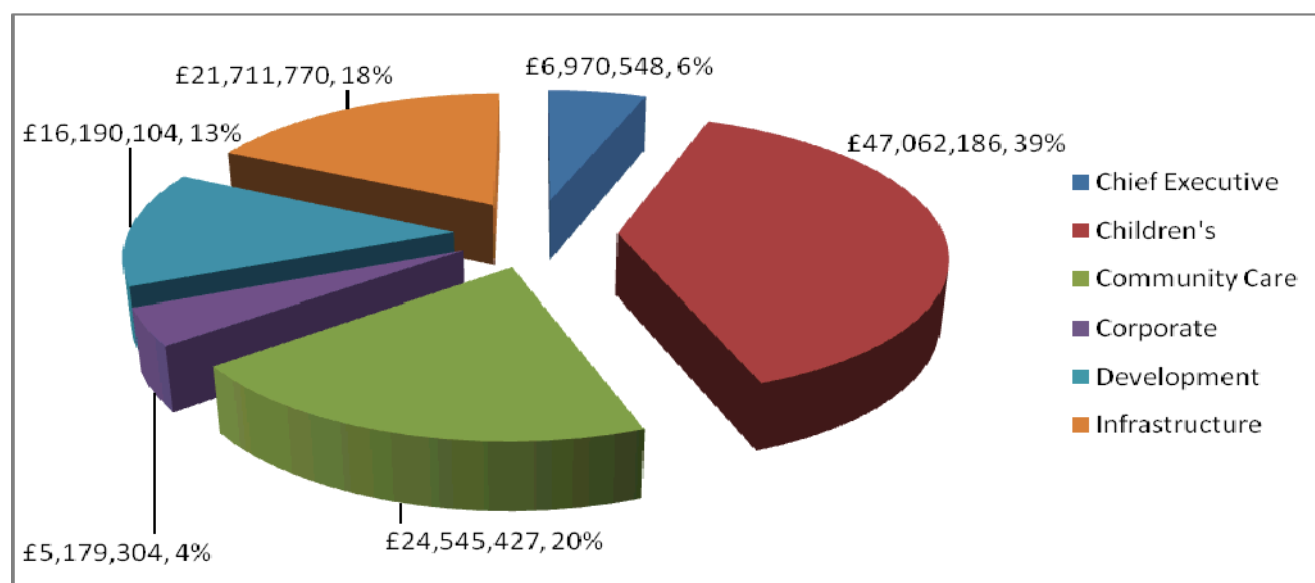
The Council set a challenging budget for 2012/13 with a requirement to make savings of £15.4 million on the General Account. These savings were split into 3 categories across the directorates as follows –

Department	Implement £	Assess £	Review £	Total £
Chief Executive	133,609	-	-	133,609
Children's Services	702,700	1,018,240	366,909	2,087,849
Community Care Services	69,000	2,923,677	1,080,000	4,072,677
Corporate Services	451,378	173,246	293,221	917,845
Development Services	419,345	1,824,868	824,928	3,069,141
Infrastructure Services	866,349	494,278	1,958,823	3,319,450
Council Wide Savings	450,000	200,000	1,100,000	1,750,000
Total	3,092,381	6,634,309	5,623,881	15,350,571

Savings that have been identified in the Implement category are those which can be actioned immediately from 1 April 2012, and as such these budgets were removed from services at the start of the financial year.

The Assess category requires services to undertake further work to determine specifically how the savings will be made, and require Director sign-off prior to being implemented. The Review category also require further work to be undertaken to determine the exact nature of the saving, but these require to be signed off by Council.

The table below shows how the 2012/13 General Account budget will be spent on Council Services –



It should be noted that the expenditure in the table above totals £121.659 million, but council wide savings of £1.750 million are required from this total, which will result in a final expenditure of £119.909 million.

A new group called *Directors for Change*, comprising all the Council's Directors and certain of the Corporate Services' Executive Managers has been established to oversee the savings

work being undertaken by the Council. This group will meet fortnightly throughout 2012/13 in order to ensure that the work to deliver the agreed savings remains on track. The volume of savings work planned for 2012/13 is substantial with 52 savings reviews planned during the year, many of which will require consultation with the community and could result in significant service re-design.

In order to assist with the process of delivering the savings, the Council has both a revenue and capital spend to save budget, which are open for all services to apply for. This money is intended to facilitate any changes necessary in order to realise the agreed savings, with all projects required to fall within a 3 year payback period.

Members will be provided with supplementary financial information specifically related to the Council's progress against its savings targets, in addition to its regular budget monitoring reports, in order that it can monitor progress throughout the financial year.

In addition to the agreed 2012/13 General Account budget, the Council agreed in principle to make further savings of £14.4 million in 2013/14 as part of a strategy to remove the Council's reliance on its reserves by 2014/15.

The table below shows the impact of the savings on total expenditure levels over the next 2 years, and how this reduces the Council's requirement to draw on reserves to meet the funding shortfall.

	2012/13 £000	2013/14 £000
Initial Budget	135,261	120,365
Less savings - assumes all delivered		
Implement	(3,093)	(419)
Assess	(6,634)	(3,745)
Review	(5,624)	(10,225)
Total Expenditure	119,910	105,976
Revenue Grant Funding (excluding specific grants)	(75,650)	(73,595)
Non-Domestic Rates	(15,035)	(16,177)
Council Tax	(8,036)	(8,036)
Trading Activity	(4,069)	(1,369)
Use of Reserves	(17,120)	(6,799)
Total Funding	(119,910)	(105,976)

It is anticipated that the 2014/15 General Account budget would require only a sustainable draw on reserves i.e. a level no higher than the return on investments achieved in the prior financial year. This will ensure that reserve levels are stabilised ahead of taking necessary measures to deliver the Council's reserves policy of reaching a level of £250 million by the end of 2021/22.

Impact of the Current Economic Climate and Future Cost Pressures

The Council has again felt the impact of the current economic climate in the 2011/12 financial year. In particular, the Council has suffered from falling revenue funding from the Scottish Government and from lower than average returns on the Council's investments, both of which have arisen as a result of the wider economic situation. The Council is

anticipating the following cost pressures in 2012/13 and beyond, the first three of which can be directly attributed to the current economic climate –

- Scottish Government funding allocations – Shetland Islands Council has received its financial settlement figures for the next three years and it reveals a cash reduction in revenue funding for each consecutive year, to a level of £90.549 million in 2014/15. The Council is anticipating that there will continue to be an extremely challenging financial settlement in the years following 2014/15.
- Abolition of the Housing Support Grant – The Scottish Government is planning to abolish the Housing Support Grant of which Shetland Islands Council is a beneficiary. This grant has been critical in financing the interest costs on the Housing Revenue Account debt, which stood at £40.566 million at 31 March 2012. Without any transitional support from the Scottish Government, there will either have to significant cuts in maintenance budgets or increases in rent levels to compensate for this loss of income.
- Reduced returns on the Council's Invested Reserves – The Council has averaged a 5.75% return on its investments over the past 20 years. However, given the uncertainty in the Euro-zone, particularly in Greece and Spain, and the realisation of the fears of a double-dip recession in the UK, the outlook for financial markets in the short to medium term is uncertain. It is therefore prudent to anticipate that returns on investments will be lower than the long term average resulting in a diminished income stream.
- Energy Costs – There is an expectation that both utility and fuel costs will continue to rise in the foreseeable future, which puts particular pressure on the Council's ferry services.
- Harbour Account Surplus – It is anticipated that the surpluses generated from the Harbour Account will be materially diminished over the next few years. The main reasons for this are that throughput will decrease as a result of the Schiehallion Oil Field going off-stream for 2-3 years, resulting in lower fee income, and an additional cost will be placed on the Harbour Account in respect of meeting the Towage staff pension liabilities of £7.8 million over the next 4 years.
- Pay Award – It is anticipated that cost pressures will arise as a result of a pay award from the start of 2013/14 and that there is potential for this to continue in subsequent financial years.
- Welfare Reform – This will be introduced during 2013/14 and could have an adverse impact on Council Tax Benefit income as a result in a funding shortfall of £17 million across Scotland, which is required to be made up by local authorities. As yet it is unclear as to what impact this will have on Shetland Islands Council. In addition, the introduction of Universal Credit will see housing benefit money paid directly to tenants as opposed to the Council which could have a negative impact on Housing Rents collection levels.

Material Transactions During 2011/12

Pension

The Council is the administering authority for the Shetland Islands Council Local Government Pension Scheme and the Council has prepared a separate set of financial statements for the Pension Fund.

The impact of the Local Government Pension Scheme and Teachers Superannuation Scheme on the Council's accounts has been disclosed in Notes 33 and 34 to the accounts.

It is worth mentioning that, as at 31 March 2012, the Council's Pension Fund had a net pension liability of £104.524 million (2011: £91.113 million). This figure represents the amount that actuaries estimate that Shetland Islands Council will have to pay out in future years for all pension entitlements earned by current and previous staff by 31 March 2012, which is currently unfunded.

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.

Lerwick Port Authority

The Council reached a negotiated settlement with Lerwick Port Authority (LPA) in February 2012 on the claim payable by the Council relating to LPA's abandonment of a dredging project in 2005 due to the former Bressay Bridge Project. The Council agreed a payment of £4.826 million in order to avoid matters being taken to the Court of Session, which was scheduled for October 2012. It is the view of the Council that settling outside of Court represented the best financial outcome to the organisation.

Changes in Accounting Policies

Heritage Assets

From 2011/12 Shetland Islands Council is required by the Code to adopt *FRS 30: Heritage Assets*. This will mean that the Council will recognise its heritage assets at valuation. Previously, heritage assets were either recognised as community assets (at cost) in the property, plant and equipment classification in the Balance Sheet or were not recognised in the Balance Sheet, as it was not possible to obtain cost information on the assets.

For Shetland Islands Council, this will mean that the collection at the Museum will be valued on its insurance valuation, and that there is a transfer of assets from community assets to heritage assets. The Council has been required to restate its prior year balance sheet in order to provide a meaningful comparative figure for heritage assets.

In addition, there are a number of disclosure requirements in relation to this new accounting standard, all of which have been included in the Notes to the Accounts.

Group Accounts

The Council has received an audit qualification on the Statement of Accounts for each of the past six years in relation to its approach to group accounts. PricewaterhouseCoopers LLP,

the external auditors, issued the first qualification in 2005/06 as a result of the Council failing to prepare any group accounts whatsoever. For the next two years the qualification arose because of a failure to include the Shetland Development Trust and Shetland Charitable Trust (SCT) results, and latterly since 2008/09 the qualification has been in respect of the Council failing to include the results of SCT.

The reason that the Statement of Accounts has not included the results of SCT in the group accounts is largely based on a legal interpretation of the situation. The Elected Members, when acting in their role as SCT Trustees, have a legal duty to act with independence and in the sole interests of the Charity, which in effect means that they cannot act in the interests of the Council and therefore no consolidation is required. For this reason, the Trustees of the SCT have in the past decided not to provide financial information to the Council in the past.

Whilst recognising the legal position, the accounts must be prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom. The Code requires group accounts to be prepared in accordance with IAS 27: *Consolidated and Separate Financial Statements* and this standard requires an entity (SCT) to be consolidated into group accounts when the parent (the Council) has the ability to control it. Control is deemed to exist when the parent (the Council) has over 50% of the voting rights of the entity (SCT). Given that 22 out of the 24 Trustees of the SCT are Elected Members of the Council, the requirements of the Code are clearly met.

However, it is recognised that legally, the Shetland Charitable Trust is an independent organisation that is not controlled by the Council.

The Section 95 Officer, who is responsible for selecting and applying the accounting policies in the Statement of Accounts, has found no compelling evidence to depart from the treatment required by the Code and the opinion expressed by the External Auditor, Audit Scotland. As a result of this, it is the view of the Section 95 Officer that the correct accounting treatment is to include the results of the Shetland Charitable Trust in Shetland Islands Council's group accounts as a subsidiary.

In the absence of SCT's 2011/12 financial statements being available to the Council, the Section 95 Officer has used publicly available financial information on the organisation to attempt to prepare group accounts with the inclusion of the Charitable Trust as a subsidiary.

Accounting Ratios

CIPFA Scotland Directors of Finance Section has developed a suite of accounting ratios for incorporation into the financial statements. The indicators are intended to support interpretation of the financial statements and explain the Council's financial position and performance.

There are four areas covered by the ratios, namely Reserves, Council Tax, Financial Management and Debt & Borrowing. Not all the ratios are applicable to Shetland Islands Council.

Accounting Ratio	% or £	Explanation
Reserves		
Uncommitted General Fund Reserves as a % of annual budgeted net expenditure	2.3%	Demonstrates the Council's flexibility to meet unanticipated expenditure.
Movement in the Uncommitted General Fund Balance	0%	There has been no movement in the year.
Council Tax		
In-year Collection Rate	96.6%	Demonstrates the Council's effectiveness in collection of local taxation.
Council Tax Income as a % of Overall Funding	6.6%	Demonstrates the funds received from Council Tax as a % of overall funding requirement.
Financial Management		
Actual Outturn as a % of Budget	104%	Demonstrates there has been additional expenditure over budget. It should be recognised that there were a number of one-off unbudgeted expenditure items. Removing these items the % would have been 98%, which better reflects the underlying Council financial activity.
Actual Contribution to/from Uncommitted General Fund Balance	£3m	This was the contribution applied and reinstated in 2011/12.
Debt & Borrowing		
Capital Financing Requirement	£53.8m	This is the amount of unfunded capital expenditure mainly on Council housing.
External Debt Levels	£0	There is no external debt held by the Council.
Ratio of Financing Costs to Net Revenue Stream	N/A	Not applicable as the Council has no external debt.
Impact on Capital Investment on Council Tax and Housing Rents	N/A	Not applicable as the Council has no external debt.

Annual Governance Statement

Scope of Responsibility

Shetland Islands Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. The Council also has a statutory duty to make arrangements to secure best value under the Local Government in Scotland Act 2003. In discharging this accountability, elected members collectively and senior officers individually are responsible for putting in place proper arrangements for the governance of the Council's affairs, the stewardship of the resources at its disposal and the management of risk.

The Governance Framework

In May 2011 the Council renewed the governance arrangements and the role of committees in decision-making is set out within the Council's Constitution, which also sets out the delegated powers of individual officers. The one outstanding aspect is the formal approval of a revised Code of Governance, which is being developed for approval early in the life of the new Council. This Code of Governance is consistent with the principles of the CIPFA / SOLACE Framework 'Delivering Good Governance in Local Government'.

The Council has introduced a revised political management structure. The overall strategic direction, in terms of setting corporate priorities and allocating resources, rests with the full Council advised by the Executive Committee. There are four functional committees: Development, Education and Families, Environment and Transport and Social Services, who take decisions within their respective scope of responsibility. 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 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.

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 Chief Executive and Directors along with the Monitoring Officer and Chief Financial Officer, meet fortnightly as the Corporate Management Team. Individual Directorates have their own Management Teams. Additionally a new forum called Executive Influence, bringing together all Executive Managers and the Corporate Management Team, meets on a quarterly basis.

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; and
- 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.

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 is a range of strategic and service specific targets, such as:

- ensuring there is fast and reliable broadband throughout Shetland;
- the development of renewable energy;
- recognising the importance of the education sector and consequently deciding on and implementing the Blueprint for Education;
- determining Shetland's long-term transport infrastructure;
- intervening early to minimise or eliminate poverty and deprivation and promote healthy lifestyles;
- providing affordable housing; and
- making sure we organise and carry out all business properly.

The Council alone is not able to solve all 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.

The Council publishes an Annual Report on its performance against the objectives set out within the Corporate Plan. Corporate improvement actions are led and monitored by the Corporate Management Team and also at Directorate Management Teams. Service Plans are prepared annually which set out detailed actions and outcomes for each Service and include performance indicators. These form an integral part of the Council's Planning and Performance Management Framework which is being refreshed to make greater use of reporting tools such as Covalent. Service performance is reported periodically to the relevant functional committees.

The Council maintains a register of Strategic and Operational Risks, although it is acknowledged that in some departments these are not fully completed. Action Plans have been developed to ensure that these risks are managed, with an additional focus on those of a higher risk. Following the major management restructuring in the Council these risks are being reviewed and steps taken to embed risk management planning and awareness into everyday activity.

Considerable work has been undertaken in relation to improving the financial governance framework and ensuring that the Council's arrangements comply with the requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010). The Council's financial management arrangements mean that 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 costs 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 project management approach, using PRINCE methodology, underpins all the investment decisions for ICT systems development and, based on similar disciplines, a formal investment appraisal system, the Gateway Process, has been established for capital investment decisions.

As part of the Final Accounts work, potential 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 Council?, 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.

Further to the Accounts Commission public hearing in June 2010, the Council approved an Improvement Plan which was intended to deliver a root and branch review of the Council's culture, identify changes needed in its political and other management arrangements, set out the standards to which it will aspire and overhaul its corporate systems and processes.

Over the past year the Council has put in place a number of significant changes to its financial governance arrangements, including a revised policy on reserves, updated financial regulations, agreed a medium term strategic budget planning framework, approved a revised 5 year asset investment plan, approved a procurement strategy and improved the style of financial monitoring reports to place greater emphasis on projected, rather than historic, expenditure.

In their follow up report in January 2012 the Accounts Commission welcomed the prompt action and progress made by the Council in delivering its Improvement Plan, but emphasised the need for this positive direction and change to be sustained and consolidated. There was acknowledgement of the good overall progress made by the Council whilst also observing that some elements of the plan had not progressed in line with original timescales, although this had not compromised the overall plan. These outstanding issues are being addressed. The Council is clear that while we have achieved a very considerable amount in a short space of time, there is still some way to go, and that improvement activity must be continued and supported through the development of a culture of robust self assessment.

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 Executive Manager - Internal Audit reports directly to the Audit and Standards Committee.

The Internal Audit work programme has been completed, with some minor carry forward of work into the 2012/13 financial year. During the last financial year Internal Audit completed and issued 33 planned audits. These reports highlighted the need for improvement in the following areas –

- Ensuring that full risk assessments are carried out at all schools to comply with Health & Safety legislation. The newly appointed Executive Manager for Quality Improvement has committed to ensure that this is actioned.
- A follow up review of the use of relief bank staff in Community Care services identified that there was still a high spend in this area, and work to review the use of relief bank staff in each care unit has yet to commence. A commitment has now been given that this work will be progressed during 2012/13.
- In instances where manual ordering was taking place, there was evidence that purchase ordering procedures were not being followed consistently. The Executive Manager – Finance has committed to address this situation during 2012/13.
- Ensuring that proper regard is given to quality, as well as price, when setting works contract tenders. This recommendation was made following a review of the Walls Pier capital project. The procurement service will ensure that action is taken to address this point in future.

During the 2010/11 financial year Audit Scotland, the Council's External Auditors, raised specific concerns in their ISA 260 Report on the following items:

- Qualification on the Statement of Accounts as a result of the failure to include the financial results of the Shetland Charitable Trust in the Council's group accounts. The Council recognises the importance of this issue and has included the Trust in the group accounts for the 2011/12 Statement of Accounts.

- The 2010/11 draft financial statements, submitted on 30 June 2011 were not of an acceptable standard and required fundamental rework throughout the summer prior to being signed off by the external auditors. The Council has undertaken significant planning for the preparation of the 2011/12 draft Statement of Accounts, as well as having recruited a new financial accountant. These measures should ensure that this issue is not repeated in future.
- The need for the Council to appoint a permanent Section 95 Officer. The Council addressed this issue in January 2012 by appointing a new Executive Manager – Finance who is the Council's Section 95 Officer.
- Failure to prepare the Whole of Government Accounts return by the deadline. This issue has been addressed through the planning work undertaken by the Council during 2011/12 to ensure that all deadlines are met.
- The need for budget monitoring reports for members to be further developed to support them in making decisions on the use of resources. Work has been undertaken to strengthen the quality of the budget monitoring reports and make them more focused on future projections.
- Slippage on the Capital programme. This has been a long standing issue, but work is underway to address this, ensuring that timings for undertaking capital works are accurate and that there are robust management arrangements in place to ensure that this is delivered.
- The level of reserves held by the Council is in danger of dropping below the level set by the Council's policy. The Council fully appreciates how its level of expenditure has led to significant increases in its draw on reserves in recent years. In order to address this, the Council set a challenging revenue budget for 2012/13 and indicative budget for 2013/14, which will see savings of £30 million over the 2 years and will ensure that the Council delivers its policy of not drawing on reserves from 2014/15.
- The Council's risk register is incomplete as a result of individual departments not feeding into the corporate process. The Council will take steps to address this issue once the new Team Leaders are in post.

Significant Governance Issues

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

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 value for money was continuously sought. This assumed that issues identified and agreed are or have been addressed.

Work continues to embed the key improvements delivered through the improved political governance arrangements and revised management structure for Shetland Islands Council. A major area of concern continues to be the recurring Audit Qualification on the Council's Accounts in relation to the specific concerns on the application of accounting regulations. Considerable work was done on this during the last year and reported in detail to the Council in March. The Shetland Charitable Trust is in a 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.

Conclusion

The previously identified difficulties surrounding the governance arrangements in Shetland Islands Council have largely been addressed due to the commitment of elected members and officers.

The Governance Framework has been in place for the financial year ended 31 March 2012 and up to the date of approval of the Statement of Accounts. Effective governance arrangements will remain a key priority for the Council in future, including continuous review and improvement of governance arrangements and ensuring that these are embedded across the whole Council.

A number of weaknesses and issues have been identified and these are set out above. Implementing the action plans is a priority and progress is regularly reported to the Audit and Standards Committee.

Overall, we consider the governance and internal control environment operating in 2011/12 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.

.....
Alistair Buchan

Chief Executive

.....
Gary Robinson

Leader of the Council

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) requires the disclosure of exit packages. This disclosure has been included in the remuneration report for 2011/12.

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 2011/12 the salary for the Convener of Shetland Islands Council was £27,057.96 the salary for the Vice-Convener was £20,293.92. However, the position changed in May 2011, when the Council adopted a new role of Leader of the Council, and amended the level of remuneration to £27,058 for the Leader and £20,294 for the Convener.

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% 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 senior councillor positions were, as of 18 May 2011:

- Chair of Education and Families Committee
- Chair of Social Services Committee
- Chair of Development Committee

- Chair of Environment and Transport Committee
- Chair of Audit and Standards Committee
- Chair of Planning Committee
- Chair of Licensing Committee
- Chair of Harbour Board
- Chair of Shetland College Board

As of 18 May 2011, excluding the Convener and the Leader, Shetland Islands Council had nine senior councillors and the additional remuneration paid to these councillors totalled £161,606.65.

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.

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

The Scheme was further updated at the Council meeting on 12 May 2011 with the new positions that attract those allowances, including the creation of the post of Leader, and the Council adopted the new political management framework with effect from 18 May 2011.

All reports are available from the Council's website.

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 and agreements. The Scottish Joint Negotiating Committee (SJNC) for Local Authority Services sets the salaries for the Chief Executives of Scottish local authorities. Circular CO/144 sets the amount of salary for the Chief Executive of Shetland Islands Council for the period 2008 to 2011. The salaries of the Strategic Directors are based on a fixed percentage of the Chief Executive's salary, namely 80 % of the amount of the Chief Executive's salary. Executive Managers fall into two bandings, to reflect the statutory level of responsibility held by the Monitoring Officer (Executive Manager - Governance and Law) the Section 95 Officer (Executive Manager - Finance) and the Chief Social Work Officer role held by the Executive Manager - Children and Families. These arrangements were agreed through approval of Report CE 30 F "Management Restructuring" at a meeting of the Full Council on 14 June 2011. The restructuring exercise resulted in a new senior management structure with the new posts populated from 1 July 2011 until 12 September 2011.

The senior employees of the Council consist of the Council's Corporate Management Team and those who hold certain statutory positions. Prior to the completion of the Organisation and Management review these were:

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

Following the implementation of the new Senior Management Structure, which was completed by 1 September 2011, these posts are now: -

- Director - Children's Services
- Director - Infrastructure
- Director - Development
- Director - Corporate Services
- Director - Community Care
- Executive Manager - Governance and Law (Monitoring Officer)
- Executive Manager - Finance (Section 95 Officer)
- Executive Manager - Children and Families (Chief Social Work Officer)

In order to ensure that recruitment of senior employees is properly managed, a protocol for chief officer appointments is in place and is available to view at the address link below. The Protocol applies to appointments to the chief officer posts of Chief Executive and Directors. The Protocol is designed to ensure:

- the appointment is widely known and the best available candidates are attracted to apply
- the best information is available to the Council about qualities, skills, experience and personal attributes of candidates
- information about candidates is assessed effectively and fairly during the assessment, selection and appointment process.

Allowances

Senior employees are provided with a mobile phone/blackberry and are able to claim mileage costs paid at the Inland Revenue recommended rates.

General Disclosure by Pay Band

The Regulations require the Remuneration Report to provide information on the number of persons whose remuneration was £50,000 or more, disclosed in bands of £5,000. This table includes payments made in the year for salary, pension contributions, redundancy and compensatory added years.

Remuneration Bands	Number of Employees	
	2010/11	2011/12
£50,000 - £54,999	41	38
£55,000 - £59,999	29	25
£60,000 - £64,999	17	21
£65,000 - £69,999	14	14
£70,000 - £74,999	15	7
£75,000 - £79,999	5	4
£80,000 - £84,999	2	8
£85,000 - £89,999	0	3
£90,000 - £94,999	3	1
£95,000 - £99,999	0	5
£100,000 - £104,999	2	1
£105,000 - £109,999	0	2
£110,000 - £114,999	0	1
£115,000 - £119,999	0	0
£120,000 - £124,999	0	1
£125,000 - £129,999	0	0
£130,000 - £134,999	2	2
£135,000 - £139,999	0	0
£140,000 - £144,999	1	0
Total	131	133

The table above includes staff that terminated employment during both 2010/11 and 2011/12. Many of the staff that left received remuneration packages that included compensation for loss of office (eg. redundancy payment and/or enhanced pension payments), and because of these payments, a number of staffs' remuneration has increased temporarily in both 2010/11 and 2011/12.

Exit Packages

The regulations require the Remuneration Report to provide information on the number of exit packages awarded, in bandings of £20,000 up to £100,000 and thereafter in bandings of £50,000, along with the total cost of the exit packages within each band. The regulations also require disclosure of the number of compulsory redundancies and other agreed departures. The cost of exit packages must pay back within three years and will then provide ongoing savings.

The total cost for 2011/12 of £3.592m (£3.038m in 2010/11) in the table includes £1.811m (£1.274m in 2010/11) for termination benefits agreed, accrued for and charged to the Comprehensive Income and Expenditure Statement in the current year, comprising redundancy payments and pension strain costs. In addition, the table includes £1.781m (£1.764m in 2010/11) for the capitalised cost of compensatory added years agreed in the year that will be charged to the Comprehensive Income and Expenditure Statement across future years.

(a) Exit package cost band (including special payments)	(b) Number of compulsory redundancies		(c) Number of other departures agreed		(d) Total number of exit packages by cost band (b + c)		(e) Total cost of exit packages in each band	
	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12
							£000	£000
£0 - £19,999	0	1	14	20	14	21	121	181
£20,000 - £39,999	0	0	4	6	4	6	114	192
£40,000 - £59,999	0	0	1	10	1	10	42	489
£60,000 - £79,999	0	0	5	12	5	12	342	824
£80,000 - £99,999	0	0	0	6	0	6	0	522
£100,000 - £149,999	0	0	3	7	3	7	356	886
£150,000 - £199,999	0	0	4	3	4	3	675	498
£200,000 - £249,999	0	0	3	0	3	0	656	0
£250,000 - £299,999	0	0	0	0	0	0	0	0
£300,000 - £349,999	0	0	1	0	1	0	349	0
£350,000 - £399,999	0	0	1	0	1	0	383	0
Total	0	1	36	64	36	65	3,038	3,592

The table above details the number and cost of exit packages awarded in 2010/11 and 2011/12. Included in the cost of the exit packages are the costs to the employer, namely the cost to the Pension Fund (pension strain cost) and the full cost (capitalised cost) of the award of enhanced pension payments (compensatory added years).

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	2011/12 £000
Salaries	357	354
Allowances	33	33
Expenses	95	102
Total	485	489

The annual return of councillors' salaries and expenses for 2011/12 is available for any member of the public to view at Finance Services, North Ness during normal working hours.

Disclosure of Remuneration for Senior Councillors

Councillor Name	Designation	2010/11	2011/12				Notes
		Total	Salary, Fees	Taxable	Benefits other	Total	
		Remuneration	and	Expenses	than Cash	Remuneration	
		£	£	(a) £	£	£	
Mr A Cluness	Convener	27,057.96	21,183.44	0.00		21,183.44	Chair - Social Services Committee to 03/02/2011
Mr J Simpson	Leader of the Council	20,448.42	26,168.44	272.43		26,440.87	
Mrs F Grains	Chair - Audit & Standards Committee	17,873.61	17,822.00	159.50		17,981.50	
Mr L Angus	Chair - Social Services Committee	19,537.71	16,233.96	117.33		16,351.29	
Mrs E Fullerton	Chair - Education and Families Committee	16,994.20	18,966.54	235.76		19,202.30	
Mr R Henderson	Chair - Harbour Board	17,873.76	17,822.00	238.88		18,060.88	Ceased being a Councillor on 30/09/2011 Chair of Environment & Transport Committee from 9/12/2011
Mrs I Hughson (nee Hawkins)	Chair - Environment & Transport Committee	20,040.00	9,590.30	0.00		9,590.30	
Mr A Wishart	Chair - Environment & Transport Committee	16,233.96	17,922.77	0.00		17,922.77	
Mr A Cooper	Chair - Development Committee	17,862.34	18,666.17	147.71		18,813.88	
Mr F Robertson (c)	Chair - Planning Committee & Vice Convener of O & S VJB	19,749.19	19,278.96	357.09		19,636.05	
Mr C Smith	Chair - Social Services Committee	17,755.92	18,666.17	0.00		18,666.17	Chair - Social Services Committee from 19/05/2011
Mr A Hughson	Chair - Shetland College Board	17,755.92	16,434.11	0.00		16,434.11	Chair - Shetland College Board to 17/05/11
Mr J Budge	Chair - Licensing Committee	16,233.96	17,621.85	0.00		17,621.85	Chair - Licensing Committee from 19/05/2011

Notes:

- Remuneration payments for positions of responsibility associated with the Council's new committee structure commencing with effect from 18 May 2011.
- Taxable Expenses – Telephone Line Rental/Broadband.
- 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.
- Mr A Wishart only receives one senior councillor payment even though he also holds the position of Chairperson, Shetland College Board.
- Changes in Committee Structures with effect from May 2011 resulted in changes in designation for some council members.

Remuneration of Senior Employees of the Council

Name of Senior Official	Designation	2010/11	2011/12				Notes
		Total Remuneration £	Salary, Fees and Allowances £	Taxable Expenses (a) £	Compensation for Loss of Employment (e) £	Benefits other than in Cash £	
A Buchan (b)	Chief Executive	137,100.85	131,150.13	322.12		24,266.74	
W Shannon	Assistant Chief Executive (old)	67,770.00	67,006.50	829.02			
H Sutherland (c)	Executive Director/Interim Head of Finance (old)	94,348.36	95,026.88	822.00			
G Greenhill (d)	Executive Director: Infrastructure (old)	78,279.40	52,835.80	739.35	52,767.49		Redundancy Termination 30/09/2011
R M Sinclair	Executive Manager: Capital Programmes (new)	55,822.88	56,947.50	369.34			Head of Service: Capital Programmes to 11/09/2011
J R Smith	Executive Manager: Performance & Improvement (new)	65,994.09	65,311.56	369.34			Head of Service: Organisational Development to 11/09/2011
M A Williamson (e)	Service Manager: Social Work (old)	57,280.26	43,098.19	721.74	53,559.59		Redundancy Retirement 31/12/2011
H Budge	Strategic Director: Children's Services (new)	73,023.12	75,749.70	204.94			Head of Service: Schools to 30/06/2011
N Grant	Strategic Director: Development (new)	66,075.00	74,017.43	204.94			Head of Service: Economic Development to 30/06/2011
P Crossland	Strategic Director: Infrastructure (new)	0.00	42,921.20				Commenced with SIC 19/09/2011
Vacant	Strategic Director: Corporate Services (new)	0.00	0.00	0.00			
C Ferguson	Strategic Director: Community Care (new)	65,946.00	79,725.94	204.94			Head of Service: Community Care to 30/06/2011
J Riise (f)	Executive Manager: Governance & Law (new)	73,023.12	78,279.63	369.34			Head of Service: Legal & Administration to 11/09/2011
Vacant	Executive Manager: Finance (Section 95 Officer) (new)		0.00	0.00			Covered by H Sutherland as above for 2011/12
H Leslie	Executive Manager: Children & Families (new)	50,188.17	53,592.36	763.70			Service Manager: Children's Services to 30/11/2011

Notes:

Shetland Islands Council Accounts 2011/12

- a) Taxable Expenses – includes essential car user allowance, taxable mileage and telephone line rental.
- b) Mr A Buchan's remuneration includes Shetland Islands Council secondment allowance. Benefits, other than in cash, includes provided accommodation, car and return travel to Orkney.
- c) Ms H Sutherland's remuneration in 2011/12 includes a long service award payment. Ms H Sutherland's remuneration in 2010/11 included a payment in respect of Acting Chief Executive in 2009/10 and 2010/11.
- d) Mr G Greenhill's compensation for loss of employment includes a redundancy payment, pay in lieu of notice payment and training/coaching needs payment.
- e) Mr A Williamson's compensation for loss of employment includes a redundancy payment and compensatory added years (CAYs), annual pension and lump sum amounts awarded on termination of employment.
- f) Mr J Riise's remuneration in 2011/12 includes a long service award payment.
- g) Management restructuring in 2011/12 has resulted in changes in designation for some senior officials. The word (old) means only part of old structure and (new) means part of new structure.

Pension Benefits – Senior Councillors

The pension entitlements for senior councillors for the year to 31 March 2012 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 2012		As at 31 March 2011	As at 31 March 2012	Increase / (Decrease)	
		£	£		£	£	£	
Mr A Cluness	Convener	8,608.90	3,749.51	Pension	2,076.86	2,789.86	713.00	
				Lump Sum	2,079.02	2,087.94	8.92	
Mr J Simpson	Leader of the Council	6,456.79	4,631.77	Pension	1,636.72	2,497.98	861.26	
				Lump Sum	1,152.07	1,275.55	123.48	
Mrs F Grains	Chair - Audit & Standards 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	Chair - Social Services Committee (Part 2010/11)	6,182.00	2,873.40	Pension	1,317.97	1,840.63	522.66	Chair of Social Services to 03/02/2011
				Lump Sum	927.16	929.67	2.51	
Mrs E Fullerton	Chair - Education & Families Committee	5,313.97	3,357.09	Pension	937.90	1,284.89	346.99	
				Lump Sum	1,146.15	1,210.50	64.35	
Mr R Henderson	Chair - Harbour Board	5,649.26	3,154.47	Pension	1,167.92	1,650.48	482.56	
				Lump Sum	1,337.53	1,416.31	78.78	
Mrs I Hughson (nee Hawkins)	Chair - Environment & Transport Committee (Part 2011/12)	6,376.06	1,697.49	Pension	1,037.50	1,242.75	205.25	Ceased being a Councillor on 30/09/2011
				Lump Sum	1,267.87	1,322.24	54.37	
Mr A Wishart	Chair - Environment & Transport Committee & Chair of Shetland College Board	5,165.11	3,172.32	Pension	1,135.03	1,598.89	463.86	Chair - Environment & Transport Committee from 9/12/2011
				Lump Sum	1,311.91	1,374.13	62.22	
Mr A Cooper	Chair - Development Committee	5,649.26	3,303.92	Pension	1,098.94	1,451.42	352.48	
				Lump Sum	1,371.09	1,400.67	29.58	
Mr F Robertson	Chair - Planning Board & Vice-Convener of O & S VJB	6,133.87	3,412.33	Pension	1,732.47	2,415.85	683.38	
				Lump Sum	1,626.71	1,704.03	77.32	
Mr C Smith	Chair - Social Services Committee	5,649.26	3,303.92	Pension	1,055.39	1,405.04	349.65	Ceased Chair - Licensing Committee on 18/05/2011. Chair - Social Services Committee from 19/05/2011.
				Lump Sum	1,316.75	1,355.90	39.15	
Mr A Hughson	Chair - Shetland College Board	5,649.26	2,908.83	Pension	1,021.09	1,335.26	314.17	Chair of Shetland College Board to 17/05/2011
				Lump Sum	1,247.81	1,257.96	10.15	
Mr J Budge	Chair - Licensing Committee	0.00	0.00	Pension	0.00	0.00	0.00	Chair - Licensing Committee from 19/05/2011. Not a member of the Pension Scheme.
				Lump Sum	0.00	0.00	0.00	

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 £538.96 in 2011/12 and £505.47 in 2010/11.

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 2012		As at 31 March 2011	As at 31 March 2012	Increase (Decrease)	
			£	£		£	£	£	
A Buchan	Chief Executive	ER Strain	14,066.63	21,179.91	Pension Lump Sum				Accrued Pension Benefits held with OIC
W Shannon	Assistant Chief Executive (old)	ER Strain	21,322.54	11,860.17	Pension Lump Sum	17,086.64 44,563.17	18,216.31 44,588.85	1,129.67 25.68	
H Sutherland	Executive Director/Interim Head of Finance (old)	ER Strain	29,960.93	15,526.18	Pension Lump Sum	26,373.73 70,405.91	28,010.79 70,862.60	1,637.06 456.69	
G Greenhill	Executive Director: Infrastructure (old)	ER Strain	24,609.51	9,351.94 20,561.26	Pension Lump Sum	2,658.30 246.16	3,572.07 249.84	913.77 3.68	Redundancy Retirement 30/09/2011
R M Sinclair	Executive Manager: Capital Programmes (new)	ER Strain	17,527.95	10,079.73	Pension Lump Sum	14,300.26 37,398.75	15,752.88 38,708.72	1,452.62 1,309.97	Head of Service: Capital Programmes to 11/09/2011
J R Smith	Executive Manager: Performance & Improvement (new)	ER Strain	10,818.58	11,560.16	Pension Lump Sum	14,575.04 37,185.99	15,645.72 37,140.42	1,070.68 (45.57)	Head of Service: Organisational Development to 11/09/2011
A Williamson	Service Manager: Social Work (old)	ER Strain	17,881.86	7,544.15 11,199.93	Pension Lump Sum	21,107.49 57,726.70	21,944.86 58,083.21	837.37 356.51	Redundancy Retirement 31/12/2011
H Budge	Strategic Director: Children's Services (new)	ER Strain	20,640.82	11,286.73	Pension Lump Sum	16,759.13 50,277.40	18,524.87 55,574.62	1,765.74 5,297.22	Head of Service: Schools to 30/06/11
N R J Grant	Strategic Director: Development (new)	ER Strain	20,782.81	13,101.10	Pension Lump Sum	7,341.67 15,497.74	9,562.28 17,574.07	2,220.61 2,076.33	Head of Service: Economic Development to 30/06/11
P Crossland	Strategic Director: Infrastructure (new)	ER Strain	N/A	7,597.04	Pension Lump Sum	0.00 0.00	715.57 0.00	715.57 0.00	Commenced with SIC 19/09/2011
Vacant	Strategic Director: Corporate Services (new)	Er Strain							
C Ferguson	Strategic Director: Community Care (new)	ER Strain	10,832.03	13,123.45	Pension Lump Sum	26,300.73 72,353.11	24,775.31 62,714.87	(1,525.42) (9,638.24)	Head of Service: Community Care to 30/06/11
J Riise	Executive Manager: Governance & Law (new)	ER Strain	22,995.71	12,789.94	Pension Lump Sum	23,436.23 62,632.58	24,755.31 62,714.87	1,319.08 82.29	Head of Service: Legal & Administration to 11/09/2011
H Leslie	Executive Manager: Children & Families (new)	ER Strain	8,017.76	9,417.96	Pension Lump Sum	14,362.82 38,820.39	17,031.78 43,112.54	2,668.96 4,292.15	Service Manager: Children's Services to 30/11/2011

- 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) The Executive Manager: Governance & Law also 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 includes accrued pension benefits of £780.15 pension and £1,638.21 lump sum as at 31 March 2012. At 31 March 2011 the comparative figures were £680.98 pension and £1,588.88 lump sum.

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 Tiered Contribution Pay Rates for 2011/12 are as follows:	Contribution Rate 2011/12 %
Whole time pay: On earnings up to and including £18,500 On earnings above £18,500 and up to £22,600 On earnings above £22,600 and up to £30,900 On earnings above £30,900 and up to £41,200 On earnings above £41,200	 5.5 7.25 8.5 9.5 12

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.

Gary Robinson **27 September 2012**
Leader of the Council

Alistair Buchan **27 September 2012**
Chief Executive

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 Executive Manager - Finance;
- manage its affairs to secure economic, efficient and effective use of resources and to safeguard its assets;
- ensure the audited accounts are 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 Executive Manager - Finance's Responsibilities

The Executive Manager - 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 Executive Manager - 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 Executive Manager - 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 Executive Manager - 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 2012.

..... **27 September 2012**
James Gray MA (Hons) CPFA
Executive Manager - Finance
(Section 95 Officer)

Primary Financial Statements

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.

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 (note 22) £000	Unusable Reserves (note 23) £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				(9,785)		(9,785)
Other Comprehensive Income and Expenditure						0	(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)		(171)		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		(489)	4,224		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)
Movement in reserves during 2011/12:								
(Surplus) or deficit on the provision of services	34,661	(938)				33,723		33,723
Other Comprehensive Income and Expenditure							2,713	2,713
Total Comprehensive Income and expenditure	34,661	(938)	0	0	0	33,723	2,713	36,436
Adjustments between accounting basis & funding basis under regulations (Note 7)	(10,531)	715	13	(425)		(10,228)	10,228	0
Net (Increase)/Decrease before Transfers to Statutory Reserves	24,130	(223)	13	(425)	0	23,495	12,941	36,436
Transfers to Other Statutory Reserves						0		0
Net Transfers to/(from) Other Statutory Reserves	(24,644)	223	3,746	0	26,620	5,945	(5,945)	0
(Increase)/Decrease in 2011/12	(514)	0	3,759	(425)	26,620	29,440	6,996	36,436
Balance as at 31 March 2012	(3,658)	0	(110,598)	(596)	(124,790)	(239,642)	(237,653)	(477,295)

Total usable and unusable reserves are shown within disclosure notes 22 and 23 respectively.

Comprehensive Income and Expenditure Statement for year ended 31 March 2012

2010/11 Net Expenditure £000	Notes	2011/12 Gross Expenditure £000	2011/12 Gross Income £000	2011/12 Net Expenditure £000
47,800	Education Services	52,195	(6,685)	45,510
3,102	Housing Services	8,185	(5,401)	2,784
8,820	Housing Revenue Account	6,255	(6,744)	(489)
6,829	Cultural and Related Services	8,086	(773)	7,313
6,413	Environmental Services	9,402	(2,140)	7,262
2,197	Fire Services	2,264	0	2,264
11,547	Roads and Transport Services	25,468	(9,201)	16,267
10,931	Trading Services	31,185	(17,032)	14,153
1,461	Police Services	1,485	0	1,485
9,969	Planning and Development Services	8,894	(1,134)	7,760
32,503	Social Work	38,828	(7,066)	31,762
2,126	Central Services to the Public	2,489	(2,152)	337
7,572	Corporate and Democratic Core	8,155	0	8,155
(28,826)	Non Distributed Costs	2,038	0	2,038
122,444	Cost of Services	204,929	(58,328)	146,601
(327)	Other operating income	9		225
(23,050)	Financing and Investment income and expenditure	10		(4,413)
(108,852)	Taxation and non-specific grant income	11		(108,690)
(9,785)	(Surplus) or Deficit on Provision of Services			33,723
(15,540)	(Surplus) on revaluation of Property, Plant and Equipment assets			(6,186)
(19,382)	(Surplus) on revaluation of available for sale financial assets	23		(5,652)
23,156	Amounts recycled from the AFSFI reserve upon derecognition	23		3,705
(31,511)	Actuarial (gains)/losses on pension assets/liabilities	34		10,846
(43,277)	Other Comprehensive Income and Expenditure			2,713
(53,062)	Total Comprehensive Income and Expenditure			36,436

Balance Sheet as at 31 March 2012

1 April 2010 £000	31 March 2011 £000		Notes	31 March 2012 £000
365,329	371,433	Property, Plant and Equipment	12	373,495
2,139	3,096	Heritage Assets	13	4,768
689	436	Intangible Assets	14	558
218,959	222,739	Long Term Investments	15	193,170
13	1,066	Long Term Debtors	15	1,663
587,129	598,770	Long Term Assets		573,654
1,245	206	Assets held for Sale	16	392
3,609	4,023	Inventories	17	4,901
10,349	8,516	Short Term Debtors	18	12,259
20,906	7,376	Cash and Cash equivalents	19	10,654
36,109	20,121	Current Assets		28,206
(15,396)	(14,037)	Short Term Creditors	20	(19,899)
0	0	Provisions	21	(142)
(15,396)	(14,037)	Current Liabilities		(20,041)
(4)	(10)	Provisions	21	0
(147,169)	(91,113)	Other Long Term Liabilities	34	(104,524)
(147,173)	(91,123)	Long Term Liabilities		(104,524)
460,669	513,731	Net Assets		477,295
(273,767)	(269,082)	Usable Reserves	22	(239,642)
(186,902)	(244,649)	Unusable Reserves	23	(237,653)
(460,669)	(513,731)	Total Reserves		(477,295)

The unaudited accounts were issued on 28 June 2012 and the audited accounts were authorised for issue on 27 September 2012.

..... 27 September 2012
James Gray MA (Hons) CPFA
Executive Manager - Finance
(Section 95 Officer)

Cash Flow Statement for year ended 31 March 2012

2010/11 £000		2011/12 £000	2011/12 £000
	OPERATING ACTIVITIES		
	Cash Outflows		
(102,976)	Cash paid to and on behalf of employees	(106,720)	
(88,270)	Other operating cash payments	(84,872)	
(3,407)	Precepts Paid	(3,899)	
(194,653)			(195,491)
	Cash Inflows		
2,711	Housing Rents	4,086	
551	Trading	1,429	
86,894	Revenue Support Grant	77,690	
769	DWP Grants	782	
39,561	Sales of goods and services	46,236	
3,575	Other operating cash receipts	7,507	
12,220	Other Government Grant	7,455	
8,647	Council Tax income	11,604	
8,672	Non Domestic Rates Income	12,639	
163,600			169,428
	Movement of working capital		
(414)	(Increase)/Decrease in Stock	(878)	
1,833	(Increase)/Decrease in Debtors	(3,909)	
(1,359)	Increase/(Decrease) in Creditors	5,793	
60			1,006
(30,993)	Net Cash Outflow from Operating Activities		(25,057)
	INVESTING ACTIVITIES		
	Cash Outflows		
(18,048)	Purchase of Fixed Assets	(16,845)	
(238,884)	Purchase of Long Term Investments	(2,368)	
(107,700)	Purchase of Short Term Investments	0	
(364,632)			(19,213)
	Cash Inflows		
1,572	Sale of Fixed Assets	1,297	
253,383	Sale of Long Term Investments	36,000	
119,300	Sale of Short Term investments	0	
4,657	Capital Grant receipts	7,940	
3,183	Interest Received & Dividends	2,311	
382,095			47,548
17,463	Net Cash Inflow from Investing Activities		28,335
	FINANCING ACTIVITIES		
0	Cash Outflows		0
0	Cash Inflows		0
0	Net Cash Flow from Financing Activities		0
(13,530)	NET INCREASE/(DECREASE) IN CASH		3,278
20,906	Cash and Cash Equivalents at 1 April		7,376
(13,530)	Net movement of Cash and Cash Equivalents during the year		3,278
7,376	Cash & Cash Equivalent at 31 March		10,654

Refer to note 19 for an analysis of the components of cash and cash equivalents.



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; and
- 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 accounts 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 Changes in Accounting Policies and Estimates and Errors and Prior Period Adjustments

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. A change in accounting policy requires a prior period adjustment.

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 in accounting policy 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 accounts is historical cost modified by the revaluation of certain categories of non-current assets, pension liability and financial instruments.

The concept of the authority operating as a going concern is based on the premise that sufficient funding is available so 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 in order to represent a true and fair view. It is a matter of professional judgment 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.

1.4 Accruals of Income and Expenditure

a) 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 internal 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.

b) Recognition of Debtors and Creditors on the Balance Sheet

Where income 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 the Comprehensive Income and Expenditure Statement for the income that might not be collected.

1.5 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 Balance Sheet date 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.

1.6 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; and
- 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. However, it is required to make an annual contribution from revenue equal to loans fund principal charges. 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.

1.7 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.

1.8 Contingent Liabilities

Contingent liabilities are disclosed in note 35 to the accounts but not recognised in the Balance Sheet, in 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; or
- 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.

1.9 Employee Benefits

a) Accumulated Absences

The Employee Statutory Adjustment Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences (holidays) 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.

(b) 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 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 entitlement arises.

c) 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.

d) Post Employment Benefits

Employees of the authority may be members of one of two separate pension schemes:

- The Teachers' Pension Scheme, administered by the Scottish Government; and
- 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 in respect of Teachers' Pensions in the year.

e) The Local Government Pension Scheme

The Local Government Pension 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, projections of earnings for current employees etc.
- Liabilities are discounted to their value at current prices using a discount rate of 4.8% 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; and
 - 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 Comprehensive Income and Expenditure 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.

f) 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.

1.10 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; and
- 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.

1.11 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; and
- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

a) 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 Cost of Services 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 Cost of Services.

b) 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; and
- 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 in the Other Comprehensive Income and Expenditure section of the Comprehensive Income and Expenditure Account.

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).

The Council invests through three fund managers, Baillie Gifford, GMO and Insight. These managers all invest on behalf of the Council into unitised products. Each manager records income and fees relating to these units differently, and the following sets out how each manager accounts for these transactions.

Baillie Gifford receives and records income during the year, and deducts their fees out of this income with the balance re-invested into the units. This was changed during the year and the manager now invoices the Council their fees, and these are paid directly from the Council to Baillie Gifford.

GMO calculate the total fund management fee as per the Investment Management Agreement, they compare this to the fixed unitised fees within the units and if the unit fees are higher than the management fee they rebate the excess fees back into the units. These rebated fees are treated as income into the fund.

Insight invoice the Council for their fees and these are paid directly from the Council to Insight. No income is generated by Insight out with the units.

1.12 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 the Balance Sheet date. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

1.13 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.

1.14 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 2 to 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.

1.15 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.

1.16 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 have been measured at nil since 2010/11. Due to the inactive market, penalties have been suspended but not cancelled.

1.17 Leases

Operating Leases

a) The Authority as Lessee

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting 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).

b) 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.

1.18 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 Service Reporting Code of Practice 2011/12 (SeRCOP). 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 organization; and
- 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 SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement.

1.19 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.

a) 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.

b) 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; and
- 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); and
- 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); and
- 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.

c) Impairment

Assets are assessed at each year-end as to whether there is any indication that they 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.

d) 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 and Heritage 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: | 27 - 50 years |
| • Other Land and Buildings: | 7 - 120 years |
| • Vehicles, Plant, Furniture and Equipment: | 1 - 30 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 costs are 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.

e) 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.

1.20 Heritage Assets

Heritage assets are those assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. Heritage assets include historical buildings, the museum collection and a war memorial.

As a general policy, heritage assets are recognised on the balance sheet where the authority has information on the cost or value of the asset. Where information on cost or value is not available, and the cost of obtaining the information outweighs the benefits to the users of the financial statements, the asset is not recognised on the balance sheet.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to authenticity. Any impairment is recognised and measured in accordance with the authority's general policies on impairment.

It is likely that disposals of heritage assets will be made only very occasionally. Where this does occur, the proceeds of such items will be accounted for in accordance with authority's general provisions relating to the disposal of property, plant and equipment.

a) Historical Buildings

Held on the balance sheet at fair value, determined as the amount that would be paid for the asset in its Existing Use Value (EUV) but 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. They are depreciated on a straight line basis over their remaining useful life.

b) Museum Collection

The Authority's Museum Collection is reported in the Balance Sheet at insurance valuation, which is based on market values. These insurance valuations are updated annually.

c) War Memorial

Held on the balance sheet at Depreciated Historical Cost (DHC).

1.21 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.

1.22 Reserves

Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement, with the exception of the Reserve Fund. 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.

In addition, Shetland Islands Council operates a Reserve Fund, as permitted under statute by the Zetland County Council Act 1974. Only surpluses from the Harbour Account can be credited to this reserve. The first priority of this reserve is to fund Ports and Harbours' expenditure. Beyond this, its balance may be applied to any expenditure that benefits the inhabitants of Shetland.

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.

1.23 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.

1.24 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

IFRS 7 Financial Instruments: Disclosures was amended in October 2010 to require entities to supplement disclosures for all transferred financial assets that are not derecognised where there has been some continuing involvement in a transferred asset. This amendment is to be adopted from 1 April 2012 but should have no material impact on the 2012/13 financial statements.

Application to Shetland Islands Council Accounts

Currently financial assets held by the Council are investments and loans, and all cash flows are received and retained by the Council.

3. Critical Judgments in Applying Accounting Policies

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

- a) A number of legal claims are currently outstanding against the Council. These have all been accounted for as contingent liabilities as opposed to provisions, which are recognised on the Balance Sheet. There is insufficient evidence to demonstrate a current obligation and a reliable estimate has not been possible to establish.
- b) One area where a long-standing issue remains unresolved is the relationship between the Council and the Shetland Charitable Trust. The Trust does not believe that a relationship whereby the Council controls the Trust exists. As a result of this they have not provided financial statements that could be used to consolidate their results into the group accounts. It is the opinion of the Executive Manager – Finance that under the requirement of the Code and definitions in IAS27 Consolidated and Separate Financial Statements, the Council does have the ability to control the Shetland Charitable Trust. As a result of this we have used publicly available information to attempt to group the results of the Trust in the 2011/12 financial statements.

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 2012 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

a) 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 £33.616m however the assumptions interact in complex ways. During 2011/12, the authority's actuaries advised that the net pensions liability had increased by £19.208m as a result of updated assumptions.

b) Arrears

At 31 March 2012, the authority had a balance on sundry debtors of £3.511m within short term debtors. A review of significant balances suggested that an impairment of doubtful debts of £0.170m 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 £0.030m will eventually be written off from Council Tax charges of £8.034m levied during 2011/12.

c) 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 £0.849m has been recorded for a number of outstanding legal cases.

5. Material Items of Income and Expenditure

The Council received a capital receipt of £1.2 million for the Joint Occupational Therapy Unit during 2011/12.

Lerwick Port Authority (LPA) and Shetland Islands Council reached a negotiated settlement on the claim payable by the Council of £4.826m relating to the abandonment of a dredging project in 2005 due to the former Bressay Bridge Project. This is included

in the Roads and Transport Services line of the Comprehensive Income and Expenditure Statement.

6. Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Executive Manager - Finance on 27 September 2012. 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 2012, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The Police and Fire Reform (Scotland) Bill received royal assent on 7 August 2012 that will create a single police service and a single fire and rescue service for Scotland from 1 April 2013 to replace the current regional bodies. Currently Shetland Islands Council provides funding to the Northern Joint Police Board and the Highlands and Islands Fire Board, but in future the new Scottish bodies will receive all their funding directly from the Scottish Government. The full impact of the reform process is currently being assessed.

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.

The following sets out a description of the reserves that the adjustments are made against:

General Fund Balance

The General Fund is the statutory fund into which all the receipts of an authority are required to be paid and out of which all liabilities of the authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises those resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year. For housing authorities, however, the balance is not available to be applied to funding Housing Revenue Account services.

Housing Revenue Account Balance

The Housing Revenue Account Balance reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with Part X of the Housing (Scotland) Act 1987. It contains the balance of income and expenditure as defined by the 1987 Act that is available to fund future expenditure in connection with the Council's landlord function or (where in deficit) that is required to be recovered from tenants in future years.

Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital

expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

Capital Grant Unapplied

The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

2011/12	Usable Reserves				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	(12,344)	(1,525)			13,869
Revaluation losses on Property Plant and Equipment	(2,411)	(1,034)			3,445
Amortisation of intangible assets	(155)				155
Capital grants and contributions applied	7,344				(7,344)
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	(1,071)	(450)			1,521
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:					
Statutory provision for the financing of capital investment	740	2,004			(2,744)
Capital expenditure charged against the General Fund and HRA balances	66	828			(894)
Adjustments primarily involving the Capital Grants Unapplied Account:					
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	596			(596)	0
Application of grants to capital financing transferred to the Capital Adjustment Account				171	(171)
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	405	892	(1,297)		0
Use of the Capital Receipts Reserve to finance new capital expenditure			1,310		(1,310)
Adjustments primarily involving the Pensions Reserve:					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(14,099)				14,099
Employer's pensions contributions and direct payments to pensioners payable in the year	11,534				(11,534)
Adjustment primarily involving the Employee Statutory Adjustment 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	(1,136)				1,136
Total Adjustments	(10,531)	715	13	(425)	10,228

2010/11 Comparative Figures	Usable Reserves				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)			13,130
Revaluation losses on Property Plant and Equipment	(1,933)	(10,986)			12,919
Amortisation of intangible assets	(525)				525
Capital grants and contributions applied	4,486				(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 and Expenditure Statement	(335)	(909)			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			(2,604)
Capital expenditure charged against the General Fund and HRA balances	618	1,195			(1,813)
Adjustments primarily involving the Capital Grants Unapplied Account:					
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	171			(171)	0
Application of grants to capital financing transferred to the Capital Adjustment Account					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
Use of the Capital Receipts Reserve to finance new capital expenditure			1,572		(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				(13,961)
Employer's pensions contributions and direct payments to pensioners payable in the year	10,583	1			(10,584)
Adjustment primarily involving the Employee Statutory Adjustment 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)				82
Total Adjustments	16,745	(9,454)	0	(171)	(7,120)

8. Transfers to/(from) Earmarked Reserves

This note sets out the amounts transferred to and from General Fund and Housing Revenue Account balances and other earmarked reserves to meet General Fund and Housing Revenue Account expenditure in 2011/12.

	Balance at 1 April 2010 £000	Transfers out 2010/11 £000	Transfers in 2010/11 £000	Balance at 31 Mar 2011 £000	Transfers out 2011/12 £000	Transfers in 2011/12 £000	Balance at 31 Mar 2012 £000
General Fund:							
General Fund Balance	0	26,408	(29,408)	(3,000)	42,885	(42,885)	(3,000)
Council Tax Second Homes Receipts	0			0		(511)	(511)
Hansel	(83)		(7)	(90)		(14)	(104)
Central Efficiency	(78)	26		(52)	9		(43)
Total	(161)	26,434	(29,415)	(3,142)	42,894	(43,410)	(3,658)
Capital:							
Capital Fund	(117,625)	12,350	(3,129)	(108,404)	9,946	(2,084)	(100,542)
Capital Efficiency/Spend to Save Reserve	0		(5,000)	(5,000)		(4,096)	(9,096)
Pilot Boat Renewal Fund	(943)	14	(13)	(942)		(18)	(960)
Usable Capital Receipts	(13)	1,572	(1,572)	(13)	1,310	(1,297)	0
Elimination of inter Capital Fund transfers		(6,587)	6,587	0			0
Total	(118,581)	7,349	(3,127)	(114,359)	11,256	(7,495)	(110,598)
Other Revenue Statutory Funds:							
Revenue Efficiency/Spend to Save Reserve	0		(500)	(500)		(10)	(510)
Marine Fund	(2,974)	621	(229)	(2,582)	611	(50)	(2,021)
Reserve Fund	(66,752)	27,529	(22,398)	(61,621)	5,677	(1,185)	(57,129)
Repairs & Renewals Fund	(74,318)	25,046	(13,628)	(62,900)	12,533	(1,209)	(51,576)
Quarry Repairs & Renewals Fund	(150)			(150)		(3)	(153)
Housing Repairs & Renewals Account	(10,577)	489	(1,947)	(12,035)	7	(231)	(12,259)
Insurance Fund	(254)	67	(35)	(222)		(71)	(293)
Potential Contingent Liabilities	0		(11,400)	(11,400)	10,770	(219)	(849)
Elimination of inter Revenue Fund transfers	0	(26,829)	26,829	0			0
Total	(155,025)	26,923	(23,308)	(151,410)	29,598	(2,978)	(124,790)
Housing Revenue Account	0	489	(489)	0	938	(938)	0
Capital Grants Unapplied	0	0	(171)	(171)	171	(596)	(596)
Total Usable Reserves	(273,767)	61,195	(56,510)	(269,082)	84,857	(55,417)	(239,642)

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 General Fund Balance Reserve was established at the end of 2010/11 to defray General Fund expenditure.

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 £0.611m 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 is to set aside funds to meet the financial obligations that may arise if known contingent liabilities materialise.

The Hansel Fund and the Central Energy Efficiency Fund are earmarked general fund reserves that were established several years ago. The Central Energy 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.

A new reserve, Council Tax Second Homes Receipts, for the receipts from reducing the discount on second homes council tax was created in 2011/12. This has been set up to fund housing expenditure.

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 Capital Receipts Reserve was established for the purpose of financing capital expenditure. All receipts from the sale of assets are credited to the reserve; these can then be used to finance subsequent capital expenditure.

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.

9. Other Operating Income

31 March 2011 £000		31 March 2012 £000
(327)	(Gains)/losses on the disposal of non-current assets	225
(327)	Total	225

10. Financing and Investment Income and Expenditure

31 March 2011 £000		31 March 2012 £000
3,383	Pensions interest cost and expected return on pensions assets	1,771
(2,291)	Interest receivable and similar income	(1,067)
(986)	Other investment income	(2,257)
(23,156)	Realised gains in relation to Available for Sale financial assets	(2,860)
(23,050)	Total	(4,413)

11. Taxation and Non-Specific Grant Income

31 March 2011 £000		31 March 2012 £000
(8,629)	Council tax income	(8,752)
(8,672)	Non domestic rates	(14,308)
(86,894)	Non ring fenced government grants	(77,690)
(4,657)	Capital grants and contributions	(7,940)
(108,852)	Total	(108,690)

12. Property, Plant and Equipment

Movement in 2011/12	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Furniture, Plant & Equipment £000	Infra-structure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation								
At 1 April 2011	60,588	142,876	53,906	147,196	5,862	695	22,360	433,483
- additions	2,013	546	2,039	1,752			10,368	16,718
revaluation	(599)	992		82				475
increases/(decreases) recognised in the Revaluation Reserve								
revaluation	(1,217)	(3,224)	(954)			(150)		(5,545)
increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services								
derecognition – disposals	(468)	(218)	(1,028)	(1,433)			(100)	(3,247)
assets reclassified (to)/ from Assets Held for Sale	(267)	(125)						(392)
other movements in cost or valuation	(6)	3,062	14,971	3,310	332	(42)	(21,783)	(156)
At 31 March 2012	60,044	143,909	68,934	150,907	6,194	503	10,845	441,336
Accumulated Depreciation and Impairment								
at 1 April 2011	(1,571)	(12,850)	(17,924)	(29,564)	(8)	(133)	-	(62,050)
depreciation charge	(1,574)	(4,388)	(4,441)	(3,391)		(62)		(13,856)
depreciation written out to the Revaluation Reserve	184	3,838						4,022
depreciation written out to the Surplus/Deficit on the Provision of Services	37	2,045	3			19		2,104
derecognition – disposals	19		855	1,059				1,933
other movements in depreciation and impairment	6							6
At 31 March 2012	(2,899)	(11,355)	(21,507)	(31,896)	(8)	(176)	0	(67,841)
Net Book Value								
at 31 March 2012	57,145	132,554	47,427	119,011	6,186	327	10,845	373,495
at 31 March 2011	59,017	130,026	35,982	117,632	5,854	562	22,360	371,433

Comparator Movement in 2010/11	Council Dwellings £ 000	Other Land & Buildings £ 000	Vehicles, Furniture, Plant & Equipment £ 000	Infra- structure Assets £ 000	Community Assets £ 000	Surplus Assets £ 000	Assets Under Construction £ 000	Total Property, Plant and Equipment £ 000
Cost or Valuation								
At 1 April 2010	62,082	129,667	49,876	145,837	5,857	251	22,838	416,408
- additions	1,839	716	2,750	1213	1	2	11,486	18,007
revaluation	8,626	3,700	(119)		4	0	352	12,563
increases/(decreases) recognised in the Revaluation Reserve								
revaluation	(11,713)	(3)	(29)				(1,313)	(13,058)
increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services								
assets reclassified (to)/ from Assets Held for Sale	(212)							(212)
other movements in cost or valuation	(34)	8,796	1,428	146		442	(11,003)	(225)
At 31 March 2011	60,588	142,876	53,906	147,196	5,862	695	22,360	433,483
Accumulated Depreciation and Impairment								
at 1 April 2010	(1,857)	(9,067)	(13,911)	(26,223)	(8)	(13)		(51,079)
depreciation charge	(1,579)	(3,967)	(4,169)	(3,341)		(62)		(13,118)
depreciation written out to the Revaluation Reserve	1,726	114	155					1,995
depreciation written out to the Surplus/Deficit on the Provision of Services	139							139
Eliminated on reclassification to Assets Held for Sale	6							6
other movements in depreciation and impairment at 31 March 2010	(6)	70	1			(58)		7
at 31 March 2011	(1,571)	(12,850)	(17,924)	(29,564)	(8)	(133)	0	(62,050)
Net Book Value								
at 31 March 2011	59,017	130,026	35,982	117,632	5,854	562	22,360	371,433
at 31 March 2010	60,225	120,600	35,965	119,614	5,849	238	22,838	365,329

a) Capital Commitments

At 31 March 2012, the authority had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2012/13 and future years, budgeted to cost £5.744m. Similar commitments at 31 March 2011 were £14.531m. The major commitments are:

- Walls Piers £1.887m
- Joint Occupational Therapy Centre £1.492m
- Shetland College Phase 3 £0.770m
- B9071 Bixter to Aith Phase 2 £0.550m

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) Revaluation 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, Furniture, Plant & Equipment £000	Infra-structure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Carried at historic cost				130,185	6,194		10,845	147,224
valued at fair value as at 1 April of year:								
2011 - 2012	60,044	52,998	14,257	150		59		127,508
2010 - 2011		16,520	330			112		16,962
2009 - 2010		50,184	2,817			332		53,333
2008 - 2009		18,512	2,187					20,699
2007 - 2008		5,695	49,343	20,572				75,610
Total Cost or Valuation	60,044	143,909	68,934	150,907	6,194	503	10,845	441,336

Council Dwelling Beacon Valuations are assessed for revaluation annually resulting in the full valuation figure in the current year.

13. Heritage Assets

	Historic Buildings	Museum Collection	War Memorials	Total Assets
	£000	£000	£000	£000
Net Value				
At 1 April 2010	1,464	615	60	2,139
Revaluations		969		969
Depreciation	(12)			(12)
At 31 March 2011	1,452	1,584	60	3,096
Net Value				
At 1 April 2011	1,452	1,584	60	3,096
Revaluations		1,685		1,685
Depreciation	(13)			(13)
At 31 March 2012	1,439	3,269	60	4,768

a) Historic Buildings

The two historic buildings classified as heritage assets are the Dunrossness Croft house Museum and the Bod of Gremista. The Dunrossness Croft house Museum is a restored 19th century croft house with thatched roof, outbuildings and a watermill. The property was originally built in the 1850s and has been restored to provide an example of a typical croft house dwelling, including period furniture and other artifacts. The property is open for public viewing during the months of May to September. The Bod of Gremista is a two-storey rectangular house built around 1790 to provide family accommodation and a store for fishing and fish curing activities. The property was restored in the 1980s and is now run by Shetland Amenity Trust as a community museum displaying period furnishings and other artifacts and displays. The property is open for public viewing during the months of May to September.

The valuation process for these assets is the same as for Other Land & Buildings, as set out in Note 12 parts (b) and (c).

b) Museum Collection

The authority's museum collection is reported in the Balance Sheet at insurance valuation, which is based on market values. These insurance valuations are updated annually.

Agricultural Implements – These artifacts comprise mostly 20th century items. Most are factory produced, so are not intrinsically unique to Shetland. Condition is variable, although in the main good. There are some larger items, such as threshing machines and ploughs. Most items are small hand tools and equipment to do with livestock and crops. Most of the large items are in storage, and overall only a small percentage is on display. New acquisitions are infrequent. The items are not readily marketable in the commercial sense.

Costume Jewellery – Clothes, jewellery, watches, knitwear and textiles. This is a large proportion of the collection, and one of the areas that is growing constantly. These items have a clearer commercial worth, in the sense that there is a lively craft interest in costume. Being garments, items are all small, and mostly in very good condition. Many items are on display, but the greater bulk is in storage. Pieces are

often used in temporary shows. High profile items are the Fair Isle garments which are unique to Shetland.

Archaeology – Composed of artifacts assemblages from excavations, such as Underhoull and Clickimin, as well as individual pieces from private donors. The collection is growing, but growth is uneven. Excavation groups expand the collection in large blocks but do not occur often. Archaeology includes items of specialised interest and includes various high profile items, like Pictish carvings. The vast majority is in store, as most things are duplicated and nondescript, e.g. potsherds. Items are frequently consulted by researchers.

Art – Watercolours, oil paintings, textile artworks, drawings and sculptures. Growth is small but even, a couple of items a month. Readily translatable to market value, but each piece is unique, so irreplaceable. Condition overall very good. Stored centrally in one room, save for display items. Vast majority are 20th century items, but most significant are the 19th century oil paintings.

Maps – Maps and charts. Collection rarely added to, as there are few gaps in the collection. Condition overall good. Few items on display, but often used for reference. Many pieces rare and replacement unlikely.

Household Items – Includes household implements, furniture, furnishings, fixtures and fittings. Some larger items such as minor furnishings.

Social History – Large category, and items diverse. Includes toys, games, music, sport, telecommunications, domestic service, cooking and cleaning. Range of materials and condition multitudinous, and collection steadily growing. Some larger items such as radios and prams.

Institutions – Educational and church/religious objects. Relatively small category, with emphasis on badges, programmes, insignia, signs and office equipment. Additions fairly infrequent.

War – Items from armed services and war relics. Encompasses uniforms and equipment, insignia, weapons and aeroplane debris. Condition mainly favourable. Most items in storage. Nearly all are generic objects, but local provenance vitally important. Lively collector market means elements of financial worth applicable.

Tools – Covers tradesmen's tools and scientific implements. The museum holds many of the former, mostly for carpentry, also blacksmiths' and stonemasons' tools. Mostly hand tools, and condition generally good. Few items inherently rare, their value to the Museum being their provenance. Scientific and other tools fewer in number. Quite a large proportion on display. This category is expanded infrequently.

Maritime – Broad category. Model boats; several large examples of commercial worth. Fishing gear; several larger items, condition variable. Seamen's effects; tools, garments, ship equipment – of potential commercial worth (but provenance, as always, makes each irreplaceable). Shipwreck material; diversity of items, condition often fair, and several large bulky artifacts.

Trade – Commercial goods and tools associated with businesses. Includes many bulky items (shelving, cabinets, signs). Greater bulk concerns equipment (scales,

tills, barrels) and goods (bottles, packets, jars). Small proportion on display. Limited financial value as such. Most items mass-produced, so not unique to Shetland. Condition of some larger items requires work.

Natural History – Stuffed animals, fossils, geological specimens, egg collections and organic material. Most of collection in storage. Infrequently used by researchers. Herbarium is large and important collection, and irreplaceable. Bird collection contains some significant items. Geology also extensive collection, and only replaceable with very great effort. Negligible commercial value.

Currency – Currently, notes, coins and medals. Small section on display; vast majority in storage. All items have clearly recognisable commercial value to collections. The medals are individually inscribed, so are irreplaceable. The coins, although mass-produced, have (like everything in the Museum) their local connotations, so are unique in their own way.

Archived Books – The Archives collection of published works, mainly books and pamphlets from the 17th to the 21st centuries, comprise modern publications about Shetland, purchased regularly, and antiquarian works, some of them parts of bigger donated collections, including those formed by E S Reid Tait and Provost Goudie of Lerwick. The more modern books are available on open shelves in the search room, invigilated at all times by an archivist; the older and more valuable material is held in the Archives repository, and access to it is via requisition slips signed by visitors. This asset was not previously recognised in the Balance Sheet and is therefore fully recognised in 2011/12 as a revaluation gain in the Revaluation Reserve Account.

c) War Memorial

The Authority's War Memorial is reported in the Balance Sheet at depreciated historical cost. The Lerwick War Memorial is a First World War monument built around 1923 with Second World War memorials added in the 1970s.

The valuation process for this asset is the same as for Community Assets, as set out in Note 12 parts (b) and (c).

d) Heritage Assets – 5 Years of Transactions

There has been one purchase of a heritage asset during the last 3 years costing £0.025m, which has been shown in the Balance Sheet. There were no donations, disposals or impairments. It is not practicable to provide information prior to 1 April 2009.

e) Heritage Assets Change in Accounting Policy

The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 introduced a change to the treatment in accounting for heritage assets held by the authority. As set out in our summary of significant accounting policies, the authority now requires heritage assets to be carried in the Balance Sheet at valuation.

For 2011/12, the authority is required to change its accounting policy for heritage assets and recognise them at valuation. Previously, heritage assets were either recognised as community assets or other land and buildings assets (at valuation) in the property, plant and equipment classification in the Balance Sheet. The authority's

accounting policies for recognition and measurement of heritage assets are set out in the authority's summary of significant accounting policies (see Note 1).

In applying the new accounting policy, the authority has identified that the assets that were previously held as community assets at £1.644m and other land and buildings assets at £1.464m within property, plant and equipment should now be recognised as heritage assets. These assets relate to the museum collection, the war memorial and historic buildings. The 1 April 2010 and the 31 March 2011 Balance Sheets and the 2010/11 comparative figures have thus been restated in the 2011/12 Statement of Accounts to apply the new policy.

The effects of the restatement are as follows:

- At 1 April 2010 the carrying amount of the heritage assets is presented at its valuation at £3.108m. The element that was previously recognised in property, plant and equipment has been reclassified.
- The Balance Sheet has been fully restated for 1 April 2010. The adjustments that have been made to that Balance Sheet over the version published in the 2010/11 Statement of Accounts are as follows:

Effect on Opening Balance Sheet 1 April 2010

	Opening Balances as at 1 April 2010 £000	Restated Opening Balances as at 1 April 2010 £000	Restatement £000
Property, Plant and Equipment	367,468	365,329	(2,139)
Heritage Assets	-	2,139	2,139

Comprehensive Income and Expenditure Statement

There has been no restatement of any of the lines of the Comprehensive Income and Expenditure Statement as there has been no revaluation or impairment of these assets.

Movement in Reserves Statement – Unusable Reserves 2010/11

There has been no change in the Movement in Reserves Statement, as of 31 March 2011, as a result of the application of this new accounting policy.

Effect on Balance Sheet 31 March 2011

	As Previously Stated 31 March 2011 £000	As Restated 31 March 2011 £000	Restatement 2011 £000
Property, Plant and Equipment	374,529	371,433	(3,096)
Heritage Assets	-	3,096	3,096

The effect on the change in accounting policy in 2010/11 has been that heritage assets are recognised at £3.096m on the Balance Sheet.

14. 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 are purchased licences. 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.

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £0.155m charged to revenue in 2011/12 was charged to the IT Administration cost centre and then absorbed as an overhead across all the service headings in the Cost of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

There are no items of capitalised software that are individually material to the financial statements and there are no outstanding contractual commitments for the acquisition of intangible assets.

a) Useful lives assigned to the major software suites used by the authority are:

Years	Purchased Licences
3	Webroster
5	Financial Management Systems
5	Payroll/HR/Pension Systems
5	Housing Stock Management System
5	Libraries Systems
5	Planning Systems
5	GIS Innogistic System
5	Client Records System
5	Building/DLO Stores System
5	Microsoft Licences
5	Council Tax/Housing Benefits/Rents
5	Risk Assessment Software
7	Occupational Therapy Stock Control System
8	Facility Management System

b) The movement on Intangible Asset balances during the year is as follows:

31 March 2011 £000		31 March 2012 £000
	Balance at start of year:	
2,086	Gross carrying amounts	2,089
(1,397)	Accumulated amortisation	(1,653)
689	Net carrying amount at start of year	436
41	Purchases	127
0	Other disposals	0
(525)	Amortisation for the period	(155)
231	Other changes	150
436	Net carrying amount at end of year	558
	Comprising:	
2089	Gross carrying amounts	2287
(1,653)	Accumulated amortisation	(1,729)
436		558

15. Financial Instruments

a) Categories of Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet:

Long-Term 31 March 2011 £000	Current 31 March 2011 £000		Long-Term 31 March 2012 £000	Current 31 March 2012 £000
		Financial Assets:		
		Investments:		
222,739	0	Available for sale financial assets	193,170	0
222,739	0	Total Investments	193,170	0
		Debtors:		
1,051	271	Loans and receivables	1,663	401
15	1	Financial assets carried at contract amounts	0	0
1,066	272	Total Debtors	1,663	401
		Financial Liabilities:		
		Creditors:		
0	(119)	Accrued Interest liability	0	0
0	(119)	Total Creditors	0	0

b) Income, Expense, Gains and Losses

31 March 2011				31 March 2012		
Financial Assets: Loans and Receivables £000	Financial Assets: Available for Sale £000	Total £000		Financial Assets: Loans and Receivables £000	Financial Assets: Available for Sale £000	Total £000
0	25	25	Interest expense	0	0	0
516	0	516	Impairment losses	69	0	69
0	957	957	Fee expenses	0	895	895
516	982	1,498	Total expense in (Surplus)/Deficit on the Provision of Services	69	895	964
(54)	(4,259)	(4,313)	Interest & dividend income	(77)	(2,257)	(2,334)
0	(23,156)	(23,156)	Gains on de-recognition	0	(2,860)	(2,860)
(54)	(27,415)	(27,469)	Total income in (Surplus)/Deficit on the Provision of Services	(77)	(5,117)	(5,194)
0	(19,382)	(19,382)	Gains on revaluation	0	(5,652)	(5,652)
0	23,156	23,156	Amounts recycled	0	3,705	3,705
0	3,774	3,774	(Surplus)/Deficit arising on revaluation of financial assets in other CI&ES	0	(1,947)	(1,947)
462	(22,659)	(22,197)	Net (Gain)/Loss for the Year	(8)	(6,169)	(6,177)

There were gains for available for sale financial assets on revaluation of £5.652m as at 31 March 2012 (£19.382m at 31 March 2011) and therefore no impairment has been identified and the Council did not carry out an impairment review.

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; and
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

31 March 2011			31 March 2012	
Carrying Amount £000	Fair Value £000		Carrying Amount £000	Fair Value £000
1,322	1,322	Loans and Receivables	2,064	2,064
16	16	Long-Term Debtors (mortgages)	0	0

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.

Short-term debtors and creditors are carried at cost as this is a fair approximation of their value.

16. Assets Held for Sale

31 March 2011 £000		31 March 2012 £000
1,245	Balance outstanding at start of year	206
	Assets newly classified as held for sale:	
206	Property, Plant and Equipment	392
	Assets declassified as held for sale:	
(1,245)	Assets sold	(206)
206	Balance outstanding at year-end	392

17. Inventories

	Ports & Harbours		Trading Operations		Infrastructure		Total	
	2010/11 £000	2011/12 £000	2010/11 £000	2011/12 £000	2010/11 £000	2011/12 £000	2010/11 £000	2011/12 £000
Balance outstanding at start of year	2,383	2,717	752	755	474	551	3,609	4,023
Purchases	960	1,359	1,752	2,969	1,419	1,358	4,131	5,686
Recognised as an expense in the year	(626)	(732)	(1,736)	(2,651)	(1,342)	(1,397)	(3,704)	(4,780)
Written off Balances	0	0	(13)	(12)	0	(16)	(13)	(28)
Reversals of write offs in previous years	0	0	0	0	0	0	0	0
Balance outstanding at year end	2,717	3,344	755	1,061	551	496	4,023	4,901

Inventories include consumable stores, maintenance materials, building services (work-in-progress, property acquired or constructed for sale).

18. Short-Term Debtors

31 March 2011 £000		31 March 2012 £000
1,290	Central Government Bodies	2,510
389	Other Local Authorities	2,609
67	NHS Bodies	301
106	Public Corporation and Trading Funds	848
6,664	Other Entities and Individuals	5,991
8,516	Total	12,259

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 2011 £000		31 March 2012 £000
(402)	Opening balance - General Fund	(413)
108	Miscellaneous Invoices written off	32
24	Council Tax written off	18
(143)	(Charge)/Credit to General Fund for provision	0
(413)	Closing Balance	(363)
(175)	Opening balance - Housing Revenue Account	(155)
2	Miscellaneous Invoices written off	5
38	Rents written off	30
(20)	Change in Housing Revenue Account provision	0
(155)	Closing Balance	(120)

19. Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

31 March 2011 £000		31 March 2012 £000
22	Cash held by the Authority	24
7,251	Bank current accounts	10,629
103	Short-term certificates of deposit	1
7,376	Total	10,654

20. Short-Term Creditors

31 March 2011 £000		31 March 2012 £000
(3,252)	Central Government Bodies	(4,031)
(277)	Other Local Authorities	(3,144)
(33)	NHS Bodies	(108)
(344)	Public Corporations and Trading Funds	(775)
(10,131)	Other entities and individuals	(11,841)
(14,037)	Total	(19,899)

21. Provisions

Provisions are made where an event has taken place that gives the Council 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.

The 2011/12 financial year is the first year for which there will be an obligation to purchase and surrender Carbon Reduction Commitment (CRC) Allowances in relation to carbon dioxide emissions. Following the end of 2011/12, participating authorities will submit the annual report on their emissions for the 2011/12 financial year. The retrospective purchase of allowances is anticipated to take place from 1 June 2012. Participating authorities are then required to surrender allowances to the scheme by the last working day in July 2012 in proportion to their reported emissions for the preceding scheme year and in accordance with the scheme requirements.

2010/11			2011/12	
Short-term	Long-term		Short-term	Long-term
Carbon Reduction Commitment £000	Equal Pay Claims £000		Carbon Reduction Commitment £000	Equal Pay Claims £000
0	(4)	Balance at 1 April	0	(10)
0	(6)	Additional provisions made	(142)	0
0	0	Amounts used	0	10
0	(10)	Balance at 31 March	(142)	0

22. Usable Reserves

The movements in the authority's usable and unusable reserves are detailed in the Movement in Reserves Statement.

Reconciliation of Usable Funds to the balance sheet

31 March 2011 £000		31 March 2012 £000
(3,144)	General Fund Balance	(3,658)
(114,357)	Capital Receipts Reserve/Capital Funds	(110,598)
(171)	Capital Grants Unapplied	(596)
(151,410)	Other Revenue Statutory Funds	(124,790)
(269,082)	Total balance of usable reserves at 31 March	(239,642)

23. Unusable Reserves

Reconciliation of Unusable Funds to the balance sheet

31 March 2011 £000		31 March 2012 £000
(64,271)	Revaluation Reserve	(67,923)
(19,376)	Available for Sale Financial Instruments Reserve	(21,323)
(253,562)	Capital Adjustment Account	(255,514)
91,113	Pensions Reserve	104,524
1,447	Employee Statutory Adjustment Account	2,583
(244,649)	Total balance of unusable reserves at 31 March	(237,653)

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; or
- 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 2011 £000		31 March 2012 £000	
		£000	£000
(53,504)	Balance at 1 April		(64,271)
(29,007)	Upward revaluation of assets	(6,848)	
	Downward revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services		
13,467		662	
(15,540)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		(6,186)
1,636	Difference between fair value depreciation and historical cost depreciation	1,771	
404	Accumulated gains on assets sold or scrapped	763	
2,733	Prior year difference between ledger and asset register	0	
4,773	Amount written off to the Capital Adjustment Account		2,534
(64,271)	Balance at 31 March		(67,923)

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 2011 £000		31 March 2012 £000
(23,150)	Balance at 1 April	(19,376)
(19,382)	Upward revaluation of assets	(6,528)
0	Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	876
(19,382)		(5,652)
23,156	Removal of previously unrealised gains in relation to assets sold	3,705
(19,376)	Balance at 31 March	(21,323)

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 2011 £000		31 March 2012 £000
147,169	Balance at 1 April	91,113
(31,511)	Actuarial (gains) and losses on pensions assets and liabilities	10,846
(13,961)	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	14,099
(10,584)	Employer's pensions contributions and direct payments to pensioners payable in the year	(11,534)
91,113	Balance at 31 March	104,524

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) and 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, gains recognised on donated assets that have yet to be consumed by the authority and revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

31 March 2011 £000		31 March 2012 £000	£000
(258,782)	Balance at 1 April	(253,562)	
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
13,130	Charges for depreciation and impairment of Non-Current assets	13,869	
12,919	Revaluation losses on Property, Plant and Equipment	3,445	
525	Amortisation of Intangible assets	155	
1,244	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	1,521	
27,818			18,990
(4,773)	Adjustment amounts written out of the Revaluation Reserve		(2,534)
23,045	Net written out amount of the cost of Non-Current assets consumed in the year		16,456
	Capital financing applied in the year:		
(1,572)	Use of the Capital Receipts Reserve to finance new capital expenditure	(1,310)	
(4,486)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(7,344)	
0	Application of grants to capital financing from the Capital Grants Unapplied Account	(171)	
(2,604)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(2,744)	
(1,813)	Capital expenditure charged against the General Fund and HRA balances	(894)	
(10,475)			(12,463)
(7,350)	Capital Fund Reserve		(5,945)
(253,562)	Balance at 31 March	(255,514)	

e) Employee Statutory Adjustment Account

This 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.

31 March 2011 £000		31 March 2012 £000
1,365	Balance at 1 April	1,447
(1,365)	Settlement or cancellation of accrual made at the end of the preceding year	(1,447)
1,447	Amounts accrued at the end of the current year	2,583
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
1,447	Balance at 31 March	2,583

24. Amounts reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice.

Decisions about resource allocation are taken by the Council on the basis of budget reports analysed across Service committees. 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; and
- 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 2011/12	Education & Families £000	Social Services £000	Development £000	Environment & Transport £000	Executive £000	Boards (Harbour & College) £000	Total £000
Employee expenses	37,321	28,560	3,137	17,204	7,992	9,960	104,174
Operating costs	8,629	10,374	13,245	23,910	10,387	6,057	72,602
Transfer Payments	1,327	6,946	5,485	867	351	159	15,135
Total expenditure	47,277	45,880	21,867	41,981	18,730	16,176	191,911
Total income	(2,323)	(20,012)	(2,996)	(16,055)	(2,784)	(19,175)	(63,345)
Net expenditure	44,954	25,868	18,871	25,926	15,946	(2,999)	128,566

Income and Expenditure Analysis Comparative Figures 2010/11	Education & Families £000	Social Services £000	Development £000	Environment & Transport £000	Executive £000	Boards (Harbour & College) £000	Total £000
Employee expenses	37,701	28,863	2,729	17,645	6,393	13,223	106,554
Operating costs	11,319	10,415	7,273	23,189	4,116	2,981	59,293
Transfer Payments	1,539	6,442	9,305	628	1,314	41	19,269
Total expenditure	50,559	45,720	19,307	41,462	11,823	16,245	185,116
Total income	(2,530)	(21,131)	(2,970)	(15,216)	(4,171)	(19,713)	(65,731)
Net expenditure	48,029	24,589	16,337	26,246	7,652	(3,468)	119,385

31 March 2011 £000	Summary reconciliation between Budget reported and Comprehensive Income and Expenditure Statement	31 March 2012 £000
119,385	Net expenditure in the Income and Expenditure Analysis	128,566
5,846	Net expenditure of services and support services not included in the Analysis and not reported to management for decision making	(93)
(2,787)	Amounts in Comprehensive Income and Expenditure Statement not reported to management in the Analysis	18,128
122,444	Cost of Services in Comprehensive Income and Expenditure Statement	146,601

Detailed reconciliation between Budget reported and Comprehensive Income and Expenditure Statement

2011/12	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
Employee expenses	104,174		(101)	2,048	106,121
Other service expenses	87,737		109	14,380	102,226
Support service recharges				(16,751)	(16,751)
Depreciation, amortisation and impairment				17,469	17,469
Interest Payments				988	988
Precepts & Levies					0
Gain or Loss on Disposal of Fixed Assets					0
Total expenditure	191,911	0	8	18,134	210,053
Fees, charges & other service income	(55,023)		(101)	(10)	(55,134)
Interest and investment income	(221)			4	(217)
Income from council tax	(15)				(15)
Government grants and contributions	(8,086)				(8,086)
Total Income	(63,345)	0	(101)	(6)	(63,452)
Cost of Services	128,566	0	(93)	18,128	146,601

Comparative Figures 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
Employee expenses	106,554	4,552		(18,241)	92,865
Other service expenses	78,562	5,176	5		83,743
Support service recharges					0
Depreciation, amortisation and impairment				26,574	26,574
Interest Payments					0
Precepts & Levies			310	3,682	3,992
Gain or Loss on Disposal of Fixed Assets					0
Total expenditure	185,116	9,728	315	12,015	207,174
Fees, charges & other service income	(65,731)	(2,181)	(60)	(14,802)	(82,774)
Interest and investment income		125			125
Income from council tax					0
Government grants and contributions		(2,081)			(2,081)
Total Income	(65,731)	(4,137)	(60)	(14,802)	(84,730)
Cost of Services	119,385	5,591	255	(2,787)	122,444

25. Trading Operations

The authority has established two trading units where the 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 2011/12 are as follows:

	2009/10		2010/11		2011/12	
	£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 breakeven over a 3 year rolling period.						
Turnover	(6,518)		(7,760)		(7,511)	
Expenditure	6,188		7,562		7,139	
Surplus		(330)		(198)		(372)
Cumulative surplus - over last three financial years		(240)		(374)		(900)
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 breakeven over a 3 year rolling period.						
Turnover	(4,880)		(4,713)		(4,171)	
Expenditure	4,595		4,588		4,226	
Surplus		(285)		(125)		55
Cumulative surplus - over last three financial years		(148)		(190)		(355)
Net (surplus)/deficit on trading operations:		(615)		(323)		(317)

The table above is presented exclusively to show whether each trading organisation met its statutory financial target. The figures for 2009/10 are based on UK GAAP in line with the legislative requirement for those years. The 2010/11 and 2011/12 figures are based on IFRS as specified in the Code of Practice on Local Authority Accounting. For this reason the figures quoted as not regarded as suitable for trend analysis.

Trading operations are incorporated into the Comprehensive Income and Expenditure Statement. Some are an integral part 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 2011 £000		31 March 2012 £000
(37)	Net (Surplus)/Deficit on Services to the public incl. in Cost of Services	441
(286)	Support services recharged to Expenditure of Continuing Operations	(758)
(323)	Net (surplus)/deficit on trading operations	(317)

26. 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.

Shetland Heat, Energy and Power Ltd (SHEAP) provide heating in the Lerwick area. The Council provide a service that allows them to take credit and debit card payments through the Council's income system. The Council charge them 5% of any amount paid through the system.

Shetland Box Office is a service delivered by Shetland Islands Council and Shetland Arts to event promoters in Shetland. Promoters are charged a fee for the public sale of tickets for events and festivals. Shetland Islands Council is therefore providing an agency service for the promoters to the general public.

31 March 2011 £000		31 March 2012 £000
33	Expenditure incurred in collection service for Scottish Water	27
(62)	Commission payable by Scottish Water	(65)
0	Expenditure incurred in collection service for SHEAP	0
(3)	Income payable by SHEAP	(3)
0	Expenditure incurred in collection service for Shetland Box Office	0
0	Income payable by Shetland Box Office	(1)
7	Expenditure incurred in payroll services to other organisations	7
(7)	Income payable by other organisation for payroll services	(7)
(32)	Net surplus arising on the agency arrangements	(42)

27. 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 2011 £000		31 March 2012 £000
242	Fees payable to Audit Scotland with regard to external audit services carried out by the appointed auditor for the year	240
5	Fees payable in respect of other services provided by Audit Scotland during the year (related to IFRS - prior year restatement)	0
0	Rebate relating to prior year accounts	(21)
247	Total	219

28. Grant Income

The authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2011/12:

31 March 2011 £000		31 March 2012 £000
	Credited to Taxation and Non-Specific Grant Income	
(8,629)	Council tax income	(8,752)
(8,672)	Non domestic rates	(14,308)
(86,894)	Non ring fenced government grants	(77,690)
(4,657)	Capital grants and contributions	(7,940)
(108,852)	Total	(108,690)
	Credited to Services	
(178)	NHS	(688)
(788)	Council Tax Benefits Subsidy	(748)
(2,855)	Housing Benefit Subsidy	(2,887)
(1,233)	Housing Support Grant	(993)
(42)	ERDF & ESF	(56)
(319)	Training Grants	(281)
(69)	Central - Government Grants	(2)
(206)	Cultural - Government Grants	(170)
(2,824)	Education - Government Grants	(2,779)
(126)	Environment - Government Grants	(85)
(136)	Planning & Development - Government Grants	(476)
(477)	Roads & Transport - Government Grants	(50)
(468)	Social Work - Government Grants	(394)
(9,721)	Total	(9,609)

29. 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 28.

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 £4.446m (£7.529m in 2010/11) to these bodies during 2011/12.

c) Officers

All Executive Managers and above were required to disclose any involvement with related parties of the Council.

The Executive Manager - Sport and Leisure was previously responsible for the grant payable to Shetland Golf Club under a three-year service level agreement and was also a member of the golf club. This responsibility transferred during 2011/12 to the Community Planning and Development Service. In order to ensure that no undue influence had occurred in prior years with regard to the transaction, the assessment was undertaken by another member of staff and the Executive Director presented the report for consideration by Council Members.

d) Local Government Pension Scheme

The Local Government Pension Scheme is administered locally by Shetland Islands Council for the benefit of employees. The Council has made payments to the Local Government Pension Scheme as detailed in Note 34 Defined Benefit Pension Schemes.

30. 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 2011 £000		31 March 2012 £000
55,140	Opening Capital Financing Requirement	55,363
	Capital Investment:	
18,007	Property, Plant and Equipment	16,718
41	Intangible Assets	127
	Sources of Finance:	
(1,572)	Capital Receipts	(1,310)
(4,486)	Government Grants and Other Contributions	(7,516)
(7,350)	Funding from Reserves	(5,945)
	Sums set aside from Revenue:	
(1,813)	Direct Revenue Contributions	(894)
(2,604)	Loans Fund Principal	(2,744)
55,363	Closing Capital Financing Requirement	53,799
	Explanation of Movements in Year:	
223	Increase/(decrease) in underlying need to borrow (unsupported by government financial assistance)	(1,564)
223	Increase/(Decrease) in Capital Financing Requirement	(1,564)

31. Leases

Finance Leases

During 2010/11 and 2011/12 the Council did not have any finance leases as lessee.

Operating Leases

a) The Authority as a Lessee

The Council leases a number of buildings and areas of land in Shetland. The largest is at Sullom Voe oil terminal where the Council lease land from Shetland Charitable Trust for £1.226m a year and subleases it to BP for the same amount. This lease arrangement is due to run until 2025 and had not been included in lease notes to previous accounts.

The minimum lease payments due under non-cancellable leases in future years are:

31 March 2011 £000		31 March 2012 £000
2,474	Not later than one year	2,374
9,274	Later than one year and not later than five years	9,130
18,682	Later than five years	17,219
30,430	Total	28,723

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

31 March 2011 £000		31 March 2012 £000
2,908	Minimum lease payments	2,824
(1,538)	Sublease payments receivable	(1,365)
1,370	Total	1,459

b) The Authority as a Lessor

Finance Leases

During 2010/11 and 2011/12 the Council did not have any finance leases as lessor.

Operating Leases

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 minimum sublease payments expected to be received in future years are:

31 March 2011 £000		31 March 2012 £000
(1,312)	Not later than one year	(1,287)
(5,200)	Later than one year and not later than five years	(5,108)
(12,072)	Later than five years	(10,628)
(18,584)	Total	(17,023)

The total value of rental income, excluding subleases, recognised during the period was £0.425m (2010/11 - £0.331m).

The future minimum lease payments receivable under non-cancellable leases in future years are:

31 March 2011 £000		31 March 2012 £000
(223)	Not later than one year	(294)
(621)	Later than one year and not later than five years	(668)
(97)	Later than five years	(165)
(941)	Total	(1,127)

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2010/11 and 2011/12 no contingent rents were receivable by the Council.

32. Termination Benefits

The Council terminated 65 employee contracts in 2011/12 (36 in 2010/11), incurring liabilities of £2.041m (£1.480m in 2010/11). This figure includes one off termination payments made to staff (eg. redundancy payments and enhanced pension lump sum payments) and also one off pension fund employer costs (pension strain cost). Of the 65 contracts, 33 formed part of the Blueprint for Education review and 8 were part of the Ports of the Future project.

Termination benefits differ from the exit packages disclosed in the remuneration report. This is because termination benefits show the in-year liabilities, including any enhanced pension lump sum payment, whereas exit packages show the full capitalised cost adding on any future years enhanced pension costs to the Council.

33. 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 2011/12, the Council paid £2.481m to the SPPA in respect of teachers' retirement benefits, representing 14.9% of pensionable pay (£2.618m and 14.9% in 2010/11). 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 2011/12 these amounted to £0.800m (£0.740m for 2010/11), representing 4.77% of teachers' pensionable pay (4.21% for 2010/11). These costs are accounted for on a defined benefit basis.

34. 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:

2010/11 £000	Local Government Pension Scheme	2011/12 £000
	Comprehensive Income and Expenditure Statement	
	Cost of Services:	
11,561	Current service cost	10,039
(30,072)	Past service cost	727
1,167	Settlements and curtailments	1,562
	Financing and Investment Income and Expenditure:	
17,900	Interest cost	16,999
(14,517)	Expected return on scheme assets	(15,228)
(13,961)	Total Post-Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	14,099
	Other Post-Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	
(31,511)	Actuarial (gains) and losses	10,846
(45,472)	Total Post-Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	24,945
	Movement in Reserves Statement	
(31,511)	Actuarial losses or (gains)	10,846
(13,961)	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	14,099
	Actual amount charged against the General Fund Balance for pensions in the year:	
(10,584)	Employers' contributions and direct payments to pensioners payable in the year	(11,534)
(56,056)	Movement in the year on the Pension Reserve	13,411

The cumulative amount of actuarial gains and losses recognised in Other Comprehensive Income and Expenditure in the actuarial gains or losses on pensions assets and liabilities line was at 31 March 2012 a loss of £81.566m (31 March 2011 was 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):

2010/11 £000		2011/12 £000
342,879	Opening balance at 1 April	305,998
11,561	Current service cost	10,039
17,900	Interest Cost	16,999
3,593	Contributions by scheme participants	3,482
(33,309)	Actuarial gains and losses	2,517
(7,721)	Benefits paid	(9,567)
(30,072)	Past service costs	727
1,167	Curtailments	1,562
305,998	Closing balance at 31 March	331,757

Reconciliation of fair value of the scheme (plan) assets:

2010/11 £000		2011/12 £000
195,710	Opening balance at 1 April	214,885
14,517	Expected rate of return	15,228
(1,798)	Actuarial gains and losses	(8,329)
10,584	Employer contributions	11,534
3,593	Contributions by scheme participants	3,482
(7,721)	Benefits paid	(9,567)
214,885	Closing balance at 31 March	227,233

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 £2.054m (2010/11 £12.756m).

d) Scheme History

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

	2007/08 £000	2008/09 £000	2009/10 £000	2010/11 £000	2011/12 £000
Present value of liabilities:					
Local Government Pension Scheme	197,917	193,332	342,879	305,998	331,757
Discretionary Benefits	0	0	0	0	0
Fair value of assets in the Local Government Pension Scheme	179,810	134,353	195,710	214,885	227,233
Surplus/(Deficit) in the scheme:					
Local Government Pension Scheme	1,208	(40,844)	(122,943)	(68,445)	(77,897)
Discretionary Benefits	(19,315)	(18,135)	(24,226)	(22,668)	(26,627)
Total	(18,107)	(58,979)	(147,169)	(91,113)	(104,524)

The liabilities show the underlying commitments that the authority has in the long run to pay post-employment (retirement) benefits. The total liability of £331.757 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 £104.524 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 2013 is £11.834 million. Expected contributions for the Discretionary Benefits scheme in the year to 31 March 2013 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 31 March 2012.

The principal assumptions used by the actuary have been:

2010/11		2011/12
	Long-term expected rate of return on assets in the scheme:	
7.5%	Equity investments	6.2%
4.9%	Bonds	4.0%
5.2%	Other	4.0%
	Mortality Assumptions:	
	Longevity at 65 for current pensioners (in years):	
21.5	Men	23.0
24.9	Women	25.8
	Longevity at 65 for future pensioners (in years):	
23.5	Men	24.9
27.0	Women	27.7
2.8%	Rate of inflation	3.3%
5.1%	Rate of increase in salaries	4.8%
2.8%	Rate of increase in pensions	2.5%
5.5%	Rate for discounting scheme liabilities	4.8%
70%	Take-up of option to convert annual pension into retirement lump sum	70%

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:

2010/11		2011/12
80%	Equity investments	81%
9%	Debt instruments	8%
11%	Other assets	11%

f) History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in each of the last five years can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March:

	2007/08	2008/09	2009/10	2010/11	2011/12
Differences between the expected and actual return on assets	(15.6%)	(47.6%)	23.57%	(0.84%)	(3.67%)
Experience gains and losses on liabilities	0.06%	(4.19%)	1.85%	(0.13%)	(5.47%)

The actuarial present value of promised retirement benefits calculated similarly to the defined benefit obligation under IAS19, is £351 million at 31 March 2012 (£299m at 31 March 2011).

35. Contingent Liabilities

At 31 March 2012, the authority had contingent liabilities of £0.849m (£11.400m at 31 March 2011). There are a number of projects for which the Council is currently in legal dispute. These claims are being contested and are at present unresolved and not admitted.

The contingent liability at 31 March 2011 contained £8.091m relating to pension benefits for Shetland Towage staff who transferred to Shetland Islands Council Pension Scheme. This was valued by the Council's actuary at £7.600m and now forms part of the Council's total pension liability of £104.524m.

36. 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; and
- 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.

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; or
- 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 2011/12.

The following analysis summarises the authority’s potential maximum exposure to credit risk at 31 March 2012, based on experience of default and uncollectability, adjusted to reflect current market conditions: -

	Estimated maximum exposure at 31 March 2011 £000	Amount at 31 March 2012 A £000	Historical experience of default (expressed as % of A) B %	Historical experience adjusted for market conditions at 31 March 2012 C %	Estimated maximum exposure to default and uncollectability at 31 March 2012 A*C £000
Deposits with Banks	0	11,450	0	0	0
Customers	26	92	25	25	23

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 £1.309m of the £3.500m balance is past its due date for payment. The past due, but not impaired, amount can be analysed by age as follows:

31 March 2011 £000		31 March 2012 £000
36	Less than three months	769
143	Three to six months	61
104	Six months to one year	197
164	More than one year	282
447	Total	1,309

Liquidity Risk

The authority has external investments with fund managers amounting to £193 million at 31 March 2012. 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 2012/13. All creditors are due to be paid in less than one year.

Market Risk

a) 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 2012 the composition of these funds has been diversified between the following asset classes:

- UK Equities - 35%
- Overseas Equities - 39%
- UK Government Bonds - 10%
- UK Corporate Bonds – 10%
- Other Bonds - 6%

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 £0.700m for 2012/13.

b) Price risk

The authority had £193 million of investments as at 31 March 2012 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 £7.141m gain

or loss being recognised in the Comprehensive Income and Expenditure Statement for 2011/12.

c) Foreign exchange risk

The authority has £75.270m 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 an 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

2010/11 £000		2011/12 £000	£000
	Expenditure		
2,317	Repairs and maintenance	2,195	
529	Supervision and management	551	
12,518	Depreciation and impairment of non-current assets	2,559	
20	Movement in the allowance for bad debts	0	
194	Other expenditure	950	
15,578	Total expenditure		6,255
	Income		
(5,411)	Dwelling rents	(5,625)	
(116)	Non-Dwelling rents	(119)	
(1,233)	Housing Support Grant	(993)	
2	Other Income	(7)	
(6,758)	Total income		(6,744)
8,820	HRA share of other amounts included in the whole authority Net Cost of Services but not allocated for specific services		(489)
	Net cost of HRA services as included in the Comprehensive Income and Expenditure Statement		
125	HRA services' share of Corporate and Democratic Core		225
8,945	Net Cost/(Income) of HRA Services		(264)
	HRA share of operating income and expenditure included in the Comprehensive Income and Expenditure Statement		
100	(Gain) or loss on sale of HRA non-current assets		(443)
901	Interest payable and similar charges		0
(4)	Interest and investment income		(231)
1	Pension interest cost & expected return on pension assets		0
998	Net HRA share of operating expenditure		(674)
9,943	(Surplus) or deficit for the year on HRA services		(938)

c) Movement on the Housing Revenue Account Statement

2010/11 £000		2011/12 £000
0	Balance on the HRA at the end of the previous year	0
9,943	Surplus or (deficit) on the HRA Income and Expenditure Statement	(938)
	Adjustment between accounting basis and funding basis under statute	
(1,532)	Charges for depreciation and impairment of non-current assets	(1,525)
(10,986)	Revaluation losses on Property, Plant and Equipment	(1,034)
	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	(450)
(909)		
1,969	Statutory provision for the financing of capital investment	2004
1,195	Capital expenditure charged against HRA balances	828
808	Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	892
1	Employer's pensions contributions and direct payments to pensioners payable in the year	0
489		(223)
(489)	Transfers to or (from) reserves	223
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.

31 March 2011 Number	Housing Stock	31 March 2012 Number
95	1 Apartment	103
417	2 Apartment	403
564	3 Apartment	543
678	4 Apartment	683
39	5 Apartment	38
2	8 Apartment	2
1,795	Total	1,772

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 and the amount of arrears has decreased per property.

31 March 2011 £000		31 March 2012 £000
119	Rent Arrears	102
325	Number of properties in arrears (Number)	289
18.1%	Properties in arrears as share of total stock (%)	16.3%
£366	Average amount per property in arrears (£)	£353

3) Provision for Bad Debts

The following table summarises the movements on the bad debt provision during 2011/12:

2010/11 £000		2011/12 £000	2011/12 £000
(175)	Balance as at 1st April		(155)
	Bad rent debt written off:		
27	Over £1,000 (Council approved)	20	
11	Under £1,000 (delegated authority)	10	
38			30
2	Miscellaneous bad debt written off		5
(135)			(120)
(20)	Contribution to/(from) Housing Revenue Account		0
(155)	Balance as at 31st March		(120)

4) Void Rents

The following table summarises the income lost due to voids in 2011/12. These amounts are included in the Other expenditure line of the Housing Revenue Account Income and Expenditure Statement.

2010/11 £000		2011/12 £000
2	Ladies Drive Void Rents and Charges	1
67	General Needs Void Rents and Charges	44
36	Sheltered Housing Void Rents and Charges	27
20	Refurbishment Properties Void Rents and Charges	37
125	TOTAL	109

Council Tax Income Account

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

2010/11 £000		2011/12 £000
(9,847)	Gross Council Tax levied and contributions in lieu	(9,946)
(3)	Council Tax benefits (net of Government grant)	(3)
1,162	Other discounts and reductions	1,167
34	Write-offs of uncollectable debts and allowance for impairment	0
25	Adjustment to previous years' community charge and council tax	30
(8,629)	Transfer to General Fund	(8,752)

a) Council tax base

Overleaf is the analysis of the Council Tax base used to set the 2011/12 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.

b) Charge setting

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

c) 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 2011/12

	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	£212,000.00 to infinity	
Council Tax Weighting per Band	5	6	7	8	9	11	13	15	18	
Total Properties per Register (Number)		3,057	1,792	2,621	1,690	1,185	219	56	1	10,621
Gross Tax Base (Properties x Weighting)		18,342	12,544	20,968	15,210	13,035	2,847	840	18	83,804
Adjusted Properties (Band D Equivalents)		2,038	1,394	2,330	1,690	1,448	316	93	2	9,312
Vacant Properties (Number.):										
Mandatory Standard Exemptions		(164)	(66)	(71)	(45)	(9)	(3)	(2)	(1)	(361)
Chargeable Dwellings subject to Disabled										
Reduction (Number)		(12)	(5)	(12)	(12)	(6)	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	2,887	1,734	2,549	1,638	1,171	217	53	0	10,261
Types of Property (Number):										
Single Discount (25%)	6	1,226	708	967	361	174	21	7	0	3,470
Double Discount (50%)	0	289	108	67	45	23	2	0	0	534
No Discount (0%)	6	1,371	917	1,516	1,233	973	194	46	0	6,256
	12	2,886	1,733	2,550	1,639	1,170	217	53	0	10,260
Properties Subject to Council Tax (Number)	11	2,435	1,502	2,275	1,526	1,115	211	51	0	9,126
Net Tax Base (Properties x Weighting)	55	14,610	10,514	18,198	13,736	12,265	2,740	769	0	72,887
Adjusted Properties (Band D Equivalents)	6	1,623	1,168	2,022	1,526	1,363	304	85	0	8,097
COUNCIL TAX 2011/12:										
General Fund Charge										
Tax Yield (£)	7,722	1,709,370	1,230,138	2,129,166	1,607,141	1,435,005	320,551	89,944	0	8,529,037
Charge per Property (£)	702	702	819	936	1,053	1,287	1,521	1,755	2,106	

Non-Domestic Rate Income Account

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

2010/11 £000		2011/12 £000
17,912	Gross rates levied and contributions in lieu	18,645
(3,751)	Reliefs and other deductions	(4,291)
0	Payment of interest	0
(4)	Write-offs of uncollectable debts and allowance for impairment	92
14,157	Net non-domestic rate income	14,446
(83)	Adjustment to previous years' national non-domestic rates	(218)
14,074	Contribution to non-domestic rate pool	14,228
(8,795)	Distribution from non-domestic rate pool	(14,308)
123	Adjustment for years prior to the pool	0
(8,672)	Transfer to Comprehensive Income & Expenditure Statement	(14,308)

There has been a change in the distribution basis for non-domestic rates from 2011/12. The amount of non-domestic rate income distributed to the Council by the Scottish Government is now aligned to the amount collected by the Council. The distribution basis in 2010/11 was based on population.

a) 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.

Category	Number of Subjects	Rateable Value £000
Commercial	558	6,618
Industrial	494	24,635
Other	860	12,369
TOTAL	1,912	43,622

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 2011/12 is 42.6p (up from 40.7p) with a large business supplement of 0.7p for all subjects with a rateable value above £35,000.

The large business supplement contributes to the cost of the Small Business Bonus Scheme, which 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 £25,000 or less.

Trust Funds Administered by the Council

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

2010/11 £000		2011/12 £000
(16,855)	Shetland Development Trust	(12,468)
(649)	Zetland Educational Trust	(652)
(52)	Gilbertson Trust	(53)
(3)	Samuel Mullay Bequest	(3)
(5)	Others (4 Trusts)	(3)
(17,564)	Total	(13,179)

The Zetland Educational Trust, with an income of £14,500 and expenditure of £11,624, pays bursaries to university students, aids apprentices and supports educational trips. The Gilbertson Trust, with an income of £955, 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 essentially redundant due to their low annual income; spend was incurred within their remit of £1,617.

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 2012 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.

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 2012.

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, 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 has the ability to control 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 four entities, which fall under the criteria of subsidiaries:

- Shetland Charitable Trust;
- Shetland Towage;
- Shetland Development Trust; and
- Zetland Transport Partnership.

Shetland Charitable Trust, Shetland Development Trust and Zetland Transport Partnership have been consolidated into the Group Statements as subsidiaries. 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 three 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; and
- Orkney and Shetland Valuation Joint Board.

2) Method of Consolidation

In accordance with the Code, the subsidiaries have been fully consolidated and have a financial year-end of 31 March 2012. 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 three associates have been consolidated at their financial year-ends of 31 March 2012 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 2011/12 that was as follows:

- Northern Joint Police Board – In 2011/12 the Council contributed 6.05% of NJPB operating costs (6.15% in 2010/11);
- Highlands and Islands Fire Board – In 2011/12 the Council contributed 10.23% of HIFB operating costs (10.08% in 2010/11);
- Orkney and Shetland Valuation Joint Board – The Council contributed 51.4% of the Board's operating costs (51.7% in 2010/11); and

With the exception of Shetland Charitable Trust and 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 2012. The accounts of Shetland Charitable Trust and Shetland Development Trust 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.

Shetland Charitable Trust

The Trustees of Shetland Charitable Trust have taken legal advice regarding the inclusion of the Trust in the Council's group accounts. This states that there are no legal grounds for consolidation and as a result, in the past, they have not provided a set of financial statements for inclusion in the Council's group accounts.

It is the section 95 officer's belief that under the requirements of the Code consolidation is required as the Shetland Charitable Trust meets the accounting definition for grouping. Therefore publicly available financial information on Shetland Charitable Trust has been used as the basis for grouping its results for the year ended 31 March 2012 and its financial position as at 31 March 2012.

Group Movement in Reserves Statement 2011/12

	Usable Reserves							Unusable Reserves			Total Group Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve / Capital Funds	Capital Grants Unapplied	Other Revenue Statutory Funds	Council's share of Group usable reserves	Total Usable Reserves	Council's unusable reserves	Council's share of Group unusable reserves	Total Unusable Reserves	
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2011	(3,144)	0	(114,357)	(171)	(151,410)	(236,217)	(505,299)	(244,649)	23,903	(220,746)	(726,045)
Movement in Reserves during 2011/12											
(Surplus) or deficit on the provision of services	34,661	(938)	0	0	0	6,023	39,746	0	0	0	39,746
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	2,713	4,803	7,516	7,516
Total Comprehensive Income and Expenditure	34,661	(938)	0	0	0	6,023	39,746	2,713	4,803	7,516	47,262
Adjustments between accounting basis & funding basis under regulations	(10,531)	715	13	(425)	0	(789)	(11,017)	10,228	789	11,017	0
Adjustment for a change in the Council's share of equity in Associates	0	0	0	0	0	0	0	0	0	0	0
Net (Increase)/Decrease before Transfers to Earmarked Reserves	24,130	(223)	13	(425)	0	5,234	28,729	12,941	5,592	18,533	47,262
Transfers to/from Earmarked Reserves	(24,644)	223	3,746	0	26,620	(36)	5,909	(5,945)	36	(5,909)	0
(Increase)/Decrease in 2011/12	(514)	0	3,759	(425)	26,620	5,198	34,638	6,996	5,628	12,624	47,262
Balance at 31 March 2012	(3,658)	0	(110,598)	(596)	(124,790)	(231,019)	(470,661)	(237,653)	29,531	(208,122)	(678,783)

Group Movement in Reserves Statement 2010/11

	Usable Reserves							Unusable Reserves			Total Group Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve / Capital Funds	Capital Grants Unapplied	Other Revenue Statutory Funds	Council's share of Group usable reserves	Total Usable Reserves	Council's unusable reserves	Council's share of Group unusable reserves	Total Unusable Reserves	
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2010	(161)	0	(118,581)	0	(155,025)	(235,920)	(509,687)	(186,902)	37,161	(149,741)	(659,428)
Movement in Reserves during 2010/11											
(Surplus) or deficit on the provision of services	(19,728)	9,943	0	0	0	(1,685)	(11,470)	0	0	0	(11,470)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	(43,277)	(11,250)	(54,527)	(54,527)
Total Comprehensive Income and Expenditure	(19,728)	9,943	0	0	0	(1,685)	(11,470)	(43,277)	(11,250)	(54,527)	(65,997)
Adjustments between accounting basis & funding basis under regulations	16,745	(9,454)	0	(171)	0	0	7,120	(7,120)	0	(7,120)	0
Adjustment for a change in the Council's share of equity in Associates	0	0	0	0	0	1,124	1,124	0	(1,744)	(1,744)	(620)
Net (Increase)/Decrease before Transfers to Earmarked Reserves	(2,983)	489	0	(171)	0	(561)	(3,226)	(50,397)	(12,994)	(63,391)	(66,617)
Transfers to/from Earmarked Reserves	0	(489)	4,224	0	3,615	264	7,614	(7,350)	(264)	(7,614)	0
(Increase)/Decrease in 2010/11	(2,983)	0	4,224	(171)	3,615	(297)	4,388	(57,747)	(13,258)	(71,005)	(66,617)
Balance at 31 March 2011	(3,144)	0	(114,357)	(171)	(151,410)	(236,217)	(505,299)	(244,649)	23,903	(220,746)	(726,045)

Group Comprehensive Income and Expenditure Account for year ended 31 March 2012

2010/11 Net Expenditure £000		2011/12 Gross Expenditure £000	2011/12 Gross Income £000	2011/12 Net Expenditure £000
48,054	Education Services	52,455	(6,685)	45,770
3,102	Housing Services	8,185	(5,401)	2,784
8,820	Housing Revenue Account	6,255	(6,744)	(489)
12,719	Cultural and Related Services	12,672	1,185	13,857
6,591	Environmental Services	9,605	(2,140)	7,465
2,197	Fire Services	2,264	0	2,264
11,547	Roads and Transport Services	25,600	(9,333)	16,267
8,495	Trading Services	31,499	(20,900)	10,599
1,461	Police Services	1,485	0	1,485
9,398	Planning and Development Services	9,800	(233)	9,567
38,327	Social Work	44,227	(7,066)	37,161
2,126	Central Services to the Public	2,489	(2,152)	337
8,298	Corporate and Democratic Core	8,935	0	8,935
(29,052)	Non Distributed Costs	2,074	0	2,074
(3,582)	Associates Accounted for on an Equity Basis	9,557	(1,601)	7,956
128,501	Cost of Services	227,102	(61,070)	166,032
(327)	Other operating income			225
(33,901)	Financing and investment income and expenditure			(11,175)
(108,852)	Taxation and non-specific grant income			(108,690)
853	Tax Expenses			438
2,256	Share of (surplus) or deficit on provision of services by Associates			(7,084)
(11,470)	(Surplus) or deficit on Provision of Services			39,746
(15,540)	(Surplus) on revaluation of Property, Plant and Equipment assets			(6,303)
(19,382)	(Surplus) on revaluation of available for sale financial assets			(5,652)
23,156	Amounts recycled from AFS reserve upon derecognition			3,705
(31,771)	Actuarial (gains)/losses on pension assets/liabilities			15,816
(10,990)	Share of other comprehensive income and expenditure of Associates and Joint Ventures			(50)
(54,527)	Other Comprehensive Income and Expenditure			7,516
(65,997)	Total Comprehensive Income and Expenditure			47,262

Group Balance Sheet as at 31 March 2012

1 April 2010 £000	31 March 2011 £000		Notes	31 March 2012 £000
378,206	387,030	Property, Plant and Equipment	3	391,830
2,139	3,096	Heritage Assets		4,768
16,986	15,151	Investment Property	4	14,863
10,807	9,608	Intangible Assets	5	8,786
401,456	402,382	Long-term Investments	6	366,727
4,337	4,331	Long-term Debtors	6	4,409
813,931	821,598	Long-Term Assets		791,383
1,245	206	Assets Held for Sale		392
3,645	4,065	Inventories		4,955
12,014	11,614	Short-term Debtors	7	14,996
32,516	21,174	Cash and Cash Equivalents	8	25,397
49,420	37,059	Current Assets		45,740
(18,909)	(17,078)	Short-term Creditors	9	(23,569)
(1,147)	(1,138)	Provisions		(1,146)
(20,056)	(18,216)	Current Liabilities		(24,715)
(4)	(10)	Provisions		0
(148,768)	(92,226)	Other Long-term Liabilities		(105,767)
(35,095)	(22,160)	Liabilities in Associates/Joint Ventures		(27,858)
(183,867)	(114,396)	Long-Term Liabilities		(133,625)
659,428	726,045	Net Assets		678,783
(509,687)	(505,299)	Usable Reserves		(470,661)
(149,741)	(220,746)	Unusable Reserves		(208,122)
(659,428)	(726,045)	Total Reserves		(678,783)

Group Cash Flow Statement for the year ended 31 March 2012

2010/11 £000	2011/12 £000	2011/12 £000
OPERATING ACTIVITIES		
Cash Outflows		
(108,516) Cash paid to and on behalf of employees	(111,156)	
(93,627) Other operating cash payments	(88,926)	
(3,407) Precepts Paid	(3,899)	
(642) Taxation	(751)	
(206,192)		(204,732)
Cash Inflows		
2,711 Housing Rents	4,086	
551 Trading	1,429	
86,894 Revenue Support Grant	77,690	
769 DWP Grants	782	
40,511 Sales of goods and services	48,815	
3,600 Other operating cash receipts	5,741	
12,220 Other Government Grants	7,455	
8,647 Council Tax income	11,604	
8,672 NDR Income	12,639	
164,575		170,241
Movement of working capital		
(414) (Increase)/Decrease in Stock	(878)	
1,464 (Increase)/Decrease in Debtors	(3,909)	
(1,186) Increase/(Decrease) in Creditors	5,793	
(136)		1,006
(41,753) Net Cash Outflow from Operating Activities		(33,485)
INVESTING ACTIVITIES		
Cash Outflows		
(22,316) Purchase of Fixed Assets	(21,029)	
(251,120) Purchase of Long-term Investments	(122,593)	
(112,549) Purchase of Short-term Investments	(1,856)	
(385,985)		(145,478)
Cash Inflows		
1,572 Sale of Fixed Assets	1,297	
282,521 Sale of Long-term Investments	163,250	
119,300 Sale of Short-term investments	3,279	
4,657 Capital Grant receipts	7,941	
8,346 Interest Received & Dividends	7,419	
416,396		183,186
30,411 Net Cash Inflow from Investing Activities		37,708
FINANCING ACTIVITIES		
0 Cash Outflows	0	
0 Cash Inflows	0	
0 Net Cash Flow from Financing Activities		0
(11,342) NET INCREASE/(DECREASE) IN CASH		4,223
32,516 Cash and Cash Equivalents at 1 April		21,174
(11,342) Net movement of Cash and Cash Equivalents during the year		4,223
21,174 Cash & Cash Equivalent at 31 March		25,397

c) Notes to the Group Accounts

1) Subsidiaries

The Group Accounts include the consolidation of the accounts of Shetland Charitable Trust (SCT), Shetland Development Trust (SDT) and Zetland Transport Partnership (ZetTrans) as subsidiaries of the Council.

Shetland Charitable Trust (SCT)

The SCT is both a charity and a trust. The governing trust deed requires that the trustees act in the best interest of the inhabitants of Shetland. Shetland Charitable Trust carries out some charitable activities itself, but mostly achieves its objects by funding other charities in Shetland. The Council has the ability to exercise control as 22 of the 24 trustees are councillors.

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.

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 Council has the ability to exercise control as 6 of the 8 members are councillors.

2) Associates

The Group financial statements include the consolidation of the investments in Northern Joint Police Board (NJPB), Highland and Islands Fire Board (HIFB) and Orkney & Shetland Valuation Joint Board (OS&VJB) as associates.

Northern Joint Police Board (NJPB)

The NJPB was established at local government reorganisation in 1975 and provides policing services to the Highlands and Islands. In 2011/12 the Council contributed 6.05% of NJPB operating costs (6.15% in 2010/11) and its share of the year-end net liability of £21.067 million (£17.750 million in 2010/11) 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	2011/12 £000
Gross Income	(4,757)	(4,942)
Gross Expenditure	3,966	5,502
Net (Surplus)/Deficit	(791)	560
Non-Current Assets	2,855	3,190
Current Assets	931	931
Current Liabilities	(443)	(544)
Non-Current Liabilities	(21,093)	(24,644)
Capital and Reserves	17,750	21,067

Highland and Islands Fire Board (HIFB)

The HIFB was established at local government reorganisation in 1975 and provides fire services to Councils in the Highlands and Islands.

In 2011/12 the Council contributed 10.23% of HIFB operating costs (10.08% in 2010/11) and its share of the year-end net liability of £6.214 million (£4.146 million in 2010/11) 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	2011/12 £000
Gross Income	(3,058)	(3,437)
Gross Expenditure	2,639	3,754
Net (Surplus)/Deficit	(419)	317
Non-Current Assets	4,714	4,712
Current Assets	486	535
Current Liabilities	(432)	(481)
Non-Current Liabilities	(8,914)	(10,980)
Capital and Reserves	4,146	6,214

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.

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 6 members of the Board out of 12 and contributed 51.4% of the Board's operating costs (51.7% in 2010/11) and its share of the year-end net liability of £0.577 million (£0.264 million in 2010/11) 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	2011/12 £000
Gross Income	(307)	(305)
Gross Expenditure	190	300
Net (Surplus)/Deficit	(117)	(5)
Non-Current Assets	0	0
Current Assets	12	7
Current Liabilities	(18)	(11)
Non-Current Liabilities	(258)	(572)
Capital and Reserves	264	577

Orkney and Shetland Valuation Joint Board have no contingent liabilities or capital commitments for the year ended 31 March 2012 (2011: nil).

3) Group Property, Plant and Equipment

Movement in 2011/12	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 2011	60,588	168,310	55,694	164,041	5,862	695	26,275	481,465
- additions	2,013	546	2,039	1,924			14,378	20,900
revaluation	(599)	992		82				475
increases/(decreases) recognised in the Revaluation Reserve								
revaluation	(1,217)	(3,224)	(954)			(150)		(5,545)
increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services								
derecognition – disposals	(468)	(218)	(1,028)	(1,433)			(100)	(3,247)
assets reclassified (to)/ from Assets Held for Sale	(267)	(125)						(392)
other movements in cost or valuation	(6)	3,062	14,971	3,310	332	(42)	(21,783)	(156)
At 31 March 2012	60,044	169,343	70,722	167,924	6,194	503	18,770	493,500
Accumulated Depreciation and Impairment								
at 1 April 2011	(1,571)	(32,605)	(18,733)	(41,385)	(8)	(133)	-	(94,435)
depreciation charge	(1,574)	(5,452)	(4,559)	(3,651)		(62)		(15,298)
depreciation written out to the Revaluation Reserve	184	3,838						4,022
depreciation written out to the Surplus/Deficit on the Provision of Services	37	2,045	3			19		2,104
derecognition – disposals	19		855	1,059				1,933
other movements in depreciation and impairment	6	(2)						4
At 31 March 2012	(2,899)	(32,176)	(22,434)	(43,977)	(8)	(176)	0	(101,670)
Net Book Value								
at 31 March 2012	57,145	137,167	48,288	123,947	6,186	327	18,770	391,830
at 31 March 2011	59,017	135,705	36,961	122,656	5,854	562	26,275	387,030

Comparative Movements in 2010/11	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 2010	62,082	155,111	51,413	162,226	5,857	251	23,287	460,227
- additions	1,839	716	3,001	1,669	1	2	14,952	22,180
revaluation	8,626	3,700	(119)		4		352	12,563
increases/(decreases) recognised in the Revaluation Reserve								
revaluation	(11,713)	(3)	(29)				(1,313)	(13,058)
increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services								
derecognition – disposals								0
assets reclassified (to)/ from Assets Held for Sale	(212)							(212)
other movements in cost or valuation	(34)	8,786	1,428	146		442	(11,003)	(235)
At 31 March 2011	60,588	168,310	55,694	164,041	5,862	695	26,275	481,465
Accumulated Depreciation and Impairment								
at 1 April 2010	(1,857)	(27,737)	(14,603)	(37,803)	(8)	(13)	-	(82,021)
depreciation charge	(1,579)	(5,052)	(4,286)	(3,582)		(62)		(14,561)
depreciation written out to the Revaluation Reserve	1,726	114	155					1,995
depreciation written out to the Surplus/Deficit on the Provision of Services	139							139
derecognition – disposals								0
other movements in depreciation and impairment		70	1			(58)		13
At 31 March 2011	(1,571)	(32,605)	(18,733)	(41,385)	(8)	(133)	0	(94,435)
Net Book Value								
at 31 March 2011	59,017	135,705	36,961	122,656	5,854	562	26,275	387,030
at 31 March 2010	60,225	127,374	36,810	124,423	5,849	238	23,287	378,206

4) Group Investment Properties

The following table summarises the movement in the fair value of investment properties over the year:

Group 31 March 2011 £000		Group 31 March 2012 £000
16,986	Balance at start of the year	15,151
95	Additions	2
(344)	Disposals	(38)
(1,586)	Net gains/(losses) from fair value adjustments	(252)
15,151	Balance at end of the year	14,863

Investment properties are held by Shetland Leasing and Property Developments Ltd which is a subsidiary of Shetland Charitable Trust.

5) Group Intangible Assets

Group 31 March 2011 £000		Group 31 March 2012 £000
	Balance at start of year:	
20,645	Gross carrying amounts	20,647
(9,838)	Accumulated amortisation	(11,039)
10,807	Net carrying amount at start of year	9,608
41	Purchases	127
0	Disposals	0
(1,471)	Amortisation for the period	(1,099)
231	Other changes	150
9,608	Net carrying amount at end of year	8,786

Included in the group intangible assets is a Fish Quota for £7,902,000 and a Fishing Boat Licence for £326,000, both relating to Shetland Development Trust. The costs of these assets are amortised over a period of 20 years, being their estimated useful lives.

6) Group Financial Assets

The following categories of financial instrument are carried in the Balance Sheet:

Group			Group	
Long-Term	Current		Long-Term	Current
31 March 2011 £000	31 March 2011 £000		31 March 2012 £000	31 March 2012 £000
		Financial Assets:		
		Investments:		
400,157	0	Available for sale financial assets	364,235	0
2,225	0	Unquoted equity investment at cost	2,492	0
402,382	0	Total Investments	366,727	0
		Debtors:		
4,316	271	Loans and receivables	4,409	401
15	1	Financial assets carried at contract amounts	0	0
4,331	272	Total Debtors	4,409	401
		Financial Liabilities:		
		Creditors:		
0	(119)	Accrued Interest Liability	0	0
0	(119)	Total Creditors	0	0

Shetland Development Trust and Shetland Charitable Trust have 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
Shetland Development Trust		
Cost at 31/03/2012	7,055	4,152
Total provision at 31/03/12	(6,820)	(2,066)
Net Value	235	2,086
Shetland Charitable Trust		
Cost at 31/03/2012	2,858	719
Total provision at 31/03/12	(601)	(59)
Net Value	2,257	660

7) Group Short-Term Debtors

Group 31 March 2011 £000		Group 31 March 2012 £000
1,290	Central Government Bodies	2,543
389	Other Local Authorities	2,609
67	NHS Bodies	301
106	Public Corporations and Trading Funds	848
9,762	Other Entities and Individuals	8,695
11,614	Total	14,996

8) Group Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

Group 31 March 2011 £000		Group 31 March 2012 £000
22	Cash held by the Authority	24
19,674	Bank current accounts	22,341
1,478	Short-term certificates of deposit	3,032
21,174	Total	25,397

9) Group Short-Term Creditors

Group 31 March 2011 £000		Group 31 March 2012 £000
(3,252)	Central Government Bodies	(4,045)
(277)	Other Local Authorities	(3,144)
(33)	NHS Bodies	(108)
(344)	Public Corporations and Trading Funds	(775)
(13,172)	Other Entities and Individuals	(15,497)
(17,078)	Total	(23,569)

10) Financial Impact

The inclusion of the six organisations (subsidiaries 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 £678.783m is an increase of £201.488m from the Council's net worth of £477.295m. This is mainly due to the inclusion of the Shetland Charitable Trust that added £216.878m to the balance sheet. This is partially offset by the downward impact on net worth from the pension liabilities of the Police and Fire Boards.

11) Remuneration Report

No remuneration report has been compiled for the Group as the Shetland Development Trust and ZetTrans do not have any senior employees or make payments to senior councillors. No information is available for Shetland Charitable Trust.

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 2012 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the group and authority-only Comprehensive Income and Expenditure Statements, Movement in Reserves Statements, Balance Sheets, and Cash-Flow Statements, the authority-only Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Council Tax Income Account, and the Non-domestic Rate Account 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 2011/12 (the 2011/12 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 125 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 Executive Manager - Finance and auditor

As explained more fully in the Statement of Responsibilities on Page 35, the Executive Manager - Finance 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 Shetland Islands Council and its group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Executive Manager - Finance; 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.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view in accordance with applicable law and the 2011/12 Code of the state of the affairs of Shetland Islands Council and its group as at 31 March 2012 and of the income and expenditure of the group and the 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 2011/12 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 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.

David McConnell, CPFA
Assistant Director
Audit Scotland
7th Floor, Plaza Tower
East Kilbride, G74 1LW

27 September 2012

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. Revenue Expenditure

This is expenditure incurred during the year on running costs such as staff, building costs, transport and supplies and services.

10. 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.

11. Outturn

This is the actual expenditure and income for the year.

12. Heritage Assets

Heritage assets are those assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations.

13. Actuarial

Relating to the work of an actuary. The Council uses an actuary to calculate its pension liability.

14. Contingent Liability

A contingent liability is defined as either:

- a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the authority; or
- a present obligation that arises from past events but is not recognised because it is not probable that the obligation will require to be settled, or the amount of the obligation cannot be measured with sufficient reliability.

15. Contingent Asset

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the authority.

16. Depreciation

Depreciation is a method of allocating the cost of a tangible asset over its useful life.

17. Amortisation

Amortisation is a method of allocating the cost of an intangible asset over its useful life.

18. Impairment

An asset is impaired when its value in the balance sheet exceeds the higher of its net sale value or value in use. An impairment loss would then be recognised.

Shetlands Islands Council

Annual report on the 2011/12 audit



Prepared for Members of Shetland Islands Council and the Controller of Audit
October 2012

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

This report summarises the findings from our 2011/12 audit of Shetland Islands Council. As part of the audit we assessed the key financial and strategic risks being faced by the council. We audited the financial statements and reviewed the council's financial position and aspects of governance, best value, the use of resources and performance. This report sets out our key findings.

Financial statements

We have given an unqualified opinion that the financial statements of Shetland Islands Council for 2011/12 give a true and fair view of the financial position and expenditure and income of the council and its group for the year. We also certify that the accounts have been prepared in accordance with relevant legislation, applicable accounting standards and other reporting requirements. For the preceding six years, the council's financial statements had carried a qualification in relation to the non-consolidation of the Shetland Charitable Trust (SCT). It is a significant development in the council's financial reporting that the SCT has now been included in the group accounts and that, consequently the audit opinion is now unqualified.

This year the financial statements were submitted on time, to the expected quality and accompanied with working papers of a high standard. As a result of these significant improvements we were able to conduct our audit more efficiently.

Financial position

In 2011/12 the council spent £205 million on the provision of public services and the net operating expenditure was £147 million. Taking investment transactions into account, there was an overall deficit of £34 million and, after statutory adjustments, the draw on reserves was £36 million.

With a total usable reserve balance of £239.046 million as at 31 March 2012 (of which £193.17 million is readily available to the council) the current level of draw on reserves cannot be sustained beyond the short-term. This matter has also been flagged to the council by its Section 95 Officer, and we would concur that this is a crucial message for the council to note in addressing its financial and service planning for future years.

To achieve a balanced budget over the medium term, the council has agreed a five year financial plan. This challenging plan aims to achieve total savings of £38.360 million over the period while maintaining a minimum reserve balance of £125 million.

Governance Arrangements

Generally, we are satisfied that the council's governance arrangements and internal controls have operated effectively during the year. The council has made good progress in improving its governance arrangements by implementing new political arrangements and a revised management structure.

The council's strategic and departmental risk registers are being updated and were due to be reviewed by the corporate management team by the end of October and formally approved by the Audit and Standards Committee in December 2012.

Best Value, use of resources and performance

The council continues to progress with the implementation of the Improvement Plan that was put in place to address the recommendations of the Section 102 report issued by the Accounts Commission in May 2010.

The follow-up report issued in January 2012 found that the council had made significant progress in a number of areas of its Improvement Plan but further work was still required. We have monitored the council's progress throughout the year and provide an update within this report. A further Section 102 follow-up is due in November 2012 and this will report in more detail on the council's progress.

Outlook

The outlook for all public sector organisations is challenging. The Scottish Government's spending plans for the next four years show a cumulative real term reduction in the Scottish Budget of 12.3% by 2014/15. Local government funding overall reduced by 3% between 2011/12 and 2012/13 and will result in a cumulative reduction of 6.3% by 2014/15.

The current pressures on local government from reduced budgets and growing demands for services are substantial. Local authorities will have to deal with further budget reductions while meeting their statutory duty to secure best value.

The challenge is even more difficult for the council as, against this backdrop, it seeks to implement a five year financial plan required to deliver a balanced budget and end the need to draw significantly from its reserves.

In this environment, the Welfare Reform Act 2012 will bring about the biggest reform of the UK welfare system for 60 years. The introduction of the Universal Credit will have a significant impact on councils' strategies and plans in areas such as housing, asset management, finance, ICT and customer service. The council has been proactive in its efforts to ensure key stakeholders, customers and the general public are aware of the impact of the welfare reform agenda. The council is leading a welfare reform sub-group which has been tasked with developing an action plan to address the welfare reform changes. The membership of the sub-group includes representatives from a number of key stakeholders including the DWP, the NHS, Hjaltland Housing Association and the Citizens Advice Bureau.

Introduction

1. This report is the summary of our findings arising from the 2011/12 audit of the council. The nature and scope of the audit were outlined in the Audit Plan presented to the Audit and Standards Committee on 16 February 2012, and follow the requirements of the Code of Audit Practice prepared by Audit Scotland in May 2011. The purpose of the annual audit report is to summarise the auditor's opinions (i.e. on the financial statements) and conclusions, and to report any significant issues arising. The report is divided into sections which reflect the 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 we focus on the financial statements and any significant findings from our wider review of the council.
3. Appendix B is an action plan setting out the higher 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 action and have a mechanism in place to assess progress.
4. This report is addressed to members of the council and the Controller of Audit and should form a key part of discussions within the Audit and Standards Committee as soon as possible after the formal completion of the audit of the financial statements. Reports should be 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 (www.audit-scotland.gov.uk) after consideration by the council. The information in this report may be used for the Accounts Commission's annual overview report on local authority audits. The overview report is published and presented to the Local Government and Regeneration 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. The auditor is responsible for auditing and expressing an opinion on the financial statements. Weaknesses or risks identified by auditors are only those which have come to their attention during their 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, and
 - 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, annual 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 on the financial statements.

Audit opinion

10. We have given an unqualified opinion that the financial statements of the council for 2011/12 give a true and fair view of the state of the affairs of the council and its group as at 31 March 2012 and of the income and expenditure for the year then ended. For the preceding six years the council's financial statements had carried an audit qualification in relation to the non-consolidation of the Shetland Charitable Trust (SCT). It is a significant development in the council's financial reporting that the SCT has now been included in the group accounts and that, consequently the audit opinion is now unqualified.

Legality

11. Through our planned audit work, we consider the legality of the council's financial transactions. In addition, the Executive Manager - Finance has confirmed that, to the best of his knowledge and belief, and having made appropriate enquiries of the council's corporate 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 that require to be brought to members' attention.

Annual governance statement

12. For the first time, the 2011/12 financial statements include an annual governance statement. The inclusion of an annual governance statement is in line with good practice as set out by CIPFA/SOLACE in 'Delivering good governance in local government'.

13. We were satisfied with disclosures made in the annual governance statement and the adequacy of the process put in place by the council to obtain assurances on systems of control.

Remuneration report

14. 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 2011/12 financial statements include all eligible remuneration for the relevant council officers and elected members.

Accounting issues

15. Local authorities in Scotland are required to follow the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (the 2011 Code). We are pleased to report that we are satisfied that the 2011/12 financial statements are compliant with the 2011 Code.

Accounts submission

16. The council's unaudited financial statements were submitted to the Controller of Audit in advance of the 29 June deadline. The timely provision of the working papers and co-operation of finance staff throughout the audit enabled us to conclude the audit and certify the financial statements by the target date of 30 September 2012. They are now available for presentation to members and for publication.
17. Last year we reported on the poor quality of the financial statements, inadequate working papers and the difficulties this presented for our audit. We are pleased to report that this year the financial statements were submitted on time and to the expected quality. The working papers provided were of a high standard. As a result of these improvements we were able to conduct our audit more efficiently.

Matters arising

18. In our *Report to those charged with governance on the 2011/12 audit* issued to the Audit and Standards Committee on 27 September 2012 we highlighted issues regarding the appropriateness of accounting policies or accounting estimates and judgements, the timing of transactions and the existence of material unusual transactions or the potential effect on the financial statements of any uncertainties. The resolutions for these issues, agreed with the Executive Manager - Finance, are documented in the report. As such, the issues are reported here for information purposes and no action plan points have been raised.
19. Shetland Charitable Trust - This year is the first year that the accounts of Shetland Charitable Trust (SCT) have been included in the group accounts. As the consolidation of the SCT's final audited financial statements was effected at a very late stage in the audit process, and was not formally sponsored by the SCT, we did not obtain our standard assurances required under ISA600 'Using the work of another auditor'. These matters include the auditor's professional

competence and their audit opinion, the component's governance and internal control arrangements and accounting policies.

20. Using information maintained by Audit Scotland and supplemented by our review of the SCT's audited financial statements and other publicly available information, we obtained the necessary assurances required by IAS 600.
21. **Bad Debt Provision.** In 2011/12 there was a revised approach to determining an appropriate level of bad debt provision. The Executive Manager - Finance explained that the level of bad debt provision was reviewed and considered to be too high based on recent collection rates and actual debt written off. As a result the council decided to reduce the level of bad debt until it was more in line with actual write-offs, and we concurred with this approach.
22. **Valuation of Council Houses.** The valuation date for the council's housing stock was the first day of the accounting period (i.e. 1st April) and did not allow the £1.8 million cost of improvement works during 2011/12 to be considered. The council has agreed that, in future years, the revaluation date for non-current assets will be at the end of the previous financial year.
23. **Investment Income.** The council invests in unitised products through three fund managers and the treatment and disclosure of investment income and fees is inconsistent. The council included an additional explanation of investment income and fees in the notes to the financial statements and, going forward, intends to review the current arrangements.
24. **Grant Payments.** Our review of a sample of year-end grant payments made by the council identified that some payments had been incorrectly posted to 2012/13 instead of 2011/12. The council reviewed all year-end grant payments and identified a total of £69,389 of expenditure that required to be accrued into 2011/12. The financial statements were updated to include this accrual.
25. **Heritage Assets.** A new section was added to the Code that requires authorities to account for tangible heritage assets in accordance with FRS 30 Heritage Assets. In recognition of the difficulty in obtaining valuations for this class of assets, the Code permits value to be measured in any way which is appropriate and relevant. In accordance with this Code requirement, the council has recognised heritage of £4.768 million. We are satisfied with the approach adopted by the council in the implementation of FRS 30.

Presentational and monetary adjustments to the unaudited accounts

26. A number of adjustments were made to the 2011/12 unaudited financial statements in accordance with normal audit practice. These adjustments were not material in total to the overall financial statements, and mainly related to reclassifications within the balance sheet and comprehensive income and expenditure account. A number of presentational amendments were also processed to improve the disclosures within the financial statements. All errors identified were corrected in the accounts, and there were no unadjusted misstatements requiring to be brought to the attention of the Audit and Standards Committee.

Prior year adjustments

27. As stated above, the 2011 Code has been amended to require authorities to account for tangible heritage assets in accordance with FRS 30 Heritage Assets. The council recognised assets to the value of £4.768 million based on the assets fair value. As this is a change in accounting policy, the previous year's figures have been restated to disclose heritage assets of £3.096 million.

Post balance sheet events

28. The impact of known events after the balance sheet date has been considered in the preparation of the financial statements. There were no such events identified which required any adjustments to be made to the financial statements, however, it has been noted that the Police and Fire Reform (Scotland) Act 2012 received royal assent on 7 August 2012. Responsibility for the Police and Fire and Rescue Services will transfer from local government bodies to central government from 1 April 2013. The full impact of these reforms on local authorities is still being assessed.

Pension costs

29. As at 31 March 2012 the pension fund had a net liability of £104.5 million, an increase from the previous year's figure of £91.1 million. This increase is mainly due to changes in the actuarial assumptions used to determine how much the council will have to pay out in future pension payments. These changes indicate that the council will have to make higher payments than previously expected.

Whole of government accounts

30. The whole of government accounts are the consolidated financial statements for all branches of government in the UK. We are pleased to say that the council submitted their consolidated pack to the Scottish Government by the statutory deadline of 29 July. The audited return was completed by the audit deadline of 5 October. No material errors were identified in the council's submission.

Group financial statements

31. The diversity of service delivery vehicles means that consolidated group financial statements are required to give a true and fair view of the activities of the council. To enable the preparation of group financial statements, councils are required to consider their interests in all entities, including subsidiary companies, joint ventures and statutory bodies, such as police, fire and valuation boards.
32. The council has consolidated three subsidiaries and three associates into the group financial statements in accordance with the 2011 Code. The overall effect of inclusion of these group entities is to increase net worth by £201.5 million.
33. For the first time the council has included Shetland Charitable Trust as a subsidiary in its group accounts. We would concur that this accurately reflects the relationship between the

council and the Trust for 2011/12 under proper accounting standards and consequently this has allowed us to remove the qualification on this matter which had been included in the auditor's reports for the preceding six years. The other two subsidiaries are Shetland Development Trust and Zetland Transport Partnership.

34. The three associates included in the council's group accounts are Northern Joint Police Board, Highland and Islands Fire Board and Orkney and Shetland Valuation Joint Board.
35. We have highlighted the following issues:
 - all bodies within the group received unqualified audit opinions from their external auditors
 - in accordance with recommended accounting practice, key policies for component bodies have been aligned with the council's. Where there are differences these have been disclosed in the financial statements.

Trust funds

36. 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.
37. OSCR's feedback on last year's submissions from each local authority allocates councils to one of four categories, fully compliant (1 council), above average (12 councils), average (14 councils) and below average (3 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 "Above Average" category which shows a considerable improvement from the previous year's 'Below Average' rating.

Carbon Trading

38. 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. The 2011/12 financial year was the first year that participating authorities had an obligation to purchase and surrender Carbon Reduction Commitment (CRC) Allowances in relation to carbon dioxide emissions. At 31 March 2012 the council had a provision of £0.142 million in relation to its 2011/12 carbon reduction commitment.

Outlook

39. It is essential that the considerable improvements made by the finance section in the financial statements preparation process this year are sustained in future years to ensure that there is reliable financial information to support the decision-making process.

Refer Action Plan No 1

40. Following a decision in September 2012 by the trustees, the board of Shetland Charitable Trust is currently being restructured. The new structure is due to be in place by 31 March 2013. During the 2012/13 audit we will monitor the impact of the restructure on the council's group accounts disclosures.

Financial position

41. Audited bodies are responsible for conducting their affairs and for putting in place proper arrangements to ensure that their financial position is soundly based.
42. 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.
43. These are key areas in the current economic circumstances. This section summarises the financial position and outlook for the organisation.

Financial results

44. In 2011/12, the council spent £205 million on the provision of public services (an increase of £8 million on the previous year). The council's net operating expenditure in 2011/12 was £147 million (an increase of £45 million on the previous year). This was met by central government grant and local taxation totalling £109 million, giving a deficit of £38 million which was 26% of net expenditure for the year (11% in 2010/11). Investment income of £4 million was received during the year, all of which produced an overall deficit of £34 million.
45. Last year, net operating expenditure included a 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 a decrease in the cost of services in 2011/12 of £7.3 million (5%) when compared with 2010/11.
46. The budget set for 2011/12 was based on a Band D council tax level of £1,053 with planned contributions from reserves of £32.06 million. Council decisions during the year revised the budgeted draw on reserves to £33.90 million.
47. After taking account of statutory adjustments, the actual draw on reserves was £35.77 million, an unfavourable variance of £1.87 million against the revised budget. The main reasons for the variance against budget were:
 - a net overspend of £4.55 million on the general fund
 - an underspend of £2.5 million on the capital account, as a result of slippage
 - a £0.33 million higher contribution to the reserve fund from the harbour account
 - a £0.16 million overspend on the housing revenue account.

48. The general fund overspend is mainly due to the following one-off payments: £4.88 million to Lerwick Port Authority; £1.54 million termination costs and £0.35 million cost for the settlement of single status back pay awards. The payment to Lerwick Port Authority became payable as a result of the ruling in the court case in relation to the Bressay Bridge. In September 2012, the Chief Executive reported to the full council that the internal procedures have been revised to minimise the risk of reoccurrence in the future.

Reserve Balance

49. Exhibit 1 shows the balances in the council's funds at 31 March 2012 compared to the previous year. The 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 2012 totalled £239.046 million, a decrease of £29.852 million on the previous year. When the funds to be used for specific purposes are deducted the level of reserves held for general use falls to £193.17 million.

Exhibit 1: Reserves

Description	31 March 2011 £ million	31 March 2012 £ million
General Fund	3.000	3.000
Capital Fund	108.404	100.542
Repair and Renewal Fund	76.027	65.459
Reserve Fund	61.621	57.129
Insurance Fund	0.222	0.293
Capital Efficiency/ Spend to Save Reserve	5.000	9.096
Revenue Efficiency/Spend to Save Reserve	0.500	0.510
Potential Contingent Liability	11.400	0.849
Marine Superannuation Fund	2.582	2.021
Hansel Funds	0.090	0.104
Central Energy Efficiency Fund	0.052	0.043
Total	268.898	239.046

Source: Shetland Islands Council 2011/12 financial statements

Accounting Ratios

50. In accordance with good practice the council's 2011/12 statement of accounts includes a number of accounting ratios to help, explain the financial statements. These include:

- uncommitted general fund reserve: 2% of annual budgeted expenditure
- movement in uncommitted general fund balance: 0%
- council tax collection rate: 96.6%
- actual outturn: 104% of overall funding.

Capital investment and performance 2011/12

51. A report to the Executive Committee in June 2012 detailed the 2011/12 capital expenditure outturn position:

Exhibit 2: 2011/12 capital expenditure outturn position

Capital Programme Expenditure	2011/12 Original budget £000	2011/12 Revised budget £000	2011/12 Actual Outturn £000	2011/12 Total Variance £000
General Fund	25,646	14,383	13,861	522
AHS Financing arrangement	2,000	100	0	100
HRA	7,473	7,505	2,753	4,752
Harbour Account	340	285	232	53
Total	35,459	22,273	16,846	5,427

52. Capital expenditure was funded as follows:

- capital receipts of £1.310 million
- government grants of £7.516 million
- draw from reserves of £5.945 million
- capital from current revenue of £0.894 million
- internal loans fund charges of £1.181 million.

53. The main reason for the 24% underspend on the revised budget (52% of original budget) was slippage in the capital programme. This is a significant level of slippage and the Executive Committee report does not outline the impact this has on service delivery.

Refer Action Plan No 2

Treasury management

54. The council does not have any borrowings. Funds held for investment by the council at 31 March 2012 were £193.2 million (£222.7 million at 31 March 2011) and investment income during the year was £3.324 million (£3.277 million in 2010/11). At 31 March 2012 the council held £10.654 million in cash.

Financial planning to support priority setting and cost reductions

55. For a number of years, the council has met budget deficits by drawing significantly on its reserves (£35.8 million was drawn from its reserves in 2011/12). With a reserve balance of £239.046 million as at 31 March 2012 this level of funding from reserves cannot be maintained in the long term. In September 2012 the council agreed a five year financial plan aimed at achieving financial sustainability and ensuring resources are properly aligned with its objectives and priorities. This sets out the council's plan to address the significant savings required to maintain a balanced budget while retaining a minimum level of reserves.

Budget arrangements

56. The financial plan sets out the council's budget arrangements for the next five years and each director is required to develop five year resourced directorate and service plans based on their target operating budgets.
57. A budget carry forward scheme has been introduced to encourage services to underspend against their budgets. Through the scheme, a service can carry 50% of any one-off underspend into the following financial year, assuming it has met its overall budget.
58. The council also has a 'spend to save' scheme in place that provides funding to a service in order to achieve savings at a later date, as long as they are achieved within three years.

Reserves policy

59. The council's financial plan specifies a new minimum reserves level of £125 million that replaces the previous minimum level of £250 million. The balance of funds held for investment by the council was £193.2 million (£222.7 million at 31 March 2011). The council sees this lower minimum reserves level as an achievable target that will allow the anticipated draw on reserves in the short-term to meet expenditure requirements while providing a significant level of investment income over the longer term.

Asset Investment Plan

60. In March 2012 the council agreed a five year asset investment plan totalling £51.6 million, of which £23.5 million was to be funded from reserves. This included:
- Contractually committed expenditure: £7.474 million
 - Maintenance programme: £23.799 million
 - New developments: £20.322 million
61. The financial plan proposes a new asset investment plan which states that that the council adopts a policy of focussing on the maintenance of existing assets rather than creating new assets (with the exception of Anderson High School and the high-speed broadband installation). The capital programme would, therefore, be funded mainly from Scottish Government and capital receipts and this would reduce the draw on reserves by around £5.6 million per year. Any new asset requiring a draw on reserves would be subject to an investment appraisal process.

62. The financial plan requires any capital expenditure incurred by the Harbour Account to be met from capital receipts or capital finances from current revenue and not funded from reserves.
63. The Housing Revenue Account (HRA) currently owes the General Fund £40.6 million as a result of borrowing to fund capital expenditure. The council needs to reduce this debt to a sustainable level and is currently working on how this can be achieved. In the meantime, the financial plan states that no new debt will be incurred by the HRA to fund capital expenditure projects.
64. The Scottish Government has recently announced that Scotland's Schools for the Future programme will provide funding for the new Anderson High School. The total cost of the new school is expected to be around £36 million. The level of Scottish Government funding has yet to be finalised and the council has set aside £12 million from its reserves to meet its own capital contribution. In addition to the use of reserves, the council intends to consider whether the use of external borrowing would provide best value.

Housing Revenue Account

65. As stated above, the HRA has net borrowing from the General Fund £40.6 million and, with the Scottish Government announcing its intention to discontinue the Housing Support Grant, this level of debt may be unsustainable. The council is currently working on how to address this debt over a 30 year period. Through the financial plan the council intends to create a £10 million provision for the potential write-off of HRA debt.
66. The HRA reserve (£12.259 million as at 31 March 2012) provides income through market investment. The financial plan limits the annual draw on the HRA reserve to 2% to maintain the current level of the reserve over the medium term.

Harbour Account

67. Over a period of years, the Harbour Account has generated significant surpluses that have been transferred to the council's reserve fund. The financial plan does not anticipate the Harbour Account generating any surpluses in the next 4 years because of :
 - an expected 40% reduction in income from the suspension of the Schiehallion oilfield
 - a pension liability of around £8 million from the transfer of Shetland Towage employees.
68. There is a risk that the Harbour Account may operate at a deficit over the next three years and this will have to be funded from the council's reserves.
69. The financial plan estimates that around £39 million will be needed to sustain the Harbour Account until the expected closure of the Sella Ness harbour in the late 2030s. This amount has been earmarked within the council's reserve fund.

Procurement

70. 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. In March 2012 the council approved a new procurement strategy.

71. 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. So far three rounds of PCA assessment have been completed. In 2011 the council scored 19% which is overall classed as 'developing' but with 'conformance' for Strategy & Objectives and People.
72. The Scottish Government has set an expectation that councils will achieve a 50% 'improved performance' rating by March 2013. Island councils have generally obtained a relatively low PCA score compared to other councils and this may reflect the different procurement arrangement of island authorities. Scotland Excel has been working with Scottish island councils to address how they can best demonstrate that the procurement capability can be evidenced and improved in as straightforward a manner as possible. Since the last assessment the PCA has been updated.
73. In recent years the council has been subject to major organisational change which has adversely affected its procurement strategy and arrangements. With the restructuring now largely complete, together with the recent advice and guidance received from Scotland Excel's PCA evaluators, the council anticipates a significantly improved PCA score from the next assessment expected in November 2012.

Refer Action Plan No 3

Workforce reduction

74. As disclosed in the 2011/12 remuneration report, the total cost of exit packages to the council for 65 employees who left during the year was £3.592 million (in 2010/11 the cost was £3.038 million for 36 employees).
75. In June 2012 the Executive Committee approved the Policy for Organisational Restructure that sets out the framework and process for sustaining organisational restructuring. The significant savings required by the council may have an impact on its services and it is essential that effective workforce management arrangements are in place to ensure effective delivery of high quality services.

Refer Action Plan No 4

Partnership working

76. The council works collaboratively with NHS Shetland and other partners in the public, private and voluntary sectors. The Shetland Partnership is the local Community Planning Partnership for the Shetland Islands Council area. The council has developed and published a community plan covering the period 2012 to 2020 and this was developed following an intensive scenario planning exercise in 2011. This exercise was designed to explore and test alternative futures as a way of strengthening the focus of the community planning partnership. The process

aimed to define key drivers for positive change in Shetland and use those to build a number of alternative futures that describe what life would be like in Shetland in 2030. The data was shared with partners and four scenarios were developed. The community plan presents a shared policy response to them.

77. Since the publication of the previous community plan in 2004, the Partnership has developed a guide to ensure consistency in the way local organisations involve local communities in Shetland. The guide builds on the National Standards for Community Engagement.
78. The council allocated funding to community groups to help tackle poverty and inequalities including the Shetland Befriending Scheme, Shetland Community Bike Project, Voluntary Action Shetland and the Citizens Advice Bureau.
79. "Wir Community, Wir Choice" and "Sound Choices" are two projects which featured partnership working and which gave communities an opportunity to say what needed to change within their areas and to help secure funding for individual initiatives.
80. In response to a request from the Cabinet Secretary for Finance, Employment and Sustainable Growth, the Accounts Commission has led development work, with scrutiny partners, on how audit and inspection can support the delivery of better outcomes by Community Planning Partnerships. This will continue to evolve in 2012/13.

Outlook

2012/13 budget

81. In February 2012 the council agreed the 2012/13 revenue budget of £119.0 million (2011/12 £127.4 million). This included a savings target of £15.6 million and a draw on reserves of £17.1 million.
82. In September 2012 the council reported a revised 2012/13 revenue budget of £125.6 million, requiring an additional draw on reserves of £5.7 million. The report highlighted the following:
 - some planned savings would not be achieved which will result in a projected General Fund overspend of £2.603 unless alternative savings can be made
 - the HRA is projected to be within budget
 - the Harbour Account is projected to achieve £1.484 million less in income.

Financial forecasts beyond 2012/13

83. The council's financial plan includes a model revenue budget for the next 5 years which shows the following:

Description	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000
Planned Savings	15,351	11,195	7,871	2,223	1,720	0
Expected General Fund Expenditure	122,909	110,924	104,384	102,797	102,996	104,618
Expected Funding	102,790	95,117	93,753	93,339	95,983	100,031
Expected Draw on Reserves	20,119	15,807	10,631	9,458	7,013	4,586

84. The council has identified a number of actual and potential cost pressures that it will face in future years, including welfare reform, severance costs, borrowing costs, salary increases and inflation. The budget model currently includes a 2% allowance for costs pressures and this will be updated annually when more detail on potential cost pressures becomes available.
85. To achieve its planned budget from 2012/13 to 2017/18 the council needs to achieve total savings of £38.360 million over the period and this presents a significant challenge.

Significant financial risks

86. The council's medium term financial plan includes a number of assumptions used when determining the budget model for the next five years. These assumptions relate to expenditure (e.g. salaries, pensions, demographic changes, utility costs, inflation, and savings targets) and income (e.g. Scottish Government revenue and capital funding, NDR and CT income, investment income). The most significant of these risks is the expected return on investment income which can fluctuate considerably from year to year.

Refer Action Plan No 5

Governance and accountability

87. 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.
88. 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.
89. 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.
90. In this part of the report we comment on key areas of governance.

Corporate governance

Processes and committees

91. A report presented by the Controller of Audit in May 2010 concluded that the council needed to improve its governance and accountability arrangements. The council developed a plan in November 2010 to implement the new corporate improvement process and help embed best practice.
92. A Controller of Audit follow-up report was presented to the full council in December 2011 and concluded that the council has made significant progress in reviewing, updating and improving its governance arrangements. Although these arrangements are still relatively new and are bedding in, the early indications are that improvements are being achieved. In addition to establishing the new political management structures, the council has agreed a comprehensive set of supporting governance and constitutional arrangements.
93. The overall strategic direction, in terms of setting corporate priorities and allocating resources, rests with the 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.

94. An Improvement Plan progress report was provided to the full council on 20 September 2012 highlighting the good overall progress made, in particular by implementing new political management arrangements and a new management structure which included the appointment of a new Executive Manager - Finance (Section 95 Officer) in April 2012 and Chief Executive in September 2012.
95. Following the council elections in May 2012, a comprehensive member induction programme was delivered to all elected members. A member development programme is now in place with prioritised training in licensing, planning, recruitment and selection and audit standards undertaken. A further training event is arranged in November 2012 to cover essential areas of members understanding and to help develop a skills framework and development plans.
96. 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.
97. A code of corporate governance was approved by the full council on 20 September 2012 and takes account of the following nine key governance principles:
- selflessness
 - integrity
 - objectivity
 - accountability
 - openness
 - honesty
 - leadership
 - public service
 - respect
98. The council has also commenced a self assessment review of the corporate governance framework to identify their progress against each of the principles noted above and any remedial actions required. The council plans to complete the initial assessment by November and report to the Audit and Standards Committee in December 2012.

Internal control

99. 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.
100. 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.

101. We reviewed the range and quality of work carried out by internal audit as part of our annual assessment in terms of ISA 610, and concluded that the service continues to operate in accordance with the CIPFA Code of Practice for Internal Audit in Local Government and has sound documentation standards and reporting procedures in place.
102. Our audit work attained the required assurance to enable us to place reliance on the council's financial systems. The results of our review of key controls were reported to the Audit & Standards Committee on 14 August 2012. Areas where key control improvements could be made have been discussed with officers and have either already been implemented or will be implemented per an agreed timetable.

Risk Management

103. The council is updating its strategic and departmental risk registers to re-align with council priorities. The risk registers are being reviewed by the corporate management team by the end of October and will be formally approved by the Audit and Standards Committee in December 2012. It is important that the risk registers are progressed to ensure that the council is aware of the key risks that it needs to manage effectively.

Refer Action Plan No 6

ICT data handling and security

104. The council maintains a sound information management environment. This is being achieved through the implementation of policies, guidance, standards and training to maintain and improve information governance. 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. The council also has a dedicated security review team which undertakes quarterly systems reviews.
105. The council makes effective use of information communication technology (ICT) to support and deliver services and its strategic vision sees ICT as an integral part of the council's service delivery activities. A project initiation document was created in May 2012 for the development of the new ICT strategy which takes into account the savings requirements placed upon the council and includes investment in improved ICT infrastructure and new applications to support changing business needs.
106. The council is in the process of updating the ICT Strategy for 2013-18. The ICT management board plans to review the updated ICT strategy in November 2012 with formal approval by the full council in December 2012.

Refer Action Plan No 7

107. The council has adopted the use of virtualisation technology to help manage information storage, achieve cost savings and improve operational efficiency and is planning to initiate a full virtualisation project for all servers in 2013. We will continue to review these arrangements as part of the 2012/13 audit of the council.

- 108.** The council has also provided 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. No security incidents were identified in 2011/12.
- 109.** As part of our Computer Services Review undertaken during 2011/12, we identified areas where we consider that improvements to the ICT infrastructure can be made. Areas have been discussed with officers and have either already been implemented or will be implemented per agreed timetable and we will continue to review these developments as part of the 2012/13 audit of the council, for example:
- There is scope for improvements in the procedures used to monitor disk space and the utilisation of equipment and capacity. Due to financial savings targets which require equipment to be used longer than originally anticipated, equipment lifecycles are extended. Monitoring helps anticipate failures so that appropriate action can be taken on a timely basis to minimise the risk of disruption.
 - Business owners for major systems have been identified. However, ICT Services have not been informed how critical systems are to their business objectives or the potential impact on service delivery in the event of a failure in these systems. Without this information, there is a risk that high priority incidents may not be dealt with timeously. In addition, the service's business continuity plan was recently updated but no test has been undertaken to date.

Shared Services

- 110.** The council's ICT Service provides services to most public sector partners in Shetland e.g. the Charitable Trust, Shetland Arts and the Assessor. In April 2012, the council commenced providing ICT Services to the Shetland Recreational Trust for supporting their sport and leisure systems. In addition, the ICT Service provides the ICT Helpdesk service for NHS Shetland and also acts as a business continuity/disaster recovery site for them.

Prevention and detection of fraud and irregularities

- 111.** Audited bodies are responsible for establishing arrangements to prevent and detect fraud and other irregularity. Auditors review and report on these arrangements.
- 112.** 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

- 113.** Audit Scotland coordinated another major counter-fraud exercise working together with a range of Scottish public bodies, external auditors and the Audit Commission to identify fraud and error. This exercise, known as the National Fraud Initiative in Scotland (NFI), is undertaken every two years as part of the statutory audits of the participating bodies. The

latest exercise started in October 2010 and was reported upon in May 2012. The next round of NFI commenced in June 2012, and will expand the range of data sets and bodies.

114. The NFI works by using data matching to compare a range of information held on bodies' systems to identify potential inconsistencies or circumstances that could indicate fraud or error which are called 'matches'. Where matches are identified these are made available to bodies to investigate via a secure web application. Bodies investigate these and record appropriate outcomes based on their investigations.
115. Shetland Islands Council was assessed as part of the 2010/11 NFI exercise. The council managed its role to the satisfaction of Audit Scotland and complied fully with the exercise.
116. The 41 council NFI reports identified a total of 4,760 matched items with 850 of these classified as "recommended filter matches" for investigation. Following investigation of all "recommended filter matches" and a percentage of "other" matched items, 44 errors were found relating to blue badge parking permit holders and concessionary travel passes which were still in use in the name of deceased individuals.

Housing and council tax benefits performance audit

117. A risk assessment was previously carried out on the council's benefits service in September 2008 which identified 27 risks to continuous improvement and an action plan was developed to address these risks. In July 2012, the council submitted its current self-assessment along with supporting evidence, and an updated action plan.
118. Although the council demonstrates awareness of what constitutes an effective, efficient and secure benefits service, there are five risks outstanding and four risks where action is ongoing from our previous risk assessment and, in order to ensure continuous improvement, the council needs to address these and the new risks identified. These include:
 - mitigating the risk that the performance of the benefits service will decline from September 2012 when a full-time member of staff is temporarily seconded to another section to provide maternity cover for a period of six to twelve months
 - ensuring that key policies and strategies are in place to cover the work of the benefits service, for example, an overpayments policy and a customer service strategy
 - setting targets and reporting all aspects of benefits performance to senior management and members
 - carrying out a benefit-specific customer and landlord survey to determine the quality of the service provided and help identify areas for service improvements
 - having a dedicated counter-fraud officer and routinely publicising sanction outcomes and counter-fraud initiatives.

Standards of conduct and arrangements for the prevention/detection of bribery and corruption

119. 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 the council are satisfactory and we are not aware of any specific issues that we need to identify in this report.

Complaints Handling Procedures

120. In 2012 the Scottish Public Services Ombudsman (SPSO) issued guidance to all Scottish councils on implementation of a new standardised local authority complaints handling procedure. A deadline of 14 September 2012 was set for councils to either submit their procedure to SPSO for assessment or to outline progress and submit a clear plan for implementation. The SPSO visited Shetland in September and extended the deadline to 20th September. This was achieved by the council.

Outlook

121. In September 2012 the council appointed a new Chief Executive who will be tasked with continuing the focus on improving the governance of the organisation and leading the council in dealing with the considerable financial challenges which it faces. We will continue to review the council's developments in this area and a report is due to be made to the Accounts Commission by the end of 2012.
122. The Welfare Reform Act 2012 received royal assent in March 2012. The Act provides for the introduction of a 'Universal Credit' to replace a range of existing means-tested benefits and tax credits for people of working age, starting from 2013. Councils will face challenges in understanding and acting upon welfare reform changes, and communicating these accurately and effectively to local residents. The introduction of Universal Credit will also have a significant impact on councils' strategies and plans in areas such as housing, asset management, finance, ICT and customer service. Councils will be challenged during this period of change to maintain service delivery and performance around housing benefit claims.

As part of our work on the 2012/13 audit, we will consider the council's preparedness for the introduction of these changes, and how it is developing and taking forward its strategies and plans to address the risks arising from these changes.

Best Value, use of resources and performance

- 123.** Audited bodies have a specific responsibility to ensure that arrangements have been made to secure Best Value.
- 124.** 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 specified audited bodies have made to prepare and publish performance information in accordance with directions issued by the Accounts Commission.
- 125.** 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.
- 126.** Auditors may also consider the use of resources in services or functions, where the need for this is identified through local audit risk assessments.
- 127.** 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.
- 128.** This section includes a commentary on the Best Value and performance management arrangements within the council. We also note any headline performance outcomes or measures used by the council and any comment on any relevant national reports and the council's response to these.

Management arrangements

- 129.** The council's Improvement Plan was put in place to address the recommendations of the Accounts Commission's Section 102 report issued in May 2010. The Improvement Plan is considered by the council alongside its other key plans on a bi-annual basis and is reported and monitored by Corporate Management Team and the Executive Committee on a quarterly basis. Delivery against the Improvement Plan also forms a core element of senior management performance management arrangements.
- 130.** The Section 102 follow-up report prepared in December 2011 stated that the council 'has made good progress to date on implementing many important elements of its improvement

plan'. The report also found 'the council understands that that there is still a long way to go before it can demonstrate all the attributes of a Best Value council ' and 'the council is moving in the right direction and there is a clear commitment to improve'.

Vision & Strategic Direction

131. In July 2012 the council agreed the Shetland Single Outcome Agreement 2012/15 (SOA). The SOA describes how the objectives set out in the Shetland Performance Framework will be delivered through action by local agencies and partners under the umbrella of the Shetland Community Plan. Progress on the SOA is reported to the full council annually and to the Executive Committee on a bi-annual basis.
132. The council agreed a Council Action Plan in July 2012 which drew together the key 2012/13 targets contained within its current savings plan, the Improvement Plan and the SOA. The aim of the Council Action Plan is to ensure that the council could deliver the short-term objectives agreed by the previous council administration while the newly elected council reviewed its medium and longer term objectives. Quarterly progress reports will be submitted to the Executive Committee to allow members to monitor the delivery and progress of the plan.
133. The council is currently reviewing its Corporate Plan and it is expected that an updated plan will be in place by February 2013.
134. In September 2012 the council reported on progress against the Improvement Plan and highlighted the following:
- Member induction was delivered during May and June 2012.
 - The council Action Plan and Departmental Plans were endorsed by the council in July 2012.
 - A new Chief Executive was appointed September 2012.

Performance management

135. The council continues to work on the development of its performance management arrangements as set out in the Planning and Performance Management Framework (PPMF). The PPMF details how the council's strategic and operational plans are linked and how progress against these plans will be monitored and reported.
136. In July 2012 the council agreed the Action Plan 2012/13 that '*sets out targets, timescales, responsibilities and monitoring arrangements for a demanding work programme over the early months of the new council*'. Progress on the Action Plan will be reported to the Executive Committee and full council on a six monthly basis.

Community/user engagement

137. The Shetland Partnership is the Community Planning Partnership for the Shetland Islands Council area, providing a framework for partnership working in Shetland. A Partnership Guide has been developed and is available on the council's website. The guide sets out the remits and membership of the various elements of the partnership, including the Performance Group.

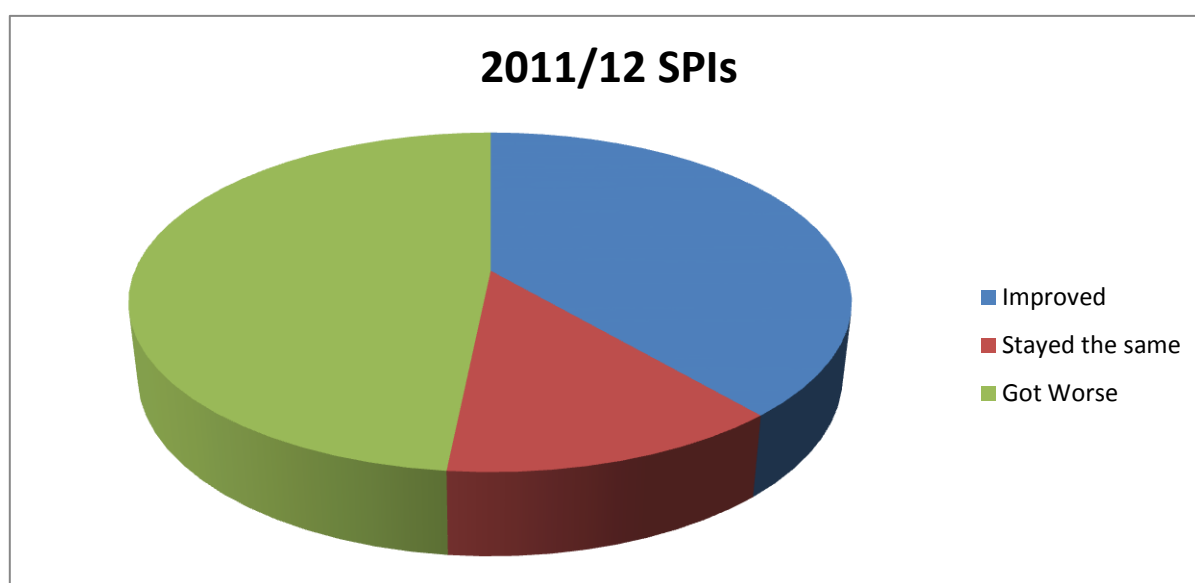
138. The council's internet site includes an 'Our Performance' page that includes strategic and operational council and community plans, together with the PPMF and other documents outlining the council's performance management arrangements.

Overview of performance in 2011/12

Statutory performance indicators

139. In 2011/12, a total of 62 SPIs were required and, overall, these indicate a decline in performance. There were 24 SPIs showing improved performance, 8 staying the same and 30 showing a decline in performance.

Exhibit 3: Improvements demonstrated by SPIs



140. Areas of improvement include benefit administration and asset management. Areas where performance has declined include sickness absence, home care, roads and lighting, planning applications, sport and leisure management and waste management.
141. The 2011/12 SPIs were reported to the Audit and Standards committee in September 2012 and a follow-up report will be presented to the next committee comparing the council's performance to other local authorities. The committee will then have the opportunity to further scrutinise the council's performance, seek explanations for poor performance and consider improvement actions.

Refer Action Plan No 8

Local performance reporting

Maintaining Scotland's roads: a follow-up report

142. This report examined the council's progress on implementing the recommendations contained in our national report published in November 2004, with particular emphasis on the change in

condition of the road network, current expenditure on road maintenance and management arrangements. Key messages in the report include:

- the overall condition of Shetland's roads has deteriorated with the percentage of roads requiring maintenance treatment intervention increasing from 38.3% in 2008/09 to 43.7% in 2011/12
- while the council has made good progress in developing its Road Asset Management Plan significant work is still required to improve the quality of information and to include all roads assets in the plan
- a key area of risk to the council's effective management of road assets is the impact of any lack of funding. It is therefore essential that future funding requirements are included in the Road Asset Management Plan.

143. A number of areas for improvement were identified, and an action plan has been agreed with officers to address these weaknesses.

National performance reports

144. 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 are detailed in Exhibit 4:

Exhibit 4: A selection of National performance reports 2011/12

- | | |
|---|---|
| • Commissioning social care | • Shetland Islands Council - statutory follow up report |
| • The National Fraud Initiative in Scotland | • Reducing greenhouse gas emissions |
| • An overview of local government in Scotland - challenges and change in 2012 | • The role of community planning partnerships in economic development |
| • Highlands and Islands Fire and Rescue Board | • Modernising the planning system |
| • | • Transport for health and social care |

Source: www.audit-scotland.gov.uk

An overview of local government in Scotland - challenges and change in 2012

145. This report provided an overview of the challenges, risks and opportunities faced in 2012 by local government, Key priorities in the report included the following;

146. Over-arching priorities

- Maintaining a focus on best value, governance and equality to improve services and outcomes for people and communities.
- Identifying priorities taking account of existing commitments, the shift in focus to preventative spending and organisational capacity.

- Monitoring the 2012/13 budget and setting budgets for 2013/14 which achieve a balance between short-term aspirations and long-term sustainability.
- Ensuring workforce reductions do not erode capacity, getting asset management right and securing further progress on procurement.

Leadership and governance

- Providing strong leadership and challenge in a period of increasing resource and demand pressures and substantial service and structural change.
- Ensuring appropriate access and influence for the statutory officer for finance and effective financial controls.

Working in partnership

- Getting the best from partnership working by delivering more integrated services, better value for money and improved outcomes.
- Ensuring partnership performance information systems are sound and that accountabilities are clear.

Options for service delivery

- Engaging with communities to understand service users' and communities' needs.
- Investigating new ways of delivering service, including opportunities for simplifying and standardising common processes.

Performance information

- Ensuring good-quality performance information is available to support improvement and inform decision-making.
- Increasing the focus on costs and on measures which monitor partnership outcomes and performance.

147. The report highlights that during 2010/11 most councils operated within budget but makes clear that local authorities will have to deal with further budget reductions while delivering best value services. Reference is also made for the need to address backlogs in maintaining assets and improvements to existing procurement practices.

148. The report was presented to the Audit and Standards committee in June 2012.

Modernising the planning system

149. The planning system provides the framework for deciding how land is used, how communities take shape and how new developments look and work. It has to balance economic, environmental and community priorities and is central to achieving the Scottish Government's goal of sustainable economic growth and to Scotland's economic recovery.

150. The report assessed whether recent reform and modernisation of the planning system is making it more economic, efficient and effective. The report evaluated the overall progress

made by the public sector in modernising the planning system and the impact that modernisation is having on councils' performance in managing planning applications.

151. The report was presented to the Audit and Standards committee in December 2011.

Progress against audit risks identified in the SRA

152. The Local Area Network (LAN), consisting of the principal scrutiny bodies in Scotland (i.e. Audit Scotland, the Care Inspectorate, the Scottish Housing Regulator, and Education Scotland) completed its third shared risk assessment (SRA) in Spring 2012 and reported its findings in an Assurance and Improvement Plan (AIP). The AIP was presented to the Audit and Standards Committee in June 2012.

153. The AIP highlighted that the council had made good progress on implementing a number of important elements of its Improvement Plan however there were areas where further improvements were still required.

154. There were only three areas where the AIP identified a change in risk assessment:

- Housing: moved from an area of uncertainty to an area where no significant scrutiny risks were identified.
- Vision & Strategic Direction: moved from an area of significant scrutiny risk to an area of uncertainty.
- Financial Position: moved from no identified scrutiny risks to an area of uncertainty.

155. The AIP identified two unchanged areas of uncertainty (Performance Management & Improvement and People Management) and three unchanged areas of significant risk are Governance & Accountability, Asset Management, Procurement and Information Management and Financial Management.

156. The council's Improvement Plan addresses the risks identified in the AIP and progress on delivery of this plan is highlighted in the following section of this report.

Progress on delivery of the council's best value improvement plan

157. The latest progress report on the council's Improvement Plan was submitted to the council in September 2012 and reported solid progress across the range of areas of risk. Reported areas of good progress include:

- **Partnership Working and Community Leadership & Engagement**
 - Community Planning Partnership governance approved in May 2012.
 - Community Plan adopted by all partners in May 2012.
- **Performance Management, Improvement and Risk Management**
 - Key plans Council Action / Savings / Improvement / Directorate and Service plans updated and endorsed by the council in June / July 2012.
 - All Corporate / Departmental / Service Plans included relevant risk management as part of reporting to council in June / July 2012.

- Regular reporting of performance and progress to CMT / council in line with PPMF from November 2012 using Covalent.
- **Financial Management**
 - A five year Medium Term Financial Plan was agreed by the council on September 2012. The plan has been built following 3 council seminars and regular communication with Directors through the Directors for Change group. The plan aligns the available resources to the council's priorities.
- **Governance and Accountability**
 - Councillor Development Programme in place. Prioritised training in Licensing, Planning, Recruitment & Selection and Audit & Standards have taken place.
 - Skills Framework (Self-evaluation tool), Development Plan and Development Log structures are due to be agreed by councillors by the end of 2012.
- **People Management**
 - Draft Learning and Development programme reported to CMT and further work now underway to explore delivery methods and costs.
 - Review of Employee Appraisal policy is underway and on target.

Outlook

- 158. A further Controller of Audit follow-up review on the council's progress on its Improvement Plan will be carried out and reported in November 2012.
- 159. The council will also receive a Best Value audit during 2013/14. The timing of this has been moved back from 2012/13 to allow additional time for the council to make further progress with its Improvement Plan.
- 160. The Accounts Commission has developed an audit approach for the audit of Community Planning Partnerships. This approach is being piloted in the autumn of 2012 and rolled out across the sector thereafter.
- 161. In April 2011, the Equality Act 2010 introduced a new public sector 'General Duty' which encourages equality to be mainstreamed into public bodies' core work so that it is not a marginal activity but part and parcel of how public bodies operate. Following on from this the Scottish Government consulted on a set of 'Specific Duties' which came into force in May 2012. There are nine specific duties listed which aim to support public bodies to better perform against the 'General Duty,' including the duty to assess the impact of equalities in all policies and decisions as well as the requirement to publish a set of equality outcomes (and reporting requirements) no later than 30 April 2013. We will consider progress made by the council in implementing these requirements as part our 2012/13 audit.

Appendix A: audit reports

External audit reports and audit opinions issued for 2011/12

Title of report or opinion	Date of issue	Date presented to Audit & Standards Committee
Annual Audit Plan	2 February 2012	16 February 2012
Shared Risk Assessment/Assurance and Improvement Plan	13 April 2012	7 June 2012
Internal controls management letter	30 July 2012	14 August 2012
Maintaining Scotland's roads - follow-up review	31 August 2012	27 September 2012
Report on financial statements to those charged with governance	20 September 2012	27 September 2012
Audit opinion on the 2011/12 financial statements	27 September 2012	27 September 2012
Audit opinion on the 2011/12 Whole of Government accounts consolidation pack	5 October 2012	-
Report to Members on the 2011/12 audit	31 October 2012	December 2012

Appendix B: action plan

Key Risk Areas and Planned Management Action

Action Point	Risk Identified	Planned Management Action	Responsible Officer	Target Date
1	<p>Financial Resources</p> <p>The considerable improvements made in the financial statements process require to be sustained.</p> <p>Risk: There are inadequate resources in the Finance Section to deliver good quality financial statements for the 2012/13 audit and to prepare financial information to support members' decision-making.</p>	<p>Finance Services recently underwent a restructure where additional resources were added to the Accountancy function from other parts of finance, whilst ensuring that the overall staffing budget did not increase.</p> <p>Recently the council's financial accountant left the organisation, but recruitment is already underway to secure a replacement.</p>	Executive Manager - Finance	31 March 2013
2	<p>Capital Programme</p> <p>The impact on service delivery from the substantial slippage in the capital programme is not adequately reported to members.</p> <p>Risk: Council decisions on the capital programme have an unexpectedly adverse impact on services.</p>	<p>Restructuring within Capital Programme Service has enhanced the ability to challenge Budget Responsible Officers as to their reported position on project progress. Capital Programme Service will be working alongside Finance Service to develop the capital programme for 2013/14 and beyond alongside the setting of revenue budgets, as opposed to treating it as a separate exercise.</p>	Executive Manager - Capital Programmes	31 March 2013

Action Point	Risk Identified	Planned Management Action	Responsible Officer	Target Date
3	<p>Procurement</p> <p>The council may not achieve the required improvement in its PCA score.</p> <p>Risk: The council does not achieve best value through its procurement arrangements.</p>	The council's Procurement Manager has been working closely with Scotland Excel to identify key areas where the council can improve its performance or where it can better evidence existing good practice. An improved PCA score is anticipated at the assessment in November 2012.	Executive Manager - Capital Programmes	31 March 2013
4	<p>Workforce</p> <p>The medium term financial plan will impact on the council's workforce.</p> <p>Risk: Inadequate workforce planning arrangements have a detrimental impact on service delivery.</p>	The newly formed HR Partnership Group will ensure consultation and consideration of plans and reviews and impact on staff are addressed. A new People Strategy will provide overarching framework for workforce planning.	Executive Manager - HR	31 December 2012
5	<p>Financial Risks</p> <p>The medium term financial plan includes a number of challenging financial assumptions, particularly the level of investment income.</p> <p>Risk: The financial plan is not delivered.</p>	The financial assumptions within the MTFP will be reviewed on an annual basis and updated for any developments that occur during the year. A provision for financial healthchecks has been build into the MTFP to assess progress and key stages throughout the next 5 years to ensure that action can be taken if there is a deviation from the plan.	Executive Manager - Finance	Annual review

Action Point	Risk Identified	Planned Management Action	Responsible Officer	Target Date
6	<p>Risk Management</p> <p>The council's risk registers are not fully completed and owned by departments.</p> <p>Risk: Risks to the council may exist and be uncontrolled due to the lack of a comprehensive up to date risk register.</p>	Work is ongoing to fully complete departmental risk registers.	Executive Manager - Governance and Law	31 March 2013
7	<p>ICT Strategy</p> <p>An updated ICT Strategy is being developed which includes improvements in ICT infrastructure and new applications.</p> <p>Risk: In the absence of a more focused strategy, ICT may not support changing business needs.</p>	In progress. Information gathering completed in August 2012, including consultation with all Service. Draft ICT Strategy to ICT Management Board in November 2012 with Final Report for approval of council thereafter.	Executive Manager - ICT	December 2012
8	<p>Performance</p> <p>Overall the council's 2011/12 SPIs show a decline in performance.</p> <p>Risk: The council cannot maintain quality services, particularly in light of the significant savings required over the next few years.</p>	Service performance will be monitored regularly in line with PPMF arrangements.	Executive Manager - Performance and Improvement	31 March 2014



Shetland Islands Council

5 December 2012

Pension Fund Final Audited Accounts 2011/12

Report No. SIC-1205-F-045

Chair's Report – Audit and Standards Committee – 27 September 2012

1.0 Summary

- 1.1 The purpose of this report is to consider recommendations from the Interim Chair of the Audit and Standards Committee in relation to a report requiring a Council decision.
- 1.2 The Committee considered a report which presented the final signed and audited Pension Fund accounts for noting, and to receive Audit Scotland's Annual Report on the 2011/12 Audit.

2.0 Decision Required

- 2.1 The Council RESOLVES to approve the recommendation from Audit and Standards Committee and the Pension Fund Management Panel, namely to:
 - Note the final signed and audited Pension Fund accounts for 2011/12;
 - Note Audit Scotland's Annual Report on the 2011/12 Audit; and
 - Approve the resolution to address the matter arising.

3.0 Report

- 3.1 The report concluded the Council is required to prepare and publish a set of Accounts in respect of the Pension Fund, within a set timescale. The accounts are then subject to external audit and currently Audit Scotland is the Council's nominated auditors. Audit Scotland have now certified the accounts as being a true and fair statement of the Pension Fund's financial position at 31 March 2012. Audit Scotland have provided an ISA 260 report on the 2011/12 accounts and have identified 1 matter arising which will be addressed for the 2012/13 accounts

3.2 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.

3.3 The Chair will present any information to the Committee as to the debate or the issues that the Committee considered.

4.0 Implications

4.1 Detailed information concerning the proposals are 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:

Ms V Wishart, Interim Chair of Audit and Standards Committee
22 November 2012

List of Appendices

None

Background documents:

Pension Fund Final Audited Accounts 2011/12
F-045-F

<http://www.shetland.gov.uk/coins/submissiondocuments.asp?submissionid=13664>

END



Shetland Islands Council

**Pension Fund Consultative Panel
Shetland Islands Council
Audit and Standards Committee**

**19 November 2012
5 December 2012
13 December 2012**

Pension Fund Final Audited Accounts 2011/12

F-058-F

**Report Presented by Executive Manager –
Finance**

Corporate Services

1.0 Summary

- 1.1 The purpose of this report is to present the final signed and audited Pension Fund accounts for 2011/12 for noting and to receive Audit Scotland's Annual Report on the 2011/12 Audit.

2.0 Decision Required

- 2.1 The Council and the Audit and Standards Committee are asked to NOTE:
- a) The final signed and audited Pension Fund accounts for 2011/12; and
 - b) Audit Scotland's Annual Report on the 2011/12 Audit and approve the Action Plan.

3.0 Detail

- 3.1 The Annual Audit Plan requires the Council to receive the Annual Report and Certified Accounts of the Pension Fund by December 2012. These are included at Appendix 1. The accounts for 2011/12 have received an unqualified audit opinion.

4.0 Implications

Strategic

- 4.1 Delivery On Corporate Priorities – The preparation and presentation of the Pension Fund 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 Pension Fund Consultative Panel has an overview of the management of the local government pension scheme. 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. Receiving the audited accounts of the Council and related certificates and reports is a matter reserved by the Council

4.4 Risk Management – The Annual Report is enclosed as Appendix 2 to this Report. There were 7 risk areas identified.

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 timescales set.

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 in respect of the Pension Fund, 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 Pension Fund's financial position at 31 March 2012. Audit Scotland has provided an Annual Report of the 2011/12 accounts and have identified 7 risk areas. 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:

James Gray

Executive Manager – Finance

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Telephone: 01595 74 4607

12 November 2012

List of Appendices

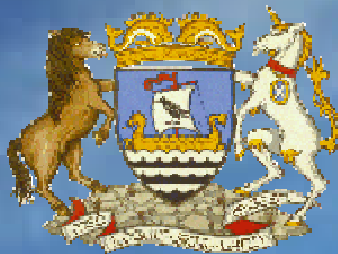
Appendix 1: Pension Fund Final Audited and Certified Accounts 2011/12

Appendix 2: Pension Fund Annual Report on 2011/12 Accounts by Audit Scotland

Background documents:

NONE.

END



Shetland Islands Council Pension Fund Annual Report and Accounts 2011/12



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Foreword

Welcome to the Shetland Islands Council Pension Fund Accounts for 2011/12.

The Local Government Pension Scheme (Scotland Regulation 31A of the Local Government Pension Scheme Amendment (Scotland) Regulations 2010) requires administering authorities to prepare a Pension Fund annual report for the financial year running from 1 April to 31 March.

Explanatory Note

The principal financial statements are the Fund Account and the Net Assets Statement as explained below:

The Fund Account – is the revenue account of the Pension Fund. The Fund Account discloses the size and type of financial additions to, withdrawals from and changes to the value of the Fund during the accounting period. This covers dealings with members, employers and others directly involved with the scheme. Also incorporated here are returns on investments; which includes both investment income and gains and losses on investments.

The Net Assets Statement – discloses the size and type of net assets of the scheme at the end of the financial year.

These statements do not take account of the obligations to pay pensions and benefits, which fall due after the end of the year. These obligations, as required by IAS26, are disclosed by the actuarial position of the Fund, which is revealed in the Actuarial Statement sections of this report (notes 17 and 18). The financial statements should therefore be read in conjunction with that information.

At 31 March 2012, the value of the Fund stands at £260m, supporting 5,477 members, an increase of £9m on the previous year, despite the volatile economic situation and market conditions.

I would like to take this opportunity to thank all the staff and advisers who contribute to the successful management of the Shetland Islands Council Pension Fund.

James Gray MA (Hons) CPFA
Executive Manager - Finance
27 September 2012

Administrative and Management Arrangements

Staffing Arrangements

The Council's Executive Manager - Finance is the Officer with responsibility to ensure proper administration of the Council's financial affairs in terms of Section 95 of the Local Government (Scotland) Act 1973.

With responsibility for:

- a) the financial accounting of the Fund;
- b) the preparation of the Pension Fund Annual Report; and
- c) being the principal adviser on investment management to the Council in its capacity as Trustee to the Fund and as the Fund's Administering Authority.

The day-to-day management of the investment activities of the Fund is managed by the Treasury Section within Finance Services.

The day-to-day benefits administration for the Fund is managed by the Pensions and Payroll Sections within Finance Services.

Pensions and Payroll Sections ensures that members of the scheme are kept up-to-date by means of an annual mail-shot which includes relevant information, for example, revised Pension Scheme booklets, Pension Fund Accounts, etc. Pension seminars, in conjunction with Prudential (the Council's in-house AVC provider) take place at least once a year. The Council's Corporate Induction training sessions ensure that new employees are aware of the benefits of the LGPS. The Council's later life training sessions are aimed at communicating the benefits of the scheme to members whose retirement is imminent.

Decision Making

The ultimate responsibility for the governance of Shetland Islands Council Pension Fund rests with the full Council. The Council takes specific decisions regarding the investment strategies and major funding policy decisions.

The overview of the financial performance of the Pension Fund rests with the Executive Committee. The Executive Committee is made up of the Convener, the Political Leader, the Chairs and Vice Chairs of each of the main committees and an independent Member.

Professional Advisers and External Service Providers

Hymans Robertson LLP has been appointed to act as Actuary to the Fund. The services provided include advice on funding and actuarial valuations.

Hymans Robertson LLP is also the Independent Investment Consultant employed by the Council to advise the Consultative Committee and the Council on the investment strategy and performance they continually monitor fund managers and report on key changes, which might impact the investment strategy, such as changes in key personnel or investment processes. Hymans Robertson LLP is consulted when reviewing fund managers, and is actively involved with investment strategy reviews.

The Fund has appointed investment managers who have responsibility for the selection, retention and realisation of individual investments. The Pension Fund's investments are

managed by BlackRock Investment Management (UK) Limited - responsible for equities and bond investments, taking a passive approach and Schroder Property Investment Management Limited - responsible for property investments, and taking an active approach.

Northern Trust Company is the global custodian for the Fund and is responsible for the safekeeping of the assets including transaction processing and making tax claims.

WM Company has been appointed as the independent performance services company for the Fund. They report independently on fund managers performance, have responsibility for measuring and reporting on the performance of individual portfolios and the overall Fund. They produce quarterly performance reviews and also attend meetings where they report the Fund managers' performance to the Councillors and the Pension Fund Management Consultative Committee.

Prudential and Equitable Life (Equitable Life is now closed to new members) are appointed as the Fund's In-House Additional Voluntary Contributions providers.

Funding Strategy Statement (FSS)

The Regulations on the management of the Pension Fund requires the administering authority to prepare, maintain and publish a written Funding Strategy Statement (the FSS). Details of the FSS are found in note 17.

The purpose of the FSS is to:

- establish a clear and transparent Fund-specific strategy which will identify how employers pension liabilities are best met going forward;
- support the regulatory requirement to maintain as nearly constant employer contribution rates as possible; and
- take a prudent longer term view of funding those liabilities.

The Statement of Investment Principles

The Shetland Islands Council committee meeting of 21 March 2012 approved the Shetland Islands Council Pension Fund, Statement of Investment Principles. This statement includes an introduction, administration details, objective of the Fund, types of investments, balance between different types of investment, risk, expected return on investments, realisation of investments, responsible investment, securities lending and compliance. The Council also complied with the six Myners Principles, which were contained in a schedule to the Statement of Investment Principles.

The Statement of Investment Principles is available for viewing at Finance Services.

Monitoring Arrangements

The fund managers give an annual presentation (apart from years when Local Authority elections are held) to the Council and the Pension Fund Management Consultative Committee in May each year. This performance review meeting covers the previous financial year and allows the Council and Pension Committee to meet the fund managers, hear their presentations and ask them questions.

The Pension Fund Management Consultative Committee and the Executive Committee of the Council receive a mid-year review report on the Pension Fund investments.

Visits are made every November to each fund manager to review the six monthly investment position. The Council also receive audited quarterly performance books from the fund managers, which are used to produce a quarterly performance review report. The fund managers also provide unaudited weekly Fund values, which are used to inform council officers, councillors and the wider press of the general investment position.

Investment managers are monitored against a benchmark return (market indices). The fund managers returns against their benchmark for 2011/12 were as follows:

BlackRock – return 0.6% (benchmark return 0.5%)

Schroders – return 3.2% (benchmark return 5.7%)

Access to Information

The Committee papers and minutes are available via the Council committee management system website <http://www.shetland.gov.uk/coins/>.

This Annual Report and Accounts is available via the Council's website <http://www.shetland.gov.uk/council/>. A full version of this report is provided to the scheduled and active admitted bodies of the scheme and a summary of the review is provided to all Fund members.

Governance Compliance Statement

Introduction

This Statement documents the governance arrangements for the pension scheme administered by Shetland Islands Council.

Administering Authority

Shetland Islands Council (the Council) is the Administering Authority for the Local Government Pension Scheme (LGPS) set up for the Shetland Isles geographic area.

Regulatory Framework

The Scottish Public Pensions Agency (SPPA) is responsible for regulating the LGPS in Scotland and the Council administers the pension scheme in accordance with these regulations.

The Council manages the Fund in terms of the Local Government Pension Scheme (Scotland) Regulations 2008. The Council discharges this duty partially directly and partially through the Executive Committee. For consultation purposes, the Council has in place a Pension Fund Management Consultative Committee comprising three councillors, one representative of the Admitted Bodies' employers, three employee representatives (one representing the Admitted Bodies' employees) and a retired beneficiary. The Committee is advised by relevant officers of the Council as appropriate and meets approximately twice a year.

The financial transactions are conducted in compliance with the Council's Financial Regulations.

The Funds are invested in compliance with the Council's Statement of Investment Principles.

Scope of Responsibility

The Council is responsible for ensuring that:

- the business is conducted in accordance with the law and appropriate standards;
- the Funds are safeguarded and properly accounted for; and
- the Funds are used economically, efficiently and effectively.

In discharging these responsibilities, council members and staff are responsible for implementing effective arrangements for governing the affairs of the Funds. The management of the Pension Fund is to be a service in its own right, governed by a suite of appropriate management arrangements, such as:

- appropriate strategic investment policies (such as the FSS and Statement of Investment Principles);
- service planning arrangements;
- staff time allocations, appropriate to the scale of the Fund;
- performance management arrangements, especially for Fund investments and customer responsiveness;
- good systems of internal control to safeguard assets and ensure best value;

- engagement with stakeholders and clear policy on representative roles and responsibilities;
- Governance Statement;
- risk register and business continuity plans;
- support for cash and treasury management;
- training plan; and
- independent and objective scrutiny.

To this end, the Funds are managed within the overall governance arrangements of Shetland Islands Council. The Council has recently refreshed its decision-making arrangements and the governance of the Pension Fund is included within those arrangements. Following a period of operation, the Council intends to refresh the Code of Corporate Governance, to ensure compliance with best practice.

Governance Framework

The governance framework consists of the systems, processes, cultures and values by which the Funds are directed and controlled. It describes the way in which staff and representatives inform all the stakeholders and ask for their views on any key issues. It is important to monitor the achievements of the Fund, particularly with regard to the long-term investment strategy. From a service point of view, as with other service areas, there is a need to ensure that the service is delivered efficiently and effectively and in line with all the characteristics of a best value service.

Critical to the success of a well managed Pension Fund is appropriate internal control arrangements. The systems of internal financial control are intended to ensure that:

- assets are safeguarded;
- transactions are authorised and properly recorded; and
- material errors or irregularities are either prevented or detected within a reasonable timescale.

The system is based on a framework of skilled staff who are aware of their responsibilities, good management information, financial regulations and effective systems and procedures.

Within Shetland Islands Council, there is a need to focus on the controls required to ensure clear separation of duties, due to the small number of staff directly employed to work on the Pension Fund. The Pension Fund relies on the same systems of internal control as that which are in place for Shetland Islands Council (which have been assessed as fit for purpose).

The effective arrangements include:

- an appropriate level of knowledge for committee members to ensure that they have adequate under-pinning knowledge to oversee the governance of the Pension Fund business;
- clear objectives, good decision making at committee level, clear delegations to committee and staff, with appropriate, independent scrutiny of decision making and performance;
- a clear set of objectives for the Fund, as described in the FSS and Investment Principles;

- good performance monitoring arrangements, with committee members being able to directly question those responsible for all aspects of the business on a regular basis;
- a clear a statement of risk, combined with effective risk management arrangements;
- an annual review of compliance against regulation, guidance and best practice arrangements;
- the Monitoring Officer ensuring compliance with regulation and guidance;
- clear monitoring arrangements;
- compliance with LGPS Investment Regulations;
- compliance with the CIPFA / Myners investment principles;
- appropriate custodian arrangements for investments;
- codes of conduct to support good relationships between committee members and staff who support the work of the Pension Fund;
- a demonstrable best value service, including good use of benchmarking data on the cost and quality of service provided; and
- effective internal control arrangements.

The governance framework cannot eliminate all risks of failure to meet policy objectives. An effective framework can, however, provide a reasonable (but not absolute) assurance of effectiveness.

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 stakeholders;
- effective performance reporting arrangements and management information;
- financial and budget monitoring reports;
- performance indicators and benchmarking data, on cost and quality of service;
- specific internal audit reviews;
- self assessment exercises against performance standards;
- the annual report and accounts; and
- external audit observations, comments and recommendations for improvement.

The Council provides internal audit arrangements to the Fund both as a tool of management and with direct reporting to the Council's Audit and Standards Committee. The Internal Audit service operates in accordance with CIPFA's Code of Practice for Internal Audit and complies with the ISO 9001 / 2008 quality standard. The service works to an Annual Plan, based on the approved Audit Strategy and an annual assessment of the known and potential risks.

The Internal Audit service, reports directly to the Chief Executive.

The annual financial statement of Shetland Islands Pension Fund is subject to external audit. The auditors are appointed by Audit Scotland, as part of the process to ensure that public funds are properly safeguarded and accounted for.

Each year, the external auditors undertake an assessment of the internal controls in operation in the Council, to determine whether they can place reliance on them in the preparation of the final accounts. Audit Scotland's overall assessment is that, "the Pension Fund has adequate systems of internal control".

The Local Government Pension Scheme (LGPS) regulations require LGPS administering authorities to measure their governance arrangements against the standards set out in the guidance. Where compliance does not meet the published standard, there is a requirement for administering authorities to set out any reasons for non-compliance in their governance compliance statement.

The Governance Compliance Statement set out below describes the extent to which the governance arrangements comply with best practice and any actions required to implement improvements.

Principle	Compliance and Comments
Structure	
The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.	Yes
That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.	Yes Arrangements for deferred members representation are in progress and will be completed by September 2012.
That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	Yes
That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.	Yes
Committee Membership and Representation	
All key stakeholders are afforded the opportunity to be represented. Within the main or secondary committee structure. These include: i) employing authorities (including non-scheme employers, e.g., admitted bodies); ii) scheme members (including deferred and pensioner scheme members), iii) where appropriate, independent professional observers; and expert advisors (on an ad-hoc basis).	i) Yes ii) Arrangements for deferred members representation are in progress and will be completed by September 2012. iii) Yes, e.g. engaging with an actuary or investment manager when professional advice required.

Where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights.	Yes
Selection and role of lay members	
That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.	Yes
That at the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda.	Yes
Voting	
The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.	Yes
Training/Facility time/Expenses	
That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.	Yes A Member Development Programme is in place. The Constitution clearly sets out the scope of approved duties. There is supplementary guidance to ensure Members' expenses are reimbursed in line with regulatory requirements.
That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.	No The policies for employer representatives and staff representatives are necessarily different and cannot be equally applied.
That the administering authority considers the adoption of annual training plans for committee members and maintains a log of all such training undertaken.	No A Member Development Programme is now being implemented, following a comprehensive Member induction fortnight in May. All Member development is being monitored and logged centrally. It is the aim – as set out in the Council's Improvement Plan - to ensure all Members have personal development plans by October 2012.
Meetings (frequency/quorum)	
That an administering authority's main committee or committees meet at least quarterly.	Yes, the Executive Committee meets at least six times per annum with pension matters forming only part of their business.

That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.	Yes
That an administering authority who does not include lay members in their formal governance arrangements, must provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.	Not applicable
Access	
That subject to any rules in the Councils' constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.	Yes
Scope	
That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.	Yes
Publicity	
That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.	Yes The Annual Newsletter is available to all Members. The Annual Report and Accounts will be made available on-line.

Certification

It is our opinion that the governance and internal control environment provides reasonable and objective assurance that any significant risks impacting on the achievement of the principal objectives of the Pension Fund will be identified and actions taken to avoid or mitigate their impact.

.....
Alistair Buchan

Chief Executive

Date 27 September 2012

.....
James Gray

Executive Manager - Finance

Date 27 September 2012

Statement of Responsibilities for the Statement of Accounts

The Administering Authority's Responsibility

The Authority is required to:

- make arrangements for the proper administration of its Pension Fund and to secure that the proper officer has the responsibility for the administration of those affairs; in this Authority the proper officer is the Executive Manager - Finance;
- manage its affairs to secure economic, efficient and effective use of resources and to safeguard its assets; and
- approve the Financial Statements within two months of receipt of the audit certificate.

The Executive Manager's - Finance Responsibilities

The Executive Manager - Finance is responsible for the preparation of the Pension Fund 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 Executive Manager - Finance to sign, date and submit the unaudited statement of accounts to the authority and Controller of Audit by 30 June.

In preparing this Statement of Accounts, the Executive Manager - Finance has:

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

The Executive Manager - Finance has also:

- kept proper accounting records which were up to date; and
- 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 Pension Fund at the reporting date and its income and expenditure for the year ended 31 March 2012.

.....
James Gray MA (Hons) CPFA
Executive Manager – Finance
(Section 95 Officer)

Pension Fund Account 2011/12

2010/11 £000		Notes	2011/12 £000	2011/12 £000
Dealing with members, employers and others directly involved in the scheme				
(15,654)	Contributions	7	(15,922)	
(1,901)	Transfers in from other pension funds	8	(2,269)	
(26)	Other income		(26)	
<u>(17,581)</u>				(18,217)
8,332	Benefits Payable	9	10,860	
246	Payments to and on account of leavers	10	213	
217	Administrative expenses	11	203	
8	Other Payments		9	
<u>8,803</u>				11,285
<u>(8,778)</u>	Net (additions)/withdrawals from dealing with members			<u>(6,932)</u>
Returns on investments				
(669)	Investment income	12	(761)	
(14,921)	Profit and losses on disposal of investments and change in market value of investments	15b	(1,541)	
427	Investment management expenses	13	463	
<u>(15,163)</u>	Net returns on investments			(1,839)
<u>(23,941)</u>	Net (increase)/decrease in the net assets available for benefits during the year			<u>(8,771)</u>

Net Assets Statement as at 31 March 2012

2010/11 £000		Notes	2011/12 £000	2011/12 £000
239,984	Investment Assets		249,129	
10,634	Cash Deposits		10,567	
<u>250,618</u>		14		<u>259,696</u>
2,760	Current Assets	19	2,698	
(2,010)	Current Liabilities	20	(2,255)	
<u>750</u>				<u>443</u>
<u>251,368</u>	Net assets of the fund available to fund benefits at the period end			<u>260,139</u>

These financial statements summarise the transactions and net assets of the Fund and do not take account of liabilities to pay pension and other benefits in the future.

The audited accounts were authorised for issue on 27 September 2012.

.....
James Gray MA (Hons) CPFA
Executive Manager – Finance
(Section 95 Officer)

Notes to the Accounts

1. Description of Fund

The Shetland Islands Council Pension Fund is part of the Local Government Pension Scheme and is administered by Shetland Islands Council. The Council is the reporting entity for this Pension Fund.

The following description of the Fund is a summary. The underlying statutory powers underpinning the statutory powers are the Superannuation Act 1972 and the Local Government Pension Scheme (LGPS) Regulations.

a) General

The Fund is governed by the Superannuation Act 1972. The Fund is administered in accordance with the following secondary legislation:

- the LGPS (Benefits, Membership and Contributions) Regulations 2008 (as amended);
- the LGPS (Administration) Regulations 2008 (as amended); and
- the LGPS (Management and Investment of Funds) Regulations 2010.

It is a contributory defined pension scheme administered by Shetland Islands Council to provide pensions and other benefits for pensionable employees of scheduled bodies, Shetland Islands Council and Orkney and Shetland Valuation Joint Board, and admitted bodies within Shetland. Teachers are not included as they come within a national pension scheme.

The Fund is overseen by the Pension Fund Management Consultative Committee, which is a committee of the Shetland Islands Council.

b) Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme.

Organisations participating in the Shetland Islands Council Pension Fund include:

- Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the Fund; and
- Admitted bodies, which are other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

There are 19 employer organisations with active members within Shetland Islands Council Pension Fund including the Council itself, as detailed below:

31 March 2011	Shetland Islands Council Pension Fund	31 March 2012
19	Number of employers with active members	19
	Number of employees in scheme	
2,738	Shetland Islands Council	2,664
346	Other employers	352
3,084	Total	3,016
	Number of pensioners/dependants	
956	Shetland Islands Council	1,093
105	Other employers	74
1,061	Total	1,167
	Deferred pensioners	
993	Shetland Islands Council	1,100
228	Other employers	194
1,221	Total	1,294
5,366	Scheme Total	5,477

c) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the LGPS (Benefits, Membership and Contributions) Regulations 2008 and range from 5.5% to 12% of pensionable pay for the financial year ending 31 March 2012. Employee contributions are matched by employers' contributions which are set based on triennial actuarial funding valuations. The actuarial valuation as at 31 March 2008 set these employers contribution rates which range from 15.7% to 21.9% of pensionable pay. The 2011 triennial actuarial funding valuations set the employers rates for the year starting 1 April 2012 these range from 16.9% to 29.7%.

d) Benefits

Pension benefits under the LGPS are based on final pensionable pay and length of pensionable service, summarised below:

	Service pre 1 April 2009	Service post 31 March 2009
Pension	Each year worked is worth 1/80 x final pensionable salary.	Each year worked is worth 1/60 x final pensionable salary.
Lump Sum	Automatic lump sum of 3 x salary. In addition, part of annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

There are a range of other benefits provided under the scheme including early retirement, disability pensions and death benefits. For more details, please refer to Shetland Islands Council scheme handbook available from Office Headquarters, 8 North Ness Business Park.

Benefits are index-linked in order to keep pace with inflation. In June 2010, the Government announced that the method of indexation would change from retail prices to consumer prices index. This change took effect from 1 April 2011.

2. Basis of Preparation

The Statement of Accounts summarises the Fund's transactions for the 2011/12 financial year and its position at year-end as at 31 March 2012. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12, which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS) 19 basis, is disclosed at Note 18 of these accounts.

3. Summary of Significant Accounting Policies

Fund account - revenue recognition

a) Contribution income

Normal contributions, both from the members and from the employer, are accounted for on an accrual basis at the percentage rate recommended by the Fund actuary in the payroll period to which they relate.

Employers' pension strain costs are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as current financial asset. Amounts not due until future years are classed as long-term financial assets.

b) Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the Local Government Pension Scheme Regulations (see notes 8 and 10).

Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged.

c) Investment income

i) Interest income

Interest income is recognised in the Fund account as it accrues.

ii) Distributions from pooled funds

Distributions from pooled funds are recognised on the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

iii) **Movement in the net market value of investments**

Changes in the net market value of investments (including investment properties) are recognised as income and comprise all realised and unrealised profits/losses during the year.

Fund account - expense items

d) Benefits payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities.

e) Taxation

The Fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of the investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a Fund expense as it arises.

f) Administrative expenses

All administrative expenses are accounted for on an accruals basis. All costs relating to staff of the pensions administration team are charged direct to the Fund. Management, accommodation and other overheads are apportioned to the Fund in accordance with Council policy.

g) Investment management expenses

All investment management expenses are accounted for on an accruals basis.

Fees of the external investment managers and custodians are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change.

One of the investment managers invests using a fund of funds approach and within these unit trusts managers levy charges.

Any fees due but unpaid are disclosed in the net assets statement as current liabilities.

The cost of obtaining investment advice from external consultants is included in investment management charges.

A proportion of the Council's costs representing management time spent by officers on investment management are charged to the Fund in accordance with Council policy.

Net assets statement

h) Financial assets

Financial assets are included in the net assets statement on a bid market value basis as at the reporting date. A financial asset is recognised in the net assets statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the value of the asset are recognised by the Fund.

The values of investments shown in the net assets are determined as follows:

Pooled investment vehicles

These are valued at closing bid price if both bid and offer prices are published; or if single priced, at closing single price. In the case of pooled investment vehicles that are accumulation funds, change in market value also includes income which is reinvested in the Fund, net of applicable withholding tax.

i) Foreign currency transactions

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the market rates at the date of transaction. End-of-year market exchange rates are used to value cash balances held in foreign bank accounts, market values of overseas investments and purchase and sales outstanding at the end of the reporting period.

j) Cash and cash equivalents

Cash comprises cash in hand and demand deposits.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

k) Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards.

As permitted under IAS 26, the Fund has opted to disclose the actuarial present value of the promised retirement benefits by way of a note to the net assets statement (Note 18).

l) Additional voluntary contributions

Shetland Islands Council Pension Fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from those of the Pension Fund. The Fund has appointed Prudential and Equitable Life (closed to new members) as its AVC providers. AVCs are paid to the AVC provider by employers and are specifically for providing additional benefits for individual contributors. Each AVC contributor receives an annual statement showing the amount held in their account and the movements in the year.

AVCs are not included in the accounts in accordance with section 4(2)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2010 (SI 2010/233) but are disclosed as a note only (Note 22).

4. Critical Judgements in Applying Accounting Policies

Pension Fund liability

The pension Fund liability is calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with IAS 19. Assumptions underpinning the valuations are agreed with the actuary and are summarised in Note 17. This estimate is subject to significant variances based on changes to the underlying assumptions.

5. Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty

The Statement of Account contains estimated figures that are based on assumptions made by the Council 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 net assets statement at 31 March 2012 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits	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 fund with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of £33.616m. A 0.5% increase in assumed earnings inflation would increase the value of liabilities by approximately £10.272m, and a one-year increase in assumed life expectancy would increase the liability by approximately £9.953m.

6. Events after the Balance Sheet Date

There have been no events since 31 March 2012, and up to the date when these accounts were authorised, that require any adjustments to these accounts.

7. Contributions Receivable

By category

31 Mar 2011 £000		31 Mar 2012 £000
(10,782)	Employers - normal	(11,149)
(740)	Employers - augmentation	(738)
(4,132)	Members - normal	(4,035)
(15,654)	Total	(15,922)

By authority

31 Mar 2011 £000		31 Mar 2012 £000
(13,473)	Administering authority	(13,678)
(93)	Scheduled bodies	(100)
(2,088)	Admitted bodies	(2,144)
(15,654)	Total	(15,922)

8. Transfers in from Other Pension Funds

The total transfers received during the year are as follows:

31 Mar 2011 £000		31 Mar 2012 £000
0	Group transfers	0
(1,901)	Individual transfers in	(2,269)
(1,901)	Total	(2,269)

9. Benefits Payable

By category

31 Mar 2011 £000		31 Mar 2012 £000
5,371	Pensions	6,132
2,766	Commutation and lump sum retirement benefits	4,308
195	Lump sum death benefits	420
8,332	Total	10,860

By authority

31 Mar 2011 £000		31 Mar 2012 £000
7,671	Administering authority	10,147
52	Scheduled bodies	87
609	Admitted bodies	626
8,332	Total	10,860

10. Payments to and on Account of Leavers

31 Mar 2011 £000		31 Mar 2012 £000
31	Refunds to members leaving service	37
40	Payments for members joining state scheme	35
175	Individual transfers	141
246	Total	213

11. Administrative Expenses

31 Mar 2011 £000		31 Mar 2012 £000
127	Staff time allocations	101
49	Support services and system	49
6	Printing and publications	5
0	Actuarial fees	14
35	External audit fees	34
217	Total	203

12. Investment income

31 Mar 2011 £000		31 Mar 2012 £000
(405)	Pooled property unit trusts - UK	(602)
(123)	Pooled property unit trusts - Overseas	(47)
(105)	Interest on cash deposits	(73)
(36)	Other	(39)
(669)	Total	(761)

13. Investment Expenses

31 Mar 2011 £000		31 Mar 2012 £000
209	Management fees	195
154	Unit trust manager charges	200
27	Custody fees	31
37	Performance monitoring service	36
0	Actuarial fees - investment consultancy	1
427	Total	463

14. Investments

Market Value 31 Mar 2011 £000		Market Value 31 Mar 2012 £000
	Investment assets	
199,082	Pooled funds	208,266
22,663	Fixed income unit trusts	21,690
18,215	Pooled property unit trusts	19,156
24	Recoverable withholding tax	17
10,634	Cash deposits	10,562
0	Investment income due	5
250,618	Total investment assets	259,696

14a. Reconciliation of movements in investment

	Market Value 01/04/2011 £000	Purchases during the year £000	Sales during the year £000	Change in market value during the year £000	Market Value 31/3/2012 £000
Investment assets					
Pooled funds	199,082	13,000	(3,062)	(754)	208,266
Fixed income unit trust	22,663	0	(3,385)	2,412	21,690
Pooled property unit trusts	18,215	3,730	(2,672)	(117)	19,156
	239,960	16,730	(9,119)	1,541	249,112
Recoverable withholding tax	24				17
	239,984				249,129
Other investment balances:					
Cash deposits	10,634				10,562
Investment income due	0				5
Net investment assets	250,618	16,730	(9,119)	1,541	259,696

	Market Value 01/04/2010 £000	Purchases during the year £000	Sales during the year £000	Change in market value during the year £000	Market Value 31/3/2011 £000
Investment assets					
Pooled funds	176,206	14,878	(6,055)	14,053	199,082
Fixed income unit trust	17,460	4,240		963	22,663
Pooled property unit trusts	14,976	3,855	(1,011)	395	18,215
Currency	2,143		(1,653)	(490)	0
	210,785	22,973	(8,719)	14,921	239,960
Recoverable withholding tax	148				24
	210,933				239,984
Other investment balances:					
Cash deposits	10,434				10,634
Dividends receivable	6				0
Net investment assets	221,373	22,973	(8,719)	14,921	250,618

The Funds are all invested within pooled funds therefore there are no direct trading costs.

14b. Analysis of investments

31 Mar 2011 £000		31 Mar 2012 £000
	Additional analysis	
98,895	Pooled funds (UK)	102,901
100,187	Pooled funds (Overseas)	105,365
11,532	Fixed income unit trusts (UK bonds)	10,893
11,131	Fixed income unit trusts (UK corp bonds)	10,797
14,195	Pooled property unit trust (UK)	15,650
4,020	Pooled property unit trust (Overseas)	3,506
239,960	Total investment assets	249,112

Investments analysed by fund manager (include investment assets and external cash):

Market Value 31 Mar 2011 £000	%		Market Value 31 Mar 2012 £000	%
230,576	92	BlackRock	239,342	92
20,042	8	Schroders	20,354	8
250,618			259,696	

The following investments represent more than 5% of the net assets of the scheme:

Market Value 31 Mar 2011 £000 %			Market Value 31 Mar 2012 £000 %		
32,973	13.2	BlackRock Eurorope ex UK index	34,704	13.4	
20,313	8.1	BlackRock Japan index	23,131	8.9	
23,576	9.4	BlackRock North American index	24,815	9.6	
23,324	9.3	BlackRock Pacific Rim index	22,715	8.7	
98,332	39.2	Aquila Life UK equity index	102,424	39.4	

15. Financial Instruments

15a. Classification of financial instruments

Accounting policies describe how different asset classes of financial instruments are measured, and how income and expenses, including gains and losses, are recognised. The following table analyses the carrying amounts of financial assets and liabilities (excluding cash) by category and net assets statement heading. No financial assets were reclassified during the accounting period.

31 Mar 2011			31 Mar 2012		
Available for sale financial assets	Receivables	Financial liabilities	Available for sale financial assets	Receivables	Financial liabilities
£000	£000	£000	£000	£000	£000
Financial assets					
199,082	-	Pooled funds	208,266	-	
22,663	-	Fixed income unit trusts	21,690	-	
18,215	-	Pooled property unit trusts	19,156	-	
-	11,303	Cash	-	11,473	
24		Recoverable withholding tax	17	-	
-	39	Prepayments	-	40	
-	2,052	Debtors	-	1,752	
239,984	13,394	0	249,129	13,265	0
Financial liabilities					
-	-	- Other investment balances	-	-	-
-	-	Creditors	-	-	(2,221)
0	0	(2,010)	0	0	(2,221)
239,984	13,394	(2,010)	249,129	13,265	(2,221)

15b. Net gains and losses on financial instruments

31 Mar 2011 £000		31 Mar 2012 £000
	Financial assets	
(14,921)	Available-for-sale financial assets	(1,541)
(14,921)	Total	(1,541)

15c. Value of financial instruments

31 Mar 2011			31 Mar 2012	
Book value £000	Market value £000		Book value £000	Market value £000
		Financial assets		
171,911	239,984	Available-for-sale financial assets	180,656	249,129
171,911	239,984	Total	180,656	249,129

16. Nature and Extent of Risks Arising from Financial Instruments

Risk and risk management

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. The Council manages these investment risks as part of its overall Pension Fund risk management programme.

Responsibility for the Fund's risk management strategy rests with the Council. Risk management policies are established to identify and analyse the risks faced by the Council's pension operations. Policies are reviewed regularly to reflect changes in activity and market conditions.

Market risk

Market risk is the risk of loss from fluctuations in equity, bond and property prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market condition, expectations of future price and yield movements and the asset mix.

The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industrial sectors and individual securities. To mitigate market risk, the Council and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis.

Other price risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk) whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The Fund's investment managers mitigate this price risk through diversification and the selection of investments, which is monitored by the Council and the fund managers to ensure it is within limits specified in the Fund investment strategy.

Other Council price risk - sensitivity analysis

In agreement with the fund's performance analyst and following analysis of historical data and expected investment return, during the financial year, the Council has determined that the following movements in market price risk are deemed reasonably possible for the financial year 2012/13 reporting period.

Asset Type	Potential market movements (+/-)
Pooled funds (UK)	15.2%
Pooled funds (Overseas)	15.0%
Fixed income unit trust (UK bonds)	5.5%
Fixed income unit trust (UK corp bonds)	5.1%
Pooled property unit trusts (UK)	5.4%
Pooled property unit trusts (Overseas)	12.8%
Cash	0.0%
Investment income due	0.0%

The potential price changes disclosed above are determined based on the observed historical volatility of asset class returns. 'Riskier' assets such as equities will display greater potential volatility than bonds as an example, so the overall outcome will depend largely on Funds' asset allocations. The potential volatilities are consistent with a one standard deviation movement in the change in value of the assets over the latest three years. This can then be applied to the period end asset mix.

Had the market price of the Fund investments increased/decreased in line with the above, the change in the net assets available to pay benefits in the market price would have been as follows (the prior year comparator is shown below):

Asset Type	Value as at 31 March 2012	Percentage Change	Value on Increase	Value on Decrease
	£000	%	£000	£000
Cash and cash equivalents	10,567	0.0%	10,567	10,567
Investment portfolio assets:				
Pooled funds (UK)	102,901	15.2%	118,542	87,260
Pooled funds (Overseas)	105,365	15.0%	121,170	89,560
Fixed income unit trust (UK bonds)	10,893	5.5%	11,492	10,294
Fixed income unit trust (UK corp bonds)	10,797	5.1%	11,348	10,246
Pooled property unit trusts (UK)	15,650	5.4%	16,495	14,805
Pooled property unit trusts (Overseas)	3,506	12.8%	3,955	3,057
Recoverable withholding tax	17	0.0%	17	17
Total assets	259,696		293,586	225,806

Asset Type	Value as at 31 March 2011	Percentage Change	Value on Increase	Value on Decrease
	£000	%	£000	£000
Cash and cash equivalents	10,634	0.0%	10,634	10,634
Investment portfolio assets:				
Pooled funds (UK)	98,895	15.2%	113,927	83,863
Pooled funds (Overseas)	100,187	15.0%	115,215	85,159
Fixed income unit trust (UK bonds)	11,532	5.5%	12,166	10,898
Fixed income unit trust (UK corp bonds)	11,131	5.1%	11,699	10,563
Pooled property unit trusts (UK)	14,195	5.4%	14,962	13,428
Pooled property unit trusts (Overseas)	4,020	12.8%	4,535	3,505
Recoverable withholding tax	24	0.0%	24	24
Total assets	250,618		283,162	218,074

Interest rate risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund's direct exposure to interest rate movements as at 31 March 2012 and 31 March 2011 is set out below.

31 Mar 2011 £000	Asset type	31 Mar 2012 £000
10,634	Cash and cash equivalents	10,567
669	Cash balances	906
11,303	Total	11,473

Interest rate risk sensitivity analysis

The Council recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits. A 110 basis point (BPS) movement in interest rates is viewed as a reasonable level of risk sensitivity for the Fund under current interest rate circumstances. The fund's performance analyst has also agreed that the long-term average rates are expected to move less than 110 basis points (hence 100 basis points used in the examples below) from one year to the next and experience suggests that such movements are possible.

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 100 BPS change in interest rates:

Asset Type	Carrying amount as at 31 March 2012	Change in year in the net assets available to pay benefits	
		+100 BPS	-100 BPS
	£000	£000	£000
Cash and cash equivalents	10,567	106	(106)
Cash balances	906	9	(9)
Total change in assets available	11,473	115	(115)

Asset Type	Carrying amount as at 31 March 2011	Change in year in the net assets available to pay benefits	
		+100 BPS	-100 BPS
	£000	£000	£000
Cash and cash equivalents	10,634	106	(106)
Cash balances	669	7	(7)
Total change in assets available	11,303	113	(113)

Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the Fund (£UK). The Fund holds both monetary and non-monetary assets denominated in currencies other than £UK.

The following table summarises the Fund's currency exposure as at 31 March 2012 and as at the previous period end:

31 Mar 2011 £000	Asset type	31 Mar 2012 £000
100,186	Pooled Funds - overseas equities	105,365
4,020	Pooled Property Unit Trusts - overseas	3,506
104,206	Total	108,871

Currency risk - sensitivity analysis

Following analysis of data provided by the Council's performance analysts, the Council considers the likely volatility associated with foreign exchange rate movements to be 9.2%.

This analysis assumes that all other variables, in particular interest rates, remain constant.

A 9.2% strengthening/weakening of the pound against the various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Asset Type	Carrying amount as at 31 March 2012 £000	Change to net assets available to pay benefits	
		+9.2% £000	-9.2% £000
Pooled Funds - overseas equities	105,365	115,059	95,671
Pooled Property Unit Trusts - overseas	3,506	3,829	3,183
Total change in assets available	108,871	118,888	98,854

Asset Type	Carrying amount as at 31 March 2011 £000	Change to net assets available to pay benefits	
		+9.2% £000	-9.2% £000
Pooled Funds - overseas equities	100,186	109,403	90,969
Pooled Property Unit Trusts - overseas	4,020	4,390	3,650
Total change in assets available	104,206	113,793	94,619

Credit risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities.

In essence the Fund's entire investment portfolio is exposed to some form of credit risk. However the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

Deposits are not made with banks and financial institutions unless they meet the Council's credit criteria. The Council has also set limits on the value of these deposits which can be placed with any bank or financial institution, apart from the bank the Council uses for its daily operations.

The Council believes it has managed its exposure to credit risk, and has had no experience of default or uncollectible deposits over the past five financial years. The Fund's cash holding under its treasury management arrangements at 31 March 2012 was £11.473m (31 March 2011: £11.303m). This was held with the following institutions:

31 Mar 2011 £000		31 Mar 2012 £000
	Fund manager deposits	
9,361	BlackRock - Liquidity Heritage Fund	9,844
1,239	Schroders cash	705
34	BlackRock cash	18
	Bank current accounts	
669	Bank of Scotland Plc	906
11,303	Total	11,473

Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Council therefore takes steps to ensure that the Pension Fund has adequate cash resources to meet its commitments.

The Council has immediate access to all its Pension Fund cash holdings. The Fund also has an overdraft facility to cover any unexpected short-term cash needs. The overdraft facility has not been used over the past five years and therefore the Fund's exposure to credit risk is considered negligible.

The Fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert in to cash. As at 31 March 2012, the value of illiquid assets was £19.2m, which represented 7.4% of the Fund assets (31 March 2011: £18.2m, which represented 7.3% of the Fund assets).

Refinancing risk

The key risk is that the Council will be bound to replenish a significant proportion of its Pension Fund financial instruments at a time of unfavourable interest rates. The Council does not have any financial instruments that have a refinancing risk as part of its treasury management and investment strategies.

17. Funding Arrangements

In line with the Local Government Pension Scheme (Administration) Regulations 2008, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The valuation for the current accounting period took place as at 31 March 2008. The valuation as at 31 March 2011 set future rates for accounting periods 2012/13, 2013/14 and 2014/15.

The funding policy is set out in the Shetland Islands Council Funding Strategy Statement (FSS), dated March 2012 for accountancy periods.

The key elements of the funding policy are:

- to ensure the long-term solvency of the Fund and the solvency of individual employers' share of the Fund;
- to ensure that sufficient funds are available to meet all benefits as they fall due for payment;
- not to restrain unnecessarily the investment strategy of the Fund, so that the Administering Authority can seek to maximise investment returns (and hence minimise the cost of the benefits) for an appropriate level of risk;
- to help employers recognise and manage pension liabilities as they accrue;
- to inform employers of the risks and potential costs associated with pension funding;
- to minimise the degree of short-term change in the level of each employer's contributions where the Administering Authority considers it reasonable to do so;
- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer ceasing participation or defaulting on its pension obligations; and
- to address the different characteristics of the disparate employers or groups of employers to the extent that this is practical and cost-effective.

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable. For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised below the theoretical rate required to return their portion of the Fund to full funding over 20 years if the valuation assumptions are borne out.

Funding position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 32 of the Local Government Pension Scheme (Scotland) (Administration) Regulations 2008 was at 31 March 2011. This valuation revealed that the Fund's assets, which at 31 March 2011 were valued at £251 million, were sufficient to meet 91% (88% at 31 March 2008 valuation) of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2011 valuation was £25 million (2008 valuation: £26 million).

The Common Rate of Contribution payable by each employing authority under regulation 32(4)(a) of the Administration Regulations for the period 1 April 2012 to 31 March 2015 is 18.8% of pensionable pay, (i.e. the rate which all employers in the Fund pay).

Individual employers' rates are adjusted under regulation 32(4)(b) from the common contribution rate. The contribution rates payable for the period 1 April 2012 to 31 March 2015 were set in accordance with the Fund's funding policy as set out in its FSS.

The payment due by the Shetland Islands Council during this period includes an employer's rate of 18.7% and £2 million per annum for the next 3 years to meet funding shortfall arising from the transfer of pension benefits associated with former Shetland Towage employees. The Council is due to pay a final £1.6 million deficit contribution in the year ending 31 March 2016.

Copies of the 2011 valuation report and Funding Strategy Statement are available on request from the Shetland Islands Council, Administering Authority to the Fund.

Principal actuarial assumptions and method used to value the liabilities

Full details of the methods used are described in a valuation report from the actuaries, Hymans Robertson LLP, available on request from the Shetland Islands Council, Administering Authority to the Fund.

Method

The liabilities were assessed using an accrued benefits method which take in to account pensionable membership up to the valuation date, and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.

Assumptions

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value.

The key financial assumptions adopted for the 2011 valuation were as follows:

Financial assumptions	31 March 2011	
	% p.a. Nominal	% p.a. Real
Discount rate	6.0%	3.2%
Pay increases *	5.1%	2.3%
Price inflation/Pension increases	2.8%	0.0%

*plus an allowance for promotional increases. Short term growth was assumed to be 1% p.a. for 2011/12 and 2012/13, reverting to 5.1% p.a. thereafter.

Mortality assumptions

The key demographic assumption was the allowance made for longevity. The baseline longevity assumptions adopted at this valuation were in line with standard SAPS mortality tables, and included improvements based on medium cohort projections and a 1% p.a. underpin effective from 2008. Based on these assumptions, the average future life expectancies at age 65 are as follows:

Mortality assumption at age 65	Males	Females
Current Pensioners	23.0 years	25.8 years
Future Pensioners	24.9 years	27.7 years

Please note mortality assumptions have been changed since the previous accounting period.

Historic mortality assumptions

Life expectancies for the prior year-end are based on the PFA92 and PMA92 tables. The allowances for future life expectancies are shown in the table below.

Year Ended	Prospective Pensioners	Pensioners
31 March 2011	year of birth, medium cohort and 1% p.a. minimum improvements from 2007	year of birth, medium cohort and 1% p.a. minimum improvements from 2007

Mortality loadings were applied to the PFA92 and PMA92 tables based on membership class.

Commutation assumption

An allowance is included for future retirements to elect to take 70% of the maximum additional tax-free cash up to HMRC limits for pre-April 2009 service and 85% of the maximum tax-free cash 2009 service.

18. Actuarial Present Value of Promised Retirement Benefits

In addition to the triennial funding valuation, the Fund's actuary also undertakes a valuation of the Pension Fund liabilities, on an IAS 19 basis, every year using the same base data as the funding valuation rolled forward to the to the current financial year, taking account of changes in membership numbers and updating assumptions to the current year.

In order to assess the value of the benefits on this basis, the actuary has updated the actuarial assumptions (set out below) from those used for funding purposes (see Note 17). The actuary has also used ill health and death benefits in line with IAS 19.

The actuarial present value of promised retirement benefits at 31 March 2012 was £351 million (31 March 2011: £299 million). The Fund accounts do not take account of liabilities to pay pensions and other benefits in the future.

The liabilities have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2011.

Assumptions used

The assumptions used are those adopted for the Administering Authority's IAS 19 report as required by the Code of Practice. These are given below:

31 March 2011	Year ended	31 March 2012
% p.a.		% p.a.
2.8%	Inflation/pension increase rate	2.5%
5.1% **	Salary increase rate	4.8% *
5.5%	Discount rate	4.8%

*Salary increases are 1% p.a. nominal for the three years to 31 March 2015, reverting to the long term rate thereafter.

**Salary increases are 1% p.a. nominal for the period to 31 March 2013, reverting to the long term rate thereafter.

19. Current Assets

31 Mar 2011 £000		31 Mar 2012 £000
	Debtors:	
349	• Contributions due - employees	328
1,314	• Contributions due - employers	1,140
366	• Transfer values receivable	253
23	• Sundry debtors	31
39	Prepayments	40
669	Bank current accounts	906
2,760	Total	2,698

The significant majority of debtors are other local authorities.

Analysis of debtors

31 Mar 2011 £000		31 Mar 2012 £000
20	Central government bodies	25
1,504	Other local authorities	1,300
0	NHS bodies	0
0	Public corporations and trading funds	0
528	Other entities and individuals	427
2,052	Total	1,752

20. Current Liabilities

31 Mar 2011 £000		31 Mar 2012 £000
(306)	Sundry creditors	(305)
(1,704)	Benefits payable	(1,950)
(2,010)	Total	(2,255)

Analysis of creditors

31 Mar 2011 £000		31 Mar 2012 £000
(7)	Central government bodies	(8)
(608)	Other local authorities	(656)
0	NHS bodies	0
(35)	Public corporations and trading funds	(34)
(1,360)	Other entities and individuals	(1,557)
(2,010)	Total	(2,255)

21. Unfunded Pension

31 Mar 2011 £000		31 Mar 2012 £000
478	Added years pension	566

Local Government (Discretionary Payments and Injury Benefits) (Scotland) Regulations 1998 [Section 31] allows Local governments to pay additional pension on a voluntary basis. Additional pension in respect of added years enhancement is awarded from the body or service where the employee retired and costs are paid directly.

22. Additional Voluntary Contributions

31 Mar 2011 £000		31 Mar 2012 £000
4,505	Prudential	4,094
119	Equitable Life	100
4,624	Total	4,194

AVC contributions of £0.673m were paid directly to Prudential during the year (2010/11 £0.752 m).

23. Related Party Transactions

Shetland Islands Council

The Shetland Islands Council Pension Fund is administered by Shetland Islands Council. Consequently there is a strong relationship between the Council and the Pension Fund.

The Council incurred costs of £0.169m (2010/11 £0.182m) in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses.

The Council incurred the pensioners' payment costs and was then reimbursed by the Fund.

In addition the Council is the single largest employer of members of the Pension Fund and contributed £10.192m to the Fund in 2011/12 (2010/11 £9.879m).

The investments of the Fund are overseen by the Council's treasury section and their costs are levied by staff time allocations.

All monies owing to and due from the Fund were paid in the year.

Governance

There are two members of the Pension Fund management consultative committee who are in receipt of pension benefits from the Shetland Islands Council Pension Fund (employers' representative A S Wishart and retired members R Polson). In addition, other committee members are active members of the Pension Fund.

Shetland Islands Council Committee meetings include all council members; every councillor is required to declare their interests at each meeting.

Key management personnel

Several employees of Shetland Islands Council hold key positions in the financial management of the Shetland Islands Council Pension Fund. These employees and their financial relationship with the Fund (expressed as cash-equivalent transfer values) are set out below:

Accrued pension as at 31 March 2011 £000		Accrued pension as at 31 March 2012 £000
441	G Johnston, Head of Finance	n/a
n/a	H Sutherland, Acting Head of Finance	409
165	M Smith, Expenditure Manager	204
62	C Bain, Treasury Accountant	78

Actuarial Statement for 2011/12

This statement has been prepared in accordance with Regulation 31A of the Local Government Pension Scheme (Scotland) (Administration) Regulations 2008, and Chapter 6 of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the UK 2011/12.

Description of Funding Policy

The funding policy is set out in the Shetland Islands Council Funding Strategy Statement (FSS), dated March 2012. In summary, the key funding principles are as follows:

- to ensure the long-term solvency of the Fund and the solvency of individual employers' share of the Fund;
- to ensure that sufficient funds are available to meet all benefits as they fall due for payment;
- not to restrain unnecessarily the investment strategy of the Fund, so that the Administering Authority can seek to maximise investment returns (and hence minimise the cost of the benefits) for an appropriate level of risk;
- to help employers recognise and manage pension liabilities as they accrue;
- to inform employers of the risks and potential costs associated with pension funding;
- to minimise the degree of short-term change in the level of each employer's contributions where the Administering Authority considers it reasonable to do so;
- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer ceasing participation or defaulting on its pension obligations; and
- to address the different characteristics of the disparate employers or groups of employers to the extent that this is practical and cost-effective.

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable. For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised below the theoretical rate required to return their portion of the Fund to full funding over 20 years if the valuation assumptions are borne out.

Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 32 of the Local Government Pension Scheme (Scotland) (Administration) Regulations 2008 was as at 31 March 2011. This valuation revealed that the Fund's assets, which at 31 March 2011 were valued at £251 million, were sufficient to meet 91% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2011 valuation was £25 million.

Individual employers' contributions for the period 1 April 2012 to 31 March 2015 were set in accordance with the Fund's funding policy as set out in its FSS.

Copies of the 2011 valuation report and Funding Strategy Statement are available on request from Shetland Islands Council, Administering Authority to the Fund.

Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in my valuation report dated 8 February 2011.

Method

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date, and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.

Assumptions

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value.

The key financial assumptions adopted for the 2011 valuation were as follows:

Financial assumptions	31 March 2011	
	% p.a. Nominal	% p.a. Real
Discount rate	6.0%	3.2%
Pay increases *	5.1%	2.3%
Price inflation/Pension increases	2.8%	-

* plus an allowance for promotional pay increases. Short term pay growth was assumed to be 1% p.a. for 2011/12 and 2012/13, reverting to 5.1% p.a. thereafter.

The key demographic assumption was the allowance made for longevity. The baseline longevity assumptions adopted at this valuation were in line with standard SAPS mortality tables, and included improvements based on medium cohort projections and a 1% p.a. underpin effective from 2008. Based on these assumptions, the average future life expectancies at age 65 are as follows:

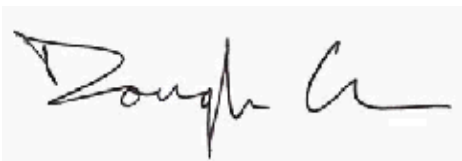
	Males	Females
Current Pensioners	23.0 years	25.8 years
Future Pensioners	24.9 years	27.7 years

Experience over the period since April 2011

The funding level is likely to have worsened since 31 March 2011. The reasons for this are:

- i. Total investment returns were lower than the long term assumption made at the 2011 valuation;
- ii. There has been a significant fall in Government bond yields (meaning that the nominal discount rate has decreased). This has been partially offset by a decrease in the market's expectations for long term inflation (resulting in a decrease in the pension increase assumption) but overall there has been a decrease in the real discount rate (the nominal discount rate net of inflation). This will have lead to an increase in the value placed on the liabilities.

The next actuarial valuation will be carried out as at 31 March 2014. The Funding Strategy Statement will also be reviewed at that time.



Douglas Green
Fellow of the Institute and Faculty of Actuaries
For and on behalf of Hymans Robertson LLP
31 May 2012

Hymans Robertson LLP
20 Waterloo Street
Glasgow
G2 6DB

Independent Auditor's Report

Independent auditor's report to the members of Shetland Islands Council as administering body for the Shetland Islands Council Pension Fund and the Accounts Commission for Scotland

I certify that I have audited the financial statements of Shetland Islands Pension Fund for the year ended 31 March 2012 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the fund account, the net assets statement 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 2011/12 (the 2011/12 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 125 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, the Responsible Financial Officer is responsible for the preparation of 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 fund'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 annual report 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.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view in accordance with applicable law and the 2011/12 Code of the financial transactions of the fund during the year ended 31 March 2012, and of the amount and disposition at that date of its assets and liabilities;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2011/12 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 information given in the 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 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 Governance Compliance Statement does not comply with guidance from the Scottish Ministers.

I have nothing to report in respect of these matters.

David McConnell CPFA
Assistant Director (Audit Services)
Audit Scotland
7th Floor, Plaza tower
East Kilbride
Glasgow G74 1LW

27 September 2012

Contact Details

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8 North Ness Business Park
Shetland Islands Council
Lerwick

Email: finance@sic.shetland.gov.uk

Shetland Islands Council Pension Fund

Annual report on the 2011/12 audit



Prepared for those charged with governance and the Controller of Audit
October 2012

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

2011/12 audit findings

This report covers the 2011/12 audit of the Shetland Islands Council Pension Fund. This is the second year in which Scottish Government regulations require local government pension funds to prepare an annual report separate from the administering authority's own statutory accounts. The annual report includes separate pension fund financial statements which require a separate audit certificate.

During 2011/12 we looked at the key strategic and financial risks faced by Shetland Islands Council Pension Fund (the fund). We audited the financial statements and looked at aspects of governance, use of resources and performance. This report sets out our main findings, summarising key outcomes from the 2011/12 audit and the outlook for the period ahead.

We have given an unqualified opinion that the financial statements of Shetland Islands Council Pension Fund for 2011/12 give a true and fair view of the state of the affairs of the fund as at 31 March 2012 and of the income and expenditure, for the year then ended.

As the administering authority, Shetland Islands Council has statutory responsibility for the administration of the fund with the Executive Committee, the Audit and Standards Committee and the Pension Fund Management Consultative Committee supporting the council in the discharge of these responsibilities.

The most recent triennial funding valuation was carried out by the scheme actuaries as at March 2011 and the results reported in February 2012. The report highlighted that the fund's assets valued at 31 March 2011 (£251 million) were sufficient to meet 91% of its liabilities accrued up to that date, resulting in a funding shortfall of £25 million. This represents a slightly improved position from the previous triennial valuation which reported a funding position of 88% (a funding shortfall of £26 million). The results of the triennial valuation determines employer contribution rates required over the next three year period to attain the objective of a fully funded scheme at a set future date. As a consequence of the funding level, no change in employer contribution rates is deemed to be required.

However, one year later, the inter-year valuation, which has no impact on employer contribution rates, shows a diminished funding level of 74%. This is attributed to the effect of the recession on global markets, with pension liabilities increasing because of a reduction in the real discount rate (the nominal discount rate net of inflation) and investment performance also below that anticipated at the triennial valuation.

As a result of the new requirement for a separate audit, the Audit and Standards Committee has taken on additional responsibilities in relation to the audit of the fund's financial statements with the annual audit plan, governance report, ISA 260 letter and draft audit certificate all reported to the Committee.

The administering authority should continue to review its investment strategy and on-going risk management programme. Shetland Islands Council Pension Fund has indicated that it plans to develop a more focused investment strategy by the end of 2012.

Generally, we are satisfied that the council's governance arrangements and internal controls have operated effectively during the year. The council has made good progress in improving its governance arrangements in particular by implementing new political arrangements and a revised management structure.

Outlook

These are challenging times for pension fund management. The global economic outlook and increased levels of volatility in the financial markets have resulted in particular problems for investment management and strategy. Investment performance is key to the funding position of pension schemes and there may be an impact on employer contributions in the medium term. It is against this backdrop, and at a time of continued austerity in the public sector, that the new Public Service Pensions Bill has been published. The bill signals more changes ahead for pension schemes, with some changes aimed at reducing costs, and others at setting a common legislative framework and improving governance arrangements.

Proposed changes to pension schemes will impact on administrative workloads going forward as will any further severance activity by employers. Additionally, auto-enrolment begins for some employers in 2012/13 and this will also affect information requirements and administration arrangements.

The co-operation and assistance given to us by officers is gratefully acknowledged.

Introduction

1. This report is the summary of our findings from the 2011/12 audit of Shetland Islands Council Pension Fund. The nature and scope of the audit were outlined in the Audit Plan presented to the Audit and Standards Committee on 16 February 2012, and follow the requirements of the Code of Audit Practice prepared by Audit Scotland in May 2011. The purpose of the annual audit report is to summarise the auditor's opinions (i.e. on the financial statements) and conclusions, and to report any significant issues arising. The report is divided into sections which reflect the 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 we focus on the financial statements and any significant findings from our wider review of the administering authority's arrangements for the management of the fund.
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 those charged with governance as part of Shetland Islands Council Pension Fund understand its risks and have arrangements in place to manage these risks. The fund should ensure that those charged with governance are satisfied with the proposed management action and have a mechanism in place to assess progress.
4. This report is addressed to those charged with governance 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 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 those charged with governance. The information in this report may be used for the Accounts Commission's annual overview report on local authority audits. The overview report is published and presented to the Local Government and Regeneration Committee of the Scottish Parliament.
6. Shetland Islands Council Pension Fund is responsible for preparing financial statements that show a true and fair view and for implementing appropriate internal control systems. The auditor is responsible for auditing and expressing an opinion on the financial statements. Weaknesses or risks identified by auditors are only those which have come to their attention during their 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 transactions of the fund during the year ended 31 March 2012 and of the amount and disposition at that date of its assets and liabilities
 - 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 Foreword and governance compliance statement. This section summarises the results of our audit on the financial statements.

Audit opinion

10. We have given an unqualified opinion that the financial statements of Shetland Islands Council Pension Fund for 2011/12 give a true and fair view of the state of the affairs of the fund as at 31 March 2012 and of the income and expenditure for the year then ended.

Legality

11. Through our planned audit work we consider the legality of the pension fund's financial transactions. In addition, the Executive Manager - Finance has confirmed that, to the best of his knowledge and belief, the financial transactions of the pension fund were in accordance with relevant legislation and regulations. There are no legality issues arising from our audit which require to be brought to the attention of those charged with governance.

Governance Compliance Statement

12. We are satisfied with the disclosures made in the statement which cover the areas and levels of compliance required by the Scottish Government's guidance.

Annual Report

13. The Scottish Government guidance requires that the annual report for the pension fund incorporates the following:
- the financial statements
 - a report about the management and financial performance of the funds during the year; a report explaining the authority's investment policy and reviewing the performance during the year of the investments of each fund; a report of the arrangements made during the year for the administration of the funds
 - a statement by the actuary of the level of funding disclosed by their valuation
 - the governance compliance statement, funding strategy statement, and statement of investment principles (or details of where these statements may be obtained)
 - the extent to which levels of performance set out in the pension administration strategy have been achieved
 - any other material which the authority considers appropriate.
14. We are satisfied that the report incorporates the above sections and that the other sections are consistent with the audited accounts.

Accounting issues

15. Local authority bodies in Scotland are required to follow the 2011/12 Code of Practice on Local Authority Accounting in the United Kingdom (the 2011 Code), including the application of International Financial Reporting Standards (IFRSs). We were satisfied that the pension fund prepared the accounts in accordance with the 2011 Code requirements.

Accounts submission

16. The fund's unaudited financial statements and annual report were submitted to the Controller of Audit in advance of the deadline of 30 June 2012. The quality of accounts was good and a working papers package was also available by this date. This was a considerable improvement from the previous year when the deadline was missed. As a result, we were able to conclude the audit and certify the financial statements and annual report by 27 September 2012. The annual report and accounts are now available for presentation to members and for publication.

Presentational and monetary adjustments to the unaudited accounts

17. In line with International Standards on Auditing 260 *Communication of audit matters to those charged with governance*, we reported the conclusions of our audit to the Audit and Standards Committee which were that no material changes were required to the figures in the financial statements as a result of our audit, other than corrections to typographical errors. A number of presentational changes were identified and corrected to ensure that the disclosures in the accounts complied with guidance.

Financial position

18. Audited bodies are responsible for conducting their affairs and for putting in place proper arrangements to ensure that their financial position is soundly based.
19. 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.
20. These are key areas in the current economic circumstances. This section summarises the financial position and outlook for the organisation.

Financial results

Budgetary control

21. Although costs were kept under review in 2011/12, the pension fund does not set a budget for its activities or report on progress through the year. This is mainly due to the fact that, for most of its activities (receiving contributions, paying pensions, investing activities); it does not have control over the value of the transactions at any one time.
22. There are, however, some elements of expenditure (administration costs, investment manager expenses and other overheads) which are suitable for more standard budgetary control reporting.
23. The fund accepts that it would be beneficial for a budget to be set for the specific areas indicated together with financial monitoring of other aspects of pension accounting. The pension fund accounts being moved on to the Council's financial system for 2012/13 will facilitate this development.

The pension fund accounts are currently managed using a comprehensive Microsoft Excel spreadsheet. However, the council plan to move the accounts on to the Integra financial ledger system for 2012/13 which will help a budget to be set for the specific areas where it does exercise some control.

Action Plan no 1

Funding position

24. The most recent triennial valuation, which is essential for determining future contribution levels, was published in January 2012. The valuation reported a funding level of 91% as at 31 March 2011 (a funding shortfall of £25 million) and calculated that a theoretical employer contribution rate of 18.8% would be required to extinguish the shortfall over a 20 year period. This compares to an 88% funding level (a funding shortfall of £26 million) and an 18.9% theoretical employer contribution rate from the previous valuation as at 31 March 2008.
25. Moving on a year and in accordance with IAS26 'Accounting and Reporting by Retirement Benefit Plans', the overall position at 31 March 2012 is that the fund had assets of £260 million (2010/11: £251 million). These are matched against an overall liability of £351 million (2010/11: £276 million), being the present value of promised retirement benefits. This gives rise to a net liability of £91 million (2010/11: £25 million). The liability is an estimate of the present value of the future liabilities of the fund, based on the fund actuary's assumptions regarding the future discount rate, longevity of members and rate of inflation.
26. As recorded in the Actuarial Statement for 2011/12, the increase in the liability reflects the reduction in the real discount rate (the nominal discount rate net of inflation). This has arisen because there has been a significant fall in Government bond yields over the year, albeit offset to an extent by a reduction in market expectations of long term inflation.

Investment performance 2011/12

27. As stated above, the fund held investment assets of £260 million at 31 March 2012, an increase of £9 million from the previous year. A revised statement of investment principles was approved in March 2012 to align with changes in pension legislation and requirements of best practice as per CIPFA guidance.
28. In 2013, the pension fund is planning to explore different investment scenarios with the intention of developing a more focused investment strategy. We will review progress made in this area during 2012/13.

Action Plan no 2

Outlook

29. Looking ahead it is clear that the outlook for public spending remains very challenging as significant budget reductions are required in future years. This will have a negative impact on the pension fund where scheduled and admitted bodies are gaining efficiencies by a reduction in staffing levels.
30. An analysis of the fund membership shows that there is an emerging trend of a reduced number of active members and an increased number of pensioners and deferred members. If this continues, it will have an adverse effect on the pension fund in terms of cash flows, the contribution rates paid by employers, and the appropriateness of the investment strategy.

Action Plan no 3

31. 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 the shortfall has been valued by the Council's actuary at £7.6million.
32. The Council has made arrangements to pay the fund £2 million per annum for the next 3 years to meet the funding shortfall and a final £1.6 million contribution in the year ending 31 March 2016.

Governance and accountability

33. 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.
34. 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.
35. 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.
36. In this part of the report we comment on key areas of governance.

Corporate governance

Processes and committees

37. As the administering authority, Shetland Islands Council has statutory responsibility for the administration of the fund. Its functions are carried out in accordance with the Local Government Pension Scheme (Scotland) Regulations 1998 and the Superannuation Act 1972. The fund's governance arrangements run alongside those of the council. The current arrangements are that all pension fund issues are reviewed by the full council. The overview of the pension fund performance rests with the Executive Committee which meets at least six times per annum.
38. The full council meets to consider the investment strategy and approach, to review or terminate managers' mandates, to agree to admit new bodies to the fund and to review the performance of fund managers.
39. There is also a Pension Fund Management Consultative Committee in place that meets approximately twice a year. The role of this committee is to involve a wider range of stakeholders in overseeing the pension services.

40. As the pension fund does not have its own audit committee, it was agreed in 2010/11 that "those charged with governance" should be the council's audit and scrutiny committee. The annual plan, governance report, ISA260 letter and draft audit certificate were all reported to members of this committee and this report is also being submitted to it.
41. The council, as the administrative body, developed a new decision making structure during 2011/12 to enhance governance arrangements. The governance arrangements of the fund were presented to, and discussed at a meeting of, the council on 20 September 2012 which highlighted the good overall progress made, in particular by implementing new political management arrangements and a new management structure which included the appointment of a new Executive Manager - Finance (Section 95 Officer) in April 2012 and Chief Executive in September 2012. We will continue to review these arrangements as part of the 2012/13 audit of the fund.
42. A governance compliance statement contained within the annual report and accounts sets out areas of compliance and non-compliance by the pension fund with guidance issued by the Scottish Government on committee governance arrangements. The guidance covers membership of the pension committee, frequency of meetings, training of members and several other areas.
43. The fund's compliance statement disclosed that its governance arrangements were largely compliant with the standards set out in the guidance. "Training/facility time/expenses" was identified as an area in which arrangements were being developed further. We will review progress made in this area during 2012/13.
44. Given the complex nature of pensions and investments, it is important that the relevant individuals receive continuous training and support to enable effective scrutiny. There are likely to be many legislative and regulatory changes over the coming years, so it is essential that there is sufficient training to keep individuals up to date with current events. This is particularly important for those taking up new responsibilities, for example, new members following the Scottish local government elections in May 2012.

Internal control

45. 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.
46. There are specific systems and lines of responsibility for pension administration and for investment transactions which run alongside those of the administering authority, mainly its financial ledger and payroll system. Our review of these financial systems did not identify any significant issues.

47. Our review of the fund's investments found that regulations limiting the type and percentage of permitted investments are only considered when an agreement is prepared between the council and a fund manager. The Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998 places limits on the type and percentage of permitted investments. These regulations are considered when an agreement is prepared between the council and a fund manager. Due to the nature of these investments, the pension fund does not know the composition of the unit trusts. The council has accepted the risk that fund managers are not complying with the legislation regarding the type and percentage of permitted investments. The council's view is that no action is required as the pension fund invests in unitised products in line with the investment regulations.

Action Plan no 4

48. At present, pension fund contributions and other income are significantly greater than benefits paid and other costs and the pension fund builds up a large cash deposit over the year. To maximise the return for the pension fund, sums are transferred to Black Rock for investment. There is no agreement in place with the fund manager for these additional investments regarding the limits on the type and percentage of investments. The council plans to undertake a full review of the pension fund investments by the end of 2012 to address this on-going risk.

Action Plan no 5

Prevention and detection of fraud and irregularities

49. Audited bodies are responsible for establishing arrangements to prevent and detect fraud and other irregularity. Auditors review and report on these arrangements.
50. The pension fund complies with the relevant policies of Shetland Islands Council and these have been reviewed as part of the council-wide audit. We are not aware of any specific issues relating to this aspect of the audit that we need to identify in this report.

NFI in Scotland

51. Audit Scotland has coordinated another major counter-fraud exercise working together with a range of Scottish public bodies, external auditors and the Audit Commission to identify fraud and error. These exercises, known as the National Fraud Initiative in Scotland (NFI), are undertaken every two years as part of the statutory audits of the participating bodies. The latest exercise started in October 2010 and was reported upon in May 2012. The next round of NFI is due to commence in June 2012, and will look to expand the range of data sets and bodies.
52. The NFI works by using data matching to compare a range of information held on bodies' systems to identify potential inconsistencies or circumstances that could indicate fraud or error which are called 'matches'. Where matches are identified these are made available to bodies to investigate via a secure web application. Bodies investigate these and record appropriate outcomes based on their investigations.

53. As part of our local audit work we monitor the council's approach to participation in NFI both in terms of the submission of the required datasets and strategies for investigating the subsequent data matches. With regard to pensions, there were four matching reports that identify people who are in receipt of pension but also appear on DWP and registrars records as being deceased, or who appear on another payroll system. One member of the Investments and Pensions division is responsible for investigating these cases, in conjunction with colleagues in the Corporate Services division.
54. The four NFI pension reports identified a total of one hundred and thirteen matched items with twenty four of these classified as "recommended filter matches". Following investigation of all matched items, no errors or benefit outcomes were identified by the Council.

Standards of conduct and arrangements for the prevention / detection of bribery and corruption

55. 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 are not aware of any specific issues that we need to identify in this report.

Outlook

56. There are a number of on-going developments in the public sector pension environment that could have a significant impact on the operation of local government pension schemes.
57. Following the acceptance by government of a principles document submitted by the Local Government Association, UNISON and GMB on how to take forward the reform of the Local Government Pension Scheme in England and Wales, a project has been set up to reach agreement on the elements of the new scheme together with the management and governance of the scheme going forward. The full extent of the recommendations made in the Hutton report and how they impact upon pension schemes in Scotland remains uncertain.
58. It is important, in light of these on-going developments that the training needs of Pensions Committee members are kept under review to ensure that members are appropriately briefed on new developments and their potential impact.

Action Plan no 6

Best Value, use of resources and performance

59. Audited bodies have a specific responsibility to ensure that arrangements have been made to secure Best Value.
60. Auditors of local government bodies also have a responsibility to review and report on the arrangements that specified audited bodies have made to prepare and publish performance information in accordance with directions issued by the Accounts Commission.
61. As part of their statutory responsibilities, the Auditor General and 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.
62. Auditors may also consider the use of resources in services or functions, where the need for this is identified through local audit risk assessments.
63. 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.
64. This section includes a commentary on the Best Value and performance management arrangements within the fund. We also note any headline performance measures used by members and comment on any relevant national reports.

Management arrangements

Best Value

65. The pension fund has not been subject to a Best Value review. However, it is covered by the overall Best Value arrangements of the administering authority.

Investment Performance

66. The main mechanism for measuring investment performance is overseen by an independent investment advisor (WM Company) through an analysis of the returns achieved by each of the fund's external fund managers. Each fund manager's performance, in terms of achieving benchmarks, is subject to independent verification by WM Company. Mid year and year end performance is reported to the pension fund management consultative committee and executive committee.
67. In addition it is normal practice for fund managers to give an annual presentation to the council and the pension fund management consultative committee to review the performance of the previous year and allow the opportunity for questions and explanations. Various other monitoring arrangements are in place, which are based on the regular supply of information available from the fund managers. The year end performance report was delayed due to the elections in May 2012; however there are plans to report to the members in November 2012.

Administration Performance

68. An administrative strategy was approved by the pension fund management consultative committee and executive committee in January 2012. A range of service standards have been developed by the Pensions Section who plan to actively monitor these on a regular basis and report to members and committee during 2012/13.

Overview of performance in 2011/12

The Pension Fund's performance measurement outcomes

69. As recorded in the annual report and accounts, the performance of the investments by fund managers for 2011/12 were as follows:
- BlackRock (passive investments manager) - return 0.6%, 0.1% above the benchmark return of 0.5%.
 - Schroders (property manager) - return 3.2%, 2.5% below the benchmark return of 5.7%.
70. As indicated above, service standards for administrative performance have been developed and there are plans to report on these in 2012/13. We support these developments which will help to monitor performance and identify corrective action. We note that additional detail on the performance of pension's administration in the annual report would improve accountability. We will review progress made in this area during 2012/13.

Action Plan no 7

National performance reports

71. 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 which may be of interest to members and officers are detailed in Table 1.

Table 1: A selection of National performance reports 2011/12

- | | |
|---|---|
| • An overview of local government in Scotland - challenges and change in 2012 | • The National Fraud Initiative in Scotland |
| • Learning the lessons of public body mergers | • How Council's work: using cost information to improve performance |

Source: www.audit-scotland.gov.uk

72. We suggest that officers review national performance reports as they become available and consider any findings which may impact on the pension fund.

Outlook

73. Continuing to meet performance targets will become more challenging in the coming years. Investment targets are set based on advice from investment advisors and standard industry benchmarks. The funds will have to remain vigilant, and ensure that they have the right diversification of funds to minimise exposure to risk while still delivering the required returns.

Appendix A: audit reports

External audit reports and audit opinions issued for 2011/12

Title of report or opinion	Date of issue	Date presented to Audit and Scrutiny Committee
Annual Audit Plan	1 February 2012	16 February 2012
Internal controls management letter	27 July 2012	14 August 2012
Report on financial statements to those charged with governance	14 September 2012	27 September 2012
Audit opinion on the 2011/12 financial statements	27 September 2012	27 September 2012
Annual Report to Members on the 2011/12 audit	October 2012	13 December 2012

Appendix B: action plan

Key Risk Areas and Planned Management Action

Action Point	Risk Identified	Planned Management Action	Responsible Officer	Target Date
1	<p>Budgetary Control</p> <p>The fund has yet to implement budgetary control processes for the elements of costs which it has the ability to control (administration costs, investment manager expenses and other overheads).</p> <p>Risk: Increased costs may not be addressed if budgets are not prepared and performance is not monitored.</p>	<p>A budget will be prepared for the Pension Fund in 2013-14 which will be approved by the Council in February 2013.</p> <p>Following this, the budget will be monitored on a quarterly basis.</p>	Executive Manager - Finance	31 March 2013
2	<p>Investment Performance</p> <p>An updated investment strategy is planned to be developed.</p> <p>Risk: In the absence of a more focussed strategy, the pension fund may not achieve the required returns on investment.</p>	<p>The Council will shortly be commissioning a piece of work to seek external assistance with reviewing the Pension Fund's investment strategy. It is anticipated that this will result in an updated investment strategy by the start of the 2013-14 financial year.</p>	Executive Manager - Finance	31 March 2013

Action Point	Risk Identified	Planned Management Action	Responsible Officer	Target Date
3	<p>Financial Challenges</p> <p>The changing profile of the fund's membership may have negative implications for the long term sustainability of the fund.</p> <p>Risk: There is a risk that financial plans prepared by the pension fund are not achieved.</p>	The Council is aware of the financial challenges around the sustainability of the pension fund and these will be fully considered as part of the review of the investment strategy.	Executive Manager - Finance	31 March 2013
4	<p>Investment Regulations</p> <p>Regulations limiting the type and percentage of permitted investments are only considered when an agreement is prepared between the council and a fund manager. Due to the nature of these investments, the pension fund does not know the composition of the unit trusts.</p> <p>Risk: There is a risk that fund managers are not complying with the legislation.</p>	This will be reviewed as part of the investment strategy update exercise.	Executive Manager - Finance	31 March 2013

Action Point	Risk Identified	Planned Management Action	Responsible Officer	Target Date
5	<p>Fund Agreement</p> <p>There is no agreement in place with the fund manager for additional investments regarding the limits on the type and percentage of investments.</p> <p>Risk: There is a risk that fund managers are not complying with the legislation.</p>	This will be reviewed as part of the investment strategy update exercise.	Executive Manager - Finance	31 March 2013
6	<p>Pension Reform</p> <p>There are a number of wide ranging developments in the public sector pension environment that will have a significant impact on the operation of local government pension schemes.</p> <p>Risk: There is a risk that the decision-making process may be affected if members are not updated frequently on new developments.</p>	Management are keeping up to date with developments in the public sector pension environment. Members will be updated as necessary to ensure that they are kept up to date with all developments and the impact that they will have on the SIC Pension Fund.	Executive Manager - Finance	Immediate

Action Point	Risk Identified	Planned Management Action	Responsible Officer	Target Date
7	<p>Administrative performance</p> <p>Service standards for administrative performance have been developed and there are plans to report on these in 2012/13.</p> <p>Risk: Lack of monitoring and public reporting of administrative performance may result in poor performance going undetected or uncorrected.</p>	Administrative performance will be monitored from 2013-14 onwards.	Executive Manager - Finance	31 March 2013

**Shetland Islands Council****5 December 2012****Small Trusts Annual Report and Accounts to 31 March 2012: Zetland Educational Trust, Gilbertson Trust and Samuel Mulla Bequest**

F-046-F

Report Presented by Executive Manager - Finance**Finance Services****1.0 Summary**

- 1.1 The purpose of this report is to present for approval the Annual Report and Accounts to 31 March 2012 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 2011/12;
- b) the Annual Report and Accounts for the Gilbertson Trust for 2011/12; and
- c) the Annual Report and Accounts for the Samuel Mulla Bequest for 2011/12.

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 Trustee. 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:
James Gray
Executive Manager -Finance
Email: james.gray2@shetland.gov.uk
Telephone: 01595 74 4607

20 September 2012

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 2012

Trustees' Annual Report For the Year Ended 31 March 2012

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 2012.

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 – Office Headquarters, 8 North Ness Business Park, Lerwick, Shetland, ZE1 0LZ

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 is the Executive Manager – Quality Improvement, which is further to a management restructure exercise that took place from September 2011 (previously the nominated officer was the Head of Schools).

The Executive Manager – Quality Improvement has 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.

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 Executive Manager – Quality Improvement.

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 the ended 31 March 2012 this totalled £9,572 (2010: £10,462).

A breakdown of the total expenditure on grants and donations of £11,572 (2011: £12,462) is shown at Note 4.

Financial Review

The Trust holds assets at 31 March 2012 of £651,651 (2011: £648,775).

In the year, the Trust earned £14,499 (2011: £14,461) from bank investments and spent £11,572 (2011: £12,462) on grants and donations. After expenses of £52 (2011: £2), the Trust was left with a surplus in the year of £2,875 (£2011: £1,997).

The only source of funding of the Trust is bank interest. In response to the low UK base rate, most of the Trust's cash is placed into fixed term investments. A 2-year fixed term account matured in March 2012, this had provided a guaranteed interest rate on the anniversary and at maturity. This investment and an additional £5,000 have been reinvested for a further 2-year term. Thus ensuring 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 5 December 2012 and signed on their behalf by:

_____ Dated : _____

James Gray MA (Hons) CPFA
Executive Manager - Finance

Statement of Receipts and Payments - For the Year Ended 31 March 2012

	Note	Unrestricted funds to nearest £	Total 2012 to nearest £	Total 2011 to nearest £
Receipts				
Income from bank investments		14,499	14,499	14,461
Total receipts		14,499	14,499	14,461
Payments				
Investment management costs	(5)	2	2	2
Independent Examiner's Fee		50	50	-
Grants and donations	(4)	11,572	11,572	12,462
Total payments		11,624	11,624	12,464
Net receipts / (payments)		2,875	2,875	1,997
Surplus / (deficit) for year		2,875	2,875	1,997

Statement of balances - As at 31 March 2012

	Unrestricted funds to nearest £	Total 2012 to nearest £	Total 2011 to nearest £
Cash Funds			
Cash and bank balances at start of year	23,775	23,775	21,778
Transfer to Investment	(5,000)		
Surplus / (deficit) shown on receipts and payments account	2,876	2,876	1,997
Cash and bank balances at end of year	21,651	21,651	23,775

	Market valuation to nearest £	Last year to nearest £
Investments		
Bank of Scotland - Fixed Term Deposit	630,000	625,000
Total	630,000	625,000

Trust balances at 31 March 2012

	£	£
Cheque Account	21,651	23,775
Fixed Term Deposit	630,000	625,000
Total	651,651	648,775

The Notes on page 7 form an integral part of these accounts

Approved by the trustees on 5 December 2012 and signed on their behalf by:

_____ Dated : _____
James Gray MA (Hons) CPFA
Executive Manager - Finance

Notes to the Accounts – For the Year Ended 31 March 2012

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 2011/12 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

	Total 2012		Total 2011	
	Number	£	Number	£
Arthur Anderson Bursaries	4	800	4	800
E & M Gair Bursaries	6	1200	6	1,200
Educational Excursion	8	4090	7	5,592
Special Equipment	5	2085	1	2,000
Swimming	0	0	1	990
Knowledge of Shetland	5	3122	1	1,500
Experiments and Research	1	275	1	522
<u>09/10 Grants (part) Repaid</u>				
Special Equipment	-	-	2	(142)
		<u>11,572</u>		<u>12,462</u>

Combined grants were paid to 4 bodies in 11/12. These have been split evenly within the categories where the awards were approved and are included in the number of grants in each category. There were no such payments in 10/11.

5 Costs

The Independent Examiner's fee and 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 2012

Structure Governance & Trustees' Annual Report For the Year Ended 31 March 2012

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 2012.

Reference & Administration Information

Charity Name - Gilbertson Trust

Charity No – SC001895

Address – Office Headquarters, 8 North Ness Business Park, Lerwick, Shetland, ZE1 0LZ

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 and a Fixed Term Deposit with the Bank of Scotland and has an investment held with the Alliance Trust Plc.

The Treasurers Account ceased to attract any interest after June 2011, this investment was reviewed and a sizeable balance transferred to a six months fixed term deposit. The Alliance Trust Plc pays quarterly dividends these are paid into the Gilbertson Trust's bank account.

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

In accordance with the decision of the Council on 21 March 2012, work is underway with a view to making an application to the Scottish Charities Regulator under Section 39 of the Charities and Trustee Investment (Scotland) Act 2005 to donate the trust funds held in the Gilbertson Trust to Shetland Charitable Trust and bring an end to the Gilbertson Trust.

Declaration

Approved by the trustees on 5 December 2012 and signed on their behalf by:

_____ Dated: _____

James Gray MA (Hons) CPFA
Executive Manager - Finance

Statement of Receipts and Payments - For the Year Ended 31 March 2012

	Unrestricted funds to nearest £	Total 2012 to nearest £	Total 2011 to nearest £
Receipts			
Income from investments	955	955	941
Total receipts	<hr/> 955	<hr/> 955	<hr/> 941
Payments			
Grants and donations	100	100	100
Independent Examiner's fee	15	15	-
Total payments	<hr/> 115	<hr/> 115	<hr/> 100
Net receipts / (payments)	840	840	841
Surplus / (deficit) for year	840	840	841

Statement of balances - As at 31 March 2012

	Unrestricted funds to nearest £	Total 2012 to nearest £	Total 2011 to nearest £
Cash Funds			
Cash and bank balances at start of year	32,227	32,227	31,386
Transfer to Investment	(32,800)	(32,800)	
Surplus / (deficit) shown on receipts and payments account	840	840	841
Cash and bank balances at end of year	267	267	32,227

	Market valuation to nearest £	Last year to nearest £
Investments		
Bank of Scotland - Fixed Term Deposit	32,800	-
Alliance Trust Plc - Ordinary Stock	40,513	40,062
Total	73,313	40,062

Trust balances at 31 March 2011

	£	£
Cheque Account	267	32,227
Fixed Term Deposit	32,800	-
Ordinary Stock	40,513	40,062
Total	73,580	72,289

Approved by the trustees on 9 October 2012 and signed on their behalf by:

_____ Dated : _____
James Gray MA (Hons) CPFA
Executive Manager - Finance

Notes to the Accounts – For the Year Ended 31 March 2012

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 2012

Trustees' Annual Report For the Year Ended 31 March 2012

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 2012.

Reference & Administration Information

Charity Name – Samuel Mullay Bequest

Charity No – SC012874

Address – Office Headquarters, 8 North Ness Business Park, Lerwick, Shetland, ZE1 0LZ

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. The bank account has ceased to attract any interest since June 2011; alternative investment opportunities are not viable due to the low level of funds held.

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

In accordance with the decision of the Council on 21 March 2012, work is underway with a view to making an application to the Scottish Charities Regulator under Section 39 of the Charities and Trustee Investment (Scotland) Act 2005 to donate the trust funds held in the Mulla Bequest to the Shetland Health Boards Endowments Funds and bring an end to the Mulla Bequest.

Declaration

Approved by the trustees on 5 December 2012 and signed on their behalf by:

_____ Dated : _____

James Gray MA (Hons) CPFA
Executive Manager - Finance

Statement of Receipts and Payments - For the Year Ended 31 March 2012

	Unrestricted funds to nearest £	Total 2012 to nearest £	Total 2011 to nearest £
Receipts			
Income from investments	20	20	22
Total receipts	<u>20</u>	<u>20</u>	<u>22</u>
Payments			
Grants and donations	-	-	-
Independent Examiner's Fee	10	10	-
Total payments	<u>10</u>	<u>10</u>	<u>-</u>
Net receipts / (payments)	10	10	22
Surplus / (deficit) for year	10	10	22

The Notes on page 5 form an integral part of these accounts

Statement of balances - As at 31 March 2012

	Unrestricted funds to nearest £	Total 2012 to nearest £	2011 to nearest £
Cash Funds			
Cash and bank balances at start of year	2,081	2,081	2,059
Surplus / (deficit) shown on receipts and payments account	10	10	22
Cash and bank balances at end of year	2,091	2,091	2,081

	Market valuation to nearest £	Last year to nearest £
Investments		
Government Stocks - 2.5% Consolidated Stock	501	421
Total	501	421

Trust balances at 31 March 2012

	£	£
Cheque Account	2,091	2,081
Consolidated Stock	501	421
Total	2,592	2,502

The Notes on page 5 form an integral part of these accounts

Approved by the trustees on 9 October and signed on their behalf by:

_____ Dated : _____
James Gray MA (Hons) CPFA
Executive Manager - Finance

Notes to the Accounts – For the Year Ended 31 March 2012

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

5 December 2012

Bus Services Redesign Project – Fare Structure

Report No: TP-11-12-F

Executive Manager - Transport Planning

Development Services

1.0 Summary

- 1.1 This report fulfils one of the steps in the Bus Services Redesign process and that is to rationalise the fare structure throughout Shetland. The aim of this step is to create a fair and equitable fare structure in a transparent manner.

2.0 Decision Required

- 2.1 That the Council RESOLVE to adopt the proposed maximum fare charges, shown in Table A, for the public bus service contracts to begin on 19 August 2013.

3.0 Detail

- 3.1 Proposed maximum fares and the impacts on mainline routes are highlighted by Table A and Table B.

It is not proposed that alterations be made to the current method of collection or to the current bus card discount of 20%.

Table A: Proposed Maximum Fares

Journey Distance	Proposed Maximum Fare (Single)
Within Lerwick (inc. Nordavatn and Gremista)	£0.80
+ 0.0 - 2.5 miles	£1.00
+ 2.6 - 5.0 miles	£1.20
+ 5.1 - 7.5 miles	£1.40
+ 7.6 - 10.0 miles	£1.60
+ 10.1 - 15.0 miles	£1.90
+ 15.1 - 20.0 miles	£2.20
+ 20.0 - 25.0 miles	£2.50
+ 25.1 - 30.0 miles	£2.80
+ 30.1 - 35.0 miles	£3.10
+ 35.1 - 40.0 miles	£3.40
+ 40.1 - 45.0 miles	£3.70
+ 45.1 - 50.0 miles	£4.00

Table B: Impact of Proposed Maximum Fares on Mainline Routes

Journey	Current Maximum Fare (Single)	Impact
Lerwick Town Service	£0.80	0%
Lerwick to Sumburgh	£2.60	-3.8% (-£0.10)
Lerwick to Walls	£2.90	-13.8% (-£0.40)
Lerwick to Vidlin	£2.50	0%
Lerwick to Brae	£2.70	-7.4% (-£0.20)
Lerwick to Mossbank	£2.90	-3.4% (-£0.10)
Lerwick to Hillswick	£2.90	+17.2% (+£0.50)
Overland Service	£4.60	-15% (-£0.60)

4.0 Implications

Strategic

4.1 Delivery On Corporate Priorities

The recommendations in this report will contribute to the following outcome from the Council's Single Outcome Agreement with the Scottish Government.

Outcome 13 "Our internal and external transport systems are efficient, sustainable, flexible and affordable, meet our individual and business needs and enable us to access amenities and services."

4.2 Community /Stakeholder Issues

Proposed fare levels are based on distance to be travelled and will serve to equalise fares across Shetland. Adoption of the proposed levels will result in an impact on the cost of individual journeys to varying degrees, with some fares decreasing, some remaining at the current level and some increasing, as shown in Table B.

4.3 Policy And/Or Delegated Authority

The power to fix the levels of charges for any services is a matter reserved to the Council [SIC Scheme of Administration & Delegation 2.1.3(6)].

4.4 Risk Management

None.

4.5 Equalities, Health And Human Rights

Proposed fare levels are based on distance to be travelled and therefore do not impact on equalities, health or human rights issues.

4.6 Environmental

None.

Resources

4.7 Financial

Fares are currently collected and retained by the Service Operators, therefore there is no direct benefit to Council budgets derived from the fare levels set. This situation will continue in order to provide potential Service Operators the opportunity to minimise tender return prices for contracts due to begin on 19 August 2013.

Currently the Council utilises the bus service by using Education Bus Passes to pay for pupil fares. The impacts listed in Table B therefore will also apply to this Bus Pass system as would be the case for individual journeys.

The level of fares collected may impact on the contract price paid by the Council for bus services. By adopting a maximum fares policy, the Council may influence costs included in the submission of tender documents early next year for contracts due to begin on 19 August 2013.

4.8 Legal

None.

4.9 Human Resources

None.

4.10 Assets And Property

None.

5.0 Conclusions

5.1 The Shetland bus transport service has had an ad hoc fare structure.

5.2 This report rationalises the current fare structure into a simple and transparent framework where cost is related to distance travelled.

5.3 This will be clearer to users and Service Operators.

For further information please contact:
Michael Craigie, Executive Manager – Transport Planning
01595 744160, michael.craigie@shetland.gov.uk
28 November 2012

List of Appendices

None

Background documents

None

END

**Shetland Islands Council****5 December 2012****Progress Report – Asset Investment Plan****CPS-14-12-F****Executive Manager – Capital Programme****Corporate/ Capital Programme
Service****1.0 Summary**

- 1.1 This report advises the Council on the progress of projects within the 5-year Asset Investment Plan.
- 1.2 It also advises on slippage, transfers and savings that have occurred and makes recommendations on re-allocation. 'Spend to Save' budgets created from the approved Capital Spend to Save Budget (Minute Ref 96/11) and Housing Revenue Account (Minute Ref 84/12) are also detailed.

2.0 Decision Required

- 2.1 The Council RESOLVES to approve the allocation of budgets, slippage, savings and transfers in Appendix B.

3.0 Detail

- 3.1 Further net budget transfers, savings and slippage reduction of (£702,422) in 2012/13 (excluding HRA) have been identified and are shown in detail below. This is over and above previous report CPS-09-12-F which gives a combined General Fund projected slippage/ saving from 2012/13 of (£1,651,226).

3.2 2012/13 General Fund Slippage, Savings and Transfers

Net General Fund budget adjustments of (£646,922) in 2012/13 are detailed in the following table.

Service		Project	Reason	(Slippage/ Saving)/ Additional £	TOTAL £
Corporate	ICT	PC/LAN Upgrade Computers for Schools LV/MV Photocopiers Shetland Public Sector Network	Adjustments within the rolling programme resulting in a net £50K underspend	3,300 (6,200) (50,000) 2,900	(50,000)
	Executive	Town Hall Windows	BRO advises that anticipated works are less than originally planned	(35,000)	(35,000)
Development	Economic Development	Fibre Optic Phase 1-3 cable	Further slippage required to complete minor works next year	(50,000)	(160,000)
		Fibre Optic Phase 4-6 cable	Slippage to 2013/14 on minor associated contracts	(110,000)	
Children's Services	Director of Children's Services	AHS Term Dev Phase 2	Reinstatement of original funds to cover initial stage of project and legal fees	262,000	262,000
Infrastructure	Building & Transport Operations	Bixter Burial Ground Mid Yell Workshop Tingwall Airstrip H&S Vehicle & Plant Replacement	ET-04-12 resolves to defer this project - slippage to 13/14 pending further reports to Council. Contract value less than originally budgeted Requirement for project under review Vehicle requirement under review	(190,000) (3,858) (48,545) (486,000)	(728,403)
	Roads	Murraster Depot Laxaburn Bridge Scord Quarry Plant Purchase Bridge Replacements Streetlighting Replacements Minor Works/Purchase Bus Services Road Reconstruction	Additional funding required for final A/C and land purchase Contract awarded but slipped to 13/14 to coincide with Effirth Bridge to reduce 2012/13 draw on reserves to Works reprofiled to reduce 2012/13 Infrastructure draw on reserves to agreed levels. Works reprofiled to reduce 2012/13 Infrastructure draw on reserves to agreed levels. Works reprofiled to reduce 2012/13 Infrastructure draw on reserves to agreed levels. Works reprofiled to reduce 2012/13 Infrastructure draw on reserves to agreed levels. Overspend on Burland & Uyeasound Works reprofiled to reduce 2012/13 Infrastructure draw on reserves to agreed levels. Commercial Street & Knab Road projects removed. Vementry & Dales Voe to be completed this year	17,000 (210,000) (30,000) (60,000) (20,000) 4,648 (70,000)	(368,352)
Ports & Harbours	Harbourmaster & Ports Operations	Walls Pier Development	Re-profile of spend	(368,000)	(368,000)
Shetland College		Shetland College Phase 3	Original intention for SLAP to fund the project is not allowed under ERDF rules. Therefore, Council has to pay upfront and subsequently claim from SLAP on completion. Figure shown here is net of ERDF funding	800,833	800,833
					(646,922)

3.3 2012/13 General Fund 'Spend to Save' Saving and Slippage

Saving/ Slippage of (£55,500) from 2012/13 is detailed in the following table.

Service		Project	Reason	(Slippage/Saving)/ Additional £	TOTAL £
Infrastructure	Building & Transport Operations	Janet Courtney Hostel Heating Upgrade	Works are practically complete and estimating lower final value	(10,000)	
	Ferry Operations	Filla Marine Evacuation System Replacement	Slippage - installation required next	(45,500)	(55,500)

3.4 2012/13 Debt Charges Slippage

Slippage of (£800,000) from 2012/13 is detailed in the following table.

Service		Project	Reason	(Slippage/Saving)/ Additional £	TOTAL £
Infrastructure	Port Operations	Tugs for Sellaness	Slippage - BRO anticipates main works will be actioned in 13/14	(800,000)	(800,000)

3.5 2012/13 HRA Fund Slippage, Savings and Transfers

Slippage, saving and transfers of (£670,463) from 2012/13 are detailed in the following table.

Service	Project		(Slippage/Saving)/ Additional £
HRA Fund	Land/Property Acquisition	Acquisition of Hardbrakes Place, Dunrossness	7,565
	New Housing, Brae	Ground works completed only. Main contract slipped to 13/14	
			(361,250)
	Environmental Improvements	Skeld project complete. No other scheme planned	(72,000)
	Opportunity Conversions	Works scheduled for next year. However, budget provision already in HRA 5 year AIP	(109,778)
	Heating Replacement Programme	Works programme delayed due to NINES, revised programme now underway	(175,000)
	Lerwick Crudens	Final Account and internal recharges more than anticipated plus retention payments	40,000
	Landward Crudens (Voe, Whalsay)	Difficulties incurred on site resulted in overspend, budget to cover this is being transferred from Walls & Tresta Landward Crudens	
			120,000
	Landward Crudens (Walls, Tresta)	Transfer - see above	(120,000)
			(670,463)

4.0 Implications

Strategic

- 4.1 Delivery On Corporate Priorities – This report forms part of the annual performance reporting arrangements on financial matters in support of the Financial Strategy, Reserves Policy and Budget Strategy.
- 4.2 Community/ Stakeholder Issues – None
- 4.3 Policy and/ or Delegated Authority – Approval of the financial strategy and budget framework is a matter reserved for the Council. Normally the Executive Committee would consider the matters referred to in this report first and advise the Council as to its recommendation, however, due to the workload involved in collating the required information, and with the approval of the Chair of Executive Committee, the report is being remitted directly to the Council.
- 4.4 Risk Management – The main areas of risk are financial in terms of over or under-spend. Regular progress reports to Committee and the Council enable Members to monitor the investment plan.
- 4.5 Equalities, Health And Human Rights – None
- 4.6 Environmental – None

Resources

- 4.7 Financial –
 - a) In 2012/13 the funding level for Asset Investment was agreed at £10.4M and on 21 March 2012 the Council approved a General Fund Asset Investment Plan of £10,348,597 (Min Ref 31/12).
 - b) 'Spend to Save' budgets of £1,372,000 have also been created in 2012/13 (Min Ref 96/11).
 - c) Housing Revenue Account budgets of £5,930,000 have also been created in 2012/13 (Min Ref 84/12).
 - d) Adjustments proposed in this report will reduce the 2012/13 Asset Investment budget to £9,678,364, the 2012/13 'Spend to Save' budget to £726,500, the Tugs Debt Charges budget to £265,391 and the HRA to £5,259,537. Further slippage is anticipated.
 - e) Combined General Fund slippage/ savings for 2012/13 now total (£1,651,226).
- 4.8 Legal – None
- 4.9 Human Resources – None
- 4.10 Assets And Property – None

5.0 Conclusions

- 5.1 This Report provides Members with an update on progress in delivering to 5-year Asset Investment Plan and makes recommendations on budget adjustments. The Council is asked to review these documents and make a recommendation as to whether they should be adopted and implemented.

For further information please contact:

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List of Appendices

Appendix A - Progress Report - 2012/13 Asset Investment Plan

Appendix B - Proposed 2012/13 Asset Investment Plan Adjustments

Background documents:

END

GENERAL FUND ASSET INVESTMENT PLAN - CORPORATE SERVICES

CPS-14-12 Appendix A

Code	Project Name	Original Approved Budget 2012/13 £	Amended Budget 2012/13 £	Period 7 Actual 2012/13 £	Feasibility / Options	Outline Design	Consents	Land	Full Design	Tender	Construction / Implementation	Completion	Status
GCK2002	Contingency & Final A/Cs	290,000	290,000	6,771	×	×	×	×	×	×	×		Budget held in reserve
GCX0000	Town Hall Windows - Emergency Protection	70,000	70,000	0	×	×	×	×	×	×	×		Currently estimating a spend of £35K. Slippage of 35K to be advised to Council. However, works are weather dependent and additional funds may be required to compensate for that and also if the condition of the stone is found to be poorer than anticipated.
GCX4300	PC/Lan Replacement	150,000	150,000	26,539	×	×	×	×	×	×			BRO anticipates minor over spend in 2012/13 - to be reported to Council.
GCX4312	Computers for Schools	195,000	195,000	90,958	×	×	×	×	×	×			BRO anticipates minor under spend in 2012/13 - to be reported to Council.
GCX4319	LV/MV Photocopiers	75,000	75,000	0	×	×	×	×	×	×			BRO anticipates 50K under spend - to be reported to Council.
GCX4323	Shetland Public Sector Network	100,000	100,000	54,256	×	×	×	×	×	×			BRO anticipates minor over spend in 2012/13 - to be reported to Council.
Total		880,000	880,000	178,524									

GENERAL FUND ASSET INVESTMENT PLAN - SERVICES

CPS-14-12 Appendix A

Code	Project Name	Original Approved Budget 2012/13 £	Amended Budget 2012/13 £	Period 7 Actual 2012/13 £	Feasibility / Options	Outline Design	Consents	Land	Full Design	Tender	Construction / Implementation	Completion	Status
GCE1171	Little Tikes	0	50,000	5,078	✓	✓	✓	✓	✓	✓	✓	✓	137K saving previously reported on total project, however this was overstated. 50K required in 12/13 for Final A/C.
GCE1221	Happyhansel PS Extension	50,000	50,000	17,308	✓	✓	✓	✓					Budget for fees only this year, anticipate some external funding next year.
GCE1304	Anderson High School Replacement, including moving Train Shetland from premises at the Knab	300,000	38,000	27,000	✓								£262K previously reported as slippage. However, this needs to be reintroduced further to confirmation from SFT that funding has ben made available for the new school.
Total Services General Fund		350,000	138,000	49,387									

Code	Project Name	Original Approved Budget 2012/13 £	Amended Budget 2012/13 £	Period 7 Actual 2012/13 £	Feasibility / Options	Outline Design	Consents	Land	Full Design	Tender	Construction / Implementation	Completion	Status
GCA0237	Eric Gray Resource Centre	0	36,000	21,993	✓								Project was put on hold at end of 11/12, but slippage of 36K previously reported to pay outstanding fees.
GCA0241	Extensions to ET & Taing Houses - Spend to Save Project	797,000	340,000	103,796	✗	✓	✓	✓	✓	✓			Main works tenders out prior to Christmas with works commencing Mar.'13.
GCA0233	Occupational Therapy Resource Centre	1,292,308	1,560,972	667,159	✓	✓	✓	✓	✓	✓	✓		Building wind and watertight with internal fit out well advanced. Completion still estimated as Mar.'13.
Total Community Care General Fund Capital Programme		2,089,308	1,936,972	792,947									

Code	Project Name	Original Approved Budget 2012/13 £	Amended Budget 2012/13 £	Period 7 Actual 2012/13 £	Feasibility / Options	Outline Design	Consents	Land	Full Design	Tender	Construction / Implementation	Completion	Status
GCY5124	Bixter Burial Ground	200,000	200,000	8,516	✓	✓	✓	✓	✓	✓			Land purchase problems had resulted in delays in 11/12. Land to be purchased in 12/13, archaeological tenders returned and progressed. Main contract work tender returned, but report to Council ETO-04-12 resolves to defer these works - further reports are required however slippage to 13/14 required.
GCY5125	Voe Burial Ground	0	6,000	3,867	✓								Slow progress due to reconsideration of site following report to Council - additional 6K previously requested for pre tender works to evaluate site options following Council decision. Report to Council ETO-04-12 resolves to defer these works - further reports are required.
GCY5126	Muckle Roe Burial Ground	31,500	31,500	8,068	✓	✓	✓	✓	✓	✓	✓		Contract nearly complete with 23K savings achieved on whole project. Completion works and final A/C in due in 12/13.
GCY5129	Energy Recovery Plant Update Works	135,000	135,000	6,106	✓	✓	✗	✗	✗	✓			Main contract awarded and works to be complete this financial year.
GCY5137	Landfill Phase 2	50,000	50,000	339	✓	✓	✓	✓	✓	✓	✓	✓	Works complete and final A/C agreed - retention to be paid in 12/13.
GCY5140	Janet Courtney Hostel Energy Project - Spend to Save Project	250,000	250,000	231,763	✓	✓	✓	✗	✓	✓	✓		Project Manager anticipates budget will be complete shortly with 10K underspend - to be reported to Council.
GCY5501	Gremista Work/shp Recladding	154,692	144,313	42,219	✓	✓	✓	✗	✓	✓	✓		Tender being awarded with intention to have the full works completed this financial year. However, programme is now very tight and there is a chance that the works will not be fully achieved.
GCY5505	New Mid Yell Workshop	43,747	24,859	0	✓	✓	✓	✗	✓	✓	✓		Contract awarded to Henry McColl. Works will be complete this financial year with small underspend of 3.8K - to be advised to Council.
GCY7202	Tingwall Airport (H&SE Works)	60,000	48,545	0									Not required as the need for this project is under review. Saving to be advised to Council.

GENERAL FUND ASSET INVESTMENT PLAN - INFRASTRUCTURE SERVICES

CPS-14-12 Appendix A

Code	Project Name	Original Approved Budget 2012/13 £	Amended Budget 2012/13 £	Period 7 Actual 2012/13 £	Feasibility / Options	Outline Design	Consents	Land	Full Design	Tender	Construction / Implementation	Completion	Status
GCY7254	FMU Rolling Programme	500,000	500,000	13,624	✗	✗	✗	✗	✗	✗			BRO advises major review of vehicle requirements ongoing, budget reduced to actual spend - to be reported to Council.
GCY7627	Lerwick Terminal Life Extension	40,000	40,000	0	✓								Reduced specification of works to linkspan deck plating and hydraulics only. Not yet awarded but as below Standing Order Threshold, easy to arrange, physical works are 3 - 4 days worth. Will be undertaken this financial year as not weather related.
GCY7628	Bressay Terminal Life Extension	40,000	40,000	0	✓								Ditto above
GCY7629	Belmont Terminal Life Extension	55,000	55,000	0	✓								Ditto above
GCY7630	Toft Terminal Life Extension	70,000	45,000	0	✓	✓	✓	✓	✓	✓	✓		Cathodic & scour protection quotes underbudget. 25K saving previously reported to Council.
GCY7631	Ulsta Terminal Life Extension	90,000	45,000	0	✓	✓	✓	✓	✓	✓	✓		Ditto above, except 45K saving.
GCY7632	Leirna Life Extension	300,000	175,000	0	✓								BRO previously advised of delay on this project with purchase of engine gearboxes and couplings only this year -175K required in 12/13. Slippage previously reported to Council.
GCY7633	Filla Marine Evacuation System Replacement - Spend to Save	70,000	70,000	24,500	✓								Life raft system already purchased and in store. Installation (balance) of the works required in 13/14. Slippage to be advised to Council.
GCY7634	Ticket Machines - Spend to Save	135,000	2,000	225	✓								BRO advises ICT spend of only 2K this year. 133K slippage previously reported to Council.
GCM2208	Scalloway Dredging	0	3,000	1,016	✓	✓	✓	✗	✓	✓	✓	✓	Works complete and underbudget in March 2012. Minor c/f of £3K required for internal supervision fees / final survey in 2012/13.
GCM2313	Tugs for Sellaness (Ring fenced expenditure)	1,065,391	1,065,391	43,782	✓	✓	✓	✗	✓	✓	✓		Committed (ring fenced) project - tugs delivered but some outstanding work to be actioned, BRO advises main works (£800K) to be slipped into 13/14.

Code	Project Name	Original Approved Budget 2012/13 £	Amended Budget 2012/13 £	Period 7 Actual 2012/13 £	Feasibility / Options	Outline Design	Consents	Land	Full Design	Tender	Construction / Implementation	Completion	Status
GCM2316	Walls Pier	1,877,000	1,654,000	497,522	✓	✓	✓	✓	✓	✓	✓		Contract previously halted and had to be re-tendered. Project restarted with new Contractor and Project Manager anticipates completion July 2013 (Retention July 2014) - further slippage of 368K to be advised to Council.
GCM2317	Sellaness Biomass Boilers - Spend to Save Project	120,000	120,000	0	✓	✓	✓	✗	✓	✓	✓		Contractor appointed and works to be completed this financial year.
GCY6118	Germatwatt Footways	0	1,000	0	✓	✓		✓					£1K is for land acquisition only. All design works are complete and project is "on-shelf" waiting to go.
GCY6125	B9071 Bixter to Aith Phase 2	500,000	500,000	447,039	✓	✓	✓	✓	✓	✓	✓		Works are 99% complete and full spend of £500K will be achieved this financial year
GCY6127	Murraster Depot Replacement	14,500	14,500	22,530	✓	✓	✓	✓	✓	✓	✓		Project complete. Further £8K required for retention payment which will be made this financial year. Overspend relates to unbudgeted land purchase - additional 17K funding to be requested from Council.
GCY6130	B9082/3 Gutter to Cullivoe	0	3,000	2,159	✓	✓		✓	✓				Budget for land purchase. Scheme has been fully designed and is "on-shelf" waiting to go.
GCY6132	Gremista Road Improvement	10,000	10,000	1,332	✓	✓	✓	✓	✓	✓	✓	✓	Works complete, and final A/C to be processed in 12/13
GCY6205	Laxaburn Bridge Replacement	235,000	235,000	13,230	✓	✓							Contract awarded to DLO. However, project delayed until 13/14 and combined with Effirth Bridge following public consultation. Slippage of 215K to be advised to Council.
GCY6209	Burra Bridge Bearings	25,000	25,000	248	✓	✓							Consultant appointed (£25K) and report will be complete this financial year. The works will be designed and "on-shelf" waiting to go.
GCY6401	Scord Quarry Plant Purchases	100,000	100,000	0	✗	✗	✗	✗	✗	✗			Budget for a repairs to bitumen tanks and other maintenance works. Saving of £30K to be advised to Council.

Code	Project Name	Original Approved Budget 2012/13 £	Amended Budget 2012/13 £	Period 7 Actual 2012/13 £	Feasibility / Options	Outline Design	Consents	Land	Full Design	Tender	Construction / Implementation	Completion	Status
GCY9200	Minor Works	50,000	40,000	10,675	✓								£11K of works already committed. Two other projects being progressed which will achieve the full £40K spend this financial year.
GCY9201	Development Related Roads	0	58,004	56,064	✓								Completion of old projects. No further financial spend anticipated this year.
GCY9202	Bridge Replacement	217,350	217,350	126,551	✓								Expenditure to be less than budget, £60K saving to be advised to Council.
GCY9203	Footways	0	31,438	11,693	✓	✓	✓	✓	✓	✓	✓		BRO previously requested 31.5K budget to complete Langton walkway project.
GCY9204	Street Lighting Replacements	200,500	130,500	12,300	✓	✓	✓	✓	✓	✓	✓		The works are being carried out under a maintenance agreement with the DLO. BRO confident that works will be complete this financial year.
GCY9206	Traffic Management	25,000	25,000	3,176	✓								This is for ongoing works of a sporadic nature where requests are received for speed limits, traffic measures, etc. and staff resources are required to record and measure. Only £3K spent to date but there are two projects which will require resources.
GCY9207	Accident Investigation & Prevention	25,000	25,000	6,693	✓								As per "Traffic Management" this work is sporadic by nature and difficult to quantify or to release slippage.
GCY9209	Minor Works & Purchases Bus Services	10,000	30,747	37,463	✓	✓	✓	✓	✓	✓	✓		BRO requested additional 21K budget to complete Linkster carpark project.
GCY9210	Road Reconstruction	305,000	305,000	19,497	✓	✓	✓	✓	✓	✓			BRO anticipates saving of £70K as only Dales Voe and Vementry being progressed this year, to be reported to Council.
GCY9211	Roads Rolling Drainage Improvements	0	11,129	4,611	✓	✓	✓	✓	✓	✓	✓		BRO previously requested additional 11K budget to complete project.
GCY9212	Roads Rolling Crash Barrier Replacement	20,000	5,293	2,683									BRO previously moved 20K from this budget be used to fund 12/13 overspend against other projects - recharge posted here from Roads Service - Roads to reallocate charge to correct code.

Code	Project Name	Original Approved Budget 2012/13 £	Amended Budget 2012/13 £	Period 7 Actual 2012/13 £	Feasibility / Options	Outline Design	Consents	Land	Full Design	Tender	Construction / Implementation	Completion	Status
GCY9213	20MPH Speed Limits at Schools	0	27,336	25,537	✓	✓	✓	✓	✓	✓	✓		Slippage of 27.3K to complete scheme from 11/12 previously requested from Council.
Total Infrastructure General Fund Capital Programme		7,024,680	6,499,905	1,685,026									

Code	Project Name	Original Approved Budget 2012/13 £	Amended Budget 2012/13 £	Period 7 Actual 2012/13 £	Feasibility / Options	Outline Design	Consents	Land	Full Design	Tender	Construction / Implementation	Completion	Status
GCD1576	Fibre Optic Project - Phases I, II & III	472,000	100,000	326,374	✓	✓	✓	✓	✓	✓	✓		Phase 1 complete. Phase 2 stalled but work hoping to recommence shortly. Phase 3 amended to landward route. Progress slower than anticipated due to contractual issues, and BRO previously advised of slippage of 372K to 13/14 further slippage of 50K to be reported to Council. NB Expenditure shown here relates to GCD1577 - journal posting costs to correct code required.
GCD1577	Fibre Optic Project - Phases IV, V & VI	1,200,000	1,200,000	111,094	✓	✓	✓	✓	✓	✓	✓		Current works will be complete by Christmas. Additional contracts for spurs to Mossbank, Vidlin and Nesting are currently being tendered and will be on site Jan / Feb '14. These works will conclude in 13/14. Slippage of 110K to be advised to Council.
UCL5203	Shetland College Extension - Externally Funded	145,493	145,493	125,144	✓	✓		✓	✓	✓	✓		ERDF funding conditions mean that the original intention to externally fund this project is not viable. Therefore, the Council will have to upfront full costs of this project and reclaim back from SLAP on completion.
GCD7000	Inter Island Transport Links	100,000	100,000	14,233	✓								Project Manager anticipates full spend.
GCD7001	Fetlar Breakwater	350,000	600,000	550,694	✓	✓	✓	✓	✓	✓	✓	✓	Construction project now complete, with some outstanding costs still to be processed (Royalties, etc). Slippage of £250K from 11/12 to complete project previously reported to Council. Final claim and ERDF % adjustment to be advised to Scottish Government.
GCD7002	Skerries South Mooth	180,000	180,000	5,864	✗	✓	✓	✓	✓	✓	✓		Original tenders overbudget and project previously slipped. Project re-tendered and ERDF funding bid successful. Project has not proceeded due to inclement weather, however budget slippage not progressed as project may be completed before financial year end.

GENERAL FUND ASSET INVESTMENT PLAN - DEVELOPMENT SERVICES

CPS-14-12 Appendix A

Code	Project Name	Original Approved Budget 2012/13 £	Amended Budget 2012/13 £	Period 7 Actual 2012/13 £	Feasibility / Options	Outline Design	Consents	Land	Full Design	Tender	Construction / Implementation	Completion	Status
Total		2,447,493	2,325,493	1,133,402									

Code	Project Name	Original Approved Budget 2012/13 £	Amended Budget 2012/13 £	Period 7 Actual 2012/13 £	Feasibility / Options	Outline Design	Consents	Land	Full Design	Tender	Construction / Implementation	Completion	Status
PCM2101	Plant Vehicles & Equipment	70,000	117,600	81,911	X	X	X	X	X	X	✓		Major overhaul of Pilot Boat Engine committed but not completed by 11/12 year end. Slippage of 47.6K to 12/13 previously agreed by Council.
PCM2104	Navigational Aids - Sullom Voe	70,000	70,000	26,294	X	X	X	X	X	X	✓		BRO anticipates full spend.
PCM2140	Tug Jetty CP System	0	20,000	0									Original works stalled due to cost. BRO investigating the possibility of phased works over a number of years, reducing impact on Capital programme. Slippage of 20K to 2012/13 to enable preparatory works to proceed previously approved by Council.
Total		140,000	207,600	108,204									

Code	Project Name	Approved Budget 2012/13 £	Amended Budget 2012/13 £	Period 7 Actual 2012/13 £	Feasibility / Options	Outline Design	Consents	Land	Full Design	Tender	Construction / Implementation	Completion	Status
HCH3303	Land & Property Acquisition	400,000	400,000	407,565	✓	✓							Acquisition of Hardbrakes Place, Dunrossness complete. Additional 7.6K to be vired from HCH3404.
HCH3304	Brae New Housing	800,000	800,000	160,440	✓	✓	✓	✓					Land issues resolved, groundworks contract on site. 361.2K slippage required to 13/14 for main contract works - to be advised to Council.
HCH3305	Hoofields New Housing	2,200,000	2,200,000	878,992									Works will be fully completed this financial year
HCH3404	Environmental Improvements	150,000	150,000	65,387	✓	✓	✗	✗	✓	✓	✓		North Roe, Virkie and Skeld all completed. Saving of £72K to be part used for Lerwick Crudens and Land & Property purchase, net saving of £24.4K
HCH3512	Community Care Projects	100,000	100,000	-16,056	✓	✓	✓	✗	✓	✓	✓		Likely to report a saving as no projects yet identified. £16K is a year end accrual for outstanding works.
HCH3525	Feasibility Studies	20,000	20,000	33,539	✓								Internal recharge - housing to review recharge allocation
HCH3526	Opportunity Conversion	120,000	120,000	10,222	✓	✓	✓	✗	✓	✓	✓		Two projects under consideration but no physical works planned for this year. £110K saving to be reported to Council.
HCH3706	Heating Replacement Programme	380,000	380,000	23,573	✓	✓							Delays incurred due to NINES project which has now been terminated. New programme of works identified and being progressed. £175K slippage to be reported to Council.
HCH3708	External Re-render Programme	380,000	380,000	34,841	✗	✗	✗	✗	✓	✓	✓		Four appointments just made (Aith, Port Arthur, Norstane & Park/Pitt Lane)
HCH3710	Lerwick Crudens	20,000	20,000	50,370	✓	✓	✓	✗	✓	✓	✓		Final Account, internal recharges more than anticipated plus retention payments. Additional £40K to be vired from HCH3404.
HCH3711	Retentions/ Final Accounts	30,000	30,000	0	✗	✗	✗	✗	✗	✗	✗		Budget held in reserve for outstanding Final A/Cs

Code	Project Name	Approved Budget 2012/13 £	Amended Budget 2012/13 £	Period 7 Actual 2012/13 £	Feasibility / Options	Outline Design	Consents	Land	Full Design	Tender	Construction / Implementation	Completion	Status
HCH3712	Housing Quality Standard	560,000	560,000	25,820	✓	✓	✗	✗	✓	✓	✓		Numerous contractual appointments made (Kitchens / Windows / Insulation, etc.) all with current completion dates of Mar.'13.
HCH3714	Replacement MIS System	120,000	120,000	90,861	✓	✗	✗	✗	✗	✓	✓		Part 1 already implemented. Part 2 about to commence and will be complete by Dec.'12.
HCH3715	Landward Crudens (Voe / Whalsay)	530,000	530,000	355,704	✓	✓	✓	✗	✓	✓	✓		Additional costs on project caused by delays and difficulties on site. Additional costs being met from HCH3716 project which is to be delayed. To be reported to Council.
HCH3716	Landward Crudens (Tresta / Walls)	120,000	120,000	0	✓	✓	✓	✗	✓	✓	✓		Contract delayed until completion of HCH3715 with monies for this financial year being transferred to HCH3715 to meet deficit. To be reported to Council.
Total HRA Capital Programme		5,930,000	5,930,000	2,121,258									

General Fund

Directorate	Service Area	Project Cost Centre	General Fund Projects	Existing Budget Allocation	CPS-14-12 Adjustments	Proposed Budget Allocation
Children's Services	Schools	GCE1171	Little Tikes	50,000		50,000
Children's Services	Schools	GCE1221	Happyhansel Extension	50,000		50,000
Children's Services	Schools	GCE1304	AHS New Build	38,000	262,000	300,000
Children's Services	Schools	GCE1315	Mid Yell JHS	0		0
Community Care	Adult Services	GCA0237	Eric Gray Replacement	36,000		36,000
Community Care	Occupational Therapy	GCA0233	Joint Occupational Therapy Centre	1,560,972		1,560,972
Corporate	Capital Programmes	GCK2002	Contingency and Final Accounts	290,000		290,000
Corporate	Executive	GCX0000	Town Hall Windows - Emergency Protection	70,000	(35,000)	35,000
Corporate	ICT	GCX4300	PC & LAN replacement	150,000	3,300	153,300
Corporate	ICT	GCX4312	Schools ICT Equipment	195,000	(6,200)	188,800
Corporate	ICT	GCX4319	LV/MV Photocopiers	75,000	(50,000)	25,000
Corporate	ICT	GCX4323	Shetland Public Sector Network	100,000	2,900	102,900
Development	Economic Development	GCD1576	Fibre Optic - Phases 1-3	100,000	(50,000)	50,000
Development	Economic Development	GCD1577	Fibre Optic - Phases 4-6	1,200,000	(110,000)	1,090,000
Development	Transport Planning	GCD7000	Inter Island Transport Links	100,000		100,000
Development	Transport Planning	GCD7001	Fetlar Breakwater	600,000		600,000
Development	Transport Planning	GCD7002	Skerries South Mouth	180,000		180,000
Development	Shetland College	UCL5203	Shetland College Phase 3	145,493	800,833	946,326
Infrastructure	Environment & Transport Operations	GCY5121	Fetlar Burial Ground	0		0
Infrastructure	Environment & Transport Operations	GCY5124	Bixter Burial Ground	200,000	(190,000)	10,000
Infrastructure	Environment & Transport Operations	GCY5125	Voe Burial Ground	6,000		6,000
Infrastructure	Environment & Transport Operations	GCY5126	Muckle Roe Burial Ground	31,500		31,500
Infrastructure	Environment & Transport Operations	GCY5129	Energy Recovery Plant	135,000		135,000
Infrastructure	Environment & Transport Operations	GCY5137	Gremista Landfill Phase 2	50,000		50,000
Infrastructure	Environment & Transport Operations	GCY5501	Maintenance RP - Recladding Gremista Workshop	144,313		144,313
Infrastructure	Environment & Transport Operations	GCY5505	New Mid Yell Workshop	24,859	(3,858)	21,001
Infrastructure	Roads	GCY6118	Germatwatt Footways	1,000		1,000
Infrastructure	Roads	GCY6125	B9071 Bixter to Aith Phase 2	500,000		500,000
Infrastructure	Roads	GCY6127	Murraster Depot Replacement	14,500	17,000	31,500
Infrastructure	Roads	GCY6130	B9082/3 Gutchter to Cullivoe	3,000		3,000
Infrastructure	Roads	GCY6132	Gremista Road Improvements	10,000		10,000
Infrastructure	Roads	GCY6205	Laxaburn Bridge Replacement	235,000	(210,000)	25,000
Infrastructure	Roads	GCY6209	Burra Bridge Bearings	25,000		25,000
Infrastructure	Roads	GCY6401	Scord Quarry Fixed Plant Replacement	100,000	(30,000)	70,000
Infrastructure	Environment & Transport Operations	GCY7202	Tingwall Airport (H&SE Works)	48,545	(48,545)	0
Infrastructure	Environment & Transport Operations	GCY7254	Vehicle & Plant Replacement Programme	500,000	(486,000)	14,000
Infrastructure	Ferry Operations	GCY7627	Lerwick Terminal Life Extension	40,000		40,000
Infrastructure	Ferry Operations	GCY7628	Bressay Terminal Life Extension	40,000		40,000
Infrastructure	Ferry Operations	GCY7629	Belmont Terminal Life Extension	55,000		55,000
Infrastructure	Ferry Operations	GCY7630	Toft Terminal Life Extension	45,000		45,000
Infrastructure	Ferry Operations	GCY7631	Ulsta Terminal Life Extension	45,000		45,000
Infrastructure	Ferry Operations	GCY7632	Leirna Life Extension	175,000		175,000
Infrastructure	Roads	GCY9200	Roads Rolling Minor Works	40,000		40,000
Infrastructure	Roads	GCY9201	Roads Rolling Development Related Roads	58,004		58,004
Infrastructure	Roads	GCY9202	Roads Rolling Bridge Replacements	217,350	(60,000)	157,350
Infrastructure	Roads	GCY9203	Roads Rolling Footways	31,438		31,438
Infrastructure	Roads	GCY9204	Roads Rolling Streetlighting Replacement	130,500	(20,000)	110,500
Infrastructure	Roads	GCY9206	Roads Rolling Traffic Management	25,000		25,000
Infrastructure	Roads	GCY9207	Roads Rolling Accident Investigation & Prevention	25,000		25,000
Infrastructure	Roads	GCY9209	Roads Rolling Works/Purchases Bus Services	30,747	4,648	35,395
Infrastructure	Roads	GCY9210	Roads Rolling Road Reconstruction	305,000	(70,000)	235,000
Infrastructure	Roads	GCY9211	Roads Rolling Roads Drainage Improvements	11,129		11,129
Infrastructure	Roads	GCY9212	Roads Rolling Crash Barrier Replacement	0		0
Infrastructure	Roads	GCY9213	Roads Rolling - Speed Limits for Schools	27,336		27,336
Infrastructure	Port Operations	GCM2208	Salloway Dredging	3,000		3,000
Infrastructure	Port Operations	GCM2316	Walls Pier	1,654,000	(368,000)	1,286,000
General Fund AIP Total				9,927,686	(646,922)	9,280,764

Harbour Account

Directorate	Service Area	Project Cost Centre	Funded directly from Harbour Account	Existing Budget Allocation	CPS-14-12 Adjustments	Proposed Budget Allocation
Infrastructure	Port Operations	PCM2101	Ports & Harbours Plant & Equipment	117,600	0	117,600
Infrastructure	Port Operations	PCM2104	Ports & Harbours Nav Aids	70,000	0	70,000
Infrastructure	Port Operations	PCM2138	Tystie Re-engine	0	0	0
Infrastructure	Port Operations	PCM2139	Dunter Re-engine	0	0	0
Infrastructure	Port Operations	PCM2140	Tug Jetty System	20,000	0	20,000
Harbour Account Total				207,600	0	207,600

	Asset Investment Plan (AIP) Total	10,135,286	(646,922)	9,488,364
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Spend to Save Projects

Directorate	Service Area	Project Cost Centre	GF - Spend to Save Projects	Existing Budget Allocation	CPS-14-12 Adjustments	Proposed Budget Allocation
Community Care	Community Care Resources	GCA0241	ET & Taing House Extensions	340,000		340,000
Infrastructure	Environment & Transport Operations	GCY5140	Janet Courtney Hostel Energy Project	250,000	(10,000)	240,000
Infrastructure	Ferry Operations	GCY7633	Filla Marine Evacuation System Replacement	70,000	(45,500)	24,500
Infrastructure	Ferry Operations	GCY7634	Ticket Machines	2,000		2,000
Infrastructure	Port Operations	GCM2317	Sellaness Biomass Boilers	120,000		120,000
Spend to Save Total				782,000	(55,500)	726,500

	General Fund Total	10,917,286	(702,422)	10,214,864
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Debt Charges

Directorate	Service Area	Project Cost Centre	Funded by debt charges on the Harbour Account.	Existing Budget Allocation	CPS-14-12 Adjustments	Proposed Budget Allocation
Infrastructure	Port Operations	GCM2313	Sellaness Tugs	1,065,391	(800,000)	265,391
Harbour Account Debt Charges				1,065,391	(800,000)	265,391

Housing Revenue Account

Directorate	Service Area	Project Cost Centre	Ring Fenced Housing Expenditure	Existing Budget Allocation	CPS-14-12 Adjustments	Proposed Budget Allocation
Development	Housing	HCH3303	Land/Property Acquisition	400,000	7,565	407,565
Development	Housing	HCH3304	Brae New Housing	800,000	(361,250)	438,750
Development	Housing	HCH3305	Hoofields New Housing	2,200,000		2,200,000
Development	Housing	HCH3306	Virkie New Housing	0		0
Development	Housing	HCH3404	Environmental Improvements	150,000	(72,000)	78,000
Development	Housing	HCH3512	Community Care Projects	100,000		100,000
Development	Housing	HCH3525	Feasibility Studies HRA	20,000		20,000
Development	Housing	HCH3526	Opportunity Conversion	120,000	(109,778)	10,222
Development	Housing	HCH3706	Heating Replacement Programme	380,000	(175,000)	205,000
Development	Housing	HCH3708	External Re-Render Programme	380,000		380,000
Development	Housing	HCH3709	Landward Crudens (Scalloway)	0		0
Development	Housing	HCH3710	Lerwick Crudens	20,000	40,000	60,000
Development	Housing	HCH3711	Retentions/Final Account	30,000		30,000
Development	Housing	HCH3712	Housing Quality Standard	560,000		560,000
Development	Housing	HCH3714	Replacement MIS System	120,000		120,000
Development	Housing	HCH3715	Landward Crudens (Voe & Whalsay)	530,000	120,000	650,000
Development	Housing	HCH3716	Landward Crudens (Tresta & Walls)	120,000	(120,000)	0
HRA Total				5,930,000	(670,463)	5,259,537

	Total Overall Budgets	17,912,677	(2,172,885)	15,739,792
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**Shetland Islands Council****5 December 2012****Appointments to External Organisations: CoSLA Sports Arts and Culture Working Group**

GL-102-12-F

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

- 1.1 The purpose of this report is to make Councillor appointments to the CoSLA Sports, Arts and Culture Working Group

2.0 Decision Required

- 2.1 The Council is asked to RESOLVE to make two appointments to the CoSLA Sports, Arts and Culture Working Group, as considered appropriate.

3.0 Detail

- 3.1 CoSLA has written to all Councils, seeking nominations of one or more Councillors to the Sports, Arts and Culture Working Group. A copy of the letter is attached as Appendix 1. The Working Group is a sub-group of CoSLA's Community Well-being & Safety Executive Group. As stated in the letter, CoSLA anticipates that the remit of the Working Group may not sit solely within one Council department or Committee, and therefore the Council is permitted to nominate up to two Councillors, with the most appropriate Councillor attending the meeting depending on the agenda. CoSLA has confirmed that attendance can be achieved by video conferencing, provided adequate notice is given to them.
- 3.2 As the nature of CoSLA representation is at a political level, and the Council's earlier CoSLA appointments having been aligned with the appointments made under the Council's Political Management Framework, the suggested appointments would be Councillor Cecil Smith, as Chair of Social Services Committee [and also the Council's substantive member of the Community Well-being & Safety Executive Group], with the remit for sport and leisure, and Councillor Alastair

Cooper, the Chair of Development Committee, with the remit for arts and culture.

4.0 Implications

Strategic

4.1 Delivery On Corporate Priorities – The terms of this report accord with the Council's Improvement Plan in relation to Strategic Leadership and Partnership Working.

4.2 Community /Stakeholder Issues – None.

4.3 Policy And/Or Delegated Authority – In order to ensure approved duty status, appointments to external organisations as a representative of the Council must be made by the Council or a Committee which forms part of the political management framework. Given the political nature of the appointments it is considered more appropriate to have CoSLA appointments made by the Council.

In the event of more than nominations than the number of appointments required, the Council will vote by show of hands, or may resolve to take the vote by secret ballot (Standing Order 10.5).

4.4 Risk Management – Failure to make the appropriate appointments may lead to a loss of knowledge and involvement in matters affecting the Council's governance and services.

4.5 Equalities, Health And Human Rights – None.

4.6 Environmental – None.

Resources

4.7 Financial – The costs of any attendance outwith Shetland will be maintained within existing budgets.

However, the Council is continuing to pursue efficiencies by carefully considering the requirement to attend meetings on the mainland. Officers and Councillors alike are making use of alternatives such as video conferencing to avoid the cost of travel to the mainland, and such efficiencies will be sought whenever possible. In this regard, CoSLA has confirmed that attendance can be achieved by video conferencing, provided adequate notice is provided.

4.8 Legal – None.

4.9 Human Resources – None

4.10 Assets And Property – None.

5.0 Conclusions

5.1 Appointments to CoSLA should ensure that they align with the political management structure, where appropriate.

For further information please contact:
Anne Cogle, Team Leader - Administration
01595 744554 anne.cogle@shetland.gov.uk
26 November 2012

List of Appendices

Appendix 1 – Letter from CoSLA

Background documents:

None.

END

Dear Chief Executive,

Nominations to the COSLA Sport, Arts and Culture Working Group

As you may be aware the COSLA Community Well-Being and Safety Executive Group recently agreed to establish a group to bring all Sports, Arts and Culture Conveners (or equivalent) together on a regular basis (quarterly). I have attached the relevant Executive Group paper to provide you with some background information.

We are aware that, particularly in larger local authority areas, the aforementioned policy areas may not sit solely within one council department and thus there may be more than one elected member that will have an interest in this group and may wish to be involved. To ensure the meetings are productive and manageable we are limiting places at each meeting to one per local authority, in line with COSLA Executive Group procedures.

We are keen however to be inclusive and ensure the right members are around the table at the right time we are therefore proposing to rotate the agenda focus between sport and culture. It is of course up to each local authority to decide on membership however if you feel sports and culture would be most appropriately represented by different elected members you may wish to nominate two members and based on the focus of the agenda the one appropriate elected member with that remit could attend.

You may also be aware that the All Scotland Group brought together elected members and officers of local authorities, Scottish Government and national organisations in a forum to share information and develop best practice related to the legacy benefits of the Commonwealth Games. The Executive Group felt this agenda could now sit within the sub group and as agreed with the chair, the All of Scotland Group will no longer exist. Your representative on the All of Scotland group may therefore wish to be considered for this sub group.

We are keen to establish this group quickly to allow the first meeting to take place in early November, in advance of the next Community Well-Being and Safety Executive Group to facilitate a regular meeting and reporting cycle.

I would be grateful if the names of your Council's nomination(s) could be sent to me by Friday 19th October 2012. Please note that this deadline helps us get ahead to organise the initial meeting and provide members with the dates of the group. If your own Council's timescales don't enable you to make firm nominations by then, we can proceed with provisional representatives until you are able to get them confirmed.

Please do not hesitate to contact Hayley Wotherspoon (Hayley@cosla.gov.uk) or myself should you have any questions or queries.

I look forward to receiving your nominations in due course.

Kind regards

Hayley Wotherspoon
Policy Manager
COSLA

Sports, Arts and Culture

Purpose

1. This report seeks to establish a mechanism to bring all Sports, Arts and Culture Conveners together on a regular basis.

Recommendations

2. Members are invited to;
 - i. Subject to any agreed amendments discussed at the meeting; support and agree the proposed mechanism noted below to establish a task group to bring all Sports, Arts and Culture Conveners together on a regular basis;
 - ii. Agree Cllr McGuigan writes to the Scottish Government to invite the Cabinet Secretary for Culture and External Affairs and the Minister for Public Health and Sport to jointly chair the task group;
 - iii. Note the outcome of the COSLA Leaders decision regarding the establishment of a COSLA 2014 Presidential Group; and
 - iv. Discuss and agree the future role of the All Scotland Group.

Background

Sports, Arts and Culture and the Community Well-Being and Safety Group

3. As members will be aware the current overarching statement of objective of the Community Well-being and Safety Executive Group is: *We will promote the wellbeing and safety of communities across Scotland by securing the policies, powers and resources to enable councils to respond flexibly to local needs in promoting safe, healthy, socially cohesive and active communities; in ensuring quality, affordable housing; in providing access to cultural, sporting, learning and recreational opportunities; and in tackling poverty and disadvantage.*
4. At a local level sports, arts and culture play a significant role in achieving the objective of promoting the wellbeing and safety of communities across Scotland. Although, the position of sports, arts and culture within council structures vary significantly and often do not sit alongside other key areas this Executive Group has responsibility for e.g. Housing, Community Safety, Community Justice.
5. Local Authorities each nominate the most appropriate elected member to sit on COSLA Executive Groups including the Community Well-Being and Safety Group. This system works well, provides full discussion around key policy areas and allows issues that cut across a number of policy areas to be discussed. In saying this, due to the broad remit of the Community Well-Being and Safety Group it is unlikely one member could hold detailed knowledge of the full breadth of all items covered on an agenda and would normally have to liaise with other elected members and officers within their own Council in advance of an Executive Group.
6. Due to the points raised in paragraphs 4 and 5, previous Executive Group agendas and minutes, and noting the responsibilities most Executive Group members hold locally the

sports, arts and culture agenda does not appear to be receiving as much attention as it perhaps requires, particularly, as we move towards 2014.

7. To coordinate activity and provide a mechanism for formal Local Government consideration of the sports, arts and cultural agenda it is therefore recommended a task group is established. The task group would report directly to the Community Well-Being and Safety Group to maintain and link with the cross cutting well-being agenda. Each Local Authority would be asked to nominate an appropriate elected member to sit on the group.
8. A council may decide the most appropriate representative is also the Community Well-Being and Safety member due to local structures. However, this task group would allow the time and space to discuss some key policy issues and where appropriate those with a solely sports, arts and culture remit an opportunity to input on this policy area.

Scottish Government

9. COSLA officials and politicians continue to work closely with Scottish Government, Creative Scotland and Sportscotland to progress the sports, arts and culture agendas. Many of the objectives we are trying to achieve are joint objectives and require a collective response. Therefore, it is proposed that the Cabinet Secretary for External Affairs and Culture, Fiona Hyslop and/or the Minister for Public Health and Sport, Shona Robison jointly chair the task group along with Cllr McGuigan.
10. Councillor McGuigan informally discussed this proposal with the Cabinet Secretary who was very positive and supportive of the proposal. Cllr McGuigan emphasised the need for the Cabinet Secretary and Minister to agree the most suitable method to facilitate a joint chair to ensure both the cultural portfolio (led by the Cabinet Secretary) and the sport portfolio (led by the Minister) were given equal coverage. One suggestion was to rotate the chair.
11. We are still awaiting a response from these discussions however if agreed by the Executive Group a formal offer will be made to the Scottish Government. It is also proposed that the Chairs of Sportscotland and Creative Scotland are invited to attend the group.

2014

12. The Glasgow 2014 Commonwealth Games will be the biggest multi-sport event that Scotland has ever hosted, with an expected worldwide TV audience of 1 billion. In the same year Scotland also hosts the Ryder Cup, the 700th Anniversary of Bannockburn will take place and a nation-wide programme of events will run throughout the year as part of the Commonwealth Games Cultural Programme and Homecoming Celebrations.
13. These events will potentially bring significant opportunities and benefits to the whole of Scotland. The impacts of the events are not simply, in relation to sport and culture, although these will be significant. The agenda is much broader, encompassing employment including youth employment, economic development including growing businesses, infrastructure and social enterprises, tourism, community engagement, education, volunteering and establishing international links.
14. As noted above, within COSLA, responsibility for the 2014 Commonwealth Games agenda and broad arts and cultural programmes sits within the Community Well-Being and Safety Executive Group. However, given the cross-cutting nature of the year's events its impact goes beyond the remit of this Executive Group and will affect a variety of portfolios managed by other COSLA Spokespersons, therefore on 31st August 2012 COSLA

Leaders are considering a paper recommending a cross cutting COSLA Presidential Group be established. A verbal update of the outcome of this discussion will be shared with members at the Executive Group meeting.

15. Over the next 2-3 years there will be areas/issues that both the task group and 2014 presidential group will want to consider. Therefore, it is essential that both groups complement each other and avoid any duplication. The task group would therefore also play a key role in supporting the work of the Presidential Group.

All Scotland Group

16. The All Scotland Group currently brings together elected members and officers of Scottish local authorities, Scottish Government and national organisations in a forum to share information and develop best practice related to the legacy benefits of the Commonwealth Games. The group continues to meet approximately 3 times per year and receives regular updates from Glasgow 2014 Ltd and others. Invited speakers update the group on legacy issues and opportunities ranging from the community benefits of procurement, opportunities for funding from EventScotland to Community Sports Hubs.
17. Cllr Archie Graham from Glasgow City Council chairs the All Scotland Group and Glasgow Life provide the support. Cllr McGuigan shared his early thinking with Cllr Graham around the proposal noted above to establish both a cross cutting 2014 presidential group and a sports, arts and culture task group. Cllr Graham supports a mechanism that allowed members from across Scotland to come together to discuss 2014, the legacy opportunities and the wider agenda therefore, if this proposal is agreed, to avoid duplication Cllr Graham and Cllr McGuigan felt the All Scotland Group would no longer be required. Members views on this are welcomed.

Conclusion

18. A Sports, Arts and Culture task group would provide the opportunity for formal Local Government consideration of the sports, arts and cultural agenda. Members are invited to discuss this proposal and agree the recommendations noted above.

August 2012



Shetland Islands Council

5 December 2012

Appointment to External Organisations - Shetland Charitable Trust

GL-92-12-F

Report Presented by Executive Manager –
Governance and Law

Corporate Services Department

1.0 Summary

- 1.1 The purpose of this report is to consider a proposal from the Shetland Charitable Trust that the Council appoints seven Councillor Trustees, in accordance with the Reorganisation Scheme approved by OSCR.

2.0 Decision Required

- 2.1 The Council is asked to RESOLVE to appoint seven Councillors to the Shetland Charitable Trust.

3.0 Detail

- 3.1 A letter from the Shetland Charitable Trust, attached as Appendix 1, asks the Council to instigate the process for the appointment of seven Councillors to the Board of Shetland Charitable Trust.
- 3.2 The Trust has agreed a person specification and role description to assist in the appointment of Trustees, and these are also attached as Appendices 2 and 3.
- 3.3 The Trust imposes no further requirements in terms of criteria to be applied, and it is therefore a decision for the Council as to how the appointments are to be determined.

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, but will support the Council's Improvement Plan in terms of Governance, Accountability and partnership working.

- 4.2 Community /Stakeholder Issues – None.

- 4.3 Policy And/Or Delegated Authority – Appointments to Shetland Charitable Trust have not been delegated to any Committee, and therefore remains a matter reserved to the Council.

In the event of the number of candidates exceeding the number of appointments required, the 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 not cast more than one vote for any candidates. The vote will normally be taken by a show of hands, or the Council may resolve to take the vote by secret ballot (Standing Order 10.5).

- 4.4 Risk Management – No strategic risks.
- 4.5 Equalities, Health And Human Rights – None.
- 4.6 Environmental – None.

Resources

- 4.7 Financial - There are no financial implications arising from this Report. Any expenses reasonably incurred by Councillor Trustees will be reimbursed by the Trust.
- 4.8 Legal – None.
- 4.9 Human Resources – None.
- 4.10 Assets And Property – None.

5.0 Conclusions

- 5.1 This report seeks an appointment of Councillors to the Shetland Charitable Trust.

For further information please contact:
Anne Cogle, Team Leader - Administration
01595 744554

anne.cogle@shetland.gov.uk

27 November 2012

List of Appendices

Appendix 1 - Letter from Shetland Charitable Trust
Appendix 2 – Person Specification
Appendix 3 – Trustee Role Description

Background documents:

Deed of Trust – Shetland Charitable Trust

END

Chief Executive: Ann Black

Registered Charity Number SC027025

Mr Mark Boden
Chief Executive
Shetland Islands Council
Office Headquarters
8 North Ness Business Park
LERWICK
Shetland
ZE1 0LZ

22-24 North Road
Lerwick
Shetland
ZE1 0NQ

Telephone: 01595 744994

mail@shetlandcharitabletrust.co.uk
www.shetlandcharitabletrust.co.uk

If calling please ask for
Dr Ann Black
Direct Dial: 01595 744990

Our Ref: AB/ema/TA38
Your Ref:

Date: 14 November 2012

Dear Mr Boden

Future Governance of Shetland Charitable Trust

Further to my letter of 7 November 2012, I wish to clarify the procedure regarding the appointment of Councillor Trustees.

Paragraph 5 of the Schedule of Governance Arrangements appended to our Trust Deed states that "Shetland Islands Council may by Notice in writing, signed on its behalf by an appropriate officer and given to the Trust appoint a Councillor Trustee or Councillor Trustees". In this case we require the appointment of seven Trustees, and look forward to receiving the appropriate Notice.

Yours sincerely

Chief Executive

Cc Drew Ratter, chairman SCT
Malcolm Bell, Convener SIC
Gary Robinson, Leader SIC
Jan Riise Executive Manager Governance and Law, SIC

Person Specification

	Essential	Desirable
Experience and Understanding:		
A demonstrable commitment to the Aims and Values of the Trust	✓	
Proven ability to work as part of a team that makes collective, strategic decisions for the public benefit of the people of Shetland	✓	
Experience or understanding of management and governance issues and an understanding of the principles of public service	✓	
Experience of working in partnership with different stakeholders (for example, other funders, public, voluntary or private sector agencies)	✓	
Sound, independent judgement	✓	
Ability to commit to the expectation of attendance at around 8 meetings per year	✓	
An understanding and acceptance of the legal duties, responsibilities and liabilities of Trusteeship	✓	
A good knowledge of and / or experience of the work of the voluntary and community sector and / or the health, education and environment sectors and the issues facing them		✓
Experience or understanding of allocating funding, for example, through grant making or investing funds		✓
As a member of a public body, a commitment and understanding of the Trust's approach to governance which mirrors the Seven Principles of Standards in Public Life called the 'Nolan Principles'.		✓

Trustee Role Description

Aims

The Shetland Charitable Trust aims to:

- a) Provide public benefit to and improve the quality of life for the people of Shetland, especially in the areas of :
 - Social care and welfare
 - Arts, culture, sport and recreation and
 - The environment, natural history and heritage
- b) ensure that the most vulnerable in the community receive the highest possible standard of service and care;
- c) protect and enhance Shetland's environment, heritage, culture and traditions
- d) support facilities and services and jobs located in rural areas, where these are beyond what would normally be expected to be provided as core public services;
- e) support pilot and developmental projects where they seek to meet a clearly identified service gap within the community

Trustee Role Purpose:

To act in the best interests of the Trust and operate in a manner consistent with the charitable purposes of the Trust. To act with the appropriate standard of care and diligence and ensure that the Trust complies with the provisions of the The Charities and Trustee Investment (Scotland) Act 2005 and other relevant legislation and regulatory requirements.

Key Role:

The fundamental principle which underpins the operation of the Trust is that Trustees have responsibility for the strategic framework of the Trust, as set out through various strategies, plans and policies, and that they ensure staff implement the strategies, policies and plans effectively.

Responsibilities include: To:

- set the strategic aims, objectives and direction of the charity and monitor performance
- set policy and monitor implementation
- contribute to the planning process – financial, corporate and service delivery

- ensure that the necessary financial and human resources are in place to meet the Trust's objectives
- safeguard the financial solvency of the Trust
- enable risk to be assessed and managed
- ensure compliance with the Law
- be a responsible employer
- promote the Trust's role in the community
- ensure Trustees work effectively together as a Trust
- maintain awareness of the external environment and the impact that might have on the Trust
- draw lessons from monitoring performance and act on them appropriately
- provide leadership, uphold values, and be committed to the business of the Trust

Alongside these roles and responsibilities each Trustee shall:

- act honestly and in good faith and in the best interests of the Trust and the beneficiaries thereof.
- attend regularly the meetings of the Trust and any Committee of which the Trustee is a member.
- act in accordance with the Trust Deed.
- protect the Trust's assets and be accountable for the solvency and continuing effectiveness of the charity and the preservation of its endowments.
- exercise overall control over the Trust's financial affairs and ensure the completion of the relevant statutory reports, returns and accounts.
- not receive any financial or non-financial benefit that is not expressly authorised by the Trust Deed.
- perform their duties with the relevant standard of care required by the Charities and Trustee Investment (Scotland) Act 2005 namely that of a person who is managing the affairs of another person which includes taking professional advice as and when required.

**Shetland Islands Council****05 December 2012****Admissions Policy****Report number: CS-26-12-F****Report Presented by Director of Children's Services****Children's Services****1.0 Summary**

- 1.1 As part of the early work agreed on the Blueprint for Education, approval was given by Services Committee in 2009 to develop an Admissions Policy for the local authority (Min Ref: SC 65/09). The requirements of the Schools (Consultation) (Scotland) Act 2010, mean that in order to put such a policy in place a full statutory consultation process is required. This work has now been completed, and the resultant Consultation Report (Appendix A) was published on 7 November 2012. This is now presented to Shetland Islands Council for decision.
- 1.2 The draft Admissions Policy was presented to Education and Families Committee on 7 November 2012. The report requested that Education and Families Committee acknowledge that although approval of the policy was a delegated exercise, that it remit the decision to Shetland Islands Council on 5 December 2012, without the requirement of a special meeting of Education and Families. This was agreed (Min Ref: E&F 28/12).

2.0 Decision Required

- 2.1 That Shetland Islands Council RESOLVES to approve the amended Admissions Policy which forms part of the Admissions Policy Consultation Report.

3.0 Detail

- 3.1 Any proposal by an Education Authority to vary admission arrangements to its establishments is governed by the Schools (Scotland) (Consultation) Act 2010, which requires that a Proposal Paper must be prepared and published and formal statutory consultation must take place.

- 3.2 Children's Services published its Proposal Paper on the establishment of an Admissions Policy on 16 August 2012. Formal statutory consultation then took place from 16 August 2012 to 26 September 2012. Notice of Consultation appeared in the press and on the Council's website. Notice of Consultation was also given to all Relevant Consultees. Two public meetings were held, one in Islesburgh Community Centre on 28 August 2012, and one in Brae High School on 29 August 2012. Six people attended the public meeting in Islesburgh Community Centre and three people attended the public meeting in Brae High School. Quality Improvement Officers also collected the views of secondary pupils. In addition, during the consultation period we received eight written responses.
- 3.3 After the consultation period Education Scotland had three weeks to consider and prepare a report on the proposal, which was received by the Children's Services on 16 October 2012. In preparing their report, Education Scotland's representative met with a focus group of pupils, a focus group of Head Teachers and a focus group of Parent Council Chairs.
- 3.4 Taking account of formal responses made during the statutory consultation period, and the report prepared by Education Scotland, Children's Services then published its Consultation Report on 7 November 2012, and now, following the expiry of a further statutory three week review period, a decision of the Council can be sought.
- 3.5 After the consultation period had ended two further minor issues were brought to the attention of the Education Service. There is no formal mechanism provided in the Act for amendments required after the end of the consultation period. The policy is therefore submitted for formal approval in the format in which it was advertised in order to comply with the requirements of the Act. Minor amendments which do not in themselves establish, terminate or alter the catchment area of a school or make or modify the guidelines in respect of handling placing requests can be made once the Council has formally approved the proposal for an Admissions Policy.
- 3.6 The Admission Policy sets out admission arrangements to pre-school settings, primary and secondary schools, catchment areas for all schools and explains how placing requests will be considered by the local authority.
- 3.7 The Admissions Policy aims to meet Shetland Islands Council's legal duties in respect of admissions. These can be summarised as:
- To provide adequate and efficient school education.
 - To provide information about schools and pre-school settings.
 - To provide information about admission arrangements.
 - To provide information on the right to choose an alternative school by making a placing request.
 - To provide information about making a placing request when a child has additional support needs.
 - To accept placing requests, except where Shetland Islands Council has the right to refuse a placing request.

- To provide information on the right to appeal if a placing request is refused.
- 3.8 Should the Admissions Policy be approved by Council, the Policy will be implemented from January 2013 or as soon as practicable thereafter in order for arrangements to be in place for the commencement of the school session 2013/14.
- 3.9 The Schools (Consultation) (Scotland) Act 2010 lays down strict timescales regarding statutory consultation and publication of a proposal. The timescales did not allow the policy to be presented to Education and Families Committee for decision before the end of the year however the Committee referred the decision to the Council.

4.0 Implications

Strategic

- 4.1 Delivery On Corporate Priorities – This report helps to achieve the aims of the:

Shetland Islands Council Improvement Plan 2012/13:

- Area 3 - 'Provide good quality information to deliver effective accountability'.

Shetland's Single Outcome Agreement 2012/15:

- Outcome 3 - 'We have financial sustainability and balance across all sectors with efficient and responsive public services'.
- Outcome 5 - 'Our young people are successful learners, confident individuals, effective contributors and responsible citizens'.

Children's Services Directorate Plan:

- To ensure efficient use of the resources to deliver the best possible services, and to deliver the agreed budget strategy within the timescales agreed by Council.

- 4.2 Community /Stakeholder Issues – Full Statutory Consultation with stakeholders has taken place in accordance with the Schools (Consultation) (Scotland) Act 2010.
- 4.3 Policy And/Or Delegated Authority – In accordance with Section 2.3.1 of the Council's Scheme of Administration and Delegations, the Education and Families Committee has responsibility and delegated authority for decision making on matters within its remit which includes school education. However, the timescales of the required statutory consultation process have meant that, in order for the Admissions Policy to be in place for the commencement of the school session 2013/14, it was not possible for it to be presented first to Education and Families Committee for recommendation to Shetland Islands Council.
- 4.4 Risk Management – If Members decide not to implement the Admissions Policy at this time the policy cannot be in place to support planning for the school session 2013/14. Current informal admission arrangements will remain for the school session 2013/14.

- 4.5 Equalities, Health And Human Rights – An Equality Impact Assessment has been done (Appendix B), and at this stage there are no equalities, health and human rights impacts. This will be continually monitored.
- 4.6 Environmental – None.

Resources

- 4.7 Financial – The procedural changes in the policy will be dealt within existing Children's Services resources. No additional financial resources will be required.
- 4.8 Legal – Legal Services assists and guides Children's Services through the statutory requirements required for the proposal.
- 4.9 Human Resources – None.
- 4.10 Assets And Property – None.

5.0 Conclusions

- 5.1 The Admissions Policy will enable Shetland Islands Council Children's Services to respond consistently and timely to changing patterns of demand for school places, ensure all pupils have equal access to adequate and efficient education in line with its statutory responsibilities contained in the Education (Scotland) Act 1980.
- 5.2 It will provide clarity over how parents access education for their children and secure better and more efficient planning for Children's Services in the delivery of school education in Shetland.
- 5.3 The Schools (Consultation) (Scotland) Act 2010 lays down strict timescales regarding statutory consultation and publication of a proposal. The timescales did not allow the policy to be presented to Education and Families Committee for decision before the end of the year however the Committee referred the decision to the Council.
- 5.4 If Shetland Islands Council resolves to agree the Policy today, new Admissions arrangements will be implemented from January 2013 or as soon as practicable thereafter in order for arrangements to be in place for the commencement of the school session 2013/14.

For further information please contact:
Audrey Edwards, Executive Manager – Quality Improvement
Tel: 01595 74 4064. E-mail: audrey.edwards@shetland.gov.uk
Report finalised: 22 November 2012

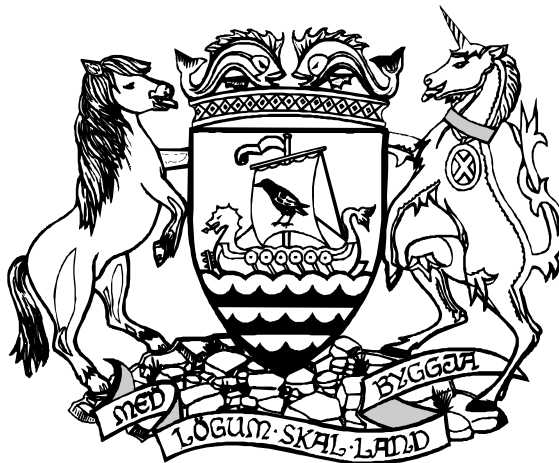
List of Appendices

Appendix A - Admissions Policy Consultation Report
Appendix B - Equality Impact Assessment

Background documents:

None

END



Shetland Islands Council Children's Services

Consultation Report

ADMISSIONS POLICY

This Consultation Report has been issued by Shetland Islands Council Children's Services in accordance with the Schools (Consultation) (Scotland) Act 2010.

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1	Proposal Paper
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1. Summary of Process for this Consultation Report

1.1 Notice of Consultation

A Notice of Consultation was provided to the consultees listed under Distribution List 1.9. This Notice provided full details of how to access the Proposal Paper. The Proposal Paper was available in all pre-school, primary and secondary settings, Hayfield House and Shetland Library. It was also published on the Council's website, www.shetland.gov.uk

1.2 Advertisement in Local Media

A Notice of Consultation was published in the Shetland Times on Friday 10 August and Friday 17 August.

1.3 Length of Consultation Period

The Consultation Period for the Proposal ran from Thursday 16 August to Wednesday 26 August. This period allowed for the statutory minimum of 30 school days.

1.4 Public meetings

Public meetings were held on:

Tuesday 28 August 2012,
At Islesburgh Community Centre,
Lerwick.

And

Wednesday 29 August 2012,
At Brae High School,
Brae.

A note was taken at the meetings of questions and views. These notes are published on the Council website, and a copy will be made available on request.

1.5 Involvement of Education Scotland (previously Her Majesty's Inspectorate of Education)

Shetland Islands Council provided Education Scotland with a copy of the Proposal Paper on date of publication. Education Scotland also received a copy of all relevant written representations received by Shetland Islands Council from any person during the Consultation Period. Education Scotland has also received a summary of all oral representations made to Shetland Islands Council at the public meetings that were held. Education Scotland has prepared a Report on the educational aspects of the Proposal. This report was received three weeks after Shetland Islands Council sent them all representations and documents mentioned above. However, for the avoidance of doubt, the three week period did not start until after the Consultation Period ended on Wednesday 26 August.

1.6 Preparation of Consultation Report

Shetland Islands Council has reviewed the Proposal having regard to Education Scotland's report, the written representations that it has received and the oral representations made to it by any person at the public meetings. Children's Services has, on behalf of Shetland Islands Council, prepared this Consultation Report.

This Consultation Report is published in electronic and printed formats. It is available on the Shetland Islands Council website, from Hayfield House, Shetland Library, as well as the affected schools, free of charge from 07 November 2012.

Anyone who made written responses during the Consultation Period has been informed about the publication of this Report. This Report includes a record of the total number of written representations made during the consultation period, a summary of the written representations, a summary of the oral representations made at the public meetings, Shetland Islands Council's response to Education Scotland's Report as well as any written or oral representations it has received, together with a copy of Education Scotland's Report and all other relevant information, including details of any alleged inaccuracies and how these have been handled.

This Consultation Report also contains a statement explaining how it complied with the requirement to review the Proposal in light of Education Scotland's Report and representations (both written and oral) that it received.

Where applicable, changes have been made to the proposed Admissions Policy in the light of the representations made as part of the statutory consultation process. As a result an amended Admissions Policy is attached to this Consultation Report as Appendix 5.

This Consultation Report was published on 07 November 2012 and is available for further consideration for a period of three weeks. The intention is that interested parties should have time to see and digest the contents of this Consultation Report and also have time if they so wish to voice concerns and approach and lobby the Councillors who will shortly be deciding on the Proposal.

1.7 Decision

This Consultation Report, including the amended Admissions Policy, (Appendix 5) together with any other relevant documentation, will be considered by Shetland Islands Council on 5 December 2012.

1.8 Note on Corrections

If any inaccuracy or omission is discovered in the Proposal Paper either by Shetland Islands Council or any person, Shetland Islands Council will determine if relevant information has been omitted or, there has been an inaccuracy. It will then take appropriate action which may include the issue of a correction or the reissuing of the Proposal Paper or the revision of the timescale for the Consultation Period if appropriate. In that event, relevant consultees and Education Scotland would have been advised. The Consultation Report highlights the actions taken and why.

1.9 Distribution

A copy of this Consultation Report is available on the Shetland Islands Council website: www.shetland.gov.uk.

Copies are also available from Hayfield House, Shetland Library and all pre-school, primary and secondary settings.

The list of Consultees are:

- the Parent Councils of the affected schools;
- the parents of the pupils of the affected schools;
- the parents of any children expected by Children's Services to attend any of the affected schools within two years of the date of the publication of the Proposal Paper;
- the pupils at the affected school in so far as Children's Services considers them to be of a suitable age and maturity;
- the staff (teaching and other) at any affected school;
- any trade union which is a representative of the staff;
- the Community Councils of the affected areas;
- the Community Planning Partnership;
- any other users of the affected schools that Schools Service considers relevant;
- the constituency Member of the Scottish Parliament;
- the constituency Member of Parliament;
- the list Members of the Scottish Parliament.

Copies of this Consultation Report are also available on request from:

Children's Services
Hayfield House
Hayfield Lane
Lerwick
Shetland
ZE1 0QD

Or by email: admissionconsultation@shetland.gov.uk

This Consultation Report is available in alternative formats or in translated form for readers whose first language is not English. Please apply to the above address.

Shetland Islands Council Children's Services Consultation Report

2. Introduction

- 2.1 This is a Consultation Report prepared in compliance with The Schools (Consultation) (Scotland) Act 2010 on the following Proposal:

The Proposal

To establish the Shetland Islands Council, Children's Services Admissions Policy which will set out admission arrangements to its pre-school settings, primary and secondary schools, catchment areas and how placing requests will be considered.

- 2.2 The purpose of the Consultation Report is to:

- provide a record of the total number of written responses made during the Statutory Consultation Period;
- provide a summary of the written responses;
- provide a summary of oral representations made at the public meetings held on 28 August and 29 August 2012;
- provide a statement of Children's Services response to those written and oral representations;
- provide the full text of Education Scotland's Report and a statement of Children's Service's response to this Report;
- state how Shetland Islands Council reviewed the above Proposal following the representations received during the Statutory Consultation Period and the Report from Education Scotland;
- provide details of any omission from, or inaccuracy in, the Proposal Paper and state how Shetland Islands Council acted upon it.

3. Background

- 3.1 The Proposal is to establish the Shetland Islands Council, Children's Services Admissions Policy (the Admissions Policy) which will set out admission arrangements to its pre-school settings, primary and secondary schools, catchment areas for all schools and how placing requests will be considered.
- 3.2 The Admissions Policy will affect all current and future pupils of Shetland Islands Council's schools and pre-school settings.
- 3.3 The Admissions Policy will enable Shetland Islands Council, Children's Services to respond consistently and timely to changing patterns of demand for school places, ensure all pupils have equal access to adequate and efficient education in line with its statutory responsibilities contained in the Education (Scotland) Act 1980. It will provide clarity for parents as to how to access education for their children. It will enable Children's Services to secure better and efficient planning in the delivery of school education in Shetland.

4. Consultation Process

- 4.1 The requirements for consulting on proposed admission arrangements are set out in The Schools (Consultation) (Scotland) Act 2010.
- The Proposal Paper was issued on 16 August 2012. This is attached as Appendix 1. A copy of this document or information on the Proposal was provided free of charge to the consultees listed within the document. Copies were also available at the affected schools, Hayfield House and at Shetland Library.
 - Advertisements ran in the Shetland Times newspaper on 10 and 17 August 2012.
 - Two Public Meetings were held on 28 August 2012 at Islesburgh Community Centre and 29 August 2012 at Brae High School.
 - Quality Improvement Officers met with groups of secondary pupils and collected their views.
 - The Consultation Period ended on Wednesday 26 September 2012.
 - Education Scotland's involvement consisted of the Proposal Paper being sent to them, meeting with pupils, a focus group of Head Teachers and a focus group of Parent Council Chairs. They also received a copy of all written representations. They then prepared a Report on the educational aspects of the Proposal. This is attached as Appendix 2.
- 4.2 This Consultation Report is Children's Services response to the issues raised during the Consultation Period including a response to identified inaccuracies in the Proposal Paper.
- 4.3 This Consultation Report will be published three weeks before a final decision is taken by Shetland Islands Council.

5. Representations

- 5.1 Six people attended the public meeting held at Islesburgh Community Centre on 28 August 2012. The minute of this public meeting is attached as Appendix 3. Three people attended the public meeting held at Brae High School on 29 August 2012. The minute of this public meeting is attached as Appendix 4.
- 5.2 The total number of written responses received during the Consultation Period was 8.

6. Summary of the Written Responses

- Placing Requests are putting a strain on teachers and pupils in Sound and Bells Brae. Restricting placing requests for schools that are nearing capacity or where classrooms cannot cope should be considered.
- The Pre-school application form needs to be clear what actions the parent needs to take once the form has been submitted.
- Point 5.5 regarding the capacity of primary schools may need additional clarity for schools.
- If a placing request is accepted does it stand for the duration of child's education?
- Are all placing requests considered together in a holistic fashion? Particularly for families based in the town.
- Reserved places in primary schools- this seems unusual as the town schools have had and continue to have some classes at capacity. Will they just be used as ground to refuse a placing request?
- Section 5.1- Admission to Pre-School additional information should be added to better explain to parents how the entitlement of hours can be used.
- Further information on the timescales for deferred entry need to be provided.
- The proposed policy appears to strike a balanced approach in order to ensure that children in Shetland can access the school of their choice.
- More thought needs to be put into the idea of using a ballot where all criteria are deemed to be equal.
- More thought be put into the definition of the 'nature of parent's employment' in order to ensure appropriate decisions are taken and we do not run into wider issues in the future.
- Perhaps the use of a ballot to allocate remaining nursery places might not be best method. Awarding places by age means there is not empty places.
- Would it be possible to leave open one nursery place up to December in order to accommodate for a pupil with ASN, Social Work or Health involvement moving into an area?
- Why is Trondra in the Scalloway Primary School catchment area and why would a change be subject to public consultation?

7. Summary of Oral Representations made at the two Public Meetings

- If pre-school/primary enrolment is to be advertised and take place earlier, where does that leave deferred entries?
- Do parents have the right to appeal a decision regarding deferred entries?
- When would a deferred entry form need to be submitted?
- Is January too early to asking parents to be register and why is pre-school and primary earlier than secondary?
- If a child is not allocated a place in their first choice pre-school who is responsible for contacting parent to discuss an alternative placement?
- If somebody moves into an area does that use up the reserved places for the year?
- Feel that the Hamnavoe Primary School catchment area should be extended to include Trondra.

- A map and descriptions of catchment areas have been included in the policy.
- Does this mean that the policy will need to go through Statutory Consultation every time there is a change in the school estate?
- Why are there no catchment areas for pre-school?
- If a parent submits a placing request do they need to reapply every year?
Are you confident that these meetings were publicised well enough?

8. Children's Services Response to those Written and Oral Representations

- 8.1 This section details the relevant points raised in the written submissions and at the public meetings. The minute of the statutory public meeting held at Islesburgh Community Centre on 28 August 2012 is included as Appendix 3. The minute of the statutory public meeting held at Brae High School on 29 August 2012 is included as Appendix 4.

Admissions Arrangements

Points Made:

Admission to Pre-School

- The Pre-school application form needs to be clear what actions the parent needs to take once the form has been submitted.
- Section 5.1- Admission to Pre-School additional information should be added to better explain to parents how the entitlement of hours can be used.
- Further information on the timescales for deferred entry need to be provided.
- More thought should be put into the idea of using a ballot where all criteria are deemed equal.
- Perhaps the use of a ballot to allocate remaining nursery places might not be best method. Awarding places by age means there is not empty places.
- Would it be possible to leave open one nursery place up to December in order to accommodate for a pupil with Additional Support Needs, Social Work or Health involvement moving into an area?
- If pre-school/primary enrolment is to be advertised and take place earlier, where does that leave deferred entries?
- Do parents have the right to appeal a decision regarding deferred entries?
- When would a deferred entry form need to be submitted?
- Is January too early to asking parents to be register and why is pre-school and primary earlier than secondary?
- If a child is not allocated a place in their first choice pre-school who is responsible for contacting parent to discuss an alternative placement?

Admission to Primary

- Point 5.5 regarding the capacity of primary schools may need additional clarity for schools.
- Reserved places in primary schools- this seems unusual as the town schools have had and continue to have some classes at capacity. Will they just be

used as ground to refuse a placing request?

- If somebody moves into an area does that use up the reserved places for the year?

General

- The proposed policy appears to strike a balanced approach in order to ensure that children in Shetland can access the school of their choice.
- Are you confident that these meetings were publicised well enough?

Response:

Admission to Pre-School

- The Pre-school Registration form is a draft and does not form part of the actual Admissions Policy. It will be subject to changes as administration arrangements for admissions are prepared and amended to ensure efficiency. This specific comment will be addressed by administration staff who are finalising the form to be used for Pre-School Registration Week 2013.
- The Admissions Policy has been amended to better explain how the entitlement of hours a pre-school child has can be used. (Please see Appendix 5, Page 4, Section 5.1)
- Timescales for deferred entry have now been clarified in the amended Admissions Policy. (Please see Appendix 5, Pages 6- 7, Section 5.3)
- The issue of using a ballot has been amended in the amended Admissions Policy to account for the fact that some settings already have waiting lists. Children's Services are happy for waiting lists to continue to support the allocation of remaining pre-school places for an incoming school year, and also to support the re-allocation of a space which becomes available during a school year as a result of a child leaving. (Please see Appendix 5, Pages 4-5, Section 5.1)
- The priority list for the allocation of pre-school places has been amended in the Admissions Policy to account for prioritising the entry of three-year olds, to take the oldest first. (Please see Appendix 5, Pages 4-5, Section 5.1)
- Children's Services used to be able to retain a pre-school place in each setting each year to accommodate a child with Additional Support Needs, a referral from Social Work, or a referral from Health, moving into an area during a school year. The current financial climate means that we must maximise all our resources, so we are unable to retain specific places in individual settings any more. However, our statutory obligations in respect of pre-school children is that we must offer all eligible three year-olds and all four year-olds a pre-school place, so there is always a requirement on us to ensure every child eligible for pre-school education is offered a suitable place.
- The arrangements for deferred entry have been further clarified in the amended Admissions Policy to include a timeframe for decision-making. (Please see Appendix 5, Pages 6-7, Section 5.3). The Early/Deferred Entry Form has now also been attached to the amended Admissions Policy. (Please see Appendix C of the amended Admissions Policy). This form ensures all relevant information is available to the Executive Manager, Quality Improvement to enable them to make an informed decision on all

requests for deferred entries. Managers of settings must also follow the guidance in the Managing Inclusion Guidelines for a proposal to defer entry to Primary 1 of a child with additional support needs. The process ensures again that all relevant information is gathered so that the correct decision is made in the best interests of the child concerned. There is no right of appeal on a decision made on a deferred entry. Registration week for pre-school is now proposed to be held in January each year. This is to ascertain the initial demand for pre-school education across all settings in Shetland for the incoming year. The Registration Week information will specify a date by when parents will be informed of the place their child has been allocated. This is currently a date in late April. This timescale does provide the time to consider requests for deferred entries which are submitted.

- The dates for pre-school, primary and secondary registration/enrolment are staggered for administration purposes, to spread out the workload involved.
- Parents who are not allocated the preferred setting for their child will be contacted by Children's Services to discuss an alternative offer. This has now been clarified in the amended Admissions Policy. (Please see Appendix 5, Pages 6-7, Section 5.1)

Admission to Primary

- Section 5.5 of the Admissions Policy has been amended to further clarify the point made about capacity. (Please see Appendix 5, Page 7, Section 5.5) Quality Improvement Officers discuss projected school rolls with allocated schools from the spring Term onwards each year. These discussions, along with the information from Primary One Enrolment Week, will inform the determination of each school's capacity for the incoming school year. It will therefore be clear in advance of the school year, how a primary school/department is going to be staffed, and therefore what its capacity will be for that year.
- Currently there are no classes in Bell's Brae Primary School or in Sound Primary School which are at the maximum class size. The numbers of reserved places has been set notionally as one per class. The number was set taking account of patterns of movement in and out of all our primary schools/departments over the past four years. Reserved places are set to give schools some flexibility to cope with pupils moving into the catchment area during a year, to help ensure that reconfiguration of classes during a school year is avoided. This could be detrimental to the continuity of a child's education. A local authority also has the discretion to use its reserved places to grant a placing request during a school year if it so wishes.
- Reserved places are intended to accommodate pupils moving into a catchment area during a school year, so they meant to be used up during a school year, if needed.

General

- Children's Services is very happy to have received positive feedback that this policy will make access to school education in Shetland clearer.
- Children's Services is satisfied that it has met its statutory obligations under the Schools (Consultation) (Scotland) Act 2010, in carrying out the statutory consultation process required to establish an Admissions Policy. The information as to how this was done is contained in Section 1 of this

Consultation Report.
Catchment Areas
<p>Points Made:</p> <ul style="list-style-type: none"> • Why is Trondra included in the Scalloway Primary School catchment area and why would it take a statutory consultation process to change this? • Feel that the Hamnavoe Primary School catchment area should be extended to include Trondra. • A map and descriptions of catchment areas have been included in the policy. Does this mean that the policy will need to go through Statutory Consultation every time there is a change in the school estate? • Why are there no catchment areas for pre-school? <p>Responses:</p> <ul style="list-style-type: none"> • Trondra became part of the Scalloway Primary School catchment area following the closure of its school in 1972. The Schools (Consultation) (Scotland) Act 2010 requires a statutory consultation to be carried out on any proposal to alter the catchment area of a school. This would require time and resources and at this time Children's Services have no plans to alter the catchment area of Scalloway Primary School. • The catchment area map is included as an appendix and would be updated if there was any change in the school estate. Any proposal to alter the school estate would include a change to the catchment area. • There are no catchment areas for pre-school education as pre-school education is a choice. Parents are not required to send their child to pre-school.
Placing Requests
<p>Points Made:</p> <ul style="list-style-type: none"> • Placing Requests are putting a strain on teachers and pupils in Sound and Bells Brae. Restricting placing requests for schools that are nearing capacity or where classrooms cannot cope should be considered • If a placing request is accepted does it stand for the duration of child's education? • Are all placing requests considered together in a holistic fashion? Particularly for families based in the town. • If a parent submits a placing request do they need to reapply every year? • More thought be put into the definition of the 'nature of parent's employment' in order to ensure appropriate decisions are taken and we do not run into wider issues in the future.

Responses:

- Bell's Brae Primary School and Sound Primary School both have projected actual rolls which place them in the category of having 13 teachers. However, once reserved places are added in, this places them into the category of have 14 teachers.
- The provision of 13 teachers makes it feasible that all classes in a school would be composite classes. The maximum number of pupils for a composite class is set at 25. This situation gives little flexibility for incoming pupils and would increase the possibility of classes having to be reconfigured during a school year. However, with the allocation of 14 teachers, this allows for single stage classes all the way through the school, creating a lot more available spaces for pupils. The maximum classes sizes for single stage classes are:
 - Primary One - 25 pupils ;
 - Primary 2 and Primary 3 - 30 pupils;
 - Primary 4, Primary 5, Primary 6 and Primary 7 - 33 pupils.
- Therefore, currently with the allocation of 14 teachers, both Bell's Brae Primary School and Sound Primary School can accommodate the level of placing requests they are receiving.
- If a placing request is granted it stands for the duration of a pupil's time at a school. If a pupil attend a primary school as a result of a placing request and then parents wish them to attend the secondary school associated with that primary, and that is not the secondary school for the catchment area they live, then parents must make another placing request for their child's secondary education.
- The Placing Request Advert will provide a time window for parents to make placing requests for their children for the incoming school year, commencing in August. This does allow Children's Services to consider these requests in a holistic fashion, alongside the roll information which will be available by then on numbers of pupils who are planning to attend their catchment area school.
- The nature of parents' employment has been clarified in the amended Admissions Policy. (Please see Appendix 5, Page 12, Section 8).

9. Summary of Consultation with Pupils

- 9.1 Quality Improvement Officers met with small groups of pupils in seven of Shetland Island Council's secondary establishments. Main points raised are listed below:

Admission Arrangements

Pupils were generally happy with this. They felt it was clear and they understood it.

Catchment Areas

Pupils felt current catchment areas were suitable.
There were a number of questions about whether catchment areas would be

redrawn if schools closed.
Placing Requests
Pupils felt that the process was clear and reasonable.
Response
Catchment areas would have to be redrawn if a proposal to close a school was approved. The Proposal itself would have to have two parts to it: to close a particular school, and also then to redraw the catchment area of the school which would receive the displaced pupils.

10. Education Scotland's Report

- 10.1 In line with the requirements of the Schools (Consultation) (Scotland) Act 2010, a Report was provided by Education Scotland on the educational aspects of the Proposal to establish an Admissions Policy for Shetland Islands Council. This Report is attached as Appendix 2.
- 10.2 This section details the relevant points raised in the Report by Education Scotland and Children's Services response to these points.

Relevant Point
A few parents made helpful suggestions to the education authority about where specific terminology and criteria used within the policy could be explained more clearly.
Response
More detail has been provided in a number of areas of the amended Admissions Policy. A glossary of specific terms has also been prepared and placed as an appendix (Appendix 5) to the amended Admissions Policy
Relevant Point
Pre-school staff wanted further detail on how the deferred entry of children into Primary 1 would translate into practice.
Response
Further detail on the arrangements for deferred entry have been incorporated into the amended Admissions Policy (Please see Appendix 5, Page 7, Section 5.3.). The Early/Deferred Entry Form is also now appended to the amended Admissions Policy.

<p>Relevant Point</p> <p>Across the pre-school and primary sectors, staff made some helpful suggestions to make the policy as reader-friendly and clear as possible.</p>
<p>Response</p> <p>More detail has been provided in a number of areas of the amended Admissions Policy. Specifically in relation to Admission Arrangements (Please see Appendix 5, Pages 4-9, Section 5). A glossary of specific terms has also been prepared and placed as an appendix (Appendix E) to the amended Admissions Policy</p>

11. Equality Impact Assessment

- 11.1 An Equality Impact Assessment has been carried out on this proposal and it is believed that introducing this proposed change will not have an adverse impact on the following groups: age, gender, religion, racial group, disability and sexual orientation. The Equality Impact Assessment will be made available following the end of the consultation period.

12. Omissions or Inaccuracies

- 12.1 In Admissions to Pre-School education Children's Services omitted to explain where four year-olds would be placed in the list criteria to prioritise the allocation of places. This has been addressed in the amended Admissions Policy. (Please see Appendix 5, Page 5, Section 5.1).

13. Conclusion

- 13.1 The proposed Admissions Policy will enable Shetland Islands Council, Children's Services to respond consistently and timely to changing patterns of demand for school places, ensure all pupils have equal access to adequate and efficient education in line with its statutory responsibilities contained in the Education (Scotland) Act 1980. It will provide clarity for parents as to how to access education for their children. It will enable Children's Services to secure better and efficient planning in the delivery of school education in Shetland.
- 13.2 The proposed Admissions Policy has been consulted upon in line with the statutory requirements of the Schools (Consultation) (Scotland) Act 2010. The proposed Admissions Policy has subsequently been reviewed in the light of all written and oral representations received during the statutory consultation period, and in the light of the report compiled on the proposal by Education Scotland.
- 13.3 This Consultation Report outlines how the proposed Admissions Policy has been amended as a result of those representations, and is presented now for approval by Shetland Islands Council.

14. Recommendation

- 14.1 Therefore Children's Services recommends that Shetland Islands Council establishes Children's Services Admissions Policy (Appendix E). This will ensure that:
- admission arrangements to pre-school settings, primary and secondary schools in Shetland are in place;
 - catchment areas for all schools in Shetland are clearly defined;
 - there is clarity for all as to how placing requests are considered by Shetland Islands Council.



Shetland Islands Council

Children's Services

Proposal Paper
August 2012

Admissions Policy

This Proposal Paper has been issued by Shetland Islands Council, Children's Services in accordance with the Schools (Consultation) (Scotland) Act 2010.

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1. INTRODUCTION

- 1.1 The Proposal Paper has been prepared by Children's Services in accordance with the Schools (Consultation) (Scotland) Act 2010 (the Act).
- 1.2 The Act sets out a consultation procedure which Shetland Islands Council must follow for certain proposals affecting schools in their area. The current proposal is to establish the Shetland Islands Council, Children's Services Admissions Policy (the Admissions Policy).
- 1.3 The first step of the Consultation procedure is the publication of the Proposal Paper. The Proposal Paper sets out:-
 - The details of the Admissions Policy.
 - A proposed date for implementation of the Admissions Policy.
 - A summary of the consultation process.
 - The Educational Benefits Statement.
 - Other relevant information.

2. DETAILS OF THE PROPOSAL

- 2.1 The Proposal is to establish the Shetland Islands Council, Children's Services Admissions Policy which will set out admission arrangements to its pre-school settings, primary and secondary schools, catchment areas for all schools and how placing requests will be considered.
- 2.2 The Admissions Policy will be implemented from January 2013 or as soon as practicable thereafter in order for arrangements to be in place for the commencement of the school session 2013/14.
- 2.3 The Admissions Policy aims to meet Shetland Islands Council's legal duties in respect of admissions. These can be summarised as:
 - To provide adequate and efficient school education.
 - To provide information about schools and pre-school settings.
 - To provide information about admission arrangements.
 - To provide information on the right to choose an alternative school by making a placing request.
 - To provide information about making a placing request when a child has additional support needs.
 - To accept placing requests, except where Shetland Islands Council has the right to refuse a placing request.
 - To provide information on the right to appeal if a placing request is refused.

3. SUMMARY OF THE CONSULTATION PROCESS

Publication Information

- 3.1 The Proposal Paper will be available for inspection, free of charge, at all of Shetland Islands Council's pre-school settings, primary and secondary schools (please see Appendix 1). It will also be available at the Shetland Library, Lower Hillhead, Lerwick, Shetland and published on the Shetland Islands Council website www.shetland.gov.uk.

- 3.2 Copies of this Proposal Paper are also available on request from:

Children's Services
Hayfield House
Hayfield Lane
Lerwick
Shetland
ZE1 0QD

Telephone 01595 744000 or email: admissionconsultation@shetland.gov.uk

- 3.3 The Proposal Paper is available in alternative formats or in translated form for whose first language is not English. Please apply to:

Children's Services
Hayfield House
Hayfield Lane
Lerwick
Shetland
ZE1 0QD

Telephone 01595 744000 or email: admissionconsultation@shetland.gov.uk

- 3.4 Information on the proposal to establish the Admissions Policy will be made available, free of charge, to the consultees listed as follows:

- The Parent Councils of the affected schools;
- The Parents of the pupils of the affected schools;
- The Parents of any children expected by Children's Services to attend the affected schools within two years of the date of the publication of the Proposal Paper;
- The pupils at the affected schools in so far as Children's Services considers them to be of a suitable age and maturity;
- The staff (teaching and other) at the affected schools;
- Any trade union which is a representative of the staff;
- The Community Councils of the affected areas;
- The Community Planning Partnership;
- Any other users of the affected schools that Children Services considers relevant;
- All Elected Members of Shetland Islands Council;
- The constituency Member of the Scottish Parliament;

- The constituency Member of Parliament;
- The list members of the Scottish Parliament.

Advertisement in local media

- 3.5 Advertisements will be placed in the relevant local media on Friday 10 August 2012 providing the dates for the Consultation Period and public meetings.

Consultation Period

- 3.6 The Consultation Period for the proposal to establish the Admissions Policy will run from Thursday 16 August 2012, and will end on Wednesday 26 September 2012. This period allows for the statutory minimum of 30 school days.

Public Meetings

- 3.7 Public meetings will be held on:

Tuesday 28 August 2012 from 7-9pm
at Islesburgh Community Centre
Lerwick
Shetland

and

Wednesday 29 August 2012 from 7-9pm
at Brae High School
Brae
Shetland

A record will be taken at the meeting of questions, responses and views. This record will be published on the Shetlands Islands Council website, and a copy will be made available on request.

No personal information will be recorded or made publicly available.

Responding to the Proposal

- 3.8 Interested parties are invited to respond to the proposal to establish the Admissions Policy by making written or electronic submissions within the consultation period to:

Admissions Policy Consultation
Children's Services
Hayfield House
Hayfield Lane
Lerwick
ZE1 0QD

Or email: admissionconsultation@shetland.gov.uk

If you wish to respond please state your relationship with the school- for example, “pupil”, “parent”, “grandparent”, “former pupil”, “teacher in school”, “member of the community” etc.

Please be aware that the content of your response will be open to public scrutiny and may have to be supplied to anyone making a reasonable request to see it. If you do not wish the content of your response to be made publicly available, you should clearly state: “I wish my response to be considered as confidential with access restricted to Councillors and council officers of Shetland Islands Council”. Otherwise, it will be assumed that you agree to the content of your response being made publicly available.

No personal information provided as part of a response will be made publicly available.

All written responses have to be received by the last day of the Consultation Period, **Wednesday 26 September 2012** to ensure they are taken into account.

Involvement of Education Scotland

- 3.9 When the Proposal Paper is published, a copy will also be sent to Education Scotland (formally Her Majesty’s Inspectorate of Education) by Shetland Islands Council. Education Scotland will also receive a copy of any relevant written representations received by the Council from any person during the consultation period or, if Education Scotland agree, a summary of them. Education Scotland will be invited to the public meetings. Education Scotland will further receive a summary of any oral representation made to the Council at the public meetings that will be held and, as available (and so far as otherwise practicable), a copy of any other relevant documentation. Education Scotland will then prepare a report on the educational aspects of the proposal not later than three weeks after the Council has sent them all representations and documents mentioned above. Education Scotland have informed Children’s Services of their intention to meet with pupils, staff and parents during this three week period in order to further inform their report.

First Review Period

- 3.10 Once the consultation period has ended, the Council will review the proposal having regard to the Education Scotland Report, written representations that it has received and oral representations made to it by any person at the public meetings. Children’s Services will then, on behalf of the Council, prepare a Consultation Report.

Consultation Report

- 3.11 The Consultation Report will be published in electronic and printed formats. It will be available on the Council website, from Hayfield House, Shetland

Library, at all Shetland Islands Council's pre-school setting, primary and secondary schools, free of charge.

- 3.12 Anyone who made written representations during the consultation period and provided their contact details will also be informed about the Consultation Report. The Consultation Report will include a record of the total number of written representations made during the consultation period, a summary of the written representations, a summary of the oral representations made at the public meetings, the Authority's response to the Education Scotland Report as well as any written or oral representations it has received, together with a copy of the Education Scotland Report and any other relevant information, including details of any alleged inaccuracies and how these have been handled.
- 3.13 The Consultation Report will also contain a statement explaining how it complied with the requirement to review the proposal in light of the Education Scotland Report and representations (both written and oral) that it received.

Second Review Period

- 3.14 Following the publication of the Consultation Report, there is a further review period of 3 weeks before it is presented to the Shetland Islands Council Education and Families Committee for a decision.

Council Decision

- 3.15 The Consultation Report, together with any other relevant documentation, will then be considered by the Shetland Islands Council Education and Families Committee where a recommendation will be made which is subject to approval by Shetland Islands Council.

Note on Corrections

- 3.16 If any inaccuracy or omission is discovered in this Proposal Paper, either by the Council or any person, the Council will determine if relevant information has been omitted or, there has been an inaccuracy. It will then take appropriate action which may include the issue of a correction or the reissuing of the Proposal Paper, or the revision of the timescale for the consultation period if appropriate. In that event, relevant consultees and Education Scotland will be advised.

4. EDUCATIONAL BENEFITS STATEMENT

- 4.1 This Educational Benefits Statement has been prepared by Shetland Islands Council's Children's Services in accordance with The Schools (Consultation) (Scotland) Act 2010.
- 4.2 In preparing an Educational Benefits Statement, The Schools (Consultation) (Scotland) Act 2010 requires local authorities to take account of a number of factors, and evidence how it has done this. These are:

- current and future pupils of the affected schools;
- current and future users of the facilities of the affected schools;
- how the local authority will minimise any adverse impacts arising from the proposal;
- the likely effects on other pupils in the local authority.

4.3 The Act does not limit or list the matters which need to be included in an Educational Benefits Statement, however statutory guidance does highlight to local authorities that it must demonstrate in its Educational Benefits Statement how a proposal will:

- improve the quality of the curriculum and create positive environments for more effective learning and teaching better matched to the needs of learners;
- improve the depth, breadth, coherence, relevance, challenge and enjoyment provided by the curriculum;
- provide more opportunities for greater personalisation and choice in learning and improved progression which will enhance children's experiences; this will include the use of information and communications technology and arrangements for assessing and planning learners' progress;
- impact on the overall ethos of the school, including the care and welfare of pupils and their personal and social development;
- improve equality of opportunity for all within an inclusive educational experience, in the widest sense, for pupils and achievement, and for interdisciplinary learning and beyond.

4.4 The Statutory Guidance on the Act also provides local authorities with a number of other issues which may be relevant to the educational benefits of a proposal. These are:

- the condition and suitability of the school buildings and facilities (and where a proposal would involve pupils moving from one school to another, the relative condition of both);
- changing patterns of demand for school places if there is a growing mismatch between supply and demand;
- the travel and transport context and implications of a proposal if for instance they would impact differently on pupils' broader social experiences and opportunities to participate in and benefit from out-of-hours learning;
- financial and budgetary considerations may also be relevant in situations where disparities in the costs of the delivery of education may have grown, to the detriment of the greater good, at least to the point where an authority considers that they require to be reviewed.

4.5 The Educational Benefits Statement is also the place for the authority to set out the relationship between a proposed change and their education-related statutory duties, and how the proposal fits with the continued fulfilment of these other obligations.

- 4.6 The Proposal is to establish the Shetland Islands Council, Children's Services Admissions Policy (the Admissions Policy) which will set out admission arrangements to its pre-school settings, primary and secondary schools, catchment areas for all schools and how placing requests will be considered.
- 4.7 The Admissions Policy will affect all current and future pupils of schools and pre-school settings in Shetland Islands Council.
- 4.8 Although the implementation of the Admissions Policy does not directly influence the delivery of the curriculum or the learning environment, it does provides the schools with the opportunity to better plan staffing and resourcing in good time each year. This in turn has the potential to secure better forward planning of the curriculum and its learning opportunities.
- 4.9 Principally, the Admissions Policy will enable Shetland Islands Council Children's Services to respond consistently and timely to changing patterns of demand for school places, and ensure all pupils have equal access to adequate and efficient education in line with its statutory responsibilities contained in the Education (Scotland) Act 1980.
- 4.10 As part of the development of the Blueprint for Education in Shetland, on 12 February 2009, Services Committee approved Principles for Education in Shetland

These agreed Principles for Education in Shetland are:

- To ensure strategic planning, effective leadership and quality assurance to bring about improvement;
 - To ensure effective partnership working;
 - To ensure that all families have access to quality early education and childcare provision;
 - To ensure all schools deliver Curriculum for Excellence, specifically, a broad curriculum, a breadth of experience, social interaction and learning experiences;
 - To ensure all learners experience smooth transitions between stages of learning, supported by the highest possible professional standards;
 - To ensure all learners in Shetland have equal opportunity throughout their educational experience to enable them to achieve their full potential;
 - To ensure that these principles are delivered within the Council's Budget.
- 4.11 In addition Shetland's Single Outcome Agreement for 2012/13, approved by Shetland Islands Council in July 2012, commits to ensuring: 'financial sustainability and balance across all sectors', and to "maximise the impact of resources in communities" (Key Area: 3). Furthermore, Shetland Islands Council's own Improvement Plan 2012/13 prioritises the provision of: 'good quality information to deliver public accountability'.
- 4.12 The Admissions Policy will enable Shetland Islands Council Children's Services to deliver on a number of the agreed principles for education in

Shetland, all of which aim to ensure that all pupils in Shetland receive, as far as possible the same access to the best quality education available within the resources allocated to it. It will also contribute to the achievement of Shetland Islands Council's Improvement Plan, and to its share in meeting the priorities in the Single Outcome Agreement for 2012/13.

- 4.13 The Admissions Policy provides set dates for enrolments and for registration for pre-school education, and for the submission of placing requests. In providing this, it enables Shetland Islands Council, Children's Services to plan, at an early stage, each year, for the next school session. This planning includes accurate staffing allocations, and fair allocations of resources for learning and teaching, within the budget available. Currently the information available to manage staffing and resources is less reliable, with roll projections changing frequently in larger schools over the summer term, and placing requests being dealt with as and when they are received.
- 4.14 The Admissions Policy provides clarity over what information will be available to parents and pupils on pre-school settings and schools during the transition periods between stages of education, contributing to supporting smooth transitions.
- 4.15 It also provides clarity over the procedures parents need to follow to access their catchment area school, and to make a placing request if they wish their child to attend a school outwith their catchment area. This clarity will lead to better and more consistent communication between schools and parents over the education provision on offer in our community, enabling parents and pupils to make better informed choices over what school education they would like to access.
- 4.16 In addition, by setting out the process for the handling of placing requests, the Admissions Policy provides transparency over timescales for parents and how placing requests may be prioritised if there are more requests than spaces available in an individual school.
- 4.17 Within Curriculum for Excellence which all schools and local authorities are well advanced in implementing, policy guidance (Curriculum for Excellence, Building the Curriculum Three) on the different stages of learning a child will experience makes the following clear:

'While children and young people should feel that the transition from one stage of learning to another is smooth, they should still be able to look forward to the excitement of starting nursery, primary school, secondary school and finally to moving on to positive and sustained destinations'.

The Admissions Policy will make a contribution to this outcome by providing clear information on the schools a pupil will attend and when transition activities will take place.

5. OTHER ISSUES

Legislation

5.1 The key statutory duties for a local authority in relation to the delivery of school education are:

- **The Education (Scotland) Act 1980**, which requires authorities to secure for their area adequate and efficient provision of school education; and the provision of sufficient school accommodation.
- **The Standards in Scotland's Schools etc Act 2000**, which requires local authorities to endeavour to raise standards and secure improvement in the quality of school education provided in their schools; and to ensure that the education it provides is directed to the development of the personality, talents and the mental and physical abilities of the children or young people to their fullest potential.
- **The Education (Additional Support for Learning) (Scotland) Act 2004**, which requires authorities to identify and provide support for any children with additional support needs and prepare co-ordinated support plans for those with the most extensive needs.

Equality Impact Assessment

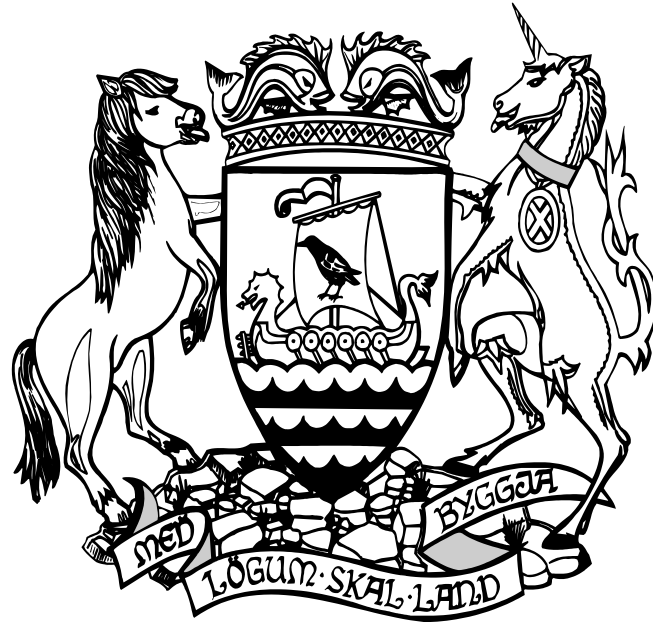
5.2 An Equality Impact Assessment has been carried out on this proposal and it is believed that introducing this proposed change will not have an adverse impact on the following groups: age, gender, religion, racial group, disability and sexual orientation. The Equality Impact Assessment will be reviewed in light of all responses received during the consultation period.

Financial Considerations

5.3 Children's Services have a duty to deliver a service which meets the criteria for Best Value, in terms of: efficiency effectiveness, economy and equal opportunities. The Admissions Policy will help enable this through ensuring accurate planning to identify the resources required to deliver education in Shetland.

6. CONCLUSION

In conclusion, the Admissions Policy will enable Shetland Islands Council Children's Services to respond consistently and timely to changing patterns of demand for school places, ensure all pupils have equal access to adequate and efficient education in line with its statutory responsibilities contained in the Education (Scotland) Act 1980. It will provide clarity over how parents access education for their children and secure better and more efficient planning for Children's Services in the delivery of school education in Shetland.



**Shetland Islands Council
Children's Services
ADMISSIONS POLICY
2013**

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1.0 Introduction

Shetland Islands Council's Admissions Policy (the Policy) sets out the admission arrangements to its pre-school classes, primary and secondary schools and details how placing requests will be considered.

2.0 Legal Duties in respect of Admissions

The Policy aims to meet Shetland Islands Council's legal duties in respect of admissions and can be summarised as:-

- To provide adequate and efficient school education;
- To provide information about schools and pre-school settings;
- To provide information about admission arrangements;
- To provide information on the right to choose an alternative school by making a placing request;
- To provide information about making a placing request when a child has additional support needs;
- To accept placing requests, except where Shetland Islands Council has the right to refuse a placing request;
- To provide information on the right to appeal if a placing request is refused.

3.0 Catchment Areas

Shetland Islands Council has identified catchment areas for all its primary schools and secondary schools, primarily to facilitate transport arrangements. Shetland Islands Council aims to provide a place for each pupil in their local catchment school and to meet requests from parents for a place at an alternative (non catchment) school, but there may be occasions when this is not possible – if for example the school could not meet that particular pupil's needs.

The catchment areas for each primary and secondary school are detailed in Appendices A and B. Appendix A shows a map of school catchment areas. Appendix B is a text description of each school's catchment area, noting the main populated hamlets.

There are no defined catchment areas for pre-school settings and a parent can choose whichever setting is most appropriate for their child. In the event of more requests for admission to a pre-school setting than places, Shetland Islands Council will follow the admission arrangements set out below at paragraph 5.1.

A catchment area can be changed to reflect movement in school rolls and changes to the school estate but before a change can be implemented a statutory consultation must be undertaken and any proposed change would need to be approved by Shetland Islands Council as Education Authority. Approval of Scottish Ministers may also be required in certain circumstances.

4.0 School Information

Information on all pre-school settings, primary and secondary schools are available at www.shetland.gov.uk.

In addition, each primary and secondary school must produce a School Handbook. These contain information about the school day, staffing and educational aims. They are available at www.shetland.gov.uk.

Copies of the above information can be supplied or inspected on request from:-

- Reception, Children's Services, Hayfield House, Hayfield Lane, Lerwick, Shetland, ZE1 0QD;
Telephone: (01595) 744000
- Individual pre-school settings, primary and secondary schools.

5.0 Admission Arrangements

5.1 Admission to Pre-School

Free pre-school education is available to all children for up to 475 hours each academic year. Normally this is provided by attending five sessions a week, each lasting 2.5 hours during the normal school term. However, these hours can be provided within longer sessions at settings offering extended opening hours, e.g. – three sessions a week, each lasting approximately 4 hours during the normal school term.

A child whose third birthday falls between the start of an academic session in August of one year and 28 February the following year, will commence pre-school education during the month following their third birthday or as soon as practicable thereafter.

A child whose third birthday is between 1 March and the start of an academic session in August of that year will commence pre-school education in August.

Shetland Islands Council will place an advert in the local press during January each year, with details of all pre-school settings and the admission arrangements. Pre-school education must be requested by completing a Registration Form. Registration Forms will be available from:-

- All pre-school settings;
- www.shetland.gov.uk ; and
- Reception, Children's Services, Hayfield House, Hayfield Lane, Lerwick, Shetland, ZE1 0QD.

Details of where to return the Registration Form to will be clearly stated on the advert which appears in the press, and on the form itself.. Forms must be returned by the specified date.

In the event that there are insufficient spaces to accommodate all the requests for admission to a pre-school setting, then Shetland Islands Council will allocate places in the priority order listed below.

- Children referred by Additional Support Needs, Social Work or Health professionals.
- Children who have already attended the pre-school setting and wish to continue for their pre-school year or have deferred entry to Primary School.
- Children who have siblings at the pre-school setting.
- Eligible three year olds.

Once priority spaces have been allocated and there are insufficient spaces left to accommodate the remaining requests, if all other factors are equal a ballot will be used to determine the allocation of the remaining places.

When a child has not been allocated a place in the requested setting, the parents will be contacted to discuss an alternative offer of pre-school education.

5.2 Admission to Primary One

There is a legal requirement that parents ensure a child attends school. A child will normally start attending school in August when their fifth birthday falls between 1 March of that year and 28 February in the following year. Therefore, any child whose fifth birthday falls after 28 February normally has to wait until the following August to start school.

A parent may decide to educate their child at a private school or at home. Parents are requested to notify Shetland Islands Council in advance of enrolling their child in a private school or of starting to educate their child at home. Shetland Islands Council has a Home Education Policy which is available at www.shetland.gov.uk or by contacting Children's Services.

Shetland Islands Council will place an advert in the local press during January each year, with details of all primary schools, catchment areas and the admission arrangements. Commencement of primary education must be requested by completing an Enrolment Form. Enrolment Forms will be available from:-

- All primary schools:
- www.shetland.gov.uk ; and
- Reception, Children's Services Hayfield House, Hayfield Lane, Lerwick ZE1 0QD

Details of where to return the Enrolment Form to will be clearly stated on the advert which appears in the press, and on the form itself.

For any pupil to qualify for admission to their local catchment school, parents must satisfy Shetland Islands Council that they ordinarily reside within the catchment area, either at the time the child will start school, or shortly thereafter. Appropriate information and evidence will be required to support all admissions. Details of supporting evidence required will be detailed on the Enrolment Form.

If a parent decides that they do not want to send their child to the local catchment area school, then the parent can make a placing request for the child to attend a different school. The procedure for making a placing request is outlined below at paragraph 7.

Enrolment Forms and placing requests received between the specified date and 15 March will be dealt with in accordance with the priority order detailed below at paragraph 5.5.

Enrolment Forms received after 15 March each year will be dealt with in order of receipt.

5.3 Early and Deferred Admission to Primary One

Early or deferred admission may be possible if it is considered appropriate to the aptitude and ability of the child. Early or deferred admission will be at the discretion of the Executive Manager – Quality Improvement in consultation with the appropriate Headteacher and pre-school setting.

Early or deferred admission must also be subject to there being sufficient space in the primary 1 or composite class.

Early or deferred admission must be requested by completing the Early/Deferred Admission Request Form. The forms are available from:-

- All primary schools:
- www.shetland.gov.uk; and
- Reception, Children's Services, Hayfield House, Hayfield Lane, Lerwick, Shetland, ZE1 0QD

The Early/Deferred Admission Request Form should be completed and returned by the specified date to:-

Executive Manager Quality Improvement
Children's Services
Hayfield House
Hayfield Lane
Lerwick
Shetland
ZE1 0QD

Alternatively forms can be completed and returned online at www.shetland.gov.uk

5.4 Admission to other Primary Stages

Children moving into a catchment area may be admitted to other primary stages at any time of the school year if there is a place or reserved place available. The same rules as for admission to primary 1 above will apply.

Parents must complete an Enrolment Form which is available at all primary schools, Children's Services, Hayfield House and on line. Details of where to return the completed Enrolment Form will be specified on the form itself.

5.5 Capacity of Primary Schools

The capacity for each of Shetland Islands Council's primary schools is determined by the projected roll for the catchment area, maximum class sizes and the budget allocated to each school. Pupil capacity is not determined by physical capacity within the school building. Therefore, the capacity of primary schools may fluctuate on an annual basis. For up to date information on the capacity of a particular primary school, please contact:-

Executive Manager Schools
Children's Services
Hayfield House
Hayfield Lane
Shetland
ZE1 0QD

As at August 2012, the class limits for primary schools are:-

- Single teacher school – 19 pupils.
- Composite classes (a class with more than one age group) – 25 pupils.
- P1 single year groups – 25 pupils.
- P2 – P3 single year groups – 30 pupils.
- P4 – P7 single year groups – 33 pupils.

Reserved Places

In order to maintain some capacity to accept pupils who move into a catchment area during the school year, reserved places are established for each primary school.

For primary schools one reserved place will be kept per class. For example:

- One reserved place in a one-teacher, one class school.

- Five reserved places in a five-teacher, five class school.
- Ten reserved places in a ten-teacher,-ten class school.

Oversubscription

On occasion Shetland Islands Council may receive more applications for children to attend their catchment area primary school than its capacity allows.

In the event that there are insufficient spaces, then Shetland Islands Council will allocate places in the priority order listed below.

- Children referred by Additional Support Needs, Social Work or Health professionals.
- Children who have siblings at the primary school.
- Children who would have the furthest distance to travel to their nearest alternative school with a place available.

Once priority spaces have been allocated and there are insufficient spaces left to accommodate the remaining requests, if all other factors are equal a ballot will be used to determine the allocation of places.

When a child has not been allocated a place in their catchment area school, the parents will be contacted to discuss an alternative offer of primary education.

5.6 Admission Arrangements - Secondary

Parents of a child who is to transfer from primary to secondary education at the end of Primary 7 will receive information regarding the relevant secondary school. Each primary school will also arrange a transition programme to assist pupils through the transfer from primary to secondary education.

If a parent decides that they do not want to send their child to the local catchment area school, then the parent can make a placing request for the child to attend a different school. The procedure for making a placing request is outlined below at paragraph 7.

In exceptional circumstances pupils residing within a catchment area may be refused a place if the school is physically unable to accept more pupils and will be directed to the nearest alternative school.

If a child attends a primary school through a placing request, the child will be expected to transfer to their appropriate home catchment area secondary school. Should a parent wish their child to move on to the secondary school associated with the primary school their child attends as a result of a placing request, or another secondary school, then a further placing request must be made in accordance with paragraph 7.

As almost all pupils entering a secondary school will transfer from one of Shetland Islands Council's primary schools a further Enrolment Form

does not need to be completed as the child will be known to the Authority.

If however, a pupil joins a secondary school from another local authority, an Enrolment Form must be completed and appropriate proof of identity and home address will be required. Enrolment Forms are available at:-

- All secondary schools;
- www.shetland.gov.uk ; and
- Reception, Children's Services Hayfield House, Hayfield Lane, Lerwick, Shetland, ZE1 0QD

Details of where to return the completed Enrolment Form will be specified on the form itself.

6.0 Admission to Specialist Resourced Units

Shetland Islands Council has two special resourced departments for meeting complex additional support needs.

Bells Brae Primary School's Additional Support Needs department currently consists of five classes which cater for pre-school and primary children with complex additional support needs.

The Anderson High School has a department based at Gressy Loan which caters for secondary aged children with complex additional support needs.

Placements within these two specialist departments are at the discretion of Children's Services.

For more information and advice, please contact:-

Education Support Officer Additional Support Needs
Children's Services
Hayfield House
Hayfield Lane
Lerwick
ZE1 0QD
Telephone: (01595) 744024

7.0 Placing Request Procedure

Parents who do not wish their child to attend the catchment area school can submit a placing request requesting that their child attend another school. Shetland Islands Council will always aim to meet parental choice where and when this is possible.

Parents wishing to make a placing request should complete the Placing Request Form which is available from:-

- all schools;

- www.shetland.gov.uk ; and
- Reception, Children's Services, Hayfield House, Hayfield Lane, Lerwick ZE1 0QD.

The completed form should thereafter be returned to:

Director of Children's Services
Children's Services
Hayfield House
Hayfield Lane
Lerwick
ZE1 0QD

Alternatively the form can be completed and returned online and www.shetland.gov.uk

Placing requests received on or before 15 March for a child to attend a particular school commencing in August of the next academic session will be determined by 30 April. All other placing requests will be determined within two months of receiving the completed form.

Placing Request Procedure – Additional Support Needs

If a child has additional support needs and a parent decides that they do not want to send the child to the catchment area school, or the particular school that is recommended by Shetland Islands Council, then the parent can make a placing request for the child to attend a different school.

A placing request for a pupil with additional support needs may be made for any mainstream school or specialist setting in certain circumstances.

Parents wishing to make a placing request should complete the Placing Request Form which is available from:-

- all schools:
- www.shetland.gov.uk : and
- Reception, Children's Services, Hayfield House, Hayfield Lane, Lerwick ZE1 0QD

The completed form should thereafter be returned to:

Director of Children's Services
Children's Services
Hayfield House
Hayfield Lane
Lerwick
ZE1 0QD

Alternatively the form can be completed and returned online and www.shetland.gov.uk

Placing requests received on or before 15 March for a child to attend a particular school commencing in August of the next academic session will be determined by 30 April. All other placing requests will be determined within two months of receiving the completed form.

For more information and advice on placing requests for pupils with additional support needs, please contact:-

Education Support Officer Additional Support Needs
Children's Services
Hayfield House
Hayfield Lane
Lerwick
ZE1 0QD
Telephone: (01595) 744024

8.0 Grounds for Refusing Placing Requests

Shetland Islands Council can only refuse a placing request for certain reasons set out by law. For example, if allowing the placing request would mean that Shetland Islands Council would have to employ an additional teacher, spend a lot of money on building work to extend the physical capacity of the school or if the school is not suited to the age and ability of the child.

If your placing request is refused, you will be advised of the statutory ground for refusal. A place will be allocated at your catchment area school or a particular school nominated by Shetland Islands Council.

If Shetland Islands Council receives more placing requests for children to attend a primary school than its capacity allows, places will be allocation in the priority order listed below.

- Children referred by Additional Support Needs, Social Work or Health professionals;
- Children who have siblings at the primary school;
- Children who have suffered bullying/and or racial harassment (independent evidence will be required);
- Nature of parents' employment.

Once priority spaces have been allocated and there are insufficient spaces left to accommodate the remaining requests, if all other factors are equal a ballot will be used to determine the allocation of places.

9.0 Appeals Procedure When Placing Requests are Refused

There is an appeals procedure for parents and young people to follow if they are unhappy with a decision to refuse their placing request. Details of the appeals procedure will be provided in the letter advising that the placing request has been refused.

Shetland Islands Council has established the Placing Requests Appeals Sub-Committee to determine any appeals and comprises of three persons to be drawn from a panel of independent persons and elected members.

If the parents are unhappy with the decision of the Placing Requests Appeals Sub-Committee then there is a further right of appeal to the Sheriff Court.

There is a separate appeals procedure for pupils with additional support needs who have a co-ordinated support plan, who require a co-ordinated support plan but it is not yet finalised or there is a dispute about whether the pupil requires a co-ordinated support plan. In these cases, an appeal is considered by the Additional Support Needs Tribunal. The Additional Support Needs Tribunal (ASNT) can be contacted by writing to:

ASNTS
Europa Building
450 Argyle Street
Glasgow
G2 8LH

or by telephone at: 0141 242 0148

10.0 School Transport

Shetland Islands Council has a School Transport Policy which details the entitlement to school transport. It can be located at www.shetland.gov.uk or by contacting the department.

Parents who choose to send their child, through a placing request, to a school other than their designated school will be responsible for their child's transport. It is important that parents consider this when making a placing request.

There is no legal requirement for Shetland Islands Council to provide transport to a pre-school setting. However, transport may be provided at the discretion of Shetland Islands Council. This will be determined on a case by case basis. The Shetland Childcare Partnership offer funding for pre-school transport in limited circumstances.

For further details on school transport please contact:-
Executive Manager – Schools
Hayfield House,
Hayfield Lane,
Lerwick
ZE1 0QD
Telephone: (01595) 744000

For further details of the Shetland Childcare Partnership Pre-School Transport Scheme please contact:-

Shetland Childcare Partnership
91-93 St Olaf Street

Lerwick
Shetland
ZE1 0ES

Telephone: (01595) 745403

11.0 Complaints Procedure

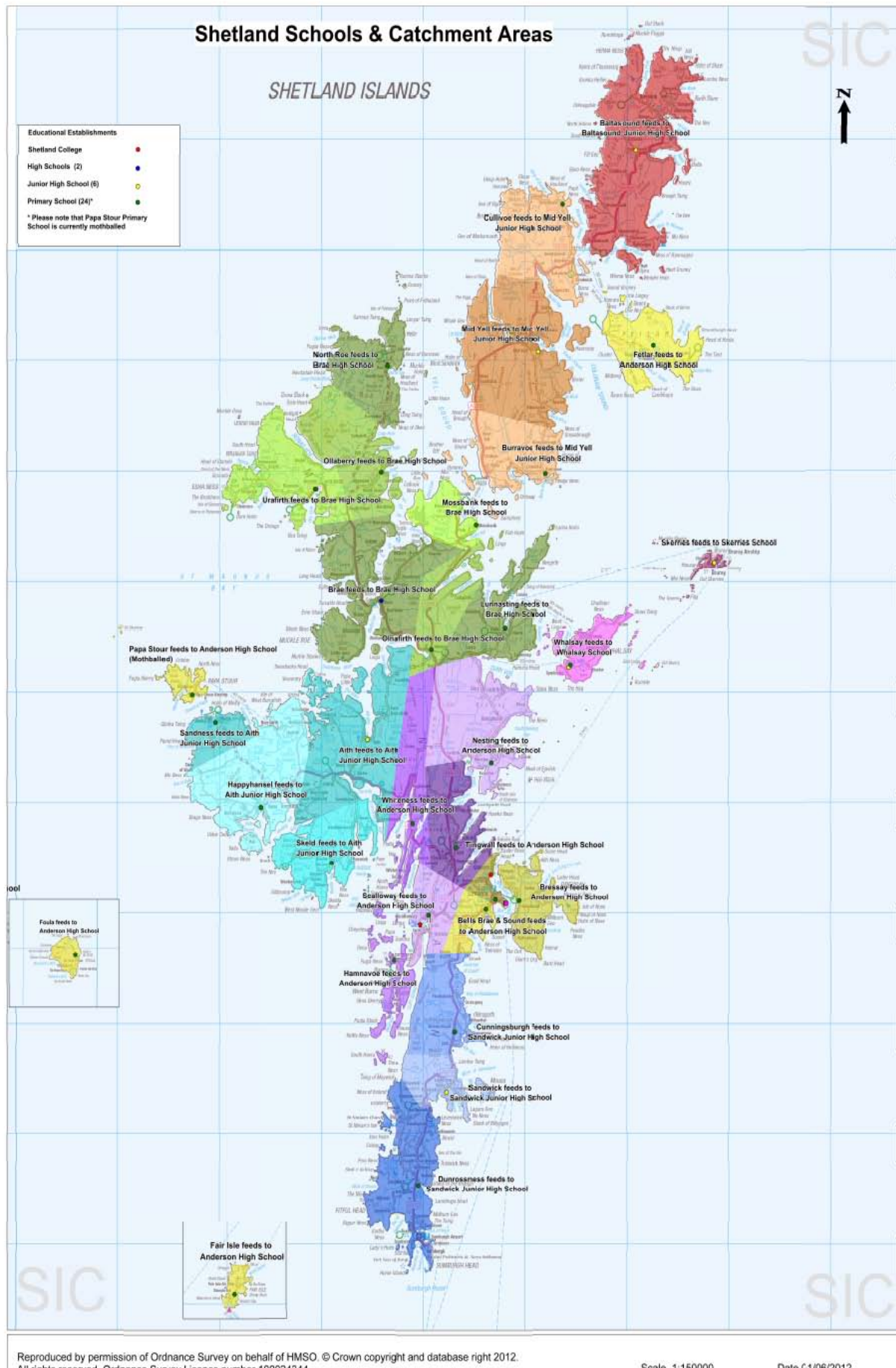
If anyone is dissatisfied with the application of this Policy, they can submit a written complaint under the Children's Services Complaints Procedure. A copy of the Children's Services Complaints Procedures can be obtained by contacting the department or online at www.shetland.gov.uk

12.0 Review

This policy will be reviewed and monitored every three years or sooner if required due to a change in legislation or the school estate.

Any future changes to the policy in relation to regulating priorities for admission, or as respects placing in schools generally, will require statutory consultation.

APPENDIX A



APPENDIX B**Children's Services-Admissions Policy****Catchment Areas**

Below are descriptions of catchment areas with main populated hamlets noted.

North Isles Cluster

Baltasound Junior High School	<i>The whole island of Unst.</i>
Cullivoe Primary School	<i>North Yell including Gloup, Cullivoe, Gutcher, North Sandwick, Sellafirth and Colvister.</i>
Mid Yell Junior High School	<i>Central Yell including Basta, The Herra, Camb, North-a-voe, Mid Yell, East Yell, Aywick and West Sandwick.</i>
Burravoe Primary School	<i>The South of Yell including Burravoe, Gossabrough, Hamnavoe, Ulsta, Cuppister and West Yell.</i>
Fetlar Primary School	<i>The whole island of Fetlar.</i>

North Mainland Cluster

North Roe Primary School	<i>North Roe, Lochend and as far south as the Collafirth Pier.</i>
Ollaberry Primary School	<i>From Collafirth including Swinister, Ronas Voe, Ollaberry, Gluss and Bardister.</i>
Urafirth Primary School	<i>Eshaness, Hillswick, Urafirth, Heylor and Hamar.</i>
Brae High School	<i>From Ennisfirth in the North, including Sullom, Islesburgh, Brae, Muckle Roe, Graven, Wethersta as far south as Parkgate.</i>
Olnafirth Primary School	<i>From Mulla, including Voe, Lower Voe, Dale and Collafirth. Catchment area extends West to the Loch of Gonfirth.</i>
Lunnasting Primary School	<i>From Lunna, including Vidlin, Swining and Laxo.</i>
Mossbank Primary School	<i>Mossbank, Toft and Firth.</i>

Whalsay and Skerries Cluster

Whalsay School	<i>The whole island of Whalsay.</i>
Skerries School	<i>Both inhabited islands of Out Skerries.</i>

West Mainland Cluster

Sandness Primary School	<i>Melby, Norby, Sandness and Bousta.</i>
Happyhansel Primary School	<i>Including Walls, Dale of Walls, West</i>

	<i>Burrafirth as far east as West Houlland.</i>
Aith Junior High School	<i>Including Sandsound, Bixter, Aith, Clousta, Gonfirth, East Burrafirth, Twatt, Noonsbrough, Tresta and Gruting.</i>
Skeld Primary School	<i>Skeld, Reawick, Culswick and Sand.</i>

Central Mainland Cluster

Whiteness Primary School	<i>Including Whiteness, Stromfirth, Weisdale, Cott, South Whiteness.</i>
Tingwall Primary School	<i>Including Griesta, Tingwall, Wadbister, Girlsta and Brunthamarsland.</i>
Scalloway Primary School	<i>Scalloway, Trondra and as far north as the Loch of Tingwall.</i>
Hamnavoe Primary School	<i>Both West Burra and East Burra.</i>
Nesting Primary School	<i>From the southside of Laxo Voe including Drury, North Nesting and South Nesting.</i>

Lerwick Cluster

Bells Brae Primary School	<i>Lerwick east of the Ayre of Clickimin and including Frakkafield.</i>
Sound Primary School	<i>Lerwick west of the Ayre of Clickimin, Gulberwick and Brindister.</i>
Bressay Primary School	<i>The whole island of Bressay.</i>
Foula Primary School	<i>The whole island of Foula</i>

South Mainland Cluster

Cunningsburgh Primary School	<i>Quarff, Fladdabister, Cunningsburgh as far south as Mail.</i>
Sandwick Junior High School	<i>Sandwick including Hoswick. As far south as Channerwick.</i>
Dunrossness Primary School	<i>Levenwick, Bigton, Maywick, Quendale, Virkie, Boddam and Scousburgh.</i>
Fair Isle Primary School	<i>The whole island of Fair Isle.</i>

Currently Mothballed

Papa Stour Primary School	<i>The whole island of Papa Stour</i>
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Secondary Schools (feeder Primaries)

Baltasound Junior High School	<i>Baltasound Junior High School Primary Department</i>
Mid Yell Junior High School	<i>Cullivoe Primary School, Mid Yell Junior High School Primary Department and Burravoe Primary School</i>

Skerries School	<i>Skerries School Primary Department</i>
Brae High School	<i>North Roe Primary School, Ollaberry Primary School, Urafirth Primary School, Mossbank Primary School, Olnafirth Primary School, Lunnasting Primary School and Brae High School Primary Department.</i>
Whalsay School	<i>Whalsay School Primary Department</i>
Aith Junior High School	<i>Sandness Primary School, Happyhansel Primary School, Skeld Primary School and Aith Junior High School.</i>
Anderson High School	<i>Bells Brae Primary School, Sound Primary School, Bressay Primary School, Fetlar Primary School, Foula Primary School, Fair Isle Primary School, Papa Stour Primary School, Scalloway Primary School, Hamnavoe Primary School, Nesting Primary School, Tingwall Primary School, Whiteness Primary School.</i>
Sandwick Junior High School	<i>Cunningsburgh Primary School, Sandwick Junior High School Primary Department, Dunrossness Primary School</i>

Consultation proposal by Shetland Islands Council

Report by Education Scotland, addressing educational aspects of the proposal by Shetland Islands Council to establish the *Shetland Islands Council, Children's Services Admissions Policy*.

1. Introduction

1.1 Shetland Islands Council proposes to establish the "Shetland Islands Council, Children's Services Admissions Policy", which will set out admission arrangements to its pre-school settings, primary and secondary schools; outline catchment areas for all schools; and define how placing requests will be considered.

1.2 The report from Education Scotland is required under the terms of the *Schools (Consultation) (Scotland) Act 2010*. It has been prepared by HM Inspectors in accordance with the terms of the Act.

1.3 HM Inspectors undertook the following activities in considering the educational aspects of the proposal:

- consideration of all relevant documentation provided by the council in relation to the proposal, specifically the educational benefits statement and related consultation documents, written submissions from parents and others; and transcripts from two public meetings held on 28 and 29 August 2012.
- discussions with representative groups of young people, promoted staff and parents/carers on 3 October 2012.

1.4 HM Inspectors considered:

- the likely effects of the proposal for children and young people across Shetland Islands Council; any other users; and children likely to become pupils within two years of the date of publication of the proposal paper.
- any other likely effects of the proposal;
- how the council intends to minimise or avoid any adverse effects that may arise from the proposal; and
- benefits which the council believes will result from implementation of the proposal, and the council's reasons for coming to these beliefs.

2. Consultation process

2.1 Shetland Islands Council undertook the initial consultation on its proposals with reference to the *Schools (Consultation) (Scotland) Act 2010*. The consultation included an invitation for written and online submissions and public meetings, held in August 2012.

2.2 Overall, young people were positive about the Admissions Policy. They felt that it was clearly set out and easy to understand. A few saw it as the formalisation of current processes and procedures that they had experienced personally.

2.3 Responses from parents were also positive overall. Most commented that almost all aspects of the proposed policy were clear and rational. Most felt that the policy's aims struck an appropriate balance between ensuring that all children and young people in Shetland could access the education appropriate to their needs and circumstances, and where practical, in the establishment of their choice. A few parents made helpful suggestions to the education authority about where specific terminology and criteria used within the policy could be explained more clearly.

2.4 Primary and secondary school staff welcomed the Admissions Policy. They appreciated particularly the move to standardise enrolment procedures across Shetland and in having the criteria for allocating places and the decision-making process clearly set out for all. Pre-school staff wanted further detail on how the deferred entry of children to Primary 1 would translate into practice. Across the pre-school and primary sectors, staff made some helpful suggestions to make the policy as reader-friendly and clear as possible.

3. Educational aspects of the proposal

3.1 Although the implementation of the proposed Admissions Policy will not directly impact on the delivery of the curriculum or the learning environment, it will provide schools and education authority officers with more timely and accurate information on projected pupil numbers, in order to better plan staffing and resourcing in good time each year. The council states that this, in turn, has the potential to secure better forward planning of the curriculum and its learning opportunities.

3.2 The council also states that the Admissions Policy will enable them to respond to the changing patterns of demand for school places in a consistent and timeous way, whilst ensuring all learners have equal access to adequate and efficient education in line with its statutory responsibilities, as contained in the Education (Scotland) Act 1980.

3.3 Shetland Islands Council Children's Services have a duty to deliver a service which meets national criteria for Best Value. The council believes that the implementation of the Admissions Policy will assist officers to identify, plan and allocate resources in a more systematic and accurate way.

4. Summary

4.1 The Admissions Policy clarifies for parents how to access education for their children, whilst standardising the procedures for admissions and making placing requests across Shetland's pre-school settings and schools. It also allows schools and Children's Services officers to plan and allocate resources more accurately and efficiently each year.

4.2 The council needs to consider the suggestions made by parents, staff and others, in revising the wording of the policy.

**HM Inspectors
Education Scotland
October 2012**

Shetland Islands Council
Admissions Policy- Statutory Consultation
Public Meeting 1

Tuesday 28 August 2012

Islesburgh Community Centre- Lerwick

Present: Audrey Edwards (Executive Manager- Quality Improvement, Lead Officer),
Maggie Spence (Quality Improvement Officer) Marianne Gordon and Heather
Summers (Note-takers)

Number of Attendees: 6

Introduction

This public meeting is being held under the terms of the Schools (Consultation) (Scotland) Act 2010. Its purpose is to give interested parties the opportunity to ask questions and to air their views on the proposal to establish an Admissions Policy for Shetland Islands Council.

As referred to in the Notice for this meeting, the proceedings at this public meeting are being recorded, both by note takers and by recording. A note of this meeting will be published in due course in the Council's website and will form part of the Consultation Report. It would therefore be useful if, when you speak you state what your relationship is with education in Shetland, for example, parent, pupil, grandparent, member of the public etc. No personal details will be published in the website or in the Consultation Report.

Mrs Edwards then delivered a short presentation which gave a brief overview of the policy, the statutory consultation process and how to submit a written response.

Attendees decided to discuss the proposal in one group and their responses are noted under the following three headings.

Admission Arrangements

Deferred Entry

Partner Provider- If pre-school/ primary enrolment is to be advertised and take place earlier where does that leave deferred entries? That will be very early in the year for making decisions. There needs to be clarification in the policy that those children born earlier than January have the right to defer entry.

Parent- Feels like this makes deferred entry much more like an application process than is

currently the case. Do parents have right to appeal?

Audrey Edwards- If child has an earlier than January birthday deferred entry will be at the discretion of Executive Manager. Advice from Legal Services is that we would be within rights to refuse a funded place for a further year at a pre-school setting if they have already accessed two years of pre-school education. Although this is unlikely and parents could access in a paid capacity.

Parent- It would be hard to make decision on deferred entry when child has in some cases just turned four. Could parents pay for further year?

Partner Provider- When would deferred entry form need to be submitted?

Audrey Edwards- This is something we need to clarify as we need to allow for a clear window for consideration.

Registration/ Enrolment

Partner Provider- Is January too early to be asking parents to register?

Audrey Edwards- This is to help us better meet legislative requirements.

Partner Provider- If a child is not allocated a place at their first choice pre-school setting who is responsible for contacting parent to discuss an alternative placement?

Audrey Edwards- It will be the responsibility of the Central Service.

Parent Council Chair- Why is pre-school and primary registration/ enrolment earlier than secondary?

Audrey Edwards- Secondary date is only for placing requests. The Education (Scotland) Act 1980 states that enrolment details must be advertised at least six months before commencement date. The January date helps us meet that legislative requirement.

Reserved Places

Parent Council Chair- If somebody moves into an area does that use up the reserved places for the year?

Audrey Edwards- No

Additional Support Needs

Parent Council Chair- Does the earlier registration/enrolment date in January impact on pupils with Additional Support Needs?

Audrey Edwards- No it shouldn't. The Additional Support for Learning Act 2004 provides a lot of information about support and transitions.

Catchment Areas

Community Council Chair- Feel that Hamnavoe Primary School catchment area should be

extended to include Trondra.

Parent Council Chair-Trondra School shut when the bridges came. Teacher moved to Scalloway so pupils did too. Historical accident. Feel it would greatly enhance the Burra and Trondra Community.

Community Council Chair- You have included a map and descriptions of catchment areas in the policy. Does this mean that the policy will need to go through Statutory Consultation every time there is a change in the school estate?

Audrey Edwards- No, as it is attached as an appendix we can just update rather than undergo a full consultation.

Parent- Why are there no catchment areas for pre-school?

Audrey Edwards- It is not a statutory requirement for parents to access pre-school education for their children therefore there are no designated catchment areas. We are not obliged to provide pre-school transport

Placing Requests

Parent- If a parent submits a placing request do they need to re-apply every year?

Audrey Edwards- No. A parent would only be required to submit another placing request if the pupil wished to attend the associated secondary school as opposed to their catchment school. For example if a child living in Cunningsburgh attends Sound Primary School through a placing request and wished to move on to the Anderson High School, a placing request would have to be submitted as the catchment secondary would be Sandwick Junior High School.

Mrs Edwards thanked all for attending and encouraged them to submit a written response.

The meeting closed at 7.45pm.

Shetland Islands Council
Admissions Policy- Statutory Consultation
Public Meeting 2

Wednesday 29 August 2012

Brae High School- Brae

Present: Audrey Edwards (Executive Manager- Quality Improvement, Lead Officer),
Shona Thompson (Executive Manager- Schools) Marianne Gordon and Heather
Summers (Note-takers)

Number of Attendees: 3

Introduction

This public meeting is being held under the terms of the Schools (Consultation) (Scotland) Act 2010. Its purpose is to give interested parties the opportunity to ask questions and to air their views on the proposal to establish an Admissions Policy for Shetland Islands Council.

As referred to in the Notice for this meeting, the proceedings at this public meeting are being recorded, both by note takers and by recording. A note of this meeting will be published in due course in the Council's website and will form part of the Consultation Report. It would therefore be useful if, when you speak you state what your relationship is with education in Shetland, for example, parent, pupil, grandparent, member of the public etc. No personal details will be published in the website or in the Consultation Report.

Mrs Edwards then delivered a short presentation which gave a brief overview of the policy, the statutory consultation process and how to submit a written response. Attendees decided to discuss the proposal in one group and their responses are noted.

Parent Council Member- This all seems fine to me. Is it just a way of formalising informal arrangements that already exist.

Audrey Edwards- Yes to an extent. Primary One rolls are a key piece of information for us. Helps us better plan resources.

Parent Council Member- Can't help but be suspicious as to what you are up to. There are so few here tonight. Are you confident that you publicised the meeting

enough? There are important things in this policy.

Audrey Edwards- We are not up to anything. This is an open and transparent consultation. The advert ran in the public notices section of the Shetland Times for two weeks and a Notice of Consultation which had details of these meetings was distributed to all parents in a school bag drop. Details of the consultation have been sent to all relevant consultees as per the Schools (Consultation) (Scotland) Act 2010.

Parent Council Chair- We will go away and discuss at our next Parent Council Meeting and will submit a response.

Parent Council Member- Surprised how fast pupils can be moved between schools with levels of bureaucracy that exists now.

Parent Council Chair- Will you have to revisit this policy and carry out another statutory consultation every time you close a school?

Audrey Edwards- No, we would only be required to update the appendix. Part of any closure proposal would be the redrawing of the catchment area.

Mrs Edwards thanked all for attending and encouraged them to submit a written response.

The meeting closed at 7.30pm.



**Shetland Islands Council
Children's Services
ADMISSIONS POLICY
(Amended)
2013**

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1.0 Introduction

Shetland Islands Council's Admissions Policy (the Policy) sets out the admission arrangements to its pre-school classes, primary and secondary schools and details how placing requests will be considered.

2.0 Legal Duties in Respect of Admissions

The Policy aims to meet Shetland Islands Council's legal duties in respect of admissions and can be summarised as: -

- To provide adequate and efficient school education.
- To provide information about schools and pre-school settings.
- To provide information about admission arrangements.
- To provide information on the right to choose an alternative school by making a placing request.
- To provide information about making a placing request when a child has additional support needs.
- To accept placing requests, except where Shetland Islands Council has the right to refuse a placing request.
- To provide information on the right to appeal if a placing request is refused.

3.0 Catchment Areas

Shetland Islands Council has identified catchment areas for all its primary schools and secondary schools, primarily to facilitate transport arrangements. Shetland Islands Council aims to provide a place for each pupil in their local catchment school and to meet requests from parents for a place at an alternative (non catchment) school, but there may be occasions when this is not possible – if for example the school could not meet that particular pupil's needs.

The catchment areas for each primary and secondary school are detailed in Appendices A and B. Appendix A shows a map of school catchment areas. Appendix B is a text description of each school's catchment area, noting the main populated hamlets.

There are no defined catchment areas for pre-school settings and a parent can choose whichever setting is most appropriate for their child. In the event of more requests for admission to a pre-school setting than places, Shetland Islands Council will follow the admission arrangements set out below at paragraph 5.1.

A catchment area can be changed to reflect movement in school rolls and changes to the school estate but before a change can be implemented a statutory consultation must be undertaken and any proposed change would need to be approved by Shetland Islands Council as Education Authority. Approval of Scottish Ministers may also be required in certain circumstances.

4.0 School Information

Information on all pre-school settings, primary and secondary schools are available at www.shetland.gov.uk.

In addition, each primary and secondary school must produce a School Handbook. These contain information about the school day, staffing and educational aims. They are available at www.shetland.gov.uk.

Copies of the above information can be supplied or inspected on request from: -

- Reception, Children's Services, Hayfield House, Hayfield Lane, Lerwick, Shetland, ZE1 0QD.
Telephone: (01595) 744000.
- Individual pre-school settings, primary and secondary schools.

5.0 Admission Arrangements

5.1 Admission to Pre-School

Funded pre-school education is available to all children for up to 475 hours each school year. The total number of hours of 475 is described as an entitlement. Normally this entitlement is provided by a child attending five sessions a week, each lasting 2.5 hours during the normal 38 week school year. This pattern of attendance gives the total of 475 hours.

However, as the 475 hours is an entitlement, it can be delivered differently at settings which offer longer opening hours, e.g. – a child could use their entitlement by attending only for three sessions a week during the normal school year, if each session lasts approximately 4 hours.

A child whose third birthday falls between the start of an academic session in August of one year and 28 February the following year, will commence pre-school education during the month following their third birthday or as soon as practicable thereafter.

A child whose third birthday is between 1 March and the start of an academic session in August of that year will commence pre-school education in August.

Shetland Islands Council places an advert in the local press during January each year, with details of all pre-school settings and the admission arrangements. Pre-school education must be requested by completing a Registration Form. Registration Forms will be available from: -

- All pre-school settings;
- www.shetland.gov.uk ; and

- Reception, Children's Services, Hayfield House, Hayfield Lane, Lerwick, Shetland, ZE1 0QD.

Details of where to return the Registration Form to will be clearly stated on the advert which appears in the press, and on the form itself. Forms must be returned by the specified date.

In the event that there are insufficient spaces to accommodate all the requests for admission to a pre-school setting, then Shetland Islands Council will allocate places in the priority order listed below.

- Children referred by Additional Support Needs, Social Work or Health professionals.
- Children who have already attended the pre-school setting and wish to continue for their pre-school year or have deferred entry to Primary School.
- Children who have siblings at the pre-school setting.
- Eligible four year olds.
- Eligible three year olds (oldest first).

Once priority spaces have been allocated and there are insufficient spaces left to accommodate the remaining requests, if all other factors are equal a ballot or a waiting list will be used to determine the allocation of remaining places.

Some settings keep a waiting list of children whose parents wish them to attend that setting. A setting can determine whether they wish to use a ballot or a waiting list to allocate remaining spaces. Settings must specify to parents the means they have used to allocate remaining spaces.

When a child has not been allocated a place in the requested setting, the parents will be contacted by Children's Services to discuss an alternative offer of pre-school education.

Parents can still ask that their requested setting retain their child's name in case a space becomes available during a school year as a result of a child leaving. In any such eventuality the criteria in the priority order for allocating spaces will be applied again to determine which child is offered any space which becomes available.

5.2 Admission to Primary One

There is a legal requirement that parents ensure a child attends school. A child will normally start attending school in August when their fifth birthday falls between 1 March of that year and 28 February in the following year. Therefore, any child whose fifth birthday falls after 28 February normally has to wait until the following August to start school.

A parent may decide to educate their child at a private school or at home. Parents are requested to notify Shetland Islands Council in advance of enrolling their child in a private school or of starting to

educate their child at home. Shetland Islands Council has a Home Education Policy which is available at www.shetland.gov.uk or by contacting Children's Services.

Shetland Islands Council places an advert in the local press during January each year, with details of all primary schools, catchment areas and the admission arrangements. Commencement of primary education must be requested by completing an Enrolment Form. Enrolment Forms will be available from: -

- All primary schools:
- www.shetland.gov.uk ; and
- Reception, Children's Services Hayfield House, Hayfield Lane, Lerwick ZE1 0QD

Details of where to return the Enrolment Form to will be clearly stated on the advert which appears in the press, and on the form itself.

For any pupil to qualify for admission to their local catchment school, parents must satisfy Shetland Islands Council that they ordinarily reside within the catchment area, either at the time the child will start school, or shortly thereafter. Appropriate information and evidence will be required to support all admissions. Details of supporting evidence required will be detailed on the Enrolment Form.

If a parent decides that they do not want to send their child to the local catchment area school, then the parent can make a placing request for the child to attend a different school. The procedure for making a placing request is outlined below at Section 7.

Enrolment Forms and placing requests received between the specified date and 15th March will be dealt with in accordance with the priority order detailed below at paragraph 5.4.

Enrolment Forms received after 15 March will be dealt with in order of receipt.

5.3 Early and Deferred Admission to Primary One

Early or deferred admission may be possible if it is considered appropriate to the aptitude and ability of the child. Early or deferred admission will be at the discretion of the Executive Manager – Quality Improvement in consultation with the appropriate Headteacher and pre-school setting.

Early or deferred admission must also be subject to there being sufficient space in the primary 1 or composite class.

Early or deferred admission must be requested by completing the Early/Deferred Admission Request Form. This form is attached to the policy as Appendix C. The forms are also available from: -

- All primary schools:
- www.shetland.gov.uk; and
- Reception, Children's Services, Hayfield House, Hayfield Lane, Lerwick, Shetland, ZE1 0QD

The Early/Deferred Admission Request Form should be completed and returned to: -

Executive Manager Quality Improvement
Children's Services
Hayfield House
Hayfield Lane
Lerwick
Shetland
ZE1 0QD

Where possible, Early/Deferred Entry Forms should be submitted by the 15 March each year for determination by 30 April.

Alternatively forms can be completed and returned online at www.shetland.gov.uk

5.4 Admission to other Primary Stages

Children moving into a catchment area may be admitted to other primary stages at any time of the school year if there is a place or reserved place available. The same rules as for admission to primary 1 above will apply.

Parents must complete an Enrolment Form which is available at all primary schools, Hayfield and on line. The completed form must be submitted to address in Hayfield.

5.5 Capacity of Primary Schools

The capacity for each of Shetland Islands Council's primary schools is determined by the projected roll for the catchment area, maximum class sizes and the budget allocated to each school. Therefore, pupil capacity is not determined by physical capacity within the school building alone. Therefore, the capacity of primary schools may fluctuate on an annual basis. For up to date information on the capacity of a particular primary school, please contact: -

Executive Manager Schools
Children's Services
Hayfield House
Hayfield Lane
Shetland
ZE1 0QD

As at August 2012, the class limits for primary schools are: -

- Single teacher school – 19 pupils.

- Composite classes (a class with more than one age group) – 25 pupils.
- P1 single year groups – 25 pupils.
- P2 – P3 single year groups – 30 pupils.
- P4 – P7 single year groups – 33 pupils.

Reserved Places

In order to maintain some capacity to accept pupils who move into a catchment area during the school year, reserved places are established for each primary school.

For primary schools one reserved place will be kept per class. For example:

- One reserved place in a one teacher-one class school.
- Five reserved places in a five teacher-five class school.
- Ten reserved places in a ten teacher-ten class school.

Oversubscription

On occasion Shetland Islands Council may receive more applications for children to attend their catchment area primary school than its capacity allows.

In the event that there are insufficient spaces, then Shetland Islands Council will allocate places in the priority order listed below.

- Children referred by Additional Support Needs, Social Work or Health professionals.
- Children who have siblings at the primary school.
- Children who would have the furthest distance to travel to their nearest alternative school with a place available.

Once priority spaces have been allocated and there are insufficient spaces left to accommodate the remaining requests, if all other factors are equal a ballot will be used to determine the allocation of places.

When a child has not been allocated a place in their catchment area school, the parents will be contacted to discuss an alternative offer of primary education.

Schools will retain waiting list of pupils in their catchment area who have not been successful in obtaining a place in their catchment area school in case a space becomes available during a school year as a result of a child leaving. In any such eventuality the criteria in the priority order for allocating places will be applied again to determine which child is offered any place which has become available.

5.6 Admission Arrangements - Secondary

Parents of a child who is to transfer from primary to secondary education at the end of Primary 7 will receive information regarding the relevant secondary school. Each primary school will also arrange a transition programme to assist pupils through the transfer from primary to secondary education.

If a parent decides that they do not want to send their child to the local catchment area school, then the parent can make a placing request for the child to attend a different school. The procedure for making a placing request is outlined below at Section 7.

In exceptional circumstances pupils residing within a catchment area may be refused a place if the school is physically unable to accept more pupils and will be directed to the nearest alternative school.

If a child attends a primary school through a placing request, the child will be expected to transfer to their appropriate home catchment area secondary school. Should a parent wish their child to move on to the secondary school associated with the primary school their child attends as a result of a placing request or another secondary school, then a further placing request must be made in accordance with Section 7.

As almost all pupils entering a secondary school will transfer from one of Shetland Islands Council's primary schools a further Enrolment Form does not need to be completed as the child will be known to the Authority.

If however, a pupil joins a secondary school from another local authority, an Enrolment Form must be completed and appropriate proof of identity and home address will be required. Enrolment Forms are available at: -

- All secondary schools:
- www.shetland.gov.uk ; and
- Reception, Children's Services Hayfield House, Hayfield Lane, Lerwick, Shetland, ZE1 0QD

Details of where to return the completed Enrolment Form will be specified on the form itself.

6.0 Admission to Specialist Resourced Units

Shetland Islands Council has two special resourced units for meeting additional support needs.

Bells Brae Primary School's Additional Support Needs department currently consists of five classes which cater for pre-school and primary children with complex additional support needs. Children benefit from the expertise of a

team of people who work together to provide an individualised programme addressing their needs.

The Anderson High School has a department based at Gressy Loan which caters for secondary aged children with complex additional support needs.

Placements within these two specialist departments are at the discretion of Children's Services.

For more information and advice, please contact: -

Education Support Officer Additional Support Needs
Children's Services
Hayfield House
Hayfield Lane
Lerwick
ZE1 0QD
Telephone: (01595) 744024

7.0 Placing Request Procedure

Parents who do not wish their child to attend the catchment area school can submit a placing request requesting that their child attend another school. Shetland Islands Council will always aim to meet parental choice where and when this is possible.

Children's Services will place an advert in local press during January/February each year advising that there is an expectation that all pupils will attend their catchment area school. The advert will explain how to obtain information about the current catchment areas within Shetland. The advert will explain that if a pupil wishes to attend a school other than their catchment area school for the next school year which starts in August, then a placing request must be made to Children's Services.

The advert will advise parents and young people that placing requests to attend a different school should be made using Children's Services Placing Request Form. This form is attached to the policy as Appendix D. The Placing Request Advert will also specify that, to receive a decision by 30 April, Placing Request forms should be returned by 15 March.

Parents wishing to make a placing request should complete the Placing Request Form (Appendix D) which is also available from: -

- all schools;
- www.shetland.gov.uk ; and
- Reception, Children's Services, Hayfield House, Hayfield Lane, Lerwick ZE1 0QD.

The completed form should thereafter be returned to:

Director of Children's Services
Children's Services
Hayfield House
Hayfield Lane
Lerwick
ZE1 0QD

Alternatively the form can be completed and returned online and www.shetland.gov.uk

Placing requests received on or before 15 March for a child to attend a particular school commencing in August of the next academic session will be determined by 30 April. All other placing requests will be determined within two months of receiving the completed form.

Placing Request Procedure – Additional Support Needs

If a child has additional support needs and a parent decides that they do not want to send the child to the catchment area school, or the particular school that is recommended by Shetland Islands Council, then the parent can make a placing request for the child to attend a different school.

A placing request for a pupil with additional support needs may be made for any mainstream school or specialist setting in certain circumstances.

Parents wishing to make a placing request should complete the Placing Request Form (Appendix D) which is also available from:-

- all schools:
- www.shetland.gov.uk : and
- Reception, Children's Services, Hayfield House, Hayfield Lane, Lerwick
ZE1 0QD

The completed form should thereafter be returned to:

Director of Children's Services
Children's Services
Hayfield House
Hayfield Lane
Lerwick
ZE1 0QD

Alternatively the form can be completed and returned online and www.shetland.gov.uk

Placing requests received on or before 15 March for a child to attend a particular school commencing in August of the next academic session will be determined by 30 April. All other placing requests will be determined within two months of receiving the completed form.

For more information and advice on placing requests for pupils with additional support needs, please contact: -

Education Support Officer Additional Support Needs
Children's Services
Hayfield House
Hayfield Lane
Lerwick
ZE1 0QD
Telephone: (01595) 744024

8.0 Grounds for Refusing Placing Requests

Shetland Islands Council can only refuse a placing request for certain reasons set out by law. For example, if allowing the placing request would mean that Shetland Islands Council would have to employ an additional teacher, spend a lot of money on building work to extend the physical capacity of the school or if the school is not suited to the age and ability of the child.

If your placing request is refused, you will be advised of the statutory ground for refusal. A place will be allocated at your catchment area school or a particular school nominated by Shetland Islands Council.

If Shetland Islands Council receives more placing requests for children to attend a primary school than its capacity allows, places will be allocated in the priority order listed below.

- Children referred by Additional Support Needs, Social Work or Health professionals;
- Children who have siblings at the primary school;
- Children who have suffered bullying/and or racial harassment (independent evidence will be required);
- If the nature of the parents' employment has a direct effect on the need to make a placing request for their child.

Once priority spaces have been allocated and there are insufficient spaces left to accommodate the remaining requests, if all other factors are equal a ballot will be used to determine the allocation of places.

9.0 Appeals Procedure When Placing Requests are Refused

There is an appeals procedure for parents and young people to follow if they are unhappy with a decision to refuse their placing request. Details of the appeals procedure will be provided in the letter advising that the placing request has been refused.

Shetland Islands Council has established the Placing Requests Appeals Sub-Committee to determine any appeals and comprises of three persons to be drawn from a panel of independent persons and elected members.

If the parents are unhappy with the decision of the Placing Requests Appeals Sub-Committee then there is a further right of appeal to the Sheriff Court.

There is a separate appeals procedure for pupils with additional support needs who have a co-ordinated support plan, who require a co-ordinated support plan but it is not yet finalised or there is a dispute about whether the pupil requires a co-ordinated support plan. In these cases, an appeal is considered by the Additional Support Needs Tribunal. The Additional Support Needs Tribunal can be contacted by writing to:

ASNTS
Europa Building
450 Argyle Street
Glasgow
G2 8LH

Or: 0141 242 0148

10.0 School Transport

Shetland Islands Council has a School Transport Policy which details the entitlement to school transport. It can be located at www.shetland.gov.uk or by contacting the department.

Parents who choose to send their child, through a placing request, to a school other than their designated school will be responsible for their child's transport. It is important that parents consider this when making a placing request.

There is no legal requirement for Shetland Islands Council to provide transport to a pre-school setting. However, transport may be provided at the discretion of Shetland Islands Council. This will be determined on a case by case basis. The Shetland Childcare Partnership offer funding for pre-school transport in limited circumstances.

For further details on school transport please contact: -

Executive Manager – Schools
Hayfield House
Hayfield Lane
Lerwick
ZE1 0QD
Telephone: (01595) 744000

For further details of the Shetland Childcare Partnership Pre-School Transport Scheme please contact: -

Shetland Childcare Partnership
Old Library Centre
Lerwick
Shetland
ZE1 0EL

Telephone: (01595) 745403

11.0 Complaints Procedure

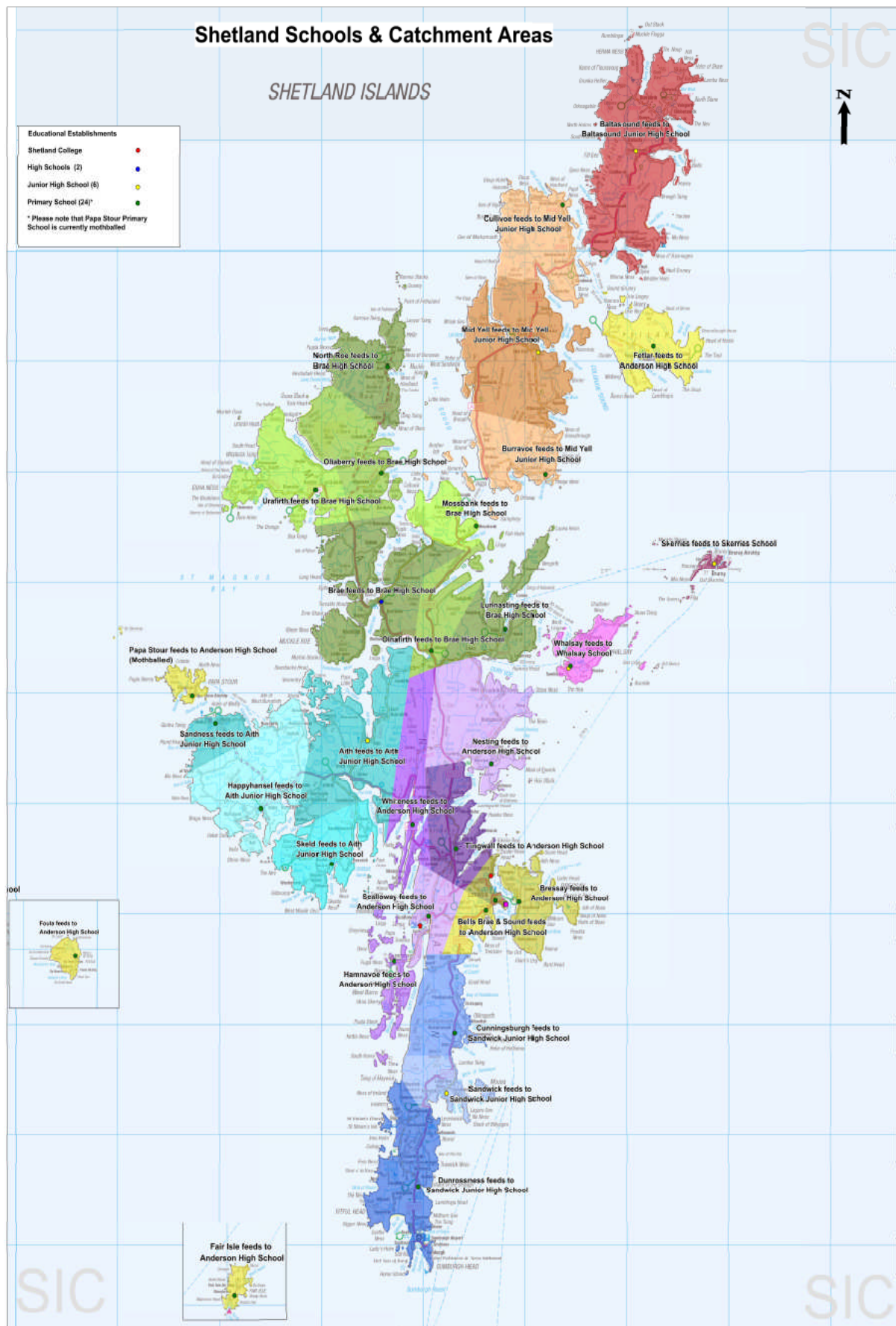
If anyone is dissatisfied with the application of this Policy, they can submit a written complaint under the Children's Services Complaints Procedure. A copy of the Children's Services Complaints Procedures can be obtained by contacting the department or online at www.shetland.gov.uk

12.0 Review

This policy will be reviewed and monitored every three years or sooner if required due to a change in legislation or the school estate.

Any future changes to the policy in relation to regulating priorities for admission, or as respects placing in schools generally, will require statutory consultation.

APPENDIX A



APPENDIX B

Children's Services-Admissions Policy

Catchment Areas

Below are descriptions of catchment areas with main populated hamlets noted.

North Isles Cluster

Baltasound Junior High School	<i>The whole island of Unst.</i>
Cullivoe Primary School	<i>North Yell including Gloup, Cullivoe, Gutcher, North Sandwick, Sellafirth and Colvister.</i>
Mid Yell Junior High School	<i>Central Yell including Basta, The Herra, Camb, North-a-voe, Mid Yell, East Yell, Aywick and West Sandwick.</i>
Burravoe Primary School	<i>The South of Yell including Burravoe, Gossabrough, Hamnavoe, Ulsta, Cuppister and West Yell.</i>
Fetlar Primary School	<i>The whole island of Fetlar.</i>

North Mainland Cluster

North Roe Primary School	<i>North Roe, Lochend and as far south as the Collafirth Pier.</i>
Ollaberry Primary School	<i>From Collafirth including Swinister, Ronas Voe, Ollaberry, Gluss and Bardister.</i>
Urafirth Primary School	<i>Eshaness, Hillswick, Urafirth, Heylor and Hamar.</i>
Brae High School	<i>From Ennisfirth in the North, including Sullom, Islesburgh, Brae, Muckle Roe, Graven, Wethersta as far south as Parkgate.</i>
Olnafirth Primary School	<i>From Mulla, including Voe, Lower Voe, Dale and Collafirth. Catchment area extends West to the Loch of Gonfirth.</i>
Lunnasting Primary School	<i>From Lunna, including Vidlin, Swining and Laxo.</i>
Mossbank Primary School	<i>Mossbank, Toft and Firth.</i>

Whalsay and Skerries Cluster

Whalsay School	<i>The whole island of Whalsay.</i>
Skerries School	<i>Both inhabited islands of Out Skerries.</i>

West Mainland Cluster

Sandness Primary School	<i>Melby, Norby, Sandness and Boust.</i>
Happyhansel Primary School	<i>Including Walls, Dale of Walls, West</i>

	<i>Burrafirth as far east as West Houlland.</i>
Aith Junior High School	<i>Including Sandsound, Bixter, Aith, Clousta, Gonfirth, East Burrafirth, Twatt, Noonsbrough, Tresta and Gruting.</i>
Skeld Primary School	<i>Skeld, Reawick, Culswick and Sand.</i>

Central Mainland Cluster

Whiteness Primary School	<i>Including Whiteness, Stromfirth, Weisdale, Cott, South Whiteness.</i>
Tingwall Primary School	<i>Including Griesta, Tingwall, Wadbister, Girlsta and Brunthamarsland.</i>
Scalloway Primary School	<i>Scalloway, Trondra and as far north as the Loch of Tingwall.</i>
Hamnavoe Primary School	<i>Both West Burra and East Burra.</i>
Nesting Primary School	<i>From the southside of Laxo Voe including Drury, North Nesting and South Nesting.</i>

Lerwick Cluster

Bells Brae Primary School	<i>Lerwick east of the Ayre of Clickimin and including Frakkafeld.</i>
Sound Primary School	<i>Lerwick west of the Ayre of Clickimin, Gulberwick and Brindister.</i>
Bressay Primary School	<i>The whole island of Bressay.</i>
Foula Primary School	<i>The whole island of Foula</i>

South Mainland Cluster

Cunningsburgh Primary School	<i>Quarff, Fladdabister, Cunningsburgh as far south as Mail.</i>
Sandwick Junior High School	<i>Sandwick including Hoswick. As far south as Channerwick.</i>
Dunrossness Primary School	<i>Levenwick, Bigton, Maywick, Quendale, Virkie, Boddam and Scousburgh.</i>
Fair Isle Primary School	<i>The whole island of Fair Isle.</i>

Currently Mothballed

Papa Stour Primary School	<i>The whole island of Papa Stour</i>
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Secondary Schools (feeder Primaries)

Baltasound Junior High School	<i>Baltasound Junior High School Primary Department</i>
Mid Yell Junior High School	<i>Cullivoe Primary School, Mid Yell Junior High School Primary Department and Burravoe Primary School</i>

Skerries School	<i>Skerries School Primary Department</i>
Brae High School	<i>North Roe Primary School, Ollaberry Primary School, Urafirth Primary School, Mossbank Primary School, Olnafirth Primary School, Lunnasting Primary School and Brae High School Primary Department.</i>
Whalsay School	<i>Whalsay School Primary Department</i>
Aith Junior High School	<i>Sandness Primary School, Happyhansel Primary School, Skeld Primary School and Aith Junior High School.</i>
Anderson High School	<i>Bells Brae Primary School, Sound Primary School, Bressay Primary School, Fetlar Primary School, Foula Primary School, Fair Isle Primary School, Papa Stour Primary School, Scalloway Primary School, Hamnavoe Primary School, Nesting Primary School, Tingwall Primary School, Whiteness Primary School.</i>
Sandwick Junior High School	<i>Cunningsburgh Primary School, Sandwick Junior High School Primary Department, Dunrossness Primary School</i>

APPENDIX C

Children's Services-Admissions Policy Early/Deferred Admission to Primary 1



Shetland Islands Council Early Entry Form Early/Deferred Admission to Primary 1

Child Details

Surname:.....

Forename(s):.....

Sex: Male/Female

Date of Birth:.....

Name of Parent/Carer

Title:.....Initial:.....Surname:.....

Home Address:.....

Town:.....Postcode:.....

Name of Pre-School Provision Attended:

.....

Name of Primary School Due to Attend:

.....

Please state your reasons for making this request:

.....

.....

.....

Signature of Parent/Carer:Date:

APPENDIX D

Children's Services-Admissions Policy **Placing Request Form**



Shetland Islands Council **Placing Request Form**

Child Details

Surname:.....

Forename(s):

Sex: Male/Female

Date of Birth:

Name of Parent/Carer

Title:.....Initial:.....Surname:.....

Home Address:

Town:.....Postcode:

Telephone No:

Name of Primary/Secondary School currently attended

Name of School:.....

Address:

.....Stage:.....

Name of Primary/Secondary School requested

Name of School:.....

Address:

.....Stage:.....

Please state your reasons for making this placing request.

.....

.....

Signature of Parent/Carer:Date:

Appendix E

Glossary of Terms

Catchment Area – the geographical area in a local authority which determines which children are entitled to attend which school.

Deferred Entry to Primary 1 – this is where a child is of age to enter Primary 1 but their parents make a request for them to remain in pre-school education for an additional year. This is usually requested because the parents feel their child may not be developmentally ready to start their primary education.

Early Entry to Primary 1 – this is where parents of a child whose birthday falls after the latest date in a year to make them eligible to start Primary 1 make a request for them to start Primary 1 a year earlier.

Placing Request – this is the formal request a parent makes if they wish their child to attend a school which is not their catchment area school.

School Capacity – the total number of pupils a school can take in to educate, based on space, staffing and budget allocated to it by the local authority.

Shetland Islands Council

Equality Impact Assessment

Part 1

Title of document being assessed	Children's Services- Admissions Policy
Is this a new or an existing policy, procedure, strategy or practice being assessed?	This represents a new policy.
Please give a brief description of the policy, procedure, strategy or practice being assessed	The Admissions Policy will set out Shetland Islands Council's admission arrangements to its pre-school settings, primary and secondary schools, catchment areas for all schools and how placing requests will be considered.
What is the intended outcome of this policy, procedure, strategy or practice?	The policy aims to meet Shetland Islands Council's legal duties in respect of admissions. Principally, it will enable Children's Services to respond consistently to changing patterns of demand for school places, and ensure all pupils have equal access to adequate and efficient education in line with its statutory responsibilities contained in the Education (Scotland) Act 1980.
Please list any existing documents which have been used to inform this Equality and Diversity Impact Assessment	N/A
Has any consultation, involvement or research with people from protected characteristics informed this assessment? If yes please give details.	N/A
Is there a need to collect further evidence or to involve or consult people from protected characteristic on the impact of the proposed policy? (Example: if the impact on a group is	<p>In accordance with the Schools (Consultation) (Scotland) Act 2010 Children's Services will be carrying out a Statutory Consultation on the Admissions Policy.</p> <p>At this point we do not believe that the policy will have a negative impact on people from protected characteristics. The consultation will allow us the opportunity to explore fully all impacts of the policy.</p> <p>The consultation runs from the 16 August to 26 September 2012.</p>

not known what will you do to gather the information needed and when will you do this?)	
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Part 2

Which protected characteristics will be positively or negatively affected by this policy, procedure or strategy?

Please place an X in the box which best describes the overall impact. It is possible for an assessment to identify that a positive policy can have some negative impacts and vice versa. When this is the case please identify both positive and negative impacts in Part 3 of this form.

If the impact on a protected characteristic is not known please state how you will gather evidence of any potential negative impacts in the relevant section of Part 1.

	Positively	Negatively	No Impact	Not Known
Ethnic Minority Communities (consider different ethnic groups, nationalities, language barriers)			X	
Gender			X	
Gender Reassignment (consider transgender and transsexual people. This can include issues such as privacy of data and harassment)			X	
Religion or Belief (consider people with different religions, beliefs or no belief)			X	
People with a disability (consider attitudinal, physical and social barriers)	X			
Age (consider across age ranges. This can include safeguarding, consent and child welfare)	X			
Lesbian, Gay and Bisexual			X	
Pregnancy and Maternity (consider working arrangements,			X	

part-time working, infant caring responsibilities)				
Other (please state)			x	

Part 3

Have any positive impacts been identified? (We must ensure at this stage that we are not achieving equality for one group at the expense of another)	The policy will help Shetland Islands Council ensure all pupils have equal access to adequate and efficient education in line with its statutory responsibilities.
Have any negative impacts been identified? (Based on direct knowledge, published research, community involvement, customer feedback etc.)	No negative impacts have been identified.
What action is proposed to overcome any negative impacts? (e.g. involving community groups in the development or delivery of the policy or practice, providing information in community languages etc)	N/A
Is there a justification for continuing with this policy even if it cannot be amended or changed to end or reduce inequality without compromising its intended outcome? (If the policy shows actual or potential unlawful discrimination you must stop and seek legal advice)	N/A
How will the policy be monitored? (How will you know it is doing what it is intended to do? e.g. data collection, customer survey etc)	<p>The policy will be reviewed and monitored every three years, or sooner if required due to a change in legislation or the school estate.</p> <p>Any future changes to the policy will require statutory consultation.</p>

**Shetland Islands Council****5 December 2012****New Anderson High School –
Acceptance of Funding, Governance Arrangements and Approval to Proceed****CS-27-12-F****Director of Children's Services****Children's Services****1.0 Summary**

The purpose of this report is to seek:

- 1.1 Approval to accept the Scottish Government's offer of two thirds funding for a new build Anderson High School and associated Hall of Residence, as announced by the Cabinet Secretary on 26 September 2012 in Phase Three of Scotland's Schools for the Future Programme.
- 1.2 Approval regarding an agreement for a Hub North Territory Schools Collaboration. The six Local Authorities in the north hub Territory which are delivering revenue funded secondary school projects, supported by Scottish Government funding in Phase Three of Scotland's Schools for the Future Programme, will work together to drive the best outcome in terms of educational provision, quality and cost through adopting a collaborative approach.
- 1.3 Approval for a project structure which expands on the proposal in the Hub North Territory Schools Collaboration to include the Local Authority representation.
- 1.4 Delegation of authority to officers to take the project through the next steps.

2.0 Decision Required

- 2.1 Shetland Islands Council is asked to RESOLVE to:
 - 2.1.1 Agree to the support from the Scottish Government for the delivery of a new Anderson High School and associated Hall of

Residence through revenue funding as stated in the letter dated 5 October 2012 and attached as Appendix A.

- 2.1.2 Agree to provide one third funding, as required by “Scotland’s Schools of the Future Programme”, in respect of a new Anderson High School, and associated Hall of Residence. Provision has been agreed within the Medium Term Financial Plan for an estimated £12 million contribution.
- 2.1.3 Delegate the agreement of the detail of the funding arrangements to the Executive Manager – Finance.
- 2.1.4 Approve Shetland Islands Council’s involvement in the Hub North Territory Schools Collaboration document in principle, which is Appendix B.
- 2.1.5 Delegate to the Director of Children’s Services, authority to implement the governance arrangements set out in Appendix C and to submit a new project request to Hub North.
- 2.1.6 Agree that work on sharing services with the Shetland Recreational Trust in the Clickimin Leisure Centre be continued.
- 2.1.7 Delegate the negotiation for and purchase of land as required to the Executive Manager – Capital Programme as detailed in Appendices D(i)–(iii).
- 2.1.8 Delegate to the Director of Children’s Services, authority to progress the project and to undertake all necessary tasks required to bring it to the end of stage 2, see paragraph 3.16.

3.0 Detail

- 3.1 In 2010 the Council undertook statutory consultation on the relocation of Anderson High School from the current Knab site to Lower Staney Hill in Lerwick. The site referred to during this process incorporated a larger area than the part of the Lower Staney Hill that is zoned for Educational purposes as shown in Appendix D. On 8 December 2010 the Council approved a recommendation from Services Committee that the school be moved to a greenfield site at Lower Staney Hill.
- 3.2 On 7 December 2011, the Council RESOLVED to:
 - Reconfirm the decision of June 2010 to build a new school at the Lower Staney Hill Site and to include residential accommodation, subject to a funding package which is in line with the Council’s Reserves Policy and Strategic Budget Plans;
 - Ensure that the project is affordable for Shetland Islands Council by (a) participating in the national building programme for investment in schools estate (which, if successful, may secure up to two-thirds funding of eligible costs); and (b) developing the accommodation schedule to national standards, including provision for secondary young people with complex additional support needs Shetland wide;

- Take full advantage of shared facilities with Shetland Recreational Trust; and
 - 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.
- 3.3 On 21 July 2012 Shetland Islands Council submitted an application to the Scottish Government for funding of a replacement Anderson High School and associated Hall of Residence. On 26 September 2012 the Cabinet Secretary announced that Shetland Islands Council's application for funding had been successful.
- 3.4 The Head of Schools Infrastructure Unit at the Scottish Government then wrote to the Director of Children's Services confirming the announcement by the Cabinet Secretary. This is attached as Appendix A. This states that the project will be Revenue funded via a Design, Build, Finance and Maintain (DBFM) contract. It has to be taken forward in conjunction with the Scottish Futures Trust who over-see the Scotland's Schools for the Future programme on behalf of the Scottish Government.
- 3.5 A number of local authorities, including Shetland Islands Council, have been identified as having the potential to commence construction within the next 12 to 18 months. In this regard, the Cabinet Secretary for Education and Lifelong Learning is keen to be kept informed of the indicative timeframe for the delivery of key milestones to construction start for this particular project.
- 3.6 Scottish Futures Trust have confirmed to the Chair of Education and Families and officers of Shetland Islands Council that the Scottish Government will support two thirds of the funding for a new, like for like replacement Anderson High School and they will support two thirds of the funding for a new, like for like replacement associated Hall of Residence. They are also willing to support a new additional support needs base which is based on a like for like replacement of the current area of Gressy Loan.
- 3.7 The estimates which have been worked up are based on the like for like replacement as described above:
- 3.7.1 A like for like replacement school;
 - 3.7.2 A metric of 11m² per pupil;
 - 3.7.3 A cost per m² of £1,900, but subject to a geographical uplift of 25%, i.e. £2,375 per m²;
 - 3.7.4 Additional Support Needs provision over and above the above metric, based on the floor area of the existing facilities and the same rate per m² (£2,375);
 - 3.7.5 Halls of Residence provision to Care Commission standards, based on a like for like capacity and a maximum rate per m² of £2,375. This rate may be reduced depending on the outcome

of detailed costing work, but only if the user requirements are met at that rate.

- 3.8 Final budget figures, and the detail of how Shetland Islands Council's contribution to the project will be configured, will only become available over the next few months.
- 3.9 The Council can no longer afford to undertake a project of this nature on its own, so is dependent on external funding to allow it to progress. The Scottish Government cannot afford to undertake Phase 3 of the Schools of the Future Programme on a capital basis, so the programme is being funded by revenue. The project will therefore be undertaken on a Design, Build, Finance and Maintain basis. The main point to note is that a revenue project will not cost any more over the term than a capital project.
- 3.10 The project is required to be on site within 12-18 months, and the Hub North procurement route can allow this to happen. Any other route would be challenging within the time frame. To initiate this five other local authorities in the north hub territory are delivering revenue funded secondary school projects in Phase 3 of Scotland's Schools for the Future Programme. These authorities are Aberdeen City Council, Aberdeenshire Council, The Moray Council, The Highland Council and Argyll and Bute Council. It is proposed that Shetland Islands Council agree to collaborate with these other local authorities on all matters where benefit can be derived. The proposal is set out in draft form as Appendix B.
- 3.11 The drawings in Appendices D(i)-(iii) of the proposed site of the school and associated Hall of Residence will be shared with Hub North who will work with Shetland Islands Council on them. In order to develop the most practical design for a new Anderson High School allowing for the sharing of the Clickimin Leisure Centre, it is necessary to acquire some of the land that is currently zoned for education which is owned by Shetland Recreational Trust and Shetland Leasing and Property Developments Limited. There is no need to acquire land outwith the area described in the 2010 statutory consultation.
- 3.12 The new Hall of Residence may not be most suited to a conversion of Hayfield House due to the timescales involved and the cost of conversion. Early work has to be undertaken to ascertain the best place for it in relation to the site of the new school. Two options are suggested as detailed in Appendix D(iii).
- 3.13 Shared use of the Shetland Recreational Trust facilities at Clickimin is a key aspiration in developing detailed proposals on this site. This will involve formal agreements with Shetland Recreational Trust as well as negotiating the nature and extent of potential accommodation works.
- 3.14 A diagram setting out project governance arrangements is attached as Appendix C. This sets out reporting lines and details the roles and responsibilities of the key individuals and groups that will manage and oversee the project.

- 3.15 As indicated above this project has to be taken forward as a Design, Build, Finance and Maintain contract. The Council's contract will be with Hub North and there are key identifiable stages:
- 3.15.1 Shetland Islands Council will have to produce a New Project Request document for submission to Hub North that outlines the project specification and includes the affordability cap figures for Shetland Islands Council's Capital and on-going revenue contributions.
 - 3.15.2 At Stage 1 Hub North is then required to formally respond to the Council within a pre-determined contractual period indicating that it can (or cannot) deliver the specified project within the approved Affordability Cap figures.
 - 3.15.3 By the end of Stage 2, some 12 months later, a report will be brought to Shetland Islands Council detailing a formal construction contract be agreed between Shetland Islands Council that will bind both parties to an agreement relating to the final design specification, the binding Design Build Finance and Maintain project cost, a handover date, funding arrangements and operational management issues relating to life cycle maintenance and external groundwork throughout the 25 year contract period.
 - 3.15.4 A key Stage Review will be carried out by the Scottish Futures Trust, Shetland Islands Council and Hub North at each of the steps outlined above. The process is designed to ensure that the project delivers best value for the tax-payers. The delivery of best value at each stage is evidenced by bench-marking and measurement against other pre-determined criteria.
 - 3.15.5 Once Stage 2 is approved then construction will begin thereafter with the completed school and associated Hall of Residence being handed over to Shetland Islands Council.
- 3.16 Delegations to Officers requested in this report enables the tight timescales to be met. It also demonstrates to Scottish Futures Trust and the Scottish Government, the Council's commitment to deliver within those timescales. Members will be kept well informed. Members will be represented on the stakeholder group and it is proposed that Members Briefings will be issued in addition to progress reports as the project progresses.

4.0 Implications

Strategic

- 4.1 Delivery On Corporate Priorities – Provision of a new Anderson High School is a key Shetland Islands Council priority, with links to the delivery of the Blueprint for Education.

- 4.2 Community /Stakeholder Issues – Extensive consultation on this project has already been undertaken over a number of years. The most recent was a statutory consultation on the relocation of the site. A sub group of the Project Team will be established for stakeholders to enable ongoing engagement.
- 4.3 Policy And/Or Delegated Authority – Shetland Islands Council has taken the decision to proceed with this project and the provision of funding is addressed in the Medium Term Financial Strategy. This report recommends levels of delegation to officers to ensure that this policy can be implemented in line with the proposed programme.
- 4.4 Risk Management – There are a number of risks which are associated with this project. Safety and Risk will work very closely with the Project Team to ensure they are properly identified, recorded and minimised to an acceptable level. Engagement with Hub North will also reduce risks.
- 4.5 Equalities, Health And Human Rights – None arising from this report.
- 4.6 Environmental – None arising from this report.

Resources

- 4.7 Financial – The provision of funding is addressed in the Medium Term Financial Strategy which was approved on 20 September 2012 (Min Ref: SIC 85/12). Budgets for the Council's internal costs will need to be incorporated within the 5-year capital programme as part of the imminent re-prioritisation associated with the ongoing budget setting exercise for 2013/14 and beyond.
- 4.8 Legal – Governance and Law will be involved in the process of agreeing land purchase, accommodation works, contracts and other agreements.
- 4.9 Human Resources – None arising from this report.
- 4.10 Assets And Property – This will add two assets to Shetland Islands Council's portfolio of properties.

5.0 Conclusions

- 5.1 This report highlights a number of decisions for Shetland Islands Council, in order that a new Anderson High School and associated Hall of Residence can progress on a sound basis.

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Report finalised: 28 November 2012

List of Appendices

Appendix A: Letter from Jonathan Moore, Head of Schools Infrastructure Unit

Appendix B: Hub North Territory Schools Collaboration document

Appendix C: Anderson High School – Suggested Project Structure

Appendix D(i)-D(iii): Drawings showing areas of land

Background documents:

Services Committee 7 December 2010, Min. Ref. 109/10

<http://www.shetland.gov.uk/coins/submissiondocuments.asp?submissionid=11498>

END

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Ar faidhle/Our ref: POL/17289
5 October 2012

Don Mrs Budge

SCOTLAND'S SCHOOLS FOR THE FUTURE – PHASE III

Following last week's announcement by the Cabinet Secretary for Education and Lifelong Learning on Phase 3 of Scotland's Schools for the Future Programme you will no doubt be aware that Scottish Government will support delivery of Anderson High School. This support is subject to a positive outcome to any statutory consultations that may be required for the project.

It is proposed that your project will be revenue funded. The Cabinet Secretary is very keen to maintain momentum across the programme and we would expect your authority to take the project forward with Scottish Futures Trust as soon as practical. A number of authorities have been identified as having the potential to commence construction within the next 12 – 18 months and we hope that most other revenue funded projects will follow shortly thereafter.

I am aware that you are due to meet colleagues from Scottish Futures Trust week commencing 15 October to discuss your project in more detail. As you begin to formulate plans to take your project forward, I would be grateful if you could provide me with an indicative timeframe of the key delivery milestones to construction start, so that we can keep the Cabinet Secretary informed. Whilst we recognise the need to accelerate implementation through use of key milestones, we are mindful of the need for authorities to undertake, where appropriate, statutory consultations and to obtain best value. As Mr Russell indicated in his announcement about Phase 3, this is a welcome boost to Scotland's economic recovery and he is looking forward to seeing how these projects develop over the coming months.

*Yours sincerely,
Jonathan Moore*

Jonathan Moore
Head of Schools Infrastructure Unit

Scotland's Schools for the Future

Hub North Territory Schools Collaboration

Introduction

Six local authorities in the north hub Territory are delivering revenue funded secondary school projects supported by Scottish Government funding in Phase Three of Scotland's Schools for the Future Programme.

These authorities are Aberdeen City Council, Aberdeenshire Council, The Moray Council, The Highland Council, Shetland Islands Council, Argyll and Bute Council.

These six projects are to be delivered in partnership with hub North Scotland and present a clear opportunity to drive the best outcome in terms of educational provision, quality and cost through adopting a collaborative approach.

All six local authorities have agreed in principle to collaborate on all aspects where benefit can be derived and wish to establish the principles and mechanisms for this to take place.

1.0 How collaborative working could drive benefit

1.1 Potential Benefits

Experience can be drawn from within Scotland's Schools for the Future Programme and from other similar national programmes that demonstrate how collaboration can be achieved, the areas of opportunity and the benefits that are delivered. Details of the benefits already achieved from the Scottish Futures Trust pilot projects are included in Appendix 1.

The list below notes initial thinking on areas of collaboration. It is anticipated that this will be increased as the process develops:

- Client Brief
 - Stakeholder Engagement
 - IT
 - Appointment of joint Advisors
 - Supply Chain Opportunities
 - Community and wider Benefits
 - Management of Risk
 - Facilities Management
 - Funding opportunities
-
- Approach to Design

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- Material Specification
- BREEAM & EPC- Energy Performance
- Sustainability
- Structural / M&E Strategies
- Modular Construction
- Fixed Furniture & Equipment

2.0 How governance arrangements would operate

2.1 Programme Governance

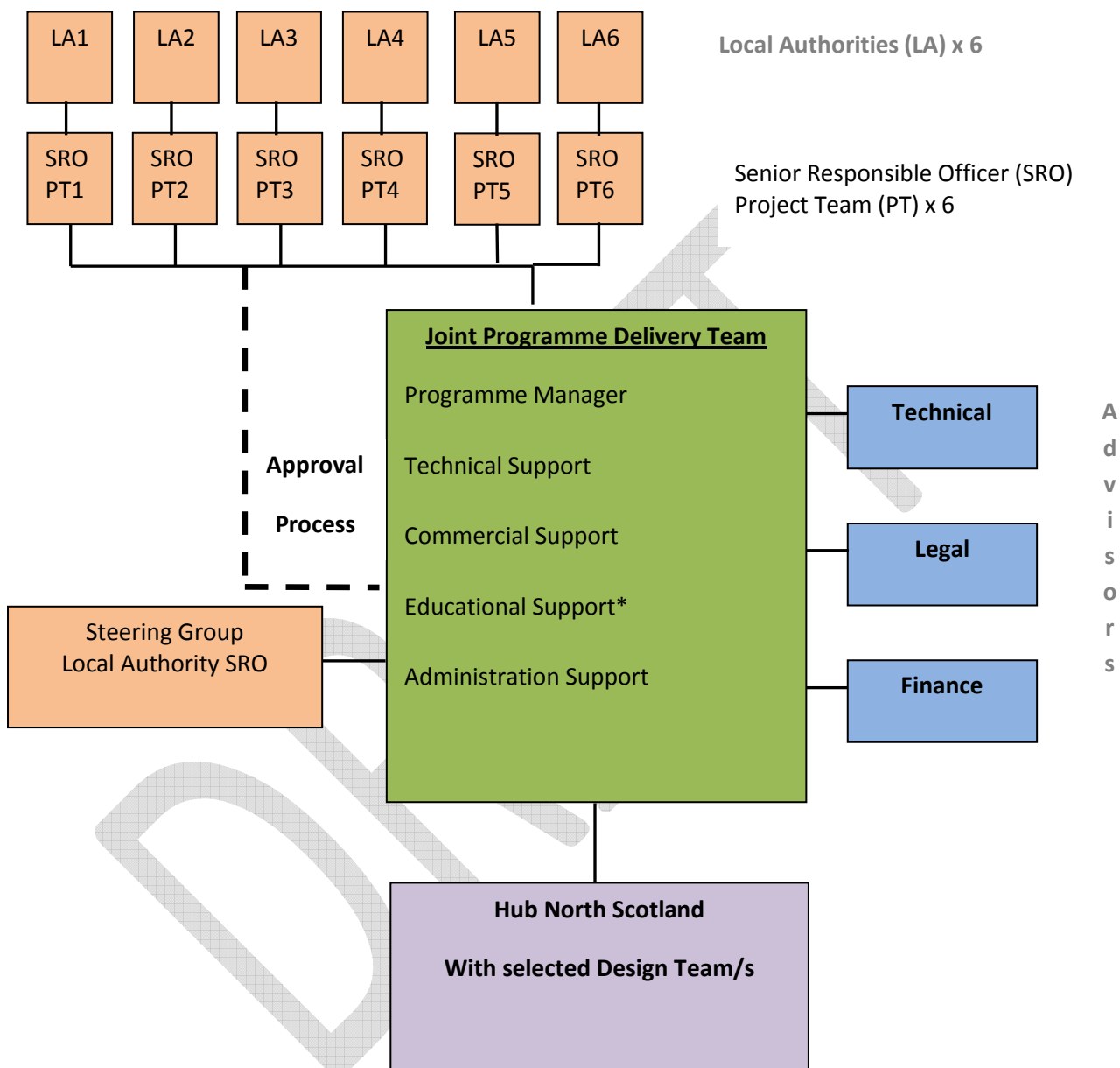
An appropriate governance structure is crucial to the success of this programme enabling decisions to be taken by the right people at critical stages. Governance arrangements need to be clear and sufficiently concise to be effective. In the context of collaboration in order to maximise efficiencies and operational effectiveness it is critical that the Joint Programme Delivery Team, whilst having multiple clients, operates with full senior level support from either an Senior Responsible Officer or project board, which champions the joint working agenda within the respective Council.

An example programme governance structure is noted below with roles and responsibilities.

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DRAFT Programme Governance Structure for North Territory Collaboration



Notes

Technical will focus on design and specification

*Educational Support as required

Facilities Management support as required

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2.2 Roles & Responsibilities

Each local authority will require an appropriate project structure to comply with governance requirements and good practice. This will include the key roles of Investment Decision Maker and Senior Responsible Officer which are described below. A Project Team will also be required but with reduced costs and capacity compared to the approach where each local authority was to deliver each scheme in isolation. Typically the Project Team will prepare the initial brief, provide educational input and ensure that the local authority's requirements are met in relation to finance and legal. The capacity and responsibility to develop projects collaboratively will be within the Joint Programme Delivery Team.

Investment Decision Maker (IDM)

The Investment Decision Maker in each Council will be the appropriate Committee or full Council. It is ultimately accountable for each investment decision and consequently the success or failure of each project. They must ensure that each project delivers value for money. Each Investment Decision Maker needs to demonstrate a visible commitment to both the individual projects and the collaborative approach.

Key Responsibilities of an Investment Decision Maker

- To ensure that there is a set of deliverable success criteria
- To ensure that the project drivers and expected benefits have been developed through appropriate consultation
- To approve project timescales and financial investment
- To ensure that investment decisions are based on demonstrable successes and benefits achieved in a whole-life VfM framework

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Senior Responsible Officer (SRO)

The Senior Responsible Officer (SRO) is the individual in each Council responsible for ensuring that each project meets its objectives and delivers the expected benefits. Appointed by the Investment Decision Maker, the Senior Responsible Officer should be the owner of the overall change that is being supported by the project. The Senior Responsible Officer should ensure that the change maintains its focus, has clear authority and that the context, including risks, is actively managed. This individual must be senior and must take personal responsibility for the successful delivery of the project. The Senior Responsible Officer should be recognised throughout the organisation. The individual should as far as possible remain in place throughout each project and should be the chair of the Project Board as appropriate to reflect the local governance requirements

Key Responsibilities of a Senior Responsible Officer

- Oversee project performance and resolve issues / obtain or make decisions that fall outside of the Joint Programme Delivery Team delegated authority
- Maintain visible and sustained commitment to the project
- Develop project objectives and ensure they are clearly defined and achievable
- Ensure that a brief is developed that clearly reflects the project objectives
- Sign off project requirements ensuring project affordability
- Be the design champion for the project ensuring that quality design considerations are integrated into the approach
- Approve any changes to the project scope ensuring that impact on time and cost is assessed

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Project Board / Project Team

The Project Boards and Project Teams in each council are responsible for the direction and oversight of the delivery and procurement of each project and that each project remains on course to deliver the desired benefits and required quality. The Project Boards and Project Teams oversee the effectiveness of the Programme Manager and the Joint Programme Delivery Team and are responsible for ensuring that adequate resources are made available for the delivery of each project within programme timescales.

Key Responsibilities of the Project Board /Project Team

- Jointly appoint the Programme Manager
- Agree remits and extend delegated authority to the relevant party
- Provide unified direction, support and effective decision making to the collaborative project
- Ensure that project scope is clearly defined and has been agreed by the key stakeholders
- Ensure appropriate stakeholder identification, analysis and engagement
- Ensure that project objectives are met
- To establish a progress and reporting procedure, ensuring that any changes in circumstances affecting the project are evaluated and appropriate corrective action taken

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Hub North Territory Schools Collaboration

Joint Programme Delivery Team

A Joint Programme Delivery Team will be established to represent the local authorities jointly with hubco. It will manage and develop a common approach which will derive greatest benefit for all six projects.

It will operate with a common mandate under delegated approvals which will be based on there being a benefit from the delegation which if not this would stay with the local authority

This team will be responsible for the development of each project in the programme using common elements such as the standard form contract documents from Scottish Future Trust. The Team will link to each local authority and be the interface on the majority of issues with the hub company and advisers.

The Joint Programme Delivery Team will be supported by a Steering Group which includes the Senior Responsible Officer (SRO) for each project. The purpose of this Group is to support the Programme Manager with engagement across the six local authorities to maximise the collaborative opportunities.

The Joint Programme Delivery Team will include leads for Technical and Commercial with administrative support. Further input will be as required such as educational and facilities management.

The funding of the Joint Programme Delivery Team is to be addressed. Options for this will be developed in conjunction with the Scottish Futures Trust.

The Joint Programme Delivery Team is the collaborative team whose role is to liaise with the local Project Teams to develop the defined project scopes. The Joint Programme Delivery Team will manage the delivery of each project liaising directly with the design team, the development partner (hubCo), external advisers and other reference groups. As the respective timing for delivery for each individual project will vary, this team will move across the duration of the programme which means that it is likely to be in place for between three and five years.

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Key Responsibilities of the Joint Programme Delivery Team

- Provide support and assistance to the Programme Manager
- Develop a joint specification for the projects, maximising opportunities for collaboration and aggregation
- Deliver the projects within identified cost, time, quality and risk parameters through the design development, construction and operational phases
- Review and evaluate information from the Project Teams, design team, the development partner (hubCo), external advisers and other reference groups to support Programme Manager in taking delegated decisions, making recommendations to the Project Boards and Project Teams
- Provide a clear remit and direction to the design team
-

Programme Manager

The Programme Manager, will lead the Joint Programme Delivery Team. The individual should remain in place throughout the collaborative project.

Key Responsibilities of the Programme Manager

- Establish an organisational framework identifying all key participants with clear responsibilities and accountabilities
- Develop and manage the implementation of measures to meet the project objectives using the hub process
- Co-ordinate and rationalise the requirements of all the key stakeholders in developing the project definitions and design briefs
- Keep Project Boards and Project Teams fully informed

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- Supported by the Joint Programme Delivery Team and other stakeholders as required, make recommendations to the Project Boards / Project Teams at key stages, as agreed.
- Ensure effective monitoring of progress and take corrective action where required , exerting stringent formal control of decisions involving costs, content and material variations and changes in the approved project scope
- Ensure compliance with all relevant procurement legislation and good practice requirements
- Facilitate team development, communication, quality and risk management

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Appendix 1

Scotland's Schools for the Future Pilot Project Benefits Statement

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Scotland's Schools for the Future Pilot Project Benefits Statement

1. Introduction

Collaboration – “To work together with others to achieve a common goal”

SFT initiated and continues to support the Scotland's Schools for the Future programme pilot project. The project has identified structures and processes for delivering savings through collaborative procurement across local authority boundaries. The purpose of the paper is to identify the additional financial and non-financial benefits which have been achieved through adopting this collaborative approach.

The pilot project, involving East Renfrewshire and Midlothian Councils, sees two councils working together for the first time to jointly procure two schools with an initial estimated value of £70m. In establishing a collaborative procurement model, both councils recognised the opportunities and indeed challenges which lay ahead by working together to achieve a common goal.

A key decision taken very early in the process was to jointly develop a reference design for each school. This approach was not normally undertaken by one council whereas the other had previously used the approach with much success. Working collaboratively both councils agreed to progress on the basis of using a reference design. This collaborative approach consequently delivered substantial savings. Common design solutions together with a common approach to specification were agreed where appropriate. To assist with the preparation of the reference design the councils set up a joint project team and chose to appoint one design team and one set of advisors delivering lower procurement costs.

By agreeing a common approach to design and specification and by following a joint procurement process, the project has delivered substantial savings. When combined with additional savings generated through economies of scale, the pilot project has delivered a saving of almost 6% (or £4m) through collaborative working.

Section 2 outlines the makeup of the cost savings.

Section 3 describes additional benefits which have arisen through the pilot project.

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2. Pilot Project – Cost Savings

2.1. Joint procurement team

The councils established a joint procurement team which consisted of a Project Board and a Project Team led by the Project Director. It is estimated that the joint procurement team approach resulted in four less members of staff being involved over a period of one year notwithstanding that the Competitive Dialogue procurement route used was new to both councils. The financial benefits of this approach are estimated to be in the region of £175,000 on the basis that some team members would have been involved part-time. This benefit equates 0.25% of the project value.

2.2. Joint advisors

The appointment of a joint legal team reduced costs to the councils by 50%. It is anticipated that legal costs would have doubled had the councils procured legal advice separately. A saving of approximately 0.07% of the overall project value was gained.

2.3. Joint design team

Typically design team fees would be expected to be in the region of 3.5-4%. The appointment of a joint design team was based on a winning fee of 2.23% against an average fee bid of 3.3%. The winning fee bid equates to a saving ranging between 1.17% and 1.65% when compared with the expected fee. For the purposes of evaluating this saving a mid-point of 1.41% has been used.

2.4. Procurement Route

The design and build procurement route which was jointly selected was supported with a collaboratively developed reference design (to RIBA Stage C+) which included structural and environmental strategies and performance specifications for key materials. The collaborative development of the design allowed the councils to obtain a greater understanding of their project requirements, gave bidders a greater degree of confidence in the design and client requirements, and permitted early involvement of the contractor and their supply chain partners. The strength of the project documentation together with the extremely thorough Competitive Dialogue process undertaken, gave the winning bidder such confidence in the process and the project that they were able to omit the design contingency, an estimated value of 3.5%.

2.5. Scale of project

The collaborative approach which saw two schools being procured together rather than individually, made the larger project more attractive to the market. In response bidding contractors put forward their “A” team. The private sector worked particularly hard to offer an extremely keen tender price. The financial benefits associated with the scale of the project are difficult to quantify thus a modest amount of 0.5% of project value has been estimated.

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Feedback from the successful contractor has confirmed that additional bulk buying financial benefits could have been achieved if the construction programme for the individual schools permitted key activities to be undertaken in sequence using the same sub-contractors rather than in parallel where different sub-contractors are often used.

2.6. Total Savings

This sum of the cost savings outlined above equates to 5.73% (or £4.011m) of project value.

3. Pilot Project – Additional Benefits

3.1. Design development

The quality benefits derived from the collaborative approach are also considerable as both councils challenged each other during the design development process, spending time refining solutions rather than reinventing the wheel. Going forward there is a further opportunity to deliver these benefits as the councils have jointly agreed a common approach; an approach which could be used on future projects resulting in a much more efficient process and enhanced outcomes.

3.2. Introduction of metrics

The introduction of the area per pupil and cost per m² metrics has encouraged councils to focus more attention on needs rather than wants. Whilst it is difficult to conclude that all of the financial benefits realised on the pilot project are attributable to the introduction of the metrics, there was most definitely an impact.

Earlier programme wide analysis indicated that the average anticipated area per pupil in secondary schools was 12.8 m² and the average cost per m² was £2,660. The introduction of the programme metrics has resulted in considerable cost benefits. Had the pilot schools been constructed to the average anticipated rates the buildings would have cost approximately £20m more than the accepted tender price. This represents a 22% reduction in capital cost. These programme wide benefits are included in the Schools Programme Needs Identification Benefit in SFT's Benefits Statement publication.

3.3. Operational Phase

One of the pilot project objectives was to demonstrate that a structured approach to whole life cost efficiency was in place. To allow this to be evaluated the cost consultant stipulated lifecycle periods and a £/m² benchmark. The winning tenderer either met or improved on all of the stipulated lifecycle periods as well as negotiating enhanced warranties with a range of manufacturers. The resultant £/m² rate was 19% lower than the benchmark. Across the joint project this improvement equates to an annual saving of £106k.

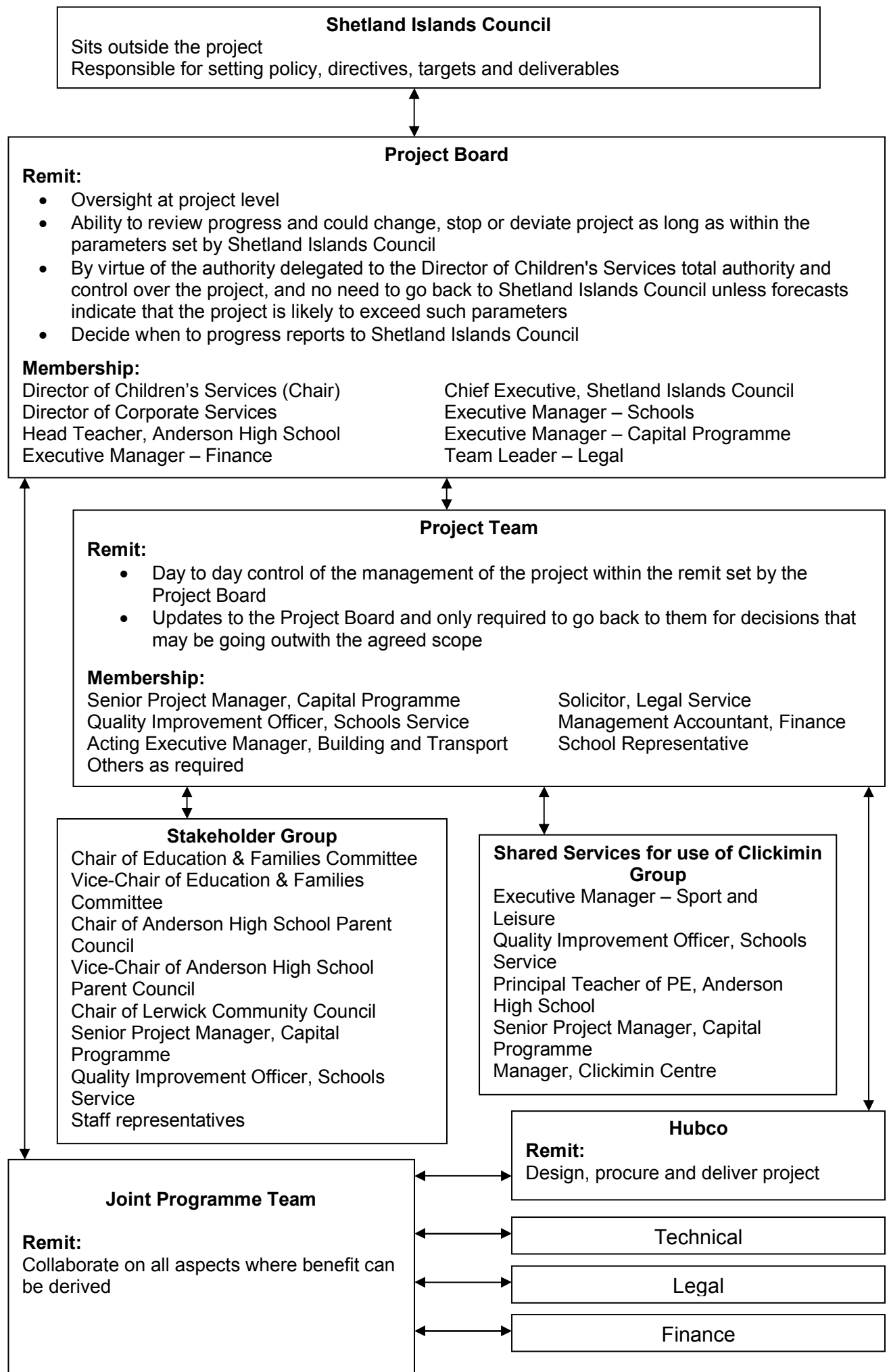
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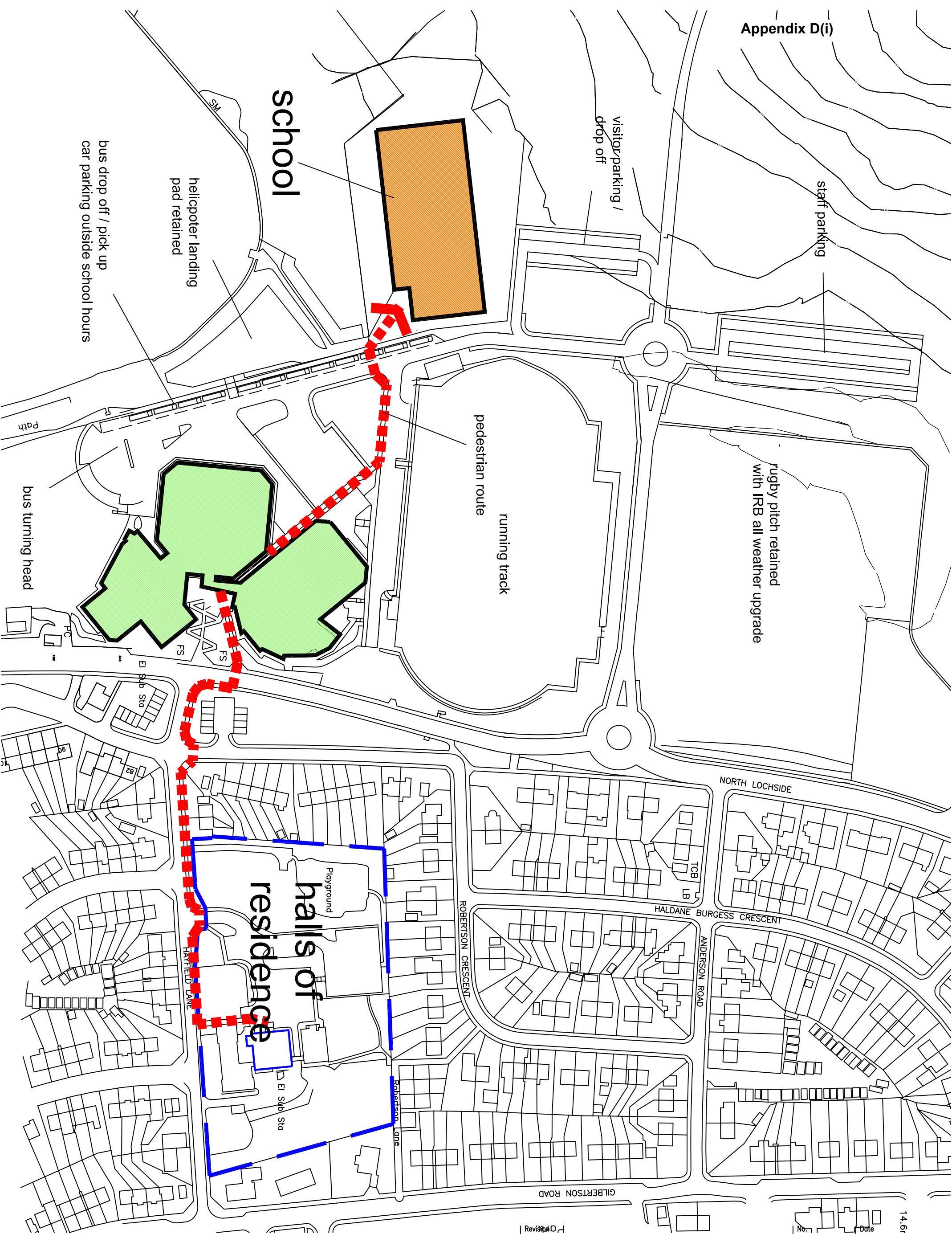
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4. Summary

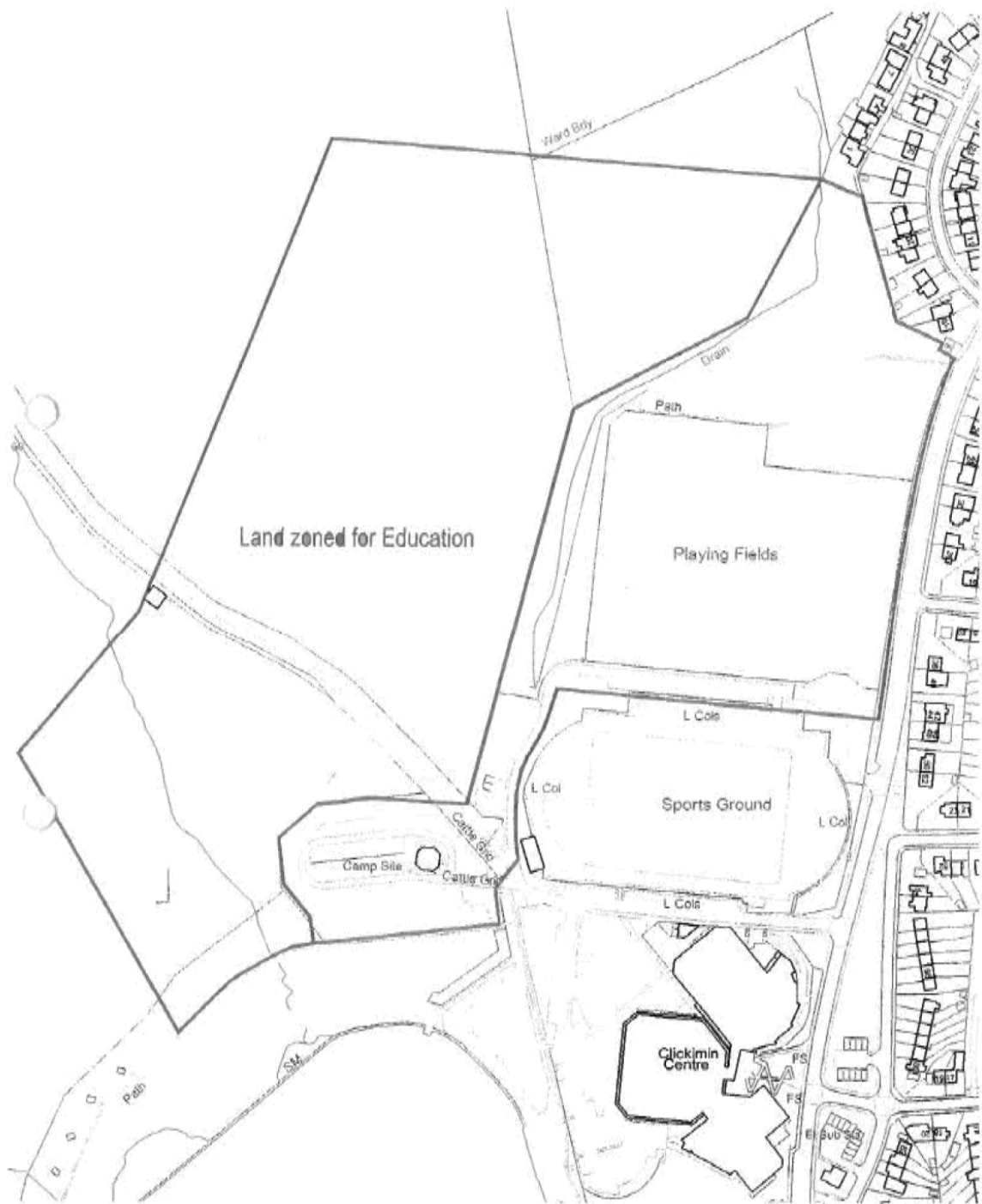
Collaborative working has delivered considerable quantitative and qualitative benefits for the two pilot project councils. When compared with the original independent estimate of the potential savings to be generated from collaborative working, the project has been a great success. Both councils have achieved and indeed improved upon the original estimate of savings to be derived from collaboration. The financial benefits alone equate to 5.73% (or £4.011m) of the original estimated value of £70m, notwithstanding the operational phase savings identified. The pilot project has demonstrated that working together and joint thinking pays. The savings delivered could in fact pay for a brand new primary school. SFT will continue to initiate and support collaborative working across local authority boundaries throughout the remainder

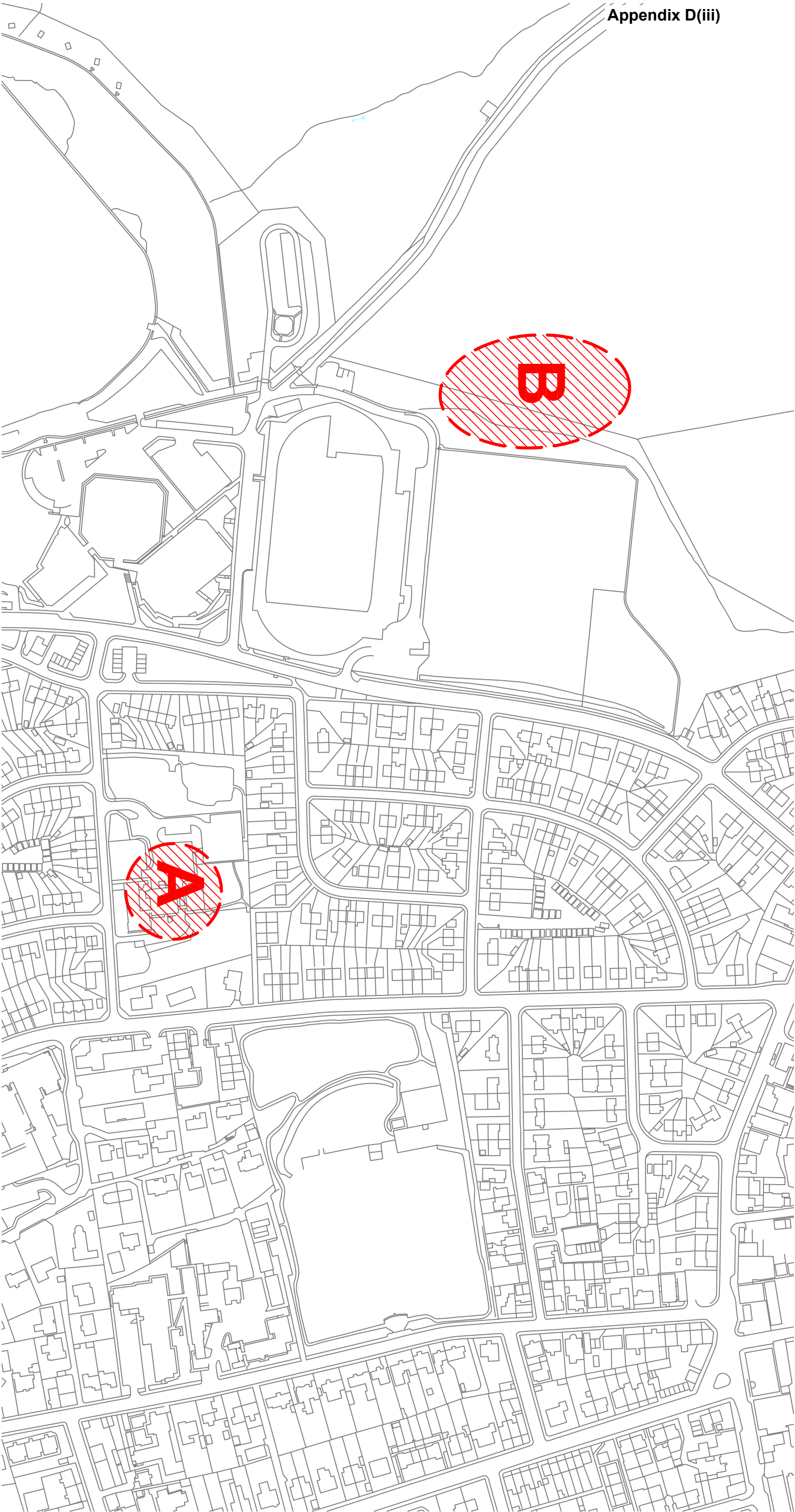
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		development control plan		Job Code GCE 1304	Drg.No. bid sk.03	Rev.	Drawn sls			
				Scale NTS	Date 14/05/12	AutoCAD File				





Revision

No.

Date



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New AHS		Job Code	Drg.No.	Rev.	Drawn
Possible Halls of Residence Sites		Scale NTS	Date NOV 2012	AutocAD File	

* Possible Halls of Residence Sites