

# MINUTES

# AB - PUBLIC

**Special Shetland Islands Council  
Council Chamber, Town Hall, Lerwick  
Wednesday 12 December 2018 at 10 a.m.**

## **Present:**

M Bell	M Burgess [by phone]
P Campbell	A Cooper
S Coutts	J Fraser
A Hawick [by phone]	C Hughson
A Manson	E Macdonald
R McGregor	D Sandison [by phone]
D Simpson	C Smith
G Smith	T Smith
R Thomson	B Wishart

## **Apologies:**

A Duncan	S Leask
A Priest	I Scott

## **In Attendance:**

M Sandison, Chief Executive  
N Grant, Director – Development Services  
J Manson, Executive Manager - Finance  
J Riise, Executive Manager – Governance and Law  
C Bain, Treasury Accountant  
M Smith, Team Leader – Payroll and Pensions  
T Coutts, Project Manager  
D Evans, Human Resources Adviser – Project Team  
J Clarke, Shetland College - Joint Operations Manager – Project Team  
R Gillies, Shetland College - Joint Operations Manager – Project Team  
A Nicolson, Administration Officer - Project Team  
J Thomason, Management Accountant - Project Team  
P Wishart, Solicitor – Project Team  
C Anderson, Senior Communications Officer  
A Cogle, Team Leader - Administration

## **Also:**

S Kirker, HISA Vice President

## **Chairperson**

Mr Bell, Convener of the Council, presided.

## **Circular:**

The circular calling the meeting was held as read.

The Convener advised that he would be reversing the order of the agenda, to take agenda item 2 first, in order that officers not involved with the STERT report, and those with declared interests, could leave the meeting.

**The Convener ruled that, in accordance with Section 43(2) of the Local Government in Scotland Act 2003, the attendance of Councillors Mark Burgess, Amanda Hawick and Davie Sandison during the Council proceedings, is permitted by remote telephone link.**

### **Declarations of Interest**

Mr D Sandison said that he needed to declare an interest in agenda item 1 - Effective and Sustainable Tertiary Education, Research and Training in Shetland Project - Full Business Case - as a Trustee of the Shetland Fisheries Training Centre Trust, and on the basis that his employer receives financial remuneration for him to do so. He added that as today was a decision making meeting rather than noting progress, he would be leaving the Chamber.

Mr M Burgess declared an interest in agenda item 1 - Effective and Sustainable Tertiary Education, Research and Training in Shetland Project - Full Business Case –as a past, and potentially future, supplier of work to Shetland College, and as a registered interest was therefore obliged to withdraw from the meeting for that item.

54/18

### **Scottish LGPS Restructure Review – Consultation Response**

The Council considered a report by the Executive Manager – Finance [F-091]. The report provided a draft consultation response from the Council to be provided to the Pensions Institute regarding the Scottish Local Government Pension Scheme's restructure review.

After hearing the Treasury Accountant introduce the report, Mr S Coutts thanked the author for the detail within the report, stating that it clearly set out the Council's position on this matter. With regard to timescales, Mr Coutts asked if any changes were to be made and the merger option was agreed, what the timescales would be for that option. The Treasury Accountant advised that it was difficult to say at this stage in the process, as the recommendation would only be made to Scottish Government ministers once all the responses had been received and analysed by the Pensions Institute and provided to the Scheme Advisory Board, and it was likely to be well in through 2019 before that was done. The Executive Manager – Governance and Law added that following any recommendation on a merger, the Parliamentary processes, including scrutiny, formal consultation and Island proofing. He said that these legislative processes would take around 2 years to complete on top of the timescale for implementation and, in this regard, it was likely to take 3 to 4 years for any change to be in place.

Mr J Fraser referred to the fact that the current scheme had quite a number of admitted bodies, and asked whether, if the status quo was to change and the structure of any Admitted Body had to change, that would require that body to re-apply to enter the Pension Scheme. He added that this potentially had a knock-on effect for the Shetland population, and asked that this matter be highlighted in the response. Mr S Coutts advised that this issue had been raised at the Pension Fund Committee. He said it was important for the Council to recognise that it was considering this matter today as an employer, and not in terms of managing the fund, but could give assurance that the matters raised at the Pension Fund Committee were taken on board in terms of its response.

Mr M Burgess said there were references in the report to infrastructure investments, and asked if this was a reference to investments in projects such as social housing. The Treasury Accountant said that that infrastructure investments were investments

in much larger infrastructure such as large buildings, not smaller projects such as social housing which were property investments.

Miss A Hawick sought reassurance that the various issues raised by members at the Pension Fund Committee and Pension Board would be taken on board in the Council's response. Mr S Coutts advised that there would be two distinct responses, with today's response being the terms of the Council's response as an employer. However, he advised, as Chair of the Pension Fund Committee, that all of the issues raised by members at that Committee were taken on board in its submission to the Pensions Institute.

Mr S Coutts reiterated his earlier thanks to staff for a very clear draft response which set out the Council's position, and staff had also created a clear submission on behalf of the Pension Fund Committee. He went on to say that the response highlighted the fact that over 30% of Shetland's population were members of the Pension Fund, and the Scottish Government's ambitions to see investment in infrastructure should be based on local needs, with local control and local decision making, which would be lost in any kind of centralisation of funds. Mr Coutts said that an islands impact assessment would be necessary if there were any changes, and that the Council would need to watch that closely from a political point of view. However, Mr Coutts said that from an employer perspective, he moved that the Council approve the terms of the report. Mr G Smith seconded, adding that he endorsed all that Mr Coutts had said, reiterating the fact that the response was very clear in its terms.

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#### **Decision:**

The Council considered the consultation response to the Scottish LGPS restructure review and **RESOLVED** to approve that the consultation response be sent to the Pensions Institute.

**The Council adjourned at 10.20 a.m.  
The Council reconvened at 10.30 .a.m.**

#### **Present:**

M Bell	P Campbell
A Cooper	S Coutts
J Fraser	A Hawick [by phone]
C Hughson	A Manson
E Macdonald	R McGregor
D Simpson	C Smith
G Smith	T Smith
R Thomson	B Wishart

**[It was noted that Mr M Burgess and Mr D Sandison had left the meeting.]**

#### **In Attendance:**

M Sandison, Chief Executive  
N Grant, Director – Development Services  
J Manson, Executive Manager - Finance  
J Riise, Executive Manager – Governance and Law  
T Coutts, Project Manager  
D Evans, Human Resources Adviser – Project Team  
J Clarke, Shetland College - Joint Operations Manager — Project Team

R Gillies, Shetland College - Joint Operations Manager – Project Team  
A Nicolson, Administration Officer - Project Team  
J Thomason, Management Accountant - Project Team  
P Wishart, Solicitor – Project Team  
C Anderson, Senior Communications Officer  
A Cogle, Team Leader - Administration

Also:

S Kirker, HISA Vice President

**The Convener moved that the Council would exclude the public, in terms of the relevant legislation, during any consideration of Appendix 4 to the following item of business. Mr S Coutts seconded, and the Council concurred.**

55/18      **Effective and Sustainable Tertiary Education, Research and Training in Shetland Project - Full Business Case**

The Council considered a report by the Business Development Project Manager (DV-46-18) providing information on the Full Business Case for the Effective and Sustainable Tertiary Education, Research and Training in Shetland Project.

The Chief Executive introduced the report, advising that as the final report to Council on this matter, this would be a significant decision which would demonstrate the Council's commitment to the Service Redesign Programme. She referred to comment by the Council's External Auditors in their last audit report, which questioned the ability of the Council to demonstrate that it was able to deliver on the Programme. In this regard, the Chief Executive said a decision today to merge would demonstrate the Council's commitment to that Programme, and how it would then go on to manage the overall budget. The Chief Executive said that the Tertiary Sector was critical to the 10 Year Shetland Partnership Plan, to attract people to live, work, study and invest in Shetland. She said a decision today would underpin the community outcomes in that Plan, which strives for a strong economy by relying on the right skills, in the right place and at the right time. The Chief Executive added that the Shetland Partnership Plan also addresses outcomes for the community that have a focus on health and wellbeing, and it was recognised that education had a significant influence, particularly when addressing areas of inclusion and equality in order to improve the wellbeing outcomes for individuals throughout their lives. Regarding the impact on staff and students, the Chief Executive went on to say that there was a need to highlight the critical nature of completing the decision on the merger and moving forward on the process of change. She added that there had been ongoing discussions for a number of years which had caused uncertainty and concern amongst staff and students and it was important for their wellbeing that this decision is made today. Regarding Best Value, the Chief Executive said this required evidence of continuous improvement, efficiency and effectiveness, and when the Council is being considered as to whether or not it demonstrates Best Value, this decision today would be a critical part of that consideration. In conclusion, the Chief Executive commended the Project Team, without which she said the Council would not have come to the point of considering the decisions in front of it today. She said the team had provided a comprehensive report which would allow the Council to make the best decision for Shetland.

The Project Manager gave a presentation entitled "Effective and Sustainable Tertiary Education, Research and Training in Shetland" [copy of slides attached as Appendix 1A], which informed on the background to the project, and detailed the

strategic, economic, commercial and management cases for the preferred option, the new College model. The presentation also included a video where students advised on their positive experiences of studying in Shetland. In referring to the joint response from Scottish Funding Council and UHI tabled at the meeting [appended to this minute marked as 1B], the Project Manager highlighted their support to create the new merged college, and he advised on the outcomes from reporting the project to the Employees JCC and College Lecturers JCC. During the presentation, the Management Accountant – Project Team advised on the financial case, and provided an overview from the Financial Assurance report on behalf of Mr Healy from Deloitte, who was unable to be present today. Ms Kirker, HISA Vice President, provided an overview of the student support for the merger project including some of the collaborative work that had been done to date. The Project Manager concluded by advising on the outcome of recent meetings of the Shetland College Board, the Education and Families Committee and the Policy and Resources Committee, and in that regard he commended the recommendations to Council.

Mr P Campbell thanked the project team and the Chief Executive for the report, adding that the presentation had been comprehensive and informative. He referred to the decision to be made by the Shetland Fisheries Training Centre Trust [SFTCT], and asked if the project team and Chief Executive would be attending to present a report to that body. The Chief Executive advised that she had written to the SFTCT Chair to offer the advice of herself and the project team, and that offer would be considered at a meeting planned for Thursday. She added that in this regard she was unable to confirm definitely, but would advise Members after that meeting. Mr Campbell said he was glad the offer had been made, and hoped it would be accepted.

Mr Campbell said there had been a number of reports in the media proposing that the Shetland College be relocated to the Knab site. In this regard, Mr Campbell asked if there would be any implications for the Board if the future College chose to abandon the site at Gremista and move to another site. In addition, Mr Campbell asked what the implications would be for the Council with regard to the European funding received to enable ownership of the College building. The Chief Executive responded that the Council would need to ensure that it continued to comply with the grant conditions in an appropriate way. She added that the full business case had identified the need for an Estates Strategy for the Shadow Board and the Principal Designate to take forward, alongside the future business model.

Mr A Cooper referred to discussion of the report at the Policy and Resources Committee, and to the letter from the Scottish Funding Council which stated that it would not make a contribution towards pension cessation costs if the colleges merged. Mr Cooper asked whether the cessation costs of approximately £3m would reduce the indicative net savings to the Council of a merger from £12.2m to £9.2m. The Management Accountant advised that the recommendation was a fully funded option, which would mean no remaining liability for the NAFC, but also that the deficit funding would then be met by the Scottish Funding Council, instead of the Council, with cessation costs being a one-off cost.

Mr J Fraser said that, critical to the success of this project would be an appropriate appointment to the post of Principal Designate. He asked how this would be done, and if the Chief Executive was confident of achieving the required calibre of candidates. The Chief Executive advised that the workstream that was carried out as part of the Business Case, looked specifically at the background of the proposed

merger against other smaller sized colleges elsewhere in Scotland. She added that there was always an extra element of challenge in recruiting to any post in Shetland, and the UHI and SFC would also be involved in providing advice on how best to promote the recruitment exercise in Scotland, and across the UK. The Chief Executive said it could never be certain, but she remained hopeful that by promoting Shetland as a great place to live and work, it would offer a great opportunity and attract potential candidates.

Mr G Smith said that the project team had expressed confidence in the curriculum led model in their presentation, and he asked what gave them that confidence. He referred in particular to the financial envelope that flows from that model, and asked whether that model would meet the outcomes of the 10 year Shetland Partnership Plan going forward, bearing in mind the reduction in funding at a time when increased activity was expected, but with less staff resources. The Management Accountant referred to the financial model, which set out the net savings over 5 years being £12.2m, and substantially those savings were things that would have no impact on frontline services, such as property costs. She said that the work streams to be developed thereafter would focus on aspects such as college culture and, on technical delivery for the curriculum model. The Management Accountant added that the delivery of courses would focus on what was needed and then would look at the way in which those courses were being, or could be, delivered in the future. She said that the curriculum would be required to develop and flex in line with community and learner needs, and the cost of providing those services would be offset by generating income, therefore demonstrating a sustainable financial model.

During debate, Mr S Coutts advised that the report had been supported at the Policy and Resources Committee, and extended his thanks to the Project Team for their presentations and the report. He referred to the overview given by Ms Kirker regarding student involvement, and said that students had led the way in terms of the merger project, and that had to be borne in mind. Mr Coutts said the project had been a very stop/start matter, resulting in too much uncertainty for too long, but thanked staff and students for bearing with it during those challenging times. He went on to say that the full business case and presentation had clearly demonstrated the potential of what could be, not what will be, and it was a positive message and approach to the start of the process. Mr Coutts said that he had received reassurance from the presentation and comments made by the Project Team, and External Auditors, that the merger will work for the community, and that the Council would be taking decisions that would set the merged college on a sustainable footing, particularly in terms of property and pension costs. He said it had been stated that the Council could, if it wished, continue to financially support the new College if it met Best Value criteria, and said he would have no problem providing such further support if it was required. Mr Coutts concluded by reiterating that this was the start of a process, and that the Council was not here to dictate to the Shadow Board what to do, but the Council would work with it and the SFC and UHI in order to achieve the community outcomes. He said he had faith in what was being proposed, which would be of benefit to staff, students and the wider community, and confirmed that the Policy and Resources Committee had approved the recommendations in the report, with an addition to paragraph (g) regarding the guarantee against pension liability, adding that "if triggered, by a positive decision by the NAFC Marine Centre to also merge with the new College, that suitable arrangements be made for pension cessation costs."

Reporting on the outcome from the Education and Families Committee, Mr G Smith said that there had been a lot of discussion and questions, which had focussed around curriculum which was the main remit of the Committee to do so. He added that the Project Team had approached the task with the best intentions, and to ensure there is a sustainable tertiary sector in the future and to provide evidence of that. In this regard, Mr Smith said the Education and Families Committee had been unanimous in its support for the recommendations in the report.

Mr P Campbell said that the Shetland College Board had considered this report at its meeting on Monday, where the recommendations had been unanimously approved. Mr Campbell said that this had been a long drawn out process, but had it not been for the leadership and commitment shown by the Chief Executive, the Council would not be in this position today. He said that he sincerely hoped that a positive decision would be made today, adding that Members had been given the opportunity to challenge and question the full business case at every meeting. Mr Campbell said these meetings had been presented with thorough and diligent work from the Project Team, which had provided answers on matters such as the curriculum, apprenticeships, funding, research, students, staff, and other aspects which were all highly relevant. Mr Campbell said that the community needed a vibrant tertiary education sector which was responsive to the needs of business, young people, and those returning to education and training. He said that through support from the SFC and UHI, the new college would be able to respond to the local economy and focus and develop further on areas such as creative industries and marine specialisms. He said that by supporting the recommendations today, it would mark the end of the Council as a major supplier of tertiary education, but it would not end its support as a major employer and user of services. Mr Campbell said that Shetland had a proud record of supplying high quality school education, and a decision to support the merger would secure quality tertiary education for the future.

**Mr P Campbell moved that the Council adopt recommendation of the Policy and Resources Committee, as set out in the report, including the addition to recommendation (g) as agreed by the Policy and Resources Committee. Mr G Smith seconded.**

In seconding, Mr G Smith said that he wanted to say that this was a huge opportunity for Shetland, with the main drivers being to deliver outcomes for the 10 year Shetland Partnership Plan and regional and national strategies. He said that whilst students must, and should be, at the heart, if the project was not sustainable or viable, it had to be affordable. Mr Smith said his concerns and questions at earlier meetings had been about satisfying himself that there was understanding of the curriculum going forward in 5 years' time, and being assured that the financial envelope that will be passed to the Shadow Board would be big enough, or would have to increase. Mr Smith went on to say that he would do everything he possibly could to make sure that the tertiary sector is successful, and was happy to second the motion by Mr Campbell, and shared his optimism for the future.

Mr A Cooper said that he was delighted the Council was at this point today, although it had been quite a torturous process at times for college staff and students, and elected members. He said he shared some of Mr Smith's concerns, and in particular commented on the key equipment needed for engineering. He said this was an example of where the College would need to modernise, which was not mentioned in the Full Business Case, but it was hoped that the SFC and UHI would address the need for modernisation, and the Council should keep an eye

on this area. In response, Mr Campbell said that, in April, he had asked the SFC for their position, and it had advised that if the merger was to proceed, it was standard procedure for colleges to submit an investment bid for equipment, and that this would be supported as part of the new entity.

There being no one otherwise minded, and in closing the meeting, the Convener thanked the Chief Executive and the Project Team, not only for their efforts today, but over the number of months of the project, and said their work was very much appreciated.

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**Decision:**

The Council RESOLVED to:

- a) NOTE (a) the content of the Full Business Case (FBC) for the Effective and Sustainable Tertiary Education, Research and Training in Shetland Project (hereafter referred to as 'the Project'); and (b) supporting documents from the Project's financial and legal advisers confirming that the FBC has been prepared in accordance with best practice and that there are no material obstacles to merger; AND
- b) APPROVE the merger of Shetland College, NAFC Marine Centre and Train Shetland.
- c) DELEGATE authority to the Chief Executive (or her nominee) to procure and engage a Project Manager, specialist financial and legal services, and any other specialist services or advice required to implement the merger;
- d) DELEGATE authority to the Chief Executive (or her nominee), in partnership with the Chair of SFTCT, and in consultation with the Leader of Shetland Islands Council and the Chairs of the Shetland College Board and the Education & Families Committee, to take any actions and decisions required to establish and resource the recruitment panel for the Principal Designate, as described in the FBC;
- e) DELEGATE authority to the Chief Executive (or her nominee) to realise arrangements for property assets resulting in usage of the Council-owned properties for a minimal value transaction to the new college;
- f) DELEGATE authority to the Chief Executive (or her nominee), in consultation with the Leader of Shetland Islands Council and the Chairs of Shetland College Board and Education & Families Committee, to liaise with, negotiate, or otherwise engage with the other parties to the merger and with any regulatory, parliamentary, statutory or other bodies and generally to take any action and take any decision necessary to achieve the outcomes of the decision to fulfil the aims of the decision to merge;
- g) APPROVE the provision of a guarantee against the pension liability of the merged college to the Shetland Islands Pension Fund (SIPF), and if triggered, by a positive decision by the NAFC Marine Centre to also merge with the new College, that suitable arrangements be made for pension cessation costs; and



- h) AGREE that the delegation of authority granted to the Shetland College Board on 29 June 2016 [Min. Ref. SIC 53/16] to support potential further stages of the Project remains in place until August 2020.

The meeting concluded at 12.02 p.m.

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Convener