

# Shetland Islands Council



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Date: 4 June 2019

Dear Sir/Madam

You are invited to the following meeting:

**Special Shetland Islands Council  
Council Chamber, Town Hall, Lerwick  
Tuesday 11 June 2019 at 11am**

Apologies for absence should be notified to Leisel Malcolmson at the above number.

Yours faithfully

Executive Manager – Governance and Law

Convener: M Bell  
Depute Convener: B Wishart

## **AGENDA**

- (a) Hold circular calling the meeting as read.
- (b) Apologies for absence, if any.

- (c) Declarations of Interest - Members are asked to consider whether they have an interest to declare in relation to any item on the agenda for this meeting. Any Member making a declaration of interest should indicate whether it is a financial or non-financial interest and include some information on the nature of the interest. Advice may be sought from Officers prior to the meeting taking place

- 1 Shetland Islands Council 2018/19 Draft Outturn  
*F-036*
- 2 Irrecoverable Debt 2018/19  
*F-037*
- 3 Governance Self-Evaluation. Report to follow.  
*GL-07*
- 4 Developing the “Sullom Voe Hub”  
*ISD-11*

***The following item contains EXEMPT information***

- 5 SVT - Clair Review – Progress and Next Steps  
*ISD-12*
- 6 Property Asset Management Strategy  
*ACP-02*
- 7 Lerwick Library Refurbishment – Project Update  
*ACP-03*
- 8 Local Development Plan Supplementary Guidance – Knab Masterplan  
*DV-15*
- 9 Fields in Trust  
*ACP-05*
- 10 Asset Investment Plan - Business Case – Knab Redevelopment  
*ACP-06*

***The following item contains EXEMPT information***

- 11 Asset Investment Plan - Business Case – Asphalt Surfacing Plant  
*ACP-04*



# Shetland Islands Council

Agenda  
Item

**1**

<b>Meeting(s):</b>	<b>Special Shetland Islands Council</b>	<b>11 June 2019</b>
<b>Report Title:</b>	<b>Shetland Islands Council 2018/19 Draft Outturn</b>	
<b>Reference Number:</b>	<b>F-036-F</b>	
<b>Author / Job Title:</b>	<b>Jamie Manson Executive Manager - Finance</b>	

## **1.0 Decisions / Action required:**

- 1.1 That the Council RESOLVES to:
- NOTE the 2018/19 draft outturn position; and
  - APPROVE the 2018/19 proposed revenue and capital carry forwards, as detailed in section 7 of Appendix 1 "2018/19 Financial Review".

## **2.0 High Level Summary:**

- 2.1 The purpose of this report is to present the overall draft outturn position for Shetland Islands Council for 2018/19. This is attached as Appendix 1 of the report.
- 2.2 The draft outturn position is within the target set out in the Medium Term Financial Plan for the year on the overall use of reserves and this is crucial to aligning expenditure with available resources, which is a corporate objective.
- 2.3 With reference to page 4 of Appendix 1 the Council's use of reserves to fund expenditure can be summarised for financial year 2018/19 as follows:
- The total net draw from reserves is £15.311m. This is £4.834m less than the revised net budgeted draw from reserves of £20.145m.
  - The General Fund requires a draw of £23.781m;
  - The General Fund element of the Asset Investment Plan (AIP) requires a draw of £2.394m; and
  - Spend to Save projects a draw of £1.144m.
  - The Housing Revenue Account requires a draw of £1.644m; and
  - The Harbour Account contributes £13.652m to the Council reserves at the year end.
- 2.4 The most significant overspend is on the General Fund of £4.153m. There are a number of exceptional items which have contributed to this overspend namely:
- Tertiary Sector cessation provision £3.271m,
  - repayment of ERDF funding for Shetland College £362k,
  - the acquisition of SLAP not being incorporated into the Council in 2018/19 £750k.
- There are a number of other overspends and underspends within service areas that have also contributed to the overall end of year position. Further detail is set out in Appendix 1.
- 2.5 The Harbour Account exceeded the level of income to be achieved by £4.738m through a combination of reduced or delayed spending, particularly in relation to

capital expenditure, and from increased income from additional tankers and the Shetland Gas Plant agreement.

- 2.6 The Housing Revenue Account overspend of £355k was mainly due to increased costs on repairs and maintenance of properties as a result of higher contractor prices.
- 2.7 In relation to using funding from reserves in the future – as a consequence of underspending in 2018/19 - Services have requested carry forwards in line with the Carry Forward Scheme of £5.086m, of which £1.526m is for revenue services, £3.560m for capital projects (including Spend to Save projects). Of the £5.086m, £4.076m will be met from reserves with the remaining £1.010m being met from borrowing.
- 2.8 The financial review of the 2018/19 draft outturn position is set out in Appendix 1 to this report. This will be subject to final accounting and audit adjustments as part of the year end accounts preparation process.
- 2.9 This has been a reasonable year in financial terms in respect of meeting the Medium Term Financial Plan's use of reserves. However, there are underlying cost issues on the General Fund and unless these are addressed these will continue into future years budgets. Without the underspending and increased income generation on the Harbour Account and Asset Investment Plan the Council would have exceeded its target.
- 2.10 Overall the financial limitations defined by the budgets have not been exceeded and there is a positive impact on the financial reserves position of the Council at the year end.
- 2.11 Investment returns have also been positive at 7.41%, just over the required long-term return rate of 7.3% per annum in order to sustain their use into the future, taking account of inflation. This alongside the reduced actual usage against budgeted usage of reserves means that the Council is still on track with the Medium Term Financial Plan.
- 2.12 The General Fund detail shows that the additional costs of accommodating children on and off island, agency staff, increasing bus and air services' costs are a concern for future resource requirements. Similarly the cost of energy, fuel and supplies all appear to be rising with little means of control other than using less of them. Offsetting rising costs are annual savings on staff in some areas due to a shortage of staff wanting to work in those areas or simply because there are not experienced or qualified people available.
- 2.13 There were a number of grants that were not utilised during the financial year, either carried forward from previous years or received in 2018/19, for example monies for road repairs, pupil equity funding, which are being carried into 2019/20. A combination of factors contributes to this happening and the Council needs to find ways of delivering on commitments that require to be fulfilled by this funding. It is important for the Council to do so as it would appear that more and more funding is being distributed that is ring-fenced for specific purposes.
- 2.14 Finally the Asset Investment Plan has again seen slippage in achieving all that was set out to be achieved, with delays (for very real and legitimate reasons) means

that millions of pounds of capital investment has not been achieved during the year, in the General Fund and Harbour Account capital programmes especially.	
2.15	It has been a year where cost rises and service demands have increased in some areas, created overspending in this year. The Council in the 2019/20 budget setting process addressed a number of cost increases and projected increases in service demands thus it starts into 2019/20 with a budget that is achievable, but with challenges ahead to manage unforeseen demand or cost increases.
<b>3.0 Corporate Priorities and Joint Working:</b>	
3.1	There is a specific objective in the Corporate Plan on which Finance leads and relates to how the Council seeks to achieve its objectives. This is “Excellent financial-management arrangements will make sure we are continuing to keep to a balanced and sustainable budget, and are living within our means.”
3.2	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.
<b>4.0 Key Issues:</b>	
4.1	The net draw from reserves is less than the target set out in the MTFP which will help to support the Plan going forward.
4.2	This year the value of Council investments has increased by 7.41% which is higher than last year where there was growth of 6.6% but is only marginally over the long term return rate of 7.3%. Overall the investment returns withdrawal policy included in the MTFP remains robust due to its long-term nature, which means that the Council can maintain annual contributions to the revenue budget in the medium to long term despite not achieving the targeted 7.3% return in a single year.
4.3	The carry forwards proposed can be met from the 2018/19 underspend and therefore will not negatively impact upon the MTFP going forward.
4.4	The review of the Council accounts and financial position as at the end of 2018/19 is contained within the “2018/19 Financial Review” attached as Appendix 1.
<b>5.0 Exempt and/or confidential information:</b>	
5.1	None.
<b>6.0 Implications:</b>	
<b>6.1 Service Users, Patients and Communities:</b>	There are no implications arising from this report.
<b>6.2</b>	There are no implications arising from this report.

<b>Human Resources and Organisational Development:</b>	
<b>6.3 Equality, Diversity and Human Rights:</b>	There are no implications arising from this report.
<b>6.4 Legal:</b>	There are no implications arising from this report.
<b>6.5 Finance:</b>	<p>There is a net draw on reserves required to balance the budget in 2018/19 of £15.311m (unaudited figure) which is £4.834m less than the revised net budget of £20.145m.</p> <p>Services have requested £5.086m of carry forwards for both revenue and capital projects. This will require funding from Council reserves of £4.076m and borrowing of £1.010m.</p> <p>The Council is committed to providing an ongoing contribution from reserves to balance its budget in the medium to long-term and to do this must manage those reserves, and the investments that are funded by them, effectively to ensure this is both achievable and is delivered so that front-line services can be supported on an ongoing basis by the Council.</p> <p>Using Council reserves will therefore continue to feature as part of budget setting however the inevitability of rising costs and expected reductions in government funding means that there is a continuing need to identify savings, efficiencies and income generation, to ensure that the Council can demonstrate its ability to live within its means year on year over the medium to long term.</p>
<b>6.6 Assets and Property:</b>	There are no implications arising from this report.
<b>6.7 ICT and new technologies:</b>	There are no implications arising from this report.
<b>6.8 Environmental:</b>	There are no implications arising from this report.
<b>6.9 Risk Management:</b>	There are no implications arising from this report.
<b>6.10 Policy and Delegated Authority:</b>	Section 2.1.2(3) of the Council's Scheme of Administration and Delegations states that the Policy & Resources 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 2018/19 financial year. The Policy & Resources Committee has delegated authority for

	<p>securing the co-ordination, control and proper management of the financial affairs of the Council, and has referred authority to make recommendations to the Council as to the level of any expenditure not provided for in the annual budgets.</p> <p>Whilst this report would normally be referred to the Policy &amp; Resources, it was agreed, in consultation between the Chief Executive, Leader and Convenor, to submit the report directly to Council for a decision, in order to maximise the time available for all Councillors to consider the terms of the report.</p>	
<b>6.11 Previously considered by:</b>	Not applicable.	

**Contact Details:**

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**Appendices:**

Appendix 1 – 2018/19 Financial Review: The Council's Draft Outturn Position

**Background Documents:**

END





# **Shetland Islands Council**



## **2018/19 Financial Review**

**The Council's Draft Outturn Position**

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## **1.0 Executive Summary**

- 1.01 The 2018/19 draft outturn report sets out the actual spending position for the Council.
- 1.02 The draft outturn position is within the target set out in the Medium Term Financial Plan (MTFP) for the year on the use of reserves and this successful management of the overall financial resources for 2018/19 is a crucial step to evidencing the organisation's ability to live within its means and aligning expenditure with available resources, which is a corporate objective.
- 1.03 This improved financial performance from that which was approved as the budget for use of reserves in 2018/19, has been delivered in an environment that was challenging for the public sector and in the face of increasing costs and changing needs and demands being placed upon it.
- 1.04 External funding/commitments on revenue and delays experienced in capital expenditure mean that funds require to be carried forward from 2018/19 into 2019/20. The total value of this is £5.086m, of which £1.010m will be funded by borrowing and the balance coming from the Council's own resources, made up from income received but not yet used and Council reserves £4.076m.
- 1.05 The total net draw on reserves to balance the budget in 2018/19 of £15.311m, (unaudited figure) is due mainly to underspends across revenue and capital. With the exception of 2015/16 when there was a net contribution to reserves of £5.8m, in the previous 5 years, the draw on reserves were as follows; £8.6m in 2017/18, £5.8m in 2016/17, £2.0m in 2014/15 and £14.9m in 2013/14. The draw on reserves in 2018/19 although significantly higher than the previous years' draw is still within the overall MTFP draw on reserves level.
- 1.06 The Council has a financial strategy of prioritising the use of its investment returns and the surpluses it generates from the Harbour Account to support front-line services and because of this there is a continuing requirement to draw from reserves – this being the mechanism to access those returns and surpluses. Using Council reserves will therefore continue to feature as part of budget setting however the inevitability of rising costs and expected reductions in government funding means that there is a continuing need to identify savings, efficiencies and income generation, to ensure that the Council can demonstrate its ability to live within its means year on year over the medium to long term.

### **2018/19 Draft Movement (to)/from Reserves Summary**

- 1.07 The table below shows a draft draw from reserves of £15.311m against a targeted draw of £20.145m giving a reduction in the use of reserves against the revised budget of £4.834m. Also shown is a summary of the carry-forwards that relate to the use of reserves, a sum requested of £4.076m, which will result in an additional draw from reserves in 2019/20, over and above the approved budgets. This is affordable because of the overall underspend that was achieved in 2018/19.

<b>Draw on Reserves</b>	<b>2018-19 Revised Budget</b>	<b>2018-19 Actual</b>	<b>2018-19 Variance</b>	<b>2018-19 Proposed Carry Forwards</b>	<b>2018-19 Revised Variance</b>
	£m	£m	£m	£m	£m
General Fund Revenue	19.408	23.781	(4.373)	1.198	<b>(5.571)</b>
Harbour Account	(8.914)	(13.652)	4.738	0.780	<b>3.958</b>
Housing Revenue Account	1.289	1.644	(0.355)	0.008	<b>(0.363)</b>
General Fund Capital	6.093	2.394	3.699	1.699	<b>2.000</b>
Spend to Save (Capital and Revenue)	2.269	1.144	1.125	0.391	<b>0.734</b>
<b>TOTAL DRAW ON RESERVES</b>	<b>20.145</b>	<b>15.311</b>	<b>4.834</b>	<b>4.076</b>	<b>0.758</b>

### Investments Health Check

- 1.08 The value of the externally invested funds stood at £340.5m on 31 March 2019 (£345.4m 31 March 2018). The valuation of funds invested as at the 31 March 2019 has decreased by £4.9m since 31 March 2018; this includes £30m withdrawn from investments to fund cash flow requirements during the year. Having adjusted for those withdrawals, the overall investment return for the financial year was 7.41%.
- 1.09 The cash flow requirement during the year from investments of £30m was to fund both revenue and capital expenditure.
- 1.10 The financial year 2015/16 resulted in poor investment returns, and a fall in the value of those investments by 1.2%, which meant that Council investments returns fell behind the anticipated future long term return rate that is required to fund the medium and long-term funding assumptions. In the 2016/17, 2017/18 and 2018/19 financial years, this position was reversed and provides the Council with confidence that it can maintain annual contributions to the revenue budget in the long term.
- 1.11 The investment return of 7.41% for 2018/19 is just above the 7.3% rate needed to grow the investment values sufficiently to contribute to the budget annually and allow that sum to be protected against inflation where as in 2017/18 it was only 6.6%. It serves as a reminder of the uncertain nature of investment returns and that they never move forward following a smooth path, the Council needs to be prudent in ensuring investment returns will be recurring over the long term.
- 1.12 The latest values will be reflected in the updated Medium Term Financial Plan in September 2019. However, it is important to recognise that stock market values will fluctuate from year to year, and this should not form a basis for altering the current course so that the Council can continue to set affordable budgets and address the medium to long-term financially sustainability challenges.

## 2.0 The 2018/19 General Fund

2.01 The 2018/19 General Fund budget and actual comparison is set out in the table below:

Line No.	Description	2018-19 Revised Budget £000	2018-19 Actual £000	2018-19 Variance £000	2018-19 Proposed C/Fwds £000	2018-19 Revised Variance £000
1	Chief Executive & Cost of Democracy	1,813	1,749	64	0	64
2	Children's Services	42,116	42,887	(771)	165	(936)
3	Community Health & Social Care	21,179	21,340	(161)	22	(183)
4	Corporate Services	10,136	11,130	(994)	124	(1,118)
5	Development Services	14,415	17,869	(3,454)	161	(3,615)
6	Infrastructure Services	14,593	14,853	(260)	389	(649)
7	Energy	3,004	3,020	(16)	0	(16)
8	Water	370	381	(11)	0	(11)
9	Building Maintenance	2,492	2,469	23	0	23
10	Grass Cutting	171	179	(8)	0	(8)
11	FMU	728	720	8	0	8
12	Training	579	541	38	0	38
13	Fund Manager Fees	895	848	47	0	47
14	<b>GENERAL FUND SERVICES NET EXPENDITURE (1-13)</b>	<b>112,491</b>	<b>117,986</b>	<b>(5,495)</b>	<b>861</b>	<b>(6,356)</b>
15	Allocation to the Integrated Joint Board (IJB)*	22,395	22,553	(158)	0	(158)
16	Contribution from the Intergrated Joint Board (IJB)	(23,658)	(23,829)	171	0	171
17	<b>NET CONTRIBUTION FROM THE IJB (lines 15-16)</b>	<b>(1,263)</b>	<b>(1,276)</b>	<b>13</b>	<b>0</b>	<b>13</b>
18	Contingencies & Budget Pressures	444	0	444	444	0
19	Financing Costs	1,577	1,438	139	0	139
20	Economic Development Investment Income	(1,035)	(1,316)	281	0	281
21	Other Investment Income	0	(22,675)	22,675	0	22,675
22	Other Investment Income To Reserves	0	22,675	(22,675)	0	(22,675)
23	Interest on Revenue Balances	(14)	(28)	14	0	14
24	Spend to Save Unallocated	221	0	221	221	0
25	Support Recharges to Other Accounts	(2,495)	(2,725)	230	0	230
26	<b>TOTAL NET GENERAL FUND EXPENDITURE (lines 14, 17, 18-25)</b>	<b>109,926</b>	<b>114,079</b>	<b>(4,153)</b>	<b>1,526</b>	<b>(5,679)</b>
	<b>Funded by:</b>					
27	GRG/NNDR (Scottish Government Allocation)	(80,481)	(80,580)	99	0	99
28	Council Tax	(9,363)	(9,372)	9	0	9
28	<b>TOTAL CORE FUNDING (lines 27-28)</b>	<b>(89,844)</b>	<b>(89,952)</b>	<b>108</b>	<b>0</b>	<b>108</b>
	<b>Deficit to be funded from Reserves:</b>					
29	Draw on Reserves - General Fund/R&R Fund	(12,384)	(10,129)	(2,255)	(1,198)	(1,057)
30	Draw on Reserves - Harbour Account Surplus	(6,000)	(12,408)	6,408	0	6,408
31	Draw on Reserves - Shetland Gas Plant	(1,024)	(1,244)	220	0	220
32	Draw on Reserves - Spend to Save	(674)	(346)	(328)	(328)	0
33	<b>TOTAL FUNDING FROM RESERVES (lines 29-32)</b>	<b>(20,082)</b>	<b>(24,127)</b>	<b>4,045</b>	<b>(1,526)</b>	<b>5,571</b>
34	<b>TOTAL FUNDING (line 28 plus line 33)</b>	<b>(109,926)</b>	<b>(114,079)</b>	<b>4,153</b>	<b>(1,526)</b>	<b>5,679</b>
35	<b>Balanced budget (lines 26 plus 34)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

\* Includes IJB centrally managed costs as well as direct Health & Social Care costs.

## Net Expenditure

2.02 The General Fund Services Net Expenditure was budgeted to be £112.491m in 2018/19 as shown at Line 14 in the table above, actual expenditure of £117.986m has been incurred resulting in an overspend for the year of £5.495m. This expenditure represents the spending on the day to day costs of Council services. In addition to this a further £0.861m has been requested to be carried forward due to either external funding or committed expenditure, this results in a revised variance of £6.356m. A high level summary of the main variances is set out below, detailed reports on service performance is to be presented to the next cycle of meetings:

2.03 Chief Executive & Cost of Democracy (£0.64m underspend)

- There are no significant variances.

2.04 Children's Services (£0.771m overspend)

- Overspend on agency staff to fill vacancies in Children and Families service area (£460k) and additional specialist family support (£114k). This is offset by underspends from vacancies £200k.
- Overspend on Children's Residential and off-island service due to increased need (£459k). This is offset by underspends from vacancies £175k and no spend on the HUB and reduction in the cost of the Sanctuary project £165k.
- Overspend on Quality Improvement/Schools service due to sickness cover (£168k), increased ASN (£184k) and increased SRT facility costs (£95k). This was offset underspends from vacancies and underspending of grant income which will require to be carried forward £141k.

2.05 Community Care Services (£0.161m overspend)

- Mental Health savings of (£133k) were not achieved as anticipated;
- Overspend on agency staff to fill vacancies in Community Care service area (£534k), costs of trialling 50% of seniors' time off the floor (£183k), additional off-island packages (£114k), increase in employee costs to meet specific care requirements (£149k). This is offset by underspends on vacancies and mileage £184k and increased board and accommodation income £481k.

2.06 Corporate Services (£0.994m overspend)

- Acquisition of SLAP savings of (£750k) were not achieved in year as anticipated following the purchase of SLAP as it was not fully integrated into the Council until May 2019.
- Loss of income on the expiry of the lease for Viewforth (£91k), an overspend on NDR rate relief for charities etc. (£123k) and a net increase in insurance claims (£90k). This was offset by grant income from DWP Initiatives, Scottish Welfare Fund and

Discretionary Housing Payments underspends £124k, which will be carried forward to be used in 2019/20;

#### 2.07 Development Services (£3.454m overspend)

- Tertiary savings have not materialised this year as anticipated, (£250k), provision has been made for the cessation cost of the Tertiary project (£3.271m) and repayment of the ERDF funding for the college (£362k) offset by provision made in previous years £270k, and reduced funding to the Shetland College/NAFC £218k;
- Underspend on economic development grant uptake this year £263k and increased external EU project match funding £93k for employability and fuel poverty.
- Bus service income shortfall and increased costs (£256k), and consultancy costs for the transport network re-design (£161k) offset by reduced costs of ASN and Social Work transport £89k;

#### 2.08 Infrastructure Services (£0.260m overspend)

- Waste recycling savings not achieved this year (£150k) offset by increased income from landfill, energy recovery plan income £140k and external grant for recycling £159k.
- Overspend on Ferry and Air Services from increased dry-docking costs across the fleet (£297k) and additional terminal berthing charge for shuttle runs and vessel hires (£103k);
- Overspend on winter maintenance costs (£142k), and increased roads materials costs i.e. bitumen and fuel (£199k). Offset by underspends due to remedial works funded by TOTAL, for damage to roads as a result of increased traffic to the Gas Plant, which were unable to be scheduled in 2018/19 £216k;
- Spending on the building distribution system and storage heating spend to save projects not progressing as quickly as anticipated £150k.

#### 2.08 Fund Managers Fees (£0.047m underspend)

- Black Rock introduced a new fee structure which reduced the level of fees paid. Fund Manager Fees are based on the value of the full range of managed investments the Council has for the year, and reflect market valuations and fund manager performance. For financial management purposes they are defined as non-controllable.

### Funding

2.10 The Scottish Government allocation is the Council's General Revenue Grant and the level of income that the Council will receive from the National Non-Domestic Rates Pool, this totalled £80.58m, a decrease from last year of £0.12m.

2.11 The increase in Council Tax collected of £9k is due to growth in the number of properties over that estimated in the budget.

- 2.12 The remainder of the funding required to balance the General Fund has to come from the Council's resources and the mechanism for this is to use its reserves. This was £24.127m in 2018/19 (Line 33 in the table at 2.01) against a budgeted draw of £20.082m, and is reflective of the overall increases in expenditure as explained in the previous section.

### **Summary**

- 2.13 The overspend on the General Fund of £4.153m will be removed from the General Fund Reserve at the year end and a sum of £1.526m will be added to the 2019/20 budget to fund grant funded projects and outstanding work in accordance with the Council carry-forward scheme. All sums carried forward are non-recurring.

## **3.0 The 2018/19 Harbour Account**



3.01 The 2018/19 Harbour Account budget and actual comparison for both revenue and capital is set out in the table below:

Line No.	Description	2018-19 Revised Budget £000	2018-19 Actual £000	2018-19 Variance £000	2018-19 Proposed Carry Forwards £000	2018-19 Revised Variance £000
1	Sullom Voe	11,384	10,654	730		730
2	Scalloway	1,317	1,317	0		0
3	Other Piers	903	560	343		343
4	Jetties & Spur Booms	4,931	3,159	1,772		1,772
5	Terminals	1,615	1,033	582		582
6	<b>REVENUE EXPENDITURE (lines 1-5)</b>	<b>20,150</b>	<b>16,723</b>	<b>3,427</b>	<b>0</b>	<b>3,427</b>
7	Harbour Fees and Charges	(22,994)	(22,834)	(160)		(160)
8	Jetties & Spur Booms	(4,931)	(3,159)	(1,772)		(1,772)
9	<b>REVENUE INCOME (lines 7-8)</b>	<b>(27,925)</b>	<b>(25,993)</b>	<b>(1,932)</b>	<b>0</b>	<b>(1,932)</b>
10	<b>HARBOUR ACTIVITY NET REVENUE SURPLUS (line 6 plus line 9)</b>	<b>(7,775)</b>	<b>(9,270)</b>	<b>1,495</b>	<b>0</b>	<b>1,495</b>
11	<b>CAPITAL EXPENDITURE</b>	<b>13,875</b>	<b>9,210</b>	<b>4,665</b>	<b>988</b>	<b>3,677</b>
12	Capital Receipts	(21)	(339)	318		318
13	Capital Receipts Reserve	0	(388)	388		388
14	Other Government Grants	0	(24)	24		24
15	External Borrowing	(10,924)	(8,459)	(2,465)	(208)	(2,257)
16	<b>CAPITAL INCOME</b>	<b>(10,945)</b>	<b>(9,210)</b>	<b>(1,735)</b>	<b>(208)</b>	<b>(1,527)</b>
17	<b>NET CAPITAL DEFICIT (line 11 plus line 16)</b>	<b>2,930</b>	<b>0</b>	<b>2,930</b>	<b>780</b>	<b>2,150</b>
18	<b>TOTAL HARBOUR ACTIVITY SURPLUS (line 10 plus line 17)</b>	<b>(4,845)</b>	<b>(9,270)</b>	<b>4,425</b>	<b>780</b>	<b>3,645</b>
19	Internal Contribution from the General Fund for terminal berthing charges	(3,045)	(3,138)	93		93
20	Shetland Gas Plant	(1,024)	(1,244)	220		220
21	<b>TOTAL SURPLUS (lines 18-20)</b>	<b>(8,914)</b>	<b>(13,652)</b>	<b>4,738</b>	<b>780</b>	<b>3,958</b>
22	Contribution to/(from) Reserves - Reserve Fund	8,914	13,652	(4,738)	(780)	(3,958)
23	<b>BALANCED HARBOUR ACCOUNT (line 21 plus line 22)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

3.02 The Harbour Account budgeted for a contribution to the Reserve Fund of £8.914m in 2018/19 and this was over achieved by £4.738m resulting in contribution of £13.652m, comprising:

- Increased income from additional tanker movements £1.1m, underspend on borrowing costs for the new Tug due to the timing of borrowing £100k, offset by increased training/cover arrangement and fuel for new tugs (£230k), pre-contract dry-dock and modification costs (£144k);

- Shortfall in salmon landing and commercial dues at Scalloway (£287k) offset by increased fish landing £137k; shortfall in salmon landing dues at Walls (£114k), offset by underspending on pier maintenance across the small piers £148k;
- Underspend from terminal works delays £562k and increased terminal berthing income £93k; an underspend from jetty maintenance works delays £1.8m;
- Additional Shetland Gas Plant income of £220k has been achieved due to an increase in gas prices.
- On capital expenditure, there is slippage on the Terminal Life Extension work £402k, Hamarsness Ferry Terminal Painting project due to pressure of other projects and difficulty procuring consultancy input £350k; slippage on the Scalloway fish Market rebuild project due to delays at pre-tender stage and profiling of budget £2.6m; the Tug Jetty Cathodic Protection project delayed whilst detailed surveys and feasibility options are investigated £967k and Piers Cathodic Protection £245k.

3.03 The Ports and Harbours operations draft outturn position is an increase in surplus of £4.738m. Lower than anticipated capital expenditure, resulting in slippage, means that to complete these capital works £0.998m is required as additional budget for 2019/20 of which £0.780m is to be met from reserves. The net impact on the reserves is to reduce the contribution to the Reserve Fund to £3.958m.

## 4.0 The 2018/19 Housing Revenue Account Budget

4.01 The 2018/19 Housing Revenue Account budget and actual comparison for both revenue and capital is set out in the table below:

Line No.	Description	2018-19 Revised Budget £000	2018-19 Actual £000	2018-19 Variance £000	2018-19 Proposed Carry Forwards £000	2018-19 Revised Variance £000
1	Supervision & Management	853	918	(65)		(65)
2	Repairs & Maintenance	2,164	2,594	(430)		(430)
3	Void Rents & Charges	167	194	(27)		(27)
4	Garages	31	38	(7)		(7)
5	Capital Charges - Dwellings	1,330	1,279	51		51
6	<b>REVENUE EXPENDITURE (lines 1-5)</b>	<b>4,545</b>	<b>5,023</b>	<b>(478)</b>	<b>0</b>	<b>(478)</b>
7	Interest on Revenue Balances	(1)	(4)	3		3
8	Rents - Dwellings	(6,730)	(6,694)	(36)		(36)
9	Rents - Other i.e. garages/sites etc	(229)	(267)	38		38
10	<b>REVENUE INCOME (lines 7-9)</b>	<b>(6,960)</b>	<b>(6,965)</b>	<b>5</b>	<b>0</b>	<b>5</b>
11	<b>NET REVENUE SURPLUS (line 6 plus line 10)</b>	<b>(2,415)</b>	<b>(1,942)</b>	<b>(473)</b>	<b>0</b>	<b>(473)</b>
12	<b>CAPITAL EXPENDITURE</b>	<b>3,735</b>	<b>3,711</b>	<b>24</b>	<b>8</b>	<b>16</b>
13	Capital Receipts	(31)	(125)	94		94
14	<b>NET CAPITAL DEFICIT (lines 12-13)</b>	<b>3,704</b>	<b>3,586</b>	<b>118</b>	<b>8</b>	<b>110</b>
15	<b>TOTAL DEFICIT (line 11 plus line 14)</b>	<b>1,289</b>	<b>1,644</b>	<b>(355)</b>	<b>8</b>	<b>(363)</b>
16	Contribution to/(from) Housing Repairs Account Working Balance	(1,289)	(1,644)	355	(8)	363
17	<b>BALANCED HOUSING REVENUE ACCOUNT (line 15 plus line 16)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

4.02 The Housing Revenue Account (HRA) overspent against its 2018/19 budget. There was a contribution from the Housing Revenue Account Reserve to balance of £1.644m which was £0.355m greater than the revised budget of £1.289m. The main variances are:

- overspend on repairs and maintenance due to contracting out services as a result of staff vacancies (£232k) plus increased cost of materials (£79k);
- on capital projects the Housing Quality Standards project (£382k) was overspent as a result of additional works, this was offset by underspending on Accessible Adaptions £150k and Structural Remediation Works £198k rolling programmes due to timing and demand. Slippage on vehicle & plant replacement programme of £8k which is required to be carried forward and will result in further draw on reserves in 2019/20.

## 5.0 The Asset Investment Plan (Capital Programme) Budget

5.01 The 2018/19 Asset Investment Plan budget and actual comparison is set out in the table below:

Line No.	Description	2018-19 Revised Budget £000	2018-19 Actual £000	2018-19 Variance £000	2018-19 Proposed Carry Forwards £000	2018-19 Revised Variance £000
	<b>Expenditure:</b>					
1	New Developments Projects	5,334	1,835	3,499	435	3,064
2	Maintenance of Existing Assets	27,333	17,414	9,919	2,990	6,929
3	Spend to Save Projects	1,595	269	1,326	127	1,199
4	Housing Revenue Account Projects	3,735	3,710	25	8	17
5	<b>TOTAL EXPENDITURE (lines 1-4)</b>	<b>37,997</b>	<b>23,228</b>	<b>14,769</b>	<b>3,560</b>	<b>11,209</b>
	<b>Income:</b>					
6	General Capital Grant	(6,612)	(5,978)	(634)	0	(634)
7	External Funding	(3,890)	(409)	(3,481)	0	(3,481)
8	Capital Funded from Current Revenue (GF/Harbour/HRA)	(5,196)	(3,637)	(1,559)	0	(1,559)
9	Capital Receipts (GF/Harbour/HRA)	(646)	(783)	137	0	137
10	<b>TOTAL INCOME (lines 6-9)</b>	<b>(16,344)</b>	<b>(10,807)</b>	<b>(5,537)</b>	<b>0</b>	<b>(5,537)</b>
	<b>Funded by:</b>					
11	Spend to Save – Draw on Reserves	(1,530)	(797)	(733)	(63)	(670)
12	General Fund - Draw on Reserves	(6,093)	(2,394)	(3,699)	(1,699)	(2,000)
13	Reserve Fund - Draw on Reserves	(1,406)	(388)	(1,018)	(780)	(238)
14	HRA Fund - Draw on Reserves	(206)	0	(206)	(8)	(198)
15	Borrowing – GF and Harbour Account	(12,418)	(8,842)	(3,576)	(1,010)	(2,566)
16	<b>TOTAL DEFICIT FUNDING REQUIRED (lines 11-15)</b>	<b>(21,653)</b>	<b>(12,421)</b>	<b>(9,232)</b>	<b>(3,560)</b>	<b>(5,672)</b>
17	<b>TOTAL FINANCING (lines 10 plus 16)</b>	<b>(37,997)</b>	<b>(23,228)</b>	<b>(14,769)</b>	<b>(3,560)</b>	<b>(11,209)</b>
18	<b>Balanced Asset Investment Plan (line 5 plus line 17)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

5.02 The Asset Investment Plan underspent against its revised expenditure budget for 2018/19 by £14.769m. The largest variances are set out below:

- On General Fund projects, underspending are on Ferry and Terminal replacement programme £2.7m due to no funding received from Scottish Government; slippage on AHS projects £1.8m, Knab Site Demolition £850k, Lerwick Library £717k, Children's Supported Accommodation £670k, Recycling Shed £579k. The Eric Gray Replacement project is now complete with an underspend of £532k.

- On Harbour Account projects, underspends on Scalloway Fish Market Replacement £2.6m, Tug Jetty Cathodic Protection £967k, Terminal Life Extension Works £402k and Hamarsness Ferry Terminal Painting £350k due to slippage.
- On Housing Revenue Account projects, Housing Quality Standards project overspend (£382k) offset by underspending on Accessible Adaptions £150k and Structural Remediation Works £198k due to slippage and demand led.

5.03 Of the £14.769m underspend, there is a requirement to request a carry forward of £3.560m. In the 2019/20 budget setting process if a project had been identified at that stage as not going to be spent in 2018/19, this was budgeted in the 2019-24 Asset Investment Plan and therefore does not required to be carried forward. Hence the reduced carry forward request of £3.560m

## 6.0 Spend to Save Budget

- 6.01 The 2018/19 Spend to Save budget and actual comparison are included in the General Fund and Asset Investment Plan above.
- 6.02 The 2018/19 revenue spend to save budget was underspent due to projects not progressing as fast as originally anticipated. A revenue budget carry forward of £328k has been requested to prepare the Council to meet the cost those ongoing projects under the terms of the Spend to Save scheme.
- 6.03 A capital carry forward of £127k has been requested to meet a committed project included in the Asset Investment Plan. The Children's Supported Accommodation project was identified at the time of budget setting as not going to be spent in 2018/19 and has been included in the 2019-24 Asset Investment Plan.

Line No.	Description	2018-19 Revised Budget £000	2018-19 Actual £000	2018-19 Variance £000	2018-19 Proposed Carry Forwards £000	2018-19 Revised Variance £000
	<b>Expenditure:</b>					
1	<b>Revenue Projects</b>	<b>674</b>	<b>346</b>	<b>328</b>	<b>328</b>	<b>0</b>
	- Committed Budget	221	0	221	221	0
	- Budgets in Services	453	346	107	107	0
2	<b>Capital Projects</b>	<b>1,595</b>	<b>798</b>	<b>797</b>	<b>127</b>	<b>670</b>
	- Child Supp Accommodation	670	0	670	0	670
	- Recycling Sorting Equipment	268	268	0	0	0
	- Baltsound Wind Turbine	64	1	63	63	0
	- Hamarsness Wind Turbine	64	0	64	64	0
	- Streetlighting	326	326	0	0	0
	- Care at Home Vehicles	203	203	0	0	0
3	<b>TOTAL EXPENDITURE (equals lines 1-2)</b>	<b>2,269</b>	<b>1,144</b>	<b>1,125</b>	<b>455</b>	<b>670</b>
	<b>Funded by:</b>					
4	Draw on Capital & Revenue Spend to Save Reserves/Reserve Fund	(2,269)	(1,144)	(1,125)	(455)	(670)
5	<b>TOTAL FUNDING (equals line 4)</b>	<b>(2,269)</b>	<b>(1,144)</b>	<b>(1,125)</b>	<b>(455)</b>	<b>(670)</b>
6	<b>Balance Spend to Save (equals lines 3 plus 5)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## 7.0 2018/19 Carry Forwards into 2019/20

### 7.01 Revenue Carry Forwards

The 2019/20 revenue budget, approved in February 2019, did not include any carry forward allocations; this is a matter to be considered following the end of the financial year. In line with the carry forward scheme there are a number of carry forward requests by Directorates into the new financial year. The table below sets these items out:

Revenue Carry Forwards Directorate	Reason	2018/19 Carry Forward Request £000	2019/20 Proposed Addition to Directorate Budget £000
Executive & Corporate	External Funding	124	124
Children's Services	External Funding Committed Expenditure	155 10	165
Community Care	External Funding Committed Expenditure	5 17	22
Development	External Funding	161	161
Infrastructure	External Funding	282	282
Contingency & Cost Pressure	Committed Expenditure	444	444
Spend to Save	Committed Expenditure	328	328
<b>TOTAL EXPENDITURE</b>			<b>1,526</b>
<b>Funded by:</b>			
Draw on General Fund Reserve in 2019/20			(1,198)
Draw on Spend to Save Reserve in 2019/20			(328)
<b>TOTAL FUNDING</b>			<b>(1,526)</b>
<b>Balanced Carry Forwards</b>			<b>0</b>

7.02 The 2018/19 outturn figures have been adjusted so that the revised variances in this report take account of the items above.

### 7.03 Capital Carry Forwards

Similarly the 2019/20 Asset Investment Plan (capital budget) does not include any of these carry forwards, but needs to take account of the ongoing nature of some of these projects to ensure that they are completed and funded. In line with the carry forward scheme only committed project underspends can be carried forward. The carry forward requests by Directorates into the new financial year are set out in the table below:

Capital Carry Forwards Directorate	Reason	2019/20 Proposed Addition to Directorate Budget £000
Children's' Services	Committed Projects	1,001
Executive and Corporate Services	Committed Projects	51
Development (HRA)	Committed Projects	8
Infrastructure	Committed Projects	1,512
Ports & Harbours	Committed Projects	988
<b>TOTAL EXPENDITURE</b>		<b>3,560</b>
<b>Funded by:</b>		
Draw on General Fund Capital Reserves in 2019/20		(1,698)
Draw on HRA Reserves in 2019/20		(8)
Draw on Reserve Fund Reserves in 2019/20		(781)
Draw on Spend to Save Capital Reserves in 2019/20		(63)
Borrowing		(1,010)
<b>TOTAL FUNDING</b>		<b>(3,560)</b>
<b>Balanced Carry Forwards</b>		<b>0</b>

7.04 The 2018/19 outturn figures have been adjusted so that the revised variances in this report take account of the items above.





<b>Meeting(s):</b>	<b>Special Shetland Islands Council</b>	<b>11 June 2019</b>
<b>Report Title:</b>	<b>Irrecoverable Debt 2018/19</b>	
<b>Reference Number:</b>	<b>F-037-19-F</b>	
<b>Author / Job Title:</b>	<b>Jamie Manson, Executive Manager – Finance</b>	

### 1.0 Decisions / Action required:

#### 1.1 That the Council NOTES:

- the individual debtors in excess of £5,000 written off during 2018/19;
- the summary of bad debts under £5,000 that have been written off during 2018/19.

### 2.0 High Level Summary:

- 2.1 The Council annual accounts contain a bad debt provision in recognition of the likelihood that not all outstanding debt would be collectable. This report notifies Council of the identified debts which are now deemed to be uncollectable and which, therefore, have been written off during 2018/19.
- 2.2 The Council's approved Financial Regulations requires sums or other assets written off in excess of £5,000 to be reported to the Council.
- 2.3 The total amount written off for 2018/19 is £118,186 which equates to a write off percentage of 0.14% of the £85 million plus of Council Rents, Sundry Debts (miscellaneous invoices), Non-Domestic Rates and Council Tax charges collected each year by the Finance Service.

### 3.0 Corporate Priorities and Joint Working:

- 3.1 There is a specific objective in the Corporate Plan on which the Finance Service leads and relates to how the Council seeks to achieve its objectives. This is "Excellent financial-management arrangements will make sure we are continuing to keep to a balanced and sustainable budget, and are living within our means." While positive debt collection levels remain a feature of the Council there is inevitability some debt that cannot be recovered for various reasons and the Council seeks to minimise where this occurs.

### 4.0 Key Issues:

- 4.1 The Council's Finance Service collects over £88 million of Housing Rents, Sundry Debts (miscellaneous invoices), Non-Domestic Rates, Council Tax and Scottish Water charges.

Breakdown of 2018/19 charges (after benefits and exemptions applied)

Type of Charge	No of Accounts	TOTAL £m
Rents	2,026	4.92
Sundry Debt	19,524	45.25
Non-Domestic Rates	2,376	25.55
Council Tax & Scottish Water	11,270	12.63
<b>Total</b>	<b>35,196</b>	<b>88.35</b>

- 4.2 Legislation requires the Council to collect domestic water and sewerage charges on behalf of Scottish Water. A service level agreement exists between the Council and Scottish Water, which gives the Council authority to write off Scottish Water debt as part of the annual Council Tax write off review. Consequently, this report includes, for information, details of the amount written off against Scottish Water.
- 4.3 Each financial year a review is undertaken of the debt outstanding in respect of Rent accounts, Sundry Debts, Non-Domestic Rates, Council Tax and Scottish Water charges. This review has identified debts which are now deemed to be uncollectable and which, therefore, have been written off.
- 4.4 Essentially those debts identified for write off in this report are those where all efforts to recover the debt have been exhausted and the prospects of recovering funds are negligible or nil. Whilst the amounts written off are significant in monetary terms these need to be viewed in the context of the charges levied and the Council's positive performance on collection of Council charges levied. It is emphasised that although these debts have been written off for accounting purposes the files remain open and every effort will be made to collect debts if circumstances change.
- 4.5 Each year a bad debt provision figure is disclosed as part of the closure of accounts. Detailed below is a summary of the amounts written off during 2018/19 and remaining bad debt provision. The Scottish Water element of debt written off (£6,769) has not been included in the table below as the cost is not attributable to the Council accounts – the Council acts as an agent for Scottish Water and takes no financial risk.

Current Bad Debt Provision and Write Off Amounts	£	Total £
2018/19 Bad Debt Provision		<b>221,359</b>
<u>2018/19 Write Off</u>		
Housing Revenue Account	40,649	
General Fund	77,491	
Harbour Account	46	<b>118,186</b>
<b>Remaining Provision</b>		<b>103,173</b>

4.6 The value of debt written off, that impacts on the Council (£118,186) equates to a write off percentage of 0.14% of the £85 million plus of Council Rents, Sundry Debts (miscellaneous invoices), Non-Domestic Rates and Council Tax collected each year by the Finance Service.

#### 4.7 Housing Revenue Account

##### 4.7.1 Housing Revenue Account Summary:

Housing Revenue Account Summary	No. of Cases	TOTAL £
Former Tenants over £5,000	0	0
Former Tenants under £5,000	53	40,649
<b>Total</b>	<b>53</b>	<b>40,649</b>

4.7.2 Former tenant arrears are written off for a number of reasons such as tenant deceased with no estate; gone away and unable to trace; sequestrated or not cost effective to pursue.

4.7.3 39 out of the 53 cases written off were for sums under £1,000. 14 cases were for sums over £1,000 but less than £5,000.

4.7.4 The average write off amount for the previous 5 years is £39,256.

#### 4.8 General Fund and Scottish Water

##### 4.8.1 General Fund and Scottish Water Summary

Type of Debt	No. of Cases	General Fund £	Scottish Water £	TOTAL £
Sundry Debtor	63	29,076		29,076
Non-Domestic Rates	3	29,326		29,326
Council Tax	67	19,089	6,769	25,858
<b>Total</b>	<b>133</b>	<b>77,491</b>	<b>6,769</b>	<b>84,260</b>

##### 4.8.2 General Fund – Cases in Excess of £5,000

Type of Debt	No. of Cases	General Fund £
Sundry Debtor	2	10,235

Non-Domestic Rates	3	26,908
Council Tax	0	0
<b>Total</b>	<b>5</b>	<b>37,143</b>

#### 4.8.3 General Fund – Cases Under £5,000

Type of Debt	No. of Cases	General Fund £
Sundry Debtor	61	18,841
Non-Domestic Rates	3	2,418
Council Tax	67	19,089
<b>Total</b>	<b>131</b>	<b>40,348</b>

#### 4.8.4 General Fund – Previous 5 Year Average Write Off Amount

Type of Debt	General Fund £
Sundry Debtor	65,130
Non-Domestic Rates	5,804
Council Tax	32,228

4.8.5 As with former tenant arrears, General Fund debt is written off for various reasons such as liable person deceased with no estate; gone away and unable to trace; sequestrated or not cost effective to pursue

### 4.9 Harbour Account

#### 4.9.1 Harbour Account Summary:

Harbour Account Summary	No. of Cases	TOTAL £
Sundry Debt over £5,000	0	0
Sundry Debt under £5,000	2	46
<b>Total</b>	<b>2</b>	<b>46</b>

4.9.2 The review of outstanding Harbour Accounts Sundry Debts resulted in 2 accounts under £5,000 to the value of £46 written off.	
<b>5.0 Exempt and/or confidential information:</b>	
5.1	None
<b>6.0 Implications :</b>	
<b>6.1 Service Users, Patients and Communities:</b>	None
<b>6.2 Human Resources and Organisational Development:</b>	None
<b>6.3 Equality, Diversity and Human Rights:</b>	None
<b>6.4 Legal:</b>	None
<b>6.5 Finance:</b>	<p>The Council reviews the level of uncollected debt each year and makes suitable provision in relation to the value that may not be collected. This is based on an evaluation of individual debts outstanding as well as historic data on non-collection. Maintaining a provision for bad and doubtful debt is in line with proper accounting practice and good financial management.</p> <p>The full value of the debts written off in 2018/19 was covered by the provisions that had been made and therefore has no additional impact on the relevant budgets.</p>
<b>6.6 Assets and Property:</b>	None
<b>6.7 ICT and new technologies:</b>	None
<b>6.8 Environmental:</b>	None
<b>6.9 Risk Management:</b>	<p>In terms of risk, the primary risk involved in writing off irrecoverable debt is that something may be written off which could have been recovered, resulting in a loss to the Council. This risk is managed by having an exhaustive set of recovery procedures, which are diligently and consistently followed by staff.</p>

	Written off debt is also written on again, where the circumstances allow.	
<b>6.10 Policy and Delegated Authority:</b>	<p>Section 3.8.1 of the Council's approved Financial Regulations state "Once all methods of debt recovery in relation to outstanding debts have been exhausted, the Executive Manager - Finance, or nominated Officer, is empowered to write off any such sums as bad debts. Section 3.8.2 states "Write-offs for individual debtors in excess of £5,000 will be reported by the Executive Manager - Finance to the Council along with an annual summary of bad debts."</p> <p>Whilst this report would normally be referred to the Policy and Resources Committee, it was agreed, in consultation between the Chief Executive, Leader and Convener, to submit the report directly to Council for a decision, in order to maximise the time available for all Councillors to consider the terms of the report.</p>	
<b>6.11 Previously considered by:</b>	N/A	

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22 May 2019

**Appendices:**

None



<b>Meeting(s):</b>	<b>Shetland Islands Council</b>	<b>11 June 2019</b>
<b>Report Title:</b>	<b>Developing the “Sullom Voe Hub”</b>	
<b>Reference Number:</b>	<b>ISD-11-19-F</b>	
<b>Author / Job Title:</b>	<b>John R Smith Director Infrastructure Services</b>	

### 1.0 Decisions / Action required:

That the Shetland Islands Council RESOLVES to:

- 1.1 **ENDORSE** the objectives, critical success factors and opportunities for the potential development and evolution of the “Sullom Voe Hub” as described in Appendix 1;
- 1.2 **NOTE** that further proposals and recommendations to the Council will be reported in due course.

### 2.0 High Level Summary:

- 2.1 The Council endorsed recommendations relating to the review activity initiated by Clair Oilfield partners at its meeting on the 27 March 2019 (Min. Ref 17/19). Progress and next steps on that matter are the subject of a separate report on today’s agenda with further reporting planned as discussions develop during this year.
- 2.2 Actions with a wider scope and potential range of partners have now emerged from the Councils participation in that review activity. This report recommends that these opportunities should now be further evaluated in more detail and proposals developed and reported back to Council.

### 3.0 Corporate Priorities and Joint Working:

- 3.1 It is a Corporate Plan priority to maximise income from Sullom Voe whilst ensuring robust environmental protection and a sustained contribution of this industry to Shetland’s economy.
- 3.2 The future of Sullom Voe and the Shetland Hub is one of the Council’s key Service Redesign Projects. Carbon Management, Energy Efficiency and Zero Waste are also key Service Redesign Projects. These projects are led by the Infrastructure Services Directorate.

### 4.0 Key Issues:

4.1	The Oil & Gas Authority (OGA) identify Shetland and Sullom Voe as a key hub for East of Shetland, West of Shetland and North of Shetland Oil and Gas developments. They also recognise the potential that the Sullom Voe Hub (The Sullom Voe Terminal, The Port of Sullom Voe and Shetland Gas Plant) could have for diversification and development to participate in significant new energy opportunities.
4.2	All parties involved in the East, West and North of Shetland are now looking at medium and long term issues and options as North Sea Oil production declines, West of Shetland crude oil production is increasing whilst West of Shetland, and potentially North of Shetland, Gas exploration and production options are being investigated actively.
4.3	Major energy companies are now also increasingly looking to understand how their businesses can migrate toward lower carbon futures and to develop their understanding and capabilities in these emerging sectors.
4.4	Developing an effective partnership between all relevant parties is potentially one of the most effective outcomes from current SVT-Clair review activity.
4.5	Areas of potential interest already identified include; <ul style="list-style-type: none"> <li>• Support for transferable energy skills, research activity and energy skills development</li> <li>• Further potential for the “Sullom Voe Hub” and new business development</li> <li>• Support for the migration of Oil &amp; Gas energy activity to a lower carbon future</li> <li>• Development of best practice in environmental monitoring, environmental protection and environmental impact mitigation.</li> <li>• Development of skills and capability in onshore decommissioning and infrastructure redevelopment</li> </ul>
4.6	Realising these opportunities will be best achieved through effective partnership working.
<b>5.0 Exempt and/or confidential information:</b>	
5.1	None
<b>6.0 Implications:</b>	
<b>6.1 Service Users, Patients and Communities:</b>	<p>Sullom Voe Terminal, Shetland Gas Plant and the Port of Sullom Voe are major local employers and provides significant income to the islands. Much employment, contracts and training opportunities fundamentally depend on their continued operation.</p> <p>The Shetland Input / Output study, which is currently being updated, will provide further information on economic impacts around Oil &amp; Gas at Sullom Voe and information on direct and indirect employment.</p>



	Highland and Islands Enterprise are also currently commissioning an aligned economic impact assessment on behalf of the Scottish government. This study will examine local, regional and national effects of the potential future scenarios relating to the Sullom Voe Hub which will provide further information on possible economic impacts.
<b>6.2 Human Resources and Organisational Development:</b>	There are a significant number of Council jobs directly employed at Ports & Harbours with further support jobs in Corporate Services.
<b>6.3 Equality, Diversity and Human Rights:</b>	No implications arising directly from this report.
<b>6.4 Legal:</b>	There are no legal implications arising directly from this report. However, in anticipation of further engagement with the industry external legal advisers have been engaged. They will advise and assist as and when required.
<b>6.5 Finance:</b>	There are no financial implications arising directly from this report, but details of the financial issues relating to Sullom Voe Hub review are contained in the separate progress and next steps report on this agenda.
<b>6.6 Assets and Property:</b>	The Port of Sullom Voe is a key Council asset, most significantly, due to its environmental sensitivity, economic impact and income generation capacity.
<b>6.7 ICT and new technologies:</b>	No implications arising directly from this report.
<b>6.8 Environmental:</b>	Environmental Protection and the maintenance of biodiversity are key SIC Objectives. Future developments around the "Sullom Voe Hub" are potentially highly significant in maintaining environmental standards and acting to mitigate carbon emissions.
<b>6.9 Risk Management:</b>	<p>A range of specific risks relating to the Shetland Hub are contained in the progress and next steps report.</p> <p>The proposals in this report seek to better understand and respond to a range of wider environmental and community risks and opportunities through effective partnership development.</p>
<b>6.10 Policy and Delegated Authority:</b>	<p>Determining overall goals, values and strategic policy, are matters reserved to the Council (Scheme of Administration and Delegations Section 2.1.3(2)).</p> <p>Whilst this report would normally also be referred to the Policy and Resources Committee, it was agreed, in consultation between the Chief Executive, Leader and Convenor, to submit the report directly to Council for a decision, in order to maximise</p>

	the time available for all Councillors to consider the terms of the report.	
<b>6.11 Previously considered by:</b>	27 March 2019 (Min. Ref 17/19) – Future of Sullom Voe Terminal (exempt report)  (Information briefing to members on the Clair Request for Information was provided on 28 November 2018 - Min. Ref 53/18)	

#### **Contact Details:**

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#### **Appendices:**

Appendix 1 - “Sullom Voe Hub – Long Term Energy Business Opportunities”

#### **Background Documents:**

None.

# The Sullom Voe Hub

## Long Term Energy Business Opportunities

Sullom Voe Oil Terminal (SVT)

The Port of Sullom Voe (PoSV)

Shetland Gas Plant (SGP)

## Background

The Port of Sullom Voe and Sullom Voe Terminal were built in the 1970s to receive crude oil from the East Shetland basin (EoS) and process the fluids creating oil and gas products for export to the world markets. Today the EoS crude stream yields stabilised crude oil (Brent Blend) and fuel gas for site usage. Brent Blend serves as a benchmark for crude oil trades worldwide. LPG's were produced from EoS live crude and exported by ship until 2002 when the Magnus EOR system was commissioned and the LPG's was exported by pipeline to the Magnus Field to enable enhanced oil recovery. The EoS has delivered over 8 billion barrels of oil via Sullom Voe since 1978.

In 1998, Stabilised crude oil from the Schiehallion Field, West of Shetland (WoS) was delivered via shuttle tanker to Sullom Voe for storage, heating and subsequent export to market by larger tankers. This service delivered 400 million barrels until 2015 when BP decided to redevelop the Schiehallion Field and export its oil direct to Rotterdam without using SVT.

In 2005, Stabilised oil from the Clair Field WoS started flowing to Sullom Voe by pipeline. This was Phase one of the Clair Field development, Phase 2 of the field, Clair Ridge, commenced flow in October 2018 and will significantly increase the crude flow into SVT. Clair oil is stored at SVT and redelivered over the jetties and onwards to the world market.

In addition to the Sullom Voe Terminal, Total UK built the Shetland Gas Plant (SGP) next door to SVT. The plant was commissioned in 2015 and processes gas received by pipeline from the WoS Laggan/Tormore Fields.

Sullom Voe Terminal, Shetland Gas Plant and the Port of Sullom Voe are major local employers and provides significant income to the islands. Shetland, and the Council, need to keep options under review to determine the best route to protect and sustain our environmental, social and economic interests. We need to understand how we best participate in future options, what our priorities and critical success factors are, how to promote them and how to resist and/or mitigate detrimental developments.

At this time Clair partners are considering the options for a further Clair South, Phase 3, development in 2025. They are also evaluating how future Clair production is best exported through to 2057.

There are also a range of oil and gas exploration activities currently investigating new and potentially very significant Oil and Gas reservoirs both West and North of Shetland.

Globally there is an increasing recognition that our current Hydrocarbon energy dependence must be replaced by other energy sources. That creates an opportunity and growing interest in the capabilities of a location such as Shetland.

Underpinning all of this is the active presence and the investments already made in Sullom Voe by major energy corporations and the strong relationships, skills and capabilities, which have been created around long-standing and mutually beneficial partnerships developed over the last 40 years

**“Strategic Objectives” for the Sullom Voe Hub**

The Council carried out a review of the strategic options for the future operation of the Port of Sullom Voe in 2015. Assistance in conducting that review was commissioned from Price Waterhouse Coopers (PwC).

The objectives set out below were agreed by the Council as part of that exercise and were endorsed by the Council in March 2019 in an exempt report focused on the SVT-Clair export review.

These objectives and critical success factors have been reviewed and some details refined further as that review has progressed. This updated version is now recommended as the basis for wider development activity relating to the “Sullom Voe Hub”.

**Environmental & Legislative:**

- Protection of the Shetland marine environment, biodiversity, geo-diversity and the built environment, at present and in the future.
- Safe and secure operations in compliance with all relevant health and safety, emergency response and environmental protection obligations.
- Recognition and contribution to national and global considerations and responses to carbon management and climate change mitigation.

**Economic & Social:**

- Creating employment opportunities and commercial opportunities benefitting the local economy.
- Supporting social cohesion and maximising community benefits.

**Financial:**

- Protect existing revenue streams to the Council and the community and maximise future benefits.
- Maximise long-term value of assets through effective commercial arrangements and by exploring new sectors.

**Risk Management**

- Strike an appropriate balance between risks and opportunities, including:
  - Minimise downside risks such as environmental impact, economic volatility and decline and exposure to decommissioning / legacy costs.
  - Retain potential upside from business growth opportunities.

**“Critical Success Factors” and “Key Risks” for the Sullom Voe Hub**

<b>Strategic Objective</b>	<b>Critical Success Factors</b>
<b>Environmental &amp; Legislative:</b>	
<ul style="list-style-type: none"> <li>• Protection of Shetland marine environment, biodiversity, geo-diversity and the built environment, at present and in the future.</li> </ul>	<ul style="list-style-type: none"> <li>• Avoid additional environmental risks / very robust arrangements to fully manage all potential environmental risks</li> <li>• Mitigate and reduce any current adverse environmental impacts and contribute to national and global actions</li> <li>• Supports existing environmental monitoring and management and develop that best practice further</li> <li>• Ensure comprehensive decommissioning and remediation arrangements</li> </ul>
<ul style="list-style-type: none"> <li>• Safe and secure operations in compliance with all relevant health and safety, emergency response and environmental protection obligations.</li> </ul>	<ul style="list-style-type: none"> <li>• Compliance with highest levels of health, safety and environmental management systems and regulatory requirements</li> <li>• Includes tried and tested comprehensive and robust emergency response arrangements</li> </ul>
<b>Economic &amp; Social:</b>	
<ul style="list-style-type: none"> <li>• Creating employment opportunities and commercial opportunities benefitting the local economy.</li> </ul>	<ul style="list-style-type: none"> <li>• Maximises number of high quality long term job opportunities.</li> <li>• Promotes new employment and commercial opportunities on Shetland and across the industry.</li> <li>• Become a leader in promoting the testing and proving of emerging technologies</li> </ul>
<ul style="list-style-type: none"> <li>• Supporting social cohesion and maximising community benefits.</li> </ul>	<ul style="list-style-type: none"> <li>• Maximises local participation in jobs, contracts and benefits for the long term</li> <li>• Maximises opportunities for locally domiciled staff including commercial and supply chain involvement.</li> <li>• Provide high quality skills development opportunities</li> </ul>
<b>Financial:</b>	
<ul style="list-style-type: none"> <li>• Protect existing revenue streams and maximise future benefits.</li> </ul>	<ul style="list-style-type: none"> <li>• Protects and sustain community income streams for the long term</li> <li>• Fully exploit the return from all existing oil and gas streams crossing the Shetland Hub</li> </ul>
<ul style="list-style-type: none"> <li>• Maximise long-term value of Council assets through effective</li> </ul>	<ul style="list-style-type: none"> <li>• Allows appropriate investment and development of assets to sustain long term productive life</li> </ul>

commercial arrangements and by exploring new sectors.	<ul style="list-style-type: none"> <li>Allows future flexibility to develop financial benefits from potential new opportunities including new energy sectors and associated activity.</li> </ul>
<b>Risk Management</b>	
<ul style="list-style-type: none"> <li>Strike an appropriate balance between risks and opportunities, including:</li> </ul>	<ul style="list-style-type: none"> <li>Risks are identified, quantified and mitigated.</li> <li>Opportunities are identified and benefits delivered</li> </ul>
<ul style="list-style-type: none"> <li>Minimise downside risks such as environmental impact, economic volatility and decline and undue exposure to decommissioning / legacy costs.</li> </ul>	<ul style="list-style-type: none"> <li>Comply with all current and emerging environmental management best practice</li> <li>Commercial agreements have long term sustainability.</li> <li>Liabilities are clearly identified and assigned to the appropriate party</li> <li>Decommissioning and legacy costs are fully covered by agreements.</li> <li>Decommissioning liabilities lie with reputable Operators and Infrastructure Owners</li> </ul>
<ul style="list-style-type: none"> <li>Retain potential upside from business growth opportunities.</li> </ul>	<ul style="list-style-type: none"> <li>Commercial agreements have escalation and windfall sharing facilities</li> <li>Agreements include development opportunities for expansion and opportunities in other sectors</li> <li>Partnering with reputable industry players</li> <li>Promote Shetland as a strategic hub for all Energy activities around Shetland.</li> </ul>

## **Key projects to progress the “Sullom Voe Hub” concept**

### **1 – Continuation of Clair Oil exports through SVT**

It was immediately apparent that securing continued business from the Clair field system is very significant to the long term future for Shetland participation in Oil and Gas production, and equally important in creating the secure basis to migrate to effective participation in other energy futures.

Oil receipt, storage, processing and export require scale of operation and a measure of certainty to maintain cost effectiveness. Remaining North Sea production would not appear to offer that into the medium or long term.

Should Clair decide to bypass Shetland, then a fundamentally different business plan will have to be developed to try to best cope with the transition and change in situation.

### **2 – Develop medium / long term partnership arrangements to evolve and develop long term energy business opportunities around the “Shetland Hub”.**

The Oil & Gas Authority (OGA) identify Shetland and Sullom Voe as a key hub for East of Shetland (EoS), West of Shetland (WoS) and North of Shetland (NoS) Oil and Gas developments. They also recognise the potential the Sullom Voe hub could have for diversification and development to participate in significant new energy opportunities.

All parties involved in the EoS and WoS are now looking at medium and long term issues and options as North Sea Oil production declines, West of Shetland crude oil production is increasing whilst WoS , and potentially NoS Gas exploration and production options are being investigated actively.

Major energy companies are now also increasingly looking to understand how their businesses can migrate toward lower carbon futures and to develop their understanding and capabilities in these emerging sectors.

Developing an effective partnership between all interested parties is potentially one of the most effective outcomes from current SVT-Clair review activity.

Areas of potential further interest already identified include;

- Support for transferable energy skills, research activity and energy skills development
- Development of “Sullom Voe Hub” and new business development opportunities
- Support for the migration of Oil & Gas energy supply activity to a lower carbon future
- Development of best practice in environmental monitoring, environmental protection and environmental impact mitigation.
- Development of skills and capability in onshore decommissioning and infrastructure redevelopment

Realising these opportunities will be best achieved through effective partnership working. Shetland Islands Council has the incentive and capacity to provide leadership in this area.

Ends.....

John R Smith, Director of Infrastructure, Shetland Islands Council  
 Arthur Spence, Technical Advisor, Shetland Islands Council  
 30/06/2019



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<b>Meeting(s):</b>	<b>Special Shetland Islands Council</b>	<b>11 June 2019</b>
<b>Report Title:</b>	<b>Property Asset Management Strategy</b>	
<b>Reference Number:</b>	<b>ACP-02-19-F</b>	
<b>Author/ Job Title:</b>	<b>Robert Sinclair, Executive Manager – Assets, Commissioning and Procurement</b>	

### **1.0 Decisions / Action required:**

#### **1.1 That the Council RESOLVES to;**

- 1.1.1 Approve the Property Asset Management Strategy attached as Appendix A to this report; and,
- 1.1.2 Instruct the Executive Manager – Assets, Commissioning and Procurement to proceed with the Implementation Plan set out therein.

### **2.0 High Level Summary:**

- 2.1 The Council has substantial land and property assets, which are primarily held to support the main business of the authority in providing services. There is increasing emphasis from Government and Auditors to ensure that the asset resource is used to maximise benefits to service delivery, in the most efficient and effective manner possible. All Local Authorities are therefore tasked to have strategic asset management plans aligned to their corporate goals and objectives.
- 2.2 'Our Plan 2016 to 2020' sets out specific goals and objectives for our land and property assets. The Property Asset Management Strategy (PAMS) attached as Appendix A to this report sets out the guiding principles and drivers that convert our corporate goals and objectives into specific, proposed actions.
- 2.3 These proposed actions are described in an Implementation Plan, which is integrated into the PAMS.

### **3.0 Corporate Priorities and Joint Working:**

- 3.1 The project described in this report supports 'Our Plan 2016-2020' by:
  - 3.1.1 Better understanding the number of assets we can afford with the resources we have available, and...reducing the number of buildings we have staff in; and,
  - 3.1.2 Prioritising spending on building and maintaining assets and being clear on the whole-of-life costs of those activities, to make sure funding is being targeted in the best way to help achieve the outcomes set out in Our Plan 2016-2020 and the community plan; and,

3.1.3 Being an organisation that encourages creativity, expects co-operation between services and supports the development of new ways of working.

#### 4.0 Key Issues:

4.1 The Council has substantial land and property assets, which are primarily held to support the main business of the authority in providing services. There is increasing emphasis from Government and Auditors to ensure that the asset resource is used to maximise benefits to service delivery, in the most efficient and effective manner possible. All Local Authorities are therefore tasked to have strategic asset management plans aligned to their corporate goals and objectives.

4.2 Property asset management is defined as a structured, holistic and integrated approach for aligning and managing service delivery requirements and the performance of property assets to meet business objectives and drivers within local government. Property assets are defined in this report as comprising land and built assets including buildings and infrastructure used by an organisation regardless of tenure. They exist to enable and support service delivery.

4.3 Property asset management involves the whole life management of property assets from 'cradle to grave' and encompasses two interacting components:

4.3.1 **A strategic component**, which sets out in plain English what the Council will do with its property assets, who is responsible for delivery and why we are doing what we are doing.

This strategy document establishes the 'big picture' for a five-year period, describing how the Council will turn its policy relating to property assets into a deliverable action plan.

This Asset Management Strategy will ensure that any investments made in our assets will help to realise our corporate goals in delivering services to the Shetland community. The lead service with responsibility for delivering this plan is the Council's **Assets, Commissioning and Procurement Service** utilising a 'Corporate Landlord Model'.

4.3.2 **An operational component**, which presents the specific actions for delivering the strategic Goals and completing the tasks contained within 'Our Plan 2016 to 2020'.

4.4 The Council approved the current updated Asset Strategy and Implementation Plan on 5 November 2014 (Min Ref: 83/14). This superceded earlier versions approved on 28 August 2013 (Min. Ref. 69/13) and 8 February 2012 (Min Ref: 8/12).

4.5 This update builds on the previous iterations of the Strategy, but in particular focussing on the following:

4.5.1 Alignment with Our Plan 2016 to 2020.

4.5.2 Embedding a 'Corporate Landlord' model of asset management across the Council.

<p>4.5.3 Taking cognisance of other key work streams and strategies across the Council, such as:</p> <ul style="list-style-type: none"> <li>• Digital Strategies</li> <li>• Recruitment and Retention Strategies</li> <li>• Local development strategy</li> <li>• Operational estates (offices, workshops &amp; stores for example)</li> <li>• Croft and agricultural estate</li> <li>• Education estate</li> <li>• Tertiary education estate</li> <li>• Social care estate</li> <li>• Childcare estate</li> <li>• Knab Masterplan</li> <li>• Sullom Voe Masterplan</li> <li>• NHS &amp; IJB</li> <li>• Harbour Board</li> </ul> <p>4.5.4 Embracing the opportunities that new technology and service delivery models have to offer, enabling us to:</p> <ul style="list-style-type: none"> <li>• Work in ways that minimise our need for space;</li> <li>• Use what we have more efficiently;</li> <li>• Dispose of surplus property to maximise capital receipts and reduce revenue costs; and</li> <li>• Empower the individual</li> </ul> <p>4.6 In approving the recommendations of this report, the Council will be agreeing to proceed with the preparatory and feasibility work required to take the Implementation Plan forward. Where significant works are required that do not already have approved budgets, these projects will be taken forward either as Spend to Save proposals or through the Council's Gateway Process for the Management of Capital Projects.</p>	
<b>5.0 Exempt and/ or confidential information:</b>	
5.1	None.
<b>6.0 Implications:</b>	
<b>6.1 Service Users, Patients and Communities:</b>	The proposals set out in this report have been developed in consultation with the relevant Council staff responsible for managing and delivering services provided from the affected buildings and land.
<b>6.2 Human Resources and Organisational Development:</b>	No implications arising directly from this report.
<b>6.3 Equality, Diversity and Human Rights:</b>	No implications arising directly from this report.
<b>6.4 Legal:</b>	Governance and Law provide advice and assistance on the full range of Council services, duties and functions including those required to implement the proposals in this report.

<b>6.5 Finance:</b>	The cost of the preparatory and feasibility work required to take the Implementation Plan forward will be funded from existing budgets. Where significant works are required that do not already have approved budgets, these projects will be taken forward either as Spend to Save proposals or through the Council's Gateway Process for the Management of Capital Projects.	
<b>6.6 Assets and Property:</b>	The proposals set out in this report will, if implemented, enhance the quality of the facilities the Council delivers its services from, whilst reducing the size of its operational estate.	
<b>6.7 ICT and new technologies:</b>	No implications arising directly from this report, however ICT and new technology will be inextricably linked to the proposals set out in this report as a parallel work stream in our Business Transformation Programme. Adopting these proposals will be essential if the Council's Service Redesign Programme is to be delivered.	
<b>6.8 Environmental:</b>	All maintenance and new-build projects seek to address climate change and carbon management, for example by embedding energy saving measures and environmentally friendly materials in their design. The PAMS described in the appendix to this report would contribute directly to that objective.	
<b>6.9 Risk Management:</b>	This PAMS is a key work stream within the Council's Business Transformation Programme, which will yield financial, environmental and service benefits. Failure to deliver this risks opportunity costs and failure to deliver improved community outcomes.	
<b>6.10 Policy and Delegated Authority:</b>	<p>Approval of the financial strategy and budget framework is a matter reserved for the Council having taken advice from Policy and Resources Committee.</p> <p>Whilst this report would normally be referred to the Policy and Resources Committee, it was agreed, in consultation between the Chief Executive, Leader and Convener, to submit the report directly to Council for a decision, in order to maximise the time available for all Councillors to consider the terms of the report.</p>	
<b>6.11 Previously considered by:</b>	N/A	

**Contact Details:**

Robert Sinclair, Executive Manager – Assets, Commissioning and Procurement  
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4 June 2019

**Appendices:** Appendix A - Property Asset Management Strategy

**Background Documents:** None  
 END



# Property Asset Management Strategy 2019 - 2024 (Corporate Estate)

Our vision;

‘Provide the right property asset, in the right location, at the right price and quality’

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# 1. Executive summary

This is Shetland Islands Council (SIC) Property Asset Management Strategy 2019-2024 (PAMS). This supersedes our current Asset Strategy 2014 – approved by the Council 05 November 2014 (ref 83/14).

Like all public services throughout the United Kingdom, the Council is currently tackling financial pressures from central government and other revenue sources. This makes it even more important to deliver the greatest positive impact to the people, families and communities of Shetland, by the efficient use of our assets and resources, asking our estates to do more with less.

This Property Asset Management Strategy (PAMS) will help our Council to deliver its 20 by 20 goals. We will do this by adhering to principles of best value, continuous improvement, sound performance management, partnership working and sustainable development. The Focus of the PAMS document is the positive role that robust asset management has in allowing the Council to continue to deliver effective, efficient services, along with the recognition of continued planned investment in maintaining and replacement of essential assets in a climate of squeezed public finances.

This process will result in spare capacity within our estate, our PAMS will guide SIC in making strategic rationalisation and disposal decisions that are in line with our core principles and values and deliver our 2020 Goals.

This strategy is to enable informed, review, debate and implementation of opportunities, to work smart. The strategy reflects the changes in service delivery and expectations. We must as a Council, as an employer and a service provider, recognise that the world of work and service provision is changing. People no longer need to be tied to the desk to deliver services - we can work smarter than that. Work in a way that saves money on property, empowers the individual and improves service delivery.

The Council believe that smart working is the best way to work for our Council - and for the individual. We want smart working to become the default for Shetland Island Council, for everyone – people at the frontline as much as those in non-public facing offices.

We believe that a smart Property Asset Management Strategy (PAMS) is the key to unlocking the potential for fantastic service delivery from an excellent estate that is sustainable, responsible and accountable.

## 1.1 PAMS - a hierarchy of control

The Property Asset Management Strategy (PAMS) is a set of guiding principles that effectively and efficiently channel decisions from members, informed by officers, into action – a hierarchy of control. Some actions will become Business As Usual (BAU). However, other actions will require discreet pieces of work and will therefore become projects.

Over the last two iterations of our PAMS (2010-14 & 2014-18) our BAU activity has seen reductions of the leased in estate and continued active management of our leased out properties and crofter/agricultural estate. From 2013 to 2018 these actions have delivered over £2 million in capital receipts and upwards of £500k recurring revenue savings for SIC. In addition to these savings and revenue generation we have carried out projects to increase tenanted estate regulatory compliance, a review of peppercorn rents, a tertiary education estates review and the assimilation of SLAP properties into the SIC property portfolio.

Some projects will, in-turn, evolve into BAU. The cyclical processes involved in this hierarchy of control are illustrated in figures 1a & 1b below – PAMS Process Flow. The diagrams depict the

interrelationship flow between business and property processes and the overarching requirement to satisfy end users of services – putting the customer first.

1.2 Figure 1a. – PAMS Process flow

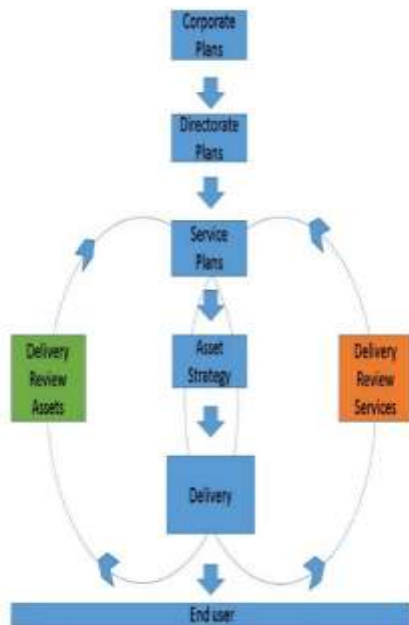
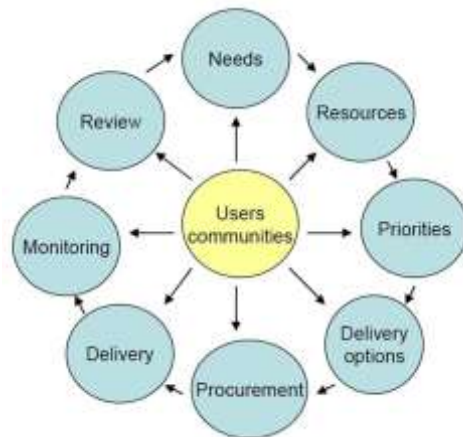


Figure 1b. – Process flow



The Property Asset Management Strategy cannot work in isolation and must be continuously informed, shaped and directed by service requirements, operational context and customer needs.

### 1.3 What assets are covered by PAMS?

Our PAMS covers all SIC Property Assets that are managed under the Corporate Landlord Model, comprising;

- All office accommodation
- All commercial buildings, warehouses and storage
- All community care facilities
- Landed estates (croft, agricultural and other land held by the Council)
- All leases of buildings and land to the Council and by the Council to others, including matters relating to the Crown Estate
- All Schools and associated buildings and land – this includes school houses and sports facilities that are linked to schools, such as gymnasiums, multi courts, play facilities and sports pitches
- All acquisitions, disposals and commercial negotiations relating to property and land
- A comprehensive Asset Database in conjunction with Estate Operations
- Carrying out and/or commissioning valuations

### 1.4 Why do we need to refresh our PAMS?

This document builds upon the previous strategy. It sets out the vision and aspirations for the effective management of the Council's property asset portfolio in the current, short and medium term. It plays an important role in supporting the delivery of a number of goals in **Our Plan** 2016 to 2020 and beyond, with specific emphasis on,

- We will have a better understanding of the number of assets we can afford with the resources we have available, and will have reduced the number of buildings we have staff in;
- We will have prioritised spending on building and maintaining assets and be clear on the whole-of-life costs of those activities.

The SIC property portfolio encompasses a range of assets. Our portfolio will continue being developed, providing a fit for purpose estate that delivers the ***'right service in the right place for the right price'*** now and in the future. Our property assets provide the opportunity for improved stakeholder collaborative working with easier public access that enhances the quality of the public realm.

Our PAMS places sustainability, workplace flexibility and value for money at its heart and aspires to deliver,

- Reduced energy consumption
- Increased staff Wellbeing and Productivity
- Sustainable, Responsive & Flexible buildings
- Buildings that are not just ***'warm, safe & dry'*** but a pleasure to be in

## 1.5 Strategy Hierarchy

Our strategy is structured using the best practice guidelines of the Royal Institute of Chartered Surveyors (RICS), and comprises three separate parts:

### a. The Property Asset Management Policy Statement;

'Our Plan' 2016 stands as the Policy Statement. It gives a mandate for action, sets Goals for SIC and prescribes specific Tasks with measurable Outcomes. The document is the link between the Property Asset Management Strategy and SIC core strategy.

### b. The Property Asset Management Strategy;

This document sets out in plain English what the Council will do with its property assets, who is responsible for delivery and why we are doing what we are doing.

This strategy document establishes the 'big picture' for a five-year period, describing how the Council will turn its policy relating to property assets into a deliverable action plan.

This Property Asset Management Strategy will ensure that any investments made in our assets will help to realise our corporate goals in delivering services to the Shetland community. The lead service with responsibility for delivering this plan is the Council's **Assets, Commissioning and Procurement Service** under a 'Corporate Landlord Model'.

### c. The Property Asset Management Action Plan, Phase 1 & Phase 2;

The action plan is the implementation document; it presents the agreed steps for delivering the strategic goals and completing the tasks contained within 'Our Plan'. This Action Plan delivers over two phases, as detailed below. Both phases programmed to ensure the anticipated outcomes from PAMS implementation delivered by 2024.

#### • Phase 1 (2019-21)

Property assets aligned, focused on the Lerwick area, to deliver our 20 by 20 aspirations using PAMS as the guiding document. Task delivery will see a mixture of property disposal, lease surrender and property refurbishment and redevelopment. Quick wins implemented within this phase together with the formulation of project plans for medium term activities for implementation during phase two.

Phase 1 will also complete the adoption of the Corporate Landlord Model and the Council's property database.

- **Phase 2 (2021-24)**

This phase will deliver medium term actions that are informed by the outcomes achieved during phase 1 activities and will broaden the geographical focus to Whole Island. It will see a completion of Property Asset realignment to deliver the 20 by 20 Goals.

*Note: Detailed action plans presented in section 14.*

## 2. Introduction

This is the Shetland Islands Council Property Asset Management Strategy (PAMS), 2019 to 2024. This document supersedes the previous Asset Strategy 2014 update - approved by Policy & Resources Committee 27 October 2014 (Min ref: 13/14).

Our Council owns a diverse range of land and property assets, some unique to Shetland. They should all make an important and positive contribution to achieving our corporate objectives. The quality, condition, suitability and sustainability of our property assets have a direct bearing on the quality, deliverability and sustainability of our front line services. It is therefore extremely important that these assets are managed in a proactive and efficient way to deliver a continued positive contribution for the people of Shetland.

Our property assets are, and will continue to be an important part of supporting and enabling us to transform the way we deliver public services with our partners. It is therefore essential that we have an innovative and forward thinking PAMS in place that relates to the wider Shetland (Community Planning) Partnership. The document sets out the context, vision and roadmap to success that will deliver effective management of the corporate asset portfolio. It outlines the role asset management must undertake in order to enhance the delivery of goals in Our Plan 2016 to 2020, and beyond.

Asset management, in the Shetland Island Council (SIC) context, is a broad term. It encompasses the various actions SIC undertakes to ensure that its assets are efficiently planned, designed, delivered, managed and reviewed in a cost effective and sustainable manner and that these assets remain relevant to changing needs and expectations.

This Asset Management Strategy document has been developed to outline how SIC will deliver its asset management policy intentions and sets the future directions and improvement actions necessary for relevant, evidence-based and flexible asset management practices and capability to achieve the asset management goals and objectives.

The primary objectives of this Asset Management Strategy are to provide a way forward for the SIC to meet its responsibility for the stewardship of its public assets, to ensure equal access to all public assets and to enable the delivery of sustainable and effective services, programs and activities that contribute to our quality of life. The 2019-2024 asset management Strategy vision is to, 'Provide the right property asset, in the right location, at the right price and quality'

This Asset Strategy will enable the fulfilment of the Council's vision for asset management from **Our Plan** 2016 -2020, namely;

- We will have a better understanding of the number of assets we can afford with the resources we have available, and will have reduced the number of buildings we have staff in;
- We will have prioritised spending on building and maintaining assets and be clear on the whole-of-life costs of those activities;
- Ensure funding is being targeted to help achieve the outcomes set out in "our plan"

Delivering the vision requires a complex multi-faceted programme that is dependent upon internal stakeholder commitment and ownership from all directorates. It will be also be shaped by external stakeholder relationships and legislative obligations and compliance.

The Strategy follows RICS best practice guidelines<sup>1</sup> to ensure robust management control is retained and measurable outcomes are agreed and delivered.

As described in the RICS Public Sector Asset Management Guidelines, there are three core elements to the Asset Management document. These are:

- a. The Property Asset Management Policy Statement, i.e. - Our Plan 2016 – 2020
- b. The Property Asset Management Strategy - 2019-2024
- c. The Property Asset Management Action Plans - 2019-2021 & 2021-2014

## 2.1 Scope

In compiling this strategy, the author has consulted with directors and executive heads of service, furthermore The PAMS strategy considers the role and needs of;

- Digital Strategies
- Recruitment and Retention Strategies
- Local development strategy
- Operational estates (offices, workshops & stores for example)
- Croft and agricultural estate
- Education estate
- Tertiary education estate
- Social care estate
- Childcare estate
- Knab Masterplan
- Sullom Voe Masterplan
- NHS & IJB
- Harbour Board

The SIC property portfolio encompasses a range of building types that will be developed to provide fit for purpose assets that deliver the ***‘right service in the right place for the right price’*** now and in the future. Our development sites provide the opportunity for a more collaborative working and easier public access and positively contribute to the quality of the public realm. Energy sustainability, workplace flexibility and value for money are placed at the heart of our strategy that aims to:

- Reduce energy consumption
- Increase staff Wellbeing and Productivity
- Delivers Sustainable, Responsive & Flexible buildings
- Creates buildings that are not just ***‘warm, safe & dry’*** but a pleasure to be in

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<sup>1</sup> RICS Public Sector Asset Management Guidelines ‘A guide to best practice’, Keith Jones & Alan D. White, 2008

### 3. Our vision

The Council's vision for asset management from Our Plan 2016 -2020, is that:

*'We will have a better understanding of the number of assets we can afford with the resources we have available, and will have reduced the number of buildings we have staff in.'...*

*... 'We will have prioritised spending on building and maintaining assets and be clear on the whole-of-life costs of those activities, to make sure funding is being targeted in the best way to help achieve the outcomes set out in this plan and the community plan'.*

Our 2011 approved vision for property assets:

*'A Shetland where we fully recognise, understand and value the importance of our building and land resources, and where our plans and decisions about asset use deliver improved and enduring benefits, enhancing the wellbeing of our community'*

The vision is as valid today as it was at its inception in 2011. However, nothing is static, the strategy and its place in the SIC governance structure must adapt and change to remain relevant for the needs of its users. Therefore, this document reflects the changes in the national and local context that has evolved over the last 8 years and ensures the revised 2019 Property Asset Management Plan is robust and fit for purpose with a forward view of 5 years.

The Royal Institute of Chartered Surveyors (RICS) Public Sector Asset Management Guidelines are used to inform the process of revision of this Asset Management Strategy. This approach provides the required assurance to SIC that "best practice" in the development and implementation of the strategy has been adhered too.

#### 3.1 The Strategy Framework

Our Property Asset Management Strategy (PAMS) sets the high-level strategic framework for managing our property portfolio effectively over the next 5 years and beyond. It will guide our future strategic property decisions to ensure we manage our property portfolio sustainably and efficiently. The output of which is;

*'A fit for purpose estate that is able to deliver the Shetland Island Council Cooperate Plan 2016-20 and ensure agility to adapt to future service delivery post 2020'.*

Since the last Asset Management Plan (2014-18), the environment in which the Council operates has changed considerably. This presents both a number of challenges and opportunities, to drive change in how we deliver our services and the infrastructure needed to support this.

Our property assets are an important part of supporting and enabling us to transform the way we deliver public services with our partners and it is therefore essential that we have an innovative and forward thinking strategy in place.

*"Strategic Property Asset Management is the process which aligns business and property asset strategies, ensuring the optimisation of an organisation's property assets in a way which best supports its key business goals and objectives"*<sup>2</sup>

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<sup>2</sup> RICS Public Sector Asset Management Guidelines

As outlined in the RICS Public Sector Asset Management Guidelines, there are three core elements to the Asset Management document. These are:

**A. The Property Asset Management Policy Statement;**

'Our Plan' 2016-20 stands as the Policy Statement. It gives a mandate for action, sets goals for SIC and prescribes specific Tasks with measurable Outcomes.

**B. The Property Asset Management Strategy;**

This document sets out in plain English what the Council will do with its property assets, who is responsible for delivery and why we are doing what we are doing.

This strategy document establishes the 'big picture' for a five-year period, describing how the Council will turn its policy relating to property assets into a deliverable action plan.

This Asset Management Strategy will ensure that any investments made in our assets will help to realise our corporate goals in delivering services to the Shetland community. The lead service with responsibility for delivering this plan is the Council's **Assets, Commissioning and Procurement Service** utilising a 'Corporate Landlord Model'.

**C. The Property Asset Management Action Plan;**

The action plan presents the specific actions for delivering the strategic Goals and completing the tasks contained within 'Our Plan'.

### 3.2 The Strategy – context

Successful delivery of the SIC PAMS will play an important role in the mitigation of some of SICs cost pressures. The strategy, via the plan, will allow SIC to actively manage its estate in a responsible manner that allows each asset to be maximised to its full potential. This will see some properties improved and some properties being repurposed or disposed of.

It is reasonable to suggest that SIC currently operates from an estate that is larger, and therefore costlier to operate from than is reasonably required to deliver effective services. This is supported by the relative ease that 8 North Ness staff were decanted into our wider estate in 2016. It is therefore sensible for a degree of Asset Rationalisation to be programmed through the five years of this PAMS.

This does present a challenge to SIC, however it also presents a huge opportunity for services to deliver their corporate strategies in a manner that ensures it maximises front line spend by reducing built environment overheads. The outcome of the 2019-24 PAMS will be a rationalised estate that is fit for purpose and is responsive to service needs, operating from buildings that are suitable and sufficient to deliver those services.

The underpinning objective for the PAMS is to ensure that Shetland continues to be a great place to live, work, visit and do business. The PAMS will provide the estate to enable the implementation of the SIC 'Five Priority Areas', with the supporting twenty corporate aims, that have been identified in **Our Plan** 2016 – 2020. The PAMS makes real the Implementation of this plan, which will ensure that investment in service delivery has maximum positive impact on the Shetland community. The business processes for effective property asset management are illustrated in Figure 2a & 2b, following page. The diagram emphasises the essential interrelationship between business and property processes and the overarching requirement to satisfy end users of services.



3.3 Figure 2a – asset management process

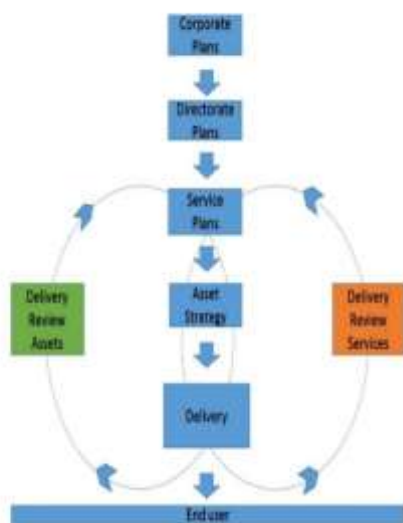


Figure 2b – management process



*The Property Asset Management Strategy cannot work in isolation and must be informed, shaped and directed by service requirements and operational context.*

SIC property portfolio management is implemented via a 'corporate landlord model' the scope of this model includes:

- Schools and associated buildings and land, school houses and sports facilities that are linked to schools, such as multi courts, play facilities and sports pitches
- All office accommodation
- All commercial buildings, warehouses and storage
- All community care facilities
- The Burra and Busta estates along with other land held by the Council
- All leases of buildings and land to the Council and by the Council to others, including matters relating to the Crown Estate
- Continued responsibility for the Council's PAMS, including acquisitions, disposals and commercial negotiations relating to development opportunities
- Maintaining a comprehensive Asset Database in conjunction with Estate Operations
- Carrying out and/or commissioning valuations

Specific exclusions include:

- The NAFC and Shetland College;
- Public toilets;
- Cemeteries;
- Process plant and waste management facilities;
- Quarries operated by the Council;
- Roads;
- Ferry terminals and piers, and associated buildings;
- Airfields;
- Land and property held on the HRA account; and
- Cleaning

*Note: inclusions/exclusions – in whole or part, may if reasonably required, be included in the Asset Management Strategy process at any given point.*

## 4. SIC Approach to Property Asset Management

Historically service committees were able to administer and manage their service area property requirements through existing governance and the Council's Scheme of Delegation. This has enabled services to have a close correlation between their property needs and aspirations but this does not provide a corporate approach to property asset management.

Centralising asset management using the Corporate Landlord Model in one service area led by Assets, Commissioning and Procurement (ACP), allows the overarching corporate strategies outlined in this plan to be evenly and equally applied across all service areas. This approach eases the burden of property management resources used within a wide variety of service areas and streamlines budget management by enabling services to focus more on service delivery and less on the management of the property assets used.

### 4.1 Benefits of Asset Management

Our property portfolio is a valuable resource and we have a duty to deliver “**best value**” in how we manage our estate to ensure that we can achieve the best social, economic and environmental benefit for the people of Shetland. This means managing our limited resources in an intelligent and integrated way to provide value for money for Shetland taxpayers.

How the Council uses its property portfolio can play a significant role to stimulate regeneration and growth for the local economy. Public services, and the needs and demands of our customers, are evolving and changing rapidly. It is important that our approach to asset management remains relevant, innovative and flexible enough to respond to changing needs and priorities of our services. This strategy sets out how we will achieve this.

### 4.2 Context

The current financial conditions faced by all local authorities in Scotland are very challenging. The UK and Scottish Government budget restrictions along with the projected increase in costs will have a significant effect on what the Council can afford to spend on local services. To ensure that Shetland continues to be a great place to live, work, visit and do business, five priority areas and twenty corporate aims have been identified in **Our Plan 2016 - 2020**. This will ensure that investment in service delivery has maximum positive impact on the Shetland community.

Following employee costs, expenditure associated with the maintenance and ongoing provision of assets represents the second highest element of revenue spending for our Council. In addition, the majority of capital investment is focused on delivering and maintaining Council property assets. This places great emphasis on ensuring that resources are appropriately allocated to priorities identified through robust asset management.

The Scottish Government, Audit Scotland and other professional bodies all recommend that local authorities adopt robust asset management planning processes. This is to ensure that assets are properly and accountably managed, resources are deployed efficiently along with providing a framework in support of effective investment decision making. In formulating this strategy, consideration has been given to the guidance on local authority asset management strategy published by the following organisations:

- Royal Institution of Chartered Surveyors (RICS);
- Institution of Asset Management (IAM);
- BSI ISO 55000: 2014 – Asset Management; and
- Chartered Institute of Public Finance and Accountancy (CIPFA).

This guidance outlines the requirements for Councils to have effective and efficient asset management, comprehensive investment decision-making, options appraisal frameworks and Capital investment plans all linked to strategic priorities.

As the Council's assets support service delivery to communities and underpin all of the Council's five priority areas, an integrated Property Asset Management Strategy along with an asset improvement/Capital planning framework, is critical to the effective management of Council resources. It is vital that all asset investment decisions are considered within a documented appraisal system that uses a gateway process and demonstrates use of the five case model and the principles of building better business cases. Decisions must align with strategic priorities, outcome and performance requirements, fiscal responsibility and asset management best practice.

**A Vision for Shetland** - the context of how we see Shetland moving forward, this is more than just property, assets and space to facilitate services. By the better use of public sector assets and property management, this strategy aspires to rationalise the estate and promote regeneration through sector partnerships and the reuse and redevelopment of Council assets.

## 5. A Shared Vision for Shetland – *the Shetland Partnership Plan*

*“Shetland is a place where everyone is able to thrive; living well in strong, resilient communities; and where people and communities are able to help plan and deliver solutions to future challenges”<sup>3</sup>*

### 5.1 Drivers for the new Property Asset Management Strategy

This strategy is to enable informed, intelligent, review and debate and the implementation of opportunities, to 'work smart'. The strategy reflects the changes in service delivery and expectations of customers and the workforce. The world of work is changing, people no longer want or need to be tied to a desk - we can work smarter than that to deliver accessible, responsive and flexible services. We must work in a way that empowers the individual and improves service delivery. Creating ways to reduce costs and streamlines the way we do our business.

We believe that a smart Property Asset Management Strategy (PAMS) is the key to unlocking the potential for excellent service delivery from an estate that is sustainable, responsible and accountable by staff who take personal responsibility and work well together. This will also help the Council deliver on its commitment of being “Happy to talk flexible”.

The current financial conditions faced by all local authorities in Scotland are very challenging. Although it could be argued that Shetland Island Council (SIC) is better placed than most to manage these conditions the ongoing financial squeeze on resources does require SIC to 'do more with less'. The UK and Scottish Government budget restrictions along with the projected increase in costs will have a significant effect on what SIC can afford to spend on services. The increasing tension between resource availability and service delivery will inevitably raise questions about the sustainability and proportionality of non-statutory and statutory spend. Put simply if we cannot do more with less we may just have to do less.

It would be easy to view this as a call for savings for savings sake, to 'sweat the assets'. An approach that may save cash in the short term but to what end if services are unable to operate effectively and we have sold off valuable estate for a quick return?

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<sup>3</sup> <https://www.shetland.gov.uk/communityplanning/documents/180801SPPforWebFINAL.pdf>

## 5.2 What does this mean for our estate?

The challenge is for the Council is to continue to work hard to identify opportunities for cost reductions in ways that enhances rather than negatively impacts on services and staff. We must continue to utilise our built estate to maximise its full potential for improved service delivery while looking after our staff and delivering required legislative requirements such as maximum office space allocations per person and desk densities of less than one desk per staff member.

## 5.3 How do we achieve this?

By embracing the opportunities that new technology and service delivery models have to offer, coupled with practical asset management we can ensure that we;

- Work in ways that minimise our need for space;
- Use what we have more efficiently;
- Dispose of surplus property to maximise Capital receipts and reduce revenue costs; and
- Empower the individual

This approach requires the long term joined up strategic decision-making afforded by the Corporate Landlord Model.

## 6. A Corporate Approach to Property Asset Management

Council owned property asset is held corporately, and as such, their management must be coordinated across the organisation. This is to maximise benefits and to support the delivery of the Council's key objectives as set out in Our Plan 2016-2020.

The key drivers for changes in the demand for public services are:

- Changing public needs and priorities.
- Increasing public expectations on quality and ease of access to joined up public services.
- Local community aspirations.
- Community Empowerment (Scotland) Act 2015.

The key drivers for changes in the provision of public services are:

- Reducing budgets in the face of increasing operating costs.
- Demographic changes.
- The need to identify and adopt new efficient and effective ways of working.
- Opportunities to collaborate and work closely with community partners.

We aim to manage our property assets in a balanced manner taking proper account of the Council's service requirements and of the upkeep of our assets to ensure their optimum use over the long term.

### 6.1 The Corporate Landlord Model

Since 2014, Responsibility for the management of all Council-owned property and land and any properties or land leased by the Council has transferred Asset, Commissioning and Procurement (ACP). This provides a more centralised model of Asset Management, which helps the Asset and Properties section to maximise the use of buildings, reduce the number of vacant properties, and maximise income from the estate generally. This centralised model also assists Estate Operations in their efforts to plan operational maintenance with a focus on key facilities, while embedding carbon management in all property-related activities.

## 6.2 The Corporate Landlord Model – a definition:

*“The Corporate Landlord model centralises all... decision making and activities within a central team – the Corporate Landlord. Service departments become tenants of the Corporate Landlord. The service department has to make a case for the property that they wish to deliver a service from, which allows for the Corporate Landlord to offer sufficient space – and no more space than is required – for these functions.”<sup>4</sup>*

The objective for the Corporate Landlord using the PAMS is to provide the right property asset, in the right location, at the right price and quality.

The scope of the facilities now managed by ACP, as Corporate Landlord specifically includes:

- Schools and associated buildings and land. This would include schoolhouses and sports facilities that are linked to schools, such as gymnasiums, multi courts, play facilities and sports pitches.
- All office accommodation, commercial buildings, warehouses and storage.
- All community care facilities.
- The Burra and Busta estates along with other land held by the Council.
- All leases of buildings and land to the Council and by the Council to others, including matters relating to the Crown Estate.
- Continued responsibility for the Council's Asset Strategy, including acquisitions, disposals and commercial negotiations relating to development opportunities.
- Maintaining a comprehensive Asset Database in conjunction with Estate Operations.
- Carrying out and/or commissioning valuations.

Specific exclusions include:

- The NAFC and Shetland College, in part (at least until the conclusion of the Review of Tertiary education).
- Public toilets.
- Cemeteries.
- Process plant and waste management facilities.
- Quarries operated by the Council.
- Roads.
- Ferry terminals and piers, and associated buildings.
- Airfields.
- Land and property held on the HRA account.
- Cleaning.

*Note: While these lists set out the default position, it does not preclude the involvement of the Asset and Properties section in the management or disposal of any buildings or land.*

## 6.3 Budget Responsibility

As Client for this portfolio, budgets relating to these assets will be set by ACP, based on an agreed schedule of maintenance and repair works, planned and agreed between the Executive Manager – ACP and the Executive Manager – Estate Operations. Subsequent operational management and delivery of maintenance services will remain with Estates Operations. From a financial reporting

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<sup>4</sup> Welsh government, An inquiry report of the: Policy Review & Performance Scrutiny Committee, annex F, May 2018

perspective, the budgets for each property will remain with the individual occupying service, but would be fixed by ACP in consultation with Estate Operations.

## 6.4 Property Leased to Others

In order to ensure that the Council's statutory obligations in relation to maintenance, inspection and testing are being complied with, properties that are regarded as surplus and properties which are leased to others (always on a commercial basis) will have individual cost centres. Short-term leases rarely transfer maintenance obligations to the lessee, so this will ensure that maintenance budgets are not overlooked in those cases.

## 6.5 Requests for Changes to Accommodation or Facilities

Where individual services identify a need for additional or different accommodation or facilities, this need must be articulated to the Council in the form of a Business Case. This may take any form as long as it includes appropriate levels of information and detail. A template/checklist is available from Assets Commissioning and Procurement service.

## 7. Strategic Overview

The key objective of this Property Asset Management Plan is to manage the Council's property assets effectively and efficiently to deliver on Council objectives by ensuring the most appropriate properties are available to all service delivery partners. This is particularly critical for the next five years given the local and national economic context.

In line with good practice, the development of a corporate approach to property asset management enables the Council to take a strong corporate view with oversight across all service area needs and requirements in order to make the best decisions using the available resources.

The Property Asset Management Plan 2019-2024 sets out the proposed objectives and processes required to deliver a corporate approach to property asset, via in part the Corporate Landlord Model. A proposed Action and Implementation Plan by directorate is detailed in section 22 of this document which will be developed, refined and delivered as work on property asset management progresses.

### 7.1 Legislative Changes influencing PAMS – since 2014

- Energy Performance Certification 2018
- The National Cultural Strategy 2003 (Guidance note to Scottish Local Authorities 2018)
- Community Empowerment Act 2015
- Burial Grounds (Scotland) Act 2016 – ***indirectly influencing***
- Scotland Act 2016
- The Children and Young People (Scotland) Act 2014
- The Education Act [Scotland] 2016
- The Assessment of Energy Performance of Non-domestic Buildings (Scotland) Regulations 2016
- Islands Bill 2016
- The Scottish Public Services Ombudsman Act 2002 Amendment Order 2016
- The Equality Act 2010 (Specific Duties) (Scotland) Amendment Regulations 2016
- The Local Government Finance (Scotland) Order 2016
- The Public Services Reform (Social Work Complaints Procedure) (Scotland) Order 2016
- The Procurement (Scotland) Regulations 2016
- The Community Empowerment (Scotland) Act 2015 Part 2 Regulations and Guidance 2016

- The Islands (Scotland) Bill 2016 will have a requirement to 'island proof' future legislation and policies. Greater flexibility around Councillors representation within island communities – rather than needing the usual three or four Councillor per electoral ward for areas covering largely one or more inhabited islands. This could be one or two. Extended powers to island Councils in relation to marine licensing.
- The Land Reform (Scotland) Act (2016) was given Royal Assent on 22 April 2016. Agricultural Tenancies, Land rights and responsibilities, Establishment of the Scottish Land Commission, Information on the control of land, Community engagement, The right to buy land for sustainable development, Core Paths, Valuation rolls exclusion and SNH powers.

## 8. Asset Investment, Maintenance and Replacement

*'The Shetland Islands Council's 2019/20 budget will ensure that council-provided services across Shetland continue to deliver the best outcomes for Shetland in line with Council's Corporate Plan and the Shetland Partnership Plan'.*

1.01 The Council Budget Book, 2019/20

The 5 Year Asset Investment Plan – 'Asset Investment Plan 2019/2024' is the sustainable Capital budget for the Council for a five year period from 2019-2024 in line with the Capital Investment Planning policy set out in the 2015-2020 Medium Term Financial Plan.

The Plan identifies a relatively small sum (£2.2m) that is available, over the 5-year period that provides, in the first instance, protection against construction price inflation on the projects contained therein. Additionally Council officers continue to undertake work on business cases in a range of areas, to which no funding is allocated.

The Property Asset Management Strategy will help SIC 'do more with less' by reducing our estate costs both in revenue and capital terms. This will be achieved by reducing our overall estate size together with improvements in working practices, energy efficiency, capital receipts and partnerships.

The PAMS will assist SIC in its decision making process to reduce the operational estate to a point where we are able to provide services with the right property and the right quality and price. Council officers continue to undertake work on business cases in a range of areas, to which no funding is allocated. There are a number of areas where work is progressing in relation to the necessary business cases required by the approved Council's Gateway Process for the Management of Capital Projects. Areas of the Council where business cases are yet to be fully developed and therefore costs are not known include:

- Knab site redevelopment;
- Transformation Programmes of the Council and community planning partners e.g. NHS
- Shetland Partnership Delivery Plan 2019-2028

The funding for projects in these areas will only be allocated following approval through the Council's Gateway Process and until then these projects do not represent a commitment in the Plan.

### 8.1 Community Property Asset Transfer

The **Asset transfer** element of the **Community Empowerment (Scotland)** Act 2015 will help to empower community organisations through the **transfer** of land and buildings, and by strengthening their voices in the decisions that matter to them. Public sector bodies must publish and maintain a list of **assets** that they own or lease to facilitate this. Asset Transfer must be recognised as an opportunity to help rationalise the SIC estate. However, the PAMS methodology must be used to help assess applications and inform decision-making.

## 9. Effective Property Asset Management – ‘Business as Usual’

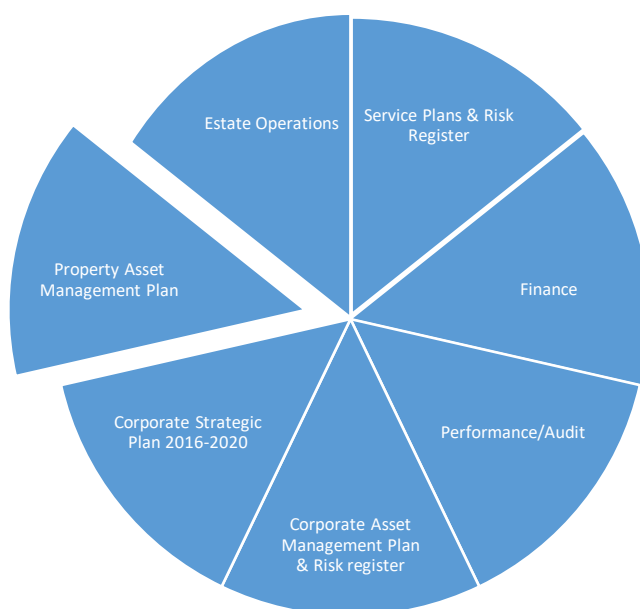
Effective property asset management is vital in addressing a number of key challenges for our property portfolio. First and foremost property assets must be used to maximise benefit to service areas in the most efficient and effective manner. The exception is where property assets are held for financial/investment purposes rather than for service requirements and in this case the focus will be on maximising the financial return.

Strategic asset management of our property assets can be summarised as follows:

- Ensuring properties are managed effectively and demonstrate that they deliver best value.
- Linked with business, corporate and organisational objectives.
- Maintaining and improving the portfolio of properties as required to support the delivery of Council services through a variety of service delivery models, including co-location and joint working with partners and local community partners.
- Compliance with statutory obligations such as the Equalities Act 2010 and health and safety standards.
- Ensuring the property portfolio meets the current and future needs of local communities.
- Ensuring the property portfolio is able to meet and exceed sustainability targets.

The diagram below shows the relationship between this Property Asset Management Plan and the Council's other key strategies, which are in turn linked to the development and implementation of actions arising from this plan. The illustrated relationships form the Business as Usual model (BAU). However, from time to time BAU is challenged and then may allow service redesign etc to be incorporated into an evolving BAU model.

9.1 Figure 3 - BAU relationship model



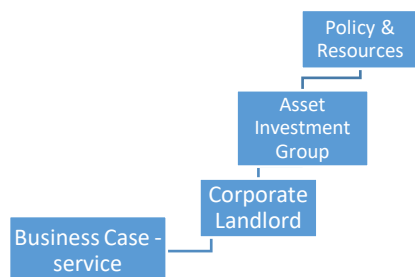


## 10. Defining the Decision Making Process

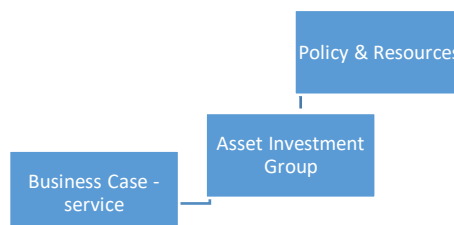
The diagram below shows the property asset management process that encompasses all property related decisions. Corporate management of property assets must consider stakeholders, service areas and the performance of property including its cost and value.

### 10.1 Fig 4- Decision making hierarchy in PAMS

#### 4.1 – Corporate landlord



#### 4.2 – Out with Corporate landlord



The needs of stakeholders will be reflected in the Council's objectives and those of each service area through various service plans. The Council's Property Asset Management Strategy 2019-2024 sets out a simple framework for asset decisions to be made.

## 11. SIC Operational Property Portfolio 2019

Table 3 below, provides a summary view of our principle operational property portfolio as of April 2019. It shows our operational property assets, owned and leased, along with which directorate holds budget responsibility for them. It also holds basic estates information such as gross internal Areas (GIA) and associated costs that have help shaped the information presented in section 12.

### 11.1 Table 3 – Operational Property Asset Summary

Service	Number of Properties
Children's Services	6
Colleges	3
Depots	5
Ferry Operations	28
Infrastructure	4
Offices – distributed across multiple services	16
Vacant Properties (corporate Landlord for disposal)	3
Ports & harbours	9
Primary Schools	28
Public Toilets	10
Secondary Schools	8
Social Work	18
Sport & Leisure	9
Total:	147

Compilation of accurate operational estates data has not been straightforward. Data is currently held within the Technology Forge (TF) database, data is often difficult to access and manipulate in reports capturing multiple information streams. Lessons learnt in producing the 2019-24 PAMS has resulted in the work stream during phase 1 of the PAMS cycle to improve the SIC asset database for record storage and interrogation.

## 11.2 Operational Estate Summary

Operational estates are a vital but proportionally small element of the overall Property Assets across SIC portfolio. A summary of which can be seen in table 4.

Table 4- Total Property Asset Summary

Type of ownership	Quantity of Assets
Owned	458
Lease out	108
Sub leases out	45
Leases in	74
Total	685

## 12. Action and Implementation Plan

### 12.1 Delivering the Strategic Measurable Outcomes in Our Plan 2016-2020.

The Council's approach to property asset management is a key part of delivering services across Shetland. In order to ensure the provision of an effective, efficient and sustainable property portfolio to deliver those services. It is essential that measurable outcomes are agreed implemented and that these outcomes form the basis of the Council's future service planning objectives.

There will be short, medium and long-term phases with the PAMS implementation. The following sections describe the short (phase 1) and medium (phase 2) options for the SIC estates between 2019 and 2024. Long term options post for 2024 will be guided by the principles of the SIC PAMS and other obligations provided for by instruments such as the medium and Long Term financial Plans.

The delivery Action Plan for the period covered by the 2019-24 strategy are split into two phases;

- Phase 1 (2019-21)

A period of intense review and focus on the SIC corporate estate with emphasis on Lerwick. Using the 5 year strategy and the policy statement to guide decision making for Business as Usual activities and discreet projects. This period will also see the full adoption of the Corporate Landlord Model and the roll out of Technology Forge as the Council's complete property database.

- Phase 2 (2021-24)

This phase will be informed by the outcomes from phase 1 and will be detailed in preparation work in the later part of 2020. However, at this stage it is likely that the focus will shift to a whole island/outer island review.

## 12.2 Corporate Asset Management Plan 2019 to 2021

Year	Quarter	Activity	Measurable Outcome
2019/20	Q1	PAMS – to include phase 1 quick win action plan	PAMS presented to and signed off by P&R committee & Council
2019/20 – 2020/21	Q1 – Q4	Phase 1 quick wins implemented	Outcomes delivered
2019/20	Q2	Corporate Landlord promotion	Whole Council promotion of CLM
	Q2-Q4	Tech Forge database populated and adopted as CLM database	Database complete with all CL information such as Leases, plans, reports etc
	Q4	Lerwick Asset Master Planning Completed	Governance approval granted and individual BCs progressed
2020/21	Q1-Q4	Lerwick Master Plan Initiated	Individual BC outcomes work streamed and delivered
	Q3	Asset Management 2021-24	3 year plan to build on lessons from 2 year plan and focus outer island and wider mainland estate
	Q4	Asset Management 2024-29	AMP presented to and signed off by P&R committee & Shetland islands Council

## 13. Phase One recommendations

### 13.1 Knab Services Relocation

The former Anderson High School (Knab Redevelopment Site) continues to house a number of frontline council services,

1. ASN, Gressy Loan Building
2. Psychological and support services - The institute
3. The Bruce Family Centre – The Old Bruce Hostel
4. Educational Support Base – The New Bruce Hostel
5. Drama – The New Bruce Hostel
6. Community Education – Huts adjacent to former music block
7. Environmental Health & Trading Standards – Main School
8. New AHS exam furniture – Garage store adjacent to ASN

These services will require relocation as part of the preliminary enabling works for the redevelopment of the Knab site. This is required to ensure services continue to operate in a safe environment that is 'warm, safe, dry and a pleasure to be in'. Relocation of these services would be required in any event as the premises are not ideal for service delivery and are costly to provide (circa £350k pa). This process also provides an opportunity for service redesign.

To ensure service continuity and site preparedness the relocation of services need to be complete no later than December 31<sup>st</sup> 2019. Below are the suggested options, these have been arrived at via consultation with services and application of the PAMS methodology.

<b>Service</b>	<b>Proposed Location</b>	<b>Anticipated Costs</b>
ASN,	12 Scalloway Road	£350k
Psychological and support services	Montfield Offices	£25k
The Bruce Family Centre – The Old Bruce Hostel	Montfield Offices	£25k
Educational Support Base – The New Bruce Hostel	Montfield Offices	£25k
Drama – The New Bruce Hostel	Dispersed across education estate	Zero
Community Education – Huts adjacent to former music block	Office function – 3nn Ed delivery – Islesburgh CC	Zero
Environmental Health & trading Standards – Main School	66 Commercial road	£50k
New AHS exam furniture – garage store adjacent to ASN	Former HNP (part of a specific storage spend to save initiative)	£50k (children's services component)

### 13.2 SIC Storage

SIC have a requirement for various types of storage. Through a review of storage needs and types together with analysis of current costs incurred by services the Asset & Properties team have concluded that service needs and SIC finances could be better balanced by the provision of a central store. This store would be compartmentalised and allocated to the individual services. The recent acquisition of the former HNP Site, Commercial Road, Lerwick (SLAP) provides an opportunity to deliver certain SIC storage in the right place and the right price and quality within SIC current estate. This would also allow three separate leases to be surrendered.

<b>Service</b>	<b>Anticipated Rev. Cost PA</b>	<b>Anticipated Costs</b>
Leisure and Recreation – grounds maintenance equipment	£14k	£75k
Housing – personnel belongs and furniture	£10k	
Childrens services – exam desks & files prior to digitising	£20k	

### 13.3 Bridges Project

The Bridges project are currently located in two separate locations. Office functions at Pitt lane in Lerwick and vocational training and storage conducted in Weisdale. Both locations are leased from the private sector with a combined cost of £25k pa. Geographical separation combined with travel distances between locations provide a significant challenge to service delivery. However, the recent acquisition of 68 Commercial Road, Lerwick (SLAP) provides an opportunity to deliver the service on one site, in the right place at the right price and quality within SICs current estate. This would allow two separate leases to be surrendered and improve service delivery. The site is also adjacent to 66 Commercial Road, Assets and Property recommend that 66 will be the new location for Environmental

Health Officers (EHO). The Bridges Project and EHO have a shared outcome initiatives that requires close working between both services. The close proximity to each would have direct positive contributions to make towards these outcomes and indirectly save SIC time and financial resources currently used in travelling to Weisdale.

Service	Anticipated Cost Avoidance	Anticipated Costs
Bridges – Weisdale	£9k	£50k
Bridges – Pitt Lane	£16k	

#### 13.4 Montfield

Service redesign has released the Montfield Offices into the SIC estate. Assets & Properties have reviewed the conditions and suitability of the building for potential service delivery options. This includes the children's services components currently housed on the Knab site. The results of these investigations are that Montfield is suitable for service delivery with modest investment to ensure it is 'warm, safe & dry' and able to deliver excellent service in a pleasurable building. It is therefore recommended that the site is identified as the principle location for the provision of Children's Services (ex ASN) currently operating from the Knab site. It is anticipated refurbishment will cost circa £75k.

#### 13.5 Museum Store (Staney Hill)

SIC, as with all local authorities, have a statutory responsibility to provide museum and library services in manner that is in keeping with the local context. SIC provide this obligation via a Service Level Agreement (SLA) with the Shetland Amenity Trust (SAT). As part of the SLA the Council are required to provide an Asset for the controlled storage of artefacts that are not on public display. Since 1998 this provision has been via a leased building at Staney Hill. The build was constructed and leased on a full maintenance and repair agreement until 2023. Asset and Property officers have reviewed the current provision and have explored options for lease purchase or extension. Upon completion of investigations, it is concluded that the store is no longer fit for purpose owing to the need for more space and compliance with changed Health & Safety standards. The building has been independently valued with a view to purchase. The value, £300k, is not believed to represent a good investment for SIC.

It is therefore recommended that the lease is allowed to expire in 2023 and a business case process is established to prepare for its replacement ready for occupation no later than the lease expiration in 2023. There are currently no indicative costs for replacement, however SIC currently spend £133k pa on the lease

#### 13.6 Former Eric Gray

The completion and occupation of the Eric Gray@Seafield has released the former Eric Gray asset into the SIC estate. Assets & Properties have reviewed the conditions and suitability of the building for potential service delivery options. This includes the children's services components currently housed on the Knab site. The results of these investigations are that the Eric Gray is not suitable for service delivery as it requires significant investment to ensure it is 'warm, safe & dry' and able to deliver excellent service in a pleasurable building. It is therefore recommended that the site is demolished and landscaped. The site can then be banked as a strategic land reserve for suitable future SIC needs.

### 13.7 Viewforth

Service redesign has released the Viewforth Care Home into the SIC estate. Assets & Properties have reviewed the conditions and suitability of the building for potential service delivery options, most notably student and/or key work accommodation. The results of these investigations are that Viewforth is not suitable for service delivery or refurbishment as it requires significant investment to ensure it is 'warm, safe & dry' and able to deliver excellent service in a pleasurable building. It is therefore recommended that the site is disposed of on the open market to allow private investment to redevelop the site and generate a capital receipt. SIC led redevelopment or land banking is not recommended owing to the burdens placed on the site. Further consultation is required regarding student/key work accommodation. Should a Business Case be proved the Asset & Properties team recommend the consideration of the Janet Courtney Hostel for accommodation investment (see phase 2 details).

### 13.8 Quendale House

Lease termination has released Quendale House into the SIC estate. Assets & Properties have reviewed the conditions and suitability of the building for potential service delivery options. This includes the children's services components currently housed on the Knab site. The results of these investigations are that Quendale House is not suitable for service delivery as it requires significant investment to ensure it is 'warm, safe & dry' and able to deliver excellent service in a pleasurable building. It is therefore recommended that the site is disposed of on the open market to allow private investment to redevelop the site and generate a capital receipt. SIC led redevelopment or land banking is not recommended owing to the burdens placed on the site, its listed status and location within the Lerwick conservation area.

### 13.9 Library, St Ringans & Old Library Building

The Library service currently occupies the New Library (St Ringans) and the Old Library Site – both at Hill Head, Lerwick. There has been detailed, well documented work already undertaken with a view to refurbish the Old Library at a cost of £1.6 Million. However, this work has proved inconclusive. However any refurbishment of the Old Library and subsequent service move could release St Ringans back into the SIC Estate. Assets and Property have reviewed options for this building with the relocation of the Bruce Family Centre or the Council Debating Chamber being the most likely options along with disposal.

Serious consideration must also be made for further options of the SIC approach to the old library building. These being Disposal or Demolition and Replacement/Land Bank. All options will need be explored fully within a Business Case process driven by Asset and Property during 2019.

Any funding will need to be secured from appropriate sources using due process.

## 14. Phase Two recommendations

### 14.1 Hayfield House, and Knab Listed Buildings

The current headquarters for Children's Services are located at Hayfield House. Light touch reviews of suitability and compliance lead Asset and Property Officers to conclude that Hayfield House will require significant investment to continue to maintain a 'warm safe and dry' condition. The building has considerable constraints in the ability to deliver excellent service form a pleasurable building now and in the future. However, the site holds significant development potential and market value. It is therefore recommended that detailed investigations are undertaken during phase 1 of the PAMS with the possible outcome that the site is disposed of on the open market to allow private investment to redevelop the site and generate a capital receipt.

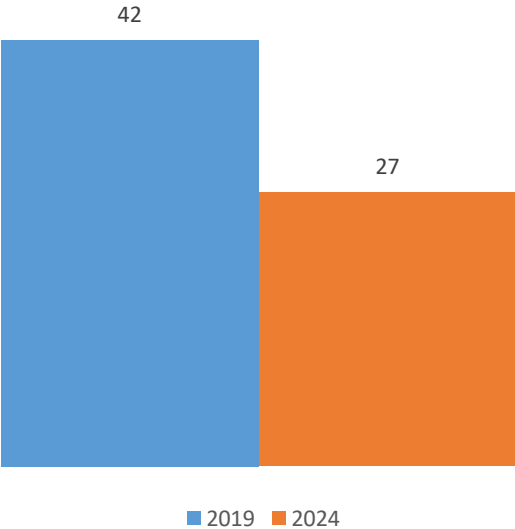
PAMS proposes that a more detailed investigation into the potential for parts of the listed buildings remaining at the Knab to be redeveloped for mixed use by Children’s Services, in particular the Old Bruce Hostel.

The institute will also be considered for service delivery and options will be generated via business case in due process. It is further anticipated that the Janet Courtney could provide a basis for Key Worker and/or Student Accommodation. All three listed buildings will require maintenance investment to ensure they remain ‘warm, safe and dry’, although vacant, during the phase 1 review and phase 2 implementation.

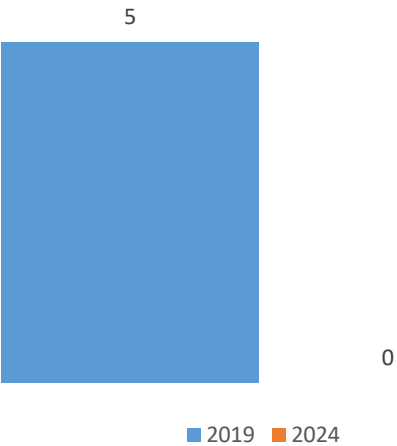
15. Action Plan Outcomes 2019 – 2024

Our actions plans have made a number of recommendations for phase 1 activities and assumptions for phase 2. The following graphs give a flavour of how the SIC Lerwick estate may look at 2024 if these recommendations are fully implemented.

15.1 SIC Owned - Lerwick area only



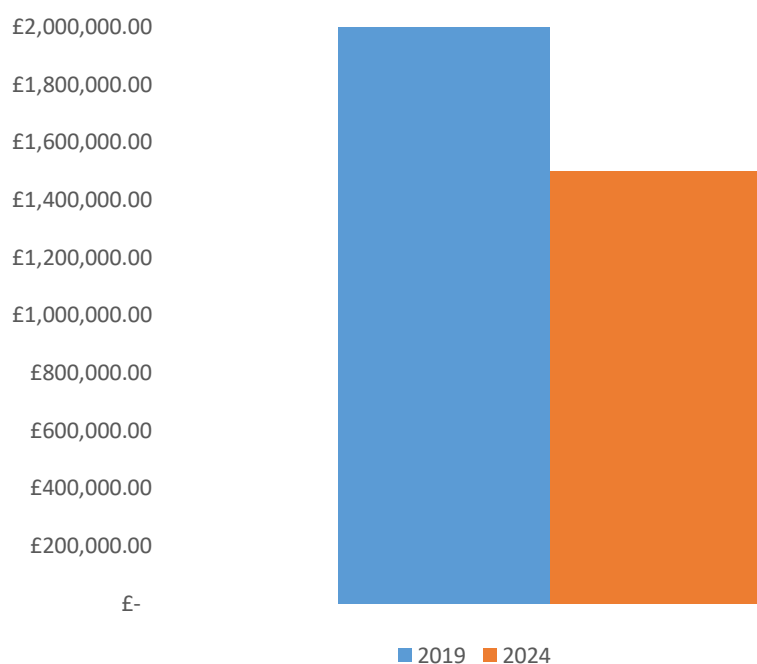
15.2 SIC Leased In - Lerwick area only



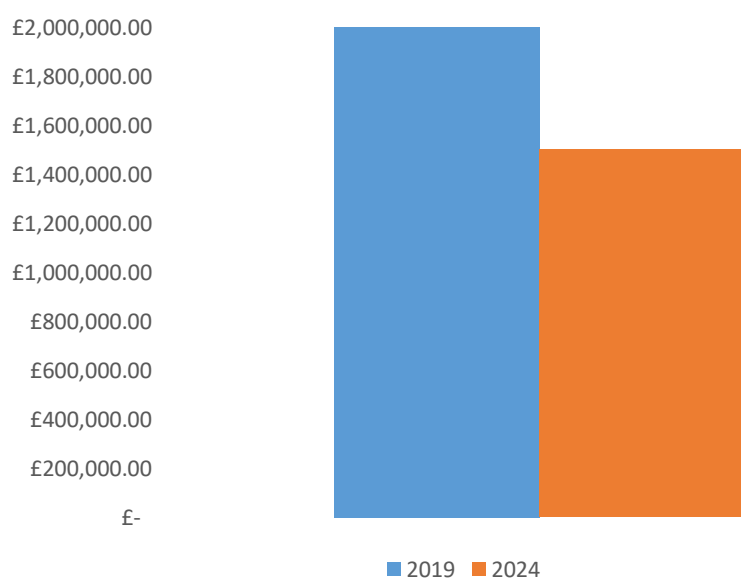
SIC leased in estates reduced by five properties to zero by 2024, to achieve this the following leases will be surrendered or expired;

- Arlanda Buildings
- Housing store
- Bridges project x2
- Museum Store

### 15.3 SIC Property Revenue Cost – post rationalisation (*indicative costs only*)



### 15.4 SIC Property Capital Cost – Backlog Maintenance (based on rationalisation and all properties being bought to B grade)





## 16. Operational Property

Operational property is defined as property (land or building, or part of a building, or both) used in the production or supply of goods or services or for administrative purposes. That is, property from which the Council delivers a service directly or uses in the delivery of a service in the event that the service is delivered at another location. For instance, schools, care homes and the 8 North Ness council offices are examples of operational property. Depots and workshops used by the Council to support roads maintenance and waste collection services are also operational even though services are not delivered directly to the public at these locations.

The Council has circa 145 operational assets, with a gross internal floor area of 152,000 m<sup>2</sup>. The condition of these operational property assets can enhance or adversely impact on the quality and range of services delivered.

A proportion of operational assets remain leased in from the private sector and these include office accommodation, and industrial/storage units.

Operational property is a significant requirement for the Council as we require a wide variety of types and sizes of property, some multipurpose and some specialised, for the delivery of services. Some operational property has to be located at specific places within our community, schools for example, whereas the location of other operational property assets is much more flexible and will have little or no impact on service delivery. Some operational property is required in order for the Council to deliver statutory services and other operational property supports discretionary services.

A substantial Repairs and Maintenance revenue budget amounting to circa £2.3m pa is applied to the assets covered by this strategy. An additional £1m is applied annually to capital maintenance. The SIC Gateway Process also enables further discreet capital financing for SIC to progress Capital Projects for example to improve the customer experience, to provide a safe and comfortable working environment for staff and implement changing service delivery requirements. These changes may arise through service improvement or legislation.

## 17. Risk Management

There are a number of factors that may influence the Council's ability to deliver the full range of outcomes set out in this plan. However close working with community partners, services, senior management and elected members will ensure full visibility of the issues and risks arising throughout the life of this plan. Thereby enabling these to be managed to enable delivery of the stated objectives as planned.

To ensure successful property asset management planning and implementation we will engage with all property users, from the public to service delivery management teams and to frontline staff to ensure that the full range of property related issues and concerns are identified and to share information about decisions and anticipated outcomes and implications. We will ensure there is an effective dialogue on asset management issues across the Council and our community partners.

## 18. Key stakeholders

The Council's assets and the strategy and policies that govern their use are not separate, standalone entities. This document and the success or failure of its application are shaped, influenced and delivered by the Vision and Goals drawn from all stakeholders in our service including those of our users. However, the key stakeholders can be viewed as;

Governance

- SIC elected members
- Devolved Scottish Government (Holyrood)
- Central Government (Westminster)
- European Union

#### The Shetland Island Community Plans

- Community Plan
- Shetlands Island Partnership Plan
- Local Area Plans
- Local Development Plans
- Local Development Strategy for Shetland 2014-20
- BREXIT Planning

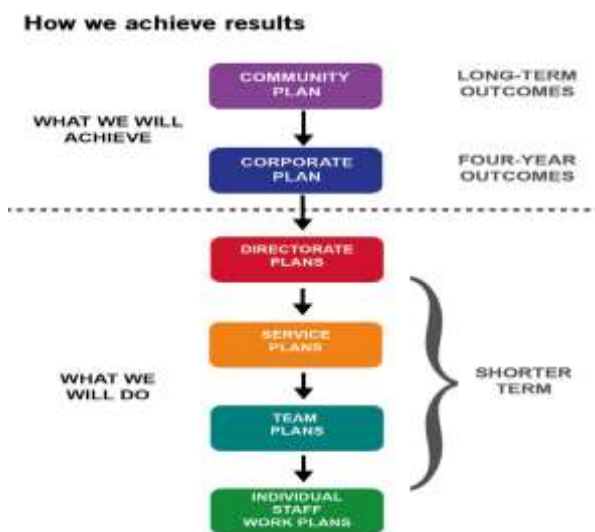
#### SIC Corporate Governance

- Corporate Plan
- Directorates Plans;
  - Children's Services
  - Community Health & Social Care Services
  - Development Services
  - Infrastructure Services
  - Corporate & Executive Services
- Service Plans
- Team Plans
- Individual Staff Work Plans

We all, therefore, have a role to ensure the Asset Management Strategy is fit for purpose and reflects the needs of the provider and user in providing best value for our services and the people of Shetland.

However, to ensure a coordinated and coherent approach is achieved an Asset Manager is tasked with taking ownership of strategy formation and implementation. In SIC the coordination role is fulfilled by officers of the Asset & Properties team within the ASP service. It is their mandate to manage the Council's property portfolio effectively. The Corporate Property Asset Strategy sits at the interface of corporate and directorate plans, as illustrated in Fig 4 below;

18.1 Figure 4. PAMS integration with wider SIC Plans





<b>Meeting(s):</b>	<b>Shetland Islands Council</b>	<b>11 June 2019</b>
<b>Report Title:</b>	<b>Lerwick Library Refurbishment – Project Update</b>	
<b>Reference Number:</b>	<b>ACP-03-19-F</b>	
<b>Author/ Job Title:</b>	<b>Robert Sinclair, Executive Manager – Assets, Commissioning and Procurement</b>	

### 1.0 Decisions / Action required:

That the Council RESOLVES to;

- 1.1.1 APPROVE that the Lerwick Library Refurbishment project proceeds in line with the decision made by the Council on 4 November 2015 and as described in the updated Business Justification Case attached as Appendix B to this report;
- 1.1.2 APPROVE additional funding of £722,221;
- 1.1.3 APPROVE that the St Rangan's building be re-purposed as the council chamber; and
- 1.1.4 NOTE that detailed proposals will be prepared for the re-purposing of the current Learning Centre building as Members' offices.

### 2.0 High Level Summary:

- 2.1 At its meeting on 4 November 2015, the Council approved a project to refurbish the Old Library building in Lerwick and to consolidate library operations into one building (Min Ref: 62/15). The proposal was also presented to Education and Families Committee for comments on 23 November 2015 (Min Ref: 40/15).
- 2.2 The estimated cost of the project at that time was £900k and the works were planned to be carried out between 2016 and 2018.
- 2.3 The project has been significantly delayed due to the decant of staff from 8 North Ness into the Old Library and into the Council's offices at Montfield.
- 2.4 This report provides an update on the status of the project, an updated business case in line with the Council's Gateway Process for the Management of Capital Projects and a revised programme for approval by the Council.

### 3.0 Corporate Priorities and Joint Working:

- 3.1 'Our Plan 2016 to 2020' states that "Excellent financial-management arrangements will make sure we are continuing to keep to a balanced and sustainable budget, and are living within our means" and that "We will have prioritised spending on building and maintaining assets and be clear on the whole-of-life costs of those activities, to make sure funding is being targeted in the best way to help achieve the outcomes set out in this plan and the community plan".

#### **4.0 Key Issues:**

- 4.1 The Council's Library Service provides services throughout Shetland with support for libraries in schools and the mobile library services managed from the premises occupied by the service in Lerwick. In 2002, the Lerwick Public Library moved to the refurbished St Ringan's church building and Learning Centre immediately adjacent. However, the basement and part of the ground floor of the Old Library building continues to be used by this service due to lack of workroom and storage space in the St Ringan's building. The first floor has been largely unused since the new Museum and Archives opened in 2007.
- 4.2 Despite the fact that the building has continued to be used since it was built, maintenance of much of the building has been at minimal levels since the museum moved to its current location. The core concrete structure is sound; however, the curtain walling system in particular is in poor condition. Steel elements within this system are expanding due to corrosion, applying pressure to the glazing, which is then cracking resulting in safety issues. There is also water ingress due to the condition of the roof.
- 4.3 As the condition of the building deteriorates, there is an increasing need for intervention. The building occupies a prominent site and remains in use.
- 4.4 Following consideration of a report recommending that the Old Library building be refurbished and that both floors, plus the basement, be brought into use as a library, the Council approved the proposals on 4 November 2015. The project was subsequently incorporated into the Council's Asset Investment Plan on 10 February 2016 (Min Ref: 02/16).
- 4.5 The intention at that time was that upon completion of the refurbishment, the adjacent St Ringan's building and Learning Centre buildings would then be vacated by the Library service. The Council's office building at Montfield was to be used as decant for the staff and resources currently located in the Old Library building while the refurbishment took place.
- 4.6 Design work began in April 2016 and was well advanced by the time that 8 North Ness was evacuated in September 2016. Capital Programme Service occupied the top floor of the Old Library as decant accommodation, meaning that the programme was interrupted, although it meant that final detailing and producing the Bill of Quantities and tender documentation could continue on site.
- 4.7 The Capital Programme Service vacated the Old Library and re-occupied 8 North Ness in March 2018.
- 4.8 Design work is now complete, Planning consent and the building warrant are in place and tender documents are ready to issue.
- 4.9 As part of this work the cost plan has been updated. The required budget to carry out the works as approved on 4 November 2015 is now ££1.622m. This increase is due to increases in construction costs (particularly for mechanical and electrical services) since the original budget was set and an underestimation of fees and recharges. This is summarised in the table below.

<b>Cost Element</b>	<b>Budget Nov 2015</b>	<b>Budget June 2019</b>
Planning Application	£900,000	£4,518
Building Warrant		£401
Works		£1,250,000
External fees		£29,000
Decant costs		£16,000
Internal fees to date		£190,848
Internal fees anticipated		£131,454
<b>Total</b>	<b>£900,000</b>	<b>£1,622,221</b>

- 4.10 There has already been expenditure of £195k on the project leaving £704k for the works.
- 4.11 As referred to at 4.8 above, the project is now ready to proceed subject to additional funding being agreed. The significant projected cost increase has prompted a review of the business case underpinning the project.
- 4.12 These issues have already been reported to Members, firstly to Education and Families Committee on 4 October 2018 (Min Ref: 33/18) and then to Policy and Resources Committee on 8 October 2018 (Min Ref: 86/18). Members agreed to defer a decision pending the presentation of a refocussed report to the next meeting of the Committee which would take account of the service needs overall of the library service and how the refurbishment fitted into the wider context of the Council's Asset Strategy and the knock-on effects on other Council users and services.
- 4.13 The revised Business Justification Case (BJC) is attached as Appendix B to this report. As the Knab masterplan has developed, and work on a revised Asset Strategy has begun, the business case has changed significantly. The business case that informed the Council's decision on 4 November 2015 was based on the need to find alternative accommodation for the Bruce Family Centre (currently operating from the old Bruce Hostel). The only alternative identified at that time was the St Ringan's building. Alternatives are now being explored for those services and St Ringan's is no longer the preferred option.
- 4.14 With regard to the condition of the library building itself, if it is to be retained it is essential that a significant capital project is now initiated in order to address the continuing deterioration in its condition and the backlog of maintenance and repairs that are required.
- 4.15 The old Library currently houses staff that are not part of the Library Service. There are plans to move these staff to other buildings, leaving only ten Library Service staff. These library staff will have to be decanted and alternative arrangements have been agreed with library management. Alternative arrangements will have to be made for the public events that take place in the building. A revised programme is attached as Appendix A to this report.
- 4.16 Members have raised concerns for some time regarding the current Council Chamber in the Town Hall. Conditions are cramped, particularly when a high number of officers are present. When members of the public are expected in any quantity, they cannot be accommodated other than by video link or by holding the meeting in the Main Hall upstairs. This introduces its own issues, not least in terms of acoustics.

4.17	Issues have also been raised at the lack of office and meeting space for Members.	
4.18	By moving the Council's chamber to St Ringan's, and making the current Learning Centre available to Members, these issues would be largely resolved.	
4.19	To achieve that, minimal works would be required to St Ringan's. The Learning Centre would require re-modelling to provide a number of smaller spaces, to provide the best working environment for Members. Feasibility work would be required to develop this element of the project in sufficient detail to derive a cost plan.	
4.20	It is recommended that Members agree that additional funding be allocated to the project as described in section 6.5 below to allow the project to proceed as described above and in line with the Council decision on 4 November 2015.	
<b>5.0</b>	<b>Exempt and/or confidential information:</b>	
5.1	None.	
<b>6.0</b>	<b>Implications:</b>	
<b>6.1 Service Users, Patients and Communities:</b>	Upon completion, the proposals described in the appendices to this report will enhance the quality and condition of the assets used by the Council.	
<b>6.2 Human Resources and Organisational Development:</b>	No implications arising directly from this report.	
<b>6.3 Equality, Diversity and Human Rights:</b>	No implications arising directly from this report.	
<b>6.4 Legal:</b>	Governance and Law provide advice and assistance on the full range of Council services, duties and functions including those included in this report. There are no legal issues arising from this report.	
<b>6.5 Finance:</b>	<p>The capital cost and ongoing revenue implications of the proposal included in this report are:</p> <p><b>Capital</b></p> <p>The total predicted cost of the project as described in Appendix B is now estimated at £1,622,221. The currently approved budget is £900k . Spend to date, mostly on fees and recharges totals £195k, leaving £704k required to complete the project.</p> <p>Should Members decide to proceed in line with the recommendations set out in this report, additional funding of £722,221 will be required. This additional cost is already provisionally included in the Council's 5-Year Asset Investment Plan for 2019-24.</p>	

	<p><b>Revenue</b></p> <p>The revenue cost of the maintenance required once the building is back in full use would need to be factored into future building maintenance budgets within the overall maintenance budget allocation approved by the Council. Currently the maintenance budget is £20k per annum.</p> <p>The increased revenue maintenance cost would be partly offset by a reduction in energy costs for the more energy efficient curtain walling and roofing being proposed. The current average annual energy costs for the building is approximately £12k. A 40% saving on that figure is considered achievable, yielding an annual reduction of approximately £5k.</p>	
<b>6.6 Assets and Property:</b>	On completion, the proposals described in the appendices to this report will enhance the quality of the Council's existing asset base and improve the efficiency and cost of operation in line with the Council's objectives in the Corporate Plan.	
<b>6.7 ICT and new technologies:</b>	No implications arising directly from this report.	
<b>6.8 Environmental:</b>	All maintenance and new-build projects seek to address climate change and carbon management for example by embedding energy saving measures and environmentally friendly materials in their design. The project described in the appendix to this report contributes directly to that objective.	
<b>6.9 Risk Management:</b>	<p>Failure to include these business case proposals in the AIP may result in unnecessary additional expenditure in the future as the condition of the old library building will continue to deteriorate and ultimately make the building unfit for even its current use by the library service.</p> <p>Alternative accommodation will be required for the staff currently accommodated in the old library building. This is currently in hand, but any delay in providing this alternative accommodation could delay works to the library.</p>	
<b>6.10 Policy and Delegated Authority:</b>	<p>Approval of the financial strategy and budget framework is a matter reserved for the Council having taken advice from Policy and Resources Committee.</p> <p>Whilst this report would normally be referred to the Policy and Resources Committee, it was agreed, in consultation between the Chief Executive, Leader and Convener, to submit the report directly to Council for a decision, in order to maximise the time available for all Councillors to consider the terms of the report.</p>	
<b>6.11 Previously considered by:</b>	Policy and Resources Committee Education and Families Committee Shetland Islands Council Education and Families Committee	26 October 2015 23 November 2015 2 December 2015 4 October 2018

**Contact Details:**

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4 June 2019

**Appendices:**

Appendix A – Lerwick Library Refurbishment – Updated Programme

Appendix B – Business Justification Case – Lerwick Library Refurbishment

**Background Documents:** None

END



Old Library Centre - Draft Programme

ACP-03-19 - Appendix A Rev C 31.05.19

Old Library Centre			2019										2020							
Ref	Task	Duration	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug		
1.0	Tender Documents	8wks																		
1.1	Expressions of interest	2wks																		
1.2	Tender Period	4wks																		
1.3	Tender Check + Award	1wk																		
1.4	Lead in	15wks																		
1.5	Construction Period	24wks																		
1.6																				
1.7																				
1.8																				



# BUSINESS JUSTIFICATION CASE

## LERWICK LIBRARY REFURBISHMENT

Version No: 0.3

Issue date

Crown Copyright

1

Version No:

Date: 2013

Author:

**VERSION HISTORY**

<b>Version</b>	<b>Date Issued</b>	<b>Brief Summary of Change</b>	<b>Owner's Name</b>
Draft	4/10/18	First draft version	Robert Sinclair
Draft	11/6/19	Second Draft version	Robert Sinclair/ Karen Fraser

Crown Copyright

**2**

Version No:

Date: 2013

Author:

## **CONTENTS – BUSINESS JUSTIFICATION CASE**

### **LERWICK LIBRARY REFURBISHMENT**

1. Purpose
2. Strategic context
3. Case for change
4. Available options
5. Preferred option
6. Procurement route
7. Funding and affordability
8. Management arrangements

## **BUSINESS JUSTIFICATION CASE – LERWICK LIBRARY REFURBISHMENT**

### **1. Purpose**

This Business Justification Case (BJC) is to seek approval for an increase of £722,221 to the currently approved budget of £900k to allow the Old Library building to be refurbished and for both floors, plus the basement, be brought into use as a library

### **2. Strategic Context**

This project is not specifically referred to in 'Our Plan 2016 to 2020', however it contributes to the following objectives:

"We will have prioritised spending on building and maintaining assets and be clear on the whole-of-life costs of those activities, to make sure funding is being targeted in the best way to help achieve the outcomes set out in this plan and the community plan."

"We will have reduced the effect we have on the local environment, particularly reducing carbon emissions from our work and buildings."

### **3. Case for Change**

#### **A. Business needs**

The Library Building at Hillhead in Lerwick was built in the mid 1960s. The basement and ground floor housed the library and the first floor housed the museum. By the 1990s, the library had outgrown its space within the building and had occupied 64 St Olaf Street as well. This was used as offices and workrooms.

In 2002, the library officially moved to the refurbished St Ringans church building and Learning Centre immediately adjacent. In practice, 64 St Olaf Street continued to be used by the service due to lack of space for workrooms and stock in the St Ringans building. Those functions subsequently moved from 64 St Olaf Street to the old library building, a situation that continues to the present day. The first floor has been largely unused since the new Museum and Archives opened in 2007.

There have been longstanding misgivings as to the ability of the St Ringans building to provide adequate library facilities. At a meeting in 2006, Members "were in

general agreement that the existing library was inadequate for its current use” (Min Ref: 120/06).

This resulted in a feasibility study into Central Library provision in Shetland being undertaken. This was completed in 2009 and included options for the refurbishment of the original Library building, some incorporating extensions to it, with the most expensive option running to over £2.6m. The reductions in the Council’s capital programme at that time prevented the project moving forward.

Since that time, there have been further developments in library usage including expanded early literacy and family programmes, more ICT services and digital assistance and increased pressure on study and social space. The number of library visits per annum has remained healthy and people use the main library in more and different ways. A greater proportion of staff time is now directed to customer service and activities such as Bookbug, which makes it particularly important that support functions operate as efficiently as possible. Customer feedback (for example from the annual survey and Old Library project consultation in 2016) consistently indicates ongoing demand for study space, children’s space and better access to book stock. Management of book reserves is time consuming due to overcrowded storage across three separate areas. Currently there are around 51,000 items in reserve stock and only 30,000 on public display in the main library at any particular time.

Despite the fact that the building has continued to be used since it was built, uncertainty as to its future use has meant that maintenance has been at minimal levels for some time. The core concrete structure is sound however the curtain walling system in particular is in poor condition. Steel elements within this system are expanding due to corrosion, applying pressure to the glazing, which is then cracking resulting in safety issues. There is also water ingress due to the condition of the roof.

As the condition of the building deteriorates, there is an increasing need for intervention. The building occupies a prominent site and remains in use. Clarity is required as to its future.

The Council’s Asset Strategy continues to be one of rationalisation; however the old Library Building continues to be needed to provide the current model of library provision and cannot be left to deteriorate indefinitely.

## **B. Benefits**

Section 4 below sets out the options available to the Council moving forward. The preferred option involves investment in maintaining this asset. This can be

shown to contribute positively to the Council's objective, stated in "Our Plan 2016-20", to prioritise spending on building and maintaining assets.

The need to carry out major works to this building is arguably not optional. The building has now deteriorated to the point where it requires constant monitoring by the Building Manager to remain safe to occupy. Corroded steel is falling from the curtain walling and fire escape, the first floor glazing cannot be opened due to the risk of glass dropping from the frames and there is water ingress through the roof.

The only other solution would be demolition, but as this BJC will explain, that is not practical as the building continues to be occupied and it remains the best option for continued service delivery.

## **C. Risks**

As with any construction project, there is always a degree of cost risk, however the works being proposed in this report are not complex and there is none of the uncertainty that comes from unknown site conditions as would be the case with new-build.

Allowing the Old Library building to continue to deteriorate risks reputational damage to the Council.

## **4. Available Options**

### **4.1. Do Nothing**

Pros

- Minimal short-term expenditure – average annual maintenance spend over the last 4 years has been approximately £11k

Cons

- Building condition poses safety concerns
- Under-utilisation of prime site due to vacant space on first floor
  - Ongoing inefficiency in library operations



- Planned customer service improvements not achievable

#### **4.2. Seek to Sell the Property**

##### Pros

- Potential capital receipt
- No further liabilities

##### Cons

- Alternative accommodation required for Library Service if current service level to be maintained
- Limited market for specialist buildings tends to be reflected in sale price

#### **4.3. Lease Building to Others**

##### Pros

- Ongoing revenue income to Council
- Retained ownership for future use

##### Cons

- Ongoing requirement for Library in the town centre
- Reduced initial rental income or high initial upfront expenditure due to the building condition
- Alternative accommodation required for Library Service if current service level to be maintained

#### **4.4. Demolish the Property and Disposal**

##### Pros

- Potential Capital Receipt
- Cleared site may prove more attractive on the market than with building present
- Prime site for redevelopment
- No further liabilities

Cons

- Demolition likely to involve significant expense – estimated at £200K
- Alternative accommodation required for Library Service if current service level to be maintained

**4.5. Demolish the property and Retain Site**

Pros

- Minimal further liabilities

Cons

- Demolition likely to involve significant expense – estimated at £200K
- Alternative accommodation required for Library Service if current service level to be maintained

**4.6. Refurbish and Re-purpose the Property (Recommended Option)**

Pros

- Could bring Library Service under one roof with resultant management and operational benefits
  - Would contribute to meeting service objectives by improving accessibility, services to children and learning spaces
  - Would ease overcrowding of current premises, particularly junior areas
  - Would improve working conditions for staff
  - Would provide flexible premises adaptable for future needs

- Approximately 20,000 additional books could be displayed in public areas, so improving customer access
- Purpose built book reserve in St Ringans basement could still be utilised
- Could release St Ringans (excluding the basement) and Learning Centre building for other purposes
- Could provide accommodation for other Council Services

Cons

- Cost of refurbishment estimated at £1.622m

**4.7. Refurbish the external fabric of the building only**

Pros

- Addresses urgent building condition and safety issues

Cons

- Cost of refurbishment estimated at £900k
- Does not bring Library Service under one roof with resultant management and operational benefits
  - Ongoing inefficiency in library operations
  - Planned library service improvements not achievable
- Does not release St Ringans and Learning Centre building for other purposes
- Does not provide useable accommodation for other Council services

**5. Preferred Option**

The preferred option is to refurbish and re-purpose the property. This is on the basis that:

- 5.1 The condition of the building must be stabilised and safety concerns must be addressed quickly.

- 5.2 The old library building continues to be occupied by the Library Service. If the current level of service is to continue, there are no suitable alternative premises available for staff.
- 5.3 The St Ringans building (excluding the basement) and the Learning Centre would be available for alternative Council uses.

## **6. Procurement Route**

The project would be procured in compliance with the Council's Contract Standing Orders.

The works are already fully designed and would be advertised locally and tendered on the basis of price only.

## **7. Funding and Affordability**

External funding for renovation of this building has been thoroughly explored in the past. Most recently, a bid was submitted to LEADER. Funding was awarded for feasibility work associated with creating an industry led textile hub, in the old Museum. Only £3,119 was claimed (spent on adverts in Shetland Times and architects fees) before the industry realised that other options would be more cost effective and sustainable in the longer term.

Budget of £900k has already been approved in the Council's Asset Investment Plan. This was for a package of work in line with the option described at 4.6 above. The estimated cost of these works is now £1,622,221, meaning that in approving the preferred option, the Council will have to make additional funding of £722,221 available. This additional budget is provisionally included in the Council's 5-year Asset Investment Plan 2019 - 24.

This preferred option is in line with the Council's Capital Expenditure Policy in the Medium Term Financial Plan in that the proposed option is to maintain an existing asset rather than to increase our estate.

At present, only minimal, statutory maintenance is being carried out on this property, which is reflected in the circa £11k of annual maintenance spend. By investing capital in the building, it would be irresponsible not to protect that investment

by putting in place an appropriate maintenance budget. A figure of £20k Per annum is considered appropriate.

The increased revenue maintenance cost would be partly offset by a reduction in energy costs for the more energy efficient curtain walling and roofing being proposed. The current average annual energy costs for the building is approximately £12k. A 40% saving on that figure is considered achievable, yielding an annual reduction of approximately £5k.

This would result in an overall increased revenue requirement of £4k per year which will be funded from within existing maintenance budgets.

## 8. Management Arrangements

The works have already been designed by the Council's Assets, Commissioning and Procurement Service and it is proposed that they provide the necessary procurement, project management and supervisory services to take the project to completion.

The proposed option will require decant from the building. The Council's Assets and Properties team have agreed alternative accommodation with library management. Alternative arrangements will have to be made for the public events that take place in the building.

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<b>Meeting(s):</b>	<b>Special Development Committee Special Shetland Islands Council</b>	<b>11 June 2019 11 June 2019</b>
<b>Report Title:</b>	<b>Local Development Plan Supplementary Guidance – Knab Masterplan</b>	
<b>Reference Number:</b>	<b>DV-15-19-F</b>	
<b>Author / Job Title:</b>	<b>Team Leader Development Plans and Heritage</b>	

### 1.0 Decisions / Action Required:

- 1.1 That the Development Committee RECOMMEND to the Council that it resolve to adopt the Supplementary Guidance – Knab Masterplan as supplementary guidance to the Local Development Plan ( LDP).

### 2.0 High Level Summary:

- 2.1 The purpose of this report is to provide a brief summary of the supplementary guidance (SG) Knab Masterplan. If adopted by Council the document will provide policy context and guidance for future development on the Knab Site. It will form a material consideration in any subsequent Planning Applications submitted on this site.
- 2.2 The Knab Masterplan Site is included in the Adopted Shetland Local Development Plan 2014 as a site with development potential. It forms part of Site ref. LK015. The proposed use identified is mixed use.
- 2.3 Preparatory work started on a Development Brief in 2014 with the Knab Visioning exercise, a series of 2 workshops facilitated by Architecture & Design Scotland. The resulting Development Brief was adopted by the Council in November 2016, after a 6 week public consultation exercise. It now forms Non Statutory SG to the LDP.
- 2.4 The Council agreed to proceed with the procurement of a Masterplan in June 2016. A Masterplanning team led by 7N Architects were appointed in 2017 to develop a Masterplan and work to deliver The Knab Masterplan has been underway since.
- 2.5 Community and stakeholder engagement was undertaken throughout the masterplan development process. Three public engagement events were held between November 2017 and May 2018 with draft proposals being presented to the public in March 2019.
- 2.6 The Planning Service has worked closely with the Masterplanning team throughout the process and has benefitted from the support of Architecture and Design Scotland who facilitated a Design Forum process which ran parallel to the Masterplan development process.

<b>3.0</b>	<b>Corporate Priorities and Joint Working:</b>
3.1	The LDP is the strategic tool for the Council's spatial development priorities and underpins sustainable development. In conjunction with other Council policies it also contributes to the spatial aims of the Shetland's Partnership Plan and the Corporate Plan.
3.2	In providing additional policy context and guidance SG supports a high standard of governance by ensuring the Council operates effectively and decisions are evidence based and supported by effective assessments of options and potential effects
<b>4.0</b>	<b>Key Issues:</b>
4.1	The draft Knab Masterplan has been subject to a public and stakeholder consultation running from 8 March to 3 May 2019. Seventeen responses were received. Appendix 1 summarises those representations, and the modifications sought. It includes a summary of recommended responses (including reasons) by the Planning Authority and the conclusions and / or actions in respect of changes to the SG.
4.2	The Planning Authority has not recommended any significant changes at this time. A number of issues relating to detailed design aspects of the development have been highlighted in the responses and the Planning Authority acknowledges these and requests that, as is appropriate, they be resolved at the detailed planning application stage by the applicant.
4.3	SNH have responded positively on the Masterplan but have highlighted a few areas where they would seek some more detail included in the plan. These are in relation to planting schemes and species types, colours proposed for road surface materials and greater promotion of the existing path networks in the vicinity of the site in order to promote active travel and health and well-being related opportunities. The Planning Authority is in agreement with these suggested amendments and has liaised with 7N Architects to amend the Masterplan to better reflect their request in the amended Masterplan.
4.4	Representations were received requesting the consideration of the Knab for allotments and a number of sporting uses. Council officers are already working with sports groups that have expressed interest in the Knab site. Some sports use may be possible and play facilities are referred to in the Masterplan. In other cases the Council is assisting groups to develop business cases and funding models. The Council is willing to look at supporting sports groups in terms of providing sites, but the Knab is not being considered for that purpose. Measures to develop growing areas are currently being considered by the Council in a number of ways, including allotments. This work is ongoing and Lerwick Community allotments will be consulted and involved as appropriate. However, the Knab site is not considered appropriate.
4.5	The Content of the Final Draft Masterplan is available as a background document to this report.
<b>5.0</b>	<b>Exempt and/or Confidential Information:</b>
5.1	None



<b>6.0 Implications :</b>		
<b>6.1 Service Users, Patients and Communities:</b>	<p>Versions of the document now presented have been subject to public consultation.</p> <p>Furthers certainty amongst service users when bringing development proposals forward.</p>	
<b>6.2 Human Resources and Organisational Development:</b>	All workload relating to supporting the Masterplan making process will be met within the resources of the existing Development Plans and Heritage team.	
<b>6.3 Equality, Diversity and Human Rights:</b>	None.	
<b>6.4 Legal:</b>	None arising directly from this paper. However, the Committee is in particular reminded to have cognisance of the fourth Gunning principle of effective consultations: namely, that the Committee is satisfied that, as a matter of fact, the consultation responses have been conscientiously taken into account as part of the overall finalisation and adoption of The Knab – Masterplan Supplementary Guidance.	
<b>6.5 Finance:</b>	There are no direct financial implications arising from this report.	
<b>6.6 Assets and Property:</b>	No direct implications arising from this report.	
<b>6.7 ICT and New Technologies:</b>	None.	
<b>6.8 Environmental:</b>	Supports sustainable development of the proposed development site such that environmental effects are managed and/ or mitigated including those associated with climate change and carbon management.	
<b>6.9 Risk Management:</b>	Council policy documents underpin good decision making and are integral to good governance. A lack of such policy documents clearly undermines this and would be ineffective in supporting sustainable development and could increase costs and time to both applicants and the Council when preparing and determining planning applications	
<b>6.10 Policy and Delegated Authority:</b>	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. However determining matters of Policy is reserved to the Council.	
<b>6.11 Previously Considered by:</b>	None.	

**Contact Details:**

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4 June 2019

**Appendices:**

Appendix 1 – The Knab Masterplan Supplementary Guidance Consultation Responses

**Background Documents:**

<https://www.shetland.gov.uk/Knab-Masterplan.asp>

REF	Respondent & Date	Summary of Representations	Modification sought by those submitting representations	Summary of responses (including reasons) by Planning Authority	Conclusion / Action
01	A Archer 11/03/2019	I found the design of the buildings very depressing. The uniformity of shape and layout reminded me of the pictures of Soviet era mining towns. Surely there could be more variety within the buildings. The artist's impression of the people walking through the central spine just looks really dismal. I am sure that something more attractive and uplifting is possible, whilst still keeping the ideas about the layout etc.	Further consideration of building design.	Comments noted. The building design at this stage is indicative, while the Masterplan contains design guidance to provide a clear framework for design quality for the buildings and the public realm the specific details of the buildings will only be decided on during the detailed design phase of the development. There will be further opportunity for community engagement / comment at the detailed design stage through the Planning Application process.	Pass on comment to the implementation team to consider at detailed design stage.
02	D Ristori Lerwick CC 17/03/2019	FOR THE HOUSING SCHEME PROPOSAL OVER THE YEARS THE LERWICK COMMUNITY COUNCIL HAS BEEN ASKED TO PROVIDE OR APPROVE SUITABLE NEW ADDRESSES. IT HAS ALSO BEEN USEFULL OF HJALT LAND HOUSING OVER THE YEARS TO LOOK FOR NAMES THAT HAVE A LINK TO AREA & NOT MADE UP WITH UNSUITABLE NAMES. SINCE THE HOUSING PLAN IS LOCATED BETWEEN THE BELLEVUE TO GRESSAY LOAN AREA A CONTINUATION OF BELLEVUE AS A SUITABLE ADDRESS COULD BE A SENSIBLE CHOICE FOR THE	No modifications sought to Masterplan. Request to consider the suggested street	Comments noted. Street naming will be dealt with by the implementation team at the appropriate time	Pass on comment to the implementation team to consider at detailed design stage.

		<p>REASON THAT ONLY A HANDFULL OF ADDRESSES USE THIS PARTICULAR TITLE.</p> <p>OTHER NAMES THAT HAVE BEEN PASSED ON FROM VARIOUS SOURCES INCLUDING LOCAL HISTORIANS AND RESIDENTS OF THE SCHOOL AREA ARE AS FOLLOWS PRESERVE THE FOLLOWING NAMES FOR POSSIBLE NEW ADDRESSES - JANET COURTNEY, BRUCE &amp; NEW NAME THAT HAS MOST AT HEART ARTHUR ANDERSON.</p> <p>FOR EXAMPLE</p> <p>ARTHUR ANDERSON COURT, PLACE, VIEW, GARDENS  JANET COURTNEY COURT, PLACE, VIEW, GARDENS  BRUCE COURT, PLACE, VIEW, GARDENS  BELLEVUE GARDENS, PLACE, COURT  ANDER HILL PLACE, COURT, GARDENS  THESE ARE CURRENT IDEAS FOR WHEN THE TIME COMES FOR NEW ADDRESSES TO BE CHOSEN</p>	names.		
03	Shetland Heat Energy & Power Ltd 20/03/2019	<p>We have been looking over the proposed re-development of the Knab site and would like to bring a couple of points to your attention.</p> <p>As mentioned in the Desktop Survey Report, Shetland Heat Energy &amp; Power Ltd currently supply energy to the existing old school and hostel buildings and as such we believe that there will be enough spare capacity on our network to allow us to supply energy to the proposed new buildings, which we expect to be modern and well insulated and therefore of a low energy use per unit.</p> <p>We have various pipelines running through the current site supplying different buildings or blocks of buildings, which will</p>	<p>No Modifications sought.</p> <p>Requesting meetings to discuss options / possibilities relating to provision of district heating scheme on the site.</p>	Request to meet during the implementation noted and welcomed.	Pass on comment to the implementation team to consider at detailed design stage.

		<p>need to be considered during the redevelopment of the site to ensure that our pipelines are not damaged and we continue to supply the buildings that are staying.</p> <p>We also have a plant room in the school with heat exchangers and back up boilers with a connection to allow us to back feed the District Heating Scheme from the old school in the event of a breakdown. I believe it was initially suggested that some form of plant room/boiler house would be incorporated into the design of the site to allow us to retain this equipment but this now appears to have been missed as the existing main plant room building is one of the ones to be demolished and there does not appear to be any provision of a new building/plant room.</p> <p>As your plans develop and start to be finalised, we would like to invite you to come along and discuss how we can work with you on this development to ensure that the district heating scheme is fully considered and made best use of.</p> <p>Please get in touch at any time to discuss further or arrange a visit to come and speak with us.</p>			
04	J Telford 28/03/2019	<p>My house is closely borders the site and I am concerned at the potential loss of daylight and privacy due to the high level of the existing ground. Possible solution moving boundary slightly to allow adjoining wall/fence to be a bit further from window.</p>	<p>Further consideration of building siting and design in order to minimize impact on neighbouring property.</p>	<p>Comments noted. The building design and exact locations at this stage are indicative, while the Masterplan contains design guidance to provide a clear framework for design quality for the buildings and the public realm the</p>	<p>Pass on comment to the implementation team to consider at detailed design stage.</p>

				specific details of the buildings will only be decided on during the detailed design phase of the development. There will be further opportunity for community engagement / comment at the detailed design stage through the Planning Application process	
05	A Ockendon 01/04/2019	<p>I attended the public consultation on the Knab Masterplan in the Town Hall on Wednesday 20th March. The presentation by 7N Architects was exemplary, and the overall scheme is in my opinion generally very good, in particular with regard to the proposed 120 to 140 mixed house provision. My main reservation is that of retention of all three listed buildings. There should be no question over preservation of the original Anderson Institute building, due to its history, connection to Arthur Anderson, and the pleasing design. The Bruce hostel has rather less qualification for retention. but nevertheless is an imposing building and has the potential for a number of development possibilities including a hotel. However, the Janet Courtney hostel is another matter. As a general observation, it is my opinion that a) there are far too many Listed Buildings in Scotland and b) that the framework of limitation of what can be done with them is too restrictive. I could fill several pages in support of this remark, but will desist in the interests of brevity. Do not misinterpret this. I fully support the principle of preservation of historically important buildings - it is just that the definition of that has been too liberally utilised. The desire to preserve impractical</p>	Suggest that SIC Seek to have the Janet Courtney Hostel De – Listed.	Comments noted. The decision to retain the 3 listed buildings and find appropriate new uses for them was made at the early stages of the redesign process in agreement with HES aspirations for the site.	Note the comments but no action to be taken.

		old buildings for our interest and enjoyment collides with two main opposing considerations, namely 1) their very seriously restricted ability to meet today's drive for energy efficiency and 2) the cost of their maintenance which deflects society's resources from toher, more practically pressing, matters such as provision of health, care for the elderly, etc. etc. So I suggest the Shetland Islands Council makes a start by requesting that Historic Scotland de-list the visually appalling and immensely impractical Janet Courtney Hostel, with a view to its demolition and creation of space for a few very much more useful houses. I understand fully that there are criteria to be addressed, but the egregious argument should go that the "uses" suggested at present are vague, inessential, and highly unlikely to be economically viable. Imposed retention of the building would therefore simply impose an unnecessary indefinite fiscal burden on the local authority, which is already struggling to fund its essential services, and that consideration should override dubious "historical importance".			
06	Transport Planning/ZetTr ans 08/04/2019	<p>Overall the content of the Masterplan Report is good. There are a few points I would like to raise from a Transport Planning perspective:</p> <p>Development Brief</p> <p>The Development Brief only references 'SIC Our Plan 2016-2020' and the 'Development Plan' for the Knab site as documents informing the Masterplan. The Systra Transport Framework Policy Framework references a range of local and national policy documents that could be considered for inclusion (although it does not reference the refresh of the Shetland Transport Strategy that was completed in 2018). It would be appropriate to reference Shetland's Partnership</p>	Request reference made to Shetland Partnership Plan, refreshed Transport Strategy, Active Shetland Strategy, Shetland Tourism Strategy in the Masterplan document.	Noted requested update to Masterplan. Text in the Transport Framework and the Masterplan document will be updated.	Amend the Transport Framework and the Masterplan document to ensure they are up to date and factually correct.

		<p>Plan, as being a key document guiding the activities of a number of statutory and non-statutory signatories in Shetland, including SIC and ZetTrans. In the spirit of the SPP, and its foundation in partnership working, it would also be appropriate to reference other relevant strategic documents. From a Transport perspective this would include the Refreshed Shetland Transport Strategy, and the Active Shetland Strategy, which involves a significant element of Active Travel. Given the potential tourism related uses proposed for areas of the Knab site, it would also be sensible to reference Shetland Tourism Strategy. It should be noted that the National Transport Strategy is currently under review. The outcome of this process may lead to a full review of the Shetland Transport Strategy. It should also be noted that a multi-agency group, including SIC and ZetTrans is currently working towards development of an Active Travel Strategy for Shetland.</p> <p>Access and Connections</p> <p>The Systra Transport Framework makes use of bus timetabling information obtained from Traveline, which is not entirely correct. For example, it states (p.30) that there are no Sunday bus services operating, which is not the case. Both the 4 and the 6 have Sunday services so in practice, connectivity is better than shown in the Systra Framework. As it happens, the Systra Framework states that 'the distance and level of service provided at (Annsbrae Place) stop is sufficient to serve the proposed master plan development' so the omission has not had a material impact on the conclusion reached. P.26 of the Knab Report states that 'Annsbrae Pace is on the main A969 thoroughfare, which serves the majority of bus services operating within and outwith Lerwick, as well as a "Dial-a-Ride" service'. The only DAR service that operates</p>	<p>Correct text in Systra Transport Framework to correctly reflect the existing bus timetable.</p> <p>Correct the Systra Transport Framework to accurately reflect the level of service provided via DAR in the area.</p> <p>Seek to involve Zetrans during the detailed design and implementation stages of the development.</p>		
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		<p>from Lerwick is the service to Tingwall Airport, which is operated from the Viking Bus Station by Sinclairs Taxis. Although it is possible to request pick-up from other areas in Lerwick, it is slightly misleading to state that Annsbrae Place is on the regular route.</p> <p>Access and Movement</p> <p>In principle there is no problem with provision of public transport (i.e the Lerwick Town Service) onto the Knab site, making use of the turning area that has been identified. In practice, this would require a period of consultation on the timetable changes required, which, once agreed, would take 56 days to gain approval from the Traffic Commissioner. It should also be borne in mind that this change to the service might have a knock-on effect in terms of contract costs, for which a budget may have to be found.</p> <p>Parking Strategy</p> <p>It is stated (p.62) that 'Developers who seek to achieve a higher density will need to demonstrate how they will bring forward innovative approaches to reducing parking demand.... such as:</p> <ul style="list-style-type: none"> <li>Improved cycle and pedestrian links</li> <li>Implementation of car clubs</li> <li>Implementation of car sharing</li> </ul> <p>It is also noted in the Systra Framework that the 'quantity of cycle parking racks will be agreed with SIC in due course' Active travel, car sharing and car clubs are being explored by ZetTrans in a Shetland wide context. As already stated, work is underway with a multi-agency group to develop an Active Travel Strategy for Shetland. Development of car sharing/car club initiatives are seen as potential means to improve</p>			
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		connectivity in rural locations, and to reduce single occupancy car use and individual car ownership across Shetland. It is hoped that any initiatives at the Knab will be consistent with, complement and/or support any wider ranging activities. To this end, ZetTrans would appreciate early engagement from developers and other agencies when exploring potential proposals.			
07	R & V Gibson 15/04/2019	<p>Knab Master Plan Representation Comments</p> <p>The Master plan is thorough and comprehensive, and comes to sensible conclusions based on the public consultation exercises.</p> <p>In particular, I welcome the proposal to make a clear separation between the open space to the East of the listed buildings, that contrasts with the relatively high density residential development that substantially increases the number of people within walking distance of the town centre, and provides shelter for those living within the development. It is important that the place-making aspirations described in the report are not diluted by the parking and road design regulations used in the Local Plan. Insisting on these regulations will destroy the spirit behind consultant's proposals.</p> <p>I was disappointed that the option of using the retained buildings for the Shetland College in the future was not included in the proposal although it was raised during the consultations but omitted from the report. I would have liked the study to have at least included a comparison of floor areas so that this option could either be ruled out completely, or kept in as a basis for reappraisal if the situation arises. Finding long term uses for the existing buildings is likely to be</p>	No modifications sought.	Comments on placemaking aspirations, car – parking noted and the concern regarding future use of the listed buildings noted.	Pass on comment to the implementation team to consider at detailed design and implementation stages.

		difficult while re-purposing the college building would not. The cost of restoring and maintaining these building without a dedicated community use will be considerable. Vague suggestions as to what uses they could be put to are not enough.			
08	W & M Henderson 16/04/2019	<p>SIC Council Development Services. AHS Sites at Knab. All "temporary" classrooms and buildings to the East below AEI should be removed and the space left open. Owing to the restricted access to the Site - Kab Road is the only viable access - South Commercial Street leading to Twageos Road and Lovers Loan is One Way and Breiwick Road and Lovers Loan round the Old Cemetery is One Way - there is no potential for a large number of houses. A maximum of 50 affordable home is suggested. Listed Buildings - the AEI could be adapted as a Care Home, others perhaps for light industry. There is also the possibility that the Cemetery could be extended. Full public consultation is obviously required. As long time residents (52 years) we hope these suggestions are helpful.</p> <p>Nothing has changed our opinions above - 5th April 2019</p>	<p>Seek to see removal of temporary classrooms and buildings to the east below the AEI removed and open space left.</p> <p>Concerns over restricted access and housing numbers. Suggesting possible uses for listed buildings</p>	<p>The Masterplan indicates that all buildings on site shall be removed with the exception of the AEI, The Bruce Hostel, The Janet Courtney Hostel and the Science block. the network has been modelled and demonstrates that there is capacity in the current . Several rounds of community consultation involved asking the public for suggested future uses for the Listed buildings, the outcome of these consultations has been included in the Masterplan report.</p>	<p>Pass on comments to the implementation team to consider at detailed design stage.</p>
09	SNH 25/04/2019	<p>Thank you for consulting us on the above masterplan. We consider that the masterplan, while long, provides a good framework on which future development proposals can be</p>	<p>Seek to ensure consultation and advice on</p>	<p>Note and agree with the request to take advice from SAT on</p>	<p>Amend the masterplan to ensure details of</p>

		<p>designed and tested. The implementation of the masterplan should create a distinctive, well connected place that is attractive for people and nature.</p> <p>We welcome the emphasis given to active travel and connectivity within the masterplan area and to/from the surrounding area. This should help reduce reliance on the private car, reducing emissions that contribute to climate change.</p> <p>We also welcome the recognition given to the need to enhance biodiversity. We note that it is intended (eg page 60, 96) that Shetland Amenity Trust will be consulted on suitable tree and ground planting species. Given the challenging climatic conditions, we consider that their advice will be essential to ensure that planting is appropriate and sustainable in the long term.</p> <p>We consider that the masterplan results in a contemporary townscape character which compliments the historic identity and recognises the importance of the location in the wider area. Implementation of the masterplan should create a distinctive place. The Character Appraisal effectively develops a palette of material and colours to use in the masterplan, which is welcome. Recognition of the role that trees play in the urban landscape is helpful – balancing the roles of hard and soft landscaping should contribute to sense of place.</p> <p>We have the following advice to enhance the masterplan for both people and nature:</p> <ul style="list-style-type: none"> <li>- While the use of coloured asphalt will introduce an interesting design feature, its use should be carefully balanced and appear subservient to the colour palette used for the built architecture. Coloured asphalt should not be used as a mechanism to introduce colour/interest at the expense of the high quality and contemporary architecture and hard landscape advocated in the masterplan.</li> </ul> <p>Page 2 of 3</p>	<p>planting is sought from SAT at the detailed design stage to ensure enhanced biodiversity opportunities are maximized. Modify plan to make sure coloured asphalt palette is subservient to the colour palette for the built architecture. Modify plan to place greater emphasis on maintaining existing and enhancing connections to the existing network connections with regard to active travel and health and wellbeing opportunities. Modify Plan to</p>	<p>tree and planting species at the detailed design stage. Suggestions for planting types and styles noted and appropriate for the project implementation team to consider. Agree with the request to clarify asphalt colour palette. Agree with the request to modify plan to place greater emphasis on existing networks / new network connections in order to promote the role it plays in active travel and health and wellbeing opportunities.</p>	<p>advisors to planting schemes are included and more details of the specific appropriate planting for the site is included Amend masterplan to ensure the colour palette of the asphalt is subservient to the built architecture palette. Amend Plan to better demonstrate the existing pedestrian and cycle network connections in the area and the opportunities to connect the knab site to them.</p>
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		<p>- The existing coastal path and connections it provides to the town and open spaces is recognised on pages 27 and 58. However, our advice is that greater emphasis on maintaining and enhancing connections to the existing path network should be included in the masterplan. As well as being beneficial for placemaking purposes, enhanced pedestrian/active travel connections would contribute to outcomes under the 'health and wellbeing' and 'place' priorities in the Shetland Partnership (Local Outcome Improvement) Plan, and the Active Shetland Strategy. Enhanced pedestrian/active travel connections would do this by providing improved opportunities for physical activity, active travel and access to nature, with associated benefits to health and wellbeing.</p> <p>- It is unclear from pages 60 and 61 whether the tree species have already been selected, or whether Shetland Amenity Trust's advice is still to be sought on this. The masterplan should be amended to clarify this. Our advice is that hornbeam is a species more typical in the south of the UK, so may not be appropriate for the challenging climatic conditions of Shetland. Planting should reflect the elevated and exposed climate in the choice of species and practicality of the need for on-going management and maintenance. This would ensure that the 'design vision' for the masterplan area is realistic and can be achieved in the longer term. Tailored maintenance schedules should be drawn up as proposals come forward, to ensure that the design and placemaking ideals of the masterplan in relation to soft landscaping are realised. This is especially important for Character Area 7 where the landscape design and planting dominates development. Incorporation of effective mechanisms to ameliorate the microclimate and aid plant establishment should be costed into any proposals. For example, although unsightly in the short term, incorporation</p>	<p>clarify situation relating to choice of tree species ( whether decision has been made or if SAT to be advisors) Modify plan to include requirement for maintenance plan for planted areas within future development proposals.</p>		
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		<p>of wind break fencing and netting is beneficial for elevated and exposed coastal areas, enabling better long term results. Before the masterplan is finalised, getting the advice of the Shetland Amenity Trust on the location of trees proposed in the masterplan would also be beneficial. The prevailing wind is from the south west, which is reflected in the masterplan proposed planting locations. However tree growth in Shetland is mainly constrained by cold northerly winds in April/May, and by salt spray. Winds from the south to south east are likely to carry salt spray into the masterplan area. At present, there are open routes running into/across the masterplan site that are likely to channel winds from these directions. The tree locations may therefore need to be reconsidered. This highlights why the advice of the Trust on tree (and groundcover) species as well as tree locations is necessary before the masterplan is finalised.</p> <p>In relation to placemaking, it will also be important to ensure that the principle that high quality urban design can create exciting spaces is remembered as development is implemented - planting should not be used to screen poor development.</p> <ul style="list-style-type: none"> <li>- References for the use of flowering plants should be included on page 60 and 96. Appropriate species of robust flowering plants (such as, but not limited to, heathers) and wildflower areas would provide ground cover and visual interest for people, whilst also encouraging pollinators, which would in turn support other species (eg birds).</li> <li>- The masterplan should include a requirement for future development proposals to include a maintenance plan for planted areas, to ensure that they are monitored and maintained over time. Without this, there is a risk that planted areas intended to create an attractive place for people and nature will become neglected.</li> </ul> <p>Page 3 of 3</p>			
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		<p>However, it will also be important that not all areas are regularly mowed/tidied – the maintenance plan should allow for some areas to be allowed to grow more naturally with less intervention. For example, the public garden areas around the Anderson Building and Bruce Hostel (pages 96, 97) could feature wildflower areas (in addition to the proposed use of wildflower plugs in front of the Science Building, page 98). Allowing such areas to be less disturbed, so that they can flower and seed, would benefit biodiversity. They would also provide a contrast with other more managed areas. This would add to the visual interest for people, as well as allowing people to connect with nature and so gain the associated health and wellbeing benefits of this.</p> <p>- It would be beneficial for the masterplan to specify that SUDS swales should be appropriately planted to create visual interest for people and enhance biodiversity year round. By creating an attractive landscape feature, the swales would be multi-purpose, creating added benefit for people and nature.</p>			
10	Scottish Water 26/04/2019	<p>Thank you for allowing Scottish Water the opportunity to review and comment on the Knab Masterplan.</p> <p>Having reviewed the document I can confirm that the assessment given by David Narro Associates of our network infrastructure is correct. I would reiterate that:-</p> <ul style="list-style-type: none"> <li>• Scottish Water currently has sufficient water capacity at Sandy Loch WTW to serve this development</li> <li>• Scottish Water currently has sufficient drainage capacity at Rovahead WWTW to accept foul only flows from this development. Surface water will not be permitted to discharge into the combined sewer. You can find information regarding our Surface Water Policy on our website, <a href="http://www.scottishwater.co.uk">www.scottishwater.co.uk</a>.</li> </ul>	No Modifications Sought.	Request for early engagement during the implementation noted and welcomed. Pass on requirement for DIA to implementation team to consider at detailed design stage.	Pass on comment to the implementation team to consider at detailed design stage.

		<ul style="list-style-type: none"> <li>• A Drainage Impact Assessment will be required to determine whether our network can adequately service the demands of your development or if any mitigation/enhancement work is necessary.</li> </ul> <p>We would encourage the developer and/or their consultants to continue to liaise with our Development Operations Team throughout their design process and the submission of their applications to Scottish Water. This will help to ensure the development proceeds smoothly and there are no surprises for either party.</p> <p>I trust the information provided in this response helps to establish a planning framework for the development. If you require any further information please do not hesitate to contact me on the details provided.</p>			
11	SEPA 01/05/2019	<p>This proposal is for proposed mixed use development at the Knab site. A number of options were presented to the public with mixed reviews (as in the Consultations event report) and the outcome of the exercise is to be used to feed into another/subsequent master plan production. You have asked for our views view and to discuss the proposals covered in the master plan report (and associated specialist reports)</p> <p>We are generally satisfied with the scope of information covered in the Knab Masterpaln Report document. Please refer to our comments below.</p> <p>Flood risk It is stated in the Desktop survey report that; "According to the SEPA flood map, the development site does not lie in an area susceptible to flooding. However, given the proximity to the sea, SEPA indicates that there is a risk of coastal flooding.</p>	No Modifications Sought	Comments and advice noted	Pass on comment to the implementation team to consider at detailed design stage.



		<p>There is no risk of river flooding and the elevation of the site suggests that there is a minimal risk of coastal flooding."</p> <p>We have reviewed the proposal site and there is no coastal flood risk to the site. All the land is above 10.0 metres above ordnance datum (m AOD) (half is over 30mAOD), and is all set back more than 100m from the coast. There are also no small watercourses within the vicinity of the site. In that regard we have no flood risk concerns for the site. We recommend the council Flood Prevention Unit to be contacted for advice on surface water drainage (water quantity).</p> <p>Site drainage - waste water In regard to site drainage it is stated in the desktop survey report that; "Drainage to the site is a combined system. The south-east portion of the site is currently diverted through a pump station. The capacity of the pump station is unknown. Proposed drainage solutions should seek to mitigate the impact of additional load on this pump station. Separate foul and surface water drainage may help reduce the load on the existing sewer system."</p> <p>We strongly support proposals for separate systems as storm overflows could have potential significant adverse impact on the environment. That notwithstanding, should a combined system be sought for, please note that it is the responsibility of Scottish Water to ensure that the additional flow arising from this development will not cause or contribute to the premature operation of consented storm overflows.</p> <p>However as stated previously we strongly support a separate drainage system and it is stated in the desktop survey report that; "...the existing foul water treatment works to the north</p>			
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		<p>of Lerwick may have a limited capacity for additional housing. This treatment facility may need to be upgraded to accommodate the proposed development.”, opportunities to upgrade this treatment facility should therefore be explored.</p> <p>Surface water drainage In light of the advice above, we note that the Site drainage layout drawing which demonstrates the drainage proposals on site. The Desktop infrastructure report also highlights suds on site. Please note that the treatment of surface water runoff by sustainable drainage systems (SUDS) is a legal requirement for most forms of development and a requirement in line with Scottish Planning Policy (Paragraph 268) and your local plan policy WD3 SuDs. Any SUDS systems must be designed in accordance with the current CIRIA Manual (current version The SUDS Manual C753). Our preference is for above ground SUDS. As per the requirements of the SUDS Manual (C753) these features should provide the four main categories of benefits that can be achieved by SUDS: water quantity, water quality, amenity and biodiversity.</p> <p>The latter is a good way to enhance the environment of the proposed development beyond protecting it and ensuring water quality.</p> <p>Advice from the local authority’s roads department and flood prevention unit, and not from SEPA, should be sought on the SUDS strategy in relation to water quantity, flooding and adoption. Scottish Water’s standards for adoption are specified in Sewers for Scotland.</p>			
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		<p>Environmental enhancements</p> <p>We have reviewed the attached Ecological survey and agree with the conclusions in the report that there are no sensitive habitats within and around the proposed site area. As mentioned above, we advise that the SUDs are designed to incorporate native planting. This would normally comprise of a variety of plants which are tolerant of both wet and dry conditions. A naturalistic mix of grasses would provide good cover for insects, while seasonal plants would provide interest. It may also be beneficial for the developer to consider maintenance and possibly look at longer, slower growing plants.</p> <p>District Heating</p> <p>It is stated in the Desktop survey report that; "Initial conversations were made with Matthew Chattell, the Operations Manager at Shetland Islands Council regarding the district heating supply for the proposed development. Matthew confirmed that there were no major concerns for providing supply to a development of this size (approximately 150 residential dwellings), as there are main networks in the vicinity of the existing site which would be utilised. There did not appear to be concerns on the capacity of the system."</p> <p>We are pleased to note that district heating facility/network will be provided to meet the heat demand for the proposed development and we support this proposal. This requirement has been incorporated into the design and layout of the proposal which is consistent with the advice provided in the Scottish Government's on-line Planning and Heat guidance (2015).</p>			
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12	Lerwick Community Allotments 02/05/2019	<p>Lerwick Community Allotments were disappointed to see the allotments/growing space agreed with the community at the Knab Masterplan consultation meeting held in Lerwick, has now been removed from the most recent Knab Masterplan Report, giving the below reason on P98:</p> <p>Page 98 Masterplan report :          'Allotments were discussed for this location during the community engagement but further investigation has determined that the slope is too steep to develop for growing spaces without significant intervention. The area would also be particularly exposed to adverse weather. There are extensive public and private gardens within the masterplan, including large areas that are sheltered by buildings. These are more suitable to providing areas for community growing'.</p> <p><a href="https://www.shetland.gov.uk/documents/190212-Knab-Masterplan-Report-Screen.pdf">https://www.shetland.gov.uk/documents/190212-Knab-Masterplan-Report-Screen.pdf</a></p> <p>Although it has been suggested there may be more suitable growing areas, no new area has been outlined, we would like to see a new area included in the final draft of the Knab Masterplan.</p> <p>We feel that having a food growing area in Lerwick would contribute to Shetland Islands Councils commitment to reducing carbon emissions by 42% by 2020:</p>	Seeking the inclusion of allotments on the site.	Measures to develop growing areas are currently being considered by the Council in a number of ways, including allotments. This work is ongoing and Lerwick Community allotments will be consulted and involved as appropriate. However, the Knab site is not considered appropriate.	Council staff working on growing area workstreams to liaise with Lerwick Community Allotments as appropriate.

		<a href="https://www.shetland.gov.uk/energy_advice/documents/CarbonManagementPlan.pdf">https://www.shetland.gov.uk/energy_advice/documents/CarbonManagementPlan.pdf</a>  We have met with representatives from the Climate Change Fund and are currently still eligible to apply for funding from the Scottish Government Climate Challenge Fund: <a href="https://www.keepsotlandbeautiful.org/sustainability-climate-change/climate-challenge-fund/">https://www.keepsotlandbeautiful.org/sustainability-climate-change/climate-challenge-fund/</a>			
13	L Stone 03/05/2019	<p>Generally in favour, with some reservations</p> <p>The aim of arranging the new housing in clusters, similar to other areas of Lerwick, is a good one but doesn't seem to have been fully followed through to the masterplan where the buildings are loosely arranged in parallel lines. This is unlikely to create a great deal of truly sheltered space, which is going to be an issue as the Knab is very exposed.</p> <p>Whilst completely agreeing that the foreground to the Anderson Institute and the Bruce Hostel should remain as open space, the configuration in the masterplan is in many ways a 'destination space' accessed from Twageos Road. The new uses for the old buildings will generate a certain number of visitors but the Shetland climate doesn't tend to lend itself to travelling to a park or garden with the intention of sitting out in it except on very fine days. The Jubilee flower garden/play park might be the exception to that rule but is in a much more sheltered location. The diagram on page 53 shows the core path network running around the edge of the knab. Travelling anti-clockwise this path provides some great views and lots of interest up until the point where it passes the bottom of Gressy Loan. The walk from that point to the bottom of Lover's Loan is pretty uninspiring, so there is an</p>	No Modification sought	<p>It is the intention that the Knab Masterplan site become a publicly accessible route from Knab road to Twageos road as suggested so the comments are welcomed.</p> <p>SAT will be advisors on the planting when it comes to the detailed design stage, suggestions provided are welcome and will be passed on to the implementation team.</p>	Pass on comment to the implementation team to consider at detailed design stage.

		<p>opportunity here to provide an alternative, traffic free, route through the new open space by somehow opening up a logical walking route past the science building. In this way the new gardens would become part of a popular circular walk and the play and relaxation spaces within would get more use.</p> <p>Realise the diagram is early days at the moment but the public squares are going to need more elements of shelter. Was a small winter garden considered, perhaps adjoining the new building with ground floor business space?</p> <p>For the planting strategy <i>Betula pubescens</i> might be a good addition to the mix of tree species on Twageos Road.</p> <p><i>Carpinus</i> and <i>Crataegus</i> seem a bit risky as hedges forming main elements of the scheme. <i>Ribes alpinum</i>, <i>Corylus avellana</i>, <i>Salix</i> spp or <i>Rosa rugosa</i> might be safer, depending on the level of formality required.</p>			
14	<p>M Cunynghame, J &amp; M Johnston, E&amp; E Knight, B&amp; N Coutts, K Nicolson &amp; C Scott, J &amp; W Jamieson, P Johnson &amp; P Stewart, E &amp; J Unsworth, D &amp; S</p>	<p>Knab Masterplan Consultation Response 02 May 2019</p> <p>In principle we do not have any objection to the land being developed for mixed usage. However, we do have major concerns, mostly around substantial under estimated traffic increases, site access proposals, significant parking under-provision, and prolonged disruption for residents.</p> <p>The Knab Masterplan states that:</p> <p>“The level of traffic generated on the surrounding road network has been assessed as being less than when the School occupied the site and it will not be concentrated in the same peak periods as the school day.”</p>	<p>seeking more representative appraisal of existing traffic flows &amp; numbers.</p> <p>concern over parking at the foot of knab road</p> <p>concern over impact</p>	<p>All Comments and requests noted. the network has been modelled and demonstrates that there is capacity in the current road network. as part of the detailed design works further more detailed analysis will be undertaken to ensure the traffic flow doesn't negatively impact on the local</p>	<p>Pass on comment to the implementation team to consider at detailed design and implementation stages</p>

	<p>Howarth, A &amp; Gear, J Bradley &amp; N Sales 03/05/2019</p>	<p>It also states that “Vehicular access from the local road network to the proposed masterplan development will be provided from four points: three from Gressy Loan and another from Lover’s Loan, consistent with the current arrangements for the site. The access arrangement will ensure that traffic associated with the masterplan land uses will ultimately create a similar distribution of traffic along the main roads running adjacent to the development site.”</p> <p>And further goes on to say “This Transport Framework has assessed the potential impact that the vehicle trips generated by the masterplan development would have on the local road network, specifically, the 4-arm roundabout between Church Road, Greenfield Place, Knab Road and Annsbrae Place. The results from the junction analysis indicate that the roundabout would continue to operate comfortably within its practical capacity and would have residual capacity during the opening year of the full masterplan development (2026). It is concluded that traffic associated with the full masterplan development can be suitably accommodated by the Church Road/ Greenfield Place/Knab Road/Annsbrae Place roundabout without causing a detriment to the existing road users. Furthermore, a vehicle trip generation comparison exercise between the former and proposed uses of the site indicates that the proposed masterplan development would have no net detriment to the traffic levels experienced when Anderson High School occupied the site. The level of car parking provision for the masterplan development will be finalised in agreement with SIC.”</p> <p>The Systra Transport Impact Assessment report that has been prepared to inform the Knab Masterplan document, states that “with regard to the local road network, SIC Transport Planning notes that some queuing can be experienced at</p>	<p>increased traffic will have on pedestrians, cyclists and residents</p> <p>request consideration of an access into the site from knab road</p> <p>querying the car parking provision. express that 157 spaces is inadequate and contrary to council policy.</p> <p>lack of bus provision in new development is contrary to policy</p> <p>concern over lack of provision to minimise disruption to residents</p>	<p>road network.</p> <p>existing single yellow lines are there to prevent parking at peak times. it is a police responsibility to enforce this traffic order. due to the change in the flow pattern the introduction of double yellow lines at the bottom of knab road would be investigated as the development progresses into the detailed design stages – a traffic order will be promoted by roads service.</p> <p>the masterplan team investigated pedestrian access as well as traffic access during the masterplan design stages. there is no issue with existing pedestrian links, traffic calming is in place and is to the required standard. pedestrians &amp; cyclists will be</p>	
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	<p>junctions during the school peak AM and PM periods, however, there are no fundamental capacity issues. Furthermore, as Anderson High School is moving from the Knab Site to the new site adjacent to Clickimin, this traffic will be removed from the immediate vicinity of the Knab site. The only potential “pinch point” is the Knab Road/ Church Road/Annsbrae Place/Greenfield Place Roundabout which has physical constraints in terms of its size and inability to be expanded due to being “boxed in” by the surrounding buildings”</p> <p>The SWOT Analysis in the Systra reports highlights the following as a weakness in the road network “One-way system through Midgarth Crescent channels vehicles down Lover’s Loan The location of the access points are to be retained and may not be suitable for development proposals Knab Road/Church Road/Annsbrae Place/Greenfield Place Roundabout has physical constraints”.</p> <p>It should be noted that the Systra report states that a site visit was carried out to appraise the existing conditions within and surrounding the development site. This was undertaken on 8th and 9th August 2017 – a Tuesday and Wednesday during the school summer holidays. Realistically this cannot be seen as representative of average days. It is respectfully suggested that a more representative appraisal is carried out during the darker winter months and during school term time.</p> <p>During the community consultation that took place on 06.03.18, a concern consistently highlighted by participants on all of the scenarios presented was that access roads were too small for the increased amount of traffic, but this does not appear to have been acknowledged in the masterplan document.</p>		<p>encouraged, by way of improved links, to use the car free path networks in the area. within the site boundaries designing streets principles apply. access into the site from knab road was investigated during the masterplan development stage but was discounted. the use of the existing access points is considered the most suitable.</p> <p>157 spaces within the residential areas is in line with the current parking standards. as it is not in a conservation area the conservation area reduction does not apply. it complies with the councils planning policy when the expected housing type and tenure is applied.</p> <p>the masterplan contains a proposal for</p>	
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		<p>At the moment there are often problems at the foot of Knab Road, where parking is restricted, yet several cars are consistently parked here (assume mostly staff at Annsbrae), and if there is a function, eg funeral/wedding/Sunday Service, at the Church then this is exacerbated, often with cars parked the length of Knab Road, and sometimes coaches parked at the other side of the road. Following completion of the proposed development, and with a significant increase in traffic at busier times and with cars and potentially buses parked at the roadside, this is likely to cause tailbacks into Church Road/Annsbrae Place and the roundabout, and up Knab Road, as well as potentially hazardous conditions for vehicular traffic, pedestrians and cyclists.</p> <p>No provision appears to have been made for the proportional increase in delivery vehicles that will result, particularly for the potential business units and to residential properties, particularly around busier times, such as Christmas, when it will mostly also be dark, and therefore this will also pose a risk to pedestrians and cyclists.</p> <p>Furthermore, although provision has been made for some traffic to and from the potential business units/hotels/student accommodation 'at peak times', no acknowledgement has been made for the increased traffic to and from these commercial premises at other times, which may require 24 hour access</p> <p>The Systra report states that: "The principal aim is to ensure that accessibility to the site by foot, by cycle and by public transport is maximised and that any trips made by car can be accommodated by the existing road network without detriment to existing users." All of the roads concerned are</p>		<p>a new bus stop on Knab Road.</p> <p>during the detailed design stage additional consideration will have to be given to impact on residential amenity. this will be taken into account as part of the detailed planning process.</p>	
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		<p>relatively narrow and already busy and the significantly increased amount of extra traffic is likely to pose an additional risk to the safety of walkers, cyclists and to children resident in the area and be detrimental to existing residents.</p> <p>We note that vehicular access to the site is to be from 3 points on Gressy Loan and one point on Lovers Loan. The report states that access arrangements will ensure that traffic associated with the masterplan land uses will ultimately create a similar distribution of traffic along the main roads running adjacent to the development site. It also states that the level of traffic generated on the surrounding road network has been assessed as being less than when the School occupied the site and it will not be concentrated in the same peak periods as the school day.</p> <p>When the school was occupied, the majority of the traffic traversed Knab Road and, the East Side of Breiwick Road, Lovers Loan and the top of Gressy Loan. Since we have resided in Gressy Loan since before the school traffic moved, we are well aware of the traffic flow and know that much less traffic used the lower half of the road to access the school. If all 3 points on Gressy Loan are used for access to the site, this will create much more traffic in the lower half of the road, and it is therefore simply not factual to say that the proposed land uses will ultimately create a similar distribution of traffic. The amount of traffic on Gressy Loan will increase substantially, if 75% of the traffic is to access the site from this one street alone and fundamental consideration should be given to several additional access points to the site (away from Gressy Loan).</p> <p>The Development Brief indicates potential options/preferred outcomes of development on the Knab site in relation to</p>			
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		<p>traffic and transport, one of which is that there is an option to create a new access on the west of the site onto Knab Road to increase traffic flow through the site and lead to a reduction in the use of the other access points. We respectfully request that this option is given serious consideration to alleviate traffic pressure in Gressy Loan.</p> <p>In relation to parking, the Knab Masterplan Executive Summary states that “Parking numbers within the residential part of the Masterplan are proposed to be capped at 157 spaces, including 8 spaces on Knab Road to serve the adjacent housing there. The parking levels adjacent to the retained buildings will ultimately be determined by the consented uses but 72 spaces are indicated within the Masterplan to serve the possible uses identified in the community consultation”</p> <p>The report further states: “The cap of 157 spaces within the residential areas is in line with SIC’s current parking standards, based on the lower end of the range of potential residential density”</p> <p>The plan includes a number of transport policies that directly affect the Knab Masterplan proposal which includes: TRANS 3, the policy states that all developments should provide appropriate car parking and service facilities in accordance with SIC’s current parking standards guidance. ss.</p>			
15	C Black & J Fullerton 03/05/2019	<p>The draft Knab Masterplan does not take into account several issues raised at previous public consultation meetings namely:</p> <ul style="list-style-type: none"> <li>· There is an over emphasis on accommodation and housing as opposed to other community uses for the area;</li> </ul>	raises suggestions as to suitable uses and environmental	Noted the suggestions. we believe that the masterplan as it stands addresses the points raised and has	Comments noted, no action required.

		<ul style="list-style-type: none"> <li>· Proposals for a hotel would have a detrimental effect on an already beleaguered accommodation / hospitality sector, given that there are also currently two established / historic hotels for sale in Lerwick coupled with a proposal to build another hotel at Brewick;</li> <li>· Building on the most exposed south west area that would then act as "shelter" for other properties is incredulous given the prevailing weather conditions, especially during the winter;</li> <li>· The lower east side of the area is better option for development to mitigate the above point;</li> <li>· The grassed and level area adjacent to the existing multicourt, is currently well used by children and families, this should be retained for a similar purpose, as opposed to the sloped area on the east side;</li> <li>· The plan does not encompass an overall strategic view of Lerwick as a whole and its future development potential over the next 10,20, 30 plus years.</li> </ul>	and climate related issues	mitigated these concerns as best as is possible taking into account the restrictions on the site and the opportunities available	
16	Lerwick Sports Hub 03/05/2019	<p>"<a href="https://www.etcsports.co.uk/sports/multi-use-games-areas/">https://www.etcsports.co.uk/sports/multi-use-games-areas/</a>"</p> <p>This is an example of outdoor areas that could be put on the old AHS site if funding was acquired and the land in front suitably lowered (maybe to the level of the bottom of the wall on twageos road) so developments would not affect view of our wonderful listed buildings. LED lighting would reduce any potential light pollution. It may cost a reasonable amount of money to do this but this type of big project is exactly where sports funding can be applied for. A one off big cost with very little maintenance. I was in Ireland last summer and they have lots of these areas dotted around the country no doubt all through EU funding. Although the potential funding i am aware of is not through the EU.</p> <p>We will lose all the blue areas that were used for sport,</p>	Suggesting Sporting outdoor activities which could be located on the site.	Council officers are already working with sports groups that have expressed interest in the Knab site. Some sports use may be possible and play facilities are referred to in the Masterplan. In other cases the council is assisting groups to develop business cases and funding models. The Council is willing to look at supporting	Lerwick Sports Hub will be put in touch with Council staff already working with sports groups so that they can be consulted and assisted as appropriate.

		<p>outdoor physical activity in line with the educational use designation of the site ( ).</p> <p>We are hoping to gain the red areas for sport. ie gymnastics and baton twirling whom both lost out on areas in the old AHS. Old engineering block, AHS games hall and peerie gym. We have some lovely coast walks around the knab, the knab golf course, skate park and hopefully gymnasium so we are looking at having a sporting hub here in the Knab anyway. So why not utilise this space and have a multi use sports area here too.</p> <p>Hockey have lost out loads in Lerwick as a member of the Lerwick hub I am most concerned about this. They lost the pitch at Clickimin, pitch at Seafield. Let's give them an area they can use for practice if not full matches. It would allow indoor league teams to practise more while not having to fight for space in Clickimin and outdoor league teams and Shetland Team to practice without having to book a full sized pitch and have a tonne of players. Great for junior development too.</p> <p>Cricket have not really had their indoor league space replaced and have lost their indoor league all together.</p> <p>Could this be a nice area where they could practice too?</p> <p>Basketball 12 basketball nets were lost when this site closed (8 AHS games hall, 2 small gym, 2 engineering block).</p> <p>An outdoor area where you could play basketball matches might be what this island games sport needs to develop in Shetland. There's lots of potential in Lerwick with it being such a popular sport in schools and netball being such a strong sport too. The one at the neighbourhood centre has only one net so not really that great.</p> <p>Multi courts next to schools are seen as for kids to play in. Why not develop an adult out door area. There are other sports that would not take anything away from other leisure centres like Clickimin but Complement that usage and the</p>		<p>sports groups in terms of providing sites, but the Knab is not being considered for that purpose.</p>	
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		<p>growing demand in Lerwick and Shetland for more capacity for sports and related groups.</p> <p>An outdoor area that could be used for Archery, ultimate Frisbee, potentially golf and throwing sports if nets were provided (although that might overlap with Clickimin).</p> <p>Depending on the size of the area it could still be used as an area for learning to cycle, doubtful it would be big enough for learning to drive.</p> <p>If part of the old institute had sports offices then it would certainly feel more like a sports hub and maybe some of the roads could be closed from time to time to have cycling events. A bit more challenging then cycling around the park at king herald street J. Link in with cross country and potential duathlon events that could be run in the area too. General increased capacity for running sports especially those longer distances and winter training.</p> <p>Sea sports seemed to have got a pretty poor deal lately with only canoeing at Clickimin, lost classes and bits and pieces that were kept at the Old AHS over time but now that they have a few land dinghies for sailing (on land) maybe an area like this would big enough for them to practise on too.</p> <p>That is 6 or more sports that would benefit from an area they are thinking to plant a few trees on lay a few paths down.</p> <p>It is unlikely that there will be any more sports days in the area with no schools nearby and them all so close to clickimin so no need to chase that one.</p> <p>Youth clubs, uniformed organisations and others are more pushed into church and public halls as space becomes more premium reducing their opportunities for sport. Clickimin is blocked booked up most of the winter so casual booking there are impossible for some sports. This would greatly increase the capacity and opportunity for these sports too.</p> <p>Any other thoughts would be amazing.I really want to get a response in for this one. I think it is great opportunity and we</p>			
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		would most likely have years to source some big funding so could wait until something comes along to apply for like the 100k or bigger sized facilities two years ago from sports Scotland.			
17	HES 03/05/2019	<p>Historic Environment Scotland welcomes the findings and recommendations of the Knab Masterplan which are in line with our previous advice on the site. This advice included in-principal comments provided to the Council's Development Services team in 2015 and more detailed comments provided in 2016 after a visit to the site.</p> <p>Historic Environment Scotland was consulted by 7N Architects in 2017 in advance of their preparation of the Masterplan for the Council and provided further advice that centred around the earlier principles forwarded to the Council.</p> <p>In this respect, we very much welcome the proposal to both preserve and improve the setting of the three listed buildings within the site through:-</p> <ol style="list-style-type: none"> <li>1. Keeping the open ground to the east of the listed buildings free of development</li> <li>2. Demolishing the mid 20th century extensions to the listed buildings</li> <li>3. Proposals for low-rise development to the west of the listed buildings which will reinstate them as the focus of their own setting.</li> </ol> <p>It seems likely that a key idea in the design and siting of the original Anderson Institute was to ensure it would be a striking symbol of education and prosperity in 19th century Shetland for all of those arriving at the islands. This strong message was maintained in the building of the Bruce and</p>	<p>seeking to see summary comments that are incomplete updated.</p> <p>Offer to liaise with the Project board as the Re-development of the site progresses.</p>	<p>Comments noted and offer to meet to discuss future proposals for the Listed Buildings noted and welcomed</p>	<p>Amend Listed building report section.</p> <p>Pass on the offer to meet to the implementation team to consider at detailed design stage.</p>

		<p>Janet Courtney hostels and remained largely unchanged until the historic buildings were extended in the 1970s. We note that the housing area to the west of the listed buildings is sufficiently low in height that the original prominence of the historic school buildings will be reinstated.</p> <p>We are supportive of the principle of mixed-uses for the listed buildings. Although we have provided in-principle advice previously on their redevelopment we appreciate that the issues raised by this will not be fully appreciated until new uses have been identified. We are supportive of the Listed Building Inspection Report's recommendations that a conservation statement is produced for each to inform future redevelopment. We would be happy to assist the Council in discussions about their adaptation once sustainable uses have been identified.</p> <p>We note that our previous advice is summarised on page two of the Listed Building report but this seems incomplete.</p> <p>Our key interest in the Knab site relates to the preservation and sustainable re-use of the three listed buildings. If it is found that the viability of the site's historic assets can only be achieved through modification of the design principles established in the Masterplan we would be happy to meet with the Council, developers or other interested parties to discuss this.</p> <p>There are two scheduled monuments at the southern tip of the Knab. These are a torpedo platform (SM10755) and coastal battery (SM13680). The Masterplan proposals show that there will be no direct impact on the scheduled areas, and that the development closest to the monuments will be sufficiently low-rise that it will not impact adversely on their</p>			
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		setting.			





<b>Meeting(s):</b>	<b>Shetland Islands Council</b>	<b>11 June 2019</b>
<b>Report Title:</b>	<b>Fields in Trust</b>	
<b>Reference Number:</b>	<b>ACP-05-19-F</b>	
<b>Author/ Job Title:</b>	<b>Robert Sinclair, Executive Manager – Assets, Commissioning and Procurement</b>	

### **1.0 Decisions / Action required:**

- 1.1 That the Council RESOLVES to instruct the Chief Executive, or her nominee, to negotiate and execute a Minute of Agreement with the charity 'Fields in Trust' to protect the field to the east of the Bruce Hostel (as shown on the map attached as Appendix A) to mark the centenary of Peace Day.

### **2.0 High Level Summary:**

- 2.1 The Council has been approached by Fields in Trust, an independent charity who work with landowners, community groups and policy makers to protect parks and other land for the benefit of the community.
- 2.2 They have asked the Council to apply to protect a field to mark the centenary of Peace Day (19 July 1919), when the settlement of the Treaty of Versailles was celebrated.
- 2.3 Council officers have identified the field to the east of the Bruce Hostel in Lerwick as an option and are seeking approval to negotiate and execute the necessary Minute of Agreement to Fields of Trust by the end of June 2019.

### **3.0 Corporate Priorities and Joint Working:**

- 3.1 The proposal set out in this report is not directly aligned with any of the specific objectives set out in 'Our Plan 2016-2020' but it is in line with our aspiration to be "an excellent organisation that works well with our partners..."

### **4.0 Key Issues:**

- 4.1 Fields in Trust is an independent charity, established in 1925, which protects parks and green spaces for the benefit of communities.
- 4.2 In Scotland, they work with landowners, community groups and policy makers to champion the value of parks and green spaces to achieve better protection for their future at both national and local level.
- 4.3 There are already parks in Shetland that are protected in this way, for example the King George V play park in King Harald Street and the Queen Elizabeth park in Gilbertson Road.

4.4	As part of their 'Centenary Fields Programme', Fields of Trust have asked the Council, to protect a park or field to mark the centenary of Peace Day – 19 July. This is the date that in 1919 marked the celebration of the settlement of the Treaty of Versailles.
4.5	Council officers have identified the field to the east of the Bruce Hostel in Lerwick as an option. This is in line with the Knab Masterplan, which because of the listed buildings and walls around it, proposes this area as being retained as amenity space without any building allowed.
4.6	In order for the commemorative plaque to be prepared for the centenary date, Fields of Trust require the Council to complete Minute of Agreement by the end of June 2019 at the latest.
<b>5.0 Exempt and/ or confidential information:</b>	
5.1	None.
<b>6.0 Implications:</b>	
<b>6.1 Service Users, Patients and Communities:</b>	The proposals set out in this report have been developed in consultation with the relevant Council staff.
<b>6.2 Human Resources and Organisational Development:</b>	No implications arising directly from this report.
<b>6.3 Equality, Diversity and Human Rights:</b>	No implications arising directly from this report.
<b>6.4 Legal:</b>	The proposed Minute of Agreement would be a legally binding document binding the Council and its successors in perpetuity to hold the ground as amenity ground and restricting the power of the Council and its successors to sell, build on or otherwise deal with the ground except with the consent of Fields in Trust. The existing title of the ground (which is the same title as the Bruce Hostel) provides amongst other things that the ground may not be built on, except for the purpose of an extension to the Bruce Hostel to provide additional accommodation for residents, and that it should be kept as pleasure grounds designed to conserve the amenity of the Hostel. This would not prevent entering into a Minute of Agreement as proposed.
<b>6.5 Finance:</b>	No implications arising directly from this report.
<b>6.6 Assets and Property:</b>	The proposal set out in this report will, if implemented, provide additional protection to the proposed field as an amenity space.
<b>6.7 ICT and new technologies:</b>	No implications arising from this report.

<b>6.8 Environmental:</b>	The proposal set out in this report will, if implemented, provide additional protection to the proposed field as an amenity space.	
<b>6.9 Risk Management:</b>	No implications arising from this report.	
<b>6.10 Policy and Delegated Authority:</b>	<p>Approval of the financial strategy and budget framework is a matter reserved for the Council having taken advice from Policy and Resources Committee.</p> <p>Whilst this report would normally be referred to the Policy and Resources Committee, it was agreed, in consultation between the Chief Executive, Leader and Convener, to submit the report directly to Council for a decision, in order to maximise the time available for all Councillors to consider the terms of the report.</p>	
<b>6.11 Previously considered by:</b>	N/A	

**Contact Details:**

Robert Sinclair, Executive Manager – Assets, Commissioning and Procurement

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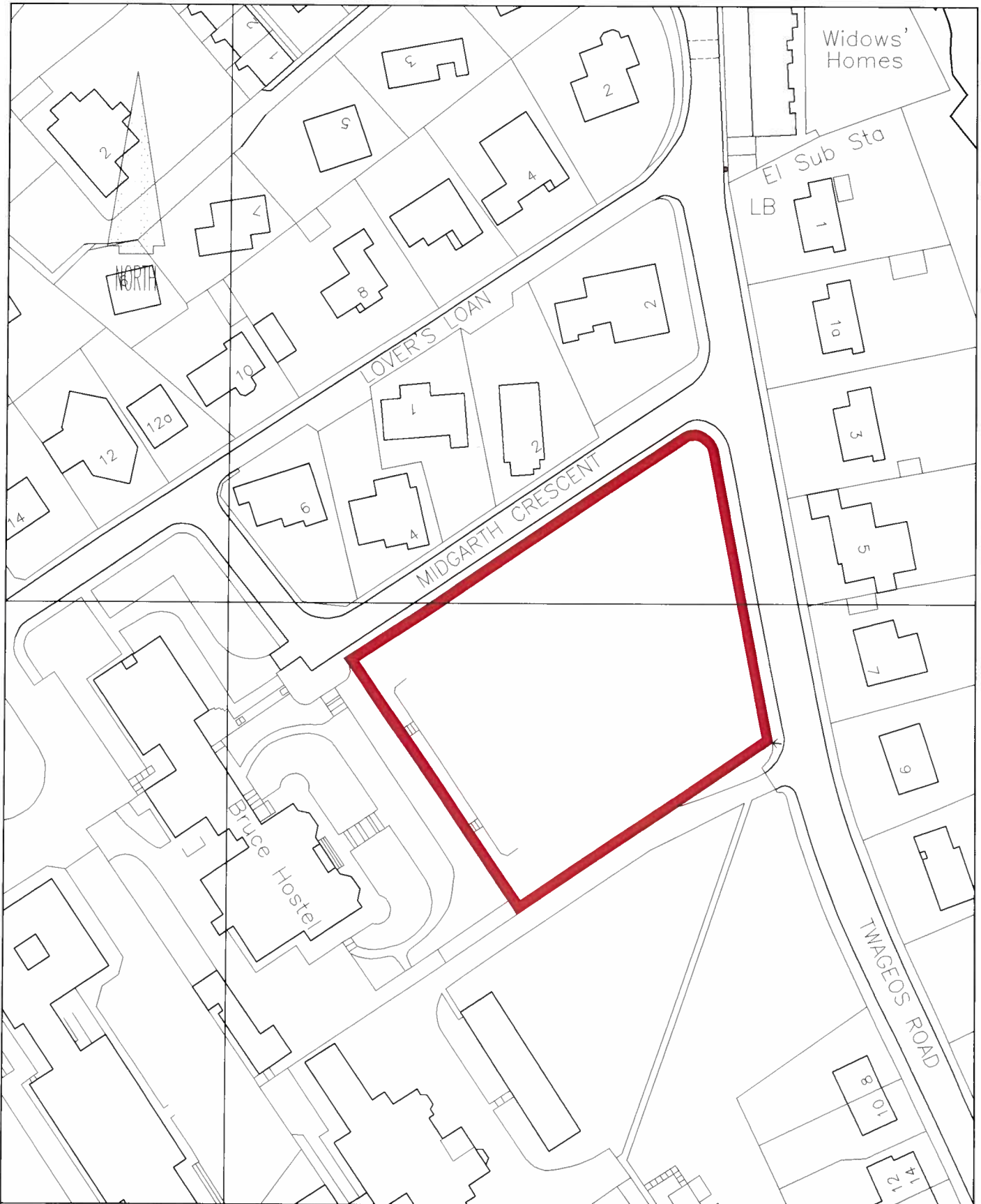
4 June 2019

**Appendices:** Appendix A – Plan of site referred to

**Background Documents:** None

END





Area outlined in red amounts to 0.44Ha or there by

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## Fields in Trust Bruce Park Lerwick

### Locaton Plan

## Shetland Islands Council

CORPORATE SERVICES

North Ness, Lerwick ZE1 0LZ

Telephone: 01595 744550

[www.shetland.gov.uk](http://www.shetland.gov.uk)



Date	Drawn	OS Grid Ref	Scale
May 2019	Kenn Allan	HU 4841	NTS
Org.No.	File No.	Rev.	
FIT-2019	L:\SURVEY\TITLES\FIT.Dwg		







<b>Meeting(s):</b>	<b>Shetland Islands Council</b>	<b>11 June 2019</b>
<b>Report Title:</b>	<b>Asset Investment Plan – Business Case – Knab Redevelopment - Demolition</b>	
<b>Reference Number:</b>	<b>ACP-06-19-F</b>	
<b>Author/ Job Title:</b>	<b>Robert Sinclair, Executive Manager – Assets, Commissioning and Procurement</b>	

## 1.0 Decisions / Action required:

- 1.1 That the Council RESOLVES to approve the proposal described in Section 4.3 of this report.

## 2.0 High Level Summary:

- 2.1 This report presents an asset investment proposal for approval, which has been considered by the Council's Asset Investment Group (AIG) based on the submission of a Business Justification Case. The AIG has assessed the submission for completeness and confirmed that a sound business case has been made.
- 2.2 This proposal is provisionally funded within the Council's Asset Investment Plan (AIP) 2019-24, which was approved by the Council on 26 February 2019 (Min Ref: 09/19). If approved, it will commit £1m of capital funding to demolition works at the Knab site in Lerwick, beginning in 2019/20.
- 2.3 The business case is provided as Appendix A to this report.

## 3.0 Corporate Priorities and Joint Working:

- 3.1 The Gateway Process for the Management of Capital Projects supports our Financial Strategy, Reserves Policy and Budget Strategy. 'Our Plan 2016 to 2020' states that "Excellent financial-management arrangements will make sure we are continuing to keep to a balanced and sustainable budget, and are living within our means" and that "We will have prioritised spending on building and maintaining assets and be clear on the whole-of-life costs of those activities, to make sure funding is being targeted in the best way to help achieve the outcomes set out in this plan and the community plan".

## 4.0 Key Issues:

- 4.1 On 29 June 2016 the Council adopted a new Gateway Process for the Management of Capital Projects, drawing on national and best practice guidance, to ensure the robustness of all capital projects.

4.2	This revised process is based on the process developed by the Office of Government Commerce (OGC) and is in common use throughout the public sector. It applies 'Prince 2' principles to the process and is aligned with the '5-Case Model' that has been promoted to both Officers and Members through recent 'Building Better Business Case' training. A key principle in that procedure is that the Council's AIP is re-prioritised on an annual basis, however business cases can be processed at any time. By approving a Full Business Case or Business Justification Case, Members are agreeing that the project should progress to the implementation stage, subject to being prioritised and included in the Council's Asset Investment Plan.	
4.3	A summary of the business case referred to in Appendix A to this report is set out below, along with recommendations from the AIG:	
4.3.1	<u>Appendix A - Business Justification Case – Knab Redevelopment - Demolition</u> <ul style="list-style-type: none"> <li>• Demolition of all buildings on the former Anderson High School at the Knab, with the exception of the listed buildings and the former science block;</li> <li>• First stage of implementing the Knab Masterplan;</li> <li>• Capital cost of £1m, beginning in 2019/20;</li> <li>• AIG recommended approval.</li> </ul>	
<b>5.0</b>	<b>Exempt and/or confidential information:</b>	
5.1	None.	
<b>6.0</b>	<b>Implications:</b>	
<b>6.1 Service Users, Patients and Communities:</b>	The proposal described in the appendix to this report will represent the first step in implementing the masterplan for the redevelopment of the Knab site. This has been the subject of several rounds of public and stakeholder consultation.	
<b>6.2 Human Resources and Organisational Development:</b>	No implications arising directly from this report.	
<b>6.3 Equality, Diversity and Human Rights:</b>	No implications arising directly from this report.	
<b>6.4 Legal:</b>	Governance and Law provide advice and assistance on the full range of Council services, duties and functions including those included in this report.	
<b>6.5 Finance:</b>	<p>The capital proposal in this report has been provisionally budgeted for in the 2019-24 Asset Investment Plan pending approval of the attached business case.</p> <p>The capital cost and ongoing revenue implications of the project is:</p> <p>Capital - This project will incur £1m of capital expenditure, beginning in 2019/20.</p>	

	Revenue - The ongoing revenue savings are set out in detail in Appendix A to this report and will result in annual revenue savings of £260k. This will result in a payback over 4 years which falls within the Spend to Save Scheme, therefore it is proposed to fund this from Spend to Save Reserve.	
<b>6.6 Assets and Property:</b>	In approving the recommendations set out in this report, around 16,000m2 of surplus property would be removed from the council's estate.	
<b>6.7 ICT and new technologies:</b>	No implications arising directly from this report.	
<b>6.8 Environmental:</b>	Demolition works would be procured from suitably qualified and experienced contractors to minimise any environmental risks.	
<b>6.9 Risk Management:</b>	Failure to approve this expenditure in the AIP will result in additional revenue costs and the risks associated with vacant property as described in Appendix A to this report.	
<b>6.10 Policy and Delegated Authority:</b>	<p>Approval of the financial strategy and budget framework is a matter reserved for the Council having taken advice from Policy and Resources Committee.</p> <p>Whilst this report would normally be referred to the Policy and Resources Committee, it was agreed, in consultation between the Chief Executive, Leader and Convener, to submit the report directly to Council for a decision, in order to maximise the time available for all Councillors to consider the terms of the report.</p>	
<b>6.11 Previously considered by:</b>	N/A	

**Contact Details:**

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4 June 2019

**Appendices:**

Appendix A – Business Justification Case – Knab Redevelopment – Demolition

**Background Documents:** None

END



# **BUSINESS JUSTIFICATION CASE (BJC)**

Project Title:

Knab Redevelopment – Demolition

Version no: 0.1

Issue date:

#### VERSION HISTORY

Version	Date Issued	Brief Summary of Change	Owner's Name
Draft	00.00.00	First draft version	Robert Sinclair

## **CONTENTS – BUSINESS JUSTIFICATION CASE**

1. Purpose
2. Strategic context and alignment with corporate priorities
3. Case for change
4. Available options
5. Preferred option
6. Procurement route
7. Funding and affordability
8. Management arrangements

## BUSINESS JUSTIFICATION CASE

### 1. Purpose

This is to seek approval of capital funding of £1m in 2019/20 for demolition of vacant unlisted property assets at the former Anderson High School site at the Knab in Lerwick.

### 2. Strategic Context and Alignment with Corporate Priorities

The new Anderson High School and associated Halls of Residence was completed in October 2017 and has now been occupied. This leaves most of the site of the old AHS vacant.

The scope of the new AHS project did not include re-development of the old Anderson High School site, however the Council is very clear that the site should not be allowed to lie disused for an extended period of time and that plans for its future use should be developed, ready for implementation when it becomes fully vacant.

This position is captured in the Development Brief for the Knab site, approved by the Council on 3 November 2016 and in the brief to the consultants (7N) who have produced a Masterplan for the site.

The decision to move ahead with the masterplanning exercise prior to the site becoming vacant reflects the Council's wish to be in a position to move forward with alternative uses as soon as possible. The ASN facility at Gressy Loan continues to be used on a short-term basis by Children's Service and temporary office accommodation is being provided in some of the school buildings.

Limited activity on the site has increased levels of vandalism and antisocial behaviour around the empty buildings. The vacant buildings pose a significant Health & Safety risk along with continued financial and legislative compliance burdens.

Risk assessed security measures have been implemented onsite to mitigate risks as far as reasonably practicable;

- Daily security patrols: these are of limited benefit and involve significant cost
- Isolated utilities such as electricity: limited isolation possibilities while site partially occupied

There are three listed buildings on the site – the Anderson Education Institute, the Bruce Hostel and the Janet Courtney Hostel. It is envisaged these assets will be refurbished and retained within the SIC estate.

To reduce revenue commitments, manage risk and remove redevelopment constraints demolition of surplus property is desirable.

The 2019-24 Asset Investment Plan includes a provisional budget of £1m to cover the costs of demolition.

This proposal supports Our Plan 2016-2020, which states that:

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- “We will have a better understanding of the number of assets we can afford with the resources we have available, and will have reduced the number of buildings we have staff in”; and,
- We will have prioritised spending on building and maintaining assets and be clear on the whole-of-life costs of those activities, to make sure funding is being targeted in the best way to help achieve the outcomes set out in this plan and the community plan”.

### 3. Case for Change

#### A. Business needs

This investment is proposed in order to achieve the following objectives:

**To minimise the Council’s exposure to avoidable expenditure and facilitate early delivery of the masterplan.**

With the exception of the listed buildings and the science block (currently referred to as ‘D’ block), the Council has not identified any need to retain any of the buildings on the Knab site. They are not subject to listing and there is no identified long-term service need.

These redundant buildings will incur annual costs as detailed in the table below:

Type code Description	18-19 Costs (£)	19-20 Budget (£)	20-21 Budget (£) Post Demolition
General Rates	85,615	87,838	13,800
Water/Waste Meter Charge	29,331	14,126	14,126
Maintenance / Technical Support	0	0	6,000
Planned Preventative Maintenance	15,515	45,611	5,000
Emergency Maintenance	2,577	12,460	10,000
Statutory Maintenance	11,684	22,509	9,000
Energy Costs - Electricity	36,627	51,896	2,000
Energy Costs - Gas	141	-	-
Energy Costs - Fuel Oil		8,800	-
District Heating/Biomass	92,074	71,987	
Energy Costs Carbon Tax	1,401	3,179	500
Council Tax	3,260	0	-
Other Repair and Maintenance Costs	4,552	0	-
Grasscutting	8,532	0	-
Roads Maintenance Operations	466	0	-
External Consultant	990	0	-
Sewerage Rates	0	1,539	-
Water Rates	0	1,456	-
Total	292,765	321,401	60,426
<b>Revenue saving year 1</b>		<b>260,975</b>	
<b>Revenue saving year 4</b>		<b>1,043,900</b>	

The cost of demolishing these buildings is forecasted at £1m, payback is therefore less than 4 years.

Any redevelopment of this site is wholly dependent on demolition of the non-listed buildings to provide a clear site. As long as these buildings remain, the site is compromised for development and is devalued to account for the cost of demolition. SIC estimate indicates the site value will increase by £1m when cleared (development demolition is forecast at £1m).

#### **To mitigate the risks associated with retaining vacant property**

The inherent risks contained within management of the vacant site will need to be managed until the buildings are removed or reused. Leaving the buildings 'as is' exposes SIC to open ended adverse financial, reputational and legal risk.

The current risk is partially mitigated by parts of the site being occupied until March 2020. However the majority of the buildings are already vacant and have suffered vandalism, break-ins and other antisocial activity around the site. This is forecast to increase in frequency and escalate in severity once the entire site becomes vacant in early 2020 despite increase security patrols and other risk management process being put in place.

#### **To facilitate early implementation of the Masterplan**

It will take several years to implement the masterplan. Redeveloping the buildings that are to be retained may depend on participation by the private sector or other groups that are external to the Council, meaning that the timescales for implementation could be out with the Council's control.

Redevelopment of the area to the west of the listed buildings is also likely to depend on others to a certain extent; however, ensuring the area is cleared of the existing vacant buildings at the earliest opportunity will facilitate earlier redevelopment. Early redevelopment of the site by SIC maximises the quantifiable and un-quantifiable benefits associated with the redevelopment.

### **B. Benefits of Demolition of Vacant Properties**

- Reduced revenue spend **£260k** – year one.
- Reduced Risk from litigation and associated costs and liabilities.
- Enables redevelopment at the earliest opportunity
- Realising the benefits of re-developing the Knab site for the local economy
- Deliver the Asset Strategy strand of the Business Transformation Programme (approved by the Council in August 2016)
- Deliver the Council's wider corporate objectives
- Stimulate the local Market

## C. Risks

The main risks associated with demolition are:

To manage risk appropriately it is proposed that the demolition work is split into two phases;

**Phase 1** – to include removing the physical links between the listed buildings and the buildings to be demolished, ensuring the independent routing of services and reinstating the listed buildings to the satisfaction of Historic Environment Scotland

**Phase 2** - the main demolition contract, unencumbered by the need to deal with the complications of the first phase.

### a) Subsequent identification of compatible use

There are financial and reputational risks should the Council identify property needs post-demolition that could have been met by the demolished buildings. These risks have been substantially mitigated by the following:

- Neither the visioning work to inform the Development Brief in 2014, nor the consultation associated with the masterplanning exercise have identified sustainable options for ongoing use of any of the buildings earmarked for demolition.
- With the possible exception of the ASN building, the condition and/ or type of the buildings earmarked for demolition means that substantial investment would be required to retain and remodel them.
- In some areas, remodelling of the existing structures would require specialist contractors. Market research has concluded that procurement of these services and expertise would be impractical.

### b) Cost overrun

- This risk is mitigated by ensuring that the contractor is furnished with the most comprehensive information on the building construction available.

### c) Health and Safety;

- **Personal Injury;** by its nature, the risk of personal injury during demolition work can never be totally eliminated. The procurement via framework will ensure that the successful contractor can evidence a strong culture of health and safety.
- **Damage to adjacent buildings;** some of the buildings earmarked for demolition are close to, or attached to, buildings that are being retained. The buildings to be retained are mostly listed. There is always the risk of damage to these listed buildings. Such specialised and large-scale demolition works are not routinely undertaken by the Council. A rigorous procurement process for the specialist services required would mitigate this risk.

- **Damage to neighbouring properties and local environment;** Elements of the demolition works would be fairly close to existing, occupied housing, roads and the public realm. As above, ensuring that suitably experienced and competent contractors carry out any such work would mitigate the risk.

#### 4. Available Options

The following options have been considered.

##### Do Minimum

Strengths	Weaknesses
No capital cost.	<p>Rates cost will be incurred.</p> <p>No income generated.</p> <p>No additional housing.</p> <p>No development opportunities.</p> <p>Statutory and emergency maintenance revenue costs will still be incurred.</p>
Opportunities	Threats
Buildings available for future development if needed.	<p>Likelihood of antisocial activity and vandalism.</p> <p>H&amp;S Risks associated with vacant properties</p>

##### Do minimum – Retain buildings and enhance security

Strengths	Weaknesses
Reduced likelihood of antisocial activity and vandalism.	<p>Rates cost will be incurred.</p> <p>No income generated.</p> <p>No additional housing.</p> <p>No development opportunities.</p> <p>Statutory and emergency maintenance revenue costs will still be incurred.</p>

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<b>Opportunities</b>	<b>Threats</b>
Buildings available for future development if needed.	<p>Still the likelihood of antisocial activity and vandalism.</p> <p>H&amp;S Risks associated with vacant properties</p>

### **Obtain demolition warrant but delay works**

<b>Strengths</b>	<b>Weaknesses</b>
Rates cost would not be incurred once warrant issued.	<p>No income generated.</p> <p>No additional housing.</p> <p>No development opportunities.</p> <p>Statutory and emergency maintenance revenue costs will still be incurred.</p>
<b>Opportunities</b>	<b>Threats</b>
Buildings available for future development if needed.	<p>Likelihood of antisocial activity and vandalism.</p> <p>H&amp;S Risks associated with vacant properties</p>

### **Obtain demolition warrant and demolish all surplus non-listed buildings except science block**

<b>Strengths</b>	<b>Weaknesses</b>
Rates cost would be reduced once warrant issued.	<p>Some rates cost will still be incurred.</p> <p>No income generated.</p> <p>No additional housing.</p> <p>No development opportunities.</p> <p>Statutory and emergency maintenance cannot be avoided so revenue costs will still be incurred.</p>

Opportunities	Threats
<p>Some buildings available for future development if needed.</p> <p>Opportunity to develop additional housing in early course.</p> <p>Earlier development opportunities</p> <p>Access grants and wider funding opportunities</p>	<p>Still the likelihood of antisocial activity and vandalism.</p> <p>Retained buildings may lie empty for an extended period before eventually having to be demolished at additional cost.</p> <p>H&amp;S Risks associated with vacant properties</p>

## 5. Preferred Option

Based on the SWOT analysis above, the preferred option is to obtain a demolition warrant and demolish all the surplus (non-listed) buildings, except for the science block) beginning in 2019/20.

Whilst there will be an estimated capital cost of £1m to complete the demolition works, the table at section 3 above sets out the revenue savings that would result. This demonstrates a payback period of less than 4 years. There may also be an un-quantifiable benefit to the Shetland Island economy through demolition contractor appointment and/ or associated allied support services and trades.

Quantifiable and un-quantifiable risks will be removed or reduced with the vacant property removal.

In order to achieve this, internal resources will be required to prepare tender documentation for the appointment of a specialist demolition contractor. Budget figures have been sought through informal contact with the industry.

## 6. Procurement Route

The proposals set out in this BJC are well below the threshold for EU tendering and the new 'Slice' threshold of £2 million.

There is an existing framework arrangement for demolition works available to the Council through Scotland Excel. It is therefore proposed that a specification and schedule of demolitions be prepared and tendered in accordance with the appropriate Scotland Excel framework guidance.

## 7. Funding and Affordability

As outlined in Section 3, implementation of the preferred option would result in a reduction in revenue costs. The table below show that annual revenue costs will reduce to £60k resulting in a saving of £260k. It is proposed that the investment will be funded as a Spend to Save project, with the £1m capital funding offset by revenue savings over a 4 year period. The £1m of capital funding is already included provisionally in the Council's 5-year Asset Investment Plan.

Type code Description	18-19 Costs (£)	19-20 Budget (£)	20-21 Budget (£) Post Demolition
General Rates	85,615	87,838	13,800
Water/Waste Meter Charge	29,331	14,126	14,126
Maintenance / Technical Support	0	0	6,000
Planned Preventative Maintenance	15,515	45,611	5,000
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Energy Costs - Electricity	36,627	51,896	2,000
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Total	292,765	321,401	60,426
<b>Revenue saving year 1</b>		<b>260,975</b>	
<b>Revenue saving year 4</b>		<b>1,043,900</b>	

## 8. Management Arrangements

This project will be managed by the appointed technical team within Asset, Commissioning & Procurement. It will comply with the council's Contract Standing Orders and will be implemented in accordance with Prince2 methodology.

All project documentation, specifications, drawings and tender documentation will be produced in-house.

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