Shetland Islands Council

| Policy & Resources Committee | 25 November 2015 |
| Shetland Islands Council | 2 December 2015 |

| SIC Overall Management Accounts 2015/16 |
| Projected Outturn at Quarter 2 |

| F-070-F |

| Report Presented by Executive Manager - Finance | Corporate Services |

1.0   Summary

1.1   The purpose of this report is to enable the Policy & Resources Committee to monitor the financial performance of all Council services to ensure that Members are aware of the forecast income and expenditure and the impact that this will have with regard to delivering the approved budget. This allows the Committee the opportunity to provide early instruction to officers to address any forecast overspends in order that the budget is delivered by the year-end.

1.2   This report presents the projected outturn position for the 2015/16 year as at the end of the second quarter for revenue and capital. The forecasts have been determined by Finance Services after consultation with the relevant Budget Responsible Officers for the services. This report shows the impact this has on the draw on reserves for 2015/16.

1.3   The projected outturn position for the Council are underspends of £2.560m on revenue (including spend to save unallocated) and £15.757m on capital (after deducting Capital from Current Revenue (CFCR)). A total underspend of £18.317m.

1.4   The Service Committees have received reports on the performance of their services and the financial management implications of their expenditure decisions and income generation.   The individual service performance reports provide narrative and data to identify how the corporate and service outcomes are progressing and where action needs to be taken.

1.5   Overall, the Council has undertaken to prepare and approve a budget that supports its corporate objectives. In financial terms the Council is projected to deliver on this by living within its means. The review of the financial impact of Council operations is undertaken monthly and reported on a quarterly basis to the Council.

2.0 Decision Required

2.1 The Policy & Resources Committee recommend that the Council RESOLVE to:

- review the Management Accounts showing the projected outturn position at quarter 2.

3.0 Detail

3.1 On 3 December 2014 (SIC Min Ref: 96/14) the Council approved the 2015/16 revenue and capital budgets (including the General Fund, Harbour Account, Housing Revenue Account and Spend to Save) requiring a draw from reserves of £7.646m. The use of reserves at this affordable level has been achieved for this year only and as such the Council cannot be complacent. It is vital to the economic wellbeing of the Council that the financial resources are managed effectively and expenditure and income is delivered in line with the budget, as any overspends will result in a further draw on reserves, and would be evidence that the Council is living beyond its means.

3.2 This report forms part of the financial governance and stewardship framework that ensures that the financial position of the Council is acknowledged, understood and quantified on a regular basis. It provides assurance to the Corporate Management Team and the Committee that resources are being managed effectively and allows corrective action to be taken where necessary.

3.3 Since the approval of the 2015/16 budget, revisions to the budget have been incorporated for the Council's budget carry forward scheme and the additional budgets for tug boats on the Harbour budget. Therefore this report refers to the revised budget.

3.4 The table below sets out the projected outturn position against the revised budget. There is a total projected underspend against the revised budget of £18.317m, of which £1.247m is recurring underspends.

Type of Spending	2015/16 Original Budget £m	2015/16 Revised Budget £m	2015/16 Projected Outturn £m	2015/16 Variance (over)/ underspend £m
Revenue (including Spend to Save Unallocated)	102.211	107.174	104.614	2.560
Capital	28.486	33.125	17.035	16.090
Remove CFCR included in Capital above	(1.278)	(1.941)	(1.608)	(0.333)
TOTAL	**129.419**	**138.358**	**120.041**	**18.317**

(Note: The revised budget above reflects changes to the budget such as the capital and revenue carry forwards of £6.8m (funded from underspends in 2014/15) and the approved increase on the Harbour budget of £2.2m.

3.5   The impact on the reserves of the projected outturn, set out in section 3.4 above, is that the draw on reserves for 2015/16 is to decrease by £3.831m against the revised budget. The main reason for the decrease is the reduction in revenue and capital spending funded from reserves.

The reduction in use of reserves is much less than the reduction is spending due to the majority of the capital programme underspend being funded from other sources e.g. borrowing/grants.

Draw on Reserves	2015/16 Original Budgeted Draw £m	2015/16 Revised Budgeted Draw £m	2015/16 Projected Outturn Draw £m	2015/16 Variance (over)/ underspend £m
Annual All Funds	7.646	13.803	9.972	3.831

(*Note: that the revised budgeted draw on reserves of £13.8m includes £6.8m of carry forwards funded by underspends from 2014/15, i.e. the revised budgeted draw relating to 2015/16 is just over £7m).

3.6   The projected outturn draw on reserves equates to £27k per day as can be seen from the table below.

Draw on Reserves	2015/16 Original Budgeted Draw £000	2015/16 Revised Budgeted Draw £000	2015/16 Projected Outturn Draw £000	2015/16 Variance (over)/ underspend £000
Amount Per Day	21	38	27	11

Variances shown in Appendices

3.7   Appendix 1 shows the revenue projected outturn variance position for the second quarter for the Council by service area and fund. Detailed reports on spending variances have been presented to individual Service Committees. The projected outturns for quarter 1 are included for reference.

3.8   There is a projected underspend of £5.598m on the General Fund (including Spend to Save Unallocated) against the revised budget. This underspend is a combination of the projected outturns across directorates. The most notable underspending is projected in Infrastructure (one-off additional income at Scord Quarry), Community Care (recurring savings on closure of Viewforth, and underspending due to the ongoing shortage of social care workers) and the Contingency and Cost Pressure Budget which is unlikely to be utilised as originally envisaged due to underspending in Service areas.

3.9   There is a projected decrease in the contribution to the Reserve Fund of £3.194m from the surplus on the Harbour Account, which mainly relates to reduced tanker numbers at Sullom Voe £2.384m and reduced income from Shetland Gas Plant £1.180m. The latest

information received from the operators is the Gas Plant will start in December 2015.

3.10 There is a projected increase in the contribution to the Housing Repairs and Renewals fund of £156k from the surplus on the Housing Revenue Account due mainly to reduced voids and resulting increased rental income.

3.11 Appendix 2 shows the capital projected outturn variance position as at the second quarter for the Council. Detailed reports on spending variances have been presented to individual Service Committees. The projected outturns for quarter 1 are included for reference.

3.13 There is an anticipated underspend of £16.090m against the revised budget due mainly to the re-profiling on the new Anderson High School projects £11.9m, the Eric Gray Replacement £1.5m and Town Hall Conservation Project £1.1m. The projected outturn variances for quarter 1 are included for reference.

3.14 Appendix 3 shows the cost pressure and contingency budget and how much has been allocated.

4.0 Implications

Strategic

4.1 Delivery On Corporate Priorities
There is a specific objective within the Corporate Plan to ensure that the Council is "continuing to keep a balanced and sustainable budget, and are living within our means" and the Council continues to pursue a range of measures which will enable effective and successful management of its finances over the medium to long term. This involves correct alignment of the Council's resources with its priorities and expected outcomes, and maintaining a strong and resilient balance sheet.

The Medium Term Financial Plan also includes a stated objective to achieve financial sustainability over the lifetime of the Council.

4.2 Community /Stakeholder Issues –Audit Scotland prepares a number of reports on public sector issues. In March 2015 it prepared a report "Update on Developing Financial Reporting". This report was concerned with importance of comprehensive, transparent and reliable financial reporting. If referred to local authorities reporting already being well established with good practices and it was recognising the Scottish Government have continued to improve and develop its reporting framework since this last report in July 2013. There are no issues in the report requiring Council attention.

4.3 Policy And/Or Delegated Authority
Section 2.1.2(3) of the Council's Scheme of Administration and Delegations states that the Committee may exercise and perform all powers and duties of the Council in relation to any function, matter, service or undertaking delegated to it by the Council. The Council approved both revenue and capital budgets for the 2015/16 financial

year. The Policy & Resources Committee has delegated authority for securing the co-ordination, control and proper management of the financial affairs of the Council.

4.4 Risk Management
There are numerous risks involved in the delivery of services and the awareness of these risks is critical to successful financial management.

From a financial perspective, risks are an integral part of planning for the future, as assumptions are required to be made. These assumptions can be affected by many internal and external factors, such as supply and demand, which may have a detrimental financial impact.

The main variable assumptions are around anticipated income levels, returns on investments and cost pressures and demands.

One of the main risks is on the income expected from the Harbour Account and the Gas Plant which are projected to be well below the budgeted level.

This report is part of the framework that provides assurance, or recognition of any deviation from the budget that may place the Council in a financially challenging position and requires remedial action.

The Council makes provision within its budget for cost pressures that may arise. This approach provides additional confidence for the Council to be able to mitigate any adverse financial circumstances.

A strong balance sheet and the availability of usable reserves ensure that the Council is prepared for significant unforeseen events.

Any draw on reserves beyond the Council's sustainable level would have an adverse impact on the level of returns from the Council's long-term investments. This situation would require to be addressed quickly to ensure no long term erosion of the investments.

4.5 Equalities, Health And Human Rights – None.

4.6 Environmental – None.

Resources

4.7 Financial

The 2015/16 Council budget does not require a draw on reserves in excess of the returns that the fund managers can make on average in a year and, therefore, demonstrates that the Council is living within its means. The carry forward revisions to the original budget are a direct result of underspending in the last financial year and are therefore affordable. The additional budget required on the Harbour Account has the effect of reducing the return to reserves.

Every £1m of reserves spent in excess of a sustainable level will mean that the Council will have to make additional savings of £50k each year

in the future as a result of not being able to invest that £1m with fund managers to make a return.

It is therefore vital that the Council delivers its 2015/16 budget, and this report demonstrates that the Council is projecting to achieve this.

Revenue (GF including Spend to Save/Harbour/HRA)
The projected outturn position shows a net underspend of £2.560m. This underspend is made up of General Fund (including Spend to Save Unallocated) underspend of £5.598m, an increase in surplus income on the Housing Revenue Account of £0.156m and a reduction on the surplus on the Harbour Account of £3.194m.

Capital (GF including Spend to Save/Harbour/HRA)
The projected outturn position shows a net underspend of £16.090m. This is made up of General Fund (including Spend to Save underspend of £16.090m. The Harbour and HRA projects as expected to be fully spent.

Reserves
The projected outturn draw on reserves is £9.966m (or £27k per day) which is £3.837m (or £11k per day) less than the revised budget.

4.8   Legal – None.

4.9   Human Resources – None.

4.10   Assets And Property – None.

5.0   Conclusions

5.1   The revenue outturn position for the combined General Fund including Spend to Save, Harbour Account and Housing Revenue Account is projected to be under budget by £2.560m. Of this, £1.059m has been classified as recurring underspends.

5.2   The capital outturn position for the combined General fund including Spend to Save, Harbour Account and Housing Revenue Account is projected to be under budget by £16.090m. Most of this will be required in future years to deliver the identified projects except £188k which has been classified as no longer required.

5.3   The projected draw from reserves of £9.972m is sustainable (less than the average investment returns). This is a decrease of £3.831m against the revised budget. This outturn position is currently projecting the Council will draw sustainably from its reserves in 2015/16.

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Appendix 2 - Overall SIC Projected Capital Outturn Position for 2015/16
Appendix 3 – Contingency and Cost Pressure Budget 2015/16

Background documents:
SIC Budget Book 2015-16, SIC 3 December 2014
http://www.shetland.gov.uk/coins/submissiondocuments.asp?submissionid=16958

END

1. Revenue - Projected Outturn Position for 2015-16

Budget v Projected Outturn Variance Qtr 1 2015-16 £000	General/Support/Recharged	Revised Budget Qtr 2 2015-16 £000	Projected Outturn Qtr 2 2015-16 £000	Budget v Projected Outturn Variance Qtr 2 2015-16 £000
17	Chief Executive	1,840	1,844	(3)
259	Children's Services	40,859	40,811	47
1,245	Community Care	20,927	19,503	1,424
65	Corporate Services	8,410	8,386	24
231	Development	14,234	13,970	264
1,743	Infrastructure	20,811	18,643	2,168
0	Fund Managers Fees	700	880	(180)
0	Contingencies & Cost Pressures	6,539	5,265	1,274
240	Spend to Save (Unallocated)	680	100	580
0	Net Recharges to Other Fund	(1,988)	(1,988)	0
3,800	**Total Net Expenditure/(Income)**	**113,011**	**107,413**	**5,598**
	Funded by:			
0	Government Grants	(86,555)	(86,555)	0
0	Council Tax	(8,421)	(8,421)	0
(3,800)	Draw on Reserves	(18,035)	(12,437)	(5,598)
(3,800)	**Total Funding**	**(113,011)**	**(107,413)**	**(5,598)**
0	**Balanced Budget**	**0**	**0**	**0**

Budget v Projected Outturn Variance Qtr 1 2015-16 £000	Harbour Account	Revised Budget Qtr 2 2015-16 £000	Projected Outturn Qtr 2 2015-16 £000	Budget v Projected Outturn Variance Qtr 2 2015-16 £000
0	Ports Management	21	21	0
(718)	Sullom Voe	(1,367)	1,564	(2,931)
159	Scalloway	(299)	(653)	354
48	Other Piers	155	(38)	193
0	Terminals	650	286	364
(511)	**Total Net Expenditure/(Income)**	**(840)**	**1,180**	**(2,020)**
	Funded by :			
0	Terminal Berthing Charge	(3,045)	(3,045)	0
(1,320)	Shetland Gas Plant	(1,430)	(250)	(1,180)
(1)	Contribution from Marine Fund	(138)	(144)	6
1,832	Contribution to Reserve Fund	5,453	(786)	3,194
511	**Total Funding**	**840**	**(1,180)**	**2,020**
0	**Balanced Budget**	**0**	**0**	**0**

Budget v Projected				Budget v Projected

Outturn Variance Qtr 1 2015-16 £000	Housing Revenue Account	Revised Budget Qtr 2 2015-16 £000	Projected Outturn Qtr 2 2015-16 £000	Outturn Variance Qtr 2 2015-16 £000
9	Housing Revenue Account	(385)	(540)	156
9	Total Net Expenditure/(Income)	(385)	(540)	156
	Funded by :			
(9)	Contribution to HRA R&R Fund	385	540	(156)
(9)	Total Funding	385	540	(156)
0	Balanced Budget	0	0	0

2. Capital - Projected Outturn Position for 2015-16

Budget v Projected Outturn Variance Qtr1 2015-16 £000	Service Area - 1 -	Revised Budget Qtr 2 2015-16 £000	Projected Outturn Qtr 2 2015-16 £000	Budget v Projected Outturn Variance Qtr 2 2015-16 £000
16,223	Children's Services	18,723	6,736	11,986
3,159	Community Care	3,159	1,598	1,562
3,176	Corporate Services	676	676	0
234	Development	234	124	110
6,674	Infrastructure (including Harbour Account)	8,606	6,174	2,432
1,728	Development (HRA)	1,728	1,728	0
31,193	**Total Costs**	**33,125**	**17,035**	**16,090**
	Funded by:			
(7,628)	General Capital Grant	(7,628)	(6,067)	(1,561)
(1,226)	Other Government Grants	(1,829)	(880)	(949)
(295)	General Fund Reserve	(755)	405	(1,160)
(723)	Spend to Save Reserve	(725)	(750)	25
(100)	Council Tax Second Homes Reserve	(100)	(10)	(90)
(400)	General Fund Capital Receipts	(400)	(405)	5
(263)	General Fund CFCR	(703)	(371)	(332)
(978)	CFCR (HRA)	(978)	(978)	0
(750)	Capital Receipts (HRA)	(750)	(750)	0
(259)	CFCR (Harbour Account)	(259)	(259)	0
(7)	Capital Receipts (Harbour Account)	(7)	(7)	0
(18,563)	External Borrowing	(18,991)	(6,962)	(12,029)
(31,193)	**Total Funding & Financing**	**(33,125)**	**(17,035)**	**(16,090)**
0	**Balanced Budget**	**0**	**0**	**0**

3. Contingency and Cost Pressure Budget for 2015-16

Service Area	Original Budget 2015-16 £000	Contingency Allocated 2015-16 £000	Revised Budget 2015-16 £000
Cost Pressures:			
Pay Award	1,751	0	1,751
Holiday Pay	300	0	300
Free School Meals	253	0	253
Nursery Places for 2 year olds	110	0	110
Demographics Pressures	301	0	301
Health & Social Care Integration	15	0	15
Social Care Workers	92	0	92
Bus & Air Contract Inflation	120	21	99
Rent Review & Legal Fees	80	0	80
IT Licences	140	0	140
TOTAL COST PRESSURES:	**3,162**	**21**	**3,141**
Contingency:			
Off-Island Placements (Comm Care / Child Svs)	1,000	634	366
Children's Resources	200	0	200
Schools/Quality Improvement	140	0	140
Supply Teachers / Reliefs in Schools	258	0	258
Community Care Income	150	0	150
Ferry Fuel & Biennial Drydocking	252	252	0
Electricians for Street Light Maintenance	105	0	105
Infrastructure Equipment Failure	300	0	300
Winter Maintenance	110	0	110
Ferry Fare Income	80	80	0
Infrastructure Staffing Costs from Shortages	300	0	300
Organisational Change Fund	500	23	477
External Recruitment for Senior Officers	150	0	150
Corporate Training	181	0	181
CIPFA Trainee Programme	70	52	18
Valuation Joint Board	40	0	40
ERVR - Housing	50	0	50
Homeless Accommodation Costs Inflation	60	0	60
Insurance cost for NAFC/SSQC	50	0	50
Tertiary Education Shortfall	300	59	241
3rd Sector Funding Shortfall	50	0	50
Reduction based on risk of events occurring (17%)	**-734**	**0**	**-734**
TOTAL CONTINGENCIES:	**3,612**	**1,100**	**2,512**
TOTAL COST PRESSURES AND CONTINGENCIES	**6,774**	**1,121**	**5,653**
Borrowing Support Costs (AHS funded centrally)	1,256	0	1,256
Cash Management Savings	-370	0	-370
OVERALL TOTAL	**7,660**	**1,121**	**6,539**

Shetland Islands Council

Policy and Resources Committee **25 November 2015**
Shetland Islands Council **2 December 2015**

Progress Report – Asset Investment Plan

CPS-21-15-F

Executive Manager – Capital Programme	Capital Programme Service

1.0 Summary

1.1 The 5-year Asset Investment Plan (AIP) detailing budgets listed in Appendix A was approved on 3 December 2014 (Min. Ref, 96/14). This report advises the Council on the progress on the projects contained within the AIP.

1.2 It includes a summary of the financial status and predicted outturn for the full life of each project.

2.0 Decision Required

2.1 That the Policy and Resources Committee RECOMMENDS that the Council notes the progress on the projects within the AIP.

3.0 Detail

3.1 This report provides an overview of the full life of each project, based on the revised budget and the predicted outturn.

3.2 Where projects take place over a number of financial years, this report summarises the position from the beginning to completion of the project. Rolling programmes are not included in this report.

3.3 Quarterly monitoring reports on capital expenditure are now provided by the Executive Manager - Finance, detailing the progress of capital projects within the current financial year. These reports include information on rolling programmes.

3.4 The detailed project information is attached as Appendix A.

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 having taken advice from the Policy and Resources Committee.

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 – This report shows that the full life predicted outturn cost of the projects in the Asset Investment Plan totals £55m, of which £5.7m is externally funded (10%), resulting in a total estimated cost to the Council of £49.3m. The expenditure to date on these projects is £24m with £30.9m spend outstanding.

4.8   Legal – None

4.9   Human Resources – None

4.10   Assets And Property – None

5.0   Conclusions

5.1   This report provides an update on progress in delivering the Asset Investment Plan and summarises the full life financial position for each project.

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List of Appendices: Appendix A - Progress Report - Asset Investment Plan

Background documents: None

END

Capital Projects - Full Life Project Costs

Directorate	Service Area	Budget				Funding		Expenditure	
		Approved Budget £	Provisional Earmarked Funding £	Predicted Project Outturn £	Under (Over) Budget £	External Funding £	Cost to SIC £	Spend to Date £	Project Cost Outstanding £
Childrens Services	Schools	23,539,480	0	23,141,201	398,279	500,000	22,641,201	4,841,129	18,300,072
		23,539,480	**0**	**23,141,201**	**398,279**	**500,000**	**22,641,201**	**4,841,129**	**18,300,072**
Community Care Services	Adult Service	4,212,762	0	4,226,228	(13,466)	2,000,000	2,226,228	3,254,336	971,892
	Occupational Therapy	5,705,312	0	5,705,312	0	0	5,705,312	190,939	5,514,373
		9,918,074	**0**	**9,931,540**	**(13,466)**	**2,000,000**	**7,931,540**	**3,445,275**	**6,486,265**
Development Services	Economic Development	1,506,831	0	1,500,855	5,976	291,000	1,209,855	1,340,855	160,000
	Housing	3,582,664	0	3,554,664	28,000	460,000	3,094,664	2,570,601	984,063
	Shetland College	5,182,321	0	5,143,874	38,447	2,309,000	2,834,874	5,040,945	102,929
		10,271,816	**0**	**10,199,392**	**72,423**	**3,060,000**	**7,139,392**	**8,952,400**	**1,246,992**
Infrastructure Services	Environmental Services	850,291	0	850,292	0	0	850,292	366,291	484,000
	Estate Operations	3,681,910	0	3,245,710	436,200	0	3,245,710	592,569	2,653,141
	Ferry Operations	1,656,793	0	1,663,463	(6,670)	0	1,663,463	950,891	712,572
	Roads	2,089,896	0	1,901,415	188,481	0	1,901,415	1,318,591	582,824
	Ports & Harbours	4,090,743	0	4,091,904	(1,161)	135,398	3,956,505	3,611,414	480,490
		12,369,633	**0**	**11,752,784**	**616,849**	**135,398**	**11,617,386**	**6,839,756**	**4,913,028**
	Total All Funds	**56,099,003**	**0**	**55,024,917**	**1,074,085**	**5,695,398**	**49,329,519**	**24,078,561**	**30,946,357**

		Budget				Funding		Expenditure		
Code	Project Name	Approved Budget £	Provisional Earmarked Funding £	Predicted Project Outturn £	Under (Over) Budget £	External Funding £	Cost to SIC £	Spend to date £	Project Cost Outstanding £	Update
GCE1304	Anderson High School Replacement	5,424,453	0	5,424,453	0		5,424,453	3,733,226	1,691,227	Financial close achieved in July 2015. The cost of project shown now only includes the expenditure to be funded by the Council. The £42m contract expenditure to be funded by SFT will not go through the Council and will therefore be unable to be monitored. Construction work began on site in summer 2015. The bulk excavation work and construction of the foundations is complete. Work is progressing on the building superstructure. Work is due to be completed by September 2017
GCE1305	Anderson High Clickimin Path Upgrade	1,015,000	0	616,721	398,279	0	616,721	591,634	25,087	SIC / Sustrans funded project. The East Path, West Path, link around the north side of the loch and the Staney Hill link are now open. The path around the Rugby pitch will not be built until the roundabout and new school works are complete. BRO anticipates a further £56K will be spent this financial year. The budget balance will be required in future years for the Rugby Pitch and loch link.
GCE1306	Anderson High - Halls of Residence	14,093,103	0	14,093,103	0	0	14,093,103	516,269	13,576,834	Construction work began on site in summer 2015. The bulk excavation work and is complete. Work is progressing on the drainage systems and the building's foundations . Work is due to be completed by September 2017
GCE1307	Clickimin Works	3,006,924		3,006,924	0	500,000	2,506,924	0	3,006,924	Planning consent for the covered indoor training facility has been obtained and a building warrant has been applied for. Work is anticipated to begin in January 2016. Proposals for internal modifications to the existing Clickimin Leisure Facility are being developed.
Total		23,539,480	0	23,141,201	398,279	500,000	22,641,201	4,841,129	18,300,072	

Code	Project Name	Budget				Funding		Expenditure		Update
		Approved Budget £	Provisional Earmarked Funding £	Predicted Project Outturn £	Under (Over) Budget £	External Funding £	Cost to SIC £	Spend to date £	Project Cost Outstanding £	
GCA0241	Extensions to ET & Taing Houses - Spend to Save Project	2,206,228	0	2,226,228	(20,000)	0	2,226,228	1,470,891	755,337	Phase 1 complete, but Final A/C not yet settled. Phase 2 delayed as scope of project reduced, tenders for Phase 2 returned on 29 July 2015. Additional funding required to upgrade laundry equipment and material testing.
GCA0242	NHS Conversion Scalloway School	2,006,534	0	2,000,000	6,534	2,000,000	0	1,783,446	216,555	NHS funded project, works programme commenced August 2014. Upgrade to 'old' secondary premises complete and Primary School moved in December 2014. Health Centre works are now complete and NHS moved in August 2015. Some works still to be certified for payment with the final account and retention to be settled one year after completion.
GCA0237	Eric Gray Replacement	5,705,312	0	5,705,312	0	0	5,705,312	190,939	5,514,373	Detailed design ongoing with planning permission agreed on 29 May 2015. The building warrant was submitted on 15 June and validated on 22 June 2015. QS waiting on detailed design information and tenders will be issued early next year.
Total		**9,918,074**	**0**	**9,931,540**	**(13,466)**	**2,000,000**	**7,931,540**	**3,445,275**	**6,486,265**	

		Budget				Funding		Expenditure		
Code	Project Name	Approved Budget £	Provisional Earmarked Funding £	Predicted Project Outturn £	Under (Over) Budget £	External Funding £	Cost to SIC £	Net Spend to date £	Total SIC Project Cost Outstanding £	Update
GCY5141	Landfill Capping	686,291	0	686,292	(0)	0	686,292	366,291	320,000	Phase 1 Project under budget and complete in 14/15. Phase 2 unable to progress as landfill has not reached required tonnage, BRO has advised that this phase will now slip to next financial year. The budget shown here includes a further phase due to start in 17/18.
GCY5142	Waste Management Recycling	164,000	0	164,000	0	0	164,000	0	164,000	Discussion ongoing with Zero Waste Scotland, Scottish Government & SEPA regarding suitable future requirements - project now likely to slip to 17/18.
GCY5507	Town Hall and Lystina Conservation Project	2,115,000	0	1,680,000	435,000	0	1,680,000	91,191	1,588,809	Expenditure in 15/16 will be on fees, consents and procurement with works on site planned for 16/17 and 17/18.
GCY5512	Bells Brae PS Refurbishment	873,537	0	873,537	0	0	873,537	12,797	860,740	Bells Brae PS reroof at design stage with consultant appointments made. The main contract works are unlikely to start before 16/17. Slippage between years required.
GCY5513	Sound PS Refurbishment	658,346	0	658,346	0	0	658,346	454,754	203,592	Sound PS reroof, main contract works onsite and phased over two financial years 15/16 & 16/17. BRO anticipates increased spend in 15/16 as the project is ahead of schedule.
GCY6139	Clickimin Roundabout Works	1,059,000	0	1,074,000	(15,000)	0	1,074,000	758,343	315,657	Culvert works complete and Roundabout 90% complete, additional culvert works added to main contract have resulted in a predicted overspend.
GCY6205	Laxaburn Bridge Replacement	217,863	0	215,067	2,796	0	215,067	215,067	0	Bridge works complete and safety barrier installed at end October 2014. Retention paid October 2015.
GCY6209	Burra Bridge Bearings	320,288	0	279,604	40,684	0	279,604	269,604	10,000	Bearings installed and walkway constructed. Internal recharge to be processed at year end. BRO anticipates an under spend on this project.

		Budget				Funding		Expenditure		
Code	Project Name	Approved Budget £	Provisional Earmarked Funding £	Predicted Project Outturn £	Under (Over) Budget £	External Funding £	Cost to SIC £	Net Spend to date £	Total SIC Project Cost Outstanding £	Update
GCY6210	Trondra Bridge Bearings	492,745	0	332,745	160,000	0	332,745	75,578	257,166	Works contract started September 2015. BRO anticipates a significant under spend on this project.
GCY7216	Viking Bus Terminus/Shelters	35,027	0	33,827	1,200	0	33,827	33,827	0	All works complete with small under spend.
GCY7634	Ticket Machines - Spend to Save	106,793	0	113,463	(6,670)	0	113,463	113,463	0	BRO advised this project is complete and under budget in 14/15 and budget saving of 46.5K removed from overall budget. However late journal of 6.7K processed in 15/16 has resulted in an apparent overspend against the updated budget.
GCY7635	Bigga Life Extension	900,000	0	900,000	0	0	900,000	792,930	107,070	New propellers fitted, shot blasting and re-engine completed in 14/15. Balance of 117K carried forward to 2015/16 to pay retention and purchase spare propellers.
GCY7637	Linga Conversion	150,000	0	150,000	0	0	150,000	0	150,000	Design fees for propulsion and control systems upgrade delayed, project unlikely to go ahead this financial year and slippage will be required.
GCY7638	Fivla Life Extension	500,000	0	500,000	0	0	500,000	44,498	455,502	Life extension works involve bridge and equipment upgrade, internal and external refurbishment, and generator / engine part replacement. BRO anticipates that only £75K will be spent this financial year.
GCM2316	Walls Pier	3,224,743	0	3,225,904	(1,161)	95,398	3,130,505	3,225,904	(0)	Practical completion reached and the pier opened at end of May 2014. Final Account and final ERDF funding claim processed June 2015. 2015 spend relates to officer time on final A/C and construction file.
PCM2141	Lerwick Terminal Life Extension	155,000	0	155,000	0	20,000	135,000	0	155,000	Works to linkspan deck plating and hydraulics delayed due to staffing changes, 75K slippage carried forward from 14/15. BRO anticipates that further slippage may be required.

		Budget				Funding		Expenditure		
Code	Project Name	Approved Budget £	Provisional Earmarked Funding £	Predicted Project Outturn £	Under (Over) Budget £	External Funding £	Cost to SIC £	Net Spend to date £	Total SIC Project Cost Outstanding £	Update
PCM2142	Bressay Terminal Life Extension	75,000	0	75,000	0	0	75,000	0	75,000	Works to linkspan deck plating and hydraulics delayed due to staffing changes, slippage carried forward from 14/15. BRO anticipates that further slippage may be required.
PCM2143	Belmont Terminal Life Extension	135,000	0	135,000	0	0	135,000	75,490	59,510	Refendering completed in 14/15. Works to linkspan deck plating and hydraulics delayed due to staffing changes, slippage carried forward from 14/15. BRO anticipates that further slippage may be required.
PCM2144	Gutcher Terminal Life Extension	202,989	0	168,541	34,448	0	168,541	78,562	89,980	Refendering completed in 14/15. Works to linkspan deck plating and hydraulics delayed due to staffing changes, slippage carried forward from 14/15. BRO has reduced projected outturn to cover PCM2147-49 overspend and anticipates that slippage may also be required.
PCM2146	Toft Terminal Life Extension	1,000	0	1,000	0	0	1,000	0	1,000	Dive survey funding.
PCM2147	Vidlin Terminal Life Extension	61,068	0	72,551	(11,483)	0	72,551	72,551	0	Rubber D fendering replaced at Terminal, further works carried out this year. Overspend to be covered by under spend in budgets above.
PCM2148	Laxo Terminal Life Extension	68,061	0	79,544	(11,483)	0	79,544	79,544	0	Ditto above
PCM2149	Symbister Terminal Life Extension	67,881	0	79,364	(11,483)	0	79,364	79,364	0	Ditto above
PCM2151	Ferry Terminal Access	40,000	0	40,000	0	20,000	20,000	0	40,000	Upgrade of ferry terminal disabled access.
PCM2152	Ferry Terminal Security	60,000	0	60,000	0	0	60,000	0	60,000	Upgrade of ferry terminal security.
Total		**12,369,633**	**0**	**11,752,784**	**616,849**	**135,398**	**11,617,386**	**6,839,756**	**4,913,028**	

		Budget				Funding		Expenditure		
Code	Project Name	Approved Budget £	Provisional Earmarked Funding £	Predicted Project Outturn £	Under (Over) Budget £	External Funding £	Cost to SIC £	Spend to date £	Project Cost Outstanding £	Update
GCD1576	Fibre Optic Project Phases I, II & III	1,406,831	0	1,340,855	65,976	291,000	1,049,855	1,340,855	0	Contract phases 1, 2 & 3 complete. Phase 3 originally delayed by consent approvals and amended to landward route. Landowner / tenant compensation payments finalised and splicing and testing completed by Council engineers. Final funding claim has been processed.
GCH3104	Leaside Conversion	100,000	0	160,000	(60,000)	0	160,000	0	160,000	Updated gateway received from Housing following feasibility costing of Family Centre conversion. Continued demand for smaller housing units at a premium; so conversion of 24/25 Leaside to 4 flats with external stairway deemed the best value for money at £40K per unit. Additional budget requested from Council.
UCL5203	Shetland College Extension	5,182,321	0	5,143,874	38,447	2,309,000	2,834,874	5,040,945	102,929	Practical completion issued end March 2014. The final A/C has been issued but payment still to be processed. Officer time in 15/16 relates to completion of final A/C.
Total		6,689,152	0	6,644,729	44,423	2,600,000	4,044,729	6,381,800	262,929	

		Budget				Funding		Expenditure		
Code	Project Name	Approved Budget £	Provisional Earmarked Funding £	Predicted Project Outturn £	Under (Over) Budget £	External Funding £	Cost to SIC £	Spend to date £	Project Cost Outstanding £	Update
HCH3304	Brae New Housing	1,882,664	0	1,854,664	28,000	460,000	1,394,664	1,854,664	0	Contract works complete at end July 2014, with only retention to be paid in 2015/16. Budget of 28K in 15/16 will not be used as all outstanding expenditure accrued at previous year end.
HCH3706	Heating Replacement Programme	300,000	0	300,000	0	0	300,000	133,555	166,445	Rolling programme of works with the budget and spend identified here for financial year 15/16 only.
HCH3712	Housing Quality Standard	1,400,000	0	1,400,000	0	0	1,400,000	582,382	817,618	Numerous contractual appointments made (Kitchens / Windows / Insulation / Roofing etc). Rolling programme of works with the budget and spend identified here for financial year 15/16 only.
Total HRA		**3,582,664**	**0**	**3,554,664**	**28,000**	**460,000**	**3,094,664**	**2,570,601**	**984,063**	

Shetland Islands Council

Policy and Resources Committee	25 November 2015
Shetland Islands Council	17 December 2015

Council Reserves - 2015/16 Mid Year Performance Review Report
F-067-F

Report Presented by Executive Manager - Finance	**Corporate Services**

1.0   Summary

1.1   This report will allow the Council to review the mid year investment position and performance of the Council's long term external investments, managed on its behalf by fund managers.

1.2   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 2011, in respect of the requirement to report the mid year investment position to the Council.

2.0   Decision Required

2.1   This report is a review of the Council's external investments over the first six months of the 2015/16 financial year, and as such the Policy and Resources Committee recommend that the Council RESOLVE to consider the outcome of this mid year review.

3.0   Detail

3.1   This report concentrates on the six-month period from April to September 2015. The report looks at the performance of the Council's three fund managers, the overall investment performance relative to the markets, the physical movement of funds, any changes from the investment strategy, and any other relevant issues relating to the investments over the period.

3.2 The Council has three fund managers with total investments under management at the end of September 2015 of £261 million. The funds, type of mandate and market values at the end of September 2015 are as follows:

Manager	Mandate	% of Reserves	Market Value (£m)
Baillie Gifford	Equity and Diversified Growth	48%	126
BlackRock	Equity	33%	85
Insight	Bonds and Cash	19%	50

3.3 Individual fund manager performance is detailed later but there is the need to consider the effect of the markets themselves and of any cash withdrawals or injections into the funds. The following table shows the effect on the overall investments of these factors during the six-month period.

	SIC Funds £ Million
Market value as at 31/03/15	278
(Withdrawals) / Additions	2
Investment Return	(19)
Market value as at 30/09/15	**261**

3.4 The figures show an overall negative £19 million investment return over the six month period, which equates to a 6.8% reduction on the opening fund value. This fall in value is entirely due to market conditions as no withdrawals were made during the period.

3.5 Over the six month period £2 million was added to the reserves. This was a cash injection from the Council's bank account.

3.6 The Council's Reserves have therefore decreased in overall value by £17 million over the first six months of this financial year.

3.7 The investment markets rose during April and May on positive economic news only to fall near the end of June on concerns over a possible Greek debt default and its effect on Europe. As this situation eased attention was drawn to a sharper than expected slowdown in the Chinese economy which created concern throughout world markets. This saw investment markets fall during August and September, and the situation was not helped by the US deliberations over their interest rate.

3.8 It has been a difficult six month trading period which is reflected in the fall in the investment value over this period. Since the end of September the markets have been more positive on better economic news from the US.

3.9 The investment markets performance by asset class over the six month period looks like this:

6 Month Period
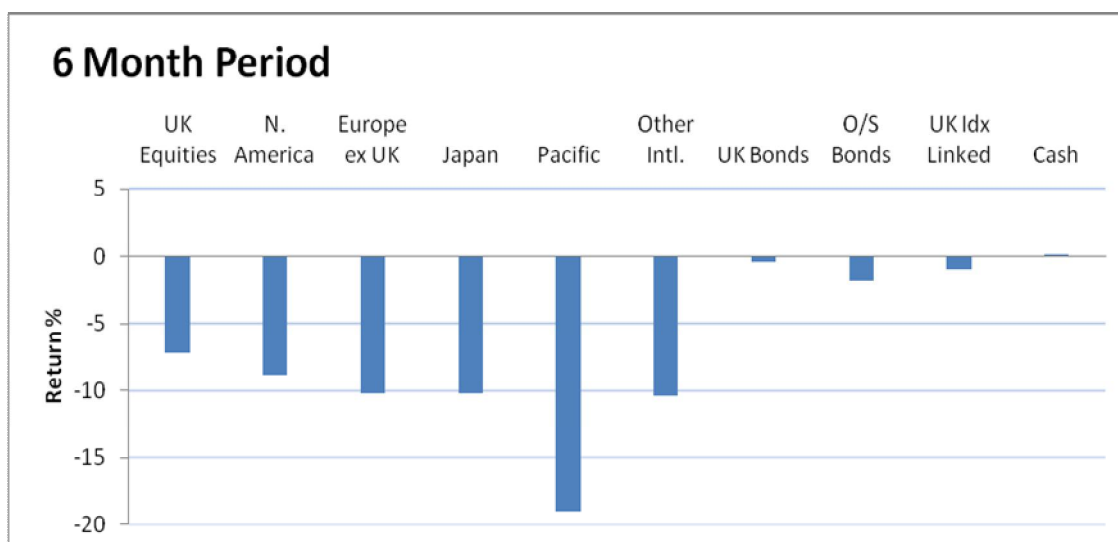
3.10   This is a only a six month snapshot of how the various investment classes and sectors have performed and it shows how, in the short term, values do fall as well as rise. History shows that investments in these asset classes over the long term are very positive, which is the reason the investment strategy is based on a long term investment horizon. As an example of the differences in market returns over a slightly longer time period the following graph shows the same asset classes returns per annum over the last three years.

Last Three Years
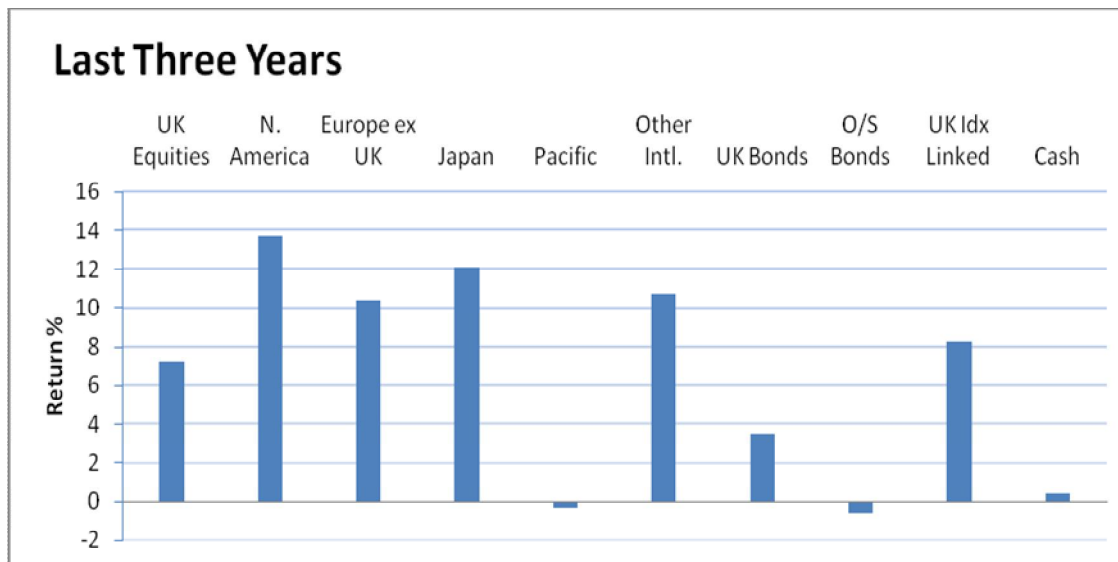
3.11   The fund manager has negligible influence over the market return but they may be required by the mandate agreement to invest into these markets. The main constituent of a fund's performance is the market return, where the fund is invested. A fund manager with an active mandate is asked to outperform the market return by a certain percentage, whereas a fund manager with a passive mandate is aiming to match the market return.

In this environment the Council's fund managers have, over the six month period to the end of September 2015, performed as follows:

Manager	Fund Return	Benchmark Return	% Return Against Benchmark
Baillie Gifford	-5.5	-4.7	-0.8
BlackRock	-12.3	-12.2	-0.1
Insight	-1.4	-1.2	-0.2

3.12 Baillie Gifford's fund is split between an active equity fund (60%) and a Diversified Growth Fund (40%). The performance of these two investments give differing returns, active equities outperformed their benchmark over the six month period while the Diversified Growth Fund underperformed. The overall combined fund has underperformed the benchmark over the six month period by 0.8%.

3.13 Six months is a short time period and an active fund will over short time periods produce volatile returns. Baillie Gifford has underperformed over this six month period but is well above their benchmark over one, three and five years.

3.14 The fund with BlackRock is invested passively in equities, so the fund is aiming to equal the benchmark return. BlackRock are very close to this aim over the six month period, as the fund is only 0.1% away from the benchmark.

3.15 The fund with BlackRock had an investment return of -12.3% over the six month period, which is a reflection of the mixture of returns from the various markets the fund invests into.

3.16 The bond fund with Insight had an investment return of -1.4% over the six month period which was 0.2 below the benchmark return.

3.17 The overall Council investment return for the six-month period to end September 2015 was -4.6%, which was 1.3% below the benchmark return.

3.18 The Council invests in various asset classes for the long term, generally five years or more. This report looks at just the performance of the fund managers and the investment return over a six month period. Investing for the long term allows the Council to ride out short term volatility and fluctuations in value. The reported six month period has predominately been in a falling investment environment, but short term volatility is difficult to predict, e.g. at the end of October the Council investment valuation was £272 million (unaudited) which is a rise of 4.2% in one month.

4.0   Implications

<u>Strategic</u>

4.1   <u>Delivery On Corporate Priorities</u> – The Council's overall investment strategy is important to the Council's Reserves, which play a key role in helping the Council deliver its corporate objectives, as described in the Community Plan, the Corporate Plan and other strategic documents.

4.2   <u>Community /Stakeholder Issues</u> – None

4.3   <u>Policy and/or Delegated Authority</u> – In accordance with Section 2.2.1(7) of the Council's Scheme of Administration and Delegations, the Policy and Resources Committee has delegated authority to secure the coordination, control and proper management of the financial affairs of the Council.

4.4   <u>Risk Management</u> – All investments carry some degree of investment risk but these risks are actively managed and minimised through diversification of fund managers, assets, benchmarks, markets, size of holdings etc.

4.5   <u>Equalities, Health And Human Rights</u> – None

4.6   <u>Environmental</u> – Whilst the fund managers have delegated powers for the acquisition and realisation of investments, fund managers will be expected as part of their investment process to consider all factors, including the social, environmental and ethical policies of companies in which they may invest, to the extent that these may materially affect the long term prospects of such companies. The fund managers will also be expected to enter into dialogue with companies in which they invest, in relation to the pursuance of socially responsible business practices, and report on these activities.

Corporate Governance is a key responsibility for institutional shareholders and as a matter of principle the Council will seek to exercise all of its voting rights in respect of its shareholdings. It is recognised however that in practical terms this may not always be possible for overseas holdings. However for UK stocks all voting rights will be exercised in a positive fashion, i.e. no abstentions.

The fund managers, who will act in accordance with this policy, will exercise voting.

Baillie Gifford, BlackRock and Insight have signed up to the United Nations Principles on Responsible Investment. The principles reflect the view that environmental, social and corporate governance (ESG) issues can affect the performance of investment portfolios, and therefore must be given appropriate consideration by investors, if they are to fulfil their fiduciary (or equivalent) duty. The Principles provide a voluntary framework by which all investors can incorporate ESG issues into their decision-making and ownership practices, and so better align their objectives with those of society at large.

Resources

4.7 <u>Financial</u> – It is recognised that the actual investment performance each year will be different to what is expected or required however over the long term this will be monitored and reviewed to ensure that the Council is working towards meeting its long term objectives.

It is not likely that the Council can expect a positive investment return from its investments every year but having robust governance and monitoring in place mitigates the financial risks and enables the Council to take action at appropriate times to address poor performance by the fund managers. This report is part of that governance and monitoring framework, and compliments the reporting requirements of the CIPFA Code of Treasury Management that requires a Mid Year Review report and an Annual Year End Performance Review Report.

4.8 <u>Legal</u> – This report complies with the consent issued by the Scottish Ministers under the Local Government Investments (Scotland) Regulations 2010, to give a Mid Year Report on the investment position to the Council.

4.9 <u>Human Resources</u> – None

4.10 <u>Assets And Property</u> – Long term investments are assets of the Council and represent money given to fund managers to manage on its behalf for long term benefit. The Council relies upon each fund manager's fiduciary duty and to buy and sell appropriate assets in accordance with the mandate awarded to them and to report regularly on the value and performance of the fund in which Council money is invested. The value of long term investments under these mandates can go down as well as up.

5.0 Conclusions

5.1 Over the first six months of 2015/16 BlackRock were close to their benchmark while Baillie Gifford and Insight underperformed their benchmark. The combined investment return over the six month period was -4.6%, which was 1.3% below the benchmark return.

5.2 The main contributor to the overall underperformance was Baillie Gifford. Their mandate is a combination of active equities and a diversified growth fund, which will produce volatile returns over short periods of time. Any underperformance is though monitored closely. All fund managers are evaluated over long term returns and Baillie Gifford is well above the benchmark over the long term.

5.3 The Council's investments fell in value by £17 million over the first six months of the 2015/16 financial year and now have an overall value at the end of September of £261 million.

For further information please contact:
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END

Shetland Islands Council

Shetland Islands Council	16 December 2015

Council Business Programme 2015/16	
GL-57-15-F	
Executive Manager – Governance and Law	**Corporate Services Department**

1.0 Summary

1.1 The purpose of this report is to inform the Council of the planned business to be presented to Council over the remaining quarters of the current financial year to 31 March 2016, and discuss with Officers any changes or additions required to that programme.

2.0 Decision Required

2.1 That Shetland Islands Council considers its business planned for the remaining quarters of the current financial year to 31 March 2016, and RESOLVES to approve any changes or additions to the Business programme.

3.0 Detail

3.1 The Council approved the Council's Meeting Dates and Business Programme 2015/16 at its meeting on 17 December 2014 (Min Ref: 108/14).

3.2 It was agreed that the Business Programme would be presented by Committee Services to the Council and each Committee on a quarterly basis for discussion and approval.

3.3 The manner in which meetings have been scheduled is described below:

- Ordinary meetings have been scheduled, although some have no scheduled business at this stage. Where there is still no scheduled business within two weeks of the meeting, the meeting will be cancelled;

- Special meetings may be called on specific dates for some items – other agenda items can be added, if time permits;

- PPMF = Planning and Performance Management Framework meetings have been called for all Committees and Council once per quarter. These meetings are time restricted, with a specific focus on PPMF only, and therefore no other business will be permitted on those agendas;

- Budget = Budget setting meetings – other agenda items can be added, if time permits, or if required as part of the budget setting process; and

- In consultation with the Chair and relevant Members and Officers, and if required according to the circumstances, the time, date, venue and location of any meeting may be changed, or special meetings added.

3.4   The Business Programme for 2015/16 is presented by Committee Services to the Council and each Committee, on a quarterly basis, for discussion and approval, particularly in relation to the remaining projects and reports which are listed at the end of the business programme page for each Committee, as still to be scheduled.

4.0   Implications

Strategic

4.1   Delivery On Corporate Priorities – The recommendation in this report is consistent with the following corporate priorities:

Our Corporate Plan 2013-17
- To be able to provide high quality and cost effective services to people in Shetland, our organisation has to be run properly.
- Fully align the timetables, time spans and approaches for financial planning relating to the medium term yearly budgeting with Council, directorate and service planning.

4.2   Community /Stakeholder Issues – The Business Programme provides the community and other stakeholders with important information, along with the Council's Corporate and Directorate Plans, as to the planned business for the coming year.

4.3   Policy And/Or Delegated Authority – Maintaining a Business Programme ensures the effectiveness of the Council's planning and performance management framework. The Business Programme supports each Committees' role, as set out in paragraph 2.3 of the Council's Scheme of Administration and Delegations, in monitoring and reviewing achievements of key outcomes within its functional areas, whilst ensuring best value in the use of resources is met to achieve these outcomes within a performance culture of continuous improvement and customer focus.

4.4   Risk Management – The risks associated with setting the Business Programme are around the challenges for officers meeting the timescales required, and any part of the business programme slipping and causing reputational damage to the Council.   Equally, not applying the Business Programme would result in decision making being unplanned and haphazard and aligning the Council's Business Programme with the

objects and actions contained in its corporate plans could mitigate against those risks.

4.5   Equalities, Health And Human Rights – None.

4.6   Environmental – None.

Resources

4.7   Financial – The there are no direct financial implications in this report, but indirect costs may be avoided by optimising 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 presentation of the Business Programme 2015/16 on a quarterly basis provides a focussed approach to the business of the Council, and allows senior Officers an opportunity to update the Council on changes and/or additions required to the Business Programme in a planned and measured way.

For further information please contact:
Anne Cogle
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1 December 2015

List of Appendices
Appendix 1 – Council Meeting Dates and Business Programme 2015/16

Background documents:
Report GL-20-F: SIC Business Programme and Diary of Meetings 2015/16
http://www.shetland.gov.uk/coins/Agenda.asp?meetingid=4382

Shetland Islands Council - Meeting Dates and Business Programme 2015/16 as at Thursday, 10 December 2015

Shetland Islands Council			
			D= Delegated R=Referred
Quarter 1 1 April 2015 to 30 June 2015	**Date of Meeting**	**Business**	
	Special 15 April 2015 12 noon	Shetland Islands Council Provision of Subordinate Debt	D
	Special 18 May 2015 10.00a.m.	Advance Roadworks/Roundabout Contract Extension	D
		Anderson High School Stage 2	D
	Special – Fund Managers 20 May 2015 9 a.m. to 5 p.m.	SIC Fund Managers – Annual Investment Report 2014/15	D
		Pension Fund Managers - Annual Investment Report 2014/15	D
	PPMF 27 May 2015 11.30 a.m.	Shetland Islands Council 2014/15 Draft Outturn	D
		Progress Report - Asset Investment Plan	D
		Corporate Plan – 2015 Update	D
		Shetland Islands Council Business Programme 2015/16	D
	Ordinary 27 May 2015 2 p.m.	SOTEAG Presentation	D
		Strategy for Secondary Education	D
		Registration Service – Contractual Matters	D
		LGBS – Council's Consultation	D
		Establishment of Pension Fund Sub-committee and Pension Board	D
		Chair's Report – Policy and Resources Committee – 4 May: Review of Transport for Children with Additional Support Needs and Social Care Service Users	D
		Chair's Report – Policy and Resources Committee – 4 May: Shetland Islands Council Carbon Management Plan 2015-2020	D
		Chair's Report – Development Committee – 22 April Local Nature Conservation Sites	D
		Shetland Development Trust Surplus Distribution	D
		Chair's Report – Policy and Resources Committee – 4 May: Review of Tertiary Education in Shetland – Aggregated Business Model	D
		Chair's Report – Policy and Resources Committee – 4 May: Review of Tertiary Education in Shetland – Option Appraisal and Implementation Plan	D

Shetland Islands Council (continued)			
			D= Delegated R=Referred
Quarter 1 1 April 2015 to 30 June 2015 (continued)	*Special* 16 June 2015 10 a.m.	New AHS and Halls of Residence: Confirmation	D
		New AHS and Halls of Residence: Legal Matters	D
	Ordinary 30 June 2015 10 a.m.	Chair's Report – Policy and Resources Committee – 22 June: Shetland College Fees 2015/16	D
		Deputation – Scottish Youth Parliament's National Campaign Poverty: See It Change It	D
		Risk Management Policy and Strategy	D
		Scottish Local Authority Business Fund	D
		Annual Investment and Treasury Strategy for 2015/16	D
		Chair's Report – Development Committee – 15 June 2015: Onshore Wind Energy Supplementary Guidance	D
		Chair's Report – Environment and Transport Committee/Policy and Resources Committee: Ferry Fares Review	D
		Implications for the Council's Committees on Establishing the Integration Joint Board for Health and Social Care	D
		Town Hall and Lystina House Conservation Project	D
		Solan and Bonxie – Update Report	D
		Property Acquisition	D
Quarter 2 1 July 2015 to 30 September 2015	**Date of Meeting**	**Business**	
	PPMF 19 August 2015 2 p.m.	Overall SIC Management Accounts – Quarter 1	D
		Asset Investment Plan – Progress Report – Quarter 1	D
		Council Business Programme 2015/16	D
	Date of Meeting	**Business**	
	Special 22 September 2015 10.30 a.m.	Chair's Report – Social Services Committee – 30 July – Health and Social Care Integration Update Report	D
		Chair's Report – Shetland College Board – 8 September - UHI - Highlands and Islands Students' Association (HISA)	D
		SIC Final Audited Accounts 2015-16 & Report to those Charged with Governance	D
		Final Audited Zetland Educational Trust Annual Report and Financial Statements to 31 March 2016	D

Shetland Islands Council (continued)			
			D= Delegated R=Referred
Quarter 3 **1 October 2015** **to** **31 December 2015**	**Date of Meeting**	**Business**	
	Ordinary 4 November 2015 10 a.m.	Chair's Report: Policy and Resources Committee – 26 October 2015 Asset Investment Plan, Gateway Process – Service Need Case Reports	D
		Chair's Report: Policy and Resources Committee – 26 October 2015 Review of Gateway Process	D
		Joint Chair's Report: Harbour Board – 7 October 2015; Policy and Resources Committee – 26 October 2015 - Scalloway Harbour - Strategic Options - Progress and Next Steps	D
		Joint Chair's Report: Harbour Board – 7 October 2015; Policy and Resources Committee – 26 October 2015 - Sullom Voe - Strategic Options - Progress and Next Steps	D
		Establishment of a Joint Clinical Care and Professional Governance Committee	D
		Dissolution of Visiting Committee for Legalised Police Cells	D
		Asset Investment Funding Prioritisation	D
	MTFP 18 November 2015 2 p.m.	Medium Term Financial Plan	D
	PPMF & *Budget & Ordinary* 16 December 2015 10 a.m.	Council Reserves – 2015-16 Mid Year Investments Performance Review Report	D
		Overall SIC Management Accounts – Quarter 2	D
		Asset Investment Plan – Progress Report – Quarter 2	D
		Council Business Programme 2015/16	D
		2016-17 Budget and Charging Proposals	D
		Long Term Asset Investment Plan – Project Update	D
		Consultation on Provisions for a Future Islands Bill	D
		Digital Connectivity – Strategic Outline Case	D
		Tertiary Review Update	D
		Governance Arrangements – Health and Social Care Services	D
		SIC Meetings Diary 2016/17	D

Quarter 4 1 January 2016 to 31 March 2016	Date of Meeting	Business	
	Ordinary 24 February 2016 10 a.m.	Annual Investment and Treasury Strategy 2016/17	D
		Review of Membership of External Organisations	D
		Re-Establishment of Lerwick Town Hall Sub-Committee	D
		Digital Connectivity - Business Case	D
	Date of Meeting	Business	
	PPMF 2 March 2016 2 p.m.	Overall SIC Management Accounts – Quarter 3	D
		Asset Investment Plan – Progress Report – Quarter 3	D
		Annual Investment and Treasury Strategy 2016-17	D
		Council Wide – Performance Overview – Quarter 3	D
		SIC Business Programme 2016-17	D

Planned Committee business still to be scheduled - as at Thursday, 10 December 2015

Shetland Islands Council Budget Book 2016/17

tbc = to be confirmed
PPMF = Planning and Performance Management Framework meetings – no other business to be added
Budget = Budget setting meetings – other items can be added if time permits
Ordinary = Ordinary meetings – other items can be added
Special = Special meetings arranged for particular item(s) – other items can be added if time permits

END OF BUSINESS PROGRAMME as at Thursday, 10 December 2015

Shetland Islands Council

Shetland Islands Council   **16 December 2015**

| Consultation on Provisions for a Future Islands Bill – Council response |
| CE-05-15-F |

| **Report Presented by** | |
| **Chief Executive** | **Chief Executive's Department** |

1.0   Introduction

1.1   This report sets out a draft response to the current consultation exercise being undertaken by Scottish Government on provisions for a future Islands Bill.

1.2   The Council's response has been developed through discussions with Members, senior officers and stakeholders over the past few weeks. The draft response is now being presented for formal agreement, ahead of submission to meet the consultation deadline of 23 December.

2.0   Decision Required
That the Council RESOLVE to:

2.1   APPROVE the draft consultation response (attached as Appendix 1) and delegate authority to the Chief Executive, or designate, to submit the final version by the deadline of 23 December.

3.0   Detail
3.1   The Council has been a member of the Our Islands Our Future (OIOF) campaign over the past two and a half years. As part of its response to the OIOF campaign, the Scottish Government published 'Empowering Scotland's Island Communities' in June 2014, which included reference to an Islands Act. The current consultation is therefore a direct result of that lobbying process.

3.2   Over the past few weeks opportunities have been created for Members, senior officers and external stakeholders to discuss the consultation exercise. The outputs from those events have been used to shape the draft attached to this report.

3.3   As a member of the Shetland Partnership, the Council will also contribute to the response due to be sent by the Partnership Board. Recognising the fact this is an open consultation, it is expected that individuals and organisations across Shetland will be submitting their own responses.

3.4   The OIOF campaign will make a joint islands councils submission. It will draw on the submissions made individually by the three Councils and relevant points put forward by the campaign over the past two years.

3.5   The Council continues to be involved in OIOF and it is expected the outputs from this consultation will be discussed at the last meeting of the Island Areas Ministerial Working Group meeting next year. Members are kept up to date on the OIOF campaign through updates in their monthly newsletters and meetings of the Constitutional Reform Project Sounding Board, which are timed to coincide with key lobbying points with UK and Scottish Governments.

3.6   The information provided through this exercise will be analysed early next year, but it's expected that detailed work on a Bill will only be carried out following the May election to the Scottish Parliament, next year. As the Bill progresses through its various stages there will be further opportunities for comment to be made.

4.0   Implications

Strategic

4.1   Delivery on corporate priorities
This report makes a contribution to a number of the outcomes set out in 'Our Plan' 2016-20. Most notably is the desire to have made "Shetland's voice heard, with regular and meaningful lobbying of Scottish and UK governments and EU bodies on important issues affecting the islands".

4.2   Community/Stakeholder Issues
As would be expected, the Scottish Government has promoted its consultation process on a number of occasions since it went live at the end of September. Additionally, the Council has sought to raise local awareness by hosting the link to the consultation document on the front page of the Council's website, directly contacting organisations and issuing a press release. The link was sent to all Community Council Chairs and Clerks after the consultation was intimated to the Association of Shetland Community Councils in early October. Members have also raised the matter at several Community Council meetings.

The draft response was developed with input from a wider stakeholder meeting involving community planning partners and representatives from industry. As noted, all Members, as representatives of their communities, have also had the opportunity to put forward views over the past few weeks.

4.3   Policy and/or Delegated Authority
Part A of the Council's Constitution specifies that the Council has responsibility for "approving, adopting or amending the Policy Framework and any plan, policy or strategy which is contained within

the Policy Framework". A decision is being sought from the Council as a future Islands Bill has the potential to impact on key strategy.

4.4 Risk Management

The point has been made in the draft response that a risk-based and proportionate approach should be adopted when designing Islands Proofing. The Council, in responding to the exercise, is seeking at this stage to help shape the content of the eventual Bill. It is anticipated communities and individuals across the islands will also make use of the opportunity to respond by the deadline of 23 December.

4.5 Equality, Health and Human Rights – The response highlights a number of equalities issues that Islands Proofing could help to tackle.

4.6 Environmental – There are no immediate impacts arising from this report.

Resources

4.7 Financial

Although there are no immediate financial implications arising from this report, the draft response does highlight a number of resource-related points, particularly the requirement for any new or additional powers to come with the resources necessary to allow the Council to use them effectively.

4.8 Legal – There are no immediate impacts arising from this report.

4.9 Human Resources – There are no immediate impacts arising from this report.

4.10 Asset and Properties – There are no immediate impacts arising from this report.

5.0 Conclusions

5.1 This report has introduced a draft response to the current Scottish Government consultation on a future Islands Bill. It picks up on many of the points expressed during consultation in the past few weeks. Members are asked to approve the draft response and delegate authority to the Chief Executive to submit the final draft to Scottish Government before the 23rd December deadline.

For further information please contact:
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6 December 2015

END

Consultation on a future Islands Bill
Shetland Islands Council response

Question 1
Is the concept of 'Island-Proofing' something the Scottish Government should consider placing in legislation through the proposed Islands Bill?

Yes

Please explain the reasons for your answer.

1.1 The need for islands proofing

Islands proofing is a concept that was put forward by the *Our Islands Our Future* (OIOF) campaign during meetings of the Island Areas Ministerial Working Group in 2013. The motivation for doing so came from a growing awareness that Government policy and the operations of public bodies can fail to take into account the circumstances and unique needs of island communities. We felt that the concept of islands proofing offered the potential to make a difference.

Islands proofing is as much about a different way of working as the development of specific processes. It requires widespread awareness of island issues amongst policy makers and public bodies. That heightened awareness must influence the design of policy and legislation at the earliest possible stage, so that any potentially unintended negative consequences are identified and mitigating measures built in. The OIOF campaign put forward a detailed case for islands proofing and we were encouraged to see Government acknowledge many of our points in *Empowering Scotland's Island Communities*.

It is recognised that many of our challenges are also experienced in remote and rural Scotland and we would not wish to enter into a competition to prove "which area is worst off". However, reflecting the national nature of this consultation exercise and taking account of the many challenges that puts distant small communities made up entirely of islands at the extreme end of public service delivery, we feel it is important that we set out why we think islands proofing is such a key piece of policy for an archipelago like Shetland.

1.1.1 Helping to address islands social challenges

Higher cost of living. The *Minimum Income Standard for Remote Rural Scotland* identified that the budgets households in remote rural Scotland need to achieve a minimum acceptable living standard are typically 10% to 40% higher than elsewhere in the UK. The minimum income standard of living in Britain today includes food, clothes and shelter, but it also includes having what you need in order to have the opportunities and choices necessary to participate in society. It's about "living" not "surviving" and about "needs" not "wants". This is particularly important in our context, where social isolation and loneliness can be very acute and particularly challenging to address.

The minimum living costs of a household in Lerwick are estimated to be one-third higher than those of a household in a UK city for a working age household and one quarter higher for a pensioner. These are higher for the most remote parts of Shetland. Key factors contributing to higher cost of living across remote rural Scotland include:

- Higher prices for food, clothes and household goods;
- Much higher household fuel bills, influenced by climate and fuel sources;
- The longer distances that people have to routinely travel, particularly to work.

The research also found that (based on 2013 figures) the weekly household fuel bill for a single adult of working age was £12.36 in a rural English Town (social housing), compared to £22.99 in a Northern Isles town (e.g. Lerwick) and £35.13 in a Northern Isles remote small settlement. Further information and analysis is available through the work of Shetland's 'Commission on Tackling Inequalities':

Distance from mainland. Shetland's lifeline ferry route to Aberdeen is around 200 miles long and involves a journey of up to 14 hours. This presents a significant natural barrier in terms of equality of access and access to markets, particularly as much of Shetland's produce has a short shelf-life. The Road Equivalent Tariff, which has been applied to some islands, has widened the differential in cost of travel to and from islands in Scotland. There is a feeling that this has created inequalities in terms of islands' and island groups' ability to compete economically and access opportunities. Reliable and affordable transport, whether by air or sea, is very important for us and it is vital that islands proofing is built into national transport policy going forward.

> **Example 1**
> The high cost of travel by air and ferry impacts on social opportunities. Shetland sports people face significant costs when travelling to mainland Scotland to participate in events, competitions and national squads. There is a genuine feeling of inequality when comparing this with their peers on the mainland. In order for competitors who are at national level to be able to maintain and improve standards of performance, and for others aspiring to reach that standard, they must be able to participate in mainland events. Local teams are also often expected to play home games on the mainland, in an effort to reduce costs and inconvenience to others.
>
> An example where a type of islands proofing has made a difference relates to the Shetland Rugby team. They receive funding from the Scottish Rugby Union to help with their travel costs for away matches and other teams are given funding for travel costs for their away matches in the Islands.

Extent and type of disadvantage. Up to now, national measures like the Scottish Index of Multiple Deprivation (SIMD) have perhaps failed to take proper account of the dispersed nature of exclusion and deprivation in Shetland. Although Shetland is often seen as a fairly affluent place, recent research found that 2087 households (around a fifth) have an annual income of £13,573.69 or less.

The fact these conditions exist leads us to conclude that some form of support is required to level the playing field if the islands are to genuinely participate as an

equal partner in a UK and Scottish context. That desire to tackle what we perceive to be ongoing inequalities is at the heart of the need for effective islands proofing.

Example 2
Once powers over welfare provisions are devolved to the Scottish Parliament, it has been suggested that an 'islands supplement' could be added to benefits, in recognition of the reality of the higher cost of living in the islands. This could have a noticeable impact for some of Shetland's poorest families. The Minimum Income Standard for Remote Rural Scotland, for example, demonstrates that a single person on Income Support in a remote island settlement will only receive sufficient funding to cover 30% of what would be required to achieve an acceptable standard of living.

Example 3
Distribution methods for some national funding streams continue to make use of SIMD. The point has been made that this measure fails to take account of the dispersed nature of deprivation and disadvantage in Shetland. The ability to islands proof funding, to ensure the reality of life in remote islands and higher cost of service delivery is taken into account, could have a positive effect.

The Improvement Service has begun to work with our Community Planning Partnership to look at weighting SIMD to better reflect our local circumstances. Islands proofing would enable this work to be incorporated into future allocations of funding to tackle socio-economic disadvantage.

1.1.2 More efficient use of resources
Early identification and prevention of negative outcomes will undoubtedly save money. We continue to see examples of national policy being applied in Shetland that doesn't fit our circumstances. This can be followed by more expensive solutions having to be found and the Council having to absorb any additional costs through already hard-pressed revenue budgets. An example of this is set out below.

Example 4
The proposed national Into Headship qualification is going to be difficult to apply in our small outlying island schools. We feel that it fails to take account of the realities of teaching in small island settings. With pupil rolls ranging from one at Skerries Primary to over 900 at Anderson High School, it's clear that the demands placed upon Head Teachers vary massively. Head Teachers in small schools have a teaching commitment as well as their head teacher role. Opportunities to exercise skills developed through the qualification will inevitably be restricted in smaller schools and lack relevance to the day to day teaching setting.

There is also the practical problem that the qualification could further reduce the chances of recruiting to some of our remote island head teacher posts. It took the whole of the last school year to recruit a head teacher for Fair Isle Primary School, a school with four pupils and one nursery child. When we finally succeeded we had one applicant. The year before that it took six months to recruit a head teacher for Foula Primary School, a school with three pupils. There were only two applicants for that post. The changes in

qualification could increase the cost of recruiting head teachers in Shetland or result in posts remaining vacant for longer.

1.1.3 Achieving our full economic potential

Islands proofing is not about isolating ourselves, special pleading or seeking blanket provision of financial uplifts. We have made the point to both UK and Scottish Governments that Shetland is a net contributor to the national economy. Shetland and the seas around us possess some of the country's most valuable natural resources as evidenced from our seafood industry, the oil and gas industries and renewable energy potential. However, we are very conscious high operating costs are an ongoing challenge to business competitiveness in the islands.

Islands proofing could further help us to achieve our potential and, in doing so, enhance our already considerable contribution to the nation's economic output. The success of areas like Inverness over the past 30 years, where favourable Government and Regional policies have enabled growth, provides evidence that properly directed intervention and measures to level the playing field can generate significant payback over the longer-term.

1.1.4 Recognising island diversity

There is also a need to recognise the reality that not all islands are the same. The diversity of Scotland's islands was acknowledged through Empowering Scotland's Island Communities and that is something that should not be lost in the islands proofing process. There are many differences between Scotland's 93 inhabited islands, but it is fair to say there are also many differences between the islands that make up islands Council areas. We therefore feel that a "one size fits all" approach to national policy must not be replaced by "one size fits all islands".

> **Example 5**
>
> Crofting legislation is an area where we feel an opportunity has been missed to take into account islands diversity, with the national approach leading to reduced discretion, more prescription from the centre and significant additional statutory time being added to processes. We feel islands proofing would have allowed for a diversified approach to be taken that more suited the local conditions in Shetland's crofting communities.
>
> The majority of part croft decroftings are carried out to facilitate the building of a family home. This is a consequence of the difficulty of securing a loan on croft land. Almost all of these decroftings are granted on first application. There is support for the argument that decroftings for a family home should simply be statutory. There is also a view that whole croft decrofting in Shetland should likewise be statutory and automatic on application.

> **Example 6**
>
> The Waste (Scotland) Regulations 2012 promote recycling and a circular economy for Scotland. To achieve the high target, Government set up a waste brokerage scheme to obtain best value for recyclable material and the remaining residual waste. The Household Recycling Charter also aims to develop a more consistent and coherent waste collection service throughout Scotland obtaining high value recyclable material.

Although Shetland can benefit from these schemes we have a distinct disadvantage compared to other areas, because of our geographic location and the cost of freight. Looking ahead, if we were to use government schemes, moving away from an already Best Practical Environmental Option, islands proofing must ensure that freight cost for waste is included in the contract prices quoted by the waste brokerage scheme.

1.2 Making islands proofing work in practice

It is clear from the experience of "rural proofing" that early and meaningful assessment of likely impact is crucial to success. The point has been made in the consultation document that the Scottish Parliament Standing Orders (Chapter 9: Public Bill Procedures, Rule 9.3 on Accompanying Documents at Paragraph 3.A) already provide that a government bill must be accompanied by a policy memorandum which sets out "an assessment of the effects, if any, of the bill on equal opportunities, human rights, **island communities**, local government, sustainable development". However, we would respectfully observe that the Shetland experience has been those mechanisms do not always have the desired effect. Reasons for the failure to make a meaningful difference will be varied, but the fact that the islands 'check' is carried out late on in the process could be a factor and one that would strengthen the case for islands proofing to be carried out by Government at the earliest possible point in developing all policy and legislation.

We also recognise the consultation document points out that the Scottish Parliament already possesses the powers to vary the application of legislation by geographical area. We therefore feel meaningful application of that power, coupled with effective islands proofing in the ways set out in Part Two of the consultation document, would go some way towards implementation of the findings of the Committee of Enquiry and Functions and Powers of the Island Councils of Scotland chaired by Sir David Montgomery (the Montgomery Committee).

It is important that islands proofing becomes a requirement rather than just guidance that can be ignored. Experience would suggest there is a risk that a voluntary process could become a passive, 'tick-box' exercise only undertaken for compliance purposes. That would fail to acknowledge the very strong reasons that necessitate the process in the first place and would fail to capitalise on the many benefits it could offer islands communities and Government. If it is to be truly meaningful, we feel that it is also important that islands' opinions are sought and considered as part of the process. We look forward to further engagement with Government on the detail of how this might work.

Question 2
If you answered 'Yes' to question 1, do you agree that Scottish Ministers should have the power to issue statutory guidance to other relevant public bodies related to Island-Proofing which they would be required to adhere to in exercising their functions and duties.

Yes

Question 3
If you answered 'Yes' to question 2, please state which public bodies, and what specific decisions this statutory guidance you think this should relate to?

In order to deliver meaningful islands proofing and to capture all unintended negative impacts on islands, our opinion is that the statutory guidance should extend as far as possible, and cover all public bodies in Scotland. Without being prescriptive, examples of some relevant public bodies would include:

- Non-ministerial government departments (for example, Food Standards Scotland etc).
- Executive Non Departmental Public Bodies (NDPBs) (for example, Highlands and Islands Enterprise, Care Inspectorate, Creative Scotland, SEPA, Sportscotland etc).
- Advisory NDPBs (for example, Local Government Boundary Commission for Scotland, Mobility and Access Committee for Scotland etc).
- Tribunals.
- Public Corporations (for example, Highlands and Islands Airports Ltd, Scottish Water etc).
- Executive Agencies (for example, Education Scotland, Transport Scotland etc).
- Health Bodies.
- Other significant national bodies such as Scottish Police Authority, Scottish Fire and Rescue Service.

It is acknowledged that not all public body operations will have an equal impact on the islands. Therefore, if is expected that a risk-based and proportionate approach could be factored into the guidance as it is developed. It will also be important that guidance takes account of reducing resource levels and can be introduced without the need for additional resources and resultant revenue implications.

Question 4
Are there any other areas that you feel the policy of Island-Proofing should cover?

Example 1.1 provides some detail of how islands uplift could be applied to welfare payments in recognition of the higher cost of living in the islands. The same approach could be applied to other areas of Government grant in recognition of the generally higher cost of islands life. An example could be agreement to factor an islands supplement into funding for capital projects to take account of the reality that project costs can be more than 30% higher in Shetland than the mainland. This was illustrated during the preparatory stages of the new Anderson High School project.

Where national reviews are being carried out, the process must demonstrate a full understanding of islands issues. A recent example of this has been the independent review of planning in Scotland, where the islands Councils have been involved and one of the Heads of Planning will appear next year to give evidence.

As a key community planning partner, we feel it would be important that the duty extend to Third Sector functions and duties. It is acknowledged that it would be important to take their views into account before this happened.

The last point relates to national collaboration projects, where experience would suggest it is assumed that all Councils across Scotland can participate and derive equal benefit. It can be the case that islands Councils lack the transport links, close proximity to neighbouring authorities and scale of operations to justify a business case for participation. We would wish islands proofing in that context to take the form of an acknowledgement of these factors and a guarantee no future disbenefit would apply as a result of failure to participate.

Question 5
Do you agree that the current powers Island Councils, and Councils with Island responsibilities presently have are sufficient to deliver positive outcomes for their local island communities?

No

Question 6
If you answered 'No' to question 5, please outline what additional powers you feel they require to benefit or better protect the island communities they serve, and explain the reasons for your answer.

In answering this question, we feel it is relevant to observe that our experience over the past twenty years has been one of gradual removal of powers from our islands' Council. After the Local Government (Scotland) Act 1994, responsibility for services including water supply and sewerage were removed from Councils and placed under regional Authorities. More recently we have seen consolidated governance arrangements in some other key areas. These developments have perhaps contributed to the opinion put forward by the *Commission on Strengthening Local Democracy* that communities are feeling disempowered and alienated from the democratic system. In many respects, granting "additional" powers through the Islands Bill could be seen as returning some of the powers and flexibilities that have been removed over the past twenty years.

We have structured our response to this question in three parts:
- Circumstances demand that we must have the powers to allow us to proactively address the challenges we face now and in the future.
- We need enhanced flexibility to make better use of our existing powers.
- Islands Councils are legally constituted bodies to which powers can be devolved without the need for radical legislation.

6.1 Additional Powers
We see this Islands Bill as an opportunity to create the enabling powers that would enhance our ability to develop new solutions to the challenges we face now and in the future.

It is clear from the ongoing financial constraints and projected increasing demand for services that application of past solutions to future problems will not be enough. We

are entering a period where we must be allowed the flexibility to generate innovative and potentially radical ways of working, make better use of improved technology and the resources we have available locally in the public sector, eliminate waste and focus on maintaining excellent outcomes. That point is in line with the messages from *Audit Scotland*, where Councils are being encouraged to be bold.

All policy and legislation ought to be dynamic and responsive to changing circumstances and be able to take advantage of new opportunities. Islands proofing of new policy and legislation is necessary but not sufficient. We also need a continual process that allows islands proofing by the review, updating and adaptation of existing policy and legislation.

We are aware of the growing call for enhanced localism and support the arguments put forward by the Commission on Strengthening Local Democracy. What's more, during the Scottish Government Cabinet visit to Shetland in July 2013, the then First Minister Alex Salmond made it clear through his 'Lerwick Declaration' that the Scottish Government supports subsidiarity and local decision making.

We note that it is now over 30 years since the special status of Islands Councils was acknowledged by the Montgomery Committee. The key principles established were:

(a) Opportunities should be taken whenever possible to **consolidate, develop and extend** the powers of Island Councils in a continuing process of development in the local government of the islands; and
(b) Acts of Parliament should include a position to vary the application to the Islands areas.

We believe that the Scottish Government should have the power to devolve powers from national bodies to Islands Councils where appropriate. An example in our case would be certain powers with regard to fishing regulation and management and income from Crown Estate activity relating to the seabed and foreshore around us.

Were the Scottish Government to vary national legislation, policy, standards and qualifications, it would enable Islands Councils and Community Planning Partnerships to take further advantage of modern developments in areas such as telehealth, telecare and distance learning so as to be able to deliver services on islands with small populations that might not otherwise be possible.

We therefore see the Islands Bill as being the opportunity to put in place new powers and ways of working that would give real meaning to the Lerwick Declaration and the principles of the Montgomery Committee.

We also see the Bill as an opportunity for Scottish Government to signal their commitment to the principles enshrined in the EU Charter of Local Self Government (the Charter). Through Empowering Scotland's Island Communities, the Scottish Government committed to ensuring that "the special status and needs of Scotland's islands and the principle of subsidiarity as it relates to the place of Scotland's islands within the EU are recognised in its planned Islands Act". Article 3 of the Charter establishes the concept of "local self-government as the right and the ability of local authorities, within the limits of the law, to regulate and manage a substantial share of public affairs under their own responsibility and in the interests of the local population". Article 9 states that "Local authorities shall be entitled, within national economic policy,

to adequate financial resources of their own, of which they may dispose freely within the framework of their powers". These articles therefore provide for the powers and appropriate resources at the local level. Were they able to be applied, we feel it would go some way to delivering tangible localism.

6.2 Flexibility to make better use of existing powers

The Islands Councils, through OIOF, have sought the flexibility to make better use of the powers we already possess. The Local Government in Scotland Act 2003 introduced a power for local authorities to do anything which it considers is likely to promote or improve the wellbeing of its area and persons within it. This includes power to incur expenditure; give financial assistance; enter into agreements; co-operate with, facilitate or co-ordinate the activities of any person; exercise on behalf of any person any functions of that person; provide staff, goods, materials, facilities, services or property to any person.

The power may also be exercised outwith the area of the local authority if it is considered that to do so would advance the wellbeing of the authority's own area or inhabitants.

However, the power to advance wellbeing has built-in limits to its application. Where there is a limiting provision in an Act of either Parliament or in a statutory instrument which prohibits or prevents a local authority from doing anything or somehow limits its powers, a Council cannot use the power of wellbeing to override that provision. Local authorities also cannot use the power to unreasonably duplicate anything which is within the statutory duties of another public authority without that authority's consent. Moreover, the power does not enable a local authority to raise money by imposing a tax or charge, apart from imposing reasonable charges for defraying costs incurred in supplying goods or services.

We feel that these restrictions limit our ability to give proper meaning to the aims of the Act.

6.3 Islands Councils – legitimate bodies for devolution of additional powers

In answering this question, we feel it is important to note the distinction drawn in the consultation document between "Island Councils", and "Councils with Island responsibilities". It's worth noting that OIOF has been progressed on the basis that any benefits secured will often apply to all other Councils who wish them, particularly those with coastlines or islands. The following points are being made simply to reinforce the view expressed in answering Question 1 that an Islands Bill needs to be flexible enough to cater for islands diversity.

An Islands Council like Shetland is an easily identifiable and legitimate tier of government which already possesses the pillars that we would feel would greatly assist the devolution of additional powers. Some of these are set out below.

6.3.1 Legal status/democratic mandate:

Shetland Islands Council is a unitary authority with a democratic mandate to represent the people of Shetland. We are uniquely focused on island issues. It is our sole reason for being. The Council has the operational and administrative capability to deliver services and business processes to the highest standards. It gives the opportunity to devolve all types of public service and vary legislation and policy in respect of areas with Islands Councils that might not be possible elsewhere.

The opportunity to take advantage of the combination of democratic mandate and operational capability of islands Councils must not be missed.

6.3.2 Clearly defined constituency boundary:
The natural boundary provided by the sea defines us as a distinct grouping. As our Council represents the whole of the Shetland archipelago, it removes any confusion around the body to which additional powers would be devolved.

6.3.3 Accountability:
Communities in Shetland are very engaged with local government issues. The public has easy access to their elected representatives and information on the way their Council operates. This helps create the conditions for strong accountability to exist.

6.3.4 Experience of managing local development and community funds:
In many ways Shetland set the standard for community benefit with the establishment of the ZCC Act and generation of income from oil activity which provided the means to establish a community fund and invest in local infrastructure. A key challenge has been ensuring our use of those reserves is sustainable into the future. It has been widely acknowledged that the Council has put in place robust governance and financial management arrangements, essential for the transfer of additional powers in future.

Looking ahead, we feel it is particularly important that the Council has the ability to realise community benefit from industries operating in and around our islands and to co-operate with those industries to facilitate economic development and wealth creation for the benefit of both Shetland and the whole of Scotland.

Question 7
Do you feel there is a requirement to make any additions to the existing Zetland and Orkney County Council Acts of 1974?

No – In respect of the Zetland County Council Act 1974

Having given this some consideration, we feel that the ZCC Act has served the Shetland Islands well over the years and continues to have a very important place. In the context of this consultation, we feel that an Islands Act has the potential to deliver positive outcomes in terms of enhanced local powers, without the need to change the ZCC Act. Therefore we would not wish for there to be any additions at this moment. The OCC Act would be a matter on which Orkney Islands Council would wish to respond directly.

Again, recognising the national nature of the consultation, we would respectfully observe that we do not feel it would be appropriate for other areas to determine amendments to this long-standing piece of legislation. We feel that the views of the people of Shetland must be given particular significance on this question.

Question 8
Should any of the powers currently set out in the Zetland and Orkney County Council Acts of 1974 be extended to the Western Isles and other relevant Councils?

Yes

If 'Yes' please explain which powers and give the reasons for your answer.

The three islands Councils are currently working together through the OIOF campaign for devolution of the management and income generated from the seabed and foreshore around their islands, currently exercised by the Crown Estate. Enhanced regulatory powers could be helpful to the Western Isles as part of that process. An extension of the geographic application of works licensing powers contained in the Orkney County Council Act 1974 would also be warranted in that context.

Question 9
Do you think the Scottish Government should introduce a 'National Islands Plan'?

Yes

Please explain the reasons for your answer.

An Islands Plan would represent a strong message from Government that it means to sustain its commitment to the islands into the future.

We fully support the suggestion in the consultation document that Ministers could be required to report annually to the Scottish Parliament on progress with the plan, to take into account the needs and circumstances of islands.

The Plan could also allow for a regular check to be made on whether islands proofing was delivering a meaningful difference for island communities, with examples highlighted as to where it had been applied.

Question 10
Are there any specific areas you feel the plan should cover and report on?

We would be very happy to engage further with Government on the format and content of the Plan.

Question 11
If such a plan was introduced, what in your view would be an appropriate life span for the plan – e.g. 3 years/5 years/other?

We feel that an Islands Plan should be based on a 5 year timescale which would align with the duration of key local plans and strategies and also allow it to span

Parliamentary and local Government terms. This would further emphasise the non-political nature of Governmental support for the islands.

Taking cognisance of the fact some EU Funding Programmes cover a period through to 2030 and recognising the critical nature of our transport links, we would propose that there be a commitment to at least three Plans, with reviews built in at the end of every Plan.

Although the detail would clearly require further discussion, conceptually we feel that it could also be a useful focal point for the Islands Minister – helping that person keep islands issues at the heart of Scottish Government thinking.

Question 12
Do you agree that statutory protection should be given to the Na h-Eileanan an Iar Scottish parliamentary constituency?

Yes

Please explain the reasons for your answer.

This was a matter upon which the Our Islands Our Future campaigned jointly with Comhairle nan Eilean Siar, and we would therefore fully support it.

Question 13
Should the Scottish Government consider amending the Local Governance (Scotland) Act 2004 to allow the LGBCS the power to make an exception to the usual 3 or 4 member ward rule for use with respect to populated islands?

Yes

Please explain the reasons for your answer.

As a Council, we recently made representation to the LGBCS on changes to ward boundaries in central Shetland. Through that we made the point we felt the approach to determining ward boundaries needed to be more mindful of the benefits that can derive from empowering communities, reinforcing local democracy and recognising the strengths of existing community units. This is particularly so in sparsely populated areas with populations dispersed across small islands.

We are supportive of the proposal that amendments could be made to the Local Governance (Scotland) Act 2004 to allow LGBCS power to make an exception to the usual 3 or 4 member ward rule and feel much could be achieved by simply allowing one or two member wards.

However in some cases it would also be helpful to the setting of ward boundaries by varying elector: councillor ratios and by applying a less constricting adherence to electoral parity between ward areas.
In the Shetland context the current inflexibility results in unwelcome outcomes when setting ward boundaries and practical problems for Councillors engaging in their constituency representative roles. For example the North Isles ward where currently

three Members are required to cover five islands. Three islands and in particular Whalsay (population of c.1000) have no resident elected Member. The Association of Shetland Community Councils recently expressed their views on the multi-member ward arrangements in the North Isles ward.

It would be useful to understand more fully if any proposed changes could allow for a two Member ward covering Unst, Yell and Fetlar and a one Member Ward for Whalsay and Skerries. It is perhaps worth noting that in the past Whalsay and Skerries, for example, was a distinct ward and had its own Councillor.

Clearly any changes would require detailed further consideration and the wishes of those island communities would be of paramount importance.

Question 14
Please provide details of any additional issues, not addressed in your other responses, that you think should be considered in relation to the introduction of a future Islands Bill and its potential provisions.

The review of rural proofing in England would tend to reinforce the view that a lot of time and effort will be required to make islands proofing meaningful and sustainable. In order to help with that, we would ask that the Islands Desk at Scottish Government be made permanent and close working continue with islands Council representatives at Member and officer level.

Empowering Scotland's Island Communities said "the three Islands Councils will continue to enjoy all such special powers as they have at present, and there is no intention to legislate to diminish those powers or to adjust the territorial jurisdiction of the Councils". That was a key message and one that we feel is very relevant going forward. Our concluding point is that we would wish Scottish Government to continue to honour that commitment through their approach to this and future legislation.

ENDS

Shetland Islands Council

Shetland Islands Council	**16 December 2015**

Digital Connectivity Business Case	
Report No: DV-65-15-F	
Report Presented by: Director of Development Services	Development Services Department

1 Summary

1.1 The purpose of this report is to inform the Council of progress in developing the Business Case for the Council's further intervention in digital connectivity, and seek agreement on the content of the Strategic Outline Case.

2 Decision Required

2.1 That the Council RESOLVES to agree the Strategic Outline Case for the project which is attached as Appendix 1 to this report.

3 Detail

3.1 The Development Committee on 8 October 2015 (Min Ref: 38/15] and Policy and Resources Committee on 26 October 2015 [Min Ref: 64/15] resolved to note the Strategic Case for the Council's further intervention in digital connectivity and to agree the next steps towards building the full Business Case to define the Council's further intervention.

3.2 Two Members workshops were held on 11 November and 3 December 2015, facilitated by Farrpoint. The Strategic Outline Case for the project has been drafted from these workshops and the workshop notes are attached as Appendix 2. The Strategic Outline Case contains the project objective, critical success factors and a shortlist of options.

3.3   Next Steps

3.3.1   Subject to decision by the Council to agree the Strategic
        Outline Case, the next stage of work will be to develop the
        Outline Business Case for the project which will focus on the
        Economic and Commercial cases for the project, and test
        the shortlist options against the Critical Success Factors.
        The action plan for this work is attached as Appendix 3.

3.3.2   An update on this work will be provided to the Development
        Committee on 20 January 2016.

3.3.3   In the meantime, information on other public sector
        interventions will be requested from HIE and Scottish
        Government, particularly Digital Scotland Superfast
        Broadband (part funded by BDUK), including Phase II, and
        ERDF funds.

4   Implications

Strategic

4.1   Delivery of Corporate Outcomes – Shetland Islands Council's Our
        Plan 2016 - 2020 has as a top priority to 'Improve high-speed
        broadband and mobile connections throughout Shetland.'

4.2   Community/Stakeholder Issues – A wide range of stakeholders were
        invited to the consultation meetings, held during September to inform
        the Strategic Case.

4.3   Policy and/or Delegated Authority – In accordance with Section 2.3.1
        of the Council's Scheme of Administration and Delegations, the
        Development Committee has delegated authority to implement
        decisions within its remit. This report has, however, been presented
        to Council due to the timings of Development Committee meetings
        and the need for this project to meet its target dates for reporting.

4.4   Risk Management – The Business Case for the Council's
        involvement in broadband development is being progressed. The
        detailed risks associated with the options for the Council's continuing
        and future role in the provision of high speed broadband connections
        across Shetland will be covered in the Business Case. The
        outcomes of this process will be used to determine the roles of
        Council ICT and Shetland Telecom in the longer term.

        The Shetland Telecom project network requires to be adequately
        supported to continue to provide network services, and provide new
        connections where there is a positive economic case to do so. This
        has been budgeted for in the current year and 2016/17 budget
        proposals, and the project continues to provide a surplus.

4.5   Equalities, Health and Human Rights – None arising directly from
        this report. However, digital connectivity will play an increasingly

important role in how the Council and its community partners deliver services now and in the future.

4.6 <u>Environmental</u> – None arising directly from this report. The environmental impacts of any works on telecommunications infrastructure required for aspects of telecoms projects are considered as an integral part of each development.

<u>Resources</u>

4.7 <u>Financial</u> - All work identified in this report will be covered within existing budgets.

4.8 <u>Legal</u> – None.

4.9 <u>Human Resources</u> – None.

4.10 <u>Assets and Property</u> – Any further investment in assets will be covered by subsequent reports.

5 Conclusions

5.1 The Council has, to date, taken a very active role in the development and improvement of telecommunications in Shetland. This has been achieved through actual deployment of network links and also through political influence, negotiations and discussions with a wide range of stakeholders including Government, service providers and communities.

By using the Government Green Book Business Case methodology to determine the Council's role in providing digital connectivity going forward, the Council should be able to make properly informed decisions and maximise the benefits to both the community and the Council.

For further information please contact:
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Report finalised: 9 December 2015

<u>List of Appendices</u>

Appendix 1 – Strategic Outline Case
Appendix 2 – Slides from Workshop
Appendix 3 – Action Plan

<u>Background Documents</u>
None

END

High-Speed Broadband - Strategic Outline Case

Shetland Islands Council

December 2015

Revision	Description	Author	Checked	Reviewed	Authorised	Date
1.0	Draft for review	BW/AM	AM	BW	AM	30/11/15
1.1	Updated draft	BW/AM	AM	BW	AM	04/12/15
1.2	Final	BW/AM	AM	BW	AM	07/12/15

CONTENTS

1. Executive Summary

1.1 Introduction

By the end of this plan (2020), we want to be known as an excellent organisation that works well with our partners to deliver sustainable services for the people of Shetland. – Shetland Corporate Plan

Shetland Islands Council (the Council) has long recognised that the development of digital services represents a significant part of its obligations to develop social, business and economic growth of the islands. Going back as far as 2005, the Council met with leading global providers of telecommunications solutions to ensure Shetland had the appropriate level of bandwidth and connectivity to support its needs.

Over the past 10 years the islands digital infrastructure has developed significantly, primarily through the Council's Telecoms initiative (Shetland Telecom) and initiatives from BT to expand its own high-speed broadband capability through the BDUK[1] project funding.

The Council has recognised that now is the right time to take a fresh look at the demand for high-speed broadband connectivity across all the key stakeholder groups and determine the optimal way to meet these demands over future years, financially, technologically and operationally.

This Strategic Outline Case (SOC) has been prepared to seek outline approval to carry out further investigation into which action(s) are needed to ensure that **ALL** households, businesses, schools and public services in Shetland have access to high speed broadband by 2020 and using the high speed broadband infrastructure to maximise mobile coverage in Shetland.

The SOC has been prepared using the HM Treasury 5 Case Business Model. The application of using the 5 Case Model has been shown to:

- Reduce the costs and timescales associated with producing business cases;

- Improve the efficiency of the spending approval process;

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[1] BDUK = Broadband Delivery UK, part of the UK Government Department of Media, Culture and Sport

- Demonstrate that the spending proposals have clear and concise objectives which are SMART (**S**pecific, **M**easureable, **A**chievable, **R**elevant and **T**ime constrained);

- Raise the quality of potential investment proposals in terms of delivery and public value.

This report principally covers:

The Strategic Case which demonstrates that the proposal provides business synergy and a strategic fit with the Council's long term plans and provides robust evidence based case for change.

The Economic Case which demonstrates that the proposal shows Value for Money (VfM) for the Council. This is achieved by identifying and appraising a wide range of realistic and achievable options, known as the *long list*, in terms of how well they meet the Council's critical success factors agreed for the project, and reducing the long list to a preferred short list of options, or a single preferred option, through a high-level cost benefits analysis.

The Commercial Case, Financial Case and Management Case will be updated as more information becomes available as recommended in Section 1.3.4.

1.2   Strategic Case

1.2.1   The Strategic Context

In summary the business needs for the Council, which can be used to identify future requirements, can be summarised as follows:

- A widening gap in broadband capability between Shetland and the best connected areas of Scotland/UK is likely to occur unless there is further intervention/investment in the local market;

- High-speed mobile connectivity is becoming increasingly essential to modern living and there is no evidence to suggest that the mobile operators will invest in upgrading the infrastructure in Shetland in the near future;

- Shetland Telecom has an active role to play in the development of broadband services across the Islands, however, the model for delivery and service provision needs to be reviewed in detail;

- It is difficult to see how the "world class 2020" ambition can be achieved without Council intervention;

- In remote locations, the demands and discrepancies will become ever more apparent with a need for some form of support to enable equivalent and sustainable services to be delivered.

1.2.2 Case for Change

The overall investment objective is to proceed with the development of an Outline Business Case (OBC) so that the Council can make an informed decision based on the following individual investment objectives:

Investment Objective 1: to procure or develop the most economically viable solution that represents the best value to the Council;

Investment Objective 2: to ensure that any investment is commercially viable;

Investment Objective 3: to ensure that any investment is affordable to the Council;

Investment Objective 4: any investment by the Council is low risk;

Investment Objective 5: any investment meets the Council's strategic and business needs.

1.3 Economic Case

1.3.1 Critical Success Factors

Within the scope of the Strategic Case a number of CSFs have been identified which will realise the Council's objective of ensuring that **ALL** households, businesses, schools and public services in Shetland have access to high speed broadband by 2020 and using the high speed broadband infrastructure to maximise mobile coverage in Shetland. These are:

CSF 1: 30Mbps to all primary schools and 100Mbps to all secondary schools over the next 3 to 5 years or shorter if delivered by government commitments;

CSF 2: 100% of all public buildings in Shetland to have free public high-speed wireless access over the next 3 to 5 years or shorter if delivered by government commitments;

CSF 3: Yell and Unst to have a fibre connection that will delivered over the next 3 to 5 years or shorter if delivered by government commitments;

CSF 4: The Council will only invest in an area where it is known that an infrastructure or service provider will not be deploying within the next 3 years;

CSF 5: 100% of all residential and business premises in Shetland will have access to high-speed broadband and that the Council will lobby the Scottish Government for additional funding to reach 100% coverage over the next 3 to 5 years in line the *Digital Agenda for Europe*[2] targets or shorter if delivered by government commitments.

For the purpose of this report high-speed broadband can be considered to be a Next Generation Broadband (NGB) connection with a minimum download speed of 30Mbps.

1.3.2 The Long List

Within the potential scope of the project, the following long list options were considered as mechanisms of delivering against the CSFs:

Long list option 1: The Council builds out their fibre network;

Long list option 2: Partner with operators and expand fibre as required (project by project);

Long list option 3: Do nothing and allow coverage to be provided through the Digital Scotland Superfast Broadband (DSSB) programme of works;

Long list option 4: Work with HIE on a joint initiative outside the DSSB programme of works to improve broadband coverage in Shetland;

Long list option 5: Lobby the Scottish Government for additional funding to support long list options 1, 2 or 4 to bridge the gap between the DSSB programme of works and reach 100% coverage in Shetland.

1.3.3 The Preferred Way Forward

In accordance with the Capital Investment Manual and requirements of HM Treasury's Green Book (A Guide to Investment Appraisal in the Public Sector), each

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[2] http://ec.europa.eu/digital-agenda/en/broadband-strategy-policy

of the long list options would be subject to further analysis to ascertain if they could be achieved within the Council's spending and investment objectives. However:

1. All 5 of the shortlisted options have potential to deliver the Council's CSFs at varying degrees, but the level of risk at the time of this report is unknown.

2. LL3 (Do Nothing) is dependent on BT's rollout plans which should be clarified by January 2016. If BT's rollout plans do not meet the expectations of the Council in meeting their CSFs, then this options would be discounted.

3. LL1 (Build), LL2 (Partner with other Service Providers) and LL4 (Joint approach with HIE) all have potential to meet the Council's CSFs but at this stage each option's ability to deliver, their high-level costs, level of risk and any State Aid/legal implications associated with these options, are unknown.

4. LL5 (Lobbying) by itself would not meet the Council's CSFs, but would be developed to work in conjunction with the preferred shortlisted option to leverage additional funding from the Scottish Government to to bridge the gap between the DSSB programme of works and reach 100% coverage in Shetland.

1.3.4 Recommendations

It is recommended that a detailed workplan is prepared and carried out to identify the missing information in points 1 to 4 above (level of risk, high-level costs and State Aid/legal implications).

Once completed, this SOC should be updated to evaluate each of the long list options against the Council's CSF's to determine the preferred option.

2.   The Strategic Case

2.1   Introduction

This Strategic Outline Case (SOC) is seeking outline approval to proceed to the Outline Business Case (OBC) and carry out further investigation into which action(s) are needed to ensure that **ALL** households, businesses, schools and public services in Shetland have access to high speed broadband by 2020 and using the high speed broadband infrastructure to maximise mobile coverage in Shetland.

This section of the SOC is built up as follows:

- Section 2.2 presents the Strategic Context;
- Section 2.3 presents the Business Strategy and Aims;
- Section 2.4 presents the Case for Change.

The Council has long recognised that the development of digital services represents a significant part of its obligations to develop social, business and economic growth of the islands. Going back as far as 2005, the Council met with leading global providers of telecommunications solutions to ensure Shetland had the appropriate level of bandwidth and connectivity to support it's needs.

Over the past 10 years the islands digital infrastructure has developed significantly, primarily through the Council's Telecoms initiative (Shetland Telecom) and initiatives from BT to expand its own high-speed broadband capability through the BDUK[3] project funding.

The Council has recognised that now is the right time to take a fresh look at the demand for high speed broadband connectivity across all the key stakeholder groups and determine the optimal way to meet these demands over future years, financially, technologically and operationally.

The Council currently owns a network, consisting of fibre and microwave links which it uses to provide connectivity to around 150 sites (schools, offices, care centres, ferry terminals etc.) around Shetland, services to partners in the third sector, and community organisations. The Shetland Telecom Project has established a backhaul network over this fibre which is used to provide wholesale services to a number of retail service providers.

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[3] BDUK = Broadband Delivery UK, part of the UK Government Department of Media, Culture and Sport

The Digital Scotland Superfast Broadband project (DSSB) is currently being implemented by BT and will introduce high speed broadband to certain areas of Shetland, although the final extent of the improved service is not yet clear.

There is therefore a developing position with regards to the supply of telecom services across Shetland, and the Council needs to understand what further demands and opportunities exist, where the gaps with supply may occur, and how these are best addressed. The first step, which is addressed within this report, is to understand the demand and strategic case for some form of Council activity.

2.1.1 Digital Revolution

Like any other community across the globe, the Shetland Islands has the opportunity to be transformed through the digital economy. The benefits include new applications for health, social care, additional businesses, social inclusion and education, in particular. These represent significant opportunities for communities on Shetland to benefit from the digital economy.

There is also evidence to suggest that the incremental benefits may be greater than in other UK areas due to the inclusion opportunities offered by digital to remote communities. These include tangible benefits such as:

- Reduced cost of travel through access to online services including, for example, tele-health applications;

- Creation of economic wealth through home-worker communities and reduced outward migration.

Additionally, many intangible benefits exist such as the social maintenance of communities, particularly where elderly people become reliant on remote family members, and the creation of local digital communities.

2.1.2 Benefits Realisation

These opportunities can only be realised through effective fixed and mobile infrastructure (increasingly these go hand in hand) and it's clear that should the Council wait for the "market" to deliver increased fixed capacity as well as 3G, 4G and even 5G services, the pace at which the digital opportunities and benefits can be realised will be dependent on the speed at which the incumbent commercial suppliers (currently mainly BT and Vodafone) invest in

infrastructure. Consequently, some form of market intervention is likely to be required to bring these benefits and opportunities forward.

It is critically important that the development of broadband isn't seen as a one-off project to connect the islands. It is clear that the demand for increasing bandwidth is likely to continue, new technologies such as cloud/ SaaS (software as a service) and the "internet of things", will drive ever increasing bandwidth needs.

As more that one contributor to this report stated:

"it's not about fixing it and walking away, its about a long term plan"

Consequently, the Council needs a long term strategy that enables bandwidth to be added and increased in the islands over time at the lowest incremental cost.

2.2 Strategic Context

2.2.1 Organisational Overview

The Council is the local authority for Shetland and was established by the Local Government (Scotland) Act 1973. The Council provides services in Environmental Health, Roads, Social Work, Community Development, Organisational Development, Economic Development, Building Standards, Trading Standards, Housing, Waste, Education, Burial Grounds, Port and Harbours and other areas.

The Council serves 22,400 people across 1,468 square km and has 22 elected members serving until 2017.

The population's age profile in 2011 shows the number of people aged over 64 has increased by over 20% since 2001 indicating that there will be an increasing proportion of older people in the future.

The overall population has also increased since 2001, likely influenced by Shetland's strong economic performance in that time. According to the Community Plan, between 2003 and 2011 Shetland's economic output has grown by 3.5% annually on average, from around £860M per year to over £1BN. This growth can be traced to expansion in both the private and public

sectors, with fisheries and aquaculture identified as key growth areas in the private sector.

Shetland's employment by sector shows a high level of employment in the public sector. Achieving a more balanced economy by sustaining growth in the private sector and promoting economic resilience and diversity are key priorities for Community Planning in Shetland. This is reflected in local economic priorities such as renewable energy and broadband development, which seek to promote control of local resources.

The Council has recently modernised its constitutional arrangements which includes the support for rigorous options appraisal and review of different courses of action and to enable decisions to be taken efficiently and effectively. Under the Council's policy framework there are a number of plans, policies and strategies all working to an agreed budget.

The Council has faced financial challenges and has strived to bring spending under control. The Council reserves, which are invested to generate a return to spend on services, have been strained and recent budget setting is focused on reducing the amount taken from these reserves. The Council's priorities of children's services and community care have been protected with savings made across the departments of Corporate and Executive, Infrastructure Services and Developments Services.

The Council operates under five directorates:

- Children's Services;

- Community Care;

- Corporate and Executive;

- Infrastructure Services;

- Development Services.

2.2.2 Children's Services

The Council currently meets the education requirements through providing school education at two high schools, six junior high schools and twenty four primary schools. In addition, pre-school education is provided in nineteen of these establishments.

The Council's statement for education is:

"We will ensure the best quality education for all our pupils to enable them to become successful learners who are confident individuals, effective contributors and responsible citizens. We will achieve this through the highest standard of teaching and learning delivered in modern well equipped school buildings which are financially sustainable."

As part of the Shetland Partnership Outcomes, the Council seeks to make:

"Shetland the best place for children and young people to grow up."

2.2.3 Community Care

The Council supports people who have needs or risks that affect their health, well being or restrict their participation in community life. This may be due to a disability, illness or other factor.

The Council's ambition and aim is to find flexible solutions to individual need and to support people to find sustainable and safe ways to maintain their health, well being and community participation.

2.2.4 Infrastructure Services

The Council provides extensive support to the network of ferries, ports and roads including the major installation at Sullom Voe. Transport is a major issue within the islands and is key to sustaining some of the more remote areas. One of the Council's stated top priorities in the recent Corporate Plan is to:

"Deliver quality transport services within Shetland, as well as secured improvements in services to and from Shetland."

2.2.5 Development Services

Development Services includes community planning, housing and economic development.

The Council aims to improve economic opportunities in Shetland through a range of measures to support people and businesses to develop their ideas into commercial reality.

Local industrial sectors continue to perform strongly, most notably the combined fisheries sectors (aquaculture, processing and catching), which contribute around one-third of Shetland's total economic output; also developments in oil and gas, renewable energy and decommissioning will offer important opportunities.

The Council's Economic Development Policy Statement (2013 – 2017) states:

The integration of next-generation broadband will bring economic and social benefits, as well as a demonstration of innovative methods of infrastructure delivery and the implementation/development of new technology.

2.2.6 Shetland Telecom

The Council's Economic Development department developed the Shetland Telecom project as a response to identified market failure in the provision of reliable broadband in the Shetland Islands. Improved broadband was an identified priority in successive Council strategies/plans. The opportunity afforded by the Faroe Islands' investment in SHEFA2, coupled with a lack of private sector interest in taking advantage of this infrastructure, created the particular circumstances that led to the Council investing in the Shetland Telecom project.

The project has delivered four phases of infrastructure: Lerwick to Sandwick; Lerwick to Scalloway; Scalloway to Maywick; and Brig of Fitch to Sellaness. A fifth phase planned to take in Vidlin, Tingwall, Nesting and Mossbank has connected Vidlin and Tingwall before further funding was halted.

A direct fibre connection has been provided from Lerwick to the Internet in London, and the main population and business centres, Lerwick, Scalloway, Sandwick, Cunningsburgh, Brae, Voe, Vidlin, Tingwall and Sellaness all have access to resilient, reliable, high speed networking.

The Shetland Telecom fibre is being used by oil companies, including BP, Total and Petrofac, via re-sales arising from wholesale sales to Shetland Broadband and Faroese Telecom.

The network plan is shown in its projected form in Figure 2-1.

Figure 2-1 Shetland Telecom 'Tube Map'
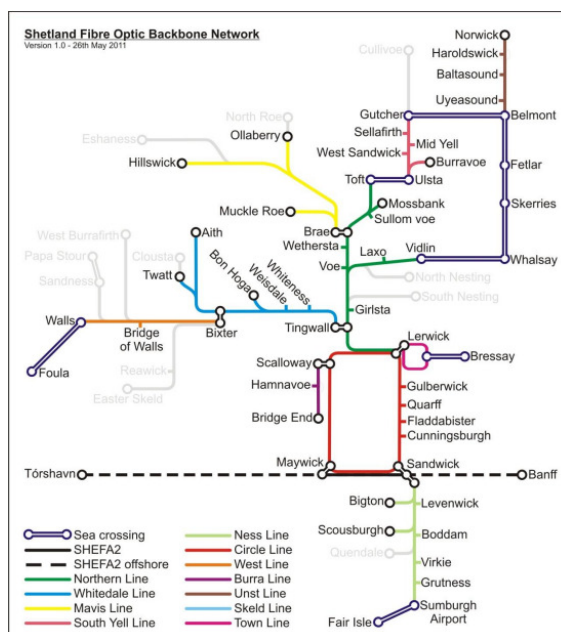
The fibre network interconnects with the Faroese Telecom subsea fibre from Faroes to the Scottish mainland and onwards to London. A Point of Presence has been provided in Lerwick for telecom operators to interconnect. The project has used the concept of the 'Digital Village Pump' to provide a backhaul connection point within a community, which the community can then use to provide local digital services.

2.2.7 Financial

The Council has traditionally benefitted from income streams connected to the oil industry. This resulted in a series of infrastructure decisions being taken which reflected the advantaged financial circumstances of the Islands. However, in recent years this situation has changed and the current Council reserves have dropped from a figure of £400 million to £200 million, with a sum of £60,000 having to be taken from reserves on a daily basis in order to meet the gap between current expenditure and income.

In 2010, the Accounts Commission raised serious concerns regarding the leadership, governance and accountability of Shetland Islands Council, which had given rise to the unsustainable financial position of the Council.

In its report the Accounts Commission stated,

"The Council faces a challenging financial future. It has agreed budget savings for 2010/11 but has yet to demonstrate how it can sustain its current level of services in future years whilst maintaining its target reserves balance and delivering its capital plans. This will require difficult decisions to be taken and clear and consistent leadership by elected members."

Following this report, the Council embarked on an Improvement Plan to address the Commission's recommendations and the Accounts Commission's follow up review in 2012 concluded that:

"The Council is moving in the right direction and there is a clear commitment to improve. The Council's self awareness has improved and it understands that it must focus on its priorities and what it needs to improve for the future."

As part of the recommended improvements, the Medium Term Financial Plan was approved to set out the roadmap for the Council to achieve financial sustainability over the term of this Council and to align resources in accordance with the priorities of Councillors.

2.2.8 Summary of Strategic Context

The organisational review of the Council and its purpose, highlights the focus the Council has on developing and caring for people, strengthening communities, developing the economy, and improving connections and access. Digital Connectivity is a running theme that underpins the delivery of Council services and will become ever more essential. There is, therefore, clearly a strategic context for the Council to consider further. This focus is expanded further in the Council's Business Strategy and Aims.

2.3 Business Strategy and Aims

The Council has long recognised that in a digital age, access to high-speed broadband and mobile connections are expected rather than desired. The Council understand that lack of access to these connections is a major constraint to business and leisure in more remote areas and could represent a disincentive for people to move there. The Council are committed to removing that disincentive and this is reflected in the business strategies and aims set out in relevant strategy plans.

2.3.1 Corporate Plan

Within the newly revised Corporate Plan, the Council recognises three key challenges to be addressed:

Resources   *The Council recognises there are reducing resources available within the public sector and at the same time rising costs. There is therefore a requirement to ensure that the resources available are spent in the most effective way possible.*

Economy   *There is recognition that planning must be done to prepare for economic issues that will arise in the medium term future. Businesses and people across Shetland identify high-speed broadband and affordable housing as important constraints in terms of being able to sustain and grow the economy in future years and the plan seeks to drive positive action on those areas.*

Demographics   *Higher demand from an older population will increase the cost of providing care. Efforts will be made to encourage healthy and active lifestyles that will reduce the need for care in old age.*

The Council's overall vision within the Corporate Plan is that:

"By the end of this plan (2020), we want to be known as an excellent organisation that works well with our partners to deliver sustainable services for the people of Shetland"

By the end of the plan in 2020, one of the Council's stated priorities is for:

"Improved high-speed broadband and mobile availability across Shetland."

The Plan translates the vision and priorities into five key areas:

- young people;
- older people;
- economy and housing;
- community strength and resilience; and

- connections and access.

Within connections and access, the Council acknowledge that:

"in a digital age, access to high-speed broadband and mobile connections are increasingly expected rather than desired. And rightly so. Lack of these connections is a major constraint to business and leisure in more remote areas and could represent a disincentive for people to move there. We want to remove that disincentive."

The other four key areas are also influenced by improved connections and access:

Younger people	*The Community Plan aim is to make Shetland the best place for children and young people to grow up in. Young people will be equipped with the skills to enable them to get jobs or continue into further education.*

  - Comment: Access to IT is now seen as a prerequisite in education and business with a strong focus on online delivery across fixed and mobile platforms. Young people are the highest adopters of technology.

Older people	*Increased use of technology will be helping to provide care for the most vulnerable and elderly in the community.*

  - Comment: IT as an enabler for improved health care has a significant focus with developments around Telehealth in particular just starting to form nationally, and with huge potential.

Economy and Housing	*Shetland will have a wider business base and will have formed a closer partnership with businesses in both traditional and emerging sectors. There will be more highly skilled and well paid jobs in a wider range of business areas than there are at the moment. Shetland's work force will be suitably skilled and qualified to take up those jobs.*

  - Comment: Access to IT services and modern mobile and fixed communications is essential for

developing a wider business base.

Community Strength and Resilience

Sustainable communities, with people able to access the amenities and services they need.

- Comment: Access to online services provides huge benefits to rural areas and allows communities to break down barriers of distance and remoteness.

2.3.2 Community Plan

Community Planning in Shetland aims to make Shetland the best place to live and work by helping to create communities that are:

- Wealthier and Fairer;
- Learning and Supportive;
- Healthy and Caring;
- Safe;
- Vibrant and Sustainable.

The Community Plan sets out to achieve this with certain key outcomes:

- *Ensuring that Next Generation Broadband is available to 75% of Shetland's population by 2016 – helping to boost social connectivity and economic activity throughout Shetland and helping economic development and service delivery in some of Shetland's remoter areas.*

- *Developing a 5-year plan aimed at attracting people to Shetland to live, work, study and invest – increasing further our already high level of economic activity and participation.*

- *Implementing at least one bold and innovative project to help the most vulnerable families in Shetland improve their life chances – helping to reduce inequalities in our society.*

2.3.3 Education Plan

The Strategy for Education Services in Shetland, published in November 2013, reviews the options to provide savings across the service whilst maintaining standards and meeting the Council's statement for education.

The cost per pupil in Shetland is approximately 1/3 higher than the nearest comparable in Orkney and Western Isles with no significant difference in attainment levels. Shetland differs from other Councils in terms of the Junior High School system, which has continued in Shetland and which contributes to the high cost per pupil.

The Strategy includes a recommendation to develop the concept of a Shetland Learning Campus for all school age students and adult learners throughout Shetland. This would require the entire education system in Shetland to be seen as an 'interconnected' learning environment, designed to meet the needs of learners of all ages. This includes the on-line access to all curricular learning materials and the implementation of an independent learning programme for all students to enable them to access learning opportunities on offer in Shetland and elsewhere.

2.3.4 Our Islands Our Future

Shetland hosted the first annual 'Islands Summit' between the three Islands Councils (Orkney, Shetland, Comhairle nan Eilean Siar) and the UK Government.

Discussions focused on reviewing progress on the key Government policies of interest to the islands such as connection to the national energy grid, measures to address fuel poverty, and improving connectivity with mobile and Internet services.

It is understood that discussions will shortly be held between the Scottish Government and the Our Islands Our Future group on the potential use of ERDF funds to help improve mobile connectivity. It is hoped that plans will be in place by end of 2015 on how potential projects will be delivered.

2.3.5 Digital Shetland 2014/17 Strategy

The Digital Shetland 2014/17 Strategy was accepted by Development Committee and the Council on 16 June 2014 and 2 July 2014 respectively. The strategy identifies a partnership working approach which has been effective but a report to the Development Committee in January 2015 highlights that this now needs to be more active to ensure best outcomes as rollouts progress.

The strategy outlines the progress with the Digital Scotland Superfast Broadband programme between Scottish Government, HIE and BT which has current plans to connect 76% of Shetland premises to a Next Generation Access network infrastructure. Actual speeds achieved will vary with a significant percentage of those premises receiving Next Generation Broadband (NGB) speeds (now defined as download speeds greater than 30Mbps).

The strategy also outlines the progress with the Shetland Telecom project in terms of the extent of the rollout, the utilisation, revenue levels and staff resources. As a replacement to the previous Pathfinder contract, the Council connect their sites using a variety of technologies but a more robust and higher capacity solution is required for some of these connections in the medium to long term.

These complimentary projects now need to actively work in partnership to secure the maximum overall benefit in terms of improved digital connectivity for economic and social needs.

2.3.6   Best Value

In addition to the need to achieve financial sustainability, all public bodies in Scotland have a statutory duty to provide Best Value. The duty of Best Value, as set out in the Scottish Public Finance Manual, is:

- To make arrangements to secure continuous improvement in performance whilst maintaining an appropriate balance between quality and cost; and, in making those arrangements and securing that balance;

- To have regard to economy, efficiency, effectiveness, the equal opportunities requirements and to contribute to the achievement of sustainable development.

The Council recognises it has to prioritise spending on capital projects to ensure funding is being targeted on the things that will help achieve the outcomes in the Corporate plan and the Community Plan.

2.4   The Case for Change

2.4.1   Strategic Context Summary

The organisational review of the Council and its purpose, together with the review of the Council's Business Strategy and Aims, clearly shows the importance of Digital Connectivity as an enabler for social and economic development, and ongoing sustainability. There is, therefore, a definite strategic context for the Council to consider further intervention.

2.4.2   Spending Objectives

A robust case for change requires a thorough understanding of what the Council is seeking to achieve (the spending objectives); what is currently happening (existing arrangements); and the present problems and future service gaps (business needs). Analysing a project in this way helps to provide a compelling case for spending, as opposed to it simply being 'a good thing to do'.

The spending objectives for the project relate to the underlying policies, strategies and business plans of the Council. They should also be made SMART – specific, measurable, achievable, relevant, and time constrained.

Digital connectivity has targets at a European, UK, and Scottish levels which are relevant to Shetland. These are:

Europe	• Access to 30Mbps to all by 2020 • 50% households using 100Mbps by 2020
UK	• 24Mbps to 90% by 2016 • 24Mbps to 95% by 2017
Scotland	• 24Mbps to 95% by 2017 • "World Class" by 2020
HIE	• 100% access to 30Mbps by 2020

Following review of Council strategies and business plans, and incorporating feedback from Council led input to the workshop sessions, the following

spending objectives are outlined and will be finalised as the business case progresses:

	Objective	Why
1	Working with partners, increase the provision of NGB speeds to at least 80% of premises by 2016, and to 95% by 2017;	The 2016 target is based on a Shetland Partnership stated outcome with the suggested amendment to coverage of premises rather than population and an increase in % due to likely developments within the DSSB project. The 2017 target reflects the Scottish target. This increased provision also ties in with the Corporate Plan to improve high-speed broadband and mobile availability across Shetland. Note that NGB speeds means greater than 30Mbps download.
2	Provide high speed connectivity to all schools with at least 30Mbps to all primary schools and 100Mbps to all secondary schools by 2017 with fibre as first choice.	This contributes to the requirement to improve connectivity to some schools which do not meet requirements for curricular or admin access. This objective also contributes to the Community Plan vision as Shetland being the best place for children and young people to grow up; that there are strong, resilient and supportive communities; and that services are delivered in an environmentally sustainable manner. The bandwidth figures are typical of other local authority school provisions.
3	Ensure fibre connectivity to Yell and Unst by 2017.	These more northern communities are poorly served and have significant inclusion challenges.
4	Provide public access to next generation broadband in all Council premises by 2016.	This contributes to the Community Plan vision for strong, resilient and supportive communities; and that services are delivered in an environmentally sustainable

		manner.
5	Work in partnership with NHS Shetland to ensure high-speed broadband is available to all NHS locations across Shetland by 2017.	As a platform for the development of Telehealth services, this contributes to the Corporate Plan priority to support older people to access services and help them live independently. It also supports the Community Plan that we live longer, healthier lives and that people are supported into older age.
6	Work in partnership with other public sector organisations to provide high speed mobile coverage to key locations (to be defined) across Shetland by 2017.	This objective ties in with the Corporate Plan to improve high-speed broadband and mobile availability across Shetland.
7	Support the development of ICT supply chain within Shetland through promotion of opportunities, contracts and training.	This objective contributes to the Community Plan for sustainable economic growth with good employment opportunities. It also contributes to the Corporate Plan for a wider business base and a closer partnership in both traditional and emerging sectors, and more highly skilled and well paid jobs in a wider range of business areas.

2.4.3 Existing Arrangements

The provision of digital connectivity across Shetland is primarily through BT for fixed infrastructure and through the national mobile operators for mobile connectivity. In addition, Shetland Telecom provide wholesale services over the Council fibre to allow retail operators to serve end-customers.

2.4.4 BT

BT has a portfolio of next generation access technologies that it is commercially rolling out across the UK. To extend coverage further beyond the commercial footprint, the UK and Scottish Governments (through Digital Scotland Superfast Broadband programme) have provided funding to BT, channelled through Highlands & Islands Enterprise for the Shetland area, to increase the number of premises connected to BT's next generation access infrastructure. This is predominantly through Fibre to the Cabinet (FTTC) with a small proportion of premises directly connected by fibre.

Within Shetland, an estimated 76% of premises are currently planned to be connected by the end of 2016 through modelling by BT. BT are looking at extending coverage through optimisation of this modelling process and it is looking increasingly likely that additional premises can be reached. Note that not all of these premises will receive NGB speeds of 30Mbps and above as speed drops with distance from a cabinet.

A further round of public funding (Phase 2) has been released and BT is in the process of modelling the additional coverage it could provide if it were awarded this funding. Results of this modelling are expected shortly and the decision on how the Phase 2 funding will be used is expected by the end of the year. This could extend BT coverage further in Shetland through 2017.

When combined with existing commercial roll-out plans, this programme is expected to deliver access to next generation broadband to around 85% of premises in 2015/16 and at least 95% of premises by the end of 2017 across Scotland.

A further Phase 3 fund is also being developed by the UK government to tackle the final 5% of premises which will not be covered by the earlier phases. Further details are expected by January 2016.

To achieve this level of coverage across Shetland may require additional investment which will only become clear after Phase 2 modelling is completed and funds are committed, which will be known by January 2016

However, BT will not reach everywhere with next generation speeds and so will only be part of the overall solution. The overall reach and capacity offered

is unlikely to be able to support the full economic and social requirements across Shetland.

2.4.5 Mobile

Almost of greater concern is the gap in mobile (3G/4G) connectivity. These services are becoming increasingly essential to modern living and there is no evidence to suggest that the mobile operators will invest in upgrading the infrastructure in Shetland in the near future.

Current provision is patchy with only limited 3G coverage and no 4G coverage. The national operator O2 has a license obligation to provide indoor and outdoor 4G coverage to 95% of the Scottish population by 2017. Of course with Shetland's population being approximately 0.4% of Scotland's, this obligation may not result in any improvement within Shetland.

Any upgrade in the mobile networks to support 3G/4G would almost inevitably require additional fibre infrastructure to support efficient backhaul of mobile traffic.

2.4.6 Shetland Telecom

The Council's telecom project (Shetland Telecom) has delivered significant benefit across a number of business and communities. There is also some anecdotal evidence to suggest that it also stimulated the market by encouraging BT to invest.

Shetland Telecom currently operate as a "wholesaler" of services and provider of both "active" and "passive" (dark fibre) services to businesses and to Council locations.

Shetland Telecom has also developed a plan to expand the network further including the provision of community "pumps" to enable communities to access broadband faster (and at higher speeds) than would otherwise be possible.

Consequently, we believe that Shetland Telecom has an active role to play in the development of broadband services across the islands; however the model for delivery and service provision needs to be reviewed in detail.

2.4.7 World Class 2020

The Scottish Government's 'World Class 2020' ambition is to ensure Scotland has the right mechanisms, partnerships and commercial models in place to deliver world-class infrastructure in a sustainable way and in partnership with industry.

As part of any business case for investment, the Council should evaluate the above in the context of creating a world class 2020 plan for broadband in Shetland (i.e. what will work for the islands, the partners and the approach).

The vision of what a world class digital Scotland will look like is set out below. By replacing 'Scotland' with 'Shetland', a vision for Shetland can similarly be set out:

- People choosing digital first, having access to digital technology and being capable and confident in its use at home, at work and on the move. They no longer worry about access to the Internet, caps on usage, slow upload or download speeds, patchy mobile coverage or mobile signal dropout.

- Scotland's businesses having the skills and the confidence to exploit digital technologies, an economic environment that encourages digital innovation and supports the creation, growth and digital transformation of businesses. Businesses take advantage of real time data to deliver innovation, greater productivity and provide better services.

- Scotland recognised as being seen as an attractive place for inward investment in digital technologies.

- All appropriate public services being delivered online, with partnerships being encouraged and valued as a source of innovation and service improvement. Healthcare, education, energy supply and provision, transport, and waste and environmental management have been transformed through the adoption of new technologies, information and ubiquitous access.

- The "internet of things" enabling local Government to manage congestion; maximize energy efficiency, enhance public security; allocate scarce resources and support education through remote learning. Data is being collected and turned into information and knowledge that is further transforming service delivery.

- A future-proofed digital infrastructure supporting any device, anywhere, anytime connectivity across Scotland. This infrastructure is less visible to people, because a majority connect to the internet wirelessly e.g. on mobile devices (tablets, smart phones, etc) or through wireless platforms (e.g. PCs and laptops through home or public space WiFi).

It is clear that these benefits will not be available to people living in Scotland's hard-to-reach areas without significant public investment and long term planning.

The Shetland plan for digital connectivity needs to reflect the Scottish Governments Infrastructure Action plan which outlines the call to make Scotland a world class digital nation by 2020.

This includes providing communities and businesses with a sustainable high speed infrastructure that will deliver digital connectivity across the whole of Scotland by 2020 and that next generation broadband will be available to all by 2020 with an interim milestone to close the digital divide. For Shetland the ambition should be to get ahead of the plan to ensure that it's requirements do not fall at the end of the 2020 period due to the remoteness and inaccessibility of some locations.

Consequently, it is difficult to see how this ambition can be achieved without Council intervention

Although the Scottish Government has no firm position of what world-class access will look like in the future, they state that:

"technologies available today, like fibre, can provide the future proofed backbone we need to meet future demand at increasing speeds for decades to come"

2.4.8 European Regional Development Funding

The broadband measure under the European Regional Development Fund (ERDF) programme for 2014-2020 is about extending broadband deployment and the roll-out of high-speed networks and supporting the adoption of emerging technologies and networks. The fund is worth €25m (plus 50:50 match) and in Scotland is restricted to the Highlands and Islands. Current indications are that the fund may be used for a mobile project, which could

potentially benefit Shetland. Confirmation of plans are due from the Scottish Government by the end of 2015.

2.4.9 Community Broadband Scotland

CBS are working with communities across Scotland with alternative network provision, by providing capital funding and resources to assist communities develop their own solutions. Within the Council area, there is a project underway with Fair Isle to fund a local fibre infrastructure and a high capacity radio link back to Sumburgh. Access to affordable backhaul is an essential component to these projects and can often be a limiting factor in their feasibility.

CBS has a fund of approximately £7.5m for community projects with a further £9m available for aggregated projects that combine neighbouring communities into larger scale projects.

2.5 Business Needs, Current and Future

2.5.1 Growth in Digital

Currently the average user has one or two devices (typically laptop and mobile) connected to the Internet. This has driven the current bandwidth requirements. Whilst their usage is set to continue, it is the growth in connected devices (wearables, connected homes, connected cars, traffic management, street lighting controls) that is set to fuel the exponential bandwidth growth over the next few years. Predictions are that growth will be from 2-20 devices per person.

Health care in particular is set to be one area where new applications are developed from monitoring to preventative care.

It isn't clear what the bandwidth demands will be from this growth but strategically having the ability to scale services at an affordable incremental cost to enable these new applications will be important to the Council.

2.5.2 Ofcom Report

According to the 2015 OFCOM report on Internet and Mobile usage for Scotland:

"Smartphones are now the most important device for accessing the internet in Scotland "

Interestingly, OFCOM research shows that:

"Half of Internet users aged 16-34 (50%) and more than four in ten (45%) aged 35-54 say a Smartphone is the most important device for going online"

It is clear from this research that mobile devices and access to 3G/4G services are becoming ever more critical to consumers and also business.

Further to this, the OFCOM report supports the view that usage patterns are moving from laptop to mobile/tablet and that "time per device" per user is increasing as social media, TV/streaming and "day to day" services are moved onto the Internet.

2.5.3 Industry Trends

"In 2019, the gigabyte equivalent of all movies ever made will cross Global IP networks every 2 minutes"

"The Internet has changed the way people go about their daily lives. Over three quarters of adults in Great Britain used the Internet every day (76%) in 2014, with almost 7 out of every 10 adults (68%) using a mobile phone, portable computer and/or handheld device to access the Internet 'on the go'.

Young adults lead the way across all categories of Internet use. Those aged 16 to 24 used the Internet more than other age groups for recreational activities such as social networking (91%) and playing or downloading games (68%). Adults aged 25 to 34 used the Internet more than other age groups to carry out a wide range of established 'every day' activities, such as purchasing goods or services online (90%), Internet banking (71%) and selling goods or services online (36%)" – Source Cisco

Other key trends include:

- bandwidth usage continues to grow exponentially, driven by video streaming and gaming;

- the number of connected devices per household is growing at a rapid rate;

- the numbers of applications used is rapidly increasing;

- In a number of service areas, the Internet has moved to an "essential" tool without which people cannot perform their daily lives.

Consequently, where bandwidth is limited and connectivity is poor or expensive, communities and business are increasingly disadvantaged. From our meetings there are a number of examples of this in Shetland across all services, i.e. health, education, economic development, social care and communities.

Cisco is forecasting that, globally, IP traffic will grow 3-fold from 2014 to 2019, a compound annual growth rate of 23% with IP traffic reaching 22 Gigabytes per capita in 2019, up from 8 Gigabytes per capita in 2014.

Consequently, it seems clear that in remote locations, the demands and discrepancies will become ever more apparent with a need for some form of support to enable equivalent and sustainable services to be delivered.

2.5.4 Mobile Developments

In the development of the Internet over the past 20 years, rarely does the demand for services drive the growth of bandwidth, either fixed or mobile. Typically, technology has stayed ahead of the demand curve and become a key enabler to transforming peoples' daily lives.

A good example of this is 3G and 4G mobile services, where at launch there was little or no demand for face to face video across the mobile networks. Indeed, most users would have thought that they would never use mobile video streaming services or video download. But now where the bandwidth is available, there are many applications, social and economic that are driving significant change in the way people work. So the demand is following service availability and consequently fuelling a divide where service is lacking.

This pace of change and bandwidth growth appears to be set to continue and potentially the divide will increase. New applications for online streaming of video such as "Periscope" and other innovations (e.g. connected vehicles) will be out of reach for locations without high speed fixed and mobile broadband.

Mobile operators are already developing their 5G services. Vodafone, for example, has revealed that it's 5G network will be geared towards supporting

machine-to-machine technology, and in particular, connected autonomous vehicles.

"Our vision is to connect every machine which is out there…we are very well-positioned, due to our size, our capabilities and our brand partnerships we have" Vodafone's director of M2M, Erik Brenneis

2.5.5 Public Health

"Well designed and sustainable communities, with people able to access the amenities and services they need" – Corporate Plan

Feedback from the community and 1-2-1 sessions seemed to suggest that the lack of available online services due to restricted bandwidth is increasing displacement and technology could be a key enabler to keep people elderly people in their own homes for longer in safer way.

Global health monitoring through connected services (video, wearables, smartphones) is currently one of the fastest growing and most influential sectors in the world with 3 million people expected to be using smartphone-powered remote patient monitoring devices by 2016.

The opportunities afforded to remote communities are potentially the most significant, but connectivity and mobility are two of the most critical enablers to success.

There are a number of applications that NHS Shetland could implement to meet the e-health 2020 targets, particularly in hospitals, but also in the field that could improve healthcare efficiency, significantly reduce travel for staff and patients and more importantly improve care.

Remote support from GPs for pre-diagnosis and after care support using video engagement with patients could ultimately be provided at home for patients but initially could also be delivered at a local community points "health hubs" if sufficient bandwidth and accessibility could be provided.

Access to expertise in remote locations through video conferencing with hospitals in Grampian and potentially further afield, could also be developed more extensively.

Access to mobile and fixed "operational and admin" systems for job scheduling and work allocation required by mobile staff will also improve efficiency, reduce travel time and costs.

Initially it may be worth considering creating community hubs where sufficient bandwidth could be concentrated for some tele-health services to be provided unless this could be extended to all homes.

Beyond the needs and benefits of tele-health services to both the community and clinicians there may also be an economic development opportunity for NHS Shetland to attract and develop expertise locally either by way of personal expertise being offered to other regions (or further afield) through remote tele-health facilities or through Shetland choosing to host and manage some services that could be offered to other NHS regions.

This could potentially encourage high level expertise to the area that would otherwise have not considered being based in Shetland due to geographic and communication constraints.

2.5.6 Telecare and Telehealth

The Joint National Delivery Plan from the Scottish Government, CoSLA and NHS Scotland, sets out the vision and direction for a Scotland in which the use of technology will be integrated into healthcare development and delivery, to transform access and availability of services in our homes and communities.

Technology-enabled care is vital to the successful delivery of this vision. NHS 24 is delivering a Technology Enabled Care Development Programme comprising five related workstreams, one of which is to investigate the transition of Telecare within Scotland from analogue to digital technology. The National Telehealth & Telecare Delivery Plan aims to enable greater choice and control in healthcare and wellbeing services for an additional 300,000 people by March 2016, enabling more citizens to remain at home and in their communities.

There are a range of potential benefits of digital Telecare which fall into four main themes:

Reliability – Potential benefits relating to improving the reliability and quality of Telecare services, or ensuring the continuity of Telecare;

Efficiency – Potential benefits relating to improving the efficiency of Telecare. These relate both to efficiencies gained through improvements in delivery methods and utilising increased sharing of information/partnership working to broaden services;

Additional Functionality – Potential benefits obtained by using digital technology to deliver new Telecare functionality and services;

Telehealth – Potential benefits obtained by using digital Telecare technology to support the delivery of Telehealth services.

To deliver digital Telecare a broadband connection is required to a subscriber's home. This broadband can either be fixed (i.e. DSL or cable broadband) or delivered using wireless (i.e. connecting to a mobile telephone network). Although figures for broadband availability in the UK are extremely high, many of the remaining areas unable to obtain broadband, or obtain high speed broadband services, are in Scotland. In the short/medium term obtaining access to broadband services capable of supporting advanced Telecare / Telehealth services is likely to remain an issue in some areas of Scotland, particularly in remote/Island communities.

2.5.7 Education Services

From the 1-2-1 sessions with representatives from Schools and the community feedback, a number of demands for increased bandwidth for broadband services became evident.

There is a short term "pinch point" for schools connectivity whereby staff cannot use the required administrative/operational system "Glow" (Scottish Schools National Intranet) due to slow bandwidth connections. This performance gap is only likely to increase as services across Glow are increased.

These include the following:

- Webconferencing, including audio and video connections;

- Blogs & Wikis – to enable individuals and classes to work together on one 'canvas';

- Mail, Chat & Messenger a messaging and mail system accessible by every teacher;

- An integrated Virtual learning environment allowing nationwide sharing of resources and creation of teaching courses;

- Groups - Sub-sites which can be created by teachers in each establishment for a variety of purposes;

- Discussion boards and shared document Stores.

Schools without the minimum connectivity required to support "shared services" such as these will be disadvantaged.

In addition, the growing bandwidth requirement for remote learning and access to global resources for pupils will mean that high speed broadband for education is increasingly a necessity.

Consequently, we would conclude that there is a minimum requirement for high speed broadband (ideally through fibre) to all schools, and a need to look at a specific GAP analysis of the potential impact of pupils not having broadband available in a home environment.

2.5.8 Economic Development

Over the last 5 years there are some good examples where the availability of high speed connectivity has driven economic benefits for the islands. Of course it can't be clear whether these businesses would not have existed or located without the Council/Shetland Telecom fibre availability, but it seems likely that would be the case.

- Shetland Broadband – now has over 3000 connected devices and services communities and workers. A real business success created through the availability of high speed broadband;

- The fish exchange/auction– an international success story and helped revitalise a traditional industry though on-line high availability services;

- Grieg fish farm – an international business connected to services in Denmark who operation and profitability without high bandwidth services would have been severely limited.

These examples, alongside the connectivity to Oil and Gas facilities for companies such as Pertrofach, Total and BP, illustrate the economic benefit to the islands directly as a result of the Council strategy to invest in fibre connectivity.

Notwithstanding the long term benefit of improved connectivity across the islands as an enabler for economic growth, there are some immediate projects and initiatives where significant bandwidth/fibre connectivity will be required and the Council should consider both how these projects will be fulfilled and if/how they could be used as "anchor" projects to drive increased connectivity. Many of these projects could not happen without high bandwidth connectivity.

The projects identified through the 1-2-1 session and the community consultations include:

- The new SSE power station which will require fibre connectivity both for systems and operational control;

- The Gas sweetening plant which will require control systems and operational admin systems;

- Tidal generation developments will require fibre for control systems;

- Viking wind farm and an additional wind farm at Yell will require control systems for the turbines;

- The new fisheries facility will require high bandwidth connectivity for the on-line auction and administration systems.

3. The Economic Case

3.1 Introduction

In accordance with the Capital Investment Manual and requirements of HM Treasury's Green Book (A Guide to Investment Appraisal in the Public Sector), this section of the SOC documents the wide range of options that have been considered in response to the potential scope identified within the strategic case.

3.2 Critical Success Factors (CFSs)

The key CSFs to establish the level of intervention required by the Council were developed at an "options workshop" on 11 November 2015.

The attendees and relevant stakeholders were:

- Susan Msalila, Exec Manager ICT
- Robert Sinclair, Executive manager Capital Programmes
- Jan Riise, Exec manager Governance & Law
- Vaila Simpson, Exec Manager Community Planning & Development
- Douglas Irvine, Exec Manager Economic Development
- Christine Fergusson Director Corporate Services
- Neil Grant, Director Development Services
- Cllr Alastair Cooper, Chair Development Committee
- Cllr Gary Robinson, Leader
- Cllr Billy Fox, Deputy Leader
- Cllr Theo Smith Vice Chair Development Committee
- Cllr Michael Stout
- Cllr Allan Wishart
- Cllr George Smith
- Cllr Gary Cleaver
- Cllr Drew Ratter
- Cllr Mark Burgess
- Cllr Robert Henderson

These CSFs have been used alongside the Council's strategic and investment objectives for the project to evaluate the long list of possible options.

CSFs can be weighted as follows:

- 4 exceeds business needs / full confidence

- 3 fully meets business needs / high degree of confidence

- 2 partially meets business needs / reasonable confidence

- 1 minimally meets business needs / low confidence

- 0 does not meet business needs / no confidence at all.

3.2.1 Initial CSFs Choices

The initial CSFs captured at the workshop were as follows:

- CSF 1: 30Mbps connections to all primary schools and 100Mbps to all secondary schools. Complete over the next 3 to 5 years or shorter if delivered by government commitments.

- CSF 2: The public must have access to high speed broadband in all public buildings; therefore all public buildings must be connected to 30Mbps/100Mbps over the next 3 to 5 years or shorter if delivered by government commitments.

- CSF 3: Both Yell and Unst to have broadband services available to communities and businesses over the next 3 to 5 years or shorter if delivered by government commitments.

- CSF 4: No duplication of investment with service operators.

- CSF 5: Any future investment has to be future proofed.

- CSF 6: The Council has access to all funding money available.

- CSF 7: All residents and business must have access to some form of broadband or community programme over the next 3 to 5 years or shorter if delivered by government commitments.

- CSF 8: Community development is not restricted by lack of broadband in that residents and businesses must have access to broadband or community programmes over the next 3 to 5 years or shorter if delivered by government commitments.

- CSF 9: Broadband services attract and are not a barrier to new business in Shetland in that all business locations must have access to some form

of broadband connectivity over the next 3 to 5 years or shorter if delivered by government commitments.

- CSF 10: Home working facilitated through broadband services through access to some form of broadband or community program over the next 3 to 5 years or shorter if delivered by government commitments.

3.2.2 Shortlisted CSFs

The initial CSFs list in Section 3.2.1 was revisited and CSFs including home working, attracting new business, Telehealth, and improving educational standards, were discounted as they would be enabled through other CFSs. This resulted in the 5 core CSFs as shown in Table 3-1 . Future proofing would be revisited as part of the commercial case once more information is known.

CSF	Description	Rationale
1	Provide high-speed connectivity to all schools	If not made available, schoolchildren will be at a disadvantage in not having access to the latest digital learning technology
2	All public buildings to offer high-speed guest wireless access	Residents, businesses and visitors are able to access Wi-Fi in a choice of locations so they are not disadvantaged by council services being put online
3	A high-speed fibre connection to Yell and Unst is deployed	To ensure the businesses and residents of Yell and Unst are not socially and economically excluded as a result of high-speed broadband not being supported
4	Only invest in an area where it is know that an infrastructure or service provider will not be deploying within the next 3 years	If it is know the market will be serving an area, then the Council's funds will be best utilised in areas where there is no planned investment
5	100% of all residents and businesses in Shetland will have access to high-speed broadband	The 100% commitment will provide the benchmark to lobby the Scottish Government for additional funding to reach this figure

Table 3-1: Final list of Critical Success Factors

Each of the 5 core CSFs were weighted and a SMART (**S**pecific, **M**easurable, **A**ssignable, **R**ealistic, **T**ime-related) measure was applied to each CSF as shown in Table 3-2.

CSF	Weighting (Importance)	SMART Measure
1	4	30Mbps to all primary schools and 100Mbps to all secondary schools over the next 3 to 5 years or shorter if delivered by government commitments
2	4	100% of all public buildings in Shetland to have free public high-speed wireless access over the next 3 to 5 years or shorter if delivered by government commitments
3	4	Fibre connectivity to be delivered over the next 3 to 5 years or shorter if delivered by government commitments
4	3	No duplication of investment where infrastructure and /or services exist or are planned to exist in the next 3 years
5	4	All residents and businesses have access to high-speed broadband over the next 3 to 5 years or shorter if delivered by government commitments

Table 3-2: Final CFSs weighting and SMART measurements

3.3   Delivery Options

In accordance with the Treasury Green Book and Capital Investment Manual, the do nothing option has been considered as a benchmark for potential VfM.

A large number of delivery options and permutations are possible; however, within the broad scope outlined in the strategic case, the following long list options have been considered to deliver the Council's CSF's:

- **Long list option 1**: The Council builds out their fibre network.

- **Long list option 2**: Partner with operators and expand fibre as required (project by project).

- **Long list option 3**: Do nothing and allow coverage to be provided through the Digital Scotland Superfast Broadband (DSSB) programme of works.

- **Long list option 4**: Work with HIE on a joint initiative outside the DSSB programme of works to improve broadband coverage in Shetland.

- **Long list option 5**: Lobby the Scottish Government for additional funding to support long list options 1, 2 or 4 to bridge the gap between the DSSB programme of works and reach 100% coverage in Shetland.

3.3.1 Long List Option 1

Description	This option assumes that the Council may wish to further invest in their current fibre network and develop it into under-served areas.
Advantages	• The Council can develop a high-speed broadband network at the wholesale level in the Shetlands to meet their own needs • Provides synergy with the Council's strategic drivers • Higher coverage may be possible than relying on the Digital Scotland Superfast Broadband (DSSB) or Community Broadband Scotland (CBS) Programmes.
Disadvantages	• There may be potential compliance issues with State Aid rules • The technical specification of current and future network deployments may not be acceptable to the market • There may not be the business case for the market to provide high-speed retail services to the residents and businesses in Shetland • Cost is unknown • BT may duplicate any of the Council's future work and therefore the network will not be fully used.

3.3.2 Long List Option 2:

Description	This option assumes that the Council will partner with suitable service providers and also expand their current

	network as required on a project by project basis.
Advantages	• Expanding the network will be potentially at a lower cost to the Council as the private sector would also invest in coverage • Higher coverage may be possible than relying on the Digital Scotland Superfast Broadband (DSSB) or Community Broadband Scotland (CBS) Programmes • Provides synergy with the Council's strategic drivers.
Disadvantages	• It is not know at the time of this report is the major service providers (BT, Vodafone), or the Altnets (Alternative Operators; Gigaclear, CityFibre, Hyperoptic, ITS Technology Group) would have a viable business case to deploy in Shetland • The Council may invest in areas which have been identified for funding by Community Broadband Scotland (CBS) • Cost is unknown.

3.3.3 Long List Option 3:

Description	This option assumes that the Council will do nothing and rely on DSSB through the BT contract and CBS to deploy high-speed broadband in the Shetlands.
Advantages	• It would be of zero cost to the Council as the funding to deploy high-speed broadband to Shetland has already been identified and ring-fenced.
Disadvantages	• The Council will have limited control over where and when high-speed broadband is rolled out in the Shetlands • The extent of how much coverage is provided it outside the control of the Council and may not meet their expectations in 100% coverage • May not provide synergy with the Council's strategic drivers

3.3.4 Long List Option 4:

Description	This option assumes that the Council will enter into a form of joint working initiative with HIE outside of the current DSSB and CBS programmes.
Advantages	• Higher coverage may be possible than relying on the Digital Scotland Superfast Broadband (DSSB) or Community Broadband Scotland (CBS) Programmes • The joint working initiative could be tailored to meet the needs of the Council • There may be financial economies of scale in working with HIE • May provides synergy with the Council's strategic drivers.

Disadvantages	• It is not known at this time of there is an appetite from HIE to enter into such a joint initiative • The time to set-up the delivery mechanism for a joint venture may mean that the Council's timescales to meet their CSFs are not met • Cost is unknown.

3.3.5 Long List Option 5:

Description	This option assumes that the Council actively lobby the Scottish Government for additional funding to achieve 100% coverage in Shetland.
Advantages	• This option would not be used as a standalone option. It would be used to supplement the preferred short-listed option leverage additional funding from the Scottish Government to reach 100% coverage • Low risk.
Disadvantages	• None

3.4 Evaluation of Options

3.4.1 Spending Objectives

Table 3-3 summarises the assessment of each long list option against how it meets the Council's spending objectives from Section 2.4.2 and the Council's CSFs. The total score for each long list option has been achieved by multiplying the CSF weighting (importance) and whether the long list option would fully/nearly/partially/not address the Council's spending objectives from Section 2.4.2 (4-fully addresses; 3-nearly addresses; 2-partially addresses; 1-doesn't/minimally addresses the spending objectives).

Critical Success Factors						
Option	Total Score	CSF1 Weight =4	CSF2 Weight = 4	CSF3 Weight = 4	CSF4 Weight=3	CSF5 Weight = 4
LL1	(69)	4 (16)	4 (16)	4 (16)	3 (9)	4 (16)
LL2	(72)	4 (16)	4 (16)	4 (16)	4 (12)	4 (16)
LL3	(39)	2 (8)	2 (8)	2 (8)	4 (12)	1 (4)
LL4	(?)	Unknown	Unknown	Unknown	Unknown	Unknown
LL5	(46)	2 (8)	2 (8)	2 (8)	2 (6)	4 (16)

Table 3-3 Summary evaluation of how well the CSFs meet the spending objectives

3.4.2 Investment Objectives

In accordance with the Capital Investment Manual and requirements of HM Treasury's Green Book (A Guide to Investment Appraisal in the Public Sector), each of the long list options would be subject to further analysis to ascertain if the long list option meets the Council's investment objectives (4-high probability it will meet the objective; 3-medium probability it will meet the objective; 2-low probability it will meet the objectives; 1-zero probability it will meet the objective). To recap the Council's investment objectives and long list options are:

- **Investment Objective 1**: to procure or develop the most economically viable solution that represents the best value to the Council

- **Investment Objective 2**: to ensure that any investment is commercially viable

- **Investment Objective 3**: to ensure that any investment is affordable to the Council

- **Investment Objective 4**: any investment by the Council is low risk

- **Investment Objective 5**: any investment meets the Council's strategic and business needs.

- **Long list option 1**: The Council builds out their fibre network.

- **Long list option 2**: Partner with operators and expand fibre as required (project by project).

- **Long list option 3**: Do nothing and allow coverage to be provided through the Digital Scotland Superfast Broadband (DSSB) programme of works.

- **Long list option 4**: Work with HIE on a joint initiative outside the DSSB programme of works to improve broadband coverage in Shetland.

- **Long list option 5**: Lobby the Scottish Government for additional funding to support long list options 1, 2 or 4 to bridge the gap between the DSSB programme of works and reach 100% coverage in Shetland.

Table 3-4 summarises the assessment of each long list option. The total score for each long list option has been achieved by how well each long list option could meet the Council's investment objectives (IOs).

Evaluation of options against Investment Objectives						
Option	Total Score	IO 1	IO 2	IO 3	IO 4	IO 5
LL1	(?)	Unknown	Unknown	Unknown	Unknown	4
LL2	(?)	Unknown	Unknown	Unknown	Unknown	4
LL3	(?)	Unknown	3	3	4	Unknown
LL4	(?)	Unknown	Unknown	Unknown	Unknown	Unknown
LL5	(14)	2	2	4	4	2

Table 3-4 Summary evaluation of how well each long list option meets the investment objectives

3.5   Short-listed Options and Recommendations

It can be seen from the high-level evaluation in Section 3.4 of each long list option that there are unknown elements that do not allow the evaluation to be fully completed to assess which option(s) will best deliver the Council's CSFs.

1. All 5 of the shortlisted options have potential to deliver the Council's CSFs at varying degrees of risk which is represented where possible by their evaluation score in Table 3-4.

2. LL1 (Build), LL2 (Partner with other Service Providers) and LL4 (Joint approach with HIE) all have potential to meet the Council's CSFs but at this stage each option's ability to deliver is unknown.

3. LL3 (Do Nothing) is dependent on BT's rollout plans which should be clarified by January 2016. If BT's rollout plans do not meet the expectations of the Council in meeting their CSFs, then it would be discounted.

4. LL5 (Lobbying) by itself would not meet the Council's CSFs, but would be developed to work in conjunction with the preferred shortlisted option to leverage additional funding from the Scottish Government to reach 100% coverage.

3.5.1 Recommendations

It is recommended that the actions in Section 7 (Next Steps) be carried out and this SOC updated and the long list options re-evaluated against the Council's CSFs to determine the preferred short list option.

4. Commercial Case

The Commercial Case will clearly show that the preferred short list option(s) is commercially viable and can be delivered by the Council. Because there is insufficient information at the SOC stage, the Commercial Case will be prepared at OBC stage once a preferred short list option is chosen to show how it will be delivered (procured, developed in-house, hybrid model), and will also include (but not limited to):

- Service requirements (business outputs, functional requirements);

- Charging mechanisms (for example if the Council was to build out their fibre network, what financial mechanisms would be put in place for 3rd parties to use the network);

- Risk management (how the Council could transfer risk as part of any commercial deal);

- Contractual arrangements;

- Accountancy Treatment (for example how fully depreciated assets still being used are treated).

5. Financial Case

The Financial Case will evaluate the affordability of the preferred short list option(s) for recovering affordability for the expected total contract spend that emerged from the OBC's Economic Case, once the preferred long list option(s) have been identified.

The Financial Case will include (but not be limited to):

- Cash flow analysis;

- Audit requirements;

- Funding requirements (capital and revenue).

6. Management Case

The Management Case will be developed at the OBC stage and will set out how the Council will manage their investment in delivering their strategic objectives.

The Management Case will include (but not be limited to):

- How the project will be managed and controlled using Cabinet office Best Management Practice, PRINCE2 project management and Management of Risk methodology;

- Details of key delivery personnel;

- Project governance;

- Risk and issue management plans;

- Project plan;

- Key milestones;

- Contract management and reporting arrangements;

- Post implementation review (PIR);

- Benefits realisation arrangements;

- Contingency plans.

7. Next Steps

It is recommended that the following actions are incorporated into a detailed workplan for completion and this SOC updated by evaluating the long list options against the Council's CSFs to identify which of the long list options is the preferred option.

1. For LL1 (Build) to be delivered the following actions should be carried out:

   a) Ensure that there are no State Aid/legal implications in the Council extending their fibre network;

   b) Ensure that any future deployments are not duplicated by the current BT/BDUK programme of work;

   c) Prepare a detailed cost model to ensure the overall cost of LL1 is not prohibitive to the Council.

2. For LL2 (Partner with other Service Providers) to be delivered the following actions should be carried out:

   a) The Council should carry out a market sounding exercise with a suitable list of Altnets and major suppliers to ascertain if they would have the appetite/potential business case to invest in Shetland;

b) Technical specification of the current network and any future network rollouts should be examined with the view of upgrading the network to make it more attractive to the market.

3. LL3 (Do Nothing) presents a low risk to the Council, but with the uncertainty of BT/BDUK's future coverage maps/rollout plans there is a high probability that BT's rollout plans will not meet the Council's expectations. At present this is an unknown factor, therefore this option should not be discounted by the Council until the BT position is clearer in January 2016.

4. LL4 has the potential to deliver the Councils CSFs and could be tailored to meet the needs of the Council and HIE should a joint working agreement be put in place. This option also has the potential to reduce costs if any economies of scale could be identified that would make this solution more financially attractive than LL1 or LL2.

The Council should action exploratory meetings with HIE to assess if a joint working approach is viable.

5. LL5 has the potential to the be used in conjunction with any of the other long list options to leverage additional funding from the Scottish Government and in turn minimise the overall cost and maximise the benefits to the Council.

For this option to be successful a senior Council lobbyist should be identified and a lobbying plan developed that identifies the key stakeholders within the Scottish Government that could release additional funds.

Shetland Islands Council

High Speed Broadband Analysis – Economic Case Workshop

December 2015

Barry Walker– FarrPoint

Core Objective

*The Council wish to ensure that **ALL** households, businesses, schools and public services in Shetland have access to high speed broadband by 2020 and use the high speed broadband infrastructure to maximise mobile coverage in Shetland.*

Critical Success Factors

CSFs	Description	Critical Success Factors	
		WEIGHT (Importance)	SMART MEASURE
CSF1	Provide high speed connectivity to all schools Rationale: If not made available, schoolchildren will be at a disadvantage in not having access to the latest digital learning technology (bandwidth should be symmetrical i.e. same upload and download speeds)	4	30Mbps to all primary schools and 100Mbps to all secondary schools. Complete over the next 3 to 5 years or shorter if delivered by government commitments
CSF2	All public buildings to offer high speed guest wireless access Rationale: Residents, businesses and visitors are able to access Wi-Fi in a choice of locations so they are not disadvantaged by council services being put online	4	100% of all public buildings in Shetland to have free public high speed wireless access over the next 3 to 5 years or shorter if delivered by government commitments
CSF3	A high speed fibre connection to Yell and Unst is deployed Rationale: To ensure the businesses and residents of Yell and Unst are not socially and economilly excluded as a result of high speed broadband not being supported	4	Fibre connectivity to be delivered over the next 3 to 5 years or shorter if delivered by government commitments
CSF4	Only invest in an area where it is know that an infrastructure or service provider will not be deploying within the next 3 years Rationale: if it is know the market will be serving an area, then SIC funds will be best utilised in areas where there is no planned investment	3	No duplication of investment where infrastructure and /or services exist or are planned to exist in the next 3 years
CSF5	100% of all residents and businesses in Shetland will have access to high speed broadband Rationale: The 100% commitment will provide the benchmark to lobby the Scottish Government for additional funding to reach this figure	4	All residents and businesses have access to high speed broadband over the next 3 to 5 years or shorter if delivered by government commitments

Long List – Options Discussion

LONG LIST OPTIONS		RISK AREAS (RAG)	
	DESCRIPTION	RISK	MITIGATION
LL1	SIC build out their fibre network	Compliance with State Aid rules, building a network that is not acceptable to the market and that BT may duplicate means there is a risk that the network will not be fully used	1. Work with BDUK/SIC legal to assess if the SIC network can be built out 2. Assess if the current SIC network and future deployments can be specified to market standards 3. Work with BT and HIE to ascertain BT's future deployment plans
LL2	Partner with operators and expand fibre as required (project by project)	If SIC choose to work with 3rd parties on network deployment, there is a risk the market may not have the business case to deploy in Shetland	1. Carry out a market sounding exercise with a suitable list of Altnets to see if they have the appetite/potential business case to deploy in Shetland 2. Work with CBS to see how SIC could assist them in any of their future projects
LL3	Do nothing – rely on others	Allowing the market to control deployment in Shetland means that there is a risk that SIC would have no control over the deployment and coverage would not meet SIC's expectations	1. Actively lobby the Scottish Government and work with HIE to have sight of BT's future deployment plans to ascertain if they meet the needs of SIC
LL4	Work with HIE on a wider initiative	If SIC wished to work with HIE on a joint initiative outside of the current BT/BDUK deployment then there is a risk that SIC's timescales may not be met	1. Work with HIE/Orkney Islands to ascertain if there is an appetite for this and what challenges/barriers exist for a joint initiative
LL5	Lobbying	If the Scottish Government is not lobbied for funding then there is a risk that if funding was available, it would be allocated elsewhere	1. Actively lobby the Scottish Government for additional funding to reach 100% coverage

🟥	If this option is chosen there is a high risk of SIC's CSFs not being achieved if the mitigating actions are not successful
🟧	If this option is chosen there is a medium risk of SIC's CSFs not being achieved if the mitigating actions are not successful
🟩	If this option is chosen there is a low risk of SIC's CSFs not being achieved if the mitigating actions are not successful

RAG (Red, Amber, Green) Descriptions

Evaluations

How well does the option meet the critical success factors?

Option		Critical Success Factors				
	Total Score	CSF1 Schools Connectivity Weight =4	CSF2 Public Access to wireless Broadband Weight = 4	CSF3 Fibre connectivity to Yell and Unst Weight = 4	CSF4 Only invest where operators will not Weight=3	CSF5 100% coverage Weight = 4
LL1 SIC Build	(69)	4 (16)	4 (16)	4 (16)	3 (9)	4 (16)
LL2 Partner with operators and expand fibre as required (project by project	(72)	4 (16)	4 (16)	4 (16)	4 (12)	4 (16)
LL3 Do nothing	(39)	2 (8)	2 (8)	2 (8)	4 (12)	1 (4)
LL4 Work with HIE on wider initiative		TBC	TBC	TBC	TBC	TBC
LL5 Lobbying	(46)	2 (8)	2 (8)	2 (8)	2 (6)	4 (16)

Scoring
4 – fully addresses
3 – nearly addresses
2 – partially addresses
1 – doesn't/minimal addresses

The total score for each long list option has been achieved by multiplying the CSF weighting (importance) from slide 2 and whether the long list option would fully/nearly/partially/not address SIC needs.

Summary – Establish Preferred Option

Option	Ability to meet CFSs	Potential to be delivered	Risk
LL1 (Build)	🟩	🟧	🟧
LL2 (Partner)	🟩	🟧	🟩
LL3 (Do Nothing)	🟧	🟧	🟧
LL4 (work with HIE)	🟧	🟧	🟧
LL5 (Lobbying)	🟧	🟧	🟩

1. LL1 and LL2 would achieve SIC's CSFs however both have potential risks that would have to investigated/mitigated before they could be considered as viable delivery options.
2. For LL1 to be delivered the following actions should be considered:
   a) Ensuring there are no State Aid/legal implications in SIC extending their network
   b) Ensuring any future deployments are not duplicated by the current BT/BDUK programme of work
   c) Preparing a detailed cost model to ensure the overall cost of LL1 is not prohibitive to SIC;
3. For LL2 to be delivered the following actions should be considered:
   a) SIC must carry out a market sounding exercise with a suitable list of Altnets and major suppliers to ascertain if they would have the appetite/potential business case to invest in Shetland
   b) The technical specification of the current network and any future network rollouts should be examined with the view of upgrading the network to make it more attractive to the market
4. LL3 presents a low risk to SIC, but with the uncertainty of BT/BDUK's future coverage maps/rollout plans there is a high probability that BT's rollout plans will not meet SIC's expectations. At present this is an unknown factor therefore this option should not be discounted until the BT position is clearer in January 2016.
5. LL4 has the potential to deliver SIC's CSF and could be tailored to meet the needs of SIC & HIE should a joint working agreement be put in place. This option also has the potential to reduce costs if any economies of scale could be identified that would make this solution more financially attractive than LL1 or LL2. SIC should action exploratory meetings with HIE to assess if a joint working approach is viable.
6. LL5 has the potential to the be used in conjunction with any of the other long list options to leverage additional funding from the Scottish Government and in turn minimise the overall cost and maximise the benefits to SIC. For this option to be successful a senior SIC lobbyist should be identified and a lobbying plan developed identifying the key stakeholders within the Scottish Government that could release additional funds.

Next Steps

1. All 5 of the shortlisted options have potential to deliver SIC's CSFs at varying degrees of risk which is represented by their evaluation score.

2. LL3 (Do Nothing) is dependant on BT's rollout plans which should be clarified by January 2016. If BT's rollout plans do not meet the expectations of SIC in meeting their CSFs then it would be discounted in the OBC.

3. LL1 (Build), LL2 (Partner with other Service Providers) and LL4 (Joint approach with HIE) all have potential to meet SIC's CSFs but at this stage each option's ability to deliver is unknown.

4. LL5 (Lobbying) by itself would not meet SIC's CSFs, but would be developed to work in conjunction with the preferred shortlisted option to leverage additional funding from the Scottish Government to reach 100% coverage.

5. It is recommended that a detailed work plan be developed that will address the actions listed in the previous slide.

6. This work will form the core part of the OBC allowing an informed decision to be made by SIC on the optimum choice to deliver their CFSs.

Currently there is not enough information for SIC to make an informed decision on which long list option(s) should be shortlisted. More work is required on each of the long list options (which will be captured in the OBC) to determine which is the best route for SIC.

CSFs	Description	WEIGHT (Importance)	SMART MEASURE
CSF1	Provide high speed connectivity to all schools	4	30Mbps to all primary schools and 100Mbps. Complete over the next 3 to 5 years or shorter if delivered by government commitments
CSF2	Provide general public access to next generation broadband through all council premises	4	All public buildings connected to 10mbps/100mbps over the next 3 to 5 years or shorter if delivered by government commitments
CSF3	Fibre connectivity to Yell and Unst	4	Both locations have broadband services available to communities and businesses over the next 3 to 5 years or shorter if delivered by government commitments
CSF4	Only invest where there are no viable alternatives	3	No duplication of investment with service operators
CSF5	Future proof capacity		No measure really a design consideration
CSF6	Make sure SIC get access to all funding money available		Complete funding applications for BDUK, DSSB EU
CSF7	Community development not restricted by lack of broadband	4	ALL communities have access to some form of broadband or community program over the next 3 to 5 years or shorter if delivered by government commitments
CSF8	Everyone must have a certain level connectivity	3	100% access to broadband or community program over the next 3 to 5 years or shorter if delivered by government commitments
CSF9	Broadband services attract/not a barrier new business to the Shetland	3	ALL business locations have access to some form of broadband connectivity over the next 3 to 5 years or shorter if delivered by government commitments
CSF10	Home working facilitated through broadband services	3	ALL communities have access to some form of broadband or community program over the next 3 to 5 years or shorter if delivered by government commitments

Note: Original CSFs including home working, attracting new business and also Telehealth, improving educational standards were discounted as they will be enabled by the shortlisted CFSs being achieved. Future proofing would be revisited as part of the commercial case once more information is known.

1.1   Workplan to test the shortlisted options in the SOC

1.1.1   Obtaining legal advice to ensure there are no potential State Aid/legal implications should the Council wish to extend their current fibre network.

1.1.2   Setup immediate meetings with the Scottish Government, HIE and BDUK to:

- Inform them of the Council's plans.

- Seek information from both parties as to what their future deployment plans are for Shetland and to ensure any future actions by the Council does not duplicate any planned work by the Scottish Government and BDUK in Shetland.

- Seek early sight of BT's Phase 2 DSSB plans for Shetland.

- Get an update on the HIE report for the Scottish Government.

- Identify what additional funding would be available if the BT's Phase 2 DSSB plans do not meet the Council's needs.

1.1.3   Set up a meeting with Faroe Telecom in January 2016 to discuss their future plans and to access if there any synergy with the Council's future plans.

1.1.4   Review of the current technical specifications of the Council's fibre network to ensure they are compatible with market requirements.

1.1.5   Develop a high-level fibre network plan to highlight how far the Council's fibre network would have to be extended to meet the Councils needs.

1.1.6   Develop a high-level cost model to ascertain the cost to the Council of building out the network is affordable.

1.1.7   Carry out a series of "*market sounding*" meetings with up to 10 operators to ascertain their appetite and drivers to provide high speed broadband and/or enhanced mobile services and coverage in Shetland.

- It is anticipated at this stage that this will include 2 major mobile operators to identify what infrastructure would need to be in place in Shetland for them to provide 3/4G services.

- Further meetings would then be held with 6 alternative operators "*Altnets*", 3 fixed and 3 wireless Altnets to ascertain if they would have the appetite/potential business case to invest in Shetland or if there are any potential opportunities to enter into a partnership with the Council to improve high-speed broadband and mobile coverage in Shetland.

- It is known at this time that the Wireless Infrastructure Group (WIG) are interested in conducting exploratory talks with the Council as they have investment available and are looking to develop mobile sites in Shetland.

- WIG will therefore be one of the Altnets that the Council will meet with to discuss their future plans.

1.1.8   Setup exploratory meetings are held with HIE to ascertain if a joint working agreement could be put in place out with the current Scottish Government/BDUK programme and to identify what benefits there would be in developing a joint working agreement.

1.1.9   Develop a lobbying strategy/message and identify key stakeholders within the Scottish Government that could release additional funds.

- Part of this task will be to Identify commitments in the Our Islands Our Future agreements for joint working between Shetland, Orkney & Western isles

1.1.10 Based on the outcome of the above tasks, develop a high-level strategy for improving public sector services showing the benefits that could be gained from improved high-speed broadband and mobile coverage in Shetland.

1.1.11 The workplan will start in early January 2016 and it is estimated that it will take 8 to 10 weeks to carry out the above actions.

1.1.12 The Council will be updated on the progress on the above action at the next Council meeting on 20 January 2016.

Shetland Islands Council

Shetland Islands Council   **16 December 2015**

Inter-Island Transport - Engagement with Scottish Government on Funding	
Report No: TP-17-15-F	
Report Presented: Executive Manager - Transport Planning	Development Services Department

1.0   Summary

1.1   On 4 December 2015, a Members' seminar on the Shetland Inter-Island Transport Study, was held in the Council Chamber.

1.2   The discussion at the seminar was broad ranging and in particular the Members that were present felt that it is important to continue to engage with Scottish Government specifically around the principle of funding for inter-island transport, and provide a mandate to appropriate senior Councillors and officers to work with Scottish Government to resolve this important matter as soon as possible.

1.3   Initially it was considered that such a mandate could not be developed until the Study had delivered its initial findings.

1.4   However, it is now considered unnecessary to wait until the end of the Shetland Inter-Island Transport Study on the basis that the work has already established that inter-island transport services in Shetland are at or about the right level and this is a reasonable starting point for discussion on the principles of funding.

1.5   It was further agreed that in order to effectively engage with Scottish Government it is necessary for the Council to formally establish a position on what it expects of Scottish Government in relation to the principles of funding for inter-island transport services and that a report on the matter should be brought to the appropriate Committee for consideration.

1.6 This report: -

- Sets out a proposed set of principles which would form the basis for the Councils' expectations of Scottish Government in relation to funding of inter-island transport services and infrastructure;
- Seeks a mandate from the Council for appropriate senior Councillors and officers to engage with Scottish Government specifically on the principles of funding of inter-island transport; and
- Seeks the Council's approval that a letter is sent to the Cabinet Secretary for Finance, Constitution & Economy and the Minister for Transport and Islands seeking immediate engagement with Scottish Government on the matter of funding of inter-island transport services and infrastructure.

2.0 Decision Required

2.1 The Council RESOLVES TO:

2.1.1 Approve the proposal to engage with Scottish Government specifically and immediately on the principles of funding of inter-island transport services and infrastructure and delegates to the Director of Development Services or his nominee to arrange this with the Leader and the Chair of the Environment and Transport Committee.

2.1.2 Approve the principles in section 3.5 of this report as the basis for that engagement; and

2.1.3 Approve the principle that the details in this report form the basis of a letter to the Cabinet Secretary for Finance, Constitution & Economy and the Minister for Transport and Islands seeking immediate engagement on these matters.

3.0 Detail

3.1 At present the Scottish Government does not have direct accountability for the cost of inter-island transport services but discharges its responsibility for funding the revenue and capital elements of Shetland inter-island transport services through the Local Government financial settlement. This means that the Scottish Government does not have any responsibility for providing such services in Shetland.

3.2 Whilst the position is similar in Orkney and parts of Argyll and Bute and Highland, this contrasts with the situation for the majority of ferry and air services elsewhere in Scotland where the Scottish Government, through Transport Scotland, has had full responsibility for services and is directly accountable for some time.

3.3 Scottish Government has already stated its general support for working with Councils on the principles of funding of inter-island transport services, most notably in the form of the following policy statements and actions: -

- The Scottish Ferries Plan 2013 – 2020 (published December 2012)

- The Island Areas Ministerial Working Group Prospectus (June 2014) titled "Empowering Scotland's Island Communities" which states: -

*"Inter-island ferries in some areas, particularly the Northern Isles, are provided by the local authorities and funded on a different basis from Calmac services. **The Scottish Government** understands the significant financial challenges that can fall on individual local authorities, and **is committed to the principle of fair-funding in the provision of ferries and ferry infrastructure**.*

***The Scottish Government recognises that the provision of transport services should not place a disproportionate financial burden on any Council such that it could be counter to the principles of Article 170**, with particular reference to the revenue and ferry replacement costs of the internal ferry services of Orkney and Shetland, and **commits to meaningful negotiation now to conclude this issue**."*

- Agreement to the Statement of Common Objectives and Programme for Internal and External Ferry Replacement (December 2014) attached as Appendix 1 for ease of reference.

- Agreement to participation in and contribution of funding towards the Shetland Inter-Island Transport Study.

Draft Principles for Engagement with Scottish Government

3.4 Section 3.3 confirms two fundamental points. The first is that Scottish Government recognises that the funding of inter-island transport services across Scotland is inconsistent and the second is that it is committed to undertaking dialogue to address this.

3.5 To inform the dialogue with Scottish Government it is proposed that the following principles are adopted by Shetland Islands Council : -

A. "Fair funding" means a consistent approach to funding of inter-island transport services where Scottish Government meets the total net running costs of services.

B. Furthermore "Fair funding" means a consistent approach to funding the capital investment requirements where Scottish Government provides the funding necessary to procure assets and infrastructure required to deliver inter-island transport services.

C. "Meaningful negotiation" means a detailed dialogue starting as soon as practicable and before the end of January 2016. The dialogue will include exploration of appropriate models of responsibility with the aim of ensuring the most effective means of operation, governance and democratic accountability.

D. The timescale for resolving these matters must be sufficient to allow Shetland Islands Council to effectively plan and set its budgets for 2017/18, i.e. these matters must be resolved by September 2016.

3.6　It is important that this matter is raised with Scottish Government in a manner that reflects its importance to Shetland Islands Council.

3.7　To achieve this it is suggested that the Council writes directly to the Cabinet Secretary for Finance, Constitution & Economy, recognising the significant financial importance attached to this, and the Minister for Transport and Islands, recognising the issues of consistency of transport provision across Scottish islands.

4.0　Implications

Strategic

4.1　Delivery on Corporate Priorities – "Our Plan 2016 to 2020" states *'We will have a clearer understanding of the options and the investment needed to create a sustainable internal transport system over the next 50 years'.* Engagement with Scottish Government will contribute significantly to this corporate aim.

4.2　Community/Stakeholder Issues - Communities and stakeholders are being engaged in the course of the Shetland Inter-Island Transport Study.

4.3　Policy and Delegated Authority - The determination of new strategies is a matter reserved to the Council.

4.4　Risk Management - Funding inter-island transport services in terms of annual revenue requirements and capital requirements to replace assets and infrastructure are beyond what is affordable for Shetland Islands Council, even in the short term. If alternative arrangements cannot be established then there is substantial risk to the sustainability of services and ultimately the well-being of Shetland as a whole and island communities in particular.

Engagement with Scottish Government on the principles of funding and responsibility will enable the Council to improve its financial planning, by taking account of better information and increasing its understanding of the level of financial risk that has to be factored into decision making in the future.

4.5　Equalities, Health And Human Rights – None.

4.6　Environmental – None.

Resources

4.7　Financial – The resources required to undertake engagement with Scottish Government will be met within existing approved departmental and project resources.

4.8　Legal - None.

4.9　Human Resources – None.

4.10　Assets And Property – None.

5.0   Conclusions

5.1   Now is the time to progress dialogue with Scottish Government and shift the focus of current work to include finance as well as service options and specification.

5.2   To that end the Council might consider directly engaging with the Cabinet Secretary for Finance, Constitution & Economy and the Minister for Transport and Islands to get this dialogue underway.

5.3   To achieve this, the Council should mandate appropriate senior Councillors and officers to undertake that engagement based on the principles described in this report, particularly those given in section 3.5.

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Date Cleared:

List of Appendices

Appendix 1 –   Joint Statement between Shetland Islands Council, ZetTrans and Transport Scotland

Appendix 1

FOLLOW UP TO OUR ISLANDS OUR FUTURE PROSPECTUS: JOINT STATEMENTS WITH ORKNEY AND SHETLAND ISLANDS COUNCILS

Joint Statement – cleared by Minister

Transport Scotland, Orkney Islands Council, HITRANS, Shetland Islands Council and ZetTrans Joint Statement

Internal Ferry Replacement

Statement of Common Objectives and Programme (Working Document)

5 November 2014

Introduction

The Scottish Ferries Plan (December 2012) establishes commitments to strengthening and improving the ferry services provided to Island communities and more generally the aspiration of the Scottish Government that all communities should be treated on an equal footing. Orkney Islands Council and Shetland Islands Council have engaged with Transport Scotland prior to and following publication of the Plan to inform the Orkney and Shetland content of the Ferries Plan.

The purpose of this Statement is to define future dialogue with Transport Scotland. It is also intended as a basis for incorporating the work of the Regional Transport Partnerships HITRANS and ZetTrans on these issues and to establish a common approach for all parties to move forward together.

Transportation matters are addressed in the *Our Islands Our Future Prospectus* which states that

"*Inter-island ferries in some areas, particularly the Northern Isles, are provided by the local authorities and funded on a different basis from Calmac services. The Scottish Government understands the significant financial challenges that can fall on individual local authorities, and is committed to the principle of fair-funding in the provision of ferries and ferry infrastructure.*

The Scottish Government recognises that the provision of transport services should not place a disproportionate financial burden on any Council such that it could be counter to the principles of Article 170, with particular reference to the revenue and ferry replacement costs of the internal ferry services of Orkney and Shetland, and commits to meaningful negotiation now to conclude this issue."

This overarching position establishes the following points which provide context for joint working on these issues:

A. The Scottish Government's commitment to the principle of fair funding and fare structures in the provision of ferries and ferry infrastructure
B. Recognition that the revenue and ferry replacement costs of internal ferry services in Orkney and Shetland should not place a disproportionate financial burden on the Council
C. A commitment to meaningful joint working on this subject now.

This Statement is intended to set out the common objectives and coordinated action which is now required to deliver on the OIOF commitments and ensure substantive progress from this point onward on these issues. Although OIOF also addresses Fares including RET, these matters are beyond the scope of this project and will be addressed separately.

Common objectives

It is proposed that the following baseline objectives are agreed as reference points for joint working:

1) There will be fit for purpose ferries and associated infrastructure providing services with adequate levels of frequency, capacity, reliability and connectivity between islands within Orkney and Shetland waters within a timeframe that avoids failure of the current network of services (the exact deadline will be defined in the early steps of delivering this process)

2) Internal Ferry Services are lifeline, core public services providing the primary route for isles communities to reach essential services and their onward connections to the Scottish Mainland

3) They also enable access to important resources and labour markets necessary to support businesses and services throughout the islands

4) The Routes and Services Methodology work being undertaken will identify a 'model service profile' for inter-island ferry services. This is similar to the work carried out for the Ferries Plan. However, it is recognised that the most effective and efficient solutions will be designed from an operational and financial perspective for each community. It may be that the solutions for some communities may vary from the 'model service profile' which may help to secure the most appropriate package for Orkney and Shetland services in the long term.

5) All parties are committed to identifying the most efficient and effective mechanism for securing the public funding necessary for revenue and capital elements of the fit for purpose service for the long term

6) All parties are committed to accepting a fair and proportionate level of involvement in respect of responsibility for fit for purpose lifeline services for the long term

7) It is accepted that the funding of capital and revenue expenditure is likely to require innovative thinking to maximise the use of existing resources and to provide the opportunity to attract external funding.

8) All parties are committed to identifying a fair funding package

9) Where feasible, consideration will be given to low carbon transport options (including the suitability of alternative fuelled vessels, for example LNG and/or Hydrogen) with a view to maximising the opportunity to establish a package which can support Scottish industry and draw innovation and inward investment to Scotland.

10) All parties are committed to working together on a collaborative basis within the necessary timeframe to deliver these objectives including the available staff resources.

Routes and Services Methodology Work

As outlined in the Scottish Ferries Plan, the Scottish Government has confirmed its willingness to take on the responsibility of 'lifeline' ferry services currently operated by Local Authorities if requested.

Discussions are on-going between the Councils and Transport Scotland regarding the additional information required to complete the Routes and Services Methodology (RSM) work for Orkney's internal ferry services.

In order to provide Transport Scotland with disaggregated island specific transport information, an island household survey is required. In order to progress with this work it is proposed that the associated costs are met equally by HITRANS, Orkney Islands Council and Transport Scotland.

Following the survey analysis, consultants will carry out stage 1-4 of the RSM work before completing a final report. This will be presented to Transport Scotland for validation. It is expected that the total cost of consultant works will be in the region of £14,000. This sum will be shared equally by the three parties.

Shetland Islands Council is currently undertaking survey work to gather data to inform its work on reviewing fare models on the inter-island ferry service network and it is anticipated that this data will fit with the requirements of the RSM work. If there is additional work required then it is proposed that the costs are met equally by Transport Scotland, Shetland Islands Council and ZetTrans.

As per the revised timeline, following completion of the RSM work, a financial assessment of costs of providing the service against the current funding available is required.

PROGRAMME OF DETAILED WORK REQUIRED BY ORKNEY ISLANDS COUNCIL, SHETLAND ISLANDS COUNCIL AND TRANSPORT SCOTLAND

Output and action	Target	Lead
PART 1 GENERAL		

• Agree Joint Statement and establish resource requirements to secure delivery (including involvement of Scottish Government's Finance officials as necessary).	November 2014	ALL
• Establish MoA to establish joint roles and responsibilities **Agreed that this was as set out in this joint statement**	November 2014	ALL

Output and Action	OIC/Target Date	SIC/Target Date
• Work with TS to develop finance models and agree budget setting processes (Cap and Revenue)	September-December 2014	TBC, subject to timing of RSM
PART 2 RSM Work		
• Gathering necessary further data and revising RSM report for steps 1-4 only (Needs, model service, current service and gaps in service.) •	September 2014	TBC
• TS to conclude validation of RSM steps 1 – 4 (Needs, model service, current service and gaps in service.)	late 2014, subject to consultant concluding RSM	TBC
• If necessary further conference call between TS and OIC to discuss option development step (step 5)	Timing subject to the completion, including validation, of steps 1-4	TBC
• Review the option development step (5) and revise report.	Timing subject to the completion, including validation, of steps 1-4	TBC

• TS to conclude validation of OIC/SIC's work to revise step 5 (option development)	Timing subject to the completion, including validation, of steps 1-4 and OIC's initial work on steps 5.	TBC
Carry out financial assessment of costs	Winter 2014	TS/OIC/SIC
• Assess the vessels/Ports & Harbours used for the routes	Winter 2014	TBC
• Calibration of RSM model to define the Orkney and Shetland "package" of services	Spring 2015	TBC
• Report to OIC/SIC on outcome and next steps (including consideration of the option of transfer of responsibility)	Mid 2015	TBC

PART 3 – Procurement		
• Commence work on joint vessel specification/procurement options for new Service requirements	Mid 2015	Subject to transfer of responsibility
• Contract Management	2015-2018	TBC
• Delivery and commissioning of new Ferry Infrastructure	2018/19 onwards	TBC, subject to transfer of responsibility

Orkney Islands Council
Shetland Islands Council
ZetTrans
HITRANS
Transport Scotland

November 2014

Shetland Islands Council

Shetland Islands Council	**16 December 2015**

Review of Tertiary Education in Shetland – Update Report	
Report No: DV-66-15-F	
Report Presented by: **Director of Development and** **Executive Manager – Change Programme**	**Development Services Department**

1.0   Summary

1.1   At its meeting on the 27 May 2015 the Council confirmed its intention to move towards a single governance and delivery model for Tertiary Education, Research and Training in Shetland.

1.2   This report provides an update on the work being done to produce an "Integration Proposals Report" which will be brought to the Council and Shetland Fisheries Training Centre Trust (SFTCT) for decision making.

2.0   Decisions Required

2.1   That the Council **NOTES** the information contained in this report, and comments on those areas within its remit as set out in Section 7.3.

3.0   Progress Summary – October/November.

3.1   See Appendix 1 – November Highlight Report

4.0   Next Period Actions – December / January / February.

4.1   This update report prepared for Council meeting on 16 December and SFTCT meeting (TBA) reflecting the findings of Due Diligence process and the next steps/options being considered by the Partnership Board.

4.2   Visit on 15 December from Dr John Kemp, Director of Strategic Development and Sharon Drysdale, Assistant Director/Outcome Agreement Manager, Scottish Funding Council to discuss Tertiary Education in Shetland and the Tertiary Review Project.

4.3 An Integration Proposals Report setting out recommendations on the options to progress towards a single governance and delivery model to be developed on behalf of the Partnership Board by the end of January for Shetland College Board/EJCC/College JCC/Policy and Resources, Council and SFTCT meetings in February.

5.0 Due Diligence Reports

5.1 Due Diligence reports on the proposal to create a single integrated organisation outside the Council have been compiled for the Council by external advisors. Scott Moncrieff carried out Financial Due Diligence and Anderson Strathern completed the Legal Due Diligence. Both reports have been presented to the Partnership Board and their findings are now being considered.

5.2 No fundamental legal impediments were found in the Due Diligence process that would absolutely preclude the creation of a new organisation. However significant issues were identified which would be difficult to overcome for any early creation of a new organisation employing the existing staff working in the sector. These same issues largely applied to any structural merger of Shetland College and Train Shetland and transfer of Council staff into the SFTCT.

5.3 The most significant of those issues is the pension bond or guarantee and future pension contribution rates implications of the "material change" any new or merged organisation would create under the recently updated pension regulations.

5.4 Full detail is being assessed further but all projections are very costly. It is estimated that a bond worth between £7.6m and £12.4m would be required, as well as an increase in the current contribution rate of 20.8%, to between 24.8% and 34.1% depending on funding options. Any negotiations or discussions with Pension Advisors, potential guarantors and the Scottish Government to provide mitigation would be likely to take an extended period. We have been made aware of another initiative in the Scottish tertiary education sector which has been locked in similar negotiation for more than a year.

5.5 The other general observation of the Due Diligence process was that it had proved to be quite a difficult exercise to conduct and conclude. The complexity of identifying the specific assets and liabilities of only one part of the Council proved very challenging, as did the competing priorities of day to day work and budget preparation.

5.6 Other main issues identified were:

- Difficulties in selecting the most appropriate Governance Structure for an integrated commercial/charitable organisation outside the Council capable of achieving tertiary education "fundable" status; all choices created additional issues and generate further complexities.

- The continuing challenge for any independent organisation of being locked in to very high property costs. Overall property costs across the three organisations are approximately £1.4m annually with £0.6m being paid each year in rent. Even if leases for current properties can be transferred to a new independent organisation as a tenant, it has not been possible to reach any strategic agreement to transfer ownership of properties or obtain any agreement that individual leases or parts of them could be terminated early or the rent payable under those leases could be reduced. None of those options, or other property solutions, are likely to be available before current lease terms expire in 2019 (Shetland College), 2020 (NAFC) and 2024 (Train Shetland).

5.7 Further analysis and clarification of each of these areas is continuing through the project team. The conclusions of that work will be considered by the Partnership Board in January and reported to the Council and the SFTCT in the "Integration Proposals Report".

6.0 Integration Proposals Report

6.1 As noted in the introduction to this report the project was tasked with producing an "Integration Proposals Report" on how a single governance and delivery model for Tertiary Education, Research and Training in Shetland could be progressed towards.

6.2 It is the intention of the Partnership Board to bring that report forward for consideration at a series of committee, Council and SFTCT meetings between 10 February 2016 and 24 February 2016 (see Appendix 1 for further details). That report will describe the progress that has been made on integration this far, issues that have arisen and proposals for their resolution.

6.3 It is unlikely that the Integration Proposals Report will be able to recommend a simple process that will fully deliver a single governance and delivery model, operating outside the Council, certainly not one that can be fully implemented within the short to medium term. The pensions issue as it stands has a multi-million pound bond or guarantee ticket attached and a potential increase in contributions that would be very difficult for any small organisation to fund. Alongside that the £1.3m property costs bill, which does not appear to have any accessible solution for several years, is equally problematic.

6.4 However the report is expected to reflect that joined up working/collaboration within the sector/putting the needs of the community, business and learners at the core of decision making remain sound objectives. It will also be likely to conclude that we should continue to seek ways to make progress towards the arrangements that would best deliver that despite obstacles.

6.5   The partnership board is also aware that there is a continuing problem around the staffing impact which uncertainty about future direction and management overload is having. Indeed its effects were particularly evident in some of the difficulties encountered in due diligence information gathering. This "death by endless review" issue has been at the top of the risk table for the project since its re-launch last year and has been reported as such in all progress reports to Council and SFTCT since then.

6.6   The Integration Proposals Report will seek to offer practical and tangible options to move matters forward, options which would demonstrate real progress to all parties and help provide future direction. These options will be specific in their scope, achievable in the reasonably short term, affordable in a time of constrained resources and have the potential to unlock further progress as follow up activity. These options will look to create a meaningful way forward while other issues are given further consideration over a necessarily longer timescale.

6.7   There are clearly some issues related to any formal organisational integration which have substantial costs associated with them. The integration proposals report will offer options to conduct further research on these. This would be a combination of internal and external work and would be intended to establish whether matters such as potential pension liabilities can be moderated or avoided through negotiation. That research could also consider alternative legal structures such as a "virtual corporate body" with integrated governance but did not require employee transfer as ways to address that issue.

6.8   The report will observe that a number of collaborative and co-operative initiatives have progressed without organisational integration, these include a shared vision, a collaborative working agreement to maximise "credits" funding and a range of specific joint working initiatives. The integration proposals will identify options to develop governance arrangements that may further develop these approaches without merging organisations. Those options will seek to be as effective as possible while remaining simple to implement and capable of delivering further development as partner organisations become ready or the additional research clarifies achievable next steps.

6.9   Generating proposals for growth in income or reductions in costs across organisations has been difficult in the absence of integrated management arrangements able to consider all the combined resources, assets and options of organisations together as a whole. Significant time and energy has also been expended in protracted discussions between the local organisations around how available SFC/UHI and Council funding should be shared.

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6.10   Therefore there are likely to be options in the report to consider an integrated management structure across the partner organisations to clarify responsibilities and more rapidly progress joined-up working. The objectives of any such structure would be likely to include a simplification of cross-organisational management accountability for performance and development. It would also be intended to create an

opportunity to internalise the management ownership for the integration project, which has been an ongoing problem throughout the life of the review.

6.11 The design of any such integrated structure would be informed by the arrangements in other similar colleges. Opinion on its suitability from professional experts within the sector would also be taken into account. Costs and an implementation timetable for that integrated structure would also be included.

6.12 Throughout the project there has been a continuing need observed for significant Council additional funding to be included to balance all forecasts for the sector even after substantial trading and commissioning arrangements have been included. Part of that reflects the very high property and other operating costs of the combined organisations. Part of it is related to the high staffing costs relative to the limited number of students. Both of these are difficult to resolve, particularly in the short term.

6.13 Options will be included within the report to consider how far an ongoing investment in Tertiary Education in Shetland could be a medium term policy commitment from Shetland Islands Council. This would provide a measure of certainty for any development or transitional planning while the underlying structural problems are being addressed or activities restructured.

6.14 Ultimately the Integration Proposals Report will seek to give a balanced view about whether the objective of a single governance and delivery model remains valid, what progress has been made, what issues have been encountered and what are the options for next steps. The report will continue to be optimistic about the opportunities for tertiary teaching and learning and its benefits for business, learners and the community. However it will also be realistic and straightforward about the constraints of the context we are operating in and equally frank about areas where progress could be made and how that can be done.

7.0 Implications

Strategic

7.1 Delivery on Corporate Priorities – "Our Plan" sets out a vision for Shetland where there are opportunities for people with all levels of skills, and there will be a close match between the skills that businesses need and those that the trained workforce have.

Key projects to make that happen over the coming years are;

- Building the new Anderson High School and Halls of Residence to provide an excellent learning environment as part of an efficient and effective schools service;

- Shetland Learning Partnership developing opportunities for young people to gain workplace experience and vocational qualifications while at school, giving them the skills they need to get jobs or continue into further education, and;

- The Shetland Tertiary Education, Research and Training project creating an effective model to provide excellent services to all continuing learners.

Through these projects, and our other actions, we are determined that all people, old, young and children, and particularly those from vulnerable backgrounds, will be getting access to the learning and development opportunities that allow them to best fulfil their potential.

7.2   Community/Stakeholder Issues – Staff, students, business and local, regional and national partners have been engaged with and consulted throughout this process. Implementing the recommendations of this review will require further consultation and engagement with partners including integration of any new governance arrangements with the Shetland Community Planning Partnership.

This information is also being reported to the Shetland Fisheries Training Centre Trust.

7.3   Policy and/or Delegated Authority – Shetland Islands Council – Determining the overall Goals, Values and Strategy Framework Documents, matters of new policy/strategy, variation of existing policy/strategy or amendments to the political management framework are all matters reserved to the Council, taking account of any advice or recommendations from the Council's service and policy Committees as appropriate. However, this report is for noting at this stage as the final decision on implementation has yet to be considered.

7.4   Risk Management – The review project has followed Prince 2 best practice. All associated risk management arrangements will be recorded and managed in the Council's Risk Register system. The prime risk identified in recent assessments has been the length of time this area has been under review and the continuing negative effects uncertainty creates. This report therefore seeks to secure and build on progress already made, explain why some matters require further consideration but make sure that key actions are being actively pursued during that period.

There are financial risks associated with the current cost of providing the status quo within the three organisations, which is leading to cost pressures within the Development Service specifically (as the Council funder), and the Council as a whole. This creates additional challenges in adhering to the Council's financial policies, and increases the risk that a further draw may be required from Reserves.

7.5   Equalities, Health and Human Rights – The review has sought to ensure any equalities implications of proposals have been identified and considered.

7.6   Environmental – None

7.7   <u>Financial</u> – The financial implications of the current arrangements and projections for the next three years are being explored within this review and will be reported along with the "Integration Proposals Report".

This far the review has been committed to ensuring that the approved budgets already available to the project partners are being most effectively deployed through joined up working and to operating within these budgets.

There are no direct financial consequences arising from this report, although there will be a number of significant financial implications contained in the "Integration Proposals Report". Overall this project seeks to maximise the value achieved from all of the funding provided to the three bodies by the Council, and improve sustainability.

7.8   <u>Legal</u> – Legal advice on the draft business model was provided by Shetland Islands Council throughout the review with further specialised input from the Scottish Funding Council, Education Scotland - HMIE and the University of the Highlands and Islands. It is anticipated that all these sources of advice will continue to be available during further development of the model and into any implementation phase.

7.9   <u>Human Resources</u> - HR information and advice has been provided by Shetland Islands Council and SFTCT throughout the review, with further specialised input from the Scottish Funding Council and the University of the Highlands and Islands. It is anticipated that all these sources of advice, complemented by the due diligence process, will continue to be available during further development of the model and into any implementation phase. There have been opportunities for informal consultation with all affected staff through the stakeholder engagement process and this will continue. Formal staff consultation will take place in line with existing procedures of both organisations.

7.10   <u>Assets and Property</u> – Work is being undertaken to establish whether it is possible to find ways to reduce both rental and other operating costs.

8.0   Conclusions

8.1   The Anderson Solutions Review in early 2013 commented that

"...even if SIC funding reductions were not a concern, change would still be recommended. The combination of weaknesses identified in the analysis of both the current and changing context is expected to continue to weaken the services over time."

8.2   We are almost at the end of 2015 and those comments remain valid. The prime risk identified in recent assessments has been the length of time this area has been under review and the continuing negative effects uncertainty creates. This risk is intensifying and may be materially affecting performance.

8.3   There is no doubt that achieving a financially sustainable business model in Shetland for this sector is challenging. That will remain a challenge whether we have a single governance and delivery model, or carry on with a number of separate organisations.

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Date Cleared: 9/12/15

Appendices
Appendix 1 – November Highlight Report

Background Documents
A full set of background documents for this review can be found at:
http://portal.shetland.uhi.ac.uk/ster/SitePages/Home.aspx

Shetland Islands Council

Report : Tertiary Review – Highlight Report – November 2015	
John Smith, Change Programme Manager Angela Sutherland, Project Manager	Shetland Islands Council

1   This Period Summary – November

- Due diligence information gathering completed.
- "Integration Proposals Report" development progressed.
- Vision exercise completed and shared vision agreed.
- Due diligence report to be provided 30th November.
- Shetland FE & HE Activity levels (Credits) analysed and projections agreed.
- Cross organisation "working together" process initiated.
- SIC Budget recommendations approved by committees.
- Progress report at Council College Board on 25th November and reported to SFTCT on 26th November.
- Visit from John Bowditch, HMIE Inspector, Scottish Government Education Department.

2   Next Period Plans – Nov / Dec

- Partnership Board review Due Diligence Report on Thursday 3rd Dec and discuss proposals for next steps / options.
- Report to be prepared for Council meeting on the 16th December & SFTCT meeting (TBA) reflecting the findings of Due Diligence process and the next steps / options recommended by the Partnership Board.
- Visit from Dr John Kemp, Director of Strategic Development and Sharon Drysdale, Assistant Director/Outcome Agreement Manager, Scottish Funding Council to discuss Tertiary Education in Shetland and the Tertiary Review Project progress.
- Integration Proposals Report setting out recommendations on the detailed way forward to be developed on behalf of the Partnership Board by the end of January for Council & SFTCT meetings in February.

3   Key Issues and Risks

- Vision
- Governance Structure
- Pensions
- Property
- Financial Forecasts
- Implementation / Transition

4   Timeline

30th November	SM & AS provide final version of Due Diligence Report
3rd December	Partnership Board consider Due Diligence Report and agree next steps / options.
15th December	Scottish Funding Council visit to Shetland Islands Council
16th December	Update report on next steps / options to Shetland Islands Council and SFTCT (tba)
During January 2016	Workshops / engagement on draft of "Integration Proposals Report".
By 22nd January 2016	Partnership Board Meeting to approve "Integration Proposals Report".
By end January 2016	Cleared Integration Proposals Report.
10th Feb 2016	Shetland College Board consider "Integration Proposals" report.
10th / 11th Feb (tba)	EJCC & CLJCC consider "Integration Proposals" report.
15th Feb 2016	Policy & Resources consider "Integration Proposals" report.
24th Feb 2016	SIC & SFTCT consider "Integration Proposals" report.
24th Feb 2016	SFC / Scottish Government consider "Integration Proposals" report.
From March 2016	**Integration Implementation**

Shetland Islands Council

Shetland Islands Council   **16 December 2015**

Governance Arrangements – Health and Social Care Services	
GL-58-F	
Executive Manager – Governance and Law	**Corporate Services Department**

1. Summary

1.1 Shetland's Integration Joint Board (IJB) was formally constituted under the terms of the Public Bodies (Joint Working) (Scotland) Act 2014 on 27 June 2015.

1.2 The IJB assumed responsibility for the functions delegated to it by Shetland Islands Council (the Council) and Shetland NHS Board (the Health Board) as set out in the Integration Scheme for Shetland's Health and Social Care Partnership on 20 November 2015, when it approved and adopted the joint Strategic (Commissioning) Plan for 2015/16.

1.3 As a result, these functions no longer form part of the remit of the Social Services Committee, and as agreed by the Council on 30 June 2015 (Min. Ref. 44/15), the Council's Committee structure and remits were amended to reflect the changes required.

1.4 The purpose of this report is, as required by the Council's decision, to confirm the changes made, and in particular the dissolution of the Social Services Committee.

2. Decisions Required

2.1 The Council is asked to NOTE the implementation of the Council's decision of 30 June 2015, namely:

2.1.1 the revised reporting structures and dissolution of the Social Services Committee, which took effect from 1 September 2015 and 20 November 2015 respectively; and

2.1.2 the amended membership of the Policy and Resources Committee.

3.0 Detail

3.1   As stated earlier, the IJB assumed responsibility for the functions delegated to it by Shetland Islands Council (the Council) and Shetland NHS Board (the Health Board) as set out in the Integration Scheme for Shetland's health and Social Care Partnership when it (the IJB) approved and adopted the joint Strategic (Commissioning) Plan for 2015/16 at its meeting on 20 November 2015.

3.2   The IJB now has full delegated responsibility from the Council for strategic planning and directing service delivery with regard to all Community Care and Criminal Justice functions and those elements of housing support that are delivered by the Community Health and Social Care Department. In this regard, if there are any matters relating to functions delegated to the IJB that require to be reported to the Council, such as matters of policy, staffing, assets or financial resources, these will be reported to the Policy and Resources Committee in term of its own remit for those corporate matters.

3.3   The remaining areas of business were transferred to the Development Committee from 1 September 2015, including, housing, poverty, community development, community safety and the voluntary sector.

3.4   The revised strategic and functional reporting structure for the Committees is attached as Appendix 1. The remit of the IJB, as set out in its Scheme, is also attached as Appendix 2, for information.

3.5   The Council agreed, at its meeting on 30 June 2015 that once all the business has been transferred either to the IJB or the Development Committee, the Social Services Committee would be dissolved, and a report to a meeting of Shetland Islands Council confirming that the Committee has ceased to operate would be submitted confirming this fact when it occurred.   This report completes that decision of the Council.

3.6   In addition, the Council agreed that, with regard to membership of the Policy and Resources Committee, this be amended to include the Chair and one other Councillor member of the IJB instead of the Chair and Vice-Chair of the Social Services Committee. As Councillor Fox already holds membership in his role as Depute Leader, the IJB positions have been taken up by Councillor C Smith as Chair of the IJB and Councillor G Cleaver.

4.0 Implications

Strategic

4.1   <u>Delivery On Corporate Priorities</u> – Implementation of health and social care integration will contribute to achieving the following outcomes in the Shetland's Single Outcome Agreement (SOA):
   ▪   "We have tackled inequalities by ensuring the needs of the most vulnerable and hard to reach groups are identified and met, and that services are targeted at those most in need.";
   ▪   "People are supported to be active and independent throughout

adulthood and in older age"; and

- "We live longer healthier lives".

Realigning the Council's committee structures now that the IJB has been fully established and assumes responsibility for the Council functions delegated to it, will contribute to the corporate aim of being a properly managed Council.

4.2　Community /Stakeholder Issues – There was wide consultation on the implementation of health and social care integration, and matters regarding the future of the Social Services Committee featured in those discussions, resulting in the report to Council on 30 June 2015.

4.3　Policy And/Or Delegated Authority –　 This report confirms the satisfactory dissolution of the Social Services Committee as the IJB has assumed responsibility for the functions delegated to it by the Council, and the Policy and Resources Committee has picked up its residual role to oversee such matters. The other functional areas have been transferred to the Development Committee. The Council's Constitution states that only the full Council has the power to adopt and change the constitution of the Council. Given that the proposals affect the constitution of the Council's Committees this report is presented to the Council, although the report is for noting as the decision has been implemented.

4.4　Risk Management – No strategic risks. The decision to realign the functions within departments to the appropriate committees has removed ambiguity and provides a robust governance arrangement in terms of the decision making process.

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 IJB has now assumed its full role of delegated functions relating to health and social care services by adopting the joint Strategic (Commissioning) Plan 2015-16.   This has resulted in the dissolution of the Social Services Committee, and its remaining non-health and social care functions have been transferred to the Development Committee. This realignment of responsibilities will strengthen the links with related areas of Council business and better align Development Committee functions with the service areas covered by the Development Department.

5.5   The proposal that the IJB should have regard for the remit of Policy and Resources Committee when reporting matters to the Council means that business with regard to the functions delegated by the Council to the IJB will be presented to P&R in the same way that other matters with policy and resources implications are reported to the Council.   This will align these areas of Council accountability alongside the rest of the Council's business. The proposals with regard to IJB members sitting on Policy and Resources Committee will facilitate this process.

For further information please contact:
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25 November 2015

List of Appendices
Appendix 1 – Committee Strategic and Functional Reporting Structure
Appendix 2 – Extract from IJB Scheme – delegated functions

Background documents:

Public Bodies (Joint Working) (Scotland) Act 2014
http://www.legislation.gov.uk/asp/2014/9/contents/enacted

SIC 30 June 2015
 http://www.shetland.gov.uk/coins/submissiondocuments.asp?submissionid=18176

END

Education and Families Committee

Strategic overview of functions relating to children, families and learning

Responsibility for functional areas relating to children and families, school, pre-school, child protection, young people, leisure and sport, community learning and development, and lifelong learning.

Strategic Reporting: Director of Children's Services; Director of Development Services

Functional Services Reporting: Children and Families; Children's Resources; Quality Improvement; Schools; Early Years and ASN; Sport and Leisure; Library; Community Planning and Development [Adult Learning]; Shetland College; Train Shetland.

Development Committee

Strategic overview of functions relating to economic matters, community planning and development.

Responsibility for functional areas relating to strategic regeneration, development, economy and business, energy, telecommunications, agriculture, fisheries, arts, culture, and tourism, housing, poverty, community regeneration / community development, community safety and voluntary sector.

Strategic Reporting: Director of Development Services

Functional Services Reporting: Economic Development; Planning; Housing; Community Planning and Development

Environment and Transport Committee

Strategic overview of functions relating to the environment and the provision of transport services.

Responsibility for functional areas relating to the natural environment, roads, transport and ferry services, planning, building services and environmental services.

Strategic Reporting: Director of Infrastructure Services; Director of Development Services

Functional Services Reporting: Environmental Services; Ferry Operations; Roads; Transport Planning; Transport Operations; Estate Operations.

Planning Committee

No strategic responsibilities.

Responsibility for regulatory functions relating to planning applications, etc. as set out in the Scheme of Delegations – Appendix 1.

Strategic Reporting: None

Functional Services Reporting: Planning

Licensing Committee

No strategic responsibilities.

Responsibility for regulatory functions relating to licensing, etc. as set out in the Scheme of Delegations – Appendix 2.

Strategic Reporting: None.

Functional Services Reporting: Governance and Law; Environmental Health and Trading Standards; Transport Planning Operations.

Audit Committee

Strategic overview of functions relating to the governance of the Council.

Responsibility for functional areas relating to internal control, financial management, risk, governance and performance management,

Strategic Reporting: Chief Executive; Executive Services; Director of Corporate Services

Functional Services Reporting: Governance and Law; Finance; Audit, Risk and Improvement

Harbour Board

Strategic overview of functions relating to the harbour undertaking.

Responsibility for functional areas relating to management and operational mechanisms and service levels within the harbour undertaking.

Strategic Reporting: Director of Infrastructure Services

Functional Services Reporting: Port Operations.

Shetland College Board

Strategic overview of functions relating to the operation of Shetland College.

Responsibility for functional areas relating to relating to support of the Principal of Shetland College in carrying out their role and to monitor progress against Council objectives.

Strategic Reporting: Director of Development Services

Functional Services Reporting: Shetland College

Policy and Resources Committee

Strategic overview of functions relating to developing the Council as an organisation, its processes, procedures and staff, policy development and the planning and performance management framework.

Responsibility for functional areas relating to the Council's resources, including its finances, staff, and assets.

Strategic Reporting: Chief Executive; Executive Services; Director of Corporate Services

Functional Services Reporting: Finance; Capital Programmes; Governance and Law; Human Resources; ICT; Audit, Risk and Improvement; Communications and Members Support.

1 September 2015

Extract from
Shetland Islands Health and Social Care Partnership Integration Scheme

3. Delegation of Functions

The functions that are to be delegated by the Health Board to the IJB are set out in Part 1 of Annex 1. The services to which these functions relate, which are currently provided by NHS Shetland and which are to be integrated, are set out in Part 2 of Annex 1. The functions in Part 1 are being delegated only to the extent that they relate to services listed in Part 2 of Annex 1. For both Part 1 and Part 2, services relate to those for Adults unless stated otherwise in the Annex. For services delivered in hospital, delegation only relates to the care and treatment provided as part of that service by health professionals. The functions that are to be delegated by the Council to the IJB are set out in Part 1 of Annex 2. The services to which these functions relate, which are currently provided by the Council and which are to be integrated, are set out in Part 2 of Annex 2. For both Part 1 and Part 2, services relate to those for Adults unless stated otherwise in the Annex.

In exercising its functions, the IJB must take into account the Parties' requirement to meet their respective statutory obligations, including those that pertain to the functions delegated by virtue of this Integration Scheme.

With regard to their respective functions that are not delegated by virtue of this Integration Scheme, the Parties retain their distinct statutory responsibilities and their formal decision-making roles.

NHS
Shetland

Annex 1
Part 1

Functions that are to be delegated by the Health Board to the IJB

Functions prescribed for the purposes of section 1(8) of the Act

Column A	Column B
The National Health Service (Scotland) Act 1978	
All functions of Health Boards conferred by, or by virtue of, the National Health Service (Scotland) Act 1978	**Except** functions conferred by or by virtue of—
	section 2(7) (Health Boards);
	section 2CB(^{1}) (Functions of Health Boards outside Scotland);
	section 9 (local consultative committees);
	section 17A (NHS Contracts);
	section 17C (personal medical or dental services);
	section 17I(^{2}) (use of accommodation);
	section 17J (Health Boards' power to enter into general medical services contracts);
	section 28A (remuneration for Part II services);
	section 38(^{3}) (care of mothers and young children);
	section 38A(^{4}) (breastfeeding);
	section 39(^{5}) (medical and dental inspection, supervision and treatment of pupils and young persons);

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(^{1})   Section 2CA was inserted by S.S.I. 2010/283, regulation 3(2).
(^{2})   Section 17I was inserted by the National Health Service (Primary Care) Act 1997 (c.46), Schedule 2 and amended by the Primary Medical Services (Scotland) Act 2004 (asp 1), section 4. The functions of the Scottish Ministers under section 17I are conferred on Health Boards by virtue of S.I. 1991/570, as amended by S.S.I. 2006/132.
(^{3})   The functions of the Secretary of State under section 38 are conferred on Health Boards by virtue of S.I. 1991/570.
(^{4})   Section 38A was inserted by the Breastfeeding etc (Scotland) Act 2005 (asp 1), section 4. The functions of the Scottish Ministers under section 38A are conferred on Health Boards by virtue of S.I. 1991/570 as amended by S.S.I. 2006/132.
(^{5})   Section 39 was relevantly amended by the Self Governing Schools etc (Scotland) Act 1989 (c.39) Schedule 11; the Health and Medicines Act 1988 (c.49) section 10 and Schedule 3 and the Standards in Scotland's Schools Act 2000 (asp 6), schedule 3.

section 48 (provision of residential and practice accommodation);

section 55(^{6}) (hospital accommodation on part payment);

section 57 (accommodation and services for private patients);

section 64 (permission for use of facilities in private practice);

section 75A(^{7}) (remission and repayment of charges and payment of travelling expenses);

section 75B(^{8})(reimbursement of the cost of services provided in another EEA state);

section 75BA (^{9})(reimbursement of the cost of services provided in another EEA state where expenditure is incurred on or after 25 October 2013);

section 79 (purchase of land and moveable property);

section 82(^{10}) use and administration of certain endowments and other property held by Health Boards);

section 83(^{11}) (power of Health Boards and local health councils to hold property on trust);

section 84A(^{12}) (power to raise money, etc., by appeals, collections etc.);

section 86 (accounts of Health Boards and the Agency);

(^{6})   Section 55 was amended by the Health and Medicines Act 1988 (c.49), section 7(9) and Schedule 3 and the National Health Service and Community Care Act 1990 (c.19), Schedule 9. The functions of the Secretary of State under section 55 are conferred on Health Boards by virtue of S.I. 1991/570.

(^{7})   Section 75A was inserted by the Social Security Act 1988 (c.7), section 14, and relevantly amended by S.S.I. 2010/283. The functions of the Scottish Ministers in respect of the payment of expenses under section 75A are conferred on Health Boards by S.S.I. 1991/570.

(^{8})   Section 75B was inserted by S.S.I. 2010/283, regulation 3(3) and amended by S.S.I. 2013/177.

(^{9})   Section 75BA was inserted by S.S.I. 2013/292, regulation 8(4).

(^{10})   Section 82 was amended by the Public Appointments and Public Bodies etc. (Scotland) Act 2003 (asp 7) section 1(2) and the National Health Service Reform (Scotland) Act 2004 (asp 7), schedule 2.

(^{11})   There are amendments to section 83 not relevant to the exercise of a Health Board's functions under that section.

(^{12})   Section 84A was inserted by the Health Services Act 1980 (c.53), section 5(2). There are no amendments to section 84A which are relevant to the exercise of a Health Board's functions.

section 88 (payment of allowances and remuneration to members of certain bodies connected with the health services);

section 98 ([13]) (charges in respect of non-residents); and

paragraphs 4, 5, 11A and 13 of Schedule 1 to the Act (Health Boards);

and functions conferred by—

The National Health Service (Charges to Overseas Visitors) (Scotland) Regulations 1989 ([14]);

The Health Boards (Membership and Procedure) (Scotland) Regulations 2001/302; The National Health Service (Clinical Negligence and Other Risks Indemnity Scheme) (Scotland) Regulations 2000/54;

The National Health Services (Primary Medical Services Performers Lists) (Scotland) Regulations 2004/114;

The National Health Service (Primary Medical Services Section 17C Agreements) (Scotland) Regulations 2004;

The National Health Service (Discipline Committees) Regulations 2006/330;

The National Health Service (General Ophthalmic Services) (Scotland) Regulations 2006/135;

The National Health Service (Pharmaceutical Services) (Scotland) Regulations 2009/183;

The National Health Service (General Dental Services) (Scotland) Regulations 2010/205; and

The National Health Service (Free Prescription and Charges for Drugs and Appliances) (Scotland) Regulations 2011/55([15]).

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([13]) Section 98 was amended by the Health and Medicines Act 1988 (c.49), section 7. The functions of the Secretary of State under section 98 in respect of the making, recovering, determination and calculation of charges in accordance with regulations made under that section is conferred on Health Boards by virtue of S.S.I. 1991/570.
([14]) S.I. 1989/364, as amended by S.I. 1992/411; S.I. 1994/1770; S.S.I. 2004/369; S.S.I. 2005/455; S.S.I. 2005/572 S.S.I. 2006/141; S.S.I. 2008/290; S.S.I. 2011/25 and S.S.I. 2013/177.
([15]) S.S.I. 2011/55, to which there are amendments not relevant to the exercise of a Health Board's functions.

NHS Shetland

Shetland Islands Council

Disabled Persons
(Services, Consultation and Representation) Act 1986

Section 7
(Persons discharged from hospital)

Community Care and Health (Scotland) Act 2002

All functions of Health Boards conferred by, or
by virtue of, the Community Care and Health
(Scotland) Act 2002.

Mental Health (Care and Treatment) (Scotland) Act 2003

All functions of Health Boards conferred by, or by virtue of, the Mental Health (Care and Treatment) (Scotland) Act 2003.	Except functions conferred by—
	section 22 (Approved medical practitioners);
	section 34 (Inquiries under section 33: co-operation)([16]);
	section 38 (Duties on hospital managers: examination notification etc.)([17]);
	section 46 (Hospital managers' duties: notification)([18]);
	section 124 (Transfer to other hospital);
	section 228 (Request for assessment of needs: duty on local authorities and Health Boards);
	section 230 (Appointment of a patient's responsible medical officer);
	section 260 (Provision of information to patients);
	section 264 (Detention in conditions of excessive security: state hospitals);
	section 267 (Orders under sections 264 to 266: recall);

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([16])   There are amendments to section 34 not relevant to the exercise of a Health Board's functions under that section.
([17])   Section 329(1) of the Mental Health (Care and Treatment) (Scotland) Act 2003 provides a definition of "managers" relevant to the functions of Health Boards under that Act.
([18])   Section 46 is amended by S.S.I. 2005/465.

section 281([19]) (Correspondence of certain persons detained in hospital);

and functions conferred by—

The Mental Health (Safety and Security) (Scotland) Regulations 2005([20]);

The Mental Health (Cross Border transfer: patients subject to detention requirement or otherwise in hospital) (Scotland) Regulations 2005([21]);

The Mental Health (Use of Telephones) (Scotland) Regulations 2005([22]); and

The Mental Health (England and Wales Cross border transfer: patients subject to detention requirement or otherwise in hospital) (Scotland) Regulations 2008([23]).

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

Section 23
(other agencies etc. to help in exercise of functions under this Act)

Public Services Reform (Scotland) Act 2010

All functions of Health Boards conferred by, or by virtue of, the Public Services Reform (Scotland) Act 2010	Except functions conferred by— section 31(Public functions: duties to provide information on certain expenditure etc.); and section 32 (Public functions: duty to provide information on exercise of functions).

Patient Rights (Scotland) Act 2011

All functions of Health Boards conferred by, or by virtue of, the Patient Rights (Scotland) Act 2011	Except functions conferred by The Patient Rights (Complaints Procedure and Consequential Provisions) (Scotland) Regulations 2012/36([24]).

([19])   Section 281 is amended by S.S.I. 2011/211.
([20])   S.S.I. 2005/464, to which there are amendments not relevant to the exercise of the functions of a Health Board. Section 329(1) of the Mental Health (Care and Treatment) (Scotland) Act 2003 provides a definition of "managers" relevant to the functions of Health Boards.
([21])   S.S.I. 2005/467. Section 329(1) of the Mental Health (Care and Treatment) (Scotland) Act 2003 provides a definition of "managers" relevant to the functions of Health Boards.
([22])   S.S.I. 2005/468. Section 329(1) of the Mental Health (Care and Treatment) (Scotland) Act 2003 provides a definition of "managers" relevant to the functions of Health Boards.
([23])   S.S.I. 2008/356. Section 329(1) of the Mental Health (Care and Treatment) (Scotland) Act 2003 provides a definition of "managers" relevant to the functions of Health Boards.
([24])   S.S.I. 2012/36. Section 5(2) of the Patient Rights (Scotland) Act 2011 (asp 5) provides a definition of "relevant NHS body" relevant to the exercise of a Health Board's functions.

NHS
Shetland

Annex 1

PART 2

Services currently provided by NHS Shetland which are to be integrated

Interpretation of this Part 2 of Annex 1

In this part—

"Allied Health Professional" means a person registered as an allied health professional with the Health Professions Council;

"general medical practitioner" means a medical practitioner whose name is included in the General Practitioner Register kept by the General Medical Council;

"general medical services contract" means a contract under section 17J of the National Health Service (Scotland) Act 1978;

"hospital" has the meaning given by section 108(1) of the National Health Service (Scotland) Act 1978;

"inpatient hospital services" means any health care service provided to a patient who has been admitted to a hospital and is required to remain in that hospital overnight, but does not include any secure forensic mental health services;

"out of hours period" has the same meaning as in regulation 2 of the National Health Service (General Medical Services Contracts) (Scotland) Regulations 2004([25]); and

"the public dental service" means services provided by dentists and dental staff employed by a health board under the public dental service contract.

The functions listed in Part 1 of Annex 1 are delegated to the extent that they are exercisable in the provision of the following services:

Part 2A

Provision for people over the age of 18

The functions listed in Part 1 of Annex 1 are delegated to the extent that:

a) the function is exercisable in relation to the persons of at least 18 years of age;

b) the function is exercisable in relation to care or treatment provided by health professionals for the purpose of health care services listed at numbers 1 to 6 below; and

c) the function is exercisable in relation to the following health services:

1.   Accident and Emergency services provided in a hospital.

2.   Inpatient hospital services relating to the following branches of medicine—

([25])   S.S.I. 2004/115.

(a) general medicine;

(b) geriatric medicine;

(c) rehabilitation medicine;

(d) respiratory medicine; and

(e) psychiatry of learning disability.

3.   Palliative care services provided in a hospital.

4.   Inpatient hospital services provided by General Medical Practitioners.

5.   Services provided in a hospital in relation to an addiction or dependence on any substance.

6.   Mental health services provided in a hospital, except secure forensic mental health services.

7.   District nursing services.

8.   Services provided outwith a hospital in relation to an addiction or dependence on any substance.

9.   Services provided by allied health professionals in an outpatient department, clinic, or outwith a hospital.

10.   The public dental service.

11.   Primary medical services provided under a general medical services contract, and arrangements for the provision of services made under section 17C of the National Health Service (Scotland) Act 1978, or an arrangement made in pursuance of section 2C(2) of the National Health Service (Scotland) Act 1978([26]).

12.   General dental services provided under arrangements made in pursuance of section 25 of the National Health (Scotland) Act 1978([27]).

13.   Ophthalmic services provided under arrangements made in pursuance of section 17AA or section 26 of the National Health Service (Scotland) Act 1978([28]).

14.   Pharmaceutical services and additional pharmaceutical services provided under arrangements made in pursuance of sections 27 and 27A of the National Health Service (Scotland) Act 1978([29]).

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([26])   Section 2C was inserted by the Primary Medical Services (Scotland) Act 2004 (asp 1), section 1(2) and relevantly amended by the National Health Service Reform (Scotland) Act 2004 (asp 7), schedule 1, and the Tobacco and Primary Medical Services (Scotland) Act 2010 (asp 3), section 37.

([27])   Section 25 was relevantly amended by the Smoking, Health and Social Care (Scotland) Act 2005 (asp 13), section 15.

([28])   Section 17AA was inserted by the National Health Service (Primary Care) Act 1997 (c.46), section 31(2) and relevantly amended by the Smoking, Health and Social Care (Scotland) Act 2005 (asp 13), section 25. Section 26 was relevantly amended by the Health and Social Security Act 1984 (c.48), Schedule 1, and the Smoking, Health and Social Care (Scotland) Act 2005 (asp 13) section 13.

([29])   Section 27 was relevantly amended by the Health Services Act 1990 (c.53), section 20; the National Health Service and Community Care Act 1990 (c.19), Schedule 9; the Medicinal Products:

15.   Services providing primary medical services to patients during the out-of-hours period.

16.   Services provided outwith a hospital in relation to geriatric medicine.

17.   Palliative care services provided outwith a hospital.

18.   Community learning disability services.

19.   Mental health services provided outwith a hospital.

20.   Continence services provided outwith a hospital.

21.   Kidney dialysis services provided outwith a hospital.

22.   Services provided by health professionals included in Part 2A that aim to promote public health.

Part 2B

NHS Shetland has also chosen to delegate the functions listed in Part 1 of Annex 1 in relation to the following services:

Provision for people under the age of 18

The functions listed in Part 1 of Annex 1 are also delegated to the extent that:
a) the function is exercisable in relation to persons of less than 18 years of age; and
b) the function is exercisable in relation to the following health services:

23.   Primary Medical Services and General Medical Services (including GP Pharmaceutical services)

24.   General Dental Services, Public Dental Services

25.   General Ophthalmic Services

26.   General Pharmaceutical Services

27.   Out of Hours Primary Medical Services

28.   Learning Disabilities

29.   Allied Health Professional Services

30.   Services provided by health professionals included in part 2B that aim to promote public health.

Prescription by Nurses etc. Act 1992 (c.28), section 3; the National Health Service and Community Care Act 1997 (c.46), Schedule 2 and the Health and Social Care Act 2001 (c.15), section 44.

Annex 2
Part 1

Functions that are to be delegated by the Council to the IJB

olumn A	Column B
Enactment conferring function	Limitation

National Assistance Act 1948([30])

Section 48
(Duty of councils to provide temporary
protection for property of persons admitted to
hospitals etc.)

The Disabled Persons (Employment) Act 1958([31])

Section 3
(Provision of sheltered employment by local
authorities)

([30])   1948 c.29; section 48 was amended by the Local Government etc. (Scotland) Act 1994 (c.39), Schedule 39, paragraph 31(4) and the Adult Support and Protection (Scotland) Act 2007 (asp 10) schedule 2 paragraph 1.
([31])   1958 c.33; section 3 was amended by the Local Government Act 1972 (c.70), section 195(6); the Local Government (Scotland) Act 1973 (c.65), Schedule 27; the National Health Service (Scotland) Act 1978 (c.70), schedule 23; the Local Government Act 1985 (c.51), Schedule 17; the Local Government (Wales) Act 1994 (c.19), Schedules 10 and 18; the Local Government etc. (Scotland) Act 1994 (c.49), Schedule 13; and the National Health Service (Consequential Provisions) Act 2006 (c.43), Schedule 1.

olumn A *Enactment conferring function*	*Column B* *Limitation*
The Social Work (Scotland) Act 1968([32])	
Section 1 (Local authorities for the administration of the Act.)	So far as it is exercisable in relation to another integration function.
Section 4 (Provisions relating to performance of functions by local authorities.)	So far as it is exercisable in relation to another integration function.
Section 8 (Research.)	So far as it is exercisable in relation to another integration function.
Section 10 (Financial and other assistance to voluntary organisations etc. for social work.)	So far as it is exercisable in relation to another integration function.
Section 12 (General social welfare services of local authorities.)	Except in so far as it is exercisable in relation to the provision of housing support services.

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([32])   1968 c.49; section 1 was relevantly amended by the National Health Service (Scotland) Act 1972 (c.58), schedule 7; the Children Act 1989 (c.41), Schedule 15; the National Health Service and Community Care Act 1990 (c.19) ("the 1990 Act"), schedule 10; S.S.I. 2005/486 and S.S.I. 2013/211. Section 4 was amended by the 1990 Act, Schedule 9, the Children (Scotland) Act 1995 (c.36) ("the 1995 Act"), schedule 4; the Mental Health (Care and Treatment) (Scotland) Act 2003 (asp 13) ("the 2003 Act"), schedule 4; and S.S.I. 2013/211. Section 10 was relevantly amended by the Children Act 1975 (c.72), Schedule 2; the Local Government etc. (Scotland) Act 1994 (c.39), Schedule 13; the Regulation of Care (Scotland) Act 2001 (asp 8) ("the 2001 Act") schedule 3; S.S.I. 2010/21 and S.S.I. 2011/211. Section 12 was relevantly amended by the 1990 Act, section 66 and Schedule 9; the 1995 Act, Schedule 4; and the Immigration and Asylum Act 1999 (c.33), section 120(2). Section 12A was inserted by the 1990 Act, section 55, and amended by the Carers (Recognition and Services) Act 1995 (c.12), section 2(3) and the Community Care and Health (Scotland) Act 2002 (asp 5) ("the 2002 Act"), sections 8 and 9(1). Section 12AZA was inserted by the Social Care (Self Directed Support) (Scotland) Act 2013 (asp 1), section 17. Section 12AA and 12AB were inserted by the 2002 Act, section 9(2). Section 13 was amended by the Community Care (Direct Payments) Act 1996 (c.30), section 5. Section 13ZA was inserted by the Adult Support and Protection (Scotland) Act 2007 (asp 10), section 64. Section 13A was inserted by the 1990 Act, section 56 and amended by the Immigration and Asylum Act 1999 (c.33), section 102(2); the 2001 Act, section 72 and schedule 3; the 2002 Act, schedule 2 and by S.S.I. 2011/211. Section 13B was inserted by the 1990 Act sections 56 and 67(2) and amended by the Immigration and Asylum Act 1999 (c.33), section 120(3). Section 14 was amended by the Health Services and Public Health Act 1968 (c.46), sections 13, 44 and 45; the National Health Service (Scotland) Act 1972 (c.58), schedule 7; the Guardianship Act 1973 (c.29), section 11(5); the Health and Social Service and Social Security Adjudications Act 1983 (c.41), schedule 10 and the 1990 Act, schedule 9. Section 28 was amended by the Social Security Act 1986 (c.50), Schedule 11 and the 1995 Act, schedule 4. Section 29 was amended by the 1995 Act, schedule 4. Section 59 was amended by the 1990 Act, schedule 9; the 2001 Act, section 72(c); the 2003 Act, section 25(4) and schedule 4 and by S.S.I. 2013/211.

olumn A *Enactment conferring function*	Column B *Limitation*
Section 12A (Duty of local authorities to assess needs.)	So far as it is exercisable in relation to another integration function.
Section 12AZA (Assessments under section 12A - assistance)	So far as it is exercisable in relation to another integration function.
Section 12AA (Assessment of ability to provide care.)	
Section 12AB (Duty of local authority to provide information to carer.)	
Section 13 (Power of local authorities to assist persons in need in disposal of produce of their work.)	
Section 13ZA (Provision of services to incapable adults.)	So far as it is exercisable in relation to another integration function.
Section 13A (Residential accommodation with nursing.)	
Section 13B (Provision of care or aftercare.)	
Section 14 (Home help and laundry facilities.)	
Section 27 (Supervision of persons put on probation or released from prison.)	
Section 27ZA (Advice, Guidance and Assistance to persons arrested or on whom sentence is deferred)	
Section 28 (Burial or cremation of the dead.)	So far as it is exercisable in relation to persons cared for or assisted under another integration function.
Section 29 (Power of local authority to defray expenses of parent, etc., visiting persons or attending funerals.)	

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olumn A *Enactment conferring function*	Column B *Limitation*
Section 59 (Provision of residential and other establishments by local authorities and maximum period for repayment of sums borrowed for such provision.)	So far as it is exercisable in relation to another integration function.

The Local Government and Planning (Scotland) Act 1982([33])

Section 24(1)
(The provision of gardening assistance for the disabled and the elderly.)

Disabled Persons (Services, Consultation and Representation) Act 1986([34])

Section 2
(Rights of authorised representatives of disabled persons.)

Section 3
(Assessment by local authorities of needs of disabled persons.)

Section 7 (Persons discharged from hospital.)	In respect of the assessment of need for any services provided under functions contained in welfare enactments within the meaning of section 16 and which have been delegated.
Section 8 (Duty of local authority to take into account abilities of carer.)	In respect of the assessment of need for any services provided under functions contained in welfare enactments (within the meaning set out in section 16 of that Act) which are integration functions.

Criminal Procedure (Scotland) Act 1995[35]

Sections 51(1)(aa), 51(1)(b) and 51(5)
(Remand and committal of children and young persons in to care of local authority).

([33])   1982 c.43; section 24(1) was amended by the Local Government etc. (Scotland) Act 1994 (c.39), schedule 13.
([34])   1986 c.33. There are amendments to sections 2 and 7 which are not relevant to the exercise of a local authority's functions under those sections.
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Pt XI s. 245A(9)	repealed by Courts Reform (Scotland) Act 2014 asp 18 (Scottish Act) Sch. 5(10) para. 39(4)

olumn A	Column B
Enactment conferring function	*Limitation*

Section 203
(Where a person specified in section 27(1)(b)(i) to (vi) of the Social Work (Scotland) Act 1968 commits an offence the court shall not dispose of the case without first obtaining a Report from the local authority in whose area the person resides.)

Section 234B
(Drug treatment and testing order.)

Section 245A
(Restriction of liberty orders.)

The Adults with Incapacity (Scotland) Act 2000([36])
Section 10
(Functions of local authorities.)

Section 12
(Investigations.)

Section 37 (Residents whose affairs may be managed.)	Only in relation to residents of establishments which are managed under integration functions.
Section 39 (Matters which may be managed.)	Only in relation to residents of establishments which are managed under integration functions.
Section 41 (Duties and functions of managers of authorised establishment.)	Only in relation to residents of establishments which are managed under integration functions
Section 42 (Authorisation of named manager to withdraw from resident's account.)	Only in relation to residents of establishments which are managed under integration functions
Section 43 (Statement of resident's affairs.)	Only in relation to residents of establishments which are managed under integration functions
Section 44 (Resident ceasing to be resident of authorised establishment.)	Only in relation to residents of establishments which are managed under integration functions
Section 45 (Appeal, revocation etc.)	Only in relation to residents of establishments which are managed under integration functions

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([36])   2000 asp 4; section 12 was amended by the Mental Health (Care and Treatment) (Scotland) Act 2003 (asp 13), schedule 5(1). Section 37 was amended by S.S.I. 2005/465. Section 39 was amended by the Adult Support and Protection (Scotland) Act 2007 (asp 10), schedule 1 and by S.S.I. 2013/137. Section 41 was amended by S.S.I. 2005/465; the Adult Support and Protection (Scotland) Act 2007 (asp 10), schedule 1 and S.S.I. 2013/137. Section 45 was amended by the Regulation of Care (Scotland) Act 2001 (asp 8), Schedule 3.

olumn A	*Column B*
Enactment conferring function	*Limitation*

The Housing (Scotland) Act 2001([37])

Section 92 (Assistance to a registered for housing purposes.)	Only in so far as it relates to an aid or adaptation.

The Community Care and Health (Scotland) Act 2002([38])

Section 4
(The functions conferred by Regulation 2 of the Community Care (Additional Payments) (Scotland) Regulations 2002 in relation to the provision, or securing the provision, of relevant accommodation.)

Section 5
(The making of arrangements for the provision of residential accommodation outside Scotland.)

Section 6
(Entering into deferred payment agreements for the costs of residential accommodation.)

Section 13
Payments made by NHS bodies towards local authority expenditure

Section 14
(The making of payments to an NHS body in connection with the performance of the functions of that body.)

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([37])   2001 asp 10; section 92 was amended by the Housing (Scotland) Act 2006 (asp 1), schedule 7.

([38])Section 4

Words substituted by Mental Health (Care and Treatment) (Scotland) Act 2003 asp 13 (Scottish Act) Sch.4 para.12(2) (October 5, 2005)

Words repealed by Adult Support and Protection (Scotland) Act 2007 asp 10 (Scottish Act) Pt 3 s.62(3) (October 5, 2007)

Section 6: Words substituted by Mental Health (Care and Treatment) (Scotland) Act 2003 asp 13 (Scottish Act) Sch.4 para.12(3) (October 5, 2005)

olumn A	Column B
Enactment conferring function	Limitation

The Mental Health (Care and Treatment) (Scotland) Act 2003([39])

Section 17
(Duties of Scottish Ministers, local authorities
and others as respects Commission.)

Section 25 (Care and support services etc.)	Except in so far as it is exercisable in relation to the provision of housing support services.
Section 26 (Services designed to promote well-being and social development.)	Except in so far as it is exercisable in relation to the provision of housing support services.
Section 27 (Assistance with travel.)	Except in so far as it is exercisable in relation to the provision of housing support services.

Section 33
(Duty to inquire.)

Section 34
(Inquiries under section 33: Co-operation.)

Section 228
(Request for assessment of needs: duty on local
authorities and Health Boards.)

Section 259
(Advocacy.)

**Management of Offenders etc. (Scotland)[40]
Act 2005**

([39])   2003 asp 13; section 17 was amended by the Public Services Reform (Scotland) Act 2010 (asp 8), section 111(4), and schedules 14 and 17, and by the Police and Fire Reform (Scotland) Act 2012 (asp 8), schedule 7. Section 25 was amended by S.S.I. 2011/211. Section 34 was amended by the Public Services Reform (Scotland) Act 2010 (asp 8), schedules 14 and 17.

[40] Section 10:

Substituted by Criminal Justice and Licensing (Scotland) Act 2010 asp 13 (Scottish Act) Sch.2(2) para.51(2) (December 13, 2010: substitution has effect subject to savings provision specified in SSI 2010/413 art.3(1))

Words substituted by Criminal Justice and Licensing (Scotland) Act 2010 asp 13 (Scottish Act) Sch.7 para.76(a)(i) (June 25, 2012 in relation to criminal proceedings commenced on or after that date irrespective of the date the offence was committed as specified in SSI 2012/160 art.3)

Words substituted by Criminal Justice and Licensing (Scotland) Act 2010 asp 13 (Scottish Act) Sch.7 para.76(a)(ii) (June 25, 2012 in relation to criminal proceedings commenced on or after that date irrespective of the date the offence was committed as specified in SSI 2012/160 art.3)

Substituted by Police and Fire Reform (Scotland) Act 2012 asp 8 (Scottish Act) Sch.7(1) para.28 (April 1, 2013)

Words substituted by Criminal Justice and Licensing (Scotland) Act 2010 asp 13 (Scottish Act) Sch.7 para.76(b) (June 25, 2012 in relation to criminal proceedings commenced on or after that date irrespective of the date the offence was committed as specified in SSI 2012/160 art.3)

olumn A	Column B
Enactment conferring function	Limitation

Sections 10-11

(Assessing and managing risks posed by certain offenders.)

The Housing (Scotland) Act 2006([41])

Section 71(1)(b)	Only in so far as it relates to an aid or
(Assistance for housing purposes.)	adaptation s1(2) of the Public Bodies (Joint Working) (Prescribed Local Authority Functions etc) (Scotland) Regulations 2014.

The Adult Support and Protection (Scotland) Act 2007([42])

Section 4
(Council's duty to make inquiries.)

Section 5
(Co-operation.)

Section 6
(Duty to consider importance of providing advocacy and other.)

Section 7-9
(investigations)

Section 11
(Assessment Orders.)

Section 14
(Removal orders.)

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([41])   2006 asp 1; section 71 was amended by the Housing (Scotland) Act 2010 (asp 17) section 151.
([42])   2007 asp 10; section 5 and section 42 were amended by the Public Services Reform (Scotland) Act 2010 (asp 8),
Section 7: Modified by Community Care and Health (Scotland) Act 2002 (Incidental Provision) (Adult Support and Protection) Order 2012/66 (Scottish SI), art. 2
Section 8: Modified by Community Care and Health (Scotland) Act 2002 (Incidental Provision) (Adult Support and Protection) Order 2012/66 (Scottish SI), art. 2
Section 9: Modified by Community Care and Health (Scotland) Act 2002 (Incidental Provision) (Adult Support and Protection) Order 2012/66 (Scottish SI), art. 2
Schedules 14 and 17 and by the Police and Fire Reform (Scotland) Act 2012 (asp 8), schedule 7.
Section 16: Modified by Community Care and Health (Scotland) Act 2002 (Incidental Provision) (Adult Support and Protection) Order 2012/66 (Scottish SI), art. 2
Section 43 was amended by the Public Services Reform (Scotland) Act 2010 (asp 8), schedule 14.

olumn A *Enactment conferring function*	*Column B* *Limitation*
Section 16 (Removal Orders)	
Section 18 (Protection of moved persons property.)	
Section 22 (Right to apply for a banning order.)	
Section 40 (Urgent cases.)	
Section 42 (Adult Protection Committees.)	
Section 43 (Membership.)	
Social Care (Self-directed Support) (Scotland) Act 2013([43])	
Section 3 (Support for adult carers.)	Only in relation to assessments carried out under integration functions.
Section 5 (Choice of options: adults.)	
Section 6 (Choice of options under section 5: assistances.)	
Section 7 (Choice of options: adult carers.)	
Section 9 (Provision of information about self-directed support.)	
Section 11 (Local authority functions.)	
Section 12 (Eligibility for direct payment: review.)	
Section 13 (Further choice of options on material change of circumstances.)	Only in relation to a choice under section 5 or 7 of the Social Care (Self-directed Support) (Scotland) Act 2013 .

([43])   2013 asp 1.

olumn A	Column B
Enactment conferring function	Limitation
Section 16 (Misuse of direct payment: recovery.)	
Section 19 (Promotion of options for self-directed support.)	

PART 1

Functions, conferred by virtue of enactments, prescribed for the purposes of section 1(7) of the Public Bodies (Joint Working) (Scotland) Act 2014

Column A	Column B
Enactment conferring function	*Limitation*
The Community Care and Health (Scotland) Act 2002	
Section 4([44])	
The functions conferred by Regulation 2 of the Community Care (Additional Payments) (Scotland) Regulations 2002([45])	

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([44]) Section 4 was amended by the Mental Health (Care and Treatment) (Scotland) Act 2003 (asp 13), schedule 4 and the Adult Support and Protection (Scotland) Act 2007 (asp 10), section 62(3).
([45]) S.S.I. 2002/265, as amended by S.S.I. 2005/445.

NHS
Shetland

Annex 2

Part 2

Services currently provided by the Local Authority which are to be integrated

Social work services for adults and older people
Services and support for adults with physical disabilities and learning disabilities
Mental health services
Drug and alcohol services
Adult protection and domestic abuse
Carers support services
Community care assessment teams
Support services
Care home services
Adult placement services
Health improvement services
Housing support that is delivered as an integral part of the jointly managed services
Day services
Local area co-ordination
Respite provision
Occupational therapy services
Equipment, aids and adaptations
Re-ablement services, equipment and Telecare
Criminal Justice Social Work Services

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Shetland Islands Council

Shetland Islands Council   **16 December 2015**

SIC Diary of Meetings 2016/17	
GL-60-F	
Report Presented by **Executive Manager – Governance & Law**	**Corporate Services Department**

1.0   Summary

1.1   The purpose of this report is to seek Council's approval for the schedule of meetings for 2016/17.

2.0   Decision Required

2.1   That the Council **RESOLVES** to approve the attached schedule of meetings for 2016/17 and note the process explained in paragraph 3.6 for presenting the detailed business programmes.

3.0   Discussion

Diary dates

3.1   The draft diary is based on the same principles and timescales as 2015/16, by setting the PPMF and budget setting meetings at the required times, and then setting ordinary meetings cycles in between.

3.2   Members will note that a further 5 dates have been set aside as special meeting dates which can be used in between cycles for special meetings of <u>any</u> committee or council.   Our intention is to allow Members, and officers, to diary these dates early on, with the expectation of special meetings being called for those dates only, except for any very exceptional meetings which may be required outwith those timescales.

3.3   With regard to the budget setting timetable for 17/18, and based on experiences this year and last, an extra week between the budget seminars and combined PPMF/budget setting meetings in December have been added. This, of course, is subject to any requirements at that time which may require an alternative timetable to be adopted.

3.4   As is always the case, and in consultation with the Chair and relevant Members and Officers, and if required according to the circumstances, the time, date, venue and location of any meeting may be changed, or special meetings added, although every effort will be made to avoid such instances.

3.5   Accordingly, the proposed schedule of meetings is attached as Appendix 1.

Business Programmes

3.6   If the dates are approved today, Directors, taking account of "Our Plan 2016 to 2020", the Directorate Plans and budget proposals, will begin work on the detailed Committee Business Programmes for 2016/17, which will determine which scheduled Committee meetings will be expected to make decisions on particular matters, or list matters for reporting within the year but which are not yet scheduled.   This will also include any matters planned for 2015/16 but have to be carried forward into 2016/17.   The business programmes for 2016/17 will be presented by Directors to the PPMF meetings scheduled for week beginning 29 February 2016.

Elections 2016

3.7   The Pre-election period for the Scottish Parliamentary Elections in May 2016 will commence on 14 March 2016 with the publication of the Notice of Election.   This begins an extremely busy time for committee services staff, and taking account of business to be transacted during April, those meetings scheduled for the week beginning 11 April and week beginning 18 April, may be cancelled and instead special meetings held on Monday 11 April, to allow for any business which cannot be held off until either a special meeting on 16 May or the ordinary cycle of meetings in June.   Discussions will take place with Directors and Committee Chairs nearer the time.

3.8   During 2016 the date of the EU Referendum will be announced. Again, the business programmes will be considered and discussed with Directors and Chairs before amending any meeting dates in order to accommodate the workload.   At present, the provisional dates being considered are 15 June 2016 and 23 September 2016.

4.0   **Implications**

Strategic

4.1   Delivery On Corporate Priorities – The recommendation in this report will achieve point 5 of Our Plan 2016 to 202, by contributing towards the achievement of high standards of governance, and effective decision making.

4.2   Community /Stakeholder Issues – No consultation has taken place with the community or stakeholders, but the diary dates and final Business Programme will provide the community and other stakeholders with important information, along with the Council's Corporate and Directorate Plans, as to the planned business for the coming year.

4.3 <u>Policy And/Or Delegated Authority</u> – Section 18.2 of the Council's Standing Orders for meetings states "The dates of ordinary meeting of the Council and other bodies which are part of the political management framework will be decided by the Council on the basis of a programme of meetings which will normally be decided each year."

4.4 <u>Risk Management</u> – The risks associated with setting the meeting dates and the Business Programme are around the challenges for officers meeting the timescales required, and any part of the business programme slipping and causing reputational damage to the Council. Equally, not applying the diary of meetings and accompanying Business Programme would result in decision making being unplanned and haphazard and aligning the Council's Business Programme with the objectives and actions contained in its corporate plans could mitigate against those risks.

4.5 <u>Equalities, Health And Human Rights</u> – None.

4.6 <u>Environmental</u> – None.

<u>Resources</u>

4.7 <u>Financial</u> – The proposals in this report do not have any direct financial implications, but indirect costs may be avoided by optimising Member and officer time.

4.8 <u>Legal</u> – None.

4.9 <u>Human Resources</u> – None.

4.10 <u>Assets And Property</u> – None.

5.0 Conclusions

5.1 The setting of diary dates is a key stage in determining the decision making process and Business Programme for the Council and its Committees, and provides a reference point for Members, Officers, the community and stakeholders.

For further information please contact:
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10 December 2015

<u>List of Appendices</u>
Appendix 1 – Schedule of Council / Committee Meetings 2016/17

<u>Background documents:</u>
None.

END

Shetland Islands Council CALENDAR OF MEETINGS - 2016-2017

V1.4 - as at 11 December 2015

EJCC - Tuesday 22 March

		M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	cycle
Q1	March/April 2016	28 PH	29	30	31 SCT	1	2	3	4	5	6	7	8	9	10	11 E&F DEV	12 E&T	13 AC SAT	14 HB SCB	15 ZET	16	17	18 P&R	19 NHS LPA	20 SIC	21 CSRB	22	23	24	25	26	27	28	29	30	1 ordinary
	May 2016							1	2	3	4	5 SPE	6	7	8	9 SV	10 L/P	11 SAT	12 SCT SPPG	13	14	15	16 Sp	17 LPA	18 SIC	19	20	21	22	23 ALL3 HB	24 P&R	25 AC SIC	26 SCB	27	28 · 29 · 30 · 31 EJCC	2 ppmf
	June 2016			1	2 SPB	3	4	5	6 SV	7 L/P	8	9	10	11	12	13 E&F DEV	14 E&T	15 AC SAT	16 HB SCB	17	18	19	20 P&R PF/PB	21 NHS LPA	22 SETF	23 SCT VJB ZET	24	25	26	27	28	29 SIC	30		3 ordinary
Q2	July 2016							1	2	3	4 SV	5 L/P	6	7	8	9	10	11	12	13 SAT	14	15	16	17	18	19 LPA	20	21	22	23	24	25	26	27 · 28 · 29 · 30 · 31	July holidays
	August 2016	1	2	3	4	5	6	7	8	9	10	11 CSRB	12	13	14	15	16 LPA	17 SAT	18	19	20	21	22 Sp	23 NHS	24 SV	25 L/P	26	27	28	29 ALL3 HB	30 P&R PF/PB	31 AC SIC			4 ppmf
	September 2016				1 SPPG SCB	2	3	4	5	6	7	8	9	10	11	12	13	14 SAT	15 SCT SPB	16	17	18	19	20 EJCC	21 AC PF/PB LPA SIC	22 VJB ZET	23	24	25	26 SV	27 L/P	28 SETF	29	30	5 ordinary & Oct Hoildays
Q3	October 2016						1	2	3 E&F DEV	4 NHS	5 E&T AC	6 HB SCB	7	8	9	10	11	12 SAT	13	14	15	16	17	18 LPA	19	20 CSRB	21	22	23	24 P&R	25	26 Sp	27 SCT	28	29 · 30 · 31 SV	6 ppmf/budget & Xmas Holidays
	November 2016				1 L/P	2 SIC	3	4 ZET	5	6	7	8	9	10 SPPG	11	12	13	14 bdgt seminar	15 bdgt seminar LPA	16 bdgt seminar SAT	17 bdgt seminar	18	19	20	21 bdgt seminar	22	23	24	25	26	27	28 SV	29 L/P	30		
	December 2016				1 SPB	2	3	4	5 ALL PPMF & Bdgt	6 ALL PPMF & Bdgt	7 ALL PPMF & Bdgt	8 ALL PPMF & Bdgt SCT	9 ALL PPMF & Bdgt	10	11	12 SETF	13 NHS	14 SIC Bdgt SAT	15 ZET	16	17	18	19	20 LPA	21	22	23	24 · 25	26	27	28	29	30 · 31		
Q4	January 2017							1	2	3	4	5	6	7	8	9 SV	10 L/P	11	12	13	14	15	16	17 LPA	18 SP	19	20	21	22	23	24 EJCC	25	26	27	28 · 29 · 30 · 31	7 ordinary
	February 2017			1 PH	2	3 ZET	4	5	6 E&F DEV	7 E&T	8 AC	9 HB SCB	10	11	12	13 P&R	14 NHS	15 SV	16 L/P	17	18	19	20	21 LPA	22 SIC	23	24	25	26	27	28				
	March 2017			1	2	3	4	5	6 ALL3 HB	7 P&R PF/PB	8 AC SIC	9 SCB	10	11	12	13 SV	14 L/P	15	16	17	18	19	20	21 LPA	22 Sp	23	24	25	26	27	28	29	30	31	8 ppmf

Legend

School Holidays	Monday 28 March 2016 - Friday 8 April; Monday 4 July - Friday 12 August 2016; Monday 10 October - Friday 21 October 2016; Friday 23 December - Thursday 5 January 2017.
Pre-Election Period	Monday 13 March 2016 to Thursday 5 May 2016 - no further meetings to be scheduled - special rules apply
SPE	Scottish Parliament Election - Thursday 5 May 2016
PH	Public Holidays : Easter Monday - 28 March; Lk UHA Wednesday 1 February 2017
Ordinary	Ordinary Meetings
special	Special Meetings - Sp SIC 18 May [SIC Fund Managers]; Sp SIC and Sp AC 21 September [Final Accounts]
PPMF	Planning and Performance Management Meetings
Bdgt Seminar	Budget Seminars
Budget	Budget Book 2017/18
Sp	Special meeting - date reserved for special meeting of **any Committee and/or SIC**, if required. in between ordinary meetings.

SPB = Shetland Partnership Board (p.m.) - MBell, GC, AC, BF, GR, CS, GS, MS, VW
SPPG - Shetland Partnership Performance Group [a.m.] - CE and Directors
CSRB = Community Safety and Resilience Board (p.m.) – MBurgess, GC, AC, AD, FAR, MS, JW
SAT = Shetland Amenity Trust (p.m.) – JW, VW, FAR
SCT = Shetland Charitable Trust (a.m.) – MBell, AD, RH, AM, WAR, AWest, JW
LPA = Lerwick Port Authority [p.m.] - PC, GC, GR
SIALB = Shetland Islands Area Licensing Board
VJB = Orkney and Shetland Valuation Joint Board   *Still be considered/agreed by the VJB*
Zet = ZetTrans   *dates agreed 9/12/2015*
IJB = Integration Joint Board   Still to be considered/agreed by the IJB

AC = Audit Committee
E&F = Education and Families Committee
PF/PB = Pension Fund Committee/Pension Board
HB = Harbour Board
SCB = Shetland College Board
E&T = Environment and Transport Committee
Dev = Development Committee
P&R = Policy and Resources Committee
SIC = Shetland Islands Council
ALL 3 – All Committees: Performance Management [E&T, E&F & DEV]
ALL Bdgt – All Committees: Budget Setting [E&T, E&F, DEV, PF/PB, P&R, HB & SCB]

SV = Site Visits
L/P = Licensing and Planning Committee

10 a.m. SIALB
10.30 a.m. Licensing Committee
2 p.m. Planning Committee