

Shetland Islands Council



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Date: 16 April 2020

Dear Sir/Madam

You are invited to the following meeting:

Special Shetland Islands Council
Wednesday 22 April 2020 at 10 a.m.

Please note that because of the current COVID-19 (Coronavirus) emergency, and as permitted by legislation, this meeting will not be open to members of the public.

This meeting will take place by remote means, by video and teleconference, for Councillors and advising officers only. Joining details will be sent separately to those attending.

Public reports are available on the Council's website. The actions and decisions taken at the meeting will be published on the Council's website as soon as possible thereafter.

Yours faithfully

Executive Manager – Governance and Law

Convener: Malcolm Bell
Depute Convener: Cecil Smith

AGENDA		
In terms of Section 50A(3A) of the Local Government (Scotland) Act 1973, as introduced by Schedule 6, Paragraph 13 of the Coronavirus (Scotland) Act 2020, the public are excluded from this meeting on public health grounds.		
(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.	COVID-19 - Update <i>Report to Follow</i>	
2.	College Merger – Ministerial Merger Business Case (MMBC) <i>CRP-10</i>	
<u>The following item contains EXEMPT information.</u>		
3.	Transitional Funding – College Merger <i>CRP-11</i>	

END



Meeting:	Special Shetland Islands Council	22 April 2020
Report Title:	College Merger – Ministerial Merger Business Case (MMBC)	
Reference No:	CRP-10-20-F	
Author/Job Title:	Christine Ferguson, Director - Corporate Services	

1.0 Decisions/Action required:

1.1 That the Council RESOLVES to:

- a) CONSIDER and NOTE the content of the final draft Ministerial Merger Business Case (MMBC) attached at Appendix 1;
- b) CONSIDER the information with regard to Estates and Assets in Appendix 3 and APPROVE the recommendations in Appendix 3 including that the lease for the buildings that will be made available to the new entity comprising the Shetland College buildings and the NAFC Marine Centre should be a lessee full repair and maintenance lease at a cost of £39k per annum; that the Textile Facilitation Unit (TFU) is transferred to the new entity for a capital investment cost of £100k and that the MMBC is revised accordingly;
- c) AGREE and ENDORSE the proposal to merge¹;
- d) DELEGATE authority to the Chief Executive (or her nominee) to liaise with, negotiate, or otherwise engage with the other parties to the merger and with any regulatory, parliamentary, statutory or other bodies and generally to take any action and take any decision necessary to achieve the merger, as per the timeline to merger, including input into Scottish Government led consultation, prior to submission of the merger proposal for approval by the Minister;
- e) APPROVE governance arrangements and responsibilities of the new merged entity and NOTE that if Ministers approve the merger, responsibility for the subsequent academic development and financial accountability and sustainability of the merged institution will lie with a single governing body², namely the new college;
- f) AGREE that the original delegation of authority granted to the Shetland College Board on 29 June 2016 [Min. Ref. SIC 53/16] to support potential further stages of the Project remains in place until such time as the merger completes on the Vesting date.

¹ Specific wording taking account of [SFC Full Guidance on Mergers and Federations](#) [page 13/18]

² Specific wording taking account of [SFC Full Guidance on Mergers and Federations](#) [page 13]

2.0 High Level Summary:

- 2.1 The Council approved the Full Business Case (FBC) for the merger in December 2018 (Min Ref SIC 55/18) with the expectation that vesting of the new merged college would be achieved by August 2020. However there have been a number of delays and the revised timeline depends on the agreement by the parties to the merger of the MMBC. The final draft MMBC has been prepared through joint working arrangements under the direction of the Principal Designate. This is attached as Appendix 1 to this report.
- 2.2 The revised Merger Timeline (Appendix 1: iii / Appendix 2), outlines the programme of implementation of merger, including Scottish Government consultation prior to submission of the merger proposal for approval by the Minister. A date for Vesting of the new merged college has not yet been set, though it is expected to be in March 2021.
- 2.3 The MBC has furthered the vision for the new merged college and in particular the academic development potential with a clear focus on student experience.
- 2.4 Financial sustainability was a key consideration of the FBC in December 2018, and the MMBC financial plan demonstrates a sustainable direction post-merger. This also details the transitional funding required from Scottish Funding Council in support of the merger. The Council will no longer provide deficit funding and will instead be a customer of the new merged entity.
- 2.5 The merger proposal includes making Council-owned property available to the new college. This report includes proposals to the Council in this regard.
- 2.6 The Educational Institute Scotland (EIS) have raised concerns regarding the proposed legal status of the new merged college. Scottish Funding Council (SFC) have confirmed that the final decision rests with the Minister.

3.0 Corporate Priorities and Joint Working:

- 3.1 The Council's Corporate Plan, "*Our Plan 2016-2020*"³, has as two of our 20 by '20 priorities that :
- *'High standards of governance, that is, the rules on how we are governed, will mean that the Council is operating effectively and the decisions we take are based on evidence and supported by effective assessments of options and potential effects.'*, and
 - *'We will be an organisation that encourages creativity, expects co-operation between services and supports the development of new ways of working'.*
- 3.2 The College Merger project is part of the Council's Service Redesign Programme (SRP). One of the objectives of the SRP is,
- *'To focus on areas where significant change is required/ anticipated/ possible with a view to reducing the revenue cost while continuing to achieve the outcomes required'.*

³ <https://www.shetland.gov.uk/documents/OurPlan2016-20final.pdf>

3.3 The Council together with other statutory partners in the Shetland Partnership, which includes the University of the Highlands and Islands (UHI), have developed the Shetland Partnership Plan⁴. This includes outcomes agreed to support the vision that,

- *‘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’.*

More specifically, the Shetland Partnership Place Priority is that,

- *‘Shetland is an attractive place to live, work, study and invest’.*

4.0 Key Issues:

Ministerial Merger Business Case

- 4.1 The Council approved the Full Business Case (FBC) for the merger of Shetland College and Train Shetland, both operated by the Council, with the North Atlantic Fisheries College (NAFC Marine Centre) operated by Shetland Fisheries Training Centre Trust (SFTCT) in December 2018 (Min Ref SIC 55/18). The expectation was that vesting of the new merged college would be achieved by August 2020. Subsequently, a date for vesting on 6 January 2020 was proposed by SFC. A critical milestone for the College Merger Project is the development of the MMBC for presentation to Scottish Ministers. The final draft MMBC is attached as Appendix 1.
- 4.2 There were delays during 2019 in the preparation of the MMBC due in part to requests for a significant level of detail with regard to the financial business case that forms part of the MMBC. A revised timeline for merger has been prepared by SFC. This includes the maximum time allocation for formal consultation on the MMBC prior to the MMBC being presented to Scottish Ministers for approval. The revised timeline is attached at Appendix 2. A new date for Vesting has not been set but is expected to be in March 2021.
- 4.3 The MMBC presents the case for a new unified college for Shetland. It makes clear the importance of the sustainability of the new merged college to future generations and to Shetland’s economy and community life. The vision for the new merged college places lifelong learning and research expertise at the heart of economic policy. The MMBC outlines clearly how the new merged college will offer unique, high quality further and higher education opportunities for students.
- 4.4 The academic development potential of the merger shows how the future will build on the experience of the current institutions whilst progressing curriculum development. The student experience has been identified as central to the future with a clear commitment to ensuring “all students will be valued and their ambitions supported”. The curriculum development process will also ensure planning is closely aligned to the needs of local employers, communities and individuals whilst reflecting regional and national priorities.

⁴ <http://www.shetland.gov.uk/communityplanning/documents/180801SPPforWebFINAL.pdf>

4.5 The final draft MMBC will be presented to the Shadow Board at a meeting on 18th March 2020. The Shadow Board is expected to recommend the MMBC for approval by the Council and SFTCT in accordance with SFC Guidance on Mergers and Federations⁵.

Financial business case

4.6 The financial modelling exercise for the MMBC was led by the Principal Designate following the departure of the UHI Project Manager. The Principal Designate worked closely with finance staff from NAFC and Shetland Islands Council. The MMBC financial model includes provision for inflation across the 5 year period. To allow comparison with the FBC financial plan presented to the Council and SFTCT in 2018, inflation has been stripped out of the figures in the table below:

Income & Expenditure FBC to MMBC	FBC £	MMBC £	VARIANCE (Adv) / Fav £
Employee Costs	(4,468)	(4,825)	(357)
Premises Costs	(521)	(672)	(151)
Operating Costs	(1,018)	(1,025)	(7)
Marketing	(33)	(35)	(2)
Professional and Financial Fees	(208)	(314)	(106)
Travel/Vehicle Expenses	(149)	(172)	(23)
TOTAL EXPENDITURE	(6,398)	(7,043)	(645)
Scottish Funding Council	2,728	3,304	576
Tuition Fees, Contracts & Grants	1,820	1,953	133
Research Grants and Contracts	1,169	987	(182)
Consultancy	193	268	75
Management & Service Fees	421	406	(15)
Other Income	392	385	(7)
Bank Interest	2	0	(2)
TOTAL INCOME	6,724	7,303	579
Surplus / (Deficit)	326	260	(66)

4.7 The main differences between the FBC and the MMBC are:

- Employee Costs have increased due to full migration onto the National Recognition and Procedures Agreement (NRPA). This was not included in the FBC as it would be fully funded, with no impact on the bottom line. There is also an increase in employers' contribution into the Scottish Public Pensions Agency (SPPA) pension scheme and provision for additional research staff;
- Premises Costs include provision for property leasing costs to the new college at £100k/annum are included, however, further information and options for consideration by the Council are included in this report;
- Residual/non-recoverable VAT is included, having been excluded from the FBC;
- Professional Fees and Charges have been increased to ensure adequate resources are available to the new college;
- Travel and Vehicle Expenses have increased in line with the actual outturn in 2018/19, which saw increases at NAFC Marine Centre and Shetland College;

⁵ [SFC Full Guidance on Mergers and Federations](#) [page 13/18]

- SFC income for 2019/20 is already in excess of the FBC modelling estimate, increasing significantly in line with full migration onto NRPA, whilst proposed growth in FE and HE estimates are similar;
- Tuition Fees, Contracts and Charges have increased in line with the curricular review which was led by the Principal Designate;
- Research Grants and Contracts have been reduced to reflect the current funding climate and in recognition of the ad hoc nature of research; and
- Consultancy income has increased to reflect the Principal Designate's ambitions for this area.

4.8 The FBC, which incorporated financial and legal due diligence, made clear the need for the new merged college to be financially sustainable. The MMBC financial plan demonstrates a sustainable direction for the new college post-merger.

4.9 The financial model within the MMBC shows that a £3.6 million transitional funding request will be made to SFC, of which £1.8 million would be deficit funding. ERVR costs cannot be quantified at this stage in the process. This figure would change if the Council resolved to approve the recommendation in this report with regard to the cost of the lease for Council owned property.

Property and asset transfer arrangements

4.10 The FBC assumed that Council owned property would be made available to the new merged college under the terms of a "minimal value transaction". Proposals in this regard within the MMBC financial model are that the Shetland College buildings and SIC owned NAFC buildings would be made available to the new college through a lease with an annual rental charge of £100k. This would be a full lessee repair and maintenance arrangement.

4.11 The advice received from specialist legal advisers, Anderson Strathern and from Deloitte, the Council's external auditor is reflected in Appendix 3. The conclusion of the further work on this aspect of the financial business case is that, taking account of the Council's options with regard to property that is subject to legislation including the need to demonstrate Best Value, the cost of the lease should be revised to £39k per annum. This is recommended to the Council for decision in this report. Further information is included in Appendix 3. It is also recommended that assets including equipment within the TFU is transferred to the new entity at a cost not exceeding £100k payable to the Council.

4.12 The Train Shetland building will not form part of the arrangements. However a space utilisation survey will be completed and should the results from this survey demonstrate a need to increase space required by the new entity, the Council will be asked to reconsider the decision taken in December 2018 in regard to that building.

EIS concerns regarding legal status

4.13 The Shadow Board, having come to the view that the new merged college should be a non-incorporated college under the terms of the Further and Higher Education (Scotland) Act 1992, agreed the recommendation of the revised version of the Articles of Association of UHI [PB20201]⁶ for approval by the fully established Board of Directors of the new merged college.

⁶ [Shetland Merger Website](#)

- 4.14 EIS representatives made representations with regard to the legal status of the new college at a meeting of the College Lecturers' Joint Consultative Committee (CLJCC) on 14 January 2020 (Min Ref 01/20). The minutes of this meeting have been made available to the Councillor Members of Shetland College Board and confirmed by the CLJCC at its meeting on 3 March 2020. The minutes are attached below at Appendix 4.
- 4.15 In response to an enquiry at the Shadow Board meeting in February 2020, it was confirmed by SFC that: *"The Further and Higher Education (Scotland) Act 1992 meant that SFC did not have powers to provide advice. The final decision on the legal status of the new merged entity would rest with the Minister"*.

5.0 Exempt and/or Confidential Information:

- 5.1 Whilst the report is not being marked as containing exempt information so it can be made public, debate in the Chamber may give rise to discussion on matters that will be exempt, such as staff/union consultations and matters pertaining to the affairs of the SFTCT. The Chair and Members will be guided by the report author or Legal Services if the meeting is required to consider potential or actual exempt information.

6.0 Implications:

6.1 Service Users, Patients and Communities:

The student experience is at the heart of the vision for the new college as set out in the MMBC. The development of the curriculum is demand led meeting the needs of our community.

Students and stakeholders will be part of SFC led engagement and Scottish Government consultation during the next stages of merger implementation.

Key outcomes for the college merger project are a sustainable tertiary education sector in Shetland supporting the wider Shetland Partnership outcomes whilst improving the student experience and opportunities to study locally.

If the merger project does not succeed, potential consequences will be that more people seek education out with Shetland and this may lead to more people, particularly young people leaving Shetland affecting partnership goals for sustainable communities.

There is student representation on the Shadow Board and Shetland College Board.

6.2 Human Resources and Organisational Development:

The continuing delay in the college merger project means continuing uncertainty for staff at Shetland College and Train Shetland.

Informal discussions with staff and staff representatives provide opportunities for any issues to be raised and discussed. Staff representatives are also on the Shadow Board established for the college merger.

	<p>The Council will undertake formal TUPE consultation with Unions. A separate timetable for this will be drafted once the final date for Vesting has been agreed. The Council will continue its programme of ongoing dialogue. This includes the College Merger Project remaining as a standing agenda item at Human Resource Partnership Group (HRPG) meetings, informal meetings regarding TUPE and opportunities for all staff to engage in the preparatory work needed in order to establish the new merged college.</p> <p>The Council have continued with detailed work on policies and procedures as discussed at the College Lecturers' JCC in January 2020 in order to identify any aspects relating to terms and conditions. The information from this exercise will be discussed with the trades unions once it has been completed. All the Council's policies and procedures will be made available to the new entity once it is established to inform the work that the new merged college will undertake in developing their policies and procedures.</p>
6.3 Equality, Diversity and Human Rights:	<p>The proposed governance model for the new college will involve student and staff representatives being full members of the new board. This will ensure a range of interests and perspectives are represented.</p> <p>Governance of the new college must meet the provisions of, and the standards set by, Colleges Scotland's Code of Good Governance. This contains specific provisions on corporate social responsibility, including commitment to improving economic, social and cultural wellbeing, and leading on equality and diversity.</p>
6.4 Legal:	<p>The proposed merger is subject to state aid considerations and several legislative provisions including those noted in this section. Regard must also be had to Guidance. External legal advisers Anderson Strathern provide advice and assistance as and when required.</p> <p>Section 1 of the Local Government in Scotland Act 2003 states:</p> <p>“(1) It is the duty of a local authority to make arrangements which secure Best Value. (2) Best Value is continuous improvement in the performance of the authority's functions. (3) In securing Best Value, the local authority shall maintain an appropriate balance among— (a) the quality of its performance of its functions; (b) the cost to the authority of that performance; and (c) the cost to persons of any service provided by it for them on a wholly or partly rechargeable basis. (4) In maintaining that balance, the local authority shall have regard to— (a) efficiency; (b) effectiveness; (c) economy; and (d) the need to meet the equal opportunity requirements.</p>

(5) The local authority shall discharge its duties under this section in a way which contributes to the achievement of sustainable development.

(6) In measuring the improvement of the performance of a local authority's functions for the purposes of this section, regard shall be had to the extent to which the outcomes of that performance have improved.

.....”

Scottish Government Guidance for Accountable Officers on Best Value in Public Services states, among other things:

“Best Value ultimately is about creating an effective organisational context from which Public Bodies can deliver their key outcomes. It provides the building blocks on which to deliver good outcomes by ensuring that they are delivered in a manner which is economic, efficient, sustainable and supportive of continuous improvement.”

Section 20 of Local Government in Scotland Act 2003 states:

“(1) A local authority has power to do anything which it considers is likely to promote or improve the well-being of—

(a) its area and persons within that area; or (b) either of those.

(2) The power under subsection (1) above includes power to—

(a) incur expenditure, (b) give financial assistance to any person, (c) enter into arrangements or agreements with any person, (d) co-operate with, or facilitate or co-ordinate the activities of, any person, (e) exercise on behalf of any person any functions of that person, and (f) provide staff, goods, materials, facilities, services or property to any person.

(3) The power under subsection (1) above may be exercised in relation to, or for the benefit of— (a) the whole or any part of the area of the local area of the local authority; (b) all or some of the persons within that area.

.....”

Other Legal Matters

The Scottish Funding Council's Full Guidance on Mergers and Federations states “One of the final stages of a merger is to formally make the case to Ministers. This is done once due diligence and consultation are complete. The governing bodies will have to agree and endorse the merger or federation proposal prior to submitting it to Ministers. This is in effect the final decision by the boards on whether to merger or not. The proposal should demonstrate the clear commitment of the governing bodies of the institutions to merge or federate, as well as including a formal statement from the governing bodies to show that they understand and accept the governance arrangements and responsibilities of the new governing body. If Ministers approve the merger or federation, responsibility for the subsequent academic development and financial accountability

	and sustainability of a merged institution will ultimately lie with a single governing body”. ⁷
6.5 Finance:	<p>Ongoing costs associated with achieving Vesting, both within Shetland College and Train Shetland, and across the Council have been included in the approved budget for 2020/21.</p> <p>The MMBC demonstrates that the new college can become financially sustainable.</p> <p>Upon Vesting, the Council will achieve savings of approximately £1m per annum in line with the Service Redesign Programme plan.</p> <p>Approximately £0.5m in costs will remain with the Council, including Train Shetland property costs, Recharges and Unfunded Pensioner enhancements. In addition, the Council will receive income in relation to the minimum value leasing transaction. A recommendation is made in this report that should be £39k per annum.</p> <p>The Council will become a customer of the new college on commercial terms, rather than funding the ongoing operational deficit of Shetland College and Train Shetland.</p> <p>The MMBC requests support funding of £3.6m over the five year period from the Scottish Funding Council, to provide cashflow management security and capital investment funding.</p>
6.6 Assets and Property:	<p>The Local Government in Scotland Act 2003 placed a duty on local authorities to achieve Best Value. It also created a discretionary power to enhance well-being, which enables local authorities to do anything which is considered likely to promote or improve wellbeing of the whole or part of their area. This can include the provision of property.</p> <p>All Council land and buildings are held within our Asset Register in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.</p> <p>The considerations with regard to Assets and Estates are set out in detail in Appendix 3.</p>
6.7 ICT and New Technologies:	<p>There are ICT issues and risks associated with the college merger project.</p> <p>There is a significant amount of data owned by the Council including personal data relating to staff and students, which will be required by the new entity. ICT staff are working closely with colleagues in legal services in this regard.</p>

⁷ [SFC Full Guidance on Mergers and Federations](#) [page 13/18]

6.8 Environmental:	This report has no direct environmental implications.	
6.9 Risk Management:	The Council maintain a College Merger Project Risk Register.	
6.10 Policy and Delegated Authority:	<p>The decisions in this report fall within the remit of the Council and its Committees, as set out in the Scheme of Administration and Delegations, as follows:</p> <p>Shetland College Board Shetland College Board has delegated authority to monitor progress against objectives approved by the Board or which have been set by the Council, including Strategic direction for Shetland College and Train Shetland. Approval of long term plans shall be reserved the Education and Families Committee and thereafter to SIC as a component of its longer term vision and wider strategic remit for learning at all stages of life.</p> <p>Policy and Resources Committee The Policy and Resources Committee has delegated authority to secure the co-ordination, control and proper management of the financial affairs of the Council, and is responsible for the development and operation of the Council as an organisation in all matters relating to organisational development, staffing and structures. The Committee has referred authority to advise the Council in the development of its strategic objectives, policies and priorities.</p> <p>Shetland Islands Council The Council has reserved authority for determining Council priorities, policies or strategies that are of major significance. Consequently, the final decision on the MMBC is referred to the Council.</p> <p>In discussion with the relevant senior Council Members, it has been agreed that this report should be presented directly to the Council.</p>	
6.11 Previously Considered by:	N/A	

Contact Details:

christine.ferguson@shetland.gov.uk, Director, Corporate Services

Appendices:

Appendix 1 – Merger Business Case

Appendix 2 – Timeline to Merger

Appendix 3 – Estates and assets

Appendix 4 – Minutes of the College Lecturers' JCC meeting held on 14th January 2020

END



Merger Business Case

Contents

EXECUTIVE SUMMARY	6
CONTEXT FOR MERGER.....	12
Background	12
The Strategic Context for Change	12
National.....	12
Regional.....	13
Local	15
The Future and the Case for Change	17
The Case for Merger	18
Overview of merging organisations 2019	21
Shetland College	22
Shetland Fisheries Training Centre Trust	22
Options Appraisal.....	23
Process and Outcome	23
Long List Options.....	24
Short-Listed Options	25
Financial and Legal Due Diligence.....	27
Impact of not Proceeding with Merger.....	27
Vision, Mission and Values.....	28
Vision - Shetland Institute, UHI	28
Aims and Objectives of the Proposed Merger	28
Academic Vision and Benefits for Shetland Institute, UHI.....	29
The new Shetland Institute, UHI	30
Cross-cutting Themes.....	33
Clustering delivery sections and introducing cross cutting themes	34
Wellbeing and Inclusion.....	34
Innovation and Start-Ups.....	35
Technology.....	35
Sustainability	35
How Strategic Themes Address Scottish Government Priorities.....	36
Shetland Institute, UHI strategic theme: Wellbeing and Inclusion.....	36
Shetland Institute UHI strategic theme: Technology.....	36
Shetland Institute UHI strategic theme: Innovation and Start-Ups.....	37
Shetland Institute UHI strategic theme: Sustainability.....	37
Shetland Institute, UHI - Learning and Teaching Benefits	38
Learning and Teaching	38
Curriculum Development – for students	38

Curriculum Development – Widening Access	39
Curriculum development – Supporting Shetland’s Economy	39
Curriculum Development - structure	39
Benefits for Students	65
Enhancing the Student Experience	65
Finding out about the College	65
Getting to the College	66
Student Accommodation	66
Student (and apprentice) Leisure and Social Facilities	66
Benefits for Staff	68
Benefits for the Community of Shetland	68
Local Employers	68
Local Economy	68
Financial Benefits of the Proposed Merger	69
Context	69
Base Position – Day 0 to Day 1 (Vesting Day)	69
Key Financial Assumptions – Five Year Model	70
Pre-merger actions	71
Detailed Financial Adjustments	71
Revenue Costs	71
Premises Costs (Day 1 = 10% of total income / Yr 5 = 10% of total income)	72
Operating Costs (Day 1 = 16% of total income / Yr 5 = 13% of total income)	72
Marketing (300% Increase)	72
Professional and Financial Fees (Day 1 = 5% of total income / Yr 5 = 4.6% of total income)	72
Travel/Vehicle Expenses (Day 1 = 3% of total income / Yr 5 = 2% of total income)	73
Depreciation	73
Capital investment costs	73
Growing Income	73
Shetland Islands Council contribution	74
NAFC Contribution	74
UHI contribution	74
Balance Sheet	74
Indicative Cashflow	75
Request to Scottish Funding Council	75
Additional considerations	75
Risks	76
Governance	76
Corporate Development	76

Management.....	77
Administration and delivery support services	77
College Name	77
Key Performance Indicators.....	77
Development targets Shetland Institute.....	78
Other measures of success	79
Timetable to Vesting Day	80
Management of the Merger Process	80
Risk Management	80
Strategies to Ensure Merger Proposal Success.....	82
Communications Strategy	82
Human Resources and Organisational Development Strategy.....	82
Quality Strategy.....	83
Learning and Teaching Strategy	83
Research and Knowledge Transfer Strategy	83
Estates Strategy.....	84
Information and Communications Technology Strategy	84
Appendices.....	85
Annexes.....	85

A proposal for the merger of Shetland College, Train Shetland and NAFC Marine Centre to create one tertiary education institution for Shetland – Shetland Institute, UHI

Foreword

I am delighted to have been appointed to lead the creation and development of a new tertiary education institution for Shetland. I believe this is a timely initiative to secure the future of tertiary education in Shetland in the wider context of improving the quality of life for island communities and valuing their potential to contribute to Scotland's economic development.

The three present institutions, NAFC Marine Centre, Train Shetland and Shetland College are at the heart of economic development for the islands and work closely with industries as diverse as textiles and aquaculture, in various ways from skills development to research. Bringing all of this provision together will allow efficiencies in operation and cross-fertilisation to further develop what we do, with an overarching aim of providing diverse learner journeys through all sections and research apposite to the needs of Shetland.

The business case which follows highlights the breadth of activity that is being delivered both here in Shetland, for islanders, and, in some specialist provision, for students from a wide geographic spread. We are immensely proud of our students and their achievements and look forward to developing and strengthening our offer to students of the future – across all levels of delivery and all ages, locally, nationally and internationally.

I believe the cross cutting themes of Sustainability, Technology, Innovation and Start-ups, and Wellbeing and Inclusion will help us guide the development of both staff and students in topics and skills that are highly relevant to the wider world of work. Our delivery areas – Creative and Cultural, Seafood and Sea, Community and Enterprise, Healthcare and Society and Technology, Engineering, Marine and Built Environment are aligned to the economic needs of Shetland. In our small institution we will encourage cross-collaborations between these areas and I am excited to hear some of the ideas already emerging for new delivery.

I understand the process of bringing together these institutions has taken a great deal of work and a long time to come to fruition. There is now a real commitment to complete this project to form a single Shetland Institute within the UHI family which we all can be proud of for the future. I would like to thank all of those who have worked to develop this case and the staff of the merging institutions for their patience in face of uncertainty.

Professor Jane Lewis
Principal Designate/ CEO
12 March 2020

EXECUTIVE SUMMARY

Proposed College Merger of:

- **NAFC Marine Centre**
- **Shetland College UHI**
- **Train Shetland**

Into: Shetland Institute, UHI

Background

The development of this case for consideration by Scottish Ministers signifies the importance of creating a new, unified college for Shetland which offers unique and high quality further and higher education opportunities, fulfilling the lifelong learning needs of the islands and sharing our research expertise.

This Ministerial Merger Business Case concludes two years of intensive work, by all parties to the merger in Shetland, reaching agreement to merge NAFC Marine Centre, Train Shetland and Shetland College UHI.

The strategic Context for Change

Shetland Institute, UHI will need to take account of the strategies and plans which will impact on Shetland and on Scotland. The most significant areas of these plans are:

- The National Islands Plan
- Scotland's Economic Strategy
- Colleges Sector Statement of Ambition 2018-2023
- University of the Highlands and Islands Strategic Vision and Plan 2015-2020
- Highlands and Islands Regional Tertiary Outcome Agreement 2017-2020
- Highlands and Islands Skills Investment Plan
- Shetland's Partnership Plan 2018-2028
- 10 Year Plan to Attract People to Live, Study, Work and Invest in Shetland
- Tertiary Education Sector in Shetland: Strategic Plan 2017-2019

The Case for Change

The political priorities of Shetland Islands Council, community planning partners and government are clear in placing Tertiary Education Research and Training services at the heart of economic policy, given their vital role in delivering improvements to the economy.

Current services are expensive to maintain and are operated separately in a manner which is not conducive to implementing a cohesive strategy for the local sector.

Uncertainty over the future of Tertiary Education Research and Training services in Shetland has had ongoing negative impacts for the sector, including loss of key staff, inability to invest for the future, difficulties in cultivating and maintaining strategic relationships and the lack of coherent long-term planning.

Three major pieces of evaluative work have been carried out over the past seven years, to determine how best to provide tertiary education in Shetland. All have recommended merger of the current provision. These were:

- 2013 – Anderson Solutions Report
- 2016 – Shetland Tertiary Education, Research and Training Draft Integration proposals
- 2018 – the Mullen Report

Then in 2018, Shetland Islands Council Full Business Case concluded with the case being agreed by Shetland Islands Council and with agreement by the NAFC Marine Centre to proceed with merger activities and merger subject to conditions set by their trustees.

Financial drivers initiated the studies informing the merger proposals and the sustainability of the new Shetland Institute UHI is of critical importance to future generations and to Shetland's economy and community life.

Overview of Merging Organisations

The local context for the proposed merger is of a remote island base with elevated delivery costs; a small local market for education, research and training and an increasingly competitive landscape in the UK and internationally alongside the challenge of aging assets and facilities.

Originating in 1970 as the Shetland College of Further Education, Shetland College is an academic partner of the University of the Highlands and Islands (UHI) and a part of Shetland Islands Council's Development Services Directorate. Along with Train Shetland, the College offers a wide range of study and training options, from national certificates to postgraduate degrees, across a variety of subjects, including creative industries, Information and Communication Technology, Business and Hospitality, Health and Social Care and Construction.

Originating in 1992 as the North Atlantic Fisheries College, NAFC Marine Centre is an educational and scientific institute which supports training and development in Shetland's maritime industries, including the seafood sector. The Centre is an academic partner of UHI and is operated by Shetland Fisheries Training Centre Trust (SFTCT).

Vision – Shetland Institute, UHI

The new college will be an inspirational hub of innovation and learning designed to meet the needs of the people of Shetland, nationally and internationally.

This will be achieved by:

- **Working together** - Fostering activity and interaction across the organisation and between staff and students.
- **Working for Shetland** - Addressing skills needs, supporting innovation and applied research for the Shetland economy as the university for Shetland, with the University for the Highlands and Islands (UHI).
- **Working sustainably** - Embedding sustainability in the curriculum and in our practice.
- **Working to become resilient** - Encouraging staff and student development and aspiration, exploring and achieving new income streams.
- **Working with partners** - Developing relationships with employers, schools, communities, SIC and relevant national and international institutions

This reflects the vision of the University of the Highlands and Islands, to which Shetland Institute will become an assigned college.

The goals for the proposed merger are:

- To achieve the best possible student experience, providing more opportunities educationally, socially and pastorally, than can be achieved by separate entities;
- To make tertiary education in Shetland sustainable, in ways that cannot be achieved by retaining separate entities with diminishing resources;
- To change and innovate, and build capacity amongst staff;
- To build on our relationships with Shetland schools, communities and employers and respond to their ambitions and aspirations for post-school local learning and research.

Process and Outcome

Once Shetland Islands Council and the SFTCT committed to progress to merger, a project team was set up which developed proposals through to a full business case.

The Critical Success Factors (CSFs) for the project were agreed as:

- Develop a financially sustainable model for delivery of tertiary education, research and training in Shetland
- Maintain and enhance quality standards in all aspects of service delivery
- Maximise future income
- Commit to a single clear, consistent and effective voice for the tertiary sector in Shetland
- Maintain local tertiary education, research and training presence, and build strong relationships with resource enablers and strategic partners
- Simplify governance arrangements, and ensure the retention and attraction of appropriately skilled staff

Using these CSFs, a long list, and then a short list of options were worked through.

The scoring of the options, using the CSFs, demonstrated that two options from the shortlist were clearly preferable. These were:

- Option 5 – ‘Host’ Organisation with North Atlantic Fisheries Centre as the host;
- Option 6 – New College.

The preferred way forward identified by the options appraisal was therefore a merger of Shetland College UHI, NAFC Marine Centre UHI and Train Shetland, to create an entity outwith Shetland Islands Council. Two options were identified as the most suitable to realise this merger.

In addition, the legal due diligence carried out on the development of a business case advised that the merged college must be financially sustainable. Applying this requirement, the CSFs were revisited, and the two preferred options were then re-evaluated.

As a result of taking account of these considerations, the final preferred option was determined as the creation of a new college. It provided the highest chance of achieving the objectives specified by the CSFs.

Impact of Not Proceeding with Merger

The main impacts of not proceeding with merger are agreed as:

- Current arrangements, with three separate institutions are not financially sustainable
- The Council’s statutory obligation to achieve Best Value in the delivery of its services
- Further impacts on staff morale and further loss of confidence
- Achieving the goals of Shetland’s Partnership Plan
- Potential negative impacts on businesses and individuals who require access to qualifications and training

The Academic Benefits of Shetland Institute, UHI

A vertical integration model is proposed for Shetland Institute, UHI, designed to map clear pathways for learners’ progression from widening participation activities and entry-level learning through to post-graduate research, but not to restrict their learning to one discipline.

Curriculum activity will be clustered in five areas as follows:

- The **Creative and Cultural** section will continue the exciting work Shetland College has established in creative textiles and fine art.
- The **Community and Enterprise** section will be key to building entrepreneurial capacity in our learners and consequently Shetland communities.

- In **Health, Care and Society**, Shetland College's work to support the provision of a sustainable health and care workforce for Shetland will continue.
- **Technology, Engineering and the Marine and Built Environment** will draw together Information and Communication Technology and Computing, Construction and Marine and Engineering sections.
- The **Seafood and Sea** area will continue the focused research and learning developed by the NAFC Marine Centre.

Cross-cutting themes of Sustainability, Technology, Innovation and Start-Ups and Wellbeing and Inclusion will also be introduced to secure an Institute which leads by example as well as teaches through the curriculum and student experience.

Learning and Teaching

Shetland Institute, UHI will have a commitment to excellence in learning and teaching. Students will be at the heart of activity and courses will be delivered which are linked to the local economy. Single management and governance structures will improve the consistency of the student experience, strengthen the student voice and provide increased opportunity for co-creation with students. Opportunities will also be created to share good practice.

A regular, robust curriculum development process will be undertaken with the following objectives:

- To develop a curriculum that is demand-led, of the highest quality, and which makes a significant contribution to Shetland's society and economy.
- To ensure that the curriculum is broad, inclusive and aligned to meet the needs of employers, communities and individuals in Shetland, but also one that reflects regional and national priorities.
- To ensure that curriculum planning is closely aligned to the planning arrangements and mechanisms of the Shetland Partnership and of the University of the Highlands and Islands.

The new Sections of Shetland Institute, UHI will be built from the existing departments of the three current institutions as follows:

Seafood and Sea

- Aquaculture Skills
- Marine Science, Technology and Fisheries Research
- Fisheries Research
- Aquaculture Research
- Marine Spatial Planning

Creative and Cultural Shetland

- Cultural and Creative
- Centre for Rural Creativity
- Shetland Arts and Development Agency

Technology, Engineering and the Marine and Built Environment

- Nautical
- Engineering
- Construction
- IT and Computing

Community and Enterprise

- Business, Hospitality and Events
- Community Learning – Essential Skills, Access and Outreach

Health, Care and Society

- Health and Care

These will be supported by:

Student Participation

- Vocational Team for Apprentices
- Student Support Services
- Libraries

Delivery Support Services

- Short Courses for Businesses and Individuals
- Business Development and Marketing

and the leadership team for the new college.

Benefits for Students

Within the merged institution, Student Support will be able to develop personalised support for learning and pastoral care, improving student experience, and developing student leadership across all areas of the institution.

All students will be valued and their ambitions supported. Shetland Institute UHI will provide the help, facilities and services all students need, to participate in the life of the Institute and to make the most of their learning experience, regardless of their background, reason for learning, when or how they learn.

Financial Benefits of Proposed Merger

The core financial plan demonstrates that the Shetland Institute UHI can build a sustainable financial position post-merger.

Total savings of approximately £0.7m are expected to be achieved upon Vesting Day.

The key financial assumptions made are:

- The continued use of key assets at Scalloway and Lerwick, with the exception of the Train Shetland building, which will remain with Shetland Islands Council
- Use of Shetland Island Council property assets at minimal value
- Inflationary increases are prudently applied at a greater percentage to costs than income;
- SFC funding does not change substantially over the period
- Criteria for tuition income (across all levels) does not change substantially over the coming 5 years
- Restructuring will take place in the first year with costs associated with voluntary severance being met through an application to SFC; and
- There will be increased allocation of FE credit and both UG and PG HE places to Shetland post-merger.

The removal of financial subsidy from Shetland Islands Council will require management action to reduce costs, and increase income across the new merged college.

For the merger to proceed it is essential that each organisation is able to continue to deliver to the point of Vesting. To ensure that NAFC in particular can continue, additional financial support of approximately £0.6m is required. This would cover the current financial year (2019/20), and next (2020/21) by which time vesting must have been achieved. The success of the merger is contingent upon interim stability funding to both partner organisations.

The total funding required from the Scottish Funding Council to facilitate the merger is £3.6m over five years.

Governance

- Shetland Institute, UHI will be established as a non-incorporated college. It will be an assigned college to UHI the Regional Strategic Body (RSB) for the Highlands and Islands.
- The single merged institution will follow the national Code of Good Governance for Scotland's Colleges.
- The single merged institution will have charitable status (only NAFC has this at present).
- A new Board of Directors for a single merged institution will lead and direct strategically.

- A new Principal/CEO for the new institution was appointed in October 2019.

Key Performance Indicators

An initial set of KPIs for the merged college have been agreed in:

- FE credits and HE RAMs
- Student numbers
- Student attraction
- Student attainment
- Student experience
- Student satisfaction
- Apprenticeships

Timetable to Vesting Day

Following approval of the Ministerial business case by the Shadow Board it will need to be approved by the Shetland Fisheries Training Centre Trust, the Shetland College Board and the Shetland Islands Council. It will then be submitted to the University of the Highlands and Islands, the Scottish Funding Council and the Scottish Government (Cabinet Secretary for Education and Skills). There follows a consultation period with staff, students and stakeholders which will inform an evaluation visit to Shetland. From this advice will be provided to the Scottish Government who will carry out a further period of consultation before making a decision as whether to approve the merger. Finally if approved, legislation will be required to dissolve the current colleges and create the new entity.

CONTEXT FOR MERGER

Background

The development of this case for consideration by Scottish Ministers to merge three of Shetland's most important institutions builds on more than a decade of discussion and consideration in the Shetland Islands. This signifies the importance of creating a new, unified college that offers unique and high quality further and higher education opportunities, fulfilling the lifelong learning needs of the islands, sharing our research expertise with the wider world which itself is facilitated by our exceptional marine and coastal environment and our strong cultural traditions, and making Shetland a great place to live, work and study.

This piece of work is being finalised at a time when the proposed National Islands Plan establishes thirteen strategic objectives critical to improving the quality of life for island communities and helping Scotland's islands play their rightful place in Scotland's national and international development. Without doubt the proposed institution, Shetland Institute UHI, will play an essential role in achieving every one of the thirteen Island Plan objectives. In our delivery of further and higher education, high quality research and knowledge exchange, we are also ensuring island students of all ages and backgrounds benefit from the wide range of national policies to enable all learners to achieve their potential, gain knowledge and skills for life and work, we fulfil the needs of businesses contributing to our economy and we empower communities.

The Ministerial Merger Business Case concludes two years of intensive work, initiated by a project team within Shetland Islands Council and their collaboration with Scottish Fisheries Training Centre Trust, reaching agreement to merge NAFC Marine Centre, Train Shetland and Shetland College. The following development of this business case involved many hours of learning from staff, students, employers and other stakeholders what the essential elements of a merged institution should look like - and more than this, developing a vision for the new Shetland Institute UHI that reflects the passion, aspirations and strengths of staff and students for tertiary education and research in Shetland.

A Shadow Board of non-executive directors and stakeholders have worked tirelessly to develop and present this case for establishing Shetland Institute UHI. They profoundly believe in the importance of tertiary education and research in Shetland and make the case for ensuring it secures the resources and support it will need as it builds on the track record of the previous colleges to grow its activities, reach more learners, and play its rightful role in contributing to the economy, creative and cultural and social life of Shetland and Scotland in the wider world.

The Shadow Board is ensuring good governance and leadership, in partnership with the new Principal Designate and CEO Professor Jane Lewis.

The Strategic Context for Change

Shetland Institute, UHI will operate in a rapidly changing and developing context, locally and nationally. To provide the best possible, most relevant learner experience, the Institute will need to take account of the strategies and plans which will impact on Shetland and on Scotland. The most significant areas of these plans are set out here.

National

The National Islands Plan

The National Islands Plan for Scotland was published by the Scottish Government in December 2019. It sets out thirteen strategic objectives. The most relevant to the creation of Shetland Institute, UHI are set out here:

Strategic Objective 2 – To improve and promote sustainable economic development we will:

- Create and promote apprenticeships and job opportunities for young islanders.
- Ensure that skills provision is agile and responsive to future demand and enables individuals to take up opportunities.
- Build on Scotland's National Marine Plan to ensure that fishing and other economic activities stemming from the sea provide increased opportunities for island communities, but at the same time, that they are pursued in a sustainable manner.

Strategic Objective 12 – To promote and improve education for all throughout life we will:

- Work with UHI, the University of Aberdeen, Heriot- Watt University, Robert Gordon University and other education providers to ensure a broad range of options are available to young people.
- Support UHI as it deepens collaboration with island partners to promote learner pathways, innovation and industry/employer engagement.
- Ensure that young people are given the same opportunities to access education as young people on mainland Scotland.
- Consider the needs of adult learners in our island communities as we develop our adult learning strategy for Scotland.

Scotland's Economic Strategy

Scotland's Economic Strategy describes the actions the Scottish Government plan to take to develop the priority of sustainable growth. These include:

"Invest in Scotland's people at all stages of life to ensure that we have a well skilled, healthy and resilient population and an innovative, engaged and productive workforce;

Support the development of highly innovative businesses across the Scottish economy;

Encourage more of Scotland's diverse business base to engage in innovation and research and development as part of their day-to-day activities;

Continue to support the high-impact, world-class research of Scotland's Universities and improve levels of commercialisation of academic research."

Colleges Scotland: Colleges Sector Statement of Ambition 2018-2023

The purpose of Colleges Scotland's Statement of Ambition is to set out a vision, mission and set of values for the college sector for the next five years (2018-2023). A set of underpinning ambitions have also been outlined which will support the achievement of the vision by the sector:

"Colleges have a critical role supporting individuals and businesses in Scotland as well as providing community leadership in the regional economies in which we are situated.

The sector's three ambitions are outlined below:

1. Developing our people and partnerships
2. Supporting a successful economy
3. Helping communities thrive.

Regional

University of the Highlands and Islands: Strategic Vision and Plan 2015-2020

The University of the Highlands and Islands (UHI) is an integrated university comprised of thirteen academic partners across the Highlands and Islands region of Scotland, which include Shetland College and NAFC Marine Centre.

The University of the Highlands and Islands is the Regional Strategic Body for the Highlands and Islands, as established under the Further and Higher Education (Scotland) Act 2005 (amended by the Post-16 Education (Scotland) Act 2013) to support a regional approach to the planning and funding of college provision.

The strategic vision for the University of the Highlands and Islands comprises the following themes:

- The University will act as a force for economic, social and cultural change across the region by connecting and collaborating with businesses, public and third sector partners and communities;

- The University will continue to meet the needs of learners within the region, while targeting growth in our share of young entrants and students from beyond the region;
- The University's research will be recognised internationally, nationally and regionally for its quality and for its contribution to our remit of transforming and enhancing lives, the environment and the economy.

Highlands and Islands Regional Tertiary Outcome Agreement 2017-2020

Through Outcome Agreements, colleges and universities in Scotland set out what they plan to deliver in exchange for funding from Scottish Funding Council. The Highlands and Islands Regional Tertiary Outcome Agreement 2017-2020 details the agreed aims, priorities and outcomes for the delivery of education, research and training through the University of the Highlands and Islands, and how these will deliver on Scottish Funding Council objectives.

The aims, priorities and outcomes agreed in the Regional Outcome Agreement are:

Access

- Higher Education Priority 1: Widening Access – learning that is accessible and diverse attracting and providing more equal opportunities for people of all ages and from all communities and backgrounds;
- Further Education Outcome: Access – a more equal society because learning is accessible and diverse attracting and providing more equal opportunities for people of all ages and from all communities and backgrounds.

High Quality Learning and Teaching

- Higher Education Priority 2 and Further Education Priority – an outstanding system of learning that is accessible and diverse where students progress successfully with the ability, ideas and ambition to make a difference;
- Further Education Outcome: an outstanding system of learning where all students are progressing successfully and benefitting from a world-class learning experience in the hands of expert lecturers delivered in modern facilities;
- Outcome: a more successful economy and society with well prepared and skilled students progressing into jobs with the ability, ideas and ambition to make a difference.

Research

- Higher Education Priority 3: World leading research – world-leading universities, nationally and internationally connected with a global reputation for their research.

Innovation

- Higher Education Priority 4: Greater innovation in the economy – a national culture of enterprise and innovation leading to a more productive and sustainable economy.

High performing institutions

- Higher Education Priority 5: Further Education Outcome – a coherent system of high-performing, sustainable institutions with modern, transparent and accountable governance arrangements.

Highlands and Islands Skills Investment Plan

In October 2014, Skills Development Scotland, the Scottish Funding Council and Highlands and Islands Enterprise launched the *Skills Investment Plan (SIP) for Highlands and Islands*. This was the culmination of discussion, research and consultations on finding the best way to realise the ambitions of the three agencies to position the Highlands and Islands as a region with outstanding skills and the potential for development in light of emerging economic opportunities.

The Skills Investment Planning approach is intended to bring skills demand and supply closer together, and to contribute to a vibrant economy by supporting individuals to develop the skills needed by industry. The Highlands and Islands Skills Investment Plan sets out:

- the region's economic performance and sectoral and local assets;
- the performance of the regional labour market and associated demographic challenges;
- skills issues facing employers within the region;
- opportunities and challenges related to future economic and employment growth;
- assessment of current education and training provision.

This extensive and robust evidence base is used as the basis for a framework for future regional action on skills issues. Five key themes were identified as priorities for action with a range of specific interventions and activities identified for each. The themes are:

- Meeting the current skills needs of employers;
- Planning for the future;
- A region for young people;
- People attraction and place attractiveness;
- Strengthening the employer voice in the skills system.

The actions set out in the Skills Investment Plan are intended to have an impact on:

- numbers of young people entering positive destinations on leaving school;
- numbers of young people staying within the Highlands and Islands on leaving school, college and university as a result of good quality education, training and employment opportunities being on offer;
- reducing the number of businesses reporting difficulties accessing skills training;
- increasing the number of businesses reporting growth in their workforce;
- the scale and range of continuing professional development provision available within the Highlands and Islands.

The Skills Investment Plan is helping guide skills planning and investment decision-making within the Highlands and Islands. However, the Highlands and Islands is a large and diverse area, and employment and skills issues are often local in their focus – reflecting the boundaries of local labour markets, and the specifics of local economies.

Local

Shetland's Partnership Plan 2018-2028

The Shetland Partnership, of which the Council is a key member, is the Community Planning Partnership for Shetland. The Shetland Partnership Plan 2018-2028 reflects the shared vision of the local area and the partner organisations:

“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.”

The Shetland Partnership Plan sets out the shared priorities of the Shetland Partnership for 2018-2028, which are as follows:

- **People** - Individuals and families thrive and reach their full potential.
- **Participation** - People participate and influence decisions on services and use of resources.
- **Place** - Shetland is an attractive place to live, work, study and invest.
- **Money** - All households can afford to have a good standard of living.

The following targets in the Partnership Plan will be addressed by maintaining and developing a sustainable Tertiary Education Research and Training sector in Shetland:

- 97% of school leavers will be in positive destinations (education, employment, training, and personal development) in 2021, rising to 98% by 2028 (currently 96.1%);
- No more than 15% of businesses are struggling to fill vacancies due to a lack of local labour in 2021, and no more than 5% in 2028 (currently 20%).

The relevant ten-year outcomes from the Plan are as follows:

People

- The number of disadvantaged people and households in Shetland will be considerably reduced as a result of people being enabled and empowered to address the issues they face and helping others to thrive in the same way.

Place

- People will be accessing employment, education and services in new and innovative ways designed to minimise barriers to involvement for all.
- Shetland will be attracting and retaining the people needed to sustain our economy, communities and services.

Money

- Everyone will be able to access the support they need to maximise their income potential; including innovative, flexible and entrepreneurial employment opportunities throughout Shetland.

Securing the future of Tertiary Education Research and Training services in Shetland will contribute to the Shetland Partnership Plan's achievement of the following National Outcomes within Scotland's National Performance Framework:

- We are creative and our vibrant and diverse cultures are expressed and enjoyed widely;
- We have a globally competitive, entrepreneurial, inclusive and sustainable economy;
- We are well educated, skilled and able to contribute to society;
- We have thriving and innovative businesses, with quality jobs and fair work for everyone;
- We are open, connected and make a positive contribution nationally.

10 Year Plan to Attract People to Live, Study, Work and Invest in Shetland

A key objective for the Shetland Partnership is to develop and implement a ten-year action plan to attract people to live, work, study and invest in Shetland. This plan is predicated on the link between a healthy demographic balance and the ability to sustain communities and services and compete economically.

The vision of the 10 Year Plan is:

"In 2028 Shetland will:

- *Be an island of opportunity for young people, businesses and investors;*
- *Be a vibrant and positive student destination;*
- *Have a more balanced demographic profile and a growing population underpinned with more private sector jobs."*

In order to achieve this vision, one of the objectives of the Plan is :

- To foster an environment that supports entrepreneurship and sustainable learning and research.

Under this objective, the plan identifies the following key priorities:

- Expansion of Modern Apprenticeship programmes across all disciplines and access funding from the Apprenticeship Levy;
- Development of Further Education programmes in developing skills areas and work with local businesses and community partners to develop a skills investment plan;
- Further develop HE programmes which retain and attract in students e.g. the performing arts programme with Shetland Arts in Mareel;
- Facilitate the provision of student accommodation;
- Provision of short courses for businesses;
- Priority will be given to highly applied, industry specific research that supports sectors of local economic importance;
- A vibrant post-graduate research community will be developed within Shetland.

Our Plan 2016 to 2020

Ensuring inclusive growth through developing the skills of local people and creating well-paid jobs is a core part of the Council's vision. The Council's current Corporate Plan: Our Plan 2016 to 2020 states:

"A stronger economy which has well-paid jobs available to more people has the potential to produce a more prosperous and fairer society in Shetland."

The long-term community plan aim is for Shetland to have good places to live as well as sustainable economic growth with employment opportunities, and for our residents to have the skills they need to benefit from those opportunities."

The Council's Corporate Plan highlights the following as priorities for improving the economy and quality of life in Shetland:

- The tertiary education, research and training project will have created an effective model for providing excellent services to our learners;
- There will be opportunities for people with all levels of skills, and there will be a close match between the skills that businesses need and those that the trained workforce have;
- We will have an economy that promotes enterprise and is based on making full use of local resources, skills and a desire to investigate new commercial ideas.

Tertiary Education Sector in Shetland: Strategic Plan 2017-2019

A joint strategic plan for the tertiary education services in Shetland, comprising Shetland College, NAFC Marine Centre and Train Shetland, was developed in 2017 as a response to the requirement for a closer integration of services, with a view to integration of management structures in the future. The plan describes the following vision:

"NAFC Marine Centre, Shetland College and Train Shetland will work together to help build the future of Shetland through education, training and research".

The joint strategic plan identifies six strategic goals for the period up to 2019:

- Respond to the needs of Shetland;
- Deliver high quality learning experiences and successful outcomes for all learners;
- Carry out high quality research;
- Provide high quality governance, leadership and management structures;
- Grow our business;
- Build sustainability.

The Future and the Case for Change

The development of a sustainable Tertiary Education Research and Training sector in Shetland should be clearly seen as an investment in the future of Shetland, and one which should be undertaken in partnership with community planning partners, learners, employers and the local community.

Growing the working age population and developing Shetland as a destination of choice to live, work, study and invest are core aims for community planning partners in Shetland. In order to achieve these aims, it is essential to establish and maintain a Tertiary Education Research and Training sector which is financially sustainable, student-focused, delivers a high quality learning experience and which is properly engaged with learners, businesses and communities.

The political priorities of the Council, community planning partners and government are clear in placing Tertiary Education Research and Training services at the heart of economic policy, given their vital role in delivering improvements to the economy through skills development, training, research and providing varied and high quality options for school leavers. This sector is crucial to the ambitions of the Shetland Partnership Plan and the 10 Year Plan, not least in the targets of creating new private sector jobs, growing the student population and increasing the number of local apprentices.

Current services are expensive to maintain and are operated separately in a manner which is not conducive to implementing a cohesive strategy for the local sector. In order to reduce the draw on public finances which support the separate institutions, and to develop a more sustainable, responsive and learner-friendly sector to grow the student population and take advantage of economic opportunities, restructuring is required.

Demand for a more highly skilled workforce is borne out from the results of the Shetland Employment Survey 2017, which showed that 20% of employers cannot fill vacancies due to a lack of local labour, while 23% said that the basic employability of candidates for vacancies is a problem. Further, of those businesses who stated they had plans to invest in the next three years, 28% said that they have plans to invest in their workforce, while only 27% of local employers said that they were able to source all their training needs in Shetland.

Following the Shetland Employment Survey 2017, a dedicated skills survey was carried out in order to gather information on recruitment and skills issues, in order to inform local skills planning. As part of this survey, employers were specifically asked about experiences with the local tertiary sector, and the draft report makes the following summarised statement:

“It was felt both local training providers and SIC could liaise more with industry, to discuss potential future workload and required skills and training. It was further felt that local training providers could be more proactive in terms of marketing their services to employers. Long waiting periods for training courses locally, cancellation of courses at short notice, irregular running of courses, and minimum numbers required for training were raised as issues. Increased use of IT, web and cloud based services was raised as a major change in recent years.”

Only 24% of respondents to the skills survey stated that they felt communication and consultation between employers and training providers was good, while 68% felt that employers should be involved in curriculum development, suggesting a need for change in the local sector.

Uncertainty over the future of Tertiary Education Research and Training services in Shetland has ongoing negative impacts for the sector, including loss of key staff, inability to invest for the future, difficulties in cultivating and maintaining strategic relationships and the lack of coherent long-term planning. For those reasons it is essential to identify a suitable option for delivery of these services and provide a clear direction of travel for the future.

The Case for Merger

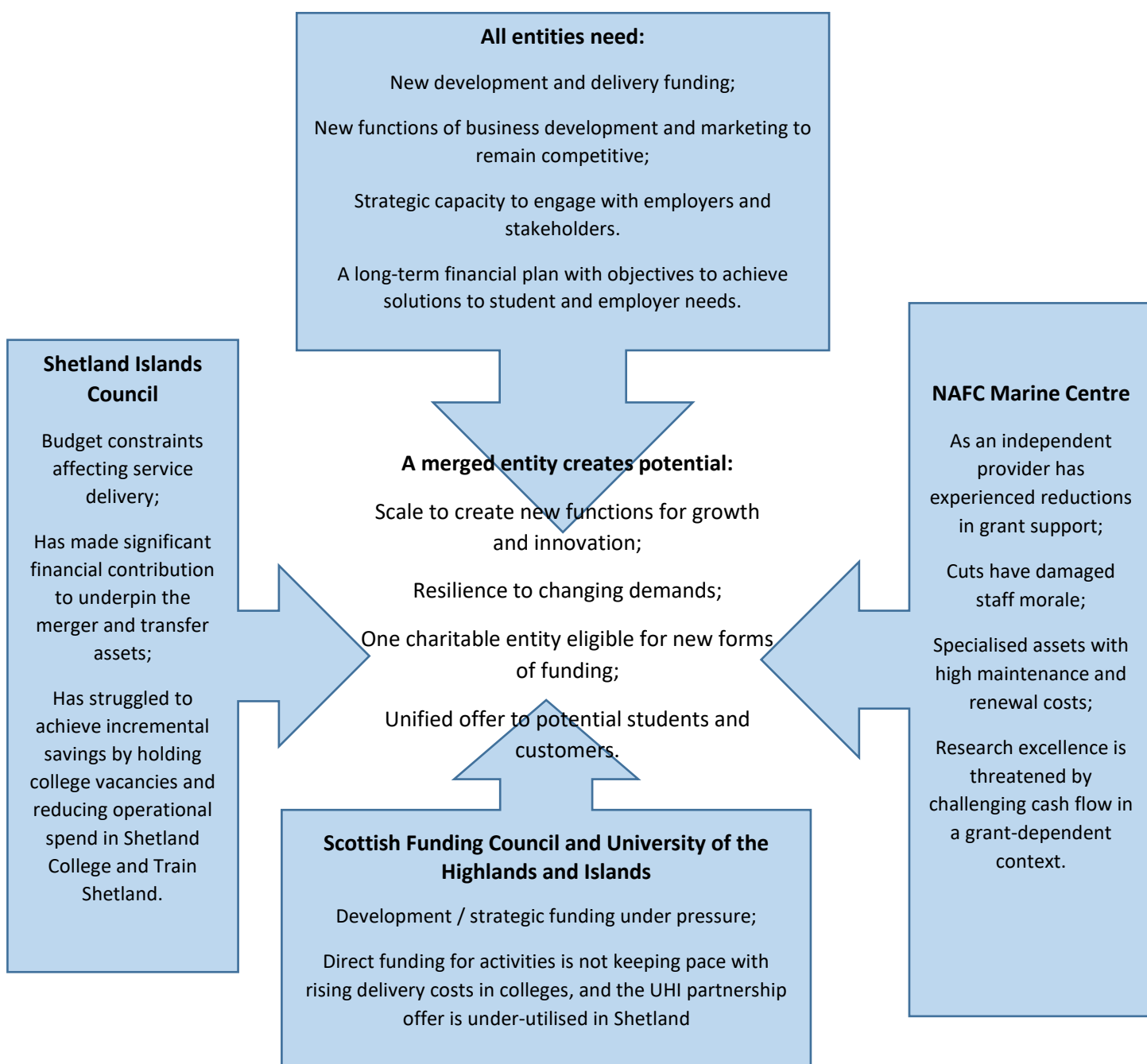
Three major pieces of evaluative work have been carried out to determine how best to provide tertiary education in Shetland. All have recommended merger of the current provision. These are summarised below:

- In 2013, the Anderson Solutions Report: the review concluded that *“combining NAFC Marine Centre, Shetland College and Train Shetland into a new independent college will be substantially more beneficial than alternative options, including the status quo”*.
- In 2016, the Shetland Tertiary Education, Research and Training Draft Integration Proposals report: concluded that the overall vision for the future of Tertiary Education in Shetland would be better achieved if there was better joint-working and collaboration, in line with the findings of earlier reviews and studies.
- In 2018, the Mullen Report concluded that:
“A three-way merger (NAFC Marine Centre, Shetland College UHI and Train Shetland) would best provide “the opportunity for the education sector in Shetland to play a stronger role in enhancing vocational skills, supporting economic growth and improving the “life Chances” of the people within Shetland”;
A merged institution would be better able to achieve financial sustainability, more effective streamlined governance, greater capacity for financial planning and attracting investment, develop commercial income and to safeguard specialisms;
A merger would “assist in the development of a more entrepreneurial and innovative culture within the education sector in Shetland”.

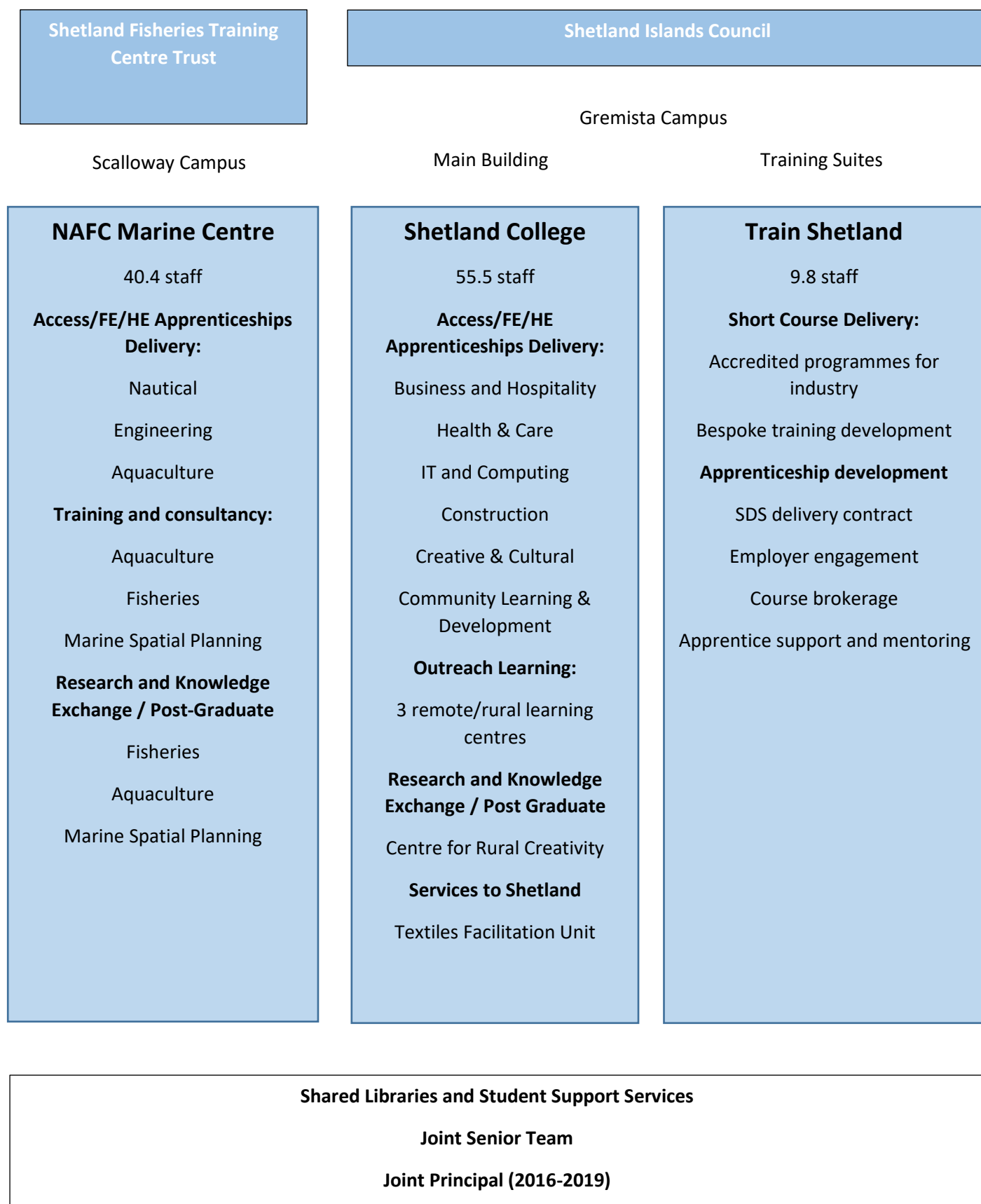
- In 2018, Shetland Islands Council Full Business Case concluded with the case being agreed by Shetland Islands Council and with agreement by the NAFC Marine Centre to proceed with merger activities and merger subject to conditions set by their trustees.

In addition to these pieces of work various impediments to a successful merger have been overcome, with arrangements in place for transfer of properties and pensions cessation.

Financial drivers initiated the studies informing the merger proposals and the sustainability of the new Shetland Institute UHI is of critical importance to future generations and to Shetland's economy and community life. The merging organisations experienced the financial challenges they faced differently but exploration with stakeholders confirmed that all organisations reached the same conclusion to merge regardless of their starting point.



More widely, the context for tertiary education delivery in the current public financial climate is challenging with reducing public sector funding and rising costs of delivery. The local context is of a remote island base with elevated delivery costs; a small local market for education, research and training and an increasingly competitive landscape in the UK and internationally alongside the challenge of aging assets and facilities. Shetland Islands Council Medium Term Financial Plan 18/19 to 23/24 describes the challenge well: “the answer is not simply spending more on more of the same”. The merger project survey of staff across all three establishments, in August 2019 showed 71.5% of staff feel that their organisation needs to change.



Shetland College

Originating in 1970 as the Shetland College of Further Education, Shetland College is an academic partner of the University of the Highlands and Islands (UHI) and a part of Shetland Islands Council's Development Services Directorate. The College offers a wide range of study options, from national certificates to postgraduate degrees, across a variety of subjects, including creative industries, Information and Communication Technology, Business and Hospitality, Health and Social Care and Construction.

The College also hosts the Centre for Rural Creativity and is one of three key locations (including Orkney and Perth Colleges) from which the Institute for Northern Studies operates. Creative courses, including music and film, are delivered in Mareel through a Service Level Agreement with Shetland Arts Development Agency.

Shetland College also includes the Train Shetland service, which comprises two separate functions:

- Short Courses delivers a range of training courses to employers in Shetland across various disciplines, including first aid, business management, ICT, health and safety and construction. The centre is accredited by a number of compliance bodies including Highfield ABC, REHIS and OCR, and is the local Construction Plant Competency Scheme (CPCS) centre. Short Courses provides business and related training as part of the local Business Gateway service, and also operates as an examination centre for professional bodies and further/higher education institutes outside of Shetland.
- Vocational Training co-ordinates Modern Apprenticeships across a range of industries, including construction, business and administration, health and social care, engineering, vehicle maintenance, agriculture, hospitality and services. This is done through an annual delivery contract with Skills Development Scotland.

Shetland College operations are under the authority of the Shetland College Board, while overall strategic authority remains with Shetland Islands Council, Education and Families Committee. Staffing issues fall under the authority of Shetland Islands Council Policy and Resources Committee. Shetland College employs 27.1 FTE lecturing staff and 25.8 FTE support staff.

There are 5.0 FTE staff in Train Shetland Short Courses and 7.1 FTE staff in Train Shetland Vocational Training.

Shetland College's main campus is located at the Gremista Industrial Estate in Lerwick, with Train Shetland located in an adjacent building. The College also operates rural learning centres in Yell, Unst, Whalsay, Brae and Lerwick.

Shetland Fisheries Training Centre Trust

Shetland Fisheries Training Centre Trust (SFTCT) promotes the development of the Shetland fisheries and maritime sectors, including fish catching, fish processing, fish farming, marine engineering, navigation, seamanship, research and all related ancillary activities. It does this through advice, support, training and research. SFTCT is a registered charity governed by a Board of Trustees; the Board is comprised of representatives of the local seafood industry and a number of independent appointees and is responsible for operating NAFC Marine Centre.

NAFC Marine Centre

Originating in 1992 as the North Atlantic Fisheries College, NAFC Marine Centre is an educational and scientific institute which supports training and development in Shetland's maritime industries, including the seafood sector. The Centre is an academic partner of UHI and is operated by SFTCT. NAFC Marine Centre delivers a range of training and qualifications related to maritime industries – this includes qualifications in the engineering, fish catching and aquaculture sectors (including Modern Apprenticeships), and courses to train and qualify seafarers, including the Merchant Navy Cadet Programme. NAFC Marine Centre carries out a range of applied research and development projects in subjects relevant to the fishing and aquaculture industries, marine spatial planning and the marine environment in general. These include the assessment of shellfish stocks, analysis of fish catching trends, provision of fisheries management advice in support of policy development, and the preparation of the Shetland Islands Marine Spatial Plan and associated guidance. Research can be provided on a contract or consultancy basis. Facilities at NAFC Marine Centre include a ship bridge simulator, research/teaching laboratories, a marine hatchery and engineering workshops.

The NAFC Marine Centre operates a number of vessels for research, survey, training and other purposes – these include a 12m fishing vessel and a 12.5m survey/training vessel which is equipped to carry out seabed and hydrographic survey work and benthic sampling, as well as for nautical training.

NAFC Marine Centre employs 12.5 FTE staff in Marine Sciences, 16 FTE staff in Training and 11.9 staff in Central Services. The NAFC Marine Centre campus is located at Port Arthur in Scalloway.

Options Appraisal

Process and Outcome

A Colleges Integration Liaison Group, which was made up of Board representatives from the NAFC Marine Centre and Shetland College, was set up in 2016 to provide guidance to the then Joint Principal of Shetland College and NAFC Marine Centre to help integrate the activities of Shetland College, NAFC Marine Centre and Train Shetland and provide a more joined up Shetland tertiary education, research and training offering. To this end the Joint Strategic Plan and Operating Plan 2017-19 was agreed. Following on from that, discussions between the Liaison Group and the strategic and funding stakeholders Scottish Funding Council (SFC) and the University of the Highlands and Islands (UHI), resulted in a commitment to develop a Full Business Case analysis of an effective and sustainable model for tertiary education, research and training in Shetland.

The Strategic Outline Case for developing this sustainable model was presented to Shetland Islands Council on 23 May 2018 following presentation to the Shetland College Board, Education and Families Committee and Policy and Resources Committee in May 2018. The Strategic Outline Case recommended merger as the preferred way forward and gave approval for appropriate project resources to be put in place to develop the Full Business Case.

On 23 November 2017 the Shetland Fisheries Training Centre Trust confirmed that they were committed to the process of planned merger.

Critical Success Factors for this project were developed by the project team to ensure that all key considerations were taken into account for the future of the tertiary education, research and training sector in Shetland. These are described as follows:

- 1) Develop a financially sustainable model for delivery of tertiary education, research and training in Shetland:
 - Establish the most cost-effective way to deliver the services in Shetland;
 - Reduce the level of annual subsidy from Shetland Islands Council;
 - Ensure the ability of the merged college to achieve assigned status to UHI as the Regional Strategic Body.
- 2) Maintain and enhance quality standards in all aspects of service delivery
 - Ensure ability of services to meet quality requirements set by government and service delivery partners.
- 3) Maximise future income
 - Ability to achieve income targets from students, learners, research and business services;
 - Ability to respond quickly to income generating activity.
- 4) Commit to a single clear, consistent and effective voice for the tertiary sector in Shetland
 - Develop a targeted business development and marketing strategy for the sector, with clear targets for growth and engagement;
 - One clear, strong and focused voice at regional and national tables.
- 5) Maintain local tertiary education, research and training presence, and build strong relationships with resource enablers and strategic partners
 - Maintain physical presence in Shetland;
 - Build strong relationships with external organisations vital to the successful delivery of services.

6) Simplify governance arrangements, and ensure the retention and attraction of appropriately skilled staff

- Ensure appropriate management structure;
- Developed simplified governance structure for the sector.

Long List Options

A long list of options was then developed for consideration in the options appraisal exercise:

Summary of long list options and findings		
	Options	Definition
1	Do Nothing	No further action is taken to change governance, management and funding arrangements of Shetland College, NAFC Marine Centre and/or Train Shetland.
2	Status Quo	Maintain existing governance, with joint management posts regularised, joint strategic plan adhered to and joint curriculum developed as per interim arrangements. Requirements for operational efficiencies would continue.
3	Create a single tertiary education, research and training centre within the Council ('Host SIC')	NAFC Marine Centre becomes part of the Council. Employment of staff is transferred and all assets and liabilities are taken on by the Council.
4	Create a single tertiary education, research and training centre within UHI ('Host UHI')	Shetland College, NAFC Marine Centre and Train Shetland transfer from existing arrangement to organisational and operational control of UHI. Staff, governance and management transfer to UHI.
5	Create a single independent tertiary education, research and training centre, which is part of the UHI network ('Host NAFC')	Creation of independent organisation comprised of operations of Shetland College, NAFC Marine Centre and Train Shetland, which is part of the UHI network, with SFTCT as the 'host' organisation.
6	Create a single independent tertiary education, research and training centre, which is part of the UHI network ('New College')	Creation of a new, independent organisation comprised of operations of Shetland College, NAFC Marine Centre and Train Shetland, which is part of the UHI network.
7	Shetland College and Train Shetland remain within SIC as part of Education and Families Committee; NAFC Marine Centre remains as is	Strategic oversight of Shetland College and Train Shetland is more closely aligned with SIC Children's Services. NAFC remains as per status quo.
8	Provide only minimum amount of tertiary education, research and training in Shetland	No further investment from SIC in tertiary education, research and training. UHI and SFC fund only basic services.
9	Provide no tertiary education, research and training in Shetland	Disestablishment of Shetland College and Train Shetland by the Council.

Short-Listed Options

Prior to scoring the options against the Critical Success Factors, a brief scoping exercise was carried out against each option. This judged whether or not each option was capable of achieving the basic aims of each Critical Success Factor, how this impacted on achievability and affordability, and whether or not each option could demonstrate a fit with the business needs and strategic objectives as described in the Strategic Case. Options 3, 4, 5, and 6 could all demonstrate either a potential or direct fit with the Critical Success Factors, potential affordability and achievability, and fit with the Strategic Case. For that reason, these options remained in the process and were subject to scoring against the Critical Success Factors. Options 7, 8 and 9 were considered to be unable to achieve some or all of the Critical Success Factors, and were unable to demonstrate affordability, achievability or a fit with the Strategic Case. For that reason, these options were discounted at this stage. Options 1 (Do Nothing) and 2 (Status Quo) were also unable to show achievements or fit with the above criteria, these options are important comparators for the remainder of the Business Case process, particularly the Status Quo, against which any preferred option must be judged. For that reason, these options remained in the process at this stage and were subject to scoring against the Critical Success Factors.

In order to provide a ranking of options, a scoring mechanism was developed by the project team. This mechanism provided a score of 0 (low)-5 (high) based on the potential ability of each option to deliver against the Critical Success Factors. Each Critical Success Factor contained two categories against which options were scored (with the exception of Critical Success Factor 2, which was weighted by a factor of two to bring the available score in line with the other Critical Success Factors).

The scoring process demonstrated that two options from the shortlist were clearly preferable. These were:

- Option 5 – ‘Host’ Organisation with North Atlantic Fisheries Centre as the host;
- Option 6 – New College.

The preferred way forward identified by the options appraisal was therefore a merger of Shetland College UHI, NAFC Marine Centre UHI and Train Shetland, to create an entity outwith Shetland Islands Council. Two options were identified as the most suitable to realise this merger.

When considering an options appraisal, it is essential to ensure that all key considerations have been taken into account. The legal due diligence reports prepared by Anderson Strathern found no legal impediments to merger. However, the choice of governance arrangement leads to the requirement that certain other crucial factors be appraised. One of these crucial factors considered was the ability of the merged college to secure funding from the Scottish Funding Council for Further Education delivery. Anderson Strathern’s report on legal due diligence includes the following statement:

“One of the key issues is that the college is financially sustainable. It is therefore essential that the new college is able to be funded by the SFC through the RSB.”

On this basis the Strategic Outline Case was revisited, and the Critical Success Factors revised to take account of crucial information. The Critical Success Factors were therefore revised and agreed as (*changes in italics*):

1) Develop a financially sustainable model for delivery of tertiary education, research and training in Shetland

- Establish the most cost effective way to deliver the services in Shetland;
- Reduce the level of annual subsidy from Shetland Islands Council;
- *Ensure the ability of the merged college to achieve assigned status to UHI as the Regional Strategic Body.*

2) Maintain and enhance quality standards in all aspects of service delivery

- Ensure ability of services to meet quality requirements set by government and service delivery partners.

3) Maximise future income

- Ability to achieve income targets from students, learners, research and business services;
- Ability to respond quickly to income generating activity.

4) Commit to a single clear, consistent and effective voice for the tertiary sector in Shetland

- Develop a targeted business development and marketing strategy for the sector, with clear targets for growth and engagement;
- One clear, strong and focused voice at regional and national tables.

5) Maintain local tertiary education, research and training presence, and build strong relationships with resource enablers and strategic partners

- Maintain physical presence in Shetland;
- Build strong relationships with external organisations vital to the successful delivery of services.

6) Simplify governance arrangements, and ensure the retention and attraction of appropriately skilled staff

- Ensure appropriate management structure;
- Developed simplified governance structure for the sector.

It was essential that the merged college will be an ‘assigned college’ – this means that the college will be assigned to a Regional Strategic Body (RSB) for the purposes of delivering further education outcomes. It is through the RSB that assigned colleges receive grant funding from the Scottish Funding Council – the RSB for the Highlands and Islands is the University of the Highlands and Islands. All assigned colleges must comply with a number of requirements, including a Financial Memorandum between themselves and the RSB (which, among other things, requires that colleges must operate on a financially sustainable basis); the 2014 ministerial guidelines on college board membership; and Colleges Scotland’s Code of Good Governance. There are a number of factors within each of the elements above which raise questions over the ability of Option 5 – ‘Host’ Organisation (with North Atlantic Fisheries Centre as the host) to meet the requirements for assigned status, including:

- The lack of student and staff representation on the Board of Trustees;
- The legal status of Shetland Fisheries Training Centre Trust as a Trust, which does not provide limited liability protection for Board members;
- Diversity of membership to include a range of community interests;
- Transparent and open decision-making, including public dissemination of agendas, minutes, decisions and financial information;
- Requirement for specific committee structures, which at a minimum comprise Audit, Remuneration, Finance and Nominations/Appointments.

There would also be a requirement for Shetland Fisheries Training Centre Trust to considerably widen its purpose in order to accommodate the course provision delivered by Shetland College and Train Shetland. A number of the issues above could be dealt with by Shetland Fisheries Training Centre Trust adopting a new legal form. The implication of this is that, under Scottish charity law, the conversion of a charity from one legal model to another effectively ends the previous charity and creates a new one, so any conversion of Shetland Fisheries Training Centre Trust would require the creation of a new entity, which must be capable of achieving charitable status (e.g. company limited by guarantee, SCIO). This is effectively the New College model.

The legal requirements summary notes a number of considerations relating to New College. This includes that *“the structure of the new organisation should reflect the good governance requirements to ensure that there are no problems with obtaining the consent of SFC to assign the college to UHI.”* As the New College model will be a bespoke arrangement designed to achieve the best chance of success, it can be expected that governance arrangements will be designed with this specific goal in mind. The summary also notes that, while the New College model will require complex legal agreements in the form of Transfer Agreements and multiple applications to the Office of the Scottish Charity Regulator (OSCR), these would be required regardless of the Host or New College model being chosen.

As a result of taking account of all of these considerations the final preferred option was determined as **Option 6 – New College**, because it has been evaluated as providing the highest chance of achieving the objectives specified by the Critical Success Factors, and provides a compelling case for change against the status quo. Option 5 – ‘Host’ Organisation (with North Atlantic Fisheries Centre as the host) would have provided a high degree of benefits against almost all of the Critical Success Factors; however, it was evaluated to have a high degree of risk with regard to being able to achieve assigned status with UHI, and therefore scored lower than Option 6 – New College. Full detail is given at Appendix i.

Financial and Legal Due Diligence

The legal due diligence exercise was carried out by Anderson Strathern on behalf of the merger project. The diligence exercise reviewed matters relating to:

- Governance issues, legal constitution, powers of governing bodies, partnership board and charity issues;
- Material contracts;
- Property;
- Intellectual property issues;
- Borrowing and funding issues;
- Employment and pensions;
- Litigation and disputes;
- Compliance.

The conclusion of the report is that no material issues have been identified which would legally prevent merger. The full report is attached to Merger Proposal document as Appendix ii.

Impact of not Proceeding with Merger

Current arrangements, with three separate institutions are not financially sustainable. Without a merger, the ability of services to operate in the future will be in doubt. A number of key resource gaps limiting the ability of the sector to operate effectively, notably in business development, marketing and student support, have been identified and without resourcing, these areas the ability of the institutions to grow business and delivery of high quality services will be impacted.

In addition, Shetland Islands Council's auditors are required to consider the Council's arrangements in place to secure Best Value and to ensure value for money, and have been aware that a project was underway to achieve this with regards to tertiary education in Shetland. While having previously not commented on the provision of deficit funding to the sector, the auditors would be required under auditing standards to consider the compliance of this arrangement (or any subsequent arrangement) with the Council's statutory duty to secure Best Value and the Code on Following the Public Pound if concerns are raised that the arrangement is non-compliant.

Given that the process of considering the future of tertiary education in Shetland has gone through various iterations over a number of years, staff morale has suffered considerably as a result of ongoing uncertainty. The failure of yet another attempt to resolve this issue will lead to a loss of confidence, further impact on morale and lead to even more uncertainty.

The requirement to maintain multiple management and governance structures will be a lost opportunity in terms of streamlining the services and achieving integration.

Without a Tertiary Education, Research and Training sector which is financially sustainable, appropriately managed and governed, and which is capable of sound strategic and operational planning, it is unlikely that many of the goals of the Shetland Partnership Plan and the 10 Year Plan can be achieved. It is also likely that the loss of key services as a result of financial instability will have a negative impact on businesses and individuals who require local access to training and qualifications.

Vision, Mission and Values

Vision - Shetland Institute, UHI

The new college will be an inspirational hub of innovation and learning designed to meet the needs of the people of Shetland, nationally and internationally.

This will be achieved by:

- **Working together** - Fostering activity and interaction across the organisation and between staff and students.
- **Working for Shetland** - Addressing skills needs, supporting innovation and applied research for the Shetland economy as the university for Shetland, with the University for the Highlands and Islands (UHI).
- **Working sustainably** - Embedding sustainability in the curriculum and in our practice.
- **Working to become resilient** - Encouraging staff and student development and aspiration, exploring and achieving new income streams.
- **Working with partners** - Developing relationships with employers, schools, communities, SIC and relevant national and international institutions

This reflects the vision of the University of the Highlands and Islands, to which Shetland Institute will become an assigned college: to be recognised for the quality of its students' experience and for their achievement; and to have a worldwide reputation built upon its innovative approach to learning and its distinctive research and curriculum, enriched by the people, natural environment, economy, culture and heritage of the region and its communities.

The structures, resources and activities of Shetland Institute will shape the future of the new college by:

- Providing diverse learning journeys with opportunities for all who can benefit;
- Providing skills development in areas relevant to Shetland;
- Supporting innovation in research and enterprise for Shetland;
- Developing strong local, national and international links with key partners.

Aims and Objectives of the Proposed Merger

Goals for the merger

- To achieve the best possible student experience, providing more opportunities educationally, socially and pastorally, than can be achieved by separate entities;
- To make tertiary education in Shetland sustainable, in ways that cannot be achieved by retaining separate entities with diminishing resources;
- To change and innovate, and build capacity amongst staff;
- To build on our relationships with Shetland schools, communities and employers and respond to their ambitions and aspirations for post-school local learning and research.

In summary, the following areas of potential development for the Shetland Institute, UHI have been identified.

School Collaboration

- Maintain Skills for Work programmes and college-led opportunities for Senior-Phase pupils;
- Develop school-college programmes and activities for primary and early secondary phases in STEM, Sustainability and Enterprise.

Work-Based Learning

- Further collaboration as a partner to the University of the Highlands and Islands in increasing the range and number of Foundation Apprenticeships in Shetland;
- Growing the range and level of Modern Apprenticeships in Shetland, anticipating and responding to employer need with strategic development in key sectors, such as energy efficiency accreditation for the construction industry, rising to 180 in the next three years;

- Maintaining the range and quality of work-based learning in health and care, hairdressing, business administration, engineering, aquaculture, nautical cadetships, fishing industry and construction, enabling entry-level qualifications and career progression;
- Expand NHS delivery of work-based learning (increase assessor capacity with NHS-experienced assessor);
- Develop Health and Care courses in response to emerging trends such as Early Years Pedagogy; Adverse Childhood Experiences; Palliative Care; Child Development and Froebel methods;
- Develop Health and Care pathways for Childminders, Direct Payment Personal Assistants, “Journeys to professional Roles in Health and Care”.

Further Education

- Work towards increasing student numbers by 20% in three years (except in courses where maximum capacity dictated by equipment and workstations is reached);
- Develop Reflective Learning modules; stand-alone credit rated units in e.g. autism (National Autism Strategy); Forest Schools;
- Development of modules supporting the widening access and participation agenda: mini-modules writing language courses, mini-module Online Safety, Core Skills for Older Adults with Additional Support Needs, English for Speakers of Other Languages train the trainer;
- Development of welding courses in engineering;
- Expanding aquaculture training into online learning;
- Reviewing and strengthening the nautical course student experience, ensuring accommodation meets sponsor companies’ requirements;
- Mapping and improving progression routes from FE to HE levels where appropriate;
- Introducing a new “career shifter” programme for adult returners (SCQF level 5) with a target to convert 50% participants into FE/HE students.

Higher Education

- Develop HNC in Digital Design and Web Development (course already approved) leading onto the BSc Interactive Media course; Analysing and Creating Media module;
- Develop course provision in creative textiles: Constructed Textiles Residential short course (SCQF 7) 20 credit module / HE: Printed Textiles Residential Short Course (SCQF7) 20 credits / MA level Shima Knit Design CPD module (SCQF 11) 20 credits;
- Establish Graduate Apprenticeships in Health and Care;
- Develop new undergraduate courses / modules in arts and social practice;
- Introduce Tourism as a new discipline in the Enterprise section integrating development with UHI development of Tourism undergraduate opportunities.

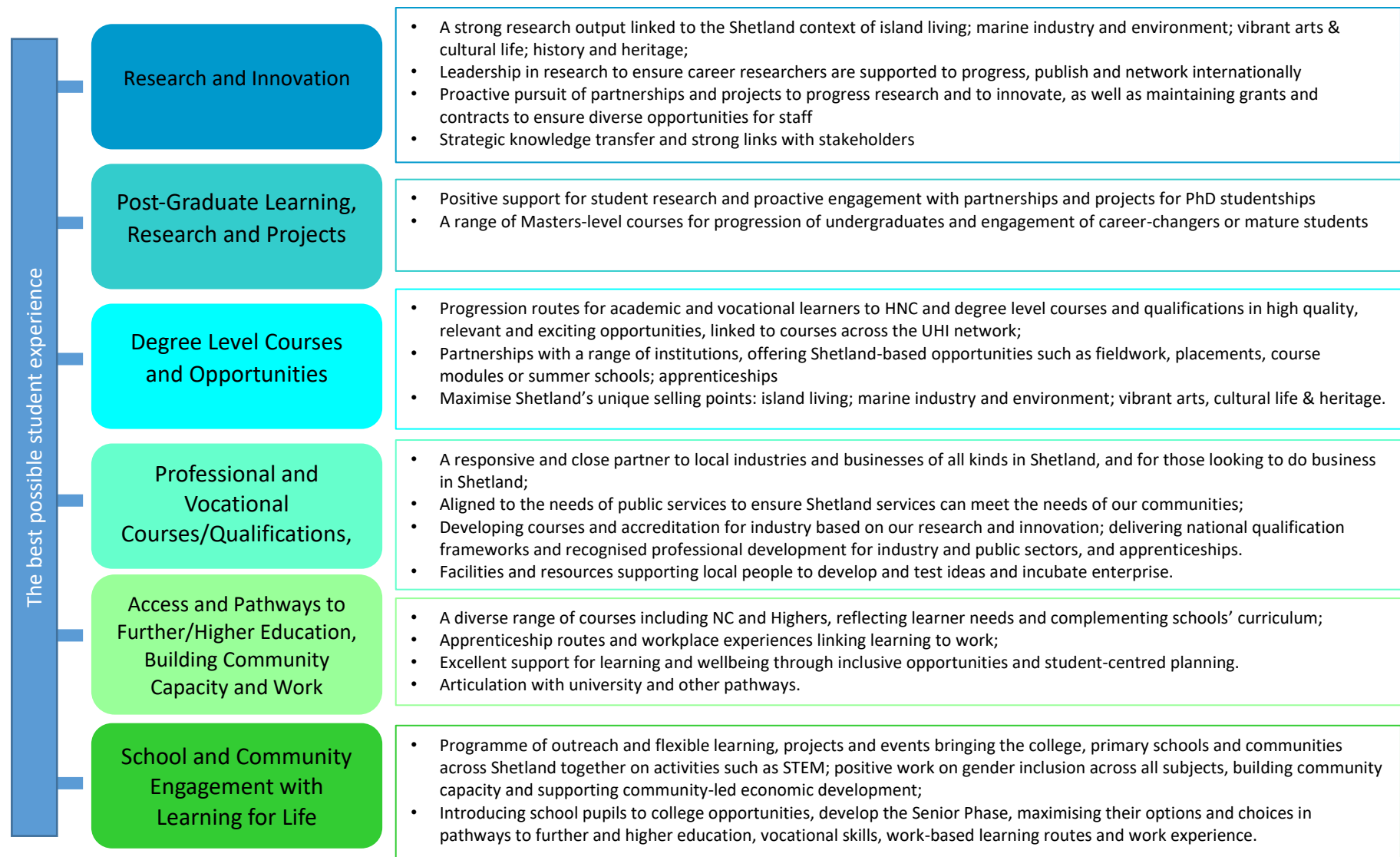
Post-Graduate Education

- Develop new masters-level courses (Applied Aquaculture, Marine Spatial Planning and a further creative industry Masters programme);
- Increase the number of international students choosing Shetland courses;
- Increase the number of post-graduate students studying in Shetland (Masters and PhD) by 20%;
- Increase the number of visiting students using Shetland facilities for fieldwork/research;
- Increasing teaching activity aligned to the research specialisms in marine science.

Academic Vision and Benefits for Shetland Institute, UHI

To respond to a complex and rapidly changing environment in which it will operate, Shetland Institute, UHI will be an institution focused on having the courage and confidence to remain flexible and responsive. It will look ahead and play its part in seeking knowledge through research, applying knowledge with industry and community partners, and helping our students learn from the cutting edge through its curriculum offer.

The silo delivery of learning and opportunities will be replaced by an Institute in which cross-disciplinary collaboration is the norm. The proposed vertical integration model below is designed to map clear pathways for learners' progression from widening participation activities and entry-level learning through to post-graduate research, but not to restrict their learning to one discipline.



As many opportunities as possible will be created for students to explore and enjoy a variety of learning experiences at all levels during their progression through learning. Students will be able to choose a vocational route or an academic route, with equal opportunity for meaningful progression.

Existing expertise in developing short courses to resource employers’ needs for accreditation and industry-recognised standards will become a clearer element of these pathways, and the Vocational team’s expertise in apprenticeships, and their knowledge of local employers will be utilised to strengthen work-based learning throughout the Institute.

Shetland’s reputation and track record in scientific and creative and cultural research already provides the “upward pull” for our vertical integration model, and we will continue to build on our research and curriculum offer for post-graduate students and researchers.

Strong community links through outreach Learning Centres in remote and rural locations, will be maintained. Participation will be widened to include residents in Shetland’s remotest locations. Learners facing other disadvantages will be supported to participate and progress with Support for Learning within a strong strategic approach to student participation and support.

Curriculum activity will be clustered in five areas as follows:

- Creative and Cultural
- Community and Enterprise
- Health, Care and Society
- Technology, Engineering, Marine and the Built Environment
- Seafood and Sea



Each section will set up an employer’s forum (or similar) designed to inform curriculum and ensure the skills needs of local employers are understood and addressed. A brief outline of each section’s interest, the links to the economy and short term curriculum developments are given below.

The **Creative and Cultural** section will continue the exciting work Shetland College has established in creative textiles and fine art. The research strengths of the existing Centre for Rural Creativity will transfer and be integrated into this section. 11% of all Shetland’s private sector jobs are in the creative economy, with activity in this sector providing part of the mix that attracts visitors to the islands. Creativity is a key skill sought after by employers and it is likely a subject that will inform our skills agenda across the new college. Current development plans include the development of a networked undergraduate programme in this creative area. Heritage and archaeology will continue to play an important role and can be further developed, building on Shetland’s archaeological assets and linking to activities in other islands

The **Community and Enterprise section** will be key to building entrepreneurial capacity in our learners and consequently Shetland communities. It will build on Shetland College's existing work in hospitality, events management, business studies, accounting and community learning to explore further the skills and attributes entrepreneurs need. Short courses and curriculum development will be used to introduce marketing, strategic thinking and other skills. The breadth of learning will expand to encompass tourism and leisure industries, worth more than £23million to Shetland's economy. Immediate plans include the development of a FA in Business skills.

In **Health, Care and Society**, Shetland College's work to support the provision of a sustainable health and care workforce for Shetland will continue. New recruits will be enabled, from the outset, to develop the skills and ethos to lead participatory and co-production approaches in service delivery now recognised as critical to prevention and early intervention in healthcare. Similarly, in childcare, the importance of play and child-centred practice will be a focus. The provision of appropriate continuing professional development pathways will ensure Shetland's existing workforce develops and contributes to the succession planning critical to maintain capacity within Shetland's core public sector services which contribute some 16% of the jobs on the islands. To support pathways into a variety of careers an NC in Health and Wellbeing is under development.

Technology, Engineering and the Marine and Built Environment will draw together Information and Communication Technology and Computing, Construction and Marine and Engineering sections allowing exciting collaborations to be created which will share knowledge, equipment and resources.

Fulfilling the needs of local industry in Shetland for a skilled workforce will continue to be the key priority, but development in this area will focus on engagement with new technologies and it will become an important source of knowledge transfer to local industry. This area is also a critical part of the development of the STEM agenda. The collaboration with schools will provide young people with opportunities to learn across these disciplines whilst developing their career aspirations. Construction and Engineering are key private sector employers (8.7%, and 6.5% of private sector jobs in the islands) and marine and engineering skills are key to the fishing industry in the islands. A FA apprenticeship for construction is planned.

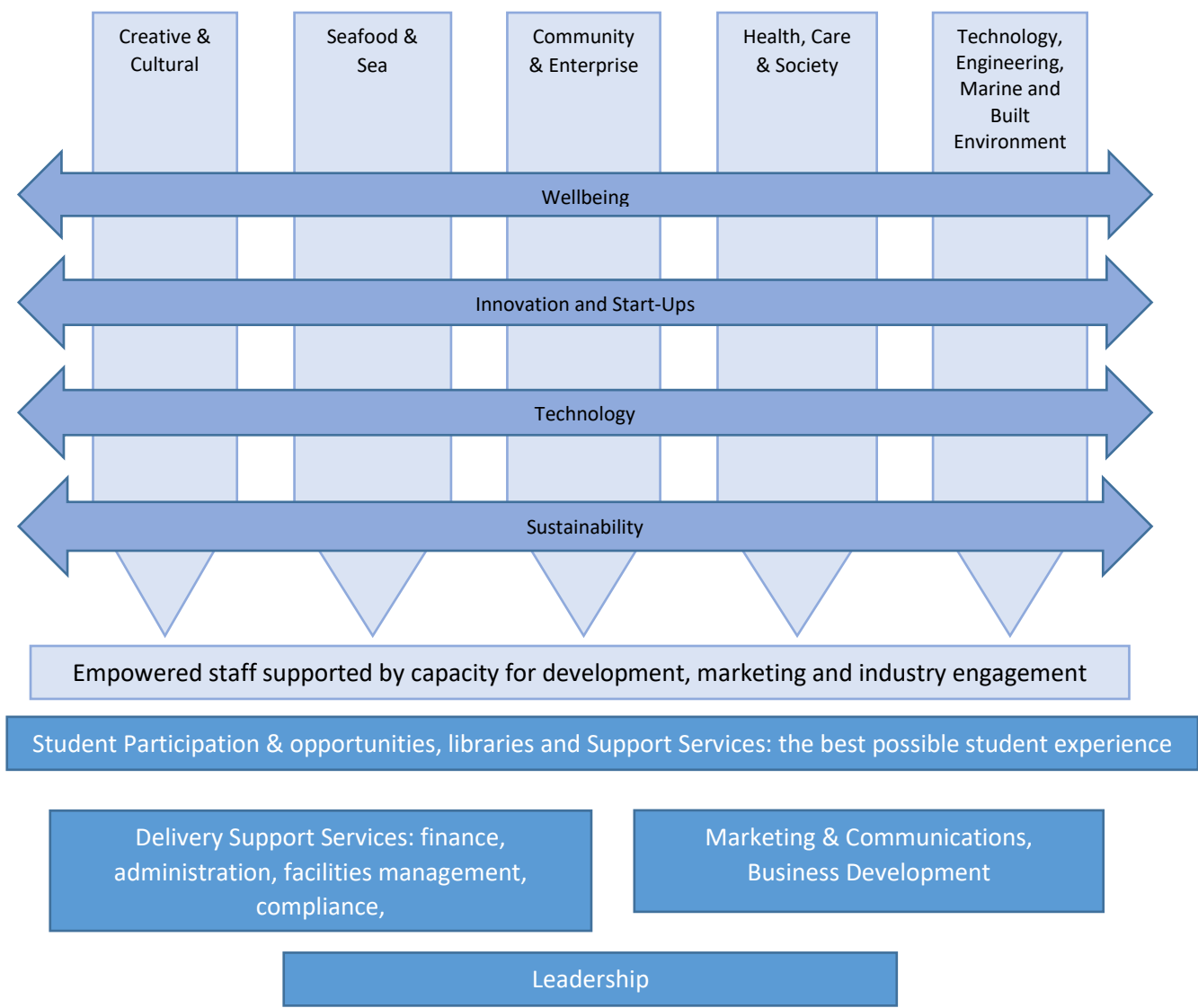
The **Seafood and Sea** area will continue the focused research and learning developed by the NAFC Marine Centre. This has long been a key strength in Shetland and further develop the contribution that our scientists and trainers are making in fisheries, aquaculture and marine spatial planning.

This section already has the potential to reach international audiences in our training delivery in aquaculture. The Shetland Institute, UHI will also build the curriculum further to share its leading specialisms in marine spatial planning through a proposed new Masters programme. The Institute will have strong specialist facilities to support research and learning: boats, a brood-stock building and hatchery, laboratories and an experienced team of researchers.

Cross-cutting Themes

Cross-cutting strategic themes are being introduced to achieve our ambitions of becoming an Institute which leads by example as well as teaches through the curriculum and student experience. Activities in Sustainability, Technology, Innovation and Start-ups, and wellbeing and inclusion, will be embedded in our practice and delivery. The development of meta-skills delivery will also be important to ensure continued relevance of our courses for the development of young people.

Clustering delivery sections and introducing cross cutting themes



Cross-cutting themes are strategic areas of development which will create exciting opportunities for students by helping to develop connections between all aspects of the curriculum, research and operations in Shetland Institute UHI.

Set out below is how each strategic theme will add value to the Shetland Institute UHI’s offer.

Wellbeing and Inclusion

Vision: Shetland Institute, UHI is making a meaningful contribution to the health and wellbeing of the community of Shetland.	Short term objectives: <ul style="list-style-type: none">Achieve Health Promoting College status;Secure a wider range of partners (e.g. Mind Your Head) to deliver wellbeing services to students.
	Medium term objectives: <ul style="list-style-type: none">Support Shetland’s health and wellbeing through the provision of relevant courses;Provide students with peer-led initiatives to promote shared understanding, information resources and skilled helper approaches.
	Long term objectives: <ul style="list-style-type: none">Develop research and action research packages focussing on remote island health and care challenges;Support local professionals and communities to engage with successful practice trialled elsewhere.

Innovation and Start-Ups

Vision: Shetland Institute, UHI is making a tangible contribution to innovation and entrepreneurialism in Shetland	Short term objectives: <ul style="list-style-type: none">Engage with staff and students in cross-curricular events and collaborative opportunities to stimulate innovation skills;Generate learning and work-based projects which build entrepreneurial skills;Undertake a feasibility study of a business support hub or learning exchange network for new entrepreneurs.
	Medium term objectives: <ul style="list-style-type: none">Develop a programme of short courses in innovation and entrepreneurship for Shetland Institute, UHI;Develop and support student-led innovation projects.
	Long term objectives: <ul style="list-style-type: none">Develop optional innovation and creativity skills modules as electives in a range of learning programmes for local and networked learning;Support the ambition of Shetland researchers to strengthen their contribution to science, culture and wellbeing;Engage entrepreneurs in assessing and utilising resources to promote and strengthen entrepreneurship to further develop the Institute’s role.

Technology

Vision: <ul style="list-style-type: none">All students have confidence to engage with digital transformation;Shetland embraces digital transformation, a collaborative place to learn and do business.	Short term objectives: <ul style="list-style-type: none">Blend essential skills learning with tech stretch learning opportunities to encourage engagement with social media and tech tools to support life and learning.
	Medium term objectives: <ul style="list-style-type: none">Engage with industry to assess how technology is impacting on their business in order to design courses and short courses to meet their needs;Develop a wider range of work-based projects, in partnership with local companies, to increase Shetland’s community and business use of app design, and other tech advances.
	Long term objectives: <ul style="list-style-type: none">Engage industry and communities in assessing Shetland’s strengths and development potential in becoming a tech-friendly island: exploit areas where Shetland’s environment is the ideal test-bed for new technology and supporting growth in ‘global’ jobs in the islands

Sustainability

Vision: <ul style="list-style-type: none">Shetland’s beauty is preserved for future generations;Shetland communities are environmentally sustainable.Shetland Institute, UHI is a leading partner in Shetland’s response to Climate Change.	Short term objectives: <ul style="list-style-type: none">Achieve Transition College standards (re Transition Movement);Manage waste, purchasing, canteen services, use of utilities and utilise greener transport options.
	Medium term objectives: <ul style="list-style-type: none">Secure a range of partners to provide learning opportunities on sustainable lifestyles;Develop use of estate grounds;Build on the success of the HISA green team, encouraging and supporting more student-led initiatives;Embed sustainability in all curriculum
	Long term objectives: <ul style="list-style-type: none">Curriculum: develop and promote courses for students and communities in knowledge and skills for sustainabilitySupport the development of courses to deliver skills associated with the Zero Carbon agenda.

How Strategic Themes Address Scottish Government Priorities

Shetland Institute UHI will also use its cross-cutting themes to address Scottish Government priorities for the Scottish funding Council which were set out in the Letter of Guidance 2019-20. Developments over the first five years will reflect these priorities.

Scottish Government Priority: To provide the best student experience, seamlessly connected for learners of all ages and backgrounds.

Shetland Institute, UHI strategic theme: Wellbeing and Inclusion

- Develop the best possible student experience which fosters confidence and personal skills to live happy, healthy, connected lives and get help when it is needed;
- Ensure health and wellbeing are a priority for our student support services and are reflected throughout learning, curriculum and partnership working;
- Use creative and inclusive approaches to ensure disadvantaged students (including carers and care experienced young people) engage and benefit from health promoting activities;
- Develop a mental health strategy;
- Implement the Equally Safe toolkit;
- Ensure positive individual relationships with our students, making their college experience is personalised;
- Meet the needs of students disadvantaged by care experience; being a carer; having a disability or any other disadvantage, working with them to find solutions to their needs so they can participate fully in what we offer;
- Embrace the different learning needs of adults, whose pathways through learning may be diverse and whose flexibility and priorities should inform how we attract learners and deliver opportunities for them;
- Demonstrate our inclusive approach with support for learning, English for Speakers of Other Languages opportunities and any other means by which the Institute, in concert with other partners in Shetland, engage learners with diverse needs;
- Build a new focus on helping adult learners and career-shifters to consider future options through targeted engagement, personal development, learning and re-training;
- Support the delivery of local priorities to improve health and wellbeing through a whole-college ethos promoting health and wellbeing, and consider the Health Promoting College award.

Scottish Government Priority: To provide high quality learning in a system where institutions work in partnership and demonstrate the highest standards of governance and financial accountability

Shetland Institute UHI strategic theme: Technology

- Develop the best possible student experience which provides opportunities, projects and facilities that contribute to students' learning and high aspirations;
- Ensure a strong, strategic and integrated approach with public sector, third sector and industry partners to maintain an overview of emerging demand and skills gaps, developing effective responses to need and collaborating to advance the availability of data and intelligence to inform local strategic planning;
- Strengthen our relationship to schools to establish a range of vocational pathways for senior phase learners, and work collaboratively with the Shetland Developing the Young Workforce programme, using our capacity to support apprenticeships at all levels, and our ability to think creatively about work-related experiences and learning for our students in an island context;
- Support the expansion of Early Learning and Childcare in Shetland by continuing our delivery of access through to progression routes in early learning and childcare skills, practice and management; continuing our support of new directions in childcare such as outdoor learning;
- Play our part in developing and promoting STEM, making the most of our assets to promote gender equality in STEM (all senior scientific staff are women); engage children and communities as well as senior pupils;

- Strengthen our digital skills capacity and delivery, enabling our staff to keep up to date with and respond to emerging technologies and engaging with industry technological advances, ensuring students' learning keeps pace with workplace developments;
- Continue our collaboration with Shetland Arts Development Agency (SADA) to provide learning and support for Shetland's talent in music, television and film, showcasing their work, and embedding this in the Institute's marketing and promotional campaigns;
- Build on our track record in research and development of learning opportunities in rural creativity, and our strong offer in fine art, textiles and archaeology, to create, in partnership with UHI, a leading Centre for Rural Creativity capable of attracting investment in research and learning, and attracting international interest from learners and other collaborators;
- Collaborate with Highlands and Islands Enterprise, Skills Development Scotland and Shetland Islands Council to showcase opportunities in Shetland to the global market for education and skills, making the most of our unique offer in marine science and creative industries.

Scottish Government Priority: To support Scotland's global reputation as a Science and Research Nation synonymous with high quality teaching, research, knowledge exchange and innovation.

Shetland Institute UHI strategic theme: Innovation and Start-Ups

This is a major strength of Shetland Institute UHI in marine science and creative industries:

- To create the best possible student experience by enabling our researchers to mentor new talent, and embed throughout our curriculum opportunities to develop the behaviours of curiosity and critical thinking that are integral to good research;
- Forge active relationships with innovation centres, international institutions and industry, with UHI and between UHI partner colleges, to develop Shetland's contribution to research and innovation, continue to apply this through knowledge exchange, and further develop our work to attract students into science at all levels, in particular showing Shetland as a great place for post-graduate study where our facilities and environment, as well as our data resource, give students great opportunities;
- Develop research and knowledge exchange roles in other critically important areas for a rural island economy: health and care in remote communities and development of rural enterprise in an island context, are areas where small scale research and knowledge exchange in collaboration with third sector partners could attract investment from third sector funders.

Scottish Government Priority: Focus and action on decarbonisation

Shetland Institute UHI strategic theme: Sustainability

- To follow and support our students' leadership, through the HISA Green Team, ensuring this is matched by efforts throughout the Institute to play our part in protecting our planet;
- Embed throughout our research, learning and skills delivery a commitment to carbon reduction and sustainability
- Take immediate steps to attract investment to help us reduce our carbon emissions across all our campuses and to mitigate the carbon footprint of our students' travel in any practical way we can
- Work with employers to identify skill needs driven by the zero carbon agenda

Learning and Teaching

Shetland Institute, UHI will have a commitment to excellence in learning and teaching. Students will be at the heart of our activity and courses will be delivered which are strongly linked to the local economy. Single management and governance structures will improve the consistency of the student experience, strengthen the student voice and provide increased opportunity for co-creation with students. Opportunities will also be created to share good practice.

As indicated in an earlier section a wide range of national and local policies and strategies were reviewed to ensure that the new Shetland Institute UHI will reflect the local context and national priorities. Strong alignment was found between the ambitions of staff and students with the National Outcomes and the expression of these in the more detailed specific national directives for further and higher education. In particular, the focus on innovation, sustainability, widening access and participation, and strengthening the articulation of all learning opportunities to create pathways for progression for learners.

Within Shetland, the local priorities and commitments of Shetland Islands Council, the NHS and third sector, inform the Institute's commitment to integration of vocational pathways and employer engagement, promoting entrepreneurialism and working closely with Shetland's larger employers, micro and small businesses, providing flexible training and continuing professional development for the local workforce as well as enabling new recruits to enter the workforce with the skills and confidence to meet employers' needs.

The new Shetland Institute will also strengthen its contribution at regional level. As the university presence in Shetland for the University of the Highlands and Islands, it will act as partner and collaborator with eleven other colleges in the region, a vast network of educators, researchers and specialists within reach of Shetland students, and making Shetland within reach of learners based throughout the Highlands and Islands, and indeed the wider world.

This outward-facing approach will position Shetland Institute UHI as a leader and a resource for other outward-facing regional forces such as Highlands and Islands Enterprise. It will ensure Shetland plays its part in, and benefits from, the National Islands Plan and the proposed Islands Deal. But it will also ensure Shetland's tertiary education and research reaches UK, European and international audiences, networks with island communities throughout the world, and connects with our near neighbours in arctic and Nordic communities.

A regular, robust curriculum development process will be undertaken with the following objectives:

- To develop a curriculum that is demand-led, of the highest quality, and which makes a significant contribution to Shetland's society and economy.
- To ensure that the curriculum is broad, inclusive and aligned to meet the needs of employers, communities and individuals in Shetland, but also one that reflects regional and national priorities.
- To ensure that curriculum planning is closely aligned to the planning arrangements and mechanisms of the Shetland Partnership and of the University of the Highlands and Islands.

Curriculum Development – for students

Reviewing student demand shows that tertiary education provision in Shetland must respond to the islands' demographic changes (fewer young people, ageing population); outward migration of young people for higher education; high employment for early career employees but fewer opportunities for progression locally; a high proportion of micro- and small businesses. The merging tertiary provision must therefore respond by providing:

- A curriculum and student experience that attracts Shetland school leavers and students from the UK, EU and internationally;
- Strong school-community-college links which maximise learning opportunities and access to facilities and resources for all learning phases;

- Inclusive provision that enables learners with diverse needs to learn and progress, with high quality support for students;
- Accessible provision for people of all ages, at all stages in their lifelong learning journey, from all areas of Shetland;
- Learner progression and learner journeys enabling cross-curricular learning and diverse pathways;
- Excellence in employer engagement and response to employer needs;
- High quality teaching and research attracting and retaining excellent staff, providing career progression and continuing professional development in Shetland.

Curriculum Development – Widening Access

Shetland College, UHI will commit to an inclusive agenda, providing opportunities to all who can benefit from them. In particular it will build on existing strong community links to provide supported access routes for the widest set of learners. We also recognise that some students are not able to travel to access education and we aim to improve the range of networked courses available within UHI for those studying in Shetland.

Shetland College, UHI will do this by:

- Enhancing the visibility of all Learning Centres including Lerwick and the remote and rural communities, increasing their role in supporting lifelong learning;
- Strengthening relationships with local communities to support learning for capacity building, local enterprise and local civic leadership;
- Increasing uptake of learning for specific target groups such as parents, for whom local learning is more accessible than centralised learning;
- Creating stronger links with local organisations supporting carers, care experienced people, and people experiencing other barriers to learning, to create access to learning that meets learners' needs and encourages their aspirations, enabled by well-planned student support services;
- Working within UHI to provide the widest possible provision in the islands.

Curriculum development – Supporting Shetland's Economy

There are already extensive links with local employers and industry across the existing organisations which informs much of the present activity. The new merged Institute will work to simplify relationships with employers to provide a coherent strategic approach for employers accessing the Institute. Related to each of our sections an employers' forum will be developed to allow for efficient dialogue, feed-in and feedback on our activities, thus contributing to shaping the curriculum offer to maximise student employability.

Additionally, Shetland Institute, UHI will develop:

- A one-stop approach to short course enquiries, administration of bookings, consistent pricing and customer follow-up;
- Institute of Leadership and Management centre accreditation, increasing the range of short courses for leadership, management, coaching and mentoring;
- A review of short course provision in particular looking to support and promote entrepreneurship for our students and local start-ups;
- Feasibility studies to inform direct support to enterprise through college facilities such as the training kitchen, the Textile facilitation Unit and Information and Communications Technology facilities for business-hub use.

Curriculum Development - structure

Through the proposed structure, where delivery is clustered into five complementary sections focussed on curriculum linked to areas of economic relevance to the islands, course delivery, links with industry, and learner pathways and cross curricular learning will all be strengthened. This will be supported by the cross-cutting involvement of library services (for learning and research skills) the Vocational Team (supporting apprentices), Short

Course co-ordination, and community learning specialists (for widening access and participation), will strengthen vertical integration.

The sections which follow provide a high level summary of the priorities of each of the new delivery sections of Shetland Institute, UHI. Behind each is description of each of the existing sections which will now form a part of that newly formed section. These descriptions have been developed by the staff themselves and present here in the merger proposal, an important perspective from staff of the potential of the new Institute.

They are set out as follows:

Seafood and Sea

- Aquaculture Skills
- Marine Science, Technology and Fisheries Research
- Fisheries Research
- Aquaculture Research
- Marine Spatial Planning

Creative and Cultural Shetland

- Cultural and Creative
- Centre for Rural Creativity
- Shetland Arts and Development Agency

Technology, Engineering and the Marine and Built Environment

- Nautical
- Engineering
- Construction
- IT and Computing

Community and Enterprise

- Business, Hospitality and Events
- Community Learning – Essential Skills, Access and Outreach

Health, Care and Society

- Health and Care

Student Participation

- Vocational Team for Apprentices
- Student Support Services
- Libraries

Delivery Support Services

- Short Courses for Businesses and Individuals
- Business Development and Marketing

Seafood and Sea – marine science, fisheries, aquaculture, marine spatial planning.
Strategic aim: <ul style="list-style-type: none"> • Our research provides the right information at the right time to enable industry and policy makers to invest and act in the best interests of sustainable fishing and aquaculture; • Our research and learning engage this generation of seafarers and seafood stakeholders to contribute to a low carbon, low impact food future; • Our learning opportunities and research utilises and informs technological advances in the sector.
Strategic Lead: Sustainability
Close collaboration <ul style="list-style-type: none"> • Internal connections with engineering, IT and Computing, hospitality; • Collaborations with STEM initiatives; • External connections with Marine Scotland, Shetland Islands Council, local seafood industries.
Safeguarding specialist facilities in fisheries and aquaculture science, marine spatial planning, seafaring: <p>The Marine Science and Technology sections comprise specialist facilities which will be the foundation of Shetland Institute’s continued commitment to seafood and the sea. The physical infrastructure supports specialist staff with an international reputation which add significant value to the Institute’s ability to attract research funding, training delivery contracts, sponsored cadetships and management of the Regional Marine Plan. It is a priority for the new Institute to strengthen this resource and utilise the specialist facilities for maximum benefit.</p>
Seafood and Sea priorities <ul style="list-style-type: none"> • Strengthen research by developing and implementing a funding strategy; • Build on the success of aquaculture, enabling the section to deliver its potential in e-learning, international reach and greater knowledge transfer between research and training; • Realise the potential of marine spatial planning expertise in development of learning opportunities and consultancy.

Aquaculture skills

There are around 2,279 people in Scotland employed in finfish or shellfish production. Production capacity in Scottish salmon needs to expand to meet demand, with implications for workforce numbers and skills required. Industry changes such as Closed System Aquaculture (CSA), more offshore production, increased automation, climate change, and farming new species will mean new skills, knowledge and expertise will be needed in the sector requiring new technology and skills, informed by up to date research through industry/academic collaboration. Aquaculture businesses provide the 7th highest employment by sector in Shetland, 4.5% of all employment.

Local economic and community priorities

Shetland’s Economic Development Plan identifies a commitment to 2 projects adding value to local aquaculture by 2022.

The Aquaculture industry needs engineering and boat handling skills as well as skills in organisational management, leadership and R&D. Some local businesses are small, indicating consultancy is a cost-effective option to bring this capacity when it is needed.

HIE recommends greater consistency across the sector in skills training and career progression in order to attract and retain employees to the sector.

Course opportunities and progression

National Progression Award in Aquaculture delivered to S3/S4 School students over two years	Modern Apprenticeships involving 5 companies; students in Shetland, Orkney, Scottish mainland and England, MA L4 in Ireland.	Short courses: 19 courses delivered face to face and online 250 participants worldwide on fish welfare course	CPD Aquaculture Management online course from Jan ‘20 RAS Water Quality and Introductory Fish Vaccination launching online
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Student demand 18/19: 10 school students | 105 Modern Apprentices | 263 short course participants | 440 FE credits | 40 HE students

- Shellfish MA starting with Loch Fyne Oysters.
- Requests for MA delivery in Freshwater Hatcheries in England (all levels), and students in Ireland.
- Demand for forklift courses is consistently high, bespoke H&S courses and additional practical courses (sea cranes, slinger, telescopic forklift) are also in demand and outstripping section capacity to deliver.
- Online courses for Mexico, additional 23 new fin fish MA starts for companies in freshwater and marine sites; MOWI request for CPD aquaculture management training

Staff capacity: 3.5 fte 1fte section leader; 2.5fte delivery staff

The range of new courses being introduced with demand for new MA (Aquaculture in Shellfish) by additional companies and bespoke courses being developed. Additional capacity in designing E-Learning is required.

Maintaining industry links as the sector changes and develops will open up new opportunities in skills training, consultancy, research and development. The sections’ equipment and quality of industry experience of staff must continue to be aligned with industry needs.

Marine Spatial Planning

The vision of the Marine Spatial Section is to promote the sustainable management of marine resources by developing and using its expertise to deliver research, consultancy, and training. The expertise of the Marine Spatial Planning team has provided Shetland with the richest data in Scotland with which to understand the marine environment and inform decision making concerning the development and management of our inshore seas for the future of fishing, aquaculture, sea-based renewables, shipping, cables and pipelines, sport and leisure, and other needs.

Many projects are multi-disciplinary or cross-disciplinary. Current and future benefits derived from well managed seas include creating opportunities to transit to a low carbon economy (renewable energy, low carbon food production), maintaining and enhancing biodiversity and carbon sinks from marine habitats, and promoting health and wellbeing benefits to local communities and tourists.

The Marine Spatial Planning section is responsible for developing and implementing **Shetland Islands Regional Marine Plan**, in partnership with Shetland Islands Council. The team’s expertise is called on by other Scottish regions and international bodies. Shetland was one of the two first regions to develop a Marine Planning Partnership and Marine Plan. The Shetland Islands Regional Marine Plan (SIRMP) presents a comprehensive picture of the marine environment around Shetland, a collation of a large volume of existing and new data which our section analysed to provide the necessary underpinning knowledge required for a more decisive and cohesive decision making process, ensuring sustainable development principles underpin the management of the marine environment and its use by different sectors to further their development needs.

Research undertaken by the Marine Spatial Planning section includes:

- Cumulative impacts – understanding all the factors interacting in a marine location
- Predictive habitat mapping
- Fisheries and marine planning
- Cultural use and value of the marine environment
- Use of data and data quality management

Consultancy undertaken by the Marine Spatial Planning section supports a number of sectors including oil and gas, cables and pipelines, marine renewables, and fisheries. It also undertakes consultancy work on behalf of local and central government agencies. Current services include:

- Marine surveys
- Data analysis
- Environmental Impact Assessment
- Habitats Regulation Appraisal
- Biosecurity planning and surveying
- Habitat mapping
- Mapping and modelling
- Strategic Environmental Assessment
- Visual Impact Assessment

Resources

3.3 Fte staff and 1 post-graduate research student

Research laboratories equipped with survey and sampling equipment; a survey vessel equipped with a multibeam echosounder, Sub-Bottom Profiler to look at sediment thickness, underwater video systems, and grab samplers; licences for specialist software to analyse data and can provide various options with GIS mapping.

Growth

The Marine Spatial Planning section has over 10 years of marine management experience and has the potential to offer training courses to other marine planning regions, both within the UK and internationally. In addition, there is considerable scope for increased post-graduate research supervision.

Fisheries research

The NAFC Marine Centre carries out industry relevant research to contribute to the assessment, management and sustainable harvest of commercially important finfish and shellfish species. The fisheries section works closely with industry and also in partnership with Government bodies, national and international academic institutes. Our unique working relationship with stakeholders and our geographical location uniquely position us to support the fishing industry for a future in which climate change and significant policy changes will impact on the management of fisheries and the marine environment.

Supporting management and decision making

The fisheries research team's flexibility enables it to engage positively with industry and stakeholders. This facilitates directed and timely responses to data and research requests. These outputs then inform decisions enabling competitiveness, investment and changes in practice. The broad scope of work ranges from biological research to practical research using our vessels and to the use of GIS and mapping techniques.

Supporting policy

Local and national fisheries agencies benefit from, and will continue to need, research and analysis to support the sector's sustainability and growth. This will become increasingly important as regional management increases.

Potential for curriculum development

The NAFC currently supports post-graduate research students and undergraduate field trips and placements. There are opportunities to enhance research-teaching linkages through additional research placements and through collaboration on existing courses offered by the UHI.

Research & Knowledge Exchange

Provision of industry relevant data to support fisheries management:

The fisheries section has a proven track record in the identification, collection, analysis and integration of data relevant to the fishing industry and its wider policy context. Current and recent projects include:

- Shetland Shellfish Management Organisation – over 20 years' worth of data collection and analysis driving inshore fisheries management policy development, underpinning sustainability accreditation and informing the national policy environment.
- PANDORA (Horizon2020 funding) - contributing to ensuring the long-term sustainability of European fisheries by advancing current models for fish stock assessments, including the incorporation of self-sampling data from pelagic fishers.
- A series of gear technology, selectivity and diversification in response to policy and management requirements.
- Research to enhance biological understanding of commercially important but data limited species, e.g. monkfish, megrim, ling and lemon sole.

Strategy

Short term:

Continue to provide the applied data which is required by industry and stakeholders in the ever changing policy environment. Ensuring that fishery managers are equipped with the information required for sustainable management; effective spatial management to protect the environment, and to adjust to changes in fish distribution and abundance, and to respond to the challenges due to political change.

Long Term:

Be a leader in the provision of applied research to underpin our maritime industries in a changing environment.

Aquaculture Research

The vision of the Aquaculture Section is to see our aquaculture industry become cleaner, greener, wealthier and more diversified. To realise this vision, the Aquaculture Section continues to use its expertise and facilities to deliver a diverse portfolio of research, innovation, consultancy and knowledge exchange.

There are exciting opportunities for growth to further the development of shellfish and seaweed aquaculture and associated opportunities to develop specialisms in the seston and environment interactions, nutrient flow, shellfish breeding, data processing, with relevance to Shetland, the UK and internationally, and partnerships with UHI and others.

Applied R&D and Innovation

Recent programs of R&D and innovation within the Aquaculture Section highlights the flexibility of this group and demonstrates their ongoing relevance to industry’ needs. Examples include:

Welfare of aquatic stocks and the environment:

- Management and control of sea lice through testing of novel chemotherapeutants and cleaner fish R&D
- Nutrition and diets for fish and shellfish
- Assessing production capacity and growth modelling for shellfish farming

Developing novel species appropriate to Shetland waters:

- Exploring environmentally- and ethically-sound protocols that allow socioeconomic evaluation of these species as an aquaculture business opportunity including -
 - Coldwater marine finfish species such as Atlantic cod, Atlantic halibut and haddock, and shellfish such as the European lobster and sea urchins.
 - Production of juvenile bivalves (mussels)
 - Seaweed cultivation and development of end-products.

Knowledge Exchange

In addition to facilitating and promoting these projects, staff have engaged in delivery of informative outreach and training programs that support sustainability, enterprise, knowledge transfer and optimising production.

Our Marine Science and Technology section also currently holds the roles of Chair and KE Officer for the UHI Aquaculture Hub.

Industry Links

Flexibility in approach, practical and scientific know-how as well as rapid response to industry needs has created a unique position with regular liaisons/links with industry and scope for collaboration on industry sites or using our own facilities.

Facilities

The laboratory and aquarium facilities provide an excellent platform for knowledge exchange and innovation, as well as life sciences (e.g. elasmobranch-derived human immunological therapies) and engineering applications; we have provisions for microbiology, microscopy, dry-space prep areas.

Cultivation facilities include those for microalgae (batch and continuous) production, zooplankton production, broodstock husbandry and spawning, larviculture and on-growing. Trials can be scaled from small to semi-commercial levels. The area and staff are also designated for regulated Animal Scientific Procedures (Home Office) and the Section also has further access to a sea farm site.

Creative and Cultural Shetland – arts, culture, textiles, film, music, media, heritage and archaeology

Strategic aim:

- Our research stimulates and explores creativity and our cultural past, present and future;
- Our learning opportunities connect arts, creative industries, cultural and heritage interests, encouraging the development of artists, creators, makers and interpreters in the fields of fine art, textiles, traditional arts, media, heritage and archaeology; encouraging enterprise and contributing to the creative and cultural economy in Shetland and internationally;
- We maximise the potential of our specialist facilities in textiles, our local history and traditions, and our local creative and cultural community to engage learners, visitors and professionals.

Strategic Lead: Innovation and Start Ups

Close collaboration

- Internal connections with IT and Computing, Enterprise;
- External connections with Shetland Arts Development Agency, Shetland Amenity Trust, Creative Scotland and Historic Scotland.

Safeguarding specialist facilities in creative and cultural industries:

Creative and cultural industries continue to prove attractive to local and partnership-wide students following the strengthening of research via the UHI Centre for Rural Creativity and the specialised facilities such as the Textile Facilitation Unit. This builds on the creative and cultural context within Shetland in which art, music, textiles, film, heritage and archaeology are rich local resources for the Institute to connect with. It is a priority for the new Institute to build on this foundation by integrating the Centre for Rural Creativity research-led activity and the creative and cultural curriculum, for a seamless articulation.

Creative and Historic Shetland Priorities

- Integrate the Centre for Rural Creativity and strengthen research by developing and implementing a funding strategy, ensuring succession projects follow those underway;
- Realise the potential of the Textile Facilitation Unit in supporting learning and local makers;
- Exploit Shetland’s assets in archaeological sites, innovating with technology and providing services to a wider range of learners through fieldwork opportunities;
- Maintain Shetland’s strengths in course delivery in arts, creative industries and textiles.
- Continue the delivery partnership with SADA Mareel and explore further mutual benefits.

Cultural and Creative

Creative, cultural and heritage activity forms a large part of Shetland's quality of life for residents and attraction to visitors. There are 95 employers in Shetland concerned with creative industries (arts, culture and recreation). Shetland's particular strengths of textiles and music are of central importance to the creative industries sector, which is characterised locally by small organisations and part-time involvement.

Shetland's Economic Development Strategy 2018-22 commits to increase the economic impact of the creative industries in Shetland, whilst heritage is a key focus for visitor experience.

There are a range of successful and well-established cultural events (Wool Week; Shetland County Drama Festival; Shetland Folk Festival) enhancing local participation and attracting visitors.

Local economic and community priorities

SIC Economic Strategy commitment to a strategic review of local textile manufacturing capacity (by 2020) should link to the Institute's Textile Facilitation Unit design and prototype capacity.

SIC Economic Strategy commitment to establishing 6 Creative and Cultural Centres (2022) should link to the Institute's capacity to deliver creative and cultural learning by outreach, and strengthening community capacity for running these centres (linked to Business, Hospitality & Tourism/ Community Learning/Learning Centres)

Taking a strategic approach to integrating cultural, creative and heritage activity in the Institute to benefit students and communities, enhance visitor experience, and provide enterprise experience for learners.

Current courses and progression opportunities

Courses supporting inclusion and access delivered with the Eric Gray Centre and New Directions;
Skills for Work in art and textiles delivered with school pupils.

NC level course in Art and Design.

A range of Bachelor and Masters degree courses delivered locally and via the UHI Network in Fine Art, Contemporary Textiles, Archaeology and Heritage

Facilities for students and local crafts businesses via the Textile Facilitation Unit, providing design and small product runs

Student demand 18/19:

9 school students | 171 FE credits | 35 HE students

- Section staff deliver to the UHI network extensively as module leaders and tutors, in addition to the direct teaching within Shetland.
- Fine Art and Contemporary Textiles courses are increasing in popularity; requiring a review of space and facilities to support growth.
- The technical support for design and production through the Textile Facilitation Unit regularly supports around 35 external customers with an average spend of £1600 for services (lowest £30, highest £14000)

Staff capacity: 5.3fte lecturers | 1f/t section leader; 3f/t & 4p/t delivery staff + 2 f/t technicians

Short term development

Development of the Textile Facilitation Unit is needed to gain maximum advantage from its capacity to support students and local crafters. Further short course development in textiles, potentially linking with Wool Week, could attract commercial/leisure customers.

Long term growth

Development of Contemporary Textiles degrees to Masters level for progression of BA students; development of art and design evening classes to provide another access route into HE courses; development of modules in Archaeology and Landscape interpretation.

Centre for Rural Creativity

The Centre for Rural Creativity is an initiative to support research and knowledge exchange in the creative industries in remote and rural areas, established in 2015 with the support of Shetland Islands Council, Highlands and Islands Enterprise and Creative Scotland.

Based in Shetland College UHI the Centre undertakes interdisciplinary research and acts as a focal point for the university's teaching, knowledge exchange and engagement with the creative industries.

The MA Art and Social Practice has been developed in partnership with UHI and is offering a unique course for artists working with creative and social engagement, with inter-disciplinary collaboration from social anthropology. It is a leading example of a course developed in Shetland that reaches international students and maximises the benefits of UHI partnership working.

39 students (19 full time, 17 structured part time, 2 unstructured part-time) | 1 x international, 1 x EU, 5 RUK, 32 Scotland

The MRes Creative Practice is a new research-based degree tailored to the needs of Highlands and Islands creative practitioners who often work in isolation. This has only recently been through UHI academic scrutiny and is a new course being offered to students.

New MA module Creative Re-Use of Archive Film shared across several MA programmes in the UHI network.

1 student | led by local PhD student

Research being undertaken by the CRC includes:

- Resilience through Culture and Heritage, Language, Education and Creativity – in partnership with Djagora University, Senegal and UHI Cultural Resilience Team
- Textile production and skill transmission in Shetland and the West of Ireland (Carnegie Research Incentive Grant)
- Home and Belonging programme with care experienced young people (Life Changes Trust)
- Virtual education for socially engaged art (RSE Arts & Humanities Small Research Grant)
- Managing Digital Archives of Heritage Film as a Sustainable Community Resource (European Structural and Investment Funds) led by PhD student (ESIF funded).
- Investigation of the Cold War period in Unst, following on from Northern Exchange: Cold war Histories and Nuclear Futures, Carnegie Trust funded research project.

A pipeline of knowledge exchange projects including:

- Shoormal International Conference 2019 | Collaborations with business owners to promote arts to a wider market
- Shetland ForWirds (Shetland Dialect) | Shetland Film Archive

The Islands Deal proposal is identified as an opportunity to strengthen and develop inter-island collaboration for the development and expression of creative talent, utilising the capacity of the UHI with the Regional Funded Organisations (Creative Scotland) in Shetland, Orkney and the Western Isles.

Shetland Arts and Development Agency

Shetland Arts and Development Agency is a key delivery partner for Shetland College, the Centre for Rural Creativity and Shetland Islands Council. Operating from the modern and well-equipped Mareel Centre (with film, music and performance spaces), Bonhoga Gallery (with exhibition spaces) and The Garrison Theatre (with performance and production spaces) students can benefit from excellent facilities, teaching and opportunities for practical application, with links to established artists and festivals. As a Regularly Funded Organisation (Creative Scotland) and beneficiary of Shetland Charitable Trust, Shetland Arts has strategic and delivery capacity to benefit future partnerships with Shetland Institute UHI.

Shetland Arts Development Agency manages the Garrison Theatre, and is working with a steering group to determine the future of the theatre, with the opportunity for further development of drama, of which there is a strong tradition of community-led theatre in Shetland, and with this, further scope for students to apply their learning in areas including sound, music, film, lighting, marketing and events production.

Shetland Arts Development Agency runs enterprises including two café facilities and retail outlets for local artists, crafters and other goods. There is potential for further collaboration for work placements, exhibition of works, events etc of benefit to Institute students.

Current courses and progression opportunities via Service Level Agreement

Vocational Pathways in Sound Engineering and Video Production for S3 and S4. NC Creative Industries Music Group Award and Film Group Award.	HNC Music Group Award. BA Hons Applied Music.	BA Hons Contemporary Film Making. MLitt Music in the Environment.	Suite of Creative Practice modules available as options to MA level students.
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Student demand 18/19:
23 school students | 226 FE credits | 30 local and 12 networked FE/HE students

Technology, Engineering and the Built Environment

Strategic aim:

- We partner with industry and researchers to ensure our knowledge, skills and experience is up to date and reflects the present and future of the applied environments of engineering, nautical engineering, IT and computing and construction;
- Our learning opportunities inspire learners to excel in their crafts and to participate in furthering their knowledge and understanding through research and development;
- We maximise the potential of our specialist facilities in nautical studies, engineering, construction and technology, collaborating with manufacturers and others to bring students up to date learning facilities.

Strategic Lead: Technology

Close collaboration

- Internal connections with Seafood and Sea, Enterprise, Creative and Historic Shetland;
- Collaborations with STEM initiatives and Developing Young Workforce;
- External connections with industry: construction, energy, marine industries, seafaring, technology.

Safeguarding specialist facilities in technology, engineering and construction:

Investment in nautical, engineering, construction and technology has been constrained in recent years. A strategic review of facilities and equipment to support future learning will ensure a renewals strategy is in place to sustain learning opportunities.

Technology, Engineering and Built Environment Priorities

- Develop a shared strategy for industry engagement, curriculum development and use of short course development, exploring the potential for increasing options and choices for continuing professional development pathways for industry, and best use of teaching staff time;
- Realise the potential of the new welding unit;
- Identify the future direction of relevant industry sectors, using this to inform the continuing professional development of staff;
- Maintain the competitiveness of the nautical training delivery by continuing to promote Shetland to commercial sponsors.

Nautical

There are 170 large and small fishing vessels operating from Shetland and almost 1,000 local jobs in or linked to fishing. The Shetland Shellfish Management Organisation manages shellfish fisheries around the Shetland Islands and fish landings in Shetland make a substantial contribution to Shetland's economy, not least through public sector benefit from quota shares and ad velorum on fish sales. Aquaculture employees are also required to have boat handling skills.

Ferry services are lifelines in Shetland, between the isles (8 ferries operated by Shetland Islands Council) and to the Scottish mainland (Northlink, daily passenger and freight ferries), providing employment for people in roles from skipper to customer service.

Local economic and community priorities

Shetland's Fishing, Aquaculture, Workboat and Shipping industries have requirements for mandatory training certification; Manila training is also required for leisure users and seafarers.

Local fisheries employers require short course provision to meet their restricted on-shore time and rapid response to needs to maintain seagoing capacity (e.g. employee turnover).

Shetland has long-standing relationships with merchant marine companies sponsoring cadetships but more competitors are now providing courses. To stay competitive, Shetland must remain attractive to employers and students.

Course opportunities and progression

School pupils - Skills for Work Maritime course

Introduction to Fishing Course

Basic mandatory short course training for seafarers (Merchant Navy and fishing)

MA in Maritime Occupations (deck rating, engine rating or seafishing)

Officers and masters courses for aquaculture industry, coastal ferries and tugs

Skippers certificate courses for fishing vessels

Merchant Navy Officers certificate courses (Cadetships and direct entry)

HNC/D Nautical Science

Student demand:

22 school pupils | 12 FE cadets | 650 short course participants | 510 FE credits | 18 HE cadets | 10 MAs

- SDS surveys show around 8 school leavers per year in Shetland identify fishing and aquaculture as a preferred occupation.
- Fish catching involves approximately 3% of all employment with around 269 fte employees; this supports an ancillary workforce in fish processing of roughly the same size in fish processing and a slightly smaller workforce (230fte) in sea transportation, ports and harbours.
- Cadetships are sponsored by companies who place cadets with providers, therefore one of the courses that attracts non-local students

Staff capacity: 4.5fte 1.5fte section leader; 3fte delivery staff

Short term development

New short course development to meet legislation changes in industry (e.g. STCW(f) regulations for fishing industry).

Increased demand due to enhanced refresher requirements of short courses.

Potential for additional MA programmes, including workboat operative.

Long term growth

Potential to expand offering to higher level Merchant Navy certificates (Chief Mate and Master Unlimited).

Potential to offer select certificate and short courses to foreign students.

Increased and more creative offerings using available practical equipment including the simulator.

Potential to offer travelling trainers for short course delivery onboard operational vessels.

Engineering

Engineers are at the heart of Shetland’s economy: they ensure that the boats keep running, wind turbines keep turning, fish factories keep processing, oil keeps flowing and the power stays on. Furthermore, engineering provides opportunities for people to stay locally while working off-island, in sectors such as the Merchant Navy and Oil & Gas, bringing wealth into the island’s economy. Around 574 people in Shetland work in the engineering sector, approximately 6.7% of all employment, with the 6 companies who specialise in marine engineering being the mainstay.

The NAFC Marine Centre is one of two locations in Scotland that offer the Merchant Navy Training Board’s cadet officer programme for engineering, and the only training provider regularly offering fishing Certificates of Competency.

Local economic and community priorities

A range of transferable skills are required across all industries requiring engineering skills, including health & safety, project management, site management

Local industries requiring engineering skills include Aquaculture; Decommissioning; Fabrication; Fishing; Merchant Navy; Marine industries; Oil and Gas; Renewable Energy; and Utilities.

Engineering is a dynamic sector in which new technology brings new training requirements, and challenges providers to keep equipment and teaching skills up to date.

Course opportunities and progression

Schools: Skills for Work Engineering (S3/S4); Part time NC Engineering Systems (S5/S6).	Modern Apprenticeships Full time NC Engineering Practice; HNC Marine Engineering.	Engineering Cadetships (HNC); Engineering Ratings Apprenticeships; Certificates of Competency – Merchant & Fishing.	Short courses: MCA Approved Engine Course, welding, abrasive wheels, machining.
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Student demand:

39 school students | 35 Modern Apprentices | 24 cadets | 12 NC students | 73 short course participants| 532 FE Credits | 22 HE students

- SDS surveys show around 74 school leavers per year in Shetland identify some form of engineering as a preferred occupation; 27 of these in engineering roles for which current courses provide for (others are in electrical engineering (19) mechanical (6) chemical (3) oil and gas (6) and software (2)).
- The FTNC (delivered as part of the MA program and to students who are not on a MA) has been very popular and is regularly over-subscribed.
- The Skills for Work program was doubled in size 3 years ago, and still proves very popular.

Staff capacity: 6.5 fte 0.5ft section leader; 6ft delivery staff

Short term development

Recent upgrade to welding training facilities to reflect industry specifications will lead to increased short courses and facilitate link up with the arts department for sculpture. Current department emphasis is on growing student numbers whilst condensing courses to reflect student/industry needs.

Long term growth

Longer term developments require analysis of capacity and industry trends, equipment and space for teaching, potential articulation with higher level courses in decommissioning, renewable energy and new technology in marine engineering, potential development of HND Marine Engineering and flexible shore based engineering HNC .

Construction

The construction industry is a lead sector employer with 730 workers representing 8.1% of the islands workforce making it the third largest employer by sector, the variety of skills incorporated range from administration, trade, technical, professional and management. Throughout turbulent times the construction industry has remained a consistent employer diversifying to meet market demands with contracts of all scales catered by local employers from maintenance of private homes to large scale projects supporting Oil & Gas and Education. Provision of affordable homes that are energy efficient has been a primary source of employment with large schemes both underway and planned. Innovation in the use technology and materials are key to the high standards of today's Shetlanders home. The use of advanced modern technologies will see new demands including digitised plans driving CNC routers, saws and directing onsite work and satellite based surveying. Construction as an option for a long and varied career path needs strong promotion message to ensure we can all enjoy living, working and relaxing in the environment that has been built around our needs.

Local economic and community priorities

Major infrastructure projects in Shetland such as the proposed re-development of the Knab site will require skilled tradespeople.

Housebuilding and maintenance requires a range of trades in Shetland's social housing sector.

Efforts to tackle fuel poverty by making existing housing more energy efficient will require more local capacity in this sector.

Heritage sites and projects require specific and specialised skills and a range of projects hold potential for partnership with Shetland Amenity Trust's Architectural Heritage Team.

Course opportunities and progression

Schools:
Skills for Work
NC Built
Environment

Modern
Apprenticeship: PDA
and SVQ Carpentry
and Joinery

Advanced Craft
Carpentry and
Joinery

HNC Construction
Management

Student demand 18/19:

24 school students | 30 Modern Apprentices | 362 FE credits | 21 HE

- Positive relationships with the Construction Industry Training Board ensure developments in Shetland make the most of national opportunities.
- School leaver surveys show around 6% of young people are considering a career in a construction or property services role. School-based delivery may increase demand over time as young people get more opportunity to develop skills and interest.
- There is very limited artisan carpentry and joinery in Shetland. There is some interest in heritage carpentry on traditional boat building.

Staff capacity: 3.5 fte 1fte section leader; 2f/t, 0.5 p/t delivery staff, 0.5 Assessor

Short term development

Foundation apprenticeships offer further scope for developing school-Institute links. Ongoing employer-engagement is needed to fully assess the potential for further apprenticeships as small companies may reach saturation point. Shorter more intense courses in general construction skills may be needed to help companies respond to business demand.

Long term growth

Strategic development is required to consider the role of the Institute in meeting local needs, assess how investment in equipment and workshops can be made to align with modern industry needs. Creative partnerships with other UHI colleges may provide some solutions.

IT & Computing

Shetland is well connected by Broadband and further developments will ensure broadband speed and reliability supports IT development and industry locally. A small number of local companies provide software development, website development and hardware support, are keen to grow local talent to meet the demand for skills to serve their national and international work. The potential to develop a local digital hub is being explored as a strategic support to the local tech sector by Highlands & Islands Enterprise. The Council’s Economic Development Plan 2018-22 describes its commitment to facilitating high speed broadband to the north isles and to generate further community-led broadband schemes. Varied general and specialised Computing and IT skills are essential in all industries to ensure they remain up to date with technologies and remain competitive.

Local economic and community priorities

- Local broadband development will require skills in demand by companies contracted to deliver this.
- Software development has a high component of design and creative input, for which collaboration between sections in the Institute can generate exciting opportunities for learners.
- Cyber security is a growing sector, which could be resourced by the Institute in terms of skills and consultancy for local businesses.
- Public and third sector use of apps to engage customers and facilitate access to services present potential opportunities for collaboration.

Current courses and progression opportunities

Skills for Work and Access to Computing courses provide core skills and facilitate access to other courses.	NQ Interactive Media & Computing course ensures progression to HNC Computing, then HND Computer Science courses.	BSc Hon Computing courses via UHI, currently including named pathways in Networking, Software Development and Interactive Media allowing students to study specialisms.	New UHI BSc Hon Applied Software Development award due in 2020 will provide a new dedicated degree pathway.
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Student demand:

2018/19:	0 school students,	5 FE students,	HE: 16 local students + 22 remote students
2019/20:	10 school students,	10 FE students,	HE: 22 local students + 20 remote students

1. A small number of school pupils identify Computing and ICT as a potential career choice (SDS Survey) – only 4% of young people nearing school leaving age. Around half of these are not specific about their preferred career within this sector. This suggests more school engagement is required to promote the breadth of opportunities in this sector.
2. It is a fast-moving sector and it is essential that staff maintain their own professional development to keep abreast of advances and ensuring courses are relevant.
3. Partnerships with local companies could provide excellent opportunities for work experience.

Staff capacity: 2.8fte | 1f/t section leader; 1f/t, 1p/t delivery staff

Short term development

- 1. Approval already gained to deliver the HNC Digital Design & Web Development course which would enhance the local pathway to BSc Interactive Media via the UHI network.
- 2. Short course development and Professional Development Awards could increase appeal to part-time learners.

Long term growth

Assess the potential for course development and consultancy in cyber-security, ethical hacking, creative design and app development for local companies. Computing & IT exist in ‘ALL’ areas of work and types of industries.

Community and Enterprise – Business, Accounting, Hospitality, Events, Tourism and Leisure (including Hair and Beauty), access courses ESOL, essential skills

Strategic aim:

- We ensure businesses of all sizes in Shetland have the skills and experiences needed for business owners, business leaders and employees to prosper;
- We work creatively with local businesses to ensure appropriate pathways for new entrants and existing staff to learn skills and gain qualifications;
- We will promote entrepreneurialism and ensure Institute resources are accessible to start-ups and existing businesses;
- We will give all students opportunities to learn skills in enterprise and gain the support they need to put their business ideas into practice
- We will use our resources and expertise to build community capacity for economic development, wellbeing and sustainability
- We will ensure remote communities can access learning.

Integration plan

- Strengthen and develop industry links in tourism, hospitality and enterprise;
- Ensure outreach courses through Learning Centres and other venues is developed to strengthen the Institute’s strategic approach to widening participation;
- Develop approaches within all delivery sections to reach a wider range of learners and strengthen their progression routes starting from community access;
- Increase engagement with a wide range of potential learners including schools, and community groups, providing opportunities, tasters, events and other activities encouraging their participation;
- Develop curriculum and learning opportunities for individuals starting to explore their learning options, for example a “Career Shifter Programme” attracting people considering returning to learning and supporting their access and progression through the Institute, in partnership with Student Engagement, Guidance and Communications;
- Targeted engagement and delivery with specific groups of people who may be experiencing different barriers to learning, including care experienced people, carers, people with physical and mental health challenges, people whose first language is not English;
- Collaborating with other agencies to continue delivery and support for learners with different needs, for example through Project Search, Lifeskills programmes; Access to Core Skills learning; and ensuring a strong transition support programme for learners identified by schools in need of additional support.
- Targeted engagement with communities to support learning for community-led enterprise

Close collaboration

- Internal connections with all courses in which self-employment is a potential destination of learners;
- Collaborations with Developing Young Workforce;
- External connections with industry and other sectors, business gateway, Shetland Tourism Association.

Safeguarding specialist facilities in Community and Enterprise:

The Institute has specialised resources for Hair and Beauty, and a training kitchen with commercial equipment. These will be used to support start-ups, community enterprises and others, as well as providing appropriate industry-standard learning environments for students.

Outreach learning centres in North Isles, North Mainland, Whalsay and Lerwick will be retained, but we will also see new partnerships with community halls, schools and other venues throughout Shetland.

Community and Enterprise Priorities

- Integrate Institute-wide engagement with Short Course development and administration services, and Vocational Pathways, ensuring all sections maximise the potential of short courses and apprenticeships to reach a wider audience and engage more learners;
- Develop and promote partnerships for the use of enterprise college resources; collaborate with Shetland Islands Council to explore the delivery of community kitchens;
- Strengthen the offer of the section to the local tourism sector;
- Conduct a community capacity and local learning review, to gather evidence to inform a strategy for the Institute’s delivery in local areas.

Business, Hospitality and Events

Local economic and community priorities

The majority of hospitality and tourism operators in Shetland are small and entrepreneurial, with many requiring business start-up/support skills. The small number of large companies with an outlet in Shetland want competitively priced training locally as an alternative to self-delivery.

Opportunities for small businesses must reflect the limited availability of staff time for professional development and changes in seasonal demands.

There is scope to develop opportunities to support local businesses to strengthen Shetland's niche in hospitality, tourism and business: the environment, wildlife, culture and heritage.

69% of businesses in Shetland have up to four employees. Small businesses require different skills and opportunities with direct relevance to their needs, hence the popularity of accounting and IT courses. There are 50 companies in Shetland with 50-250 employees, presenting an opportunity for leadership, management, project and operational management courses to enable career progression and succession in these businesses. Hospitality and tourism reflects this business profile, and is regarded as a growth area. Increases in tourist numbers reflect approximately 38,000 visitors making overnight/multi-night stays and approximately 90,000 cruise ship day-visitors; all of this business largely seasonal. Development of this sector therefore requires creative entrepreneurialism approaches.

Current courses and progression opportunities

School engagement activity in schools. Bespoke courses with external partners for people with additional support needs.

NC Administration; NC Accounting and NC Hospitality routes provide entry level courses with opportunities for progression to HNC

A range of SVQs reflecting industry demand and supporting MA and FA pathways.

Professional Development Awards and short courses supporting career progression in business and administration.

Student demand 18/19: 372 FE credits | 28 HE students

- School engagement is strong, adding value to schools' curriculum with expertise of college lecturer with professional restaurateur experience
- Accounting courses and introduction to SAGE accounting package meets local business needs, the capacity for delivery on an outreach basis via local Learning Centres provides flexibility for small scale entrepreneurs
- Professional Development Awards delivered for larger local employers (e.g Shetland Recreational Trust) introduce new learners to the college who can then consider progression options.

Staff capacity: 3.5fte 1p/t section leader job share/delivery role; 3p/t delivery staff

Short term development

- Customer Service SVQ is now developed and ready for delivery
- Foundation Apprenticeship routes in accountancy, business skills and food & drink technology could be developed
- Short course development targeting small business owners could strengthen uptake

Long term growth

Develop industry links to place the section at the forefront of supporting Shetland to deliver on its Tourism Strategy 2018-23, and economic development targets, with more strategic engagement and development of learning opportunities to stimulate and support sectors.

Community Learning – Essential Skills, Access and Outreach

The key focus of the Shetland Partnership Plan is to reduce inequality of outcome in Shetland – to tackle the issues that mean some people and groups have a poorer quality of life than others. The Plan’s priorities are to support and nurture participation in communities; to enable individuals and families to achieve their full potential; to make Shetland an attractive place to live, work and study; and to enable all households to enjoy a good standard of living. These priorities align with those of the college, to provide essential skills, employability skills and opportunities for learning, for people of all ages, leading to better outcomes for them.

The Scottish Government is committed to ensuring that colleges continue to reach people of all ages and abilities, and those disadvantaged by experience in

Local economic and community priorities

Poor public transport links requires the college to reach out to learners on the larger isles and less accessible areas, supporting and resourcing learning online, and locally-led opportunities, important to parents and carers, close to local schools, nurseries and day centres.

Shetland’s international workforce requires creative and practical approaches to enabling migrant workers and their families to work and integrate, through skills and language courses.

People requiring a higher level of essential and employability skills, support for learning or work, benefit from programmes designed for their needs.

Course opportunities and progression

Access and inclusion
20 New Directions students;
40 students with additional learning needs;
60 students receiving individualised support for learning

Support for progression
125 students receive essential skills courses additional to their FE/HE courses;
10 students take Alternative to Higher English.

Learning Centre Enrolments:
65 North Isles;
30 Whalsay;
32 North Mainland;
45 Islesburgh

Engagement
40 enrolments/year for ESOL courses from Introduction to English Literacies (SCQF2) to National 5 and Higher ESOL (SCQF6).

Student demand: 300 FE students | 537 FE Credits not including Essential Skills students | 31 HE students

- 30% of secondary school pupils in Shetland schools are identified as having additional support needs. 25% of school leavers achieve literacy and numeracy below level 5; although school leavers with the lowest tariff scores for attainment do much better than comparator schools (235 Shetland, 165 comparator) the gap is very slightly greater between the lowest and highest 20% tariff scores in Shetland than in comparator schools.
- 99% of learners attending Learning Centres are over 30, and 29% are over 70. This represents the role of the Learning Centre as a community resource for all ages. 28% attend for work-related reasons and 14% for career advancement or higher qualifications. 58% of Learning Centre learners report they are unlikely to engage with distance learning from home, although 84% would from a Learning Centre.

Staff capacity: 6.6 fte 1fte section leader; 5.6fte delivery staff

Short term development

Outreach will continue to reach distant and less accessible communities. In line with the Shetland Partnership Plan, learning opportunities to strengthen community participation will focus on skills communities need such as PDA Event Management, PDA Community Involvement.

Long term growth

Development support for community organisations and start-ups/micro-business in island and less accessible communities could be strengthened by recruiting more students accessing supported distance learning in our Learning Centres, bespoke workplace and CPD for businesses and community groups, short, FE and HE courses.

Health, Care and Society
Strategic aim: <ul style="list-style-type: none"> • We will build on our strengths and experiences in health and care sectors, and our high quality learning opportunities, to contribute to the sector in research and partnership working relevant to remote and rural health and care; • We will develop future generations of professionals skilled and confident in designing and using participatory and co-production methodologies in their practice, strengthening community-led health and preventive health in Shetland and elsewhere; • We will develop resilient, forward looking professionals at all levels of the health and social care field, and encourage new entrants with exciting opportunities reflecting new developments in care, childcare and health.
Strategic Lead: Wellbeing and Inclusion
Close collaboration
<ul style="list-style-type: none"> • External connections with health, care and childcare providers, NHS Shetland, Shetland Islands Council.
Health, Care and Society Priorities
<ul style="list-style-type: none"> • Maintain the pace and breadth of learning opportunities to fulfil local needs for new recruits and continuing professional development required in Shetland’s health and care services; • Provide staff development opportunities by exploring potential collaborations with community organisations exploring community-led solutions to health and care challenges.

Health & Care

Shetland’s population of 23,000 people requires the same health, social care and childcare services of any local authority area, in the context of specific local challenges of remote and island communities.

NHS Shetland is committed to providing more services on mainland Shetland. To meet workforce demand the NHS committed in 18/19 to work with FE and HE providers and apprenticeship schemes to strengthen pathways into healthcare support worker roles and progression routes to nursing. Shetland’s Community Health & Social Care Partnership forecasts the challenge of meeting the needs of a higher proportion of ageing citizens in Shetland and 30% of the population have a long term condition, with a need to prepare the workforce, communities and carers for self-directed support, and appropriate skills for prevention and specialised needs such as dementia.

Local economic and community priorities

The NHS wishes to develop its approach to developing the young workforce and address risks associated with an aging workforce.

Childcare is in high demand in Shetland’s high employment economy for children of all ages. New areas of provision include Forest/Outdoor nurseries.

Lack of Foster Care capacity in Shetland could be supported with learning and development opportunities for potential foster carers.

People working, volunteering and caring require professional qualifications, including Counselling skills for Shetland’s mental health agenda.

Current courses and progression opportunities

School engagement - a range of courses at Higher level via the UHI network. Foundation Apprenticeships and Modern Apprenticeships. 65/6 Skills for Work courses including Hairdressing.

NC and access courses in social care, nursing and childhood studies create several pathways into health, social care and childcare.

A range of SVQs reflecting sector demand and work-based options, including Hairdressing. HNC and Degree-level courses.

Professional Development Awards and short courses supporting career progression in care specialisms and childcare.

Student demand 18/19: 84 school students | 1107 FE credits | 88 HE students

- Delivery of SVQs to Modern Apprentices, leading to a further 300 credits at course completion;
- Delivery of a range of Highers in social subjects adds value to local schools’ curriculum and provides entry criteria for school leavers to access degree courses in social science subjects;
- The range of courses offered in Shetland is enhanced by access to the UHI network, on which local lecturers also deliver modules;
- Local businesses and organisations are now being encouraged to become aware of dementia and autism, creating scope for short courses for a wider sector beyond health and care;
- Flexibility and sector knowledge of lecturers and assessors provides employers with high quality work-based learning and assessment.

Staff capacity: 6.2fte lecturers; 4 fte assessors | 1f/t section leader; 2f/t & 8p/t delivery staff

Short term development

High demand for entry level courses to a sector with high growth and staff shortages. High demand for Professional Registration qualifications which are a statutory requirement of the local authority to run social services provision. There is a need for a strategic review of capacity and delivery.

Long term growth

The section should be central to workforce planning for health and social care. To ensure ongoing high quality of course delivery and create new learning opportunities for the local workforce in emerging care specialisms, strategic links with centres of excellence and research are required.

Student Participation, Opportunities and Support Services: we will strengthen access to learning, access to employment and career development and the ways we support students, using our experienced staff

- Strategic aim:**
- To enable all our students to access learning and remove barriers in ways that meet their needs;
 - To ensure accessible and inclusive learning opportunities exist for all learners throughout Shetland;
 - To develop our strengths in enabling people with diverse and additional needs to start, and enjoy, their learning journeys;
 - To ensure our students have extra-curricular opportunities to supplement their college learning
 - To develop our approach to vocational pathways through apprenticeships;
 - To develop and deliver our objectives as a Health Promoting College.

- Integration plan:**
- Ensure additional support for learning, delivery of access courses, essential skills, English for Speakers of Other Languages, ECDL, and outreach courses through Learning Centres and other venues is developed to strengthen the Institute’s strategic approach to support for, and delivery to, all students, at every stage in their learning journey, holistically;
 - Develop approaches within all delivery sections to reach a wider range of learners and strengthen their progression routes starting from community access
 - Ensure careers advice, counselling and other student support services are available to students where ever they are studying
 - HISA supported across both campuses to provide for students in all locations

- Student Participation**
- Maintain services and delivery to students who need access to personalised learning opportunities to enable them to participate in the Institute;
 - Develop the Institute’s approach to Health Promoting and Recovery College frameworks.

Vocational Team for Apprenticeships

69% of businesses in Shetland have up to four employees, so Skills Development Scotland (SDS) financial support to train new staff is an important boost to Shetland’s economy. Nevertheless, for a small business with limited administrative capacity to enter into an apprenticeship contract is challenging, the system is complex. The claims process also presents a cash flow.

Apprenticeship frameworks focus on specific qualification routes relevant to sectors.

Young people from Shetland and employers who want an apprenticeship framework where the qualifications are not provided locally are supported to access courses in other colleges, for which SDS contributes towards travel and accommodation costs.

Shetland Islands Council is currently the largest user of the Institute’s Vocational Team’s service.

Local economic and community priorities

All sections of the Institute benefit from Modern Apprentice or Foundation Apprentice frameworks through delivery of the required qualifications to apprentices. If apprentice numbers dropped this would impact on income.

Shetland Islands Council’s Economic Development Strategy commits to developing assistance to improve recruitment of Modern Apprentices in target sectors and supporting Modern Apprenticeships for older age ranges (targeting 2 businesses per year) and those in more rural areas.

The Vocational team provides robust services to young people with positive employer engagement. Developing the Young Workforce initiative and local Skills Development Scotland team are partners.

Apprenticeship opportunities for intake 19/20 (79)

- Administration & related (10)
- Automotive (6)
- Construction (7)
- Energy & Engineering (9)
- Financial services (4)

- Hospitality & Tourism (3)
- Transport & logistics (1)
- Sport, Health & Care (30)
- Personal Services (3)
- Other services (3)

Current: 62 employers | 161 Modern Apprentices in training | 15 training providers

- An “end-loaded” funding model is challenging for providers where apprenticeships last 2 - 4 years.
- Through the UHI Partnership, a collective bid for Foundation Apprenticeships allows for a staged funding model in which payments follow interim milestones rather than an end completion date. The suitability of FAs for local requirements is being considered.
- Evaluation by Skills Development Scotland of the Vocational Team’s outcomes is very positive: “Learners and employers are well supported through the whole process of the MA programme. The provider conducts all reviews with learners and employers, using feedback that they have received from the subcontractor to set targets and discuss achievements. The provider will also intervene to support learners to sustain their MA should there be issues that arise”.

Apprentices enrolled at a college in Shetland: **116**

Apprentices in off-island learning: **45**

Staff capacity: 7.1 fte

Short term development

The team has recently expanded its provision to apprentices outwith Shetland (two apprentices in Orkney). There is scope to attract young people to Shetland into hard-to-fill apprenticeships with strategic planning to retain choice and opportunity to local applicants.

Long term growth

Strategic planning is needed to make the most of the partnership with UHI whilst retaining a direct contract with Skills Development Scotland where it is more financially viable to do so. Scottish Government’s 15-24yr Learner Journeys should feature in future development.

Student Support Services

The importance of pastoral care, guidance and support for learning in tertiary education is essential to widening participation, highlighting the importance of ensuring student support services encompass careers advice and guidance, welfare advice and personal counselling. The Okanagan Charter for Health Promoting Universities and Colleges calls for colleges which “transform the health and sustainability of our current and future societies, strengthen communities and contribute to the wellbeing of people, places and the planet...They infuse into the everyday operations, business practices and academic mandates”. Shetland has the opportunity to make this vision a reality. Student Support Services can develop and lead a whole-college approach. However, the current service is under-resourced.

Local economic and community priorities

Mental health and physical wellbeing are key components of Shetland’s strategies for prevention and early intervention.

Pressure on local accommodation means staff often struggle to find rooms for students to stay near to the college if they are from Scottish mainland or the isles.

Shetland is becoming more conscious about the need to tackle inequality. Many students have limited resilience to high winter bills, rent and other costs. The college provides free sanitary products.

Recruitment of students to Shetland’s colleges is critical to future success. Student Services engagement with schools and communities is vital.

Current student support functions

Counselling is provided on a part-time basis in-house, and is at capacity re student demand. The Guidance function controls student bursaries, discretionary payments and hardship support for students.

Student engagement is combined with a marketing function, creating pressure on the role, which in turn becomes reactive rather than strategic.

A range of tasks, from induction and freshers programmes to graduation events are co-ordinated by the team. Support with administration and marketing would aid effectiveness.

Personal Learning Support Plans are required for students with disabilities which is essential to around 60 students in the college.

- Highlands & Islands Student Association (HISA) is strengthening its local support with establishment of a part-time officer and a dedicated office in the Gremista campus. Student engagement staff also support class reps.
- When student associations do get off the ground they are successful (football, the student Green Team)
- Students rate their experience of support services positively (Student Survey Aug 2019) and the majority prioritise functional aspects of student support (information, work experience) as important for development. Social and other facilities are more limited in Shetland’s campuses than other colleges.
- Student accommodation is a key issue: a hostel previously provided accommodation within NAFC Marine Centre but this building has been held vacant for over a year to assess its fitness for use due to construction issues.

Staff capacity: 1.5fte 1ft1 p/t student engagement officers; 3 p/t staff (guidance and counselling)

Short term development

Re-visiting the role and remit of staff to provide more dedicated time for student support will help to ensure a strategy for student support and an annual action plan for enhancing the student experience. Additional capacity could be sought through positive partnerships with external agencies for health, mental health, careers advice.

Long term growth

The new Institute may consider whether becoming a “Health Promoting College” or other framework for a positive student experience would assist development. Student accommodation must be the focus of urgent business planning but is likely to take some time to resolve unless investment can be secured.

Libraries

Libraries are pillars of learning and research, not only as a repository for books and journals, but also as a resource for skills of seeking and managing information: supporting the process of becoming a learner rather than simply a supply of material to aid teaching. Libraries, and librarians, shape this process. There are two libraries serving the new Institute, based in Gremista and Scalloway. Beyond the physical base, the libraries serve distance learners, and benefit from the partnership wide network of libraries and librarianship of University of the Highlands and Islands. It is a priority for the new Institute to find ways to strengthen the digital and physical resource of our libraries for our students and communities, using the resource to develop information and digital literacies.

Libraries and information management priorities

The libraries service aims to provide users with specialist knowledge, quality resources and services that have a positive impact on learning and that nurture and improve the digital and research skills of our users.

There is scope for our libraries to become resources for lifelong learning in our community. Providing access to specialist resources for residents seeking to develop their professional knowledge e.g. fisheries, textiles, early years teaching etc.

- Skills for learning are grounded in the ability to seek and manage information. Our aim is to develop a proactive library service central to the experience of learning and which engages with students, academic staff and researchers by:
- Supporting the development of information literacies within the curriculum
 - Developing learners’ ability to gather, use, manage, synthesise and create information appropriate to their need
 - Encouraging students to think critically, ethically and make balanced judgements about information found and used
 - Providing expertise and specialist knowledge for research resources, and services, available at Shetland Institute and UHI
 - Providing expertise to support and enrich teaching and flexible learning experiences, supporting technology enhanced learning and digital course content e.g. etextbooks models and availability
 - Preserving, maintaining and expanding physical and digital collections relevant to the needs of Shetland Institute and wider UHI community
 - Working collaboratively with UHI Libraries to deliver services across the partnership
 - Developing accessible collections: providing resources that cater for different learning styles and needs
 - Providing a customer-focussed service utilising user experience (UX) methodologies wherever possible to inform decision making

Staff capacity: 1.7 fte 1fte Librarian and 2 p/t Library Assistants

Short term development

Continue to develop the library spaces to enhance student experience, providing more varied workspaces for group and individual study. Develop print collections, and online collections (in partnership with UHI), to meet Shetland Institute UHI course portfolio demands. Assimilate processes and procedures across both campus libraries.

Long term growth aspirations

To support learning by embedding information literacy skills, via a longitudinal induction approach, across courses. Ensuring that learners at any level develop the information retrieval and information handling skills they require for success in education, work and life.

Delivery Support Services

- Strategic aim:
- To enable all our students, staff and stakeholders to get the information they need to engage with and lead the Institute; including data and information to support quality assurance;
 - To provide support to enable the Institute to develop and grow by ensuring efficient use of resources and effective Institute operations
 - To provide all sections of the Institute with the support to develop, grow and administrate short courses and ensure effective accreditation with relevant governing bodies to ensure we meet industry needs
 - To ensure a high standard of administrative and financial management

The integration plan is to bring together administrative and financial staff to work together, whilst developing functions to account for the services previously provided and recharged by Shetland Islands Council. Delivery Support Service functions will include:

Student registration and academic records	Staff records and payroll
Academic and training quality assurance	ICT Services
Administration, reception in main campus buildings	Compliance, Health and Safety
Facilities management and janitorial services	Financial management
Financial records, banking, transactions	Supplier management and procurement

- Functions that will be reviewed for cost effective delivery:
- Cleaning Services
 - Human Resources advice and Staff Welfare services

- Functions that will be strengthened are:
- Marketing and Communications
 - Business Development (Contracts and Funding)

Safeguarding specialist facilities:

We need to retain the expertise and institutional knowledge of our finance and administration staff to ensure that the new Institute can seamlessly manage the transition. As a small organisation our delivery will be strengthened by networking and collaboration with the support services of other colleges in the UHI network; and supported by that regional framework for development, problem solving, policy and practice.

The new Shetland Institute UHI will be open and supportive to any future development of collaborative working by which Shetland Institute can provide services to, or cost effectively purchase services from, other colleges in the UHI network of colleges. From the outset we are inheriting some areas of service in the independent institution that were previously fulfilled by Shetland Islands Council (Human Resources, staff welfare services, legal and internal audit) that could be shared with other colleges. At present, no service sharing is in place in the UHI network and it may take some time before this can be achieved.

Delivery Support Service priorities

- Create development plans for the financial and administrative operations of the Institute ensuring policies, procedures and guidance is prepared, allowing for succession and collaborative working across the department.
- Short Courses for Businesses and Individuals
 - Business Development and Marketing

Benefits for Students

Within the merged institution student support will be delivered by a single co-ordinated team able to develop personalised support for learning and pastoral care. They will contribute to activities to improve student experience, to develop student leadership across all areas of the merged institution.

Specific improvements include:

- One consistent approach to enrolment, induction and personalised learning planning;
- One map of learning pathways and cross-curricular opportunities for all learners;
- Clear articulation between learning opportunities in Shetland and elsewhere, to encourage and support progression;
- Strategic development of student social and extra-curricular opportunities for all students and improvements to student-centred campus space in all locations;
- Improved school-college activity, so that all students regardless of career choice or further/higher education destination can benefit from college experience and facilities to enhance school-based studies;
- Enriched learning experiences resulting from collaboration with employers, communities, other colleges and other partners, increasing project-based learning opportunities;
- Learning environments using up to date technology to support learning and to engage with real-world challenges and methods of working;
- Increased opportunities for student leadership and co-production of development;
- Improved post-graduation links with all students, engaging with them as lifelong learners;
- More international links throughout our learning opportunities, both virtual and through exchanges and visits, and by attracting more international students to Shetland;
- Solutions to the challenges of student accommodation and local travel which consistently feature as problems in student feedback;
- Work with Highlands and Islands Student Association (HISA) to develop annual targets for developing the student experience in Shetland benchmarked against other appropriate institutions;
- Improvement in overall satisfaction and to increase participation rates in student satisfaction surveys.

Enhancing the Student Experience

Shetland Institute, UHI will put its learners at the centre. One hundred and three students and participants who attended NAFC Marine Centre, Shetland College and Train Shetland in 2018/19 were surveyed. The results of the survey identified a number of strengths of the existing establishments:

- 86% rated the college's response to their initial enquiry as good or very good, and 89% felt the respondent had sufficient knowledge to respond to their enquiry;
- 81% of students reported they knew the location of the colleges before joining;
- More than 80% of students felt staff contact, quality of course delivery and college facilities for learning were good or very good;
- 78% of students agree they were given information about next steps in learning progression;
- 74% of students agree they were given information about possible careers;
- 75% rated the projects and tasks in their course as relevant and interesting.

Finding out about the College

Twenty-nine percent of respondents found out about the college through their employer and 23% through school, followed by 31% through friends and family. Leaflets (4%), local newspaper advertising (7%) and open days (2%) did

not reach people effectively and online searches (9%) were only slightly more effective. Thirty-two percent regarded word of mouth as being the most effective way of hearing about the colleges.

Sixteen percent of colleges’ staff feel dissatisfied with student course information and careers advice.

Getting to the College

Seventy-one percent of respondents drove themselves to the campuses and 14% were driven by someone else. Only 14% arrived by bus. Seventeen percent of students took two or more different forms of transport to attend. Twenty percent of students rated transport to/from the college as poor. Seventy-two percent of colleges’ staff feel dissatisfied with transport links to the college. Apprentices experience similar challenges.

Student Accommodation

Forty-four percent of students for whom the question of accommodation options was applicable rated the options in Shetland as poor. Fifty percent of students identified this as a priority for development. Forty-four percent of staff were dissatisfied with accommodation options for students. Apprentices also need affordable accommodation.


Student (and apprentice) Leisure and Social Facilities

Twenty-six percent of students for whom leisure facilities was a concern rated Shetland as poor and 23% rated social activities as poor. The majority of students report using the canteen, libraries, reception areas and classrooms in their free time between lectures, with 35% using the college grounds (car parks). Clubs and societies are an important part of the student experience in many tertiary institutions. Eighty-seven percent of students for whom student clubs and societies were relevant had never attended one, 68% had not attended a college social event and 83% had not attended a college sports event.

Friendship is also an important feature of student life and a vital aspect of mental resilience and physical wellbeing. Forty-nine percent of students had not engaged in informal socialising with fellow students and 73% had not pursued hobbies or interests with other students. Twenty-two percent of staff feel dissatisfied with student leisure and social opportunities.

Students, parents of prospective students and employers were asked to rate priorities for the new Institute on issues relating to student experience:

Priorities for new college development	Priority for development			Keep as is / no development needed		
	Students	Parents	Employers	Students	Parents	Employers
Information for prospective students	62.4%	70%	71%	23%	20%	7%
Student information to get the most from college	61%			24%		
Range of courses	67%			19%		
Progression and linking courses to further qualifications	66.4%			20%		
Connecting with schools to enable pupils to benefit from college experiences	59%	87%	69%	22%	0%	4%
Connecting with employers for projects and work experience	77%	70%	84%	8%	0%	7%
Opportunities for research	59%	66%		20%	0%	
Connecting with other colleges and universities online	55%			25%		
Visits, exchanges and other opportunities to gain more experience or learning	59%			26%		
Campus buildings	40%	66%	40%	40%	11%	16%
Classroom facilities	39%			45%		
Canteen facilities	42%			38%		
Student recreational space	45%	44%	36%	29%	0%	16%
Student-led projects and activities	44%			27%		
Transport to campuses	63%			15%		
Student accommodation	50%	66%	40%	16%	11%	4%

 = not asked

In developing the student experience, all students will be valued and their ambitions supported. Shetland Institute UHI will provide the help, facilities and services all students need, to participate in the life of the Institute and to make the most of their learning experience, regardless of their background, reason for learning, when or how they learn. This is an exciting challenge in an islands context where many local learners combine learning with employment and live in remote locations, and to which incoming students face logistical challenges of travel and accommodation. Shetland Institute, UHI will have a high proportion of distance learners and a high proportion of learners over twenty-five.

Students perspectives on the need for accommodation and transport to help them access learning have been listened to and these are vital areas of further development for local learners and for students considering coming to Shetland to learn.

In addition to this, students want more social experiences and a greater sense of being part of a student community. Shetland Institute, UHI is committed to working with the Highlands and Islands Student Association (HISA) to develop creative responses to this.

Becoming a Health Promoting College will bring a focus to activities and partnerships which support students' health and mental wellbeing.

Shetland Institute, UHI will build on past experience of student exchange programmes (e.g. with Norway, through the Erasmus scheme) with new opportunities for engaging with the wider world, project-based learning and employer-led experiences.

The Shetland Institute, UHI student experience will start with school engagement and be furthered reflected in community engagement. With students, a strategy for enhancing the student experience will be developed. Success will be measured from an annual action plan.

Staff, in every role, will support Shetland Institute, UHI's ambition to create a fantastic student experience. They will have the skills and knowledge to respond effectively to the range of students' circumstances and needs. This will complement a Student Participation and Support Service which will bring specialised skills, through partnership and team working, to respond to particular needs and to ensure the progress of all learners is championed. All learners who come to us with disadvantage will be supported. Through our approach, our curriculum and our environment, equality for all will be embraced.

Students are Shetland Institute, UHI's best ambassadors for future success. They will be front and centre of efforts to improve and grow learner opportunities.

Benefits for Staff

The merger project survey of staff across all three establishments, in August 2019 showed 71.5% of staff feel that their organisation needs to change. The protracted process of achieving merger has led to suspension of many future facing activities and the uncertainties have impacted on staff morale. A conclusion to this process will allow all organisations to move forward in a positive way with a management team focussed on developing the new organisation.

Benefits for the Community of Shetland

Local Employers

In addition to strengthening work-based learning, through Shetland Institute, UHI local employers will benefit from:

- A one-stop approach to enquiries, administration of bookings, consistent pricing and customer follow-up;
- Institute of Leadership and Management centre accreditation, increasing the range of short courses for leadership, management, coaching and mentoring;
- A review of short courses supporting and promoting entrepreneurship for our students and local start-ups;
- Feasibility studies to inform direct support to enterprise through college facilities such as the training kitchen, the Textile facilitation Unit and IT facilities for business-hub use;
- A strategic approach to industry engagement, ensuring trends and needs of local sectors (including those specific to micro- and small businesses) inform future curriculum development.

Local Economy

The retention of more Shetland school-leavers in Shetland, and more mainland graduates returning to Shetland to continue their professional learning locally, supports the local economy in the following ways:

- Employer recruitment of qualified new entrants is supported, addressing current recruitment challenges;
- Each school leaver who goes to study at a Mainland university is a loss to Shetland's economy of at least £6,000 per year (not including accommodation, assuming "remainers" live with parents).

Attracting students from mainland Scotland, the UK, the EU or internationally is an immediate benefit to the Shetland economy:

- A non-local student contributes around £10k per year to the local economy – in addition to the course fees paid to the institution;
- Retaining incoming students as graduates strengthens the economy and our communities.

Financial Benefits of the Proposed Merger

Context

Collectively the tertiary education sector in Shetland cost £1.95m in excess of income in the year ending 31 March 2019, requiring substantial support funding from the Shetland Islands Council. Core funding support for the NAFC Marine Centre by the Shetland Islands Council ceased in 2015/16, and in the financial year 2018/19 and the current financial year the NAFC has used reserves to meet the operating deficit.

The production of a robust financial plan is challenging, particularly at a time of austerity, when the full implications of Brexit are not yet clear, and there is continuing pressure on funding. Reality is invariably different from the plan but the process of developing the plan has enabled the identification and consideration of the key issues to be managed throughout the merger process.

The detailed financial model with explanatory notes is available at Annex 1. The core financial plan demonstrates that the Shetland Institute UHI can build a sustainable financial position post-merger. The scale of merger efficiencies required and the key risks and sensitivities relating to their achievement are outlined below.

Key financial issues to be addressed:

- Deficit position of tertiary sector in Shetland
- Pension liability and cessation
- High property costs
- Harmonisation of staff conditions
- One off costs of merger, and costs incurred to date (partially funded)
- Growth targets for academic and research activity
- Efficiencies in costs – staffing
- Investment in key areas for the future in the context of reduced investment during the period of merger uncertainty

Base Position – Day 0 to Day 1 (Vesting Day)

The table below provides a summary of the changes between Day 0 (2018/19 Actual Outturn) and Day 1 (Vesting Day).

Income & Expenditure Summary Day 0 – Day 1	Day 0 £	Day 1 £	VARIANCE (Cost) / + Saving £
Employee Costs	(5,325,738)	(5,373,618)	(47,879)
Premises Costs	(1,290,414)	(613,830)	676,584
Operating Costs	(945,494)	(1,024,771)	(79,277)
Marketing	(8,647)	(35,147)	(26,500)
Professional and Financial Fees	(546,793)	(314,464)	232,330
Travel / Vehicle Expenses	(162,791)	(171,951)	(9,160)
TOTAL EXPENDITURE	(8,279,878)	(7,533,780)	746,098
Scottish Funding Council	2,753,954	2,989,741	235,787
Tuition Fees, Contracts & Grants	1,533,909	1,606,909	73,000
Research Grants and Contracts	908,225	837,205	(71,020)
Consultancy	-	153,058	153,058
Management & Services Fees	392,672	405,855	13,183
Other Income	739,463	278,579	(460,884)
Bank Interest	4,474	4,474	0
TOTAL INCOME	6,332,697	6,275,821	(56,876)
Surplus / (Deficit)	(1,947,181)	(1,257,959)	689,222

The Income and Expenditure Summary shows the combined position for NAFC Marine Centre, Shetland College and Train Shetland. Moving to Day 1, some adjustments between categories were made to better reflect 2019/20, and adjustments were made where there had been a cessation of activities.

Total savings of approximately £0.7m are expected to be achieved upon vesting (Day 1). These savings include:

- Current property leasing costs are eliminated and replaced with a minimal value transaction (currently estimated at £0.1m), all building costs for Train Shetland are removed, and rates are not payable by a charity.
- Costs associated with corporate and central services provided by Shetland Islands Council are removed, though provision for alternative professional and management fees is included.
- The additional NRPA support provided in 2019/20 SFC allocation has been included.
- Income not previously charged for services provided to Shetland Islands Council is included.

Savings are offset mainly by a provision for residual and non-recoverable VAT (Section 33 of the VAT Act 1994, will no longer apply to Shetland College or Train Shetland).

Key Financial Assumptions – Five Year Model

A number of key financial assumptions underlie the building of this business case and financial model. The key overarching assumptions utilised in preparing the financial model are:

- The continued use of key assets at Scalloway and Lerwick, with the exception of the Train Shetland building, which will remain with Shetland Islands Council;
- Use of Shetlands Island Council property assets at minimal value;
- Inflationary increases are prudently applied at a greater percentage to costs than income;
- SFC funding does not change substantially over the period;
- Criteria for tuition income (across all levels) does not change substantially over the coming 5 years
- Restructuring will take place in the first year with costs associated with voluntary severance being met through an application to SFC; and
- There will be increased allocation of FE credit and both UG and PG HE places to Shetland post-merger.

The removal of financial subsidy from Shetland Islands Council will require management action to reduce costs and increase income across the new college. Work is underway to develop and document the curriculum and productivity changes required to enable the college to meet its academic and social commitments whilst achieving financial viability. A review of curriculum and staff suggestions has been used to inform this model.

The table below demonstrates how the new college will move towards sustainability by the end of year 5. Expenditure increases by £0.2m or 2.5%, whilst income increases by £1.1m or 16.8%.

Summary of Income & Expenditure Account	Years 1-5				
	Year 1 £	Year 2 £	Year 3 £	Year 4 £	Year 5 £
Expenditure	-7,483,618	-7,157,757	-7,375,749	-7,521,347	-7,669,947
Income	6,527,472	6,724,784	7,101,193	7,392,585	7,629,020
Surplus / (Deficit)	(956,146)	(432,973)	(274,556)	(128,762)	(40,927)

To understand how this improved position is achieved, the table below provides a summary of the main changes made from Vesting to Year 5.

Summary of Growth & Efficiencies	Years 1-5					TOTAL	
	Year 1 £	Year 2 £	Year 3 £	Year 4 £	Year 5 £	£	%
Pay Growth	(143,604)	(134,571)	(137,262)	(120,882)	(123,300)	(659,619)	-54%
Restructure Staffing	216,974	484,219	0	0	0	701,193	58%
Other Costs Growth	(23,207)	(23,788)	(80,730)	(24,716)	(25,300)	(177,740)	-15%
SFC Growth	104,896	47,289	76,662	79,877	35,786	344,510	28%
Tuition Growth	101,814	49,156	102,592	125,496	113,176	492,214	40%
Research Growth	8,372	58,956	59,545	34,891	35,240	197,004	16%
Other Income Growth	36,569	41,911	137,610	51,148	52,233	319,471	26%
Total (Cost) / Saving	301,813	523,173	158,417	145,794	87,835	1,217,032	100%

Pre-merger actions

The University of the Highlands and Islands arranged and selected the Shadow Board for the merger and also the recruitment and selection of the Principal for the new Shetland Institute UHI. She took up her post in October 2019, as an employee of Shetland Islands Council until such time as the new Institute is established.

As indicated above the tertiary sector in Shetland is in deficit. Shetland College (and Train Shetland) have been fully supported financially by Shetland Islands Council (£1.37m in 2018/19). NAFC Marine Centre, as a separate entity does not receive direct support. For the merger to proceed and the MMBC to come to fruition and deliver for the Shetland community and economy, it is essential that each organisation is able to continue to deliver to the point of vesting.

To ensure that NAFC in particular can continue, additional financial support of approximately £0.6m is required. This would cover the current financial year (2019/20), and next (2020/21) by which time vesting must have been achieved. The success of the merger is contingent upon interim stability funding to both partner organisations.

Detailed Financial Adjustments

A table of all adjustments is included at Annex 1.

Revenue Costs

Employee Costs (Day 1 = 86% of total income / Yr 5 = 70% of total income)

Pay Award inflation has been assumed at 2% per annum, equivalent to more than £0.5m over the five year period.

At Day 1, Employee costs represent almost £5.4m of total costs. One hundred and seven fte staff are in post, at an average cost of £50k per fte.

The 2nd tier management structure will be implemented in year 1, reducing costs by a conservative £0.1m, with a further £0.1mk from the full restructure representing approximately 2 months of savings (dependent on the number of current staff who may choose VS). It is anticipated that the workforce will be reduced by 14fte. Support Staff terms and conditions will be negotiated to bring all staff into one arrangement, and it is assumed that NAFC lecturing staff will transfer onto NRPA. Where appropriate, Instructor and/or Trainer posts will be introduced to ensure the new college can be financially competitive in the CPD and short course market in particular.

The productive hours impact (additional annual leave) for NAFC lecturing staff moving onto NRPA is 119 hours per fte, after taking lecturer/trainer considerations into account (assuming 2 posts are classed as trainers), the variance is reduced to 1fte. This has been taken into account in the restructuring.

SPPA have advised that the employer contribution to their pension scheme will increase to 23%, so this has also been factored into year one.

Full savings from the restructure will be achieved in year two, however, it is anticipated that increased research activity will require additional staff in this area. A provision has been made for staff at 75% of the additional revenue achieved from this activity, based on the experience of NAFC Marine Centre. Further consideration will be given to the new structure, to ensure that any further actions required are planned and implemented before the end of year three, no provision has been made for this assuming that any further restructure would be funded through SFC.

Removing the uncertainty of recent years, by achieving the merger, will lead to improvements in the provision of services to the community. Alongside improved marketing we would expect to increase the numbers of students on existing courses, maximising income (increased numbers in classes for the same level of teaching effort). This allows the new College some growth without significant impact on staffing costs.

Premises Costs (Day 1 = 10% of total income / Yr 5 = 10% of total income)

Inflation has been assumed at 2.5% per annum. The Brood-stock/Hatchery facility at Scalloway is currently out of use and no provision to bring it back into use has been included. An estimate of £100k has been included for leasing costs for the parts of the estate owned by Shetland Islands Council, however, this is yet to be confirmed. It is possible that Ministers could make decision that would avoid any form of charge being required, however, the form this would take is not known at present.

Premises costs represent approximately £0.6m of total costs. The Train Shetland building is not utilised by the new College, generating an immediate saving of £0.07m.

Student Accommodation was provided at Port Arthur House in Scalloway, but closed in 2018 due to structural concerns. Full structural and engineering assessments were made and the building is now being monitored for a year, after which it is assumed that the building will be revamped to ensure that it is fit for purpose and opened once again to students in year 3. It is assumed that capital works associated with bringing the building back into use will be covered by SFC at an indicative cost of £0.335m. Additional costs associated with bringing the building back into use will add £0.06m per annum to costs. These will be offset by increases in students studying in the new institution.

Operating Costs (Day 1 = 16% of total income / Yr 5 = 13% of total income)

It is anticipated that efficiencies will be achieved in this area, so inflation has not been added. These efficiencies will be achieved through careful consideration of all costs and seeking best value in any purchases made. Where efficiencies of scale can be made through our partnership in UHI these will be engaged with. There are no changes proposed throughout the life of this plan.

Marketing (300% Increase)

Provision for a 300% increase in Marketing resources is included from Day 1, to £35k, on the assumption that transitional funding will be available to develop branding, and conduct a significant initial marketing campaign. It is anticipated that in-house staff will develop skills associated with maintaining social media presence, reducing costs and off-setting inflation.

Professional and Financial Fees (Day 1 = 5% of total income / Yr 5 = 4.6% of total income)

It is anticipated that efficiencies will be achieved in this area, as the new college becomes established, and staff gain experience, so inflation moves from 2.5% per annum in years 1 and 2, to 2% from year 3.

Both Shetland College and Train Shetland were supported by Corporate Services within Shetland Islands Council, so it was not necessary to hold that level of expertise in-house. The loss of these services has been accounted for based

on the experience of colleges within UHI, and the NAFC Marine Centre. There are no changes proposed throughout the life of this plan.

Travel/Vehicle Expenses (Day 1 = 3% of total income / Yr 5 = 2% of total income)

It is anticipated that efficiencies will be achieved in this area, off-setting inflation. There are no changes proposed throughout the life of this plan.

Depreciation

No provision has been made for depreciation in the new entity as the majority of assets due to transfer have been written down, and Shetland Islands Council will continue ownership of its properties.

Capital investment costs

These include £0.35m for Port Arthur House refurbishment.

Activity at the new college includes many subject areas that have specialist requirements. What is suggested here is a rolling programme of replacement and investment in new infrastructure which has not had sufficient investment in recent years to keep up with industry trends. The list is indicative and it would be managed on an annual basis to ensure investment in urgent priorities. It is intended the Business Development Officer would be familiar with the list and where there was eligible grant income we would apply for that to meet some of these needs.

Growing Income

Improving the financial position of tertiary provision in Shetland from deficit to a positive financial position relies on increasing income to the sector. The merging organisations are small and growth depends on retaining sufficient delivery staff to make the step change in curriculum and research activity to become sustainable. Removal of merger uncertainty and activity will allow focus on developing our academic and research portfolio. Strategic investments will be required by allocating more staff time to core functions of marketing and business development in order to secure the projected increase in grant income and student numbers. We will also actively seek funding to support staff costs of developing new curriculum and staff development where required to deliver high quality curriculum in new areas.

An indicative outline of modest developments in curriculum is given in the financial model in Annex 1. Some of these are new courses already planned (e.g. Business skills Foundation Apprentice, NC Health and Wellbeing). They also include a small amount of growth in two courses (Contemporary textiles, UG and the Cadet Course), where we have evidence that lack of provision of student accommodation has reduced the numbers on courses at present and assuming we bring accommodation on stream. Provision of student accommodation would also allow growth in activity such as field courses and other types of short courses as well as supporting the provision of new courses where we will aim to attract students to the islands for their learning.

Examples of possible new courses include development of specialist Masters provision in areas where the new college has proven expertise (Aquaculture, Marine Spatial Planning). It is anticipated some of this provision will be designed to attract students to the islands whilst some will be delivered as distance/blended learning. The overall aim is to attract more students to study here in Shetland in line with the ambition to increase the population in the islands.

In addition to the examples provided in the model we recognise that skills required for work are rapidly evolving. For example the challenge of achieving zero carbon emissions will lead to changes in skills requirements for industries key to Shetland and will provide requirements for re-training of existing employees and new courses in engineering that we have yet to identify. We are actively working on this new skills agenda to identify such opportunities. These might be entirely new courses or they might be replacements for existing courses so with a view to prudence these are not reflected in the model at present.

Our delivery of additional FE credits will require reallocation of credit within the Regional allocation or additional funded allocation to the Region. We will make a robust case for this adjustment and this possibility has been anticipated at regional level. Similarly growth in UG HE will require rebalancing from the rest of the UHI partnership. Given the downward pressure on student recruitment in some areas and the modest numbers proposed here, we

anticipate this could be accommodated. However, these changes are not guaranteed and in that case, opportunities will be sought for alternative short course development. Masters delivery is not affected by such restriction.

As indicated above the growth in curriculum identified is modest and we have additionally been cautious in reducing the sum included in our financial model by up to 15%.

Shetland Islands Council contribution

To support the merger process, Shetland Islands Council contribution is:

- To meet the pension cessation costs of NAFC employees, so that the pension deficit is not transferred to the new organisation or left as a liability for the trustees of NAFC. The cash value of pension cessation will need to be evaluated but is currently estimated as £3.2m.
- To allow usage of the buildings it owns, and all contents by the new entity at minimal cost.
- To provide a bond or guarantee to cover the pension liability of the new entity to the Shetland Islands Pension Fund.

NAFC Contribution

- NAFC will transfer assets (buildings, boats and equipment) to the new entity
- The cash flow position of the organisation at present suggests limited cash reserves can be transferred along with any deferred grant and contract income.

UHI contribution

- Strategic investment in developing new curriculum in the marine sciences will be supported through usual UHI processes
- Through the new UHI islands strategy work to support the developing pan-island curriculum in work-based learning and pilots in delivery of meta-skills

Balance Sheet

The table below provides a summary of the change in Balance Sheet position from Day 0 to Day 1 (Vesting).

Balance Sheet Summary Day 0 to Day 1	Day 0 £	Day 1 £
Long-Term Assets	11,132,423	287,115
Current Assets	2,000,088	857,922
Current Liabilities	(1,435,085)	(407,706)
Long-Term Liabilities	(6,073,970)	0
NET ASSETS	5,623,456	737,331
RESERVES	(5,623,456)	(737,331)

The main changes relate to a reduction in Property Assets (which remain held by Shetland Islands Council), reduced cash balance (transferring in from NAFC), and removal of the pension liability. It should be noted that a reduced pension liability will accrue within the new college, however, it is not possible to estimate this due to the current uncertainties surrounding the new college, that would require to be determined before the actuaries could complete calculations. The Council agreed at their meeting in December 2018, to provide a guarantee against this liability.

Indicative Cashflow

The table below provides an indicative summary of Cashflow over the five-year period.

	Years 1-5				
Cash Flow Forecast (Includes indicative Capital Expenditure & Excludes ER/VR Costs)	Year 1 £	Year 2 £	Year 3 £	Year 4 £	Year 5 £
Opening Bank Balance	420,399	338,858	257,317	175,776	94,235
Surplus / (deficit) in year	-956,146	-432,973	-274,556	-128,762	-40,927
Reduction in creditors	-81,541	-81,541	-81,541	-81,541	-81,541
SFC Transitional Funding	956,146	432,973	274,556	128,762	40,927
Capital Expenditure	-845,625	-398,960	-398,344	-100,000	-
SFC Capital Funding	845,625	398,960	398,344	100,000	-
Closing Bank Balance	338,858	257,317	175,776	94,235	12,694

Request to Scottish Funding Council

The total funding required to facilitate the merger (not including VS) is £3.6m over 5 years. The annual profile is as follows:

Request for Funding from Scottish Funding Council	Year 1 £	Year 2 £	Year 3 £	Year 4 £	Year 5 £
Revenue Funding	-956,146	-432,973	-274,556	-128,762	-40,927
Capital Investment Funding	-845,625	-398,960	-398,344	-100,000	
TOTAL SUPPORT REQUESTED	-1,801,771	-831,933	-672,900	-228,762	-40,927

An application for funding to support voluntary severance costs associated with restructuring will be submitted separately.

The funding is front-loaded accounting for the need to restructure the organisation in year one, meaning adjustments to curriculum and pursuit of additional grant funding is likely to begin from year two and lead to improvements in years 3-5.

In the first year, at least one third of the sum requested would need to be provided in advance to cash flow the organisation’s monthly costs (see table above), supported by monthly transfer of credit and fee income via the Regional Strategic Body (UHI).

In making this request, the Shadow Board recognises:

- An annual review of financial performance may lead to adjustment of support if the forecast income and expenditure changes;
- That the new entity will remain vulnerable to a range of variables: student numbers; further pay bargaining, Brexit or other political and economic uncertainty
- That support from the Scottish Funding Council to gain further benefits such as assistance with the Distant Islands Allowance to colleges; direct support for tertiary education within the National Islands Plan; access to Innovation Funding and other schemes; will all support the Institute’s earlier achievement of sustainability.

Additional considerations

The National Islands Plan and the Islands Deal brings significant new opportunity for Shetland

The government and Scottish Government has committed to these programmes but as yet it is not clear about the scale of financial support for Shetland, the timescale for the support, and the potential for the new Institute in particular to be a beneficiary. All that can be advised in relation to this scenario is that the Shetland Institute will be a

willing and able partner to any island deal activities, and already has proposals drafted and is actively contributing to the Islands Deal planning process. It is anticipated that the earliest activity related to these will be realised will be 2022/23.

Significant industry changes in Shetland

Shetland has very few large employers. Loss of a major employer would have a significant impact on employment, apprenticeships and course demand. In such circumstances, Shetland is potentially more likely to see sudden depopulation of working age people, rather than an increase in unemployed people seeking to retrain for work. In response to this scenario, the new Institute will become an active partner with Skills Development Scotland PACE programmes and any other local responses.

Sustainable campus

The greatest saving that could be made to premises costs in the future is by replacing existing heating systems and improving the resilience of the buildings to heating loss/gain. The capital investment required for such a project is prohibitive and loan finance would be a risk for the new organisation if savings do not cover repayments immediately. The decision at present will be to seek grant funding (perhaps related to Carbon saving) when opportunities become available for non-repayable investment that can lead to immediate savings.

Risks

The plan relies on growth in income which will be difficult to achieve. With the wider context of rebalancing to the islands, the Islands act, Islands plan and Islands deal we believe there will be diverse, suitable opportunities to achieve our aims.

There is a risk of significant change in SFC funding to colleges. There was a generous settlement for colleges this year and we note there is discussion over the future level of funding. If this funding is reduced we will seek additional growth, further efficiencies or further re-structuring to meet that challenge.

Risk management strategies

A finance group will be set up within the new college which will regularly review our progress against income targets linked to learning and teaching as well as research.

A key role will be a business development officer to support an active programme of fundraising against our desired aims.

Governance

Shetland Institute, UHI will be established as an non-incorporated college. It will be an assigned college to UHI the Regional Strategic Body (RSB) for the Highlands and Islands. The governing body is responsible for ensuring compliance with a Financial Memorandum which sets out:

- The relationship between the RSB and the new college, and the responsibilities of each for the proper stewardship of public funds;
- General requirements that apply to the new college, including internal and external audit requirements, student activity and support, tuition fee policy and governance;
- Additional requirements for non-incorporated colleges, including capital finance and contingent commitments.

The new body will seek charitable status through registration with OSCR prior to vesting.

Corporate Development

The corporate and operational benefits arise from the increase in scale. It should be noted that a range of functions currently provided by Shetland Islands Council will become the responsibility of the independent merged institution.

Governance and leadership

- A single merged institution will follow the national Code of Good Governance for Scotland's Colleges, introducing to Shetland's tertiary governance a single Chair and Board of Directors with an audit committee, remuneration committee, finance and nominations committee;
- The single merged institution will have charitable status (only NAFC has this at present);
- The Board of Directors will have staff directors and student directors (neither of the boards for the separate institutions has this at present);
- A new Board of Directors for a single merged institution will lead and direct strategically, with a focus on improving performance, managing resources effectively, securing investment, and driving growth;
- A new Principal/CEO for the new institution was appointed in October 2019.

Management

- The development of a senior management structure for a single merged institution presents the opportunity to streamline and strengthen management and focus on leadership of key priorities for growth of learning and teaching; knowledge exchange and research.

Administration and delivery support services

- Review of delivery of core functions during preparation for vesting will enable cost-effective administration, aligning the capacity created by the merger to ensure effective financial management and processes, ICT support; administration of student registration, records and data, marketing and communications, estates management, canteen services, quality assurance, health and safety and compliance. Where possible UHI common services will be used to support this activity.
- The most cost-effective means of delivering HR services, staff welfare support, legal and audit services, will be sought and where possible, collaboration through UHI with other colleges or other local agencies will be developed to create efficiency.
- Insurance and audit costs will increase in the new institution, since these were previously only applicable to NAFC as an independent body.

College Name

The name **Shetland Institute, UHI** has been recommended by the Shadow board, endorsed by UHI. Confirmation for the title is awaited through SFC.

Key Performance Indicators

Note these indicators are additional to the outcome agreement national measures, in which we expect to achieve continuous improvement

	Island college benchmark (Orkney)	Baseline 18/19	Target 22/23	Target 25/26
FE Credits		4580	4800	5000
HE Undergraduate RAM		110.9	121	131
HE Postgraduate RAM		19.9	32.5	45
Student numbers				
FE full time	109	94	104	113
FE part-time	3324	1538	3562	4274
HE full-time	235	318	320	325
HE part-time	108	76	97	120
Post-graduate full-time	116	40	69	80
Post-graduate part-time	40	24	30	35

PhD students (Registered through Shetland College/UHI students being supervised by staff in the College)		1/7	3/9	5/10
Student attraction				
% school leavers leaving Shetland to study FE/HE	-	-		
Number of international students enrolled	78	14	20	30
Number of student ambassadors	-	0	10	20
Number of ambassador activities	-	0	2	4
Student attainment				
FE full time	71.6%	71.1%	73%	76%
FE part-time	96.6%	91.9%	94%	97%
HE full-time	-	70%	75%	80%
HE part-time	-	73%	80%	85%
Post-graduate full-time	-	-	-	-
Post-graduate part-time	-	-	-	-
Student experience				
Number of Student societies/groups	-	1	3	5
International/Off island opportunities	-	1	3	5
Student satisfaction				
FE full time and Part time	-	88.5%	90%	92%
HE full-time and Part time	-	81.8%	85%	90%
Apprenticeships				
Number of Foundation Apprentices	-	10	20	30
Number of Modern Apprentices (learning in Shetland*/ ** learning off Island)	-	141*/88	160/99	180/111
Number of Graduate Apprentices	-	-	5	10

*Some apprentices are supported to study courses at mainland colleges where not available in Shetland, as part of the SDS contract.

Development targets Shetland Institute (Baseline = combined provision)

	Baseline 18/19	Target 22/23	Target 25/26
Number of short courses	253	260	300
Number of short course participants	2,865	3,000	3,500
Participation remote/rural (student numbers) – Learning Centres	118	125	130
Number of outreach learning activities for community participation / primary school participation (e.g. STEM events)	-	5	5
Number of student accommodation places	-	20	20
% Staff participation in CPD / number of staff development activities	100/163	100/180	100/200
Staff satisfaction	-	Baseline established	

Other measures of success (dates per vesting in March 2021)

Area	KPI	Measure
Governance	Board of Directors leading strategy and direction	Full Board in place with Chair and Board Secretary; strategy and annual review; Director performance management
	Audit committee maintaining college accountability	Internal audit schedule applied, reports identify actions for continuous improvement
Leadership, Staffing and structures	New Executive/senior leadership structure	July 2021
	New organisation structure agreed and implemented	July 2021
	Key Strategies agreed with support committee structure in place	July 2021
	Harmonisation of terms and conditions	September 2021
	Joint working, cross-curricular development	Annual review
	Staff development plans and performance review in place	Annual process and monitoring in place July 2021
	Employer' group/forum in place for each section	
Branding and marketing	Logo, signage, brand templates, new website/social media presence in place	On vesting
	Designated marketing role in place	July 2021
	Marketing plan addressing priorities: <i>Example activities</i>	September 2021
	Staff-led marketing for courses and activities	Annual review
	Media campaigns (in partnership Promote Shetland)	Two per year (KPIs for each campaign reviewed)
Campus	School/community open days, events, ambassador activities etc	Annual review
	Shared timetabling across all campuses	For academic year 2021/22
	Re-distribute courses and staff with removal of Train Shetland building	For academic year 2021/22
	Improve specialised campus areas (arts, engineering, construction, hospitality, ICT)	Dependent on funding
	Reduce carbon emissions	
External investment	Improve student areas	
	Establish consistent welcoming learner environment (reception, displays, outdoor space)	
	ICT review	
External investment	Fundraising strategy	Annual review
	Fundraising targets and priorities established annually	Number of funding proposals submitted / success rate
	Tenders and bids for contracts submitted	Number of tenders/bids submitted / success rate

Timetable to Vesting Day

Following approval of the Ministerial business case by the Shadow Board it will need to be approved by the Shetland Fisheries Training Centre Trust, the Shetland College Board and the Shetland Islands Council. It will then be submitted to the University of the Highlands and Islands, the Scottish Funding Council and the Scottish Government (Cabinet Secretary for Education and Skills). There follows a consultation period with staff, students and stakeholders which will inform an evaluation visit to Shetland. From this, advice will be provided to the Scottish Government who will carry out a further period of consultation before making a decision as whether to approve the merger. Finally, if approved, legislation will be required to dissolve the current colleges and create the new entity. The full timeline is provided at Appendix iii.

Management of the Merger Process

Between May 2019 and March 2020, work to bring the history of the merger to a tangible conclusion of a merged institution has been being finalised in this Ministerial Merger Business Case. Work to finalise this case has included:

- Establishment of a Shadow Board with recruitment of new Non-Executive members working alongside representatives from Shetland Islands Council and the NAFC Board of Trustees (SFTCT) ready to become the Board of a new independent institution;
- Agreement on a Memorandum and Articles of Association to establish the new institution as an unincorporated association with charitable status, with adequate representation by Shetland’s seafood sector as a major stakeholder, to meet NAFC trustee conditions;
- Detailed discussions with all staff in all entities, exploring curriculum, development and growth potential, and the capacity required for delivery;
- Further research into the needs of students, the views of parents of future students, the needs and businesses and employers, to support the development of priorities for the new institution and an assessment of how growth for sustainability can be achieved;
- Agreement on a name for the new institution: **Shetland Institute UHI**;
- Successful recruitment of a new Principal/CEO Designate to lead the new Shetland Institute UHI;
- Detailed assessment of the growth potential in the new Shetland Institute UHI over its first five years, informing analysis of efficiencies that can be made whilst preserving capacity for development and growth, leading to proposals for transition support.
- The start of preparations for the operational changes required to successfully bring three entities together to function confidently as one organisation.
- Creation of a Merger Working Group to facilitate workstreams required to prepare for merger

Risk Management

An initial risk register has been prepared for the merger process. This will be kept reviewed regularly and kept up to date by the Merger Working Group.

For after vesting the following risk register has been developed:

Risk	Likely	Impact	Possible cause	Mitigation	Review
Delayed restructuring	Low	Medium	Process of ER/VS slow; inadequate HR input; windows of opportunity for consultation and action provided by term times is limited.	Advance planning to ensure activity takes place as expected; Manage HR input closely and procure additional support if necessary.	SMT

Target savings from restructuring not achieved	Low	High	Retention of essential posts for delivery costs more than expected	Advance planning to ensure staff time is strategically allocated to support delivery and growth in the most cost-effective way.	SMT External HR advice
Further pay rises through NRPA without government uplift impacts on affordability	Low	High	Further national bargaining.	Collaborate with Regional Strategic Body, Colleges Scotland and Scottish Funding Council on managing impact	Audit Committee SMT
Loss of key skills impacts on new course development	Medium	High	Key personnel leave for new opportunities elsewhere.	Ensure all staff are aware of growth priorities and effort to secure investment; Effective and vigorous fundraising and business development activity to secure investment. Strategic collaboration with UHI network to secure new course approvals etc. Ensure Shetland Institute is a positive place to work and develop a career with a programme of culture change and seeking professional development opportunities via the UHI network.	SMT
Significant price rises impact on operational costs	High	Low to High	Wide range of variables and wide range of costs could be affected.	Ensure management of cash flow allows for strategic purchasing of e.g. reserve fuel; Ensure all sections manage operational costs efficiently and have planned responses to price rises or subsequent resource shortages.	Audit committee All section leaders
Drop in student numbers impacts on SFC income	Low	High	Demographic changes Loss of institution reputation e.g. in response to course closure Industry sponsorship reduces	Re-boot marketing and engagement to promote Institute opportunities; Make managed changes to the curriculum to ensure least impact on students; Ensure proactive industry engagement.	SMT
Failure to improve student accommodation options reduces potential for student fee increases	Medium	Medium	Capital works on Port Arthur House delayed or it remains unfit; Alternative solutions not found.	Make student accommodation solutions a high priority project; Collaborate with local public sector partners on shared solutions.	Business Development
Failure to attract grant income reduces potential for growth	Medium	High	Fundraising and business development not competitive; Increased competition for funds across all sectors; Track record and potential of Institute	Ensure dedicated staff time for fundraising and business development and invest in the skills development to ensure high quality submissions; Maintain a robust fundraising strategy with identified prospects, understanding of trends,	Business Development

			not sufficiently promoted.	positive engagement with funding bodies; Ensure the profile and positioning of the Institute reaches a wide UK audience.	
Failure to develop new curriculum that attracts additional student numbers	Low	High	Inability to free up existing staff to develop new curriculum Inability to attract investment to develop new curriculum Developed courses unattractive to students Marketing of new courses ineffective	Robust curriculum development review – careful identification of courses to be developed Ensure dedicated staff time for curriculum development For substantial/ new areas, make case for strategic investment in curriculum development Ensure new marketing function well briefed on new curriculum areas	SMT/Section leaders Business Development
Continuing restrictions in EU funding (or lack of replacement) impacts on grant funding					
Change in government in 2021 adversely affects FE/HE funding	Low	Low	Even with a change in government, sudden changes to funding and ring-fencing unlikely without consultation.	Collaborate with Regional Strategic Body, Colleges Scotland and Scottish Funding Council on managing impact.	Audit committee SMT

Strategies to Ensure Merger Proposal Success

Communications Strategy

Clear, relevant and timely communications are an essential component of any change process, and must be delivered in combination with the vision, direction and rationale for change.

The purpose of the Communications Strategy is to co-ordinate consistent communications about the merger to staff, students and all stakeholders, including the general public. The following communications objectives apply:

- Devise and deliver a programme of public relations to support the aims and objectives of the merger through existing and new communications channels, internally and externally;
- Identify, analyse and monitor stakeholder engagement;
- Develop and review key messages.

To ensure the success of this strategy, it is suggested that the following policies for communication are adopted:

- We are committed to open and timely two-way communication with all staff and learners;
- We will take time and effort to deliver high-quality, proactive communication that ensures stakeholders are informed about board activity, aims and objectives, and know how they impact upon our collective success;
- We will use a combination of traditional methods and innovative technologies to reach a culturally and geographically diverse audience and will put stakeholder need at the core of all communication;
- We will value feedback, listen to and involve people in our activity and we will recognise the link between strong, effective communication and organisational success, adhering at all times to the principles of openness, transparency and accessibility.

Human Resources and Organisational Development Strategy

Integrating staff from two disparate organisations—one a charitable trust, one a local authority—is a challenging process, but one which will be undertaken in an open and transparent manner at all stages. The success of the new

institution will rely on the development of a new culture, and a curriculum which reflects the strengths and specialisms of the partners, and the current and future needs of the local, regional and national economy.

A new staffing structure for the merged college will be developed by the Principal Designate in a spirit of co-operation and consultation, and will adhere to the following principles:

- The structure must support a diverse, vibrant and flexible curriculum which is coherent and offers progression;
- The new staffing structure will address areas of support service delivery which are currently under resourced, such as student support, marketing and business development;
- The structure must be efficient, effective and sustainable, and incorporate opportunities for individual and professional career development and progression;
- The volume and level of provision of FE Education will be designed to deliver on the Regional Outcome Agreement and the UHI Strategic Plan, as well as local strategies and priorities;
- The appropriate restructure policies and procedures will be used during any staff restructure;
- Consultation with trades unions and staff will take place during the restructure process in line with restructuring procedures including SIC's Organisational Restructure and NAFC's Redundancy policies and procedures;
- Significant change can only be delivered successfully with the commitment and engagement of staff. Support for staff will be provided through a range of workforce development and well-being strategies. Human Resources will work with the trades unions and managers to provide advice on the restructure process to all employees affected by the restructure.
- The new college must be sustainable in its own right;
- In line with TUPE regulations, the new college will take over contracts of employment of all transferring staff. Formal consultation meetings will take place in line with best practice within the regulations in the period leading up to employee transfer at vesting.

Quality Strategy

It is the ambition of the new college to be renowned as an organisation where the highest standards of quality are achieved and are integral to everything we do.

Considerations relating to quality permeate other policies, including Learning and Teaching, Curriculum Development, Research and knowledge transfer and Student Engagement.

However, in an environment where there is an increasing expectation on colleges to self-evaluate, it is essential to establish a policy which ensures the college takes a wide-ranging and coherent view of its approach to managing quality.

The proposed Quality Strategy details the following requirements:

- To have in place a set of arrangements that are aimed at enhancing the quality of all aspects of the Institute's operations;
- To ensure that self-evaluative and reflective activity, and the gauging of the college's quality performance, is well-informed by current and comprehensive data and that the analysis is routinely acted upon;
- To have in place effective internal verification and audit processes;
- To have in place a course and unit approval process that assures the quality and sustainability of the college curriculum and which is aligned to the University of the Highlands and Islands processes in respect of higher education qualifications.

Learning and Teaching Strategy

As part of the original workstreams informing the full business case a draft learning and teaching strategy has been drawn up and is included as Annex 2.

Research and Knowledge Transfer Strategy

A Draft Research and Knowledge Transfer Strategy has been drawn up and is included as Annex 3.

Estates Strategy

An Estates Strategy for Shetland Institute UHI will be developed. This must ensure that the existing estate and its facilities are utilised to their maximum potential and meet the college's strategic objectives while promoting:

- Sustainability;
- Accessibility; and
- Safety.

Strategic objectives identified as part of the initial review are:

- ensure robust management of the college estate and its facilities across the multiple campuses and delivery points;
- ensure that the facilities are utilised efficiently and deliver value for money;
- create an environment for students and communities that inspires learning and prepares students for real work environments;
- be flexible and adapt to the changing requirements of curriculum delivery;
- create an inclusive, accessible environment that promotes equality and facilitates progression and achievement;
- support technological innovation;
- ensure that facilities are safe, healthy environments that are fit for purpose;
- appropriate investment which enhances the financial and physical sustainability of the College;
- ensure the college meets its responsibility for the stewardship of its public assets; and
- enable the delivery of sustainable, effective and relevant courses and activities that contribute to our quality of life.

A space utilisation survey is being undertaken to inform requirements for estates development and usage and the views of staff, students and external stakeholders will be sought to develop an estates strategy.

Information and Communications Technology Strategy

In order to inform future integration systems and processes, a review was initiated to investigate ICT issues which may arise during the merger. The purpose of the review was to investigate issues relating to the transfer of ICT services from existing arrangements to merged Institute, including:

- Issues relating to existing corporate services functions;
- ICT resource requirements for merged college;
- Transfer of Train Shetland staff from existing (SIC) network to new (UHI) network;
- Continuing functionality of CRM and management systems (e.g. Learnsmarter, FIPS).

The scope of the review included: staff; service delivery and support; operating costs; capital costs; ICT hardware, systems and software; web presence; corporate systems; printing; telephony; virtual server environment; backup and replication; local network provision.

It is assumed that the merged college will be using the UHI network and Wide Area Network (WAN) links as its primary backbone, and that core services such as Active Directory, Domain Name System, etc. will be provided through the UHI.

The review established that:

- There are no major issues relating to the transfer of Train Shetland staff to the UHI network;
- There are no major issues relating to the continued use of CRM and management systems currently used by Train Shetland after the merger, however there may some minor issues relating to branding, and further investigation is required to determine whether the existing systems will meet the requirements of the merged college;
- Issues relating to corporate service functions such as finance, payroll and HR will have to be addressed prior to the merger;
- Integration of the two existing Active Directory UHI partner sites into the merged college site will require an ICT led project to deliver the desired outcome;

- Integration of the two existing number plans on the UHI telephony system will require an ICT led project to deliver the desired outcome. This can be combined with the Active Directory project using the same ICT teams.

There will be many strategic, operational and technical requirements relating to ICT that need to be considered prior to, and after the merger. These include, but are not limited to:

- Developing an ICT strategy for the new college;
- Developing a single website for the new college;
- Rolling equipment upgrade programme;
- Existing software licensing and subscriptions to new organisation.

Appendices

Appendix i: Assessment Matrix used to merger model

Appendix ii : Anderson Strathern Legal Due Diligence

Appendix iii: Timetable to Vesting Day

Annexes

Annex 1: Financial Model

Annex 2: Draft Learning and Teaching Strategy

Annex 3: Draft Research and Knowledge Transfer Strategy

Appendix i – The Economic Case - Extract from Shetland Islands Council Full Business Case, 05 December 2018

1. The Economic Case

1.1 Introduction

This section of the FBC documents the wide range of options that have been considered in response to the scope identified within the Strategic Case, and the methods used to select the preferred option.

1.2 Critical success factors

The critical success factors (CSFs) for the project were agreed as follows:

- 1) Develop a financially sustainable model for delivery of tertiary education, research and training in Shetland
 - Establish the most cost effective way to deliver the services in Shetland
 - Reduce the level of annual subsidy from Shetland Islands Council
- 2) Maintain and enhance quality standards in all aspects of service delivery
 - Ensure ability of services to meet quality requirements set by government and service delivery partners
- 3) Maximise future income
 - Ability to achieve income targets from students, learners, research and business services
 - Ability to respond quickly to income generating activity
- 4) Commit to a single clear, consistent and effective voice for the tertiary sector in Shetland
 - Develop a targeted business development and marketing strategy for the sector, with clear targets for growth and engagement
 - One clear, strong and focused voice at regional and national tables
- 5) Maintain local tertiary education, research and training presence, and build strong relationships with resource enablers and strategic partners
 - Maintain physical presence in Shetland
 - Build strong relationships with external organisations vital to the successful delivery of services

- 6) Simplify governance arrangements, and ensure the retention and attraction of appropriately skilled staff
 - Ensure appropriate management structure
 - Developed simplified governance structure for the sector

The Critical Success Factors are considered to be essential in the context of the project achieving the strategic objectives detailed in the Strategic Case.

1.3 The long-listed options

The long list of options developed as part of the options appraisal were as follows:

Table 3.1 Summary of long list options and findings

Options		Definition
1	Do Nothing	No further action is taken to change governance, management and funding arrangements of Shetland College, NAFC Marine Centre and/or Train Shetland.
2	Status Quo	Maintain existing governance, with joint management posts regularised, joint strategic plan adhered to and joint curriculum developed as per interim arrangements. Requirements for operational efficiencies would continue.
3	Create a single tertiary education, research and training centre within the Council ('Host SIC')	NAFC Marine Centre becomes part of the Council. Employment of staff is transferred, and all assets and liabilities are taken on by the Council.
4	Create a single tertiary education, research and training centre within UHI ('Host UHI')	Shetland College, NAFC Marine Centre and Train Shetland transfer from existing arrangement to organisational and operational control of UHI. Staff, governance and management transfer to UHI.
5	Create a single independent tertiary education, research and training centre, which is part of the UHI network ('Host NAFC')	Creation of independent organisation comprised of operations of Shetland College, NAFC Marine Centre and Train Shetland, which is part of the UHI network, with SFTCT as the 'host' organisation.
6	Create a single independent tertiary education, research and training centre, which is part of the UHI network ('New College')	Creation of a new, independent organisation comprised of operations of Shetland College, NAFC Marine Centre and Train Shetland, which is part of the UHI network.
7	Shetland College and Train Shetland remain within SIC as part of Education & Families Committee; NAFC Marine Centre remains as is	Strategic oversight of Shetland College and Train Shetland is more closely aligned with SIC Children's Services. NAFC remains as per status quo.
8	Provide only minimum amount of tertiary education, research and training in Shetland	No further investment from SIC in tertiary education, research and training. UHI and SFC fund only basic services.
9	Provide no tertiary education, research and training in Shetland	Disestablishment of Shetland College and Train Shetland by the Council. Core funding to NAFC Marine Centre discontinued.

1.4 Short-listed options

Prior to scoring the options against the Critical Success Factors, a brief scoping exercise was carried out against each option. This judged whether or not each option was capable of achieving the basic aims of each Critical Success Factor, how this impacted on achievability and affordability, and whether or not each option could demonstrate a fit with the business needs and strategic objectives as described in the Strategic Case.

The results of the scoping exercise are as follows:

Table 3.2 Summary of scoping exercise

	Option								
	1	2	3	4	5	6	7	8	9
	Do Nothing	Status Quo	Host SIC	Host UHI	Host NAFC	New	E&F	Minimum	No Provision
CSF1	x	x	?	?	?	?	x	?	x
CSF2	?	?	?	✓	✓	✓	?	?	x
CSF3	?	?	?	?	?	?	?	x	x
CSF4	x	x	?	✓	✓	✓	x	x	x
CSF5	x	?	✓	✓	✓	✓	?	x	x
CSF6	x	x	?	✓	✓	✓	x	x	x
Potential affordability	x	x	?	?	?	?	x	?	?
Potential achievability	?	✓	?	?	?	?	✓	?	?
Business need	x	x	?	✓	✓	✓	x	x	x
Strategic fit	x	?	?	✓	✓	✓	?	x	x
Summary	Discounted	Discounted	Possible	Possible	Possible	Possible	Discounted	Discounted	Discounted

Options 3, 4, 5, and 6 could all demonstrate either a potential or direct fit with the Critical Success Factors, potential affordability and achievability, and fit with the Strategic Case. For that reason, these options remained in the process at this stage and were subject to scoring against the Critical Success Factors.

As shown above, Options 7, 8 and 9 were considered to be unable to achieve some or all of the Critical Success Factors, and were unable to demonstrate affordability, achievability or a fit with the Strategic Case. For that reason, these options were discounted at this stage and not subject to the detailed scoring against the Critical Success Factors.

While Options 1 (Do Nothing) and 2 (Status Quo) were also unable to show achievements or fit with the above criteria, these options are important comparators for the remainder of the Business Case process, particularly the Status Quo, against which any preferred option must be judged. For that reason, these options remained in the process at this stage and were subject to scoring against the Critical Success Factors.

1.5 Options appraisal

In order to provide a ranking of options, a scoring mechanism was developed by the project team. This mechanism provided a score of 0 (low)-5 (high) based on the potential ability of each option to deliver against the Critical Success Factors.

Each Critical Success Factor contained two categories against which options were scored (with the exception of CSF2, which was weighted by a factor of 2 to bring the available score in line with the other CSFs).

The outcome of the detailed scoring process was as follows:

Table 3.3 Summary of initial scoring process

	Option					
	1	2	3	4	5	6
	Do Nothing	Status Quo	Host SIC	Host UHI	Host NAFC	New College
CSF1	0	0	3	4	10	10
CSF2	2	8	8	10	10	10
CSF3	2	6	2	8	10	10
CSF4	0	5	8	6	10	10
CSF5	6	6	7	8.25	10	10
CSF6	2	2	5.5	7	9	9
TOTAL	12	27	33.5	43.25	59	59

The scoring process demonstrated that two options from the shortlist were clearly preferable. These were:

- Option 5 – ‘Host’ NAFC
- Option 6 – New College

The preferred way forward identified by the options appraisal is a merger of Shetland College UHI, NAFC Marine Centre UHI and Train Shetland, outwith Shetland Islands Council. Two options were identified which were most suitable to realise this merger.

In line with Green Book guidance on using the Five Case Model, development of the Full Business Case requires that options appraisals be revisited, and “*the FBC must demonstrate that the conclusions of the economic appraisal...remain valid.*” This must take into account where “*new information affecting the ranking of the options may have become available.*”¹ For this reason, further information and recommendations arising from legal advice and diligence reports have been considered and factored into the revised options appraisal.

¹ Public Sector Business Cases – Using the Five Case Model; Green Book Supplementary Guidance, p.107

When considering an options appraisal, it is essential to ensure that all key considerations have been taken into account. The legal due diligence reports prepared by Anderson Strathern find no legal impediments to merger. However, the choice of governance arrangement leads to the requirement that certain other crucial factors be appraised. One of these crucial factors considered is the ability of the merged college to secure funding from the Scottish Funding Council for Further Education delivery. Anderson Strathern's report on legal due diligence includes the following statement:

"One of the key issues is that the college is financially sustainable. It is therefore essential that the new college is able to be funded by the SFC through the RSB."

On the basis of the foregoing, the Economic Case contained within the Strategic Outline Case has been revisited and expanded, and the Critical Success Factors revised to take account of crucial information. The Critical Success Factors are now as follows (*change in italics*):

- 1) Develop a financially sustainable model for delivery of tertiary education, research and training in Shetland
 - Establish the most cost effective way to deliver the services in Shetland
 - Reduce the level of annual subsidy from Shetland Islands Council
 - *Ensure the ability of the merged college to achieve assigned status to UHI as the Regional Strategic Body*
- 2) Maintain and enhance quality standards in all aspects of service delivery
 - Ensure ability of services to meet quality requirements set by government and service delivery partners
- 3) Maximise future income
 - Ability to achieve income targets from students, learners, research and business services
 - Ability to respond quickly to income generating activity
- 4) Commit to a single clear, consistent and effective voice for the tertiary sector in Shetland
 - Develop a targeted business development and marketing strategy for the sector, with clear targets for growth and engagement
 - One clear, strong and focused voice at regional and national tables
- 5) Maintain local tertiary education, research and training presence, and build strong relationships with resource enablers and strategic partners

- Maintain physical presence in Shetland
 - Build strong relationships with external organisations vital to the successful delivery of services
- 6) Simplify governance arrangements, and ensure the retention and attraction of appropriately skilled staff
- Ensure appropriate management structure
 - Developed simplified governance structure for the sector

It is essential that the merged college will be an 'assigned college' – this means that the college will be assigned to a Regional Strategic Body (RSB) for the purposes of delivering further education outcomes. It is through the RSB that assigned colleges receive grant funding from the Scottish Funding Council – the RSB for the Highlands and Islands is the University of the Highlands and Islands. All assigned colleges must comply with a number of requirements, including a Financial Memorandum between themselves and the RSB (which, among other things, requires that colleges must operate on a financially sustainable basis), the 2014 ministerial guidelines on college board membership, and Colleges Scotland's Code of Good Governance. There are a number of factors within each of the elements above which raise questions over the ability of Option 5 to meet the requirements for assigned status, including:

- The lack of student and staff representation on the Board of Trustees;
- The legal status of SFTCT as a Trust, which does not provide limited liability protection for Board members;
- Diversity of membership to include a range of community interests;
- Transparent and open decision-making, including public dissemination of agendas, minutes, decisions and financial information;
- Requirement for specific committee structures, which at a minimum comprise Audit, Remuneration, Finance and Nominations/Appointments.

There would also be a requirement for SFTCT to considerably widen its purpose in order to accommodate the course provision delivered by Shetland College and Train Shetland.

A number of the issues above could be dealt with by SFTCT adopting a new legal form. The implication of this is that, under Scottish charity law, the conversion of a charity from one legal model to another effectively ends the previous charity and creates a new one, so any conversion of SFTCT will require the creation of a new entity, which must be capable of achieving charitable status (e.g. company limited by guarantee, SCIO). This is effectively the New College model.

The legal requirements summary notes a number of considerations relating to New College. This includes that “*the structure of the new organisation should reflect the good governance requirements to ensure that there are no problems with obtaining the consent of SFC to assign the college to UHI.*” As the New College model will be a bespoke arrangement designed to achieve the best chance of success, it can be expected that governance arrangements will be designed with this specific goal in mind. The summary also notes that, while the New College model will require complex legal agreements in the form of Transfer Agreements and multiple applications to the Office of the Scottish Charity Regulator (OSCR), these would be required regardless of the Host or New College model being chosen.

On the basis of the foregoing consideration and the revised Critical Success Factors, the two options identified in the preferred way forward have been revisited and the scoring updated, as follows²:

Table 3.4 Summary of revised scoring process

	Option	
	5	6
	Host NAFC	New College
CSF1	10	15
CSF2	5	5
CSF3	10	10
CSF4	10	10
CSF5	10	10
CSF6	9	9
TOTAL	54	59

1.6 The preferred option

Conclusion: the preferred option is **Option 6 – New College**, because it has been evaluated as providing the highest chance of achieving the objectives specified by the Critical Success Factors, and provides a compelling case for change against the status quo.

Option 5 – Host NAFC provided a high degree of benefits against almost all of the Critical Success Factors; however, it was evaluated to have a high degree of risk with regard to being able to achieve assigned status with UHI, and therefore scored lower than Option 6.

² As another scoring factor has been added to CSF1, the weighting for CSF2 has been removed from the revised scoring process.

None of the other options were considered to provide a high degree of benefits against the Critical Success Factors and have therefore been discounted.



Shetland Islands Council
and
Shetland Fisheries Training Centre Trust

1. Scope of the report

- 1.1. This report has been prepared on behalf of Shetland Islands Council and Shetland Fisheries Training Centre Trust for the purpose set out in the brief and for no other purpose or person. It cannot be relied on for any other purpose or by any other person and if it is so used, it is used at that person's own risk.
- 1.2. This report is based on the information provided to us. We have not sought to establish the reliability of the information and therefore we cannot be held liable in the event that any information is untrue, inaccurate or incomplete.
- 1.3. It is also based on our understanding of the importance of certain matters as explained to us.
- 1.4. We appreciate the hard work which goes into pulling together all of the information for a diligence exercise particularly when this is in addition to keeping the service operating. We would like to take this opportunity to thank the Project Manager and all of the staff in respect of the work they did to make the process as easy as possible for us. We could not have completed this report without that assistance.

2. Introduction and overview

- 2.1. A review has been ongoing in Shetland for some time in relation to tertiary education, research and training provision. The Shetland Tertiary Education, Research and Training (STERT) Project initially established a STERT Partnership Board to consider how best to deliver the services and functions carried out by
 - 2.1.1. Shetland Islands Council (SIC) through
 - 2.1.1.1. Train Shetland; and
 - 2.1.1.2. Shetland College (UHI) (Shetland College)
 - 2.1.2. Shetland Fisheries Training Centre Trust (SFTCT) using the operating name NAFC Marine Centre (UHI) (NAFC Marine Centre).
- 2.2. Shetland College and NAFC Marine Centre are members/academic partners within the University of the Highlands and Islands (UHI).
- 2.3. As part of the STERT Project, initial due diligence was carried out in relation to NAFC Marine Centre, Shetland College and Train Shetland. Following the due diligence exercise, SIC and SFTCT agreed to work together and appointed a joint Principal in respect of both colleges and Train Shetland was integrated into the reporting structure of Shetland College.
- 2.4. During this period of closer working, a Strategic Outline Case was developed in respect of the future of the tertiary education, research and training provision, which identified merger as the preferred way forward. The Strategic Outline Case also narrowed down the potential merger options to: either a host or phoenix model. SIC and SFTCT agreed to proceed to a Full Business Case for merger of Shetland College, NAFC Marine Centre and Train Shetland, prior to a final decision

being made towards the end 2018. As part of the decision making process, it was also agreed in view of the passage of time, to revisit the legal due diligence exercise carried out previously.

- 2.5. As a result we have undertaken a legal due diligence exercise. We have been provided with a number of documents for each organisation. These have been reviewed in the context of the potential merger options and also the practical and legal issues in delivering each of the options.
- 2.6. We have provided detailed due diligence reports for both SIC and SFTCT. However as the detailed reports include information which is commercially sensitive and which would include personal data, we have provided this summary report to enable circulation.

3. Models and Legal Process for the relevant Model

3.1. The two key merger models of Host or Phoenix have a number of issues which are associated with them:

Host Model	Council Host	As the Council is not a charity, SFTCT could not transfer any assets to the Council at nil and the Council would require to pay full market value if they were to be the Host.
	SFTCT Host	<p>NAFC Marine Centre has objects relating to the advancement of education and training, the courses offered by SC and TS have a far more diverse educational remit than those provided by NAFC Marine Centre whose services are relevant to the maritime industry only. If NAFC Marine Centre is used as the host model, it would be necessary for the objects and remit of SFTCT to be considerably widened to make provision for this.</p> <p>The new college would require either (i) to be a fundable body or (ii) assigned to the Regional Strategic Body (RSB) in order to avoid any issues with continued funding. As a result the Scottish Ministers would require to consult with the Scottish Funding Council (SFC) under section 7 of the Further and Higher Education (Scotland) Act 2005 (the "2005 Act") (Fundable Body) and Section 7C of the 2005 Act (Assigned College). The SFC will review whether there are suitable provisions for (amongst others) the governance and management of the body which would include the application of the Code of Good Governance. There is an expectation that there should be student representatives and staff members on the board. As a result of this and the widened remit which would come about as a result of any merger we would strongly recommend that SFTCT considered updating its legal form to become a body with limited liability protection given the wide remit it would have, such as a charitable company limited by guarantee or a Scottish Charitable Incorporated Organisation or SCIO.</p>
Phoenix	Incorporated College	The Scottish Ministers could promote an order under section 13(1) of the Further and Higher Education (Scotland) Act 1992 (the "1992 Act") in respect of Shetland College which states that on the appointed date Shetland College would cease to be under the management of Shetland Islands Council (SIC). The order promoting the

		<p>transfer of Shetland College would also establish, with effect from such date as the Secretary of state would prescribe a “Board of Management of” the new college and also apply such other provisions (subject to modifications) as are appropriate in respect of the transfer to the new college. This new college would be an incorporated college.</p> <p>An incorporated college would be considered as being a general government public sector body by the Office for National Statistics (ONS). The reason for this classification is the control held by Scottish Ministers over the corporate policy within the Colleges. In particular the fact that (i) an incorporated college would need consent from Scottish Ministers in order to borrow and (ii) the Scottish Ministers can remove the board, close of merge colleges has resulted in that classification. The impact of this classification means that incorporated colleges have had to align their budgeting, reporting and accounting practices to the practices which apply to non-departmental government departments. This includes that colleges have to control their expenditure so it does not exceed pre-set limits, even if expenditure is financed from borrowing it would still require “budget cover” which would mean that it would still be included within the Scottish Government budget and colleges cannot carry forward surplus funds to future years. This has a fundamental impact on the operation of a college.</p>
	Unincorporated College	<p>An unincorporated college can take a number of different forms including a company limited by guarantee or Scottish Charitable Incorporated Organisation (SCIO). Whilst the Further and Higher Education (Scotland) Act 1992 and the 2005 Act do not apply to the establishment of the board, the structure and governance of the new organisation should reflect the good governance guidelines to ensure that there are no problems with obtaining consent from the SFC to the assignation of the new college to UHI as regional strategic body. The new body would apply to OSCR as registration as a charity.</p>

- 3.2. When carrying out the due diligence exercise we have considered the risks based on the preferred models.
- 3.3. In order to adopt each of the models there is a very different process. In many previous college mergers, the route used was for the Scottish Ministers to promote the necessary orders using the powers under 3(1)(c), 25(1), (1A), (2) and (5) and 60(3) of the 1992 Act to transfer the staff, assets, rights and liabilities to the host and dissolved the other College(s) (Transfer order). However, it should be noted that sections 3(1)(c) and 25(1) apply to incorporated colleges and would not apply to SFTCT. As a result, no matter which model is adopted, the process will be novel for the SFC and also the Scottish Government and therefore we would recommend that there is early engagement with the SFC and Scottish Government in respect of the proposed merger model and also the merger proposal itself sets out the suggested process.

4. **Key Issues – Governance Issues, Legal Constitution, Powers of Governing Bodies, Partnership Board and Charity Issues**

From the information we have been provided, we have not identified any key issues in respect of Governance Issues, Legal Constitution, Powers of Governing Bodies, Partnership Board and Charity Issues which would legally prevent merger. However, we have identified a number of issues which would have (i) a potential impact on the structure or (ii) would require to be actioned to successfully merge.

- 4.1. As set out in relation to the merger models above, it is not recommended that a Scottish charity such as SFTCT transfers all/ part of its assets to a non-charitable entity for no financial consideration (or even for a nominal consideration) whether it takes place under a merger or under some other form of business transfer agreement. This is due in part to the nature of the duties and responsibilities that the trustees of SFTCT have under charity law. This includes a duty to safeguard and maximise the assets of SFTCT and to retain the independence of SFTCT. Therefore the only way for an SIC host model to work would be the sale of NAFC Marine Centre (UHI) to SIC at full market value. For these reasons, this makes it difficult from a Charity law perspective for SIC to be the host.
- 4.2. In respect of SFTCT being the host, whilst it has objects relating to the advancement of education and training, the courses offered by Shetland College have a far more diverse educational remit than those provided by NAFC Marine Centre whose services are predominantly relevant to the maritime industry. If SFTCT is used as the host, it would be necessary for the objects and remit of SFTCT to be considerably widened to make provision for this widened remit. SFTCT may also wish to consider amending their name to reflect their new role. Any amendment to the objects or name would require the prior approval of the Office of the Scottish Charity Regulator (OSCR). The trustees of SFTCT would also need to be satisfied that on balance having considered the business case in full and after taking all relevant advice, they consider that it is in the best interests of SFTCT to take on these wider activities which would necessitate SFTCT moving into some new areas, albeit that they are still connected to their current educational remit.
- 4.3. Whilst UHI could potentially seek to fund elements of an unassigned college, the basis of such funding is narrower and therefore in order to continue to be funded through UHI as the RSB in respect of all of its activities, the merged entity would require either (i) to be a fundable body or (ii) assigned to UHI as the RSB. As a result the Scottish Ministers would

require to consult with the Scottish Funding Council (SFC) under section 7 of the Further and Higher Education (Scotland) Act 2005 (the “2005 Act”) (Fundable Body) and Section 7C of the 2005 Act (Assigned College). The SFC will review whether there are suitable provisions for (amongst others) the governance and management of the body which would include the application of the Code of Good Governance. There is an expectation that there should be student representatives and staff members on the board. Therefore the constitution of SFTCT would require to be amended to ensure that the constitution was considered by SFC as complying with the application of the Code of Good Governance.

- 4.4. The SFTCT as a trust governed by a trust deed does not have the same separation as a legal “entity” in the way that a SCIO or company limited by guarantee is. For example, leases/formal contracts have to be entered into in names of trustees. Legal proceedings cannot be taken by the trust but only by individuals representing it and similarly, legal proceedings would be taken against the trustees rather than the organisation. Trustees could be personally liable for debts if the organisation were unable to meet its debts and liabilities out of its own resources. Whilst protections may be in place, we consider that this structure would be unattractive to staff and students to participate in. As a result of this and the widened remit which would come about as a result of any merger we would strongly recommend that SFTCT updates its legal form to become a body with limited liability protection given the wide remit it would have, such as a charitable company limited by guarantee or a Scottish Charitable Incorporated Organisation or SCIO.
- 4.5. In the event that SFTCT was to update its legal form, in effect it would change its legal status and would for the purpose of the process of merger become a phoenix.
- 4.6. If however SFTCT wished to continue with narrowed objects adopting the phoenix model from the outset may facilitate this option. In these circumstances the new phoenix college should be set up and an application would be made to OSCR at least three months in advance of intended vesting date of the new college to ensure that the phoenix has charitable status to facilitate the transfer from NAFC Marine. This approach would also allow for the organisation to be set up and the board/shadow board to be put in place. The process of setting up an unincorporated college would necessitate making an application to OSCR seeking their consent to enter the phoenix college onto the Scottish charity register and become a recognised charity with a Scottish charity number.
- 4.7. Consideration would need to be given to the information to be provided to OSCR as part of the application to set up the charity to justify both the business case and in order to meet both the charity test and public benefit test of setting up another college within the small geographic area of Shetland. OSCR would need to be satisfied that this would be of considerable public benefit.

5. Key Issues - Material Contracts

From the information we have been provided, we have not identified any material issues in respect of Material Contracts which would legally prevent merger. However, we have identified a number of issues which would require to be actioned to successfully merge.

- 5.1. Any contracts that are in place between SIC and SFTCT and third parties in respect of the delivery of aspects which extend beyond the vesting date (i.e. the date when the new College will come into existence) would require to be transferred to the Host (except for the host's own contracts) or alternatively to the phoenix or be terminated.

- 5.2. Having reviewed the contracts, in the event that these contracts are to be assigned, the consent of the other party is required.
- 5.3. This leads to the potential risk that:
 - 5.3.1. a third party could refuse to transfer; and/or
 - 5.3.2. the third party could seek to use the requirement for consent to seek to revise the commercial terms.
- 5.4. As set out above, generally in College Mergers, the Scottish Ministers would promote an order using the powers under 3(1)(c), 25(1), (1A), (2) and (5) and 60(3) of the 1992 Act to transfer the staff, assets, rights and liabilities to the host and dissolved the other College(s) (Transfer order). The effect of the Transfer Order is to change the contracts so that the new college would be treated as if they had always been a party to the contract in lieu of the old college. As a result, the contracts could be transferred without first obtaining consent.
- 5.5. However, it should be noted that sections 3(1)(c) and 25(1) apply to incorporated colleges and whilst there are provisions within the 1992 Act and the 2005 Act which would allow a Transfer Order to be promoted in respect of SIC, this would not apply to SFTCT. Therefore the contracts will require to transfer by way of agreement. As a result, consent will be required. Therefore where contracts are continuing you should seek to obtain consent in good time prior to vesting date.
- 5.6. We would also recommend in order to mitigate risk that any new contracts which are entered into between now and full merger the following should be considered:
 - 5.6.1. that when SIC procures goods/services, there may be the potential of procuring/setting up frameworks which the college could also use as this would ease the burden on the new college and still allow economies of scale.
 - 5.6.2. include provisions which enable the contracts to be assigned to any successor bodies to whom the functions of the relevant body are vested/transferred.
 - 5.6.3. allow a no fault break clause in favour of SIC (if possible although we appreciate that these can be difficult to negotiate) which would allow the contracts to be terminated at your behest on merger.
 - 5.6.4. check the change of control provisions (if any) to ensure that these would not permit/restrict a change of control envisaged by a merger situation; and
 - 5.6.5. the parties agree to set parameters that they would consult with each other before entering into a contract for a specified period or above a particular amount to enable the parties to enable any potential future requirements of a combined college to be discussed and fed into the requirements.

6. Key Issues – Property

From the information we have been provided, we have not identified any material issues in respect of Property which would legally prevent merger. However, we have identified a number of issues which would require to be actioned to successfully merge.

- 6.1. The position in respect of the properties is complex. Any properties which are owned or leased by Colleges would require to be transferred to the host or alternatively to the phoenix.
- 6.2. Shetland College/Train Shetland currently operate out of separate premises. In Shetland College, Phases 1 and 2 are currently subject to leases from Shetland Leasing and Properties (SLAP) with Phase 3 (being the link building) we are advised being in the ownership of the Council. The Train Shetland Building is also subject to a lease from SLAP. In the event that the leases are still in place at the vesting date, consent of SLAP would be required to transfer the leases. The overall property costs across the three institutions are high and high property costs could have an impact on the financial sustainability of the college.
- 6.3. The position in relation to the property occupied by SFTCT is very complicated. However this complication is not brought about by the merger but relates to pre-existing issues.
- 6.4. From the information provided we understand that the SFTCT currently occupies North Atlantic Fisheries College, Port Arthur. We understand that the main building and hatchery at North Atlantic Fisheries College are (i) sub-leased to Shetland Islands Council ("SIC") and (ii) owned by SIC although we have not seen their heritable title to verify this. SFTCT are occupying this site in accordance with a Management Agreement (unsigned version).
- 6.5. The Crown Estate Scotland (Interim Management) (CES) own the sea bed which is leased for a period of 25 years to SFTCT under a lease dated 4 December 2015 and 12 January 2016. CES would require to provide consent to any assignment. Early dialogue with CES would be recommended.
- 6.6. We understand that the properties currently leased/transferred to SLAP have now been transferred back to the Council. On that basis, for the properties which are occupied by Shetland College/Train Shetland and NAFC Marine where SLAP was the landlord, SIC would now be in the position to grant a lease to the new college on new terms if SIC considered that appropriate.

7. Key Issues - Intellectual Property Issues

From the information we have been provided, we have not identified any material issues in respect of Intellectual Property Issues which would legally prevent merger. However, we have identified a number of issues which would require to be actioned to assist with the successful merger.

- 7.1. We note that we have received limited responses to our due diligence questionnaire and we have identified areas that may require further investigation. We have provided some suggestions regarding intellectual property issues which you may wish to consider once the new college entity has been created.
- 7.2. We would recommend that a review should be undertaken of the parties intellectual property issues to determine how the parties would like to deal with their respective intellectual property matters after the merger has taken place and to ensure the necessary steps are taken to facilitate this.
- 7.3. Following the merger, we would recommend that trademark protection be sought to protect the new entity's brand and reputation.

- 7.4. The parties should decide what to do with all old branding and branded goods and if they will continue to be used. The strategy going forward will depend on the model chosen and the branding chosen, following which the appropriate assignments should be put in place to assign the relevant assets to the new entity that is created.
- 7.5. There do not appear to be any website terms and conditions on a number of the websites and we would recommend putting these in place.
- 7.6. To ensure ownership of copyright in works created for NAFC or SIC by contractors, employees, students and third parties, NAFC should ensure that the related contractual agreement clearly sets out the arrangements in terms of ownership.
- 7.7. In moving forward to the new college, the new college should set up clear contractual agreements/policies to ensure that works created for the new college by contractors, employees, students and third parties are owned by the new college as follows:
 - 7.7.1. Third parties: contractual arrangements should provide for the assignment of copyright in any works created by third parties failing which a perpetual transferable licence to be granted.
 - 7.7.2. Employees: although copyright in works created by employees in the course of employment automatically vests in the employer, this should be set out expressly in contracts of employment.
 - 7.7.3. Students: ownership of IP created by students should be addressed in an appropriate policy document or in the student contract.
 - 7.7.4. Contractors: SIC should ensure that its contractual arrangements with contractors provide for the assignment to it of copyright in any works created for it.
- 7.8. Finally, we would recommend that SIC and SFTCT compile and maintain an inventory of IP assets including unregistered IP. This will assist in drafting any transfer agreement moving forward.

8. Key Issues - Borrowing and Funding Issues

From the information we have been provided, we have not identified any material issues in respect of Borrowing and Funding Issues which would legally prevent merger. However, we have identified a number of issues which would require to be actioned to assist with the successful merger.

- 8.1. At this stage in the exercise there are a number of material issues which require further consideration.
- 8.2. In terms of banking facilities Train Shetland and Shetland College do not have any separate banking facilities – it is the Council's facilities which are used. It is likely that the banking facilities for any new organisation moving forward would require to be reviewed.
- 8.3. One of the key issues is that the college is financially sustainable. It is therefore essential that the new college is able to be funded by the SFC through the RSB. This will be most likely achieved by the new college becoming an assigned college. See comments above in relation to governance. We would recommend that you seek to continue to engage with the SFC and UHI as their support will be required to ensure that any new body will be assigned.

9. Key Issues – Employment and Pensions

From the information we have been provided, we have not identified any material issues in respect of Employment and Pensions Issues which would legally prevent merger. However, you should continue to work to manage any potential pensions liability.

- 9.1. As is inevitable with such mergers, there is some disparity in the pay and benefits across the organisations that could create some difficulties post-merger.
- 9.2. Whichever model is taken forward, the TUPE Regulations will apply.
- 9.3. Experience tells us that one of the most significant factors for the successful project management of a merger such as this, is a well thought out and considered communication strategy. The more open and transparent the process is, the easier it is for staff and therefore the more positive and supportive staff and the trade unions are likely to be.
- 9.4. The LGPS is a funded multi-employer occupational pension scheme and is understood to be currently in deficit.
- 9.5. There is the potential that employees transferring to the new college would trigger a cessation valuation which may lead to a cessation payment of its share of the scheme deficit. In these circumstances the trigger is the date on which an employer ceases to employ a member of the LGPS. Depending on the model, this would potentially affect one or both of the Colleges. We recommend that there is ongoing dialogue with LGPS in order to identify and/or mitigate any payments due.

10. Key Issues - Litigation and Disputes

From the information we have been provided, we have not identified any material issues in respect of Litigation and Disputes Issues which would legally prevent merger.

- 10.1. We have not identified any material legal obstacles in the context of our review of the information made available to in respect of Litigation and Disputes.
- 10.2. There is one matter in respect of SIC and one in respect of SFTCT which we would hope would be resolved before the vesting date and therefore would be unlikely to be a liability moving forward.

11. Key Issues - Compliance

From the information we have been provided, we have not identified any material issues in respect of Compliance Issues which would legally prevent merger.

- 11.1. We have not identified any material legal obstacles in the context of our review of the information made available to in respect of Compliance.
- 11.2. However there are a number of steps in respect of licences which would require to be taken to ensure that the relevant licences transferred.

12. Conclusion

We have not identified any material issues which would legally prevent merger. There are however a number of actions to be taken to manage the risks between a decision being taken to merge until the vesting date.

Appendix iii - Shetland Merger Draft Timeline and Merger Requirements

Shetland College UHI; NAFC; Train Shetland

Key Actions				Dates (actual)
Shetland – NAFC & Shetland College	UHI	SFC	Scot Govt	
UHI SFC Shetland Finance Workshop				2 nd March
Finance papers to Shadow Board				4 th March
Shadow Board Finance Workshop				12 th March
Final Ministerial Merger Business Case signed off by Shadow Board and sent to UHI for Endorsement				18 th March
Final MMBC to NAFC Board				w/c 23 rd March
Consultation with Unions				w/c 23 rd March
Final MMBC to College Board and SIC				w/c 23 rd March
FBC to SFC Analysts (includes time for feedback & discussion)				w/c 6 th April
Parliamentary Easter Recess 4-19 April 2020				
College Easter Holiday 27 th March – 13 April 2020				
MMBC to SFC, Scottish Government and Cabinet Secretary				w/c 13 th April
Consultation Process: Staff, students, UHI and Stakeholders				13 th Apr – 10 th Jul (12 weeks)
Parliamentary Recess 27 th June – 30 th August 2020				
SFC Led Evaluation Visit (date set to ensure meetings with staff and students)				w/c 17 th August
		Advice to Council i.e. Council paper (2 weeks before Council meeting)		19 th August
		Council Meeting		3 rd September
		SFC advice to Scot Govt & Cabinet Secretary		7 th September
Parliamentary Recess 10 th – 25 th October 2020				

			Scot Government Analysis of SFC & Consultation Responses: SG Consultation process	w/c 8 th September – 1 st December (12 weeks)
Inform Oscar of intent to merge				
			Advice to Ministers submitted	7 th December
			Ministers approve response	21 st December
			Announcement / response to consultation	w/c 21 st December
Parliamentary Recess 24 th December 2020 – 8 th January 2021				
Parliamentary Recess 5 th – 16 th February 2021				
			Parliamentary process – SSI laid in Parliament (Approx 28 days)	11 th Jan – 24 th Feb 2021
			Parliamentary process – SSI approved	1 st March 2021
Vesting Date				

Annex 1 - Financial Modelling

MODEL 2

Income & Expenditure

CashFlow

Balance Sheet

Movements

Capital Investment

FTE

Curriculum Summary

Curriculum Model

MODEL 2

'Day 0'

Income & Expenditure Summary		2018/19 Outturn (adjusted)				TOTAL £000
		Shetland College £000	Train Shetland £000	NAFC (SIC) £000	NAFC £000	
Note						
Employee Costs	1	(2,733,565)	(398,625)	0	(2,193,548)	(5,325,738)
Premises Costs	2	(435,017)	(69,913)	(413,424)	(372,061)	(1,290,414)
Operating Costs	3	(324,873)	(384,083)	0	(236,538)	(945,494)
Grants to Individuals/Organisations	4	0	0	0	0	0
Marketing	5	0	0	0	(8,647)	(8,647)
Professional and Financial Fees	6	(286,435)	(35,261)	(14,075)	(211,022)	(546,793)
Travel/Vehicle Expenses	7	(41,231)	(59,432)	0	(62,128)	(162,791)
TOTAL EXPENDITURE		(3,821,121)	(947,314)	(427,499)	(3,083,944)	(8,279,878)
Scottish Funding Council	8	1,909,680	2,300	0	841,974	2,753,954
Tuition Fees, Contracts & Grants	9	525,994	240,066	0	767,848	1,533,909
Research Grants and Contracts	10	189,860	0	0	718,365	908,225
Residential Income	11	0	0	0	-	-
Consultancy	12	0	0	0	-	-
Management & Service Fees	13	51,075	341,598	0	-	392,672
Other Income	14	135,307	5,490	0	598,667	739,463
Bank Interest	15	0	0	0	4,474	4,474
TOTAL INCOME		2,811,915	589,454	-	2,931,328	6,332,697
Surplus / (Deficit)		(1,009,205)	(357,861)	(427,499)	(152,616)	(1,947,181)

'Day 1'

Approved Budget				New Entity	TOTAL
Shetland College £	Train Shetland £	NAFC (SIC) £	NAFC £		
(2,660,625)	(397,187)	0	(2,193,548)	(122,257)	(5,373,618)
(151,741)	0	(78,375)	(245,633)	(138,081)	(613,830)
(354,436)	(419,035)	0	(251,300)		(1,024,771)
0	0	0	0		0
0	0	0	(8,647)	(26,500)	(35,147)
(64,749)	0	0	(156,053)	(93,661)	(314,464)
(44,983)	(64,840)	0	(62,128)		(171,951)
(3,276,535)	(881,062)	(78,375)	(2,917,309)	(380,499)	(7,533,780)
2,204,952	2,300	0	782,489		2,989,741
595,994	243,066	0	767,848		1,606,909
49,640	0	0	787,565		837,205
0	0	0	-		-
0	0	0	153,058		153,058
29,856	334,250	0	41,750		405,855
135,307	5,490	0	137,783		278,579
0	0	0	4,474		4,474
3,015,749	585,106	-	2,674,967	-	6,275,821
(260,786)	(295,956)	(78,375)	(242,342)	(380,499)	(1,257,959)

Years 1 - 5

Income & Expenditure Summary					
	Year 1 £	Year 2 £	Year 3 £	Year 4 £	Year 5 £
Employee Costs	(5,300,248)	(4,950,599)	(5,087,861)	(5,208,743)	(5,332,043)
Premises Costs	(629,176)	(644,905)	(719,028)	(737,004)	(755,429)
Operating Costs	(1,024,771)	(1,024,771)	(1,024,771)	(1,024,771)	(1,024,771)
Grants to Individuals/Organisations	0	0	0	0	0
Marketing	(35,147)	(35,147)	(35,147)	(35,147)	(35,147)
Professional and Financial Fees	(322,325)	(330,383)	(336,991)	(343,731)	(350,606)
Travel/Vehicle Expenses	(171,951)	(171,951)	(171,951)	(171,951)	(171,951)
TOTAL EXPENDITURE	(7,483,618)	(7,157,757)	(7,375,749)	(7,521,347)	(7,669,947)
Scottish Funding Council	3,094,637	3,141,926	3,218,588	3,298,465	3,334,251
Tuition Fees, Contracts & Grants	1,708,723	1,757,879	1,860,471	1,985,947	2,099,122
Research Grants and Contracts	845,577	904,533	964,079	998,969	1,034,209
Residential Income	0	0	89,712	91,955	94,254
Consultancy	176,519	200,450	229,959	260,058	290,759
Management & Service Fees	413,972	422,252	430,697	439,311	448,097
Other Income	288,044	297,745	307,688	317,881	328,328
Bank Interest	0	0	0	0	0
TOTAL INCOME	6,527,472	6,724,784	7,101,193	7,392,585	7,629,020
Surplus / (Deficit)	(956,146)	(432,973)	(274,556)	(128,762)	(40,927)

Years 1 - 5 (Indicative One Off Costs)

Year 1 £	Year 2 £	Year 3 £	Year 4 £	Year 5 £
(510,000)	(200,000)	(155,000)	(100,000)	
(335,625)	(198,960)	(243,344)		
(845,625)	(398,960)	(398,344)	(100,000)	0
-	-	-	-	-
(845,625)	(398,960)	(398,344)	(100,000)	0

INCOME AND EXPENDITURE - SUPPLEMENTARY DETAIL >>>	Note 1	Day 0 - Note 1 - Employee Costs					Day 1 - Note 1 - Employee Costs					
		Shetland College	Train Shetland	NAFC (SIC)	NAFC	TOTAL	Shetland College	Train Shetland	NAFC (SIC)	NAFC	New Entity	TOTAL
Research Staff		121,260	-	-	763,896	885,156	120,722	-	-	763,896		884,618
Academic Staff		1,347,070	50,543	-	847,787	2,245,401	1,341,055	50,543	-	847,787		2,239,386
Support Staff		1,168,240	345,717	-	499,296	2,013,254	1,165,619	344,279	-	499,296	122,257	2,131,452
Casual/Third Party Staff - Research				-	13,950	13,950	-	-	-	13,950		13,950
Casual/Third Party Staff - Academic				-	44,189	44,189	-	-	-	44,189		44,189
Casual/Third Party Staff - Support				-	2,358	2,358	-	-	-	2,358		2,358
Recruitment Costs		2,462	-	-	4,040	6,502	2,462	-	-	4,040		6,502
Protective Clothing		1,261	2	-		1,263	1,261	2	-			1,263
Professional Fees		273	-	-		273	273	-	-			273
Staff Development - Research		1,871	-	-	3,546	5,417	1,871	-	-	3,546		5,417
Staff Development - Academic		5,599	-	-	3,569	9,168	5,599	-	-	3,569		9,168
Staff Development - Support		7,210	2,362	-	3,531	13,103	7,210	2,362	-	3,531		13,103
PhD Stipend		13,340		-	7,386	20,726	14,553	-	-	7,386		21,939
Pensioners		64,979		-		64,979	-	-	-			-
Total		2,733,565	398,625	-	2,193,548	5,325,738	2,660,625	397,187	-	2,193,548	122,257	5,373,618
Variance		-	-	-	-	-	-	-	-	-	-	-
2	Day 0 - Note 2 - Premises Costs	Shetland College	Train Shetland	NAFC (SIC)	NAFC	TOTAL	Day 1 - Note 2 - Premises Costs					
		Shetland College	Train Shetland	NAFC (SIC)	NAFC	TOTAL	Shetland College	Train Shetland	NAFC (SIC)	NAFC	New Entity	TOTAL
Rent		154,098	20,849	340,136		515,083	-	-	-	-	100,000	100,000
Rates (NNDR)		117,392	18,960	-		136,352	-	-	-	-		-
Utilities - Electricity, Gas, Oil		63,915	10,349	-	135,858	210,122	63,915	-	-	91,660		155,575
Utilities - Water		4,533	1,668	-	11,862	18,063	4,533	-	-	7,978		12,511
Maintenance		71,366	5,950	71,355	80,963	229,634	61,078	-	71,355	50,874		183,307
Cleaning		4,999	9,577	-	51,350	65,925	4,999	-	-	51,350	8,350	47,999
Insurance		7,317	742	1,450	31,972	41,481	-	-	-	31,972	12,000	43,972
Carbon Tax		2,025	184	-		2,209	2,025	-	-			2,025
Other		2,535	591	482	11,799	15,408	2,535	-	482	11,799		14,816
Housekeeping and Management Service		6,837	1,045	-	48,257	56,138	-	-	-			-
Residual & Non Recoverable VAT							12,657	-	6,537		9,432	28,626
Total		435,017	69,913	413,424	372,061	1,290,415	151,741	-	78,375	245,633	113,082	588,831
Variance		-	-	-	0	0	-	-	-	0	24,999	24,999
3	Day 0 - Note 3 - Operating Costs	Shetland College	Train Shetland	NAFC (SIC)	NAFC	TOTAL	Day 1 - Note 3 - Operating Costs					
		Shetland College	Train Shetland	NAFC (SIC)	NAFC	TOTAL	Shetland College	Train Shetland	NAFC (SIC)	NAFC	New Entity	TOTAL
Books/Publications		9,028	4,222	-	4,477	17,727	9,028	4,222	-	4,477		17,727
Computer Maintenance Agreements/Licences		6,620	3,000	-	21,017	30,637	6,620	3,000	-	21,017		30,637
Consumables		18,703	3,402	-	63,242	85,347	18,703	3,402	-	54,010		76,115
Contracted & Hired Services		135,195	111,684	-		246,879	135,195	111,684	-			246,879
Furniture & Equipment		47,212	2,081	-	78,336	127,629	47,212	2,081	-	78,336		127,629
External Consultants		-	-	-		-	-	-	-			-
Exam Fees		41,355	11,536	-		52,892	41,355	11,536	-			52,892
Canteen Costs		34,059	-	-		34,059	34,059	-	-			34,059
Other*		-	-	-		-	-	-	-			-
Operating Lease Payments		5,406	1,583	-		6,989	5,406	1,583	-			6,989
Reprographics		11,963	2,316	-	4,835	19,114	11,963	2,316	-	4,835		19,114
School Fees		-	174,579	-		174,579	-	174,579	-			174,579
Subsistence		-	-	-		-	-	-	-			-
Student Support Costs		4,825	2,016	-		6,841	4,825	2,016	-			6,841
Marine Operating Costs (Boats)		-	-	-	9,364	9,364	-	-	-	33,358		33,358
Cadet-ship Training and Travel for re-charge		-	-	-	32,688	32,688	-	-	-	32,688		32,688
Student Welfare		-	-	-	5,779	5,779	-	-	-	5,779		5,779
Postages		1,709	865	-	4,348	6,922	1,709	865	-	4,348		6,922
Stationary		869	629	-	3,524	5,023	869	629	-	3,524		5,023
Student Prizes		-	-	-	2,671	2,671	-	-	-	2,671		2,671
Catering		-	-	-	2,423	2,423	-	-	-	2,423		2,423
Finance Costs		-	-	-	1,913	1,913	-	-	-	1,913		1,913
Facility Hire Costs		-	-	-	1,706	1,706	-	-	-	1,706		1,706
Sundry		-	-	-	112	112	-	-	-	112		112
Mobile & Phone Costs		3,505	274	-		3,778	3,505	274	-			3,778
Long Term Service Awards		-	-	-	103	103	-	-	-	103		103
Student Accommodation Costs		-	65,232	-		65,232	-	65,232	-			65,232
Advertising		4,422	665	-		5,087	4,422	665	-			5,087
Residual & Non Recoverable VAT				-			29,563	34,952	-			64,515
Total		324,873	384,083	-	236,538	945,494	354,436	419,035	-	251,300	-	1,024,771
Variance		-	-	-	-	-	-	-	-	0.20	-	0.20
4	Day 0 - Note 4 - Grants to	Day 1 - Note 4 - Grants to										
	Not needed	Not needed										
5	Day 0 - Note 5 - Marketing	Day 1 - Note 5 - Marketing										
	Not needed	26,500										

6	Day 0 - Note 6 - Professional & Financial Fees					Day 1 - Note 6 - Professional & Financial Fees					
	Shetland College	Train Shetland	NAFC (SIC)	NAFC	TOTAL	Shetland College	Train Shetland	NAFC (SIC)	NAFC	New Entity	TOTAL
Research Grants and contracts - Misc Professional fees	-	-	-	60,094	60,094	-	-	-	52,746		52,746
Exam Fees (SQA, EMTA, Lantra, Others)	-	-	-	36,685	36,685	-	-	-	36,685		36,685
Core Misc Professional fees (Nau, Eng, Tra, Aqu)	-	-	-	34,556	34,556	-	-	-	34,556		34,556
SIC FE Credits Admin Fee*	-	-	-	23,627	23,627	-	-	-	-		-
Sage Upgrade, analytics and support	-	-	-	18,615	18,615	-	-	-	18,615		18,615
Accountancy & Audit	-	-	-	10,734	10,734	-	-	-	10,734	17,500	28,234
Legal Fees	1,362	-	-	4,418	5,780	-	-	-	4,418	5,000	9,418
Chairpersons Honorarium (paid to Employer)	-	-	-	3,500	3,500	-	-	-	3,500		3,500
Bad Debts	-	-	-	1,465	1,465	-	-	-	1,465		1,465
Environmental Fees	-	-	-	1,315	1,315	-	-	-	1,315		1,315
Consultancy Fees	-	-	-	608	608	-	-	-	608		608
VAT Annual Adjustment (2018/19)	-	-	-	8,589	8,589	-	-	-	8,589	-	8,589
Boat Slipping Costs	-	-	-	23,994	23,994	-	-	-	-		-
Council Recharges:	-	-	-	-	-	-	-	-	-		-
Estates & Property Management	-	-	14,075		14,075	-	-	-		12,000	12,000
Health & Safety Systems					-					3,258	3,258
Corporate	14,880	346	-		15,225	-	-	-			-
Finance	71,277	18,302	-		89,579	-	-	-		11,200	11,200
HR	87,792	-	-		87,792	-	-	-		11,200	11,200
HR Systems										8,000	8,000
IT	8,659	8,833	-		17,492	-	-	-			-
Management & Administration	36,000	5,400	-		41,400	-	-	-			-
Procurement	7,115	2,380	-		9,496	-	-	-			-
Bursary Services			-					-		12,691	12,691
Unforeseen Services			-					-		5,000	5,000
SHEFC	59,349	-	-		59,349	59,349	-	-			59,349
Residual & Non Recoverable VAT			-			5,401	-	-		7,812	13,213
Total	286,435	35,261	14,075	211,022	546,793	64,749	-	-	156,053	93,661	314,463
Variance	-	-	-	-	-	-	-	-	-	0	0.40
7	Day 0 - Note 7 - Travel & Vehicles					Day 1 - Note 7 - Travel & Vehicles					
	Shetland College	Train Shetland	NAFC (SIC)	NAFC	TOTAL	Shetland College	Train Shetland	NAFC (SIC)	NAFC	New Entity	TOTAL
Student Travel	260	51,699	-		51,959	260	51,699	-			51,959
Support Travel	12,443	1,194	-		13,637	12,443	1,194	-			13,637
Academic Travel	5,481	-	-		5,481	5,481	-	-			5,481
Research Travel	16,823	-	-		16,823	16,823	-	-			16,823
Subsistence	-	-	-		-	-	-	-	-		-
Mileage	6,224	6,539	-		12,763	6,224	6,539	-	-		12,763
Vehicle Expenses	-	-	-	5,496	5,496	-	-	-	5,496		5,496
Research - T&S for Re-charge	-	-	-	4,359	4,359	-	-	-	4,359		4,359
Research - T&S for Research Grants and Contract	-	-	-	18,154	18,154	-	-	-	18,154		18,154
Research - Core T&S	-	-	-	4,694	4,694	-	-	-	4,694		4,694
Academic - T&S for Re-charge	-	-	-	14,817	14,817	-	-	-	14,817		14,817
Academic - Core T&S	-	-	-	9,402	9,402	-	-	-	9,402		9,402
Support - T&S for Re-charge	-	-	-	196	196	-	-	-	196		196
Support - Core T&S	-	-	-	5,010	5,010	-	-	-	5,010		5,010
Residual & Non Recoverable VAT			-			3,752	5,408	-			9,160
Total	41,231	59,432	-	62,128	162,791	44,983	64,840	-	62,128	-	171,951
Variance	-	-	-	-	-	-	-	-	-	-	-
8	Day 0 - Note 8 - Scottish Funding Council					Day 1 - Note 8 - Scottish Funding Council					
	Shetland College	Train Shetland	NAFC (SIC)	NAFC	TOTAL	Shetland College	Train Shetland	NAFC (SIC)	NAFC	New Entity	TOTAL
ESOL Grant	16,921	-			16,921	16,921	-	-			16,921
NRPA Grant	142,350	2,300	-		144,650	437,622	2,300	-			439,922
Student Support Grant	13,562	-			13,562	13,562	-	-			13,562
FE	1,165,554	-	-		1,165,554	1,165,554	-	-			1,165,554
HE	451,829	-	-		451,829	451,829	-	-			451,829
HE - Engineering	-	-	-	52,709	52,709	-	-	-	52,709		52,709
HE - Nautical	-	-	-	57,803	57,803	-	-	-	57,803		57,803
HE - Aquaculture	-	-	-	26,579	26,579	-	-	-	26,579		26,579
FE - Engineering	-	-	-	199,032	199,032	-	-	-	199,032		199,032
FE - Nautical	-	-	-	214,903	214,903	-	-	-	214,903		214,903
FE - Training & Skills	-	-	-	27,780	27,780	-	-	-	27,780		27,780
FE - Aquaculture	-	-	-	109,881	109,881	-	-	-	109,881		109,881
Knowledge Transfer Grant	-	-	-	106,628	106,628	-	-	-	47,143		47,143
University Innovation Fund	-	-	-	34,580	34,580	-	-	-	34,580		34,580
Capital Maintenance Grant	119,463	-	-	12,079	131,542	119,463	-	-	12,079		131,542
Total	1,909,680	2,300	-	841,974	2,753,954	2,204,952	2,300	-	782,489	-	2,989,741
Variance	-	-	-	-	-	-	-	-	-	-	-

9	Day 0 - Note 9 - Tuition Fees, Contracts & Grants					Day 1 - Note 9 - Tuition Fees, Contracts & Grants					
	Shetland College	Train Shetland	NAFC (SIC)	NAFC	TOTAL	Shetland College	Train Shetland	NAFC (SIC)	NAFC	New Entity	TOTAL
Short Course Fees	-	238,366	-	-	238,366	-	241,366	-	-	-	241,366
Vocational Fees	-	1,700	-	-	1,700	-	1,700	-	-	-	1,700
Evening Classes	880	-	-	-	880	880	-	-	-	-	880
Project Search	25,984	-	-	-	25,984	25,984	-	-	-	-	25,984
ESOL Fees	3,169	-	-	-	3,169	3,169	-	-	-	-	3,169
Other - Art & Design Fees	129	-	-	-	129	129	-	-	-	-	129
Other - Business & Management Fees	-	6,550	-	-	6,550	63,450	-	-	-	-	63,450
Other - Community Fees	3,699	-	-	-	3,699	3,699	-	-	-	-	3,699
Other - Health & Care Fees	32,095	-	-	-	32,095	32,095	-	-	-	-	32,095
Other - IT Fees	1,771	-	-	-	1,771	1,771	-	-	-	-	1,771
FE - Art & Design Fees	14,344	-	-	-	14,344	14,344	-	-	-	-	14,344
FE - Business & Management Fees	13,730	-	-	-	13,730	13,730	-	-	-	-	13,730
FE - Community Fees	1,221	-	-	-	1,221	1,221	-	-	-	-	1,221
FE - Construction Fees	22,052	-	-	-	22,052	22,052	-	-	-	-	22,052
FE - Health & Care Fees	14,648	-	-	-	14,648	14,648	-	-	-	-	14,648
FE - IT Fees	1,040	-	-	-	1,040	1,040	-	-	-	-	1,040
FE - Music Fees	2,649	-	-	-	2,649	2,649	-	-	-	-	2,649
HE - Archaeology Fees	8,458	-	-	-	8,458	8,458	-	-	-	-	8,458
HE - Art & Design Fees	106,051	-	-	-	106,051	106,051	-	-	-	-	106,051
HE - Business & Management Fees	17,434	-	-	-	17,434	17,434	-	-	-	-	17,434
HE - Community Fees	1,220	-	-	-	1,220	1,220	-	-	-	-	1,220
HE - Construction Fees	8,419	-	-	-	8,419	8,419	-	-	-	-	8,419
HE - Health & Care Fees	38,637	-	-	-	38,637	38,637	-	-	-	-	38,637
HE - IT Fees	18,134	-	-	-	18,134	18,134	-	-	-	-	18,134
HE - Music Fees	26,268	-	-	-	26,268	26,268	-	-	-	-	26,268
SVQs - Business & Management Fees	30,696	-	-	-	30,696	30,696	-	-	-	-	30,696
SVQs - Construction Fees	3,940	-	-	-	3,940	3,940	-	-	-	-	3,940
SVQs - Health & Care Fees	135,700	-	-	-	135,700	135,700	-	-	-	-	135,700
SVQs - IT Fees	178	-	-	-	178	178	-	-	-	-	178
HE Course Fees - Engineering	-	-	-	33,825	33,825	-	-	-	33,825	-	33,825
HE SAAS Fees - Engineering	-	-	-	10,280	10,280	-	-	-	10,280	-	10,280
HE Course Fees - Nautical	-	-	-	67,857	67,857	-	-	-	67,857	-	67,857
HE SAAS Fees - Nautical	-	-	-	12,079	12,079	-	-	-	12,079	-	12,079
HE Course Fees - Aquaculture	-	-	-	11,900	11,900	-	-	-	11,900	-	11,900
HE SDS Funding - Aquaculture	-	-	-	9,650	9,650	-	-	-	9,650	-	9,650
FE Course Fees - Engineering	-	-	-	118,916	118,916	-	-	-	118,916	-	118,916
FE SDS Funding - Engineering	-	-	-	17,025	17,025	-	-	-	17,025	-	17,025
FE Course Fees - Nautical	-	-	-	213,415	213,415	-	-	-	213,415	-	213,415
FE Exam Body Fees - RYA/AMERC	-	-	-	3,814	3,814	-	-	-	3,814	-	3,814
FE SDS Funding - Nautical	-	-	-	2,959	2,959	-	-	-	2,959	-	2,959
FE Course Fees - First Aid	-	-	-	36,095	36,095	-	-	-	36,095	-	36,095
FE Course Fees - Aquaculture	-	-	-	121,325	121,325	-	-	-	121,325	-	121,325
FE SDS Funding - Aquaculture	-	-	-	88,138	88,138	-	-	-	88,138	-	88,138
Educational Contracts	-	-	-	20,569	20,569	-	-	-	20,569	-	20,569
Total	525,994	240,066	-	767,847	1,533,908	595,994	243,066	-	767,847	-	1,606,908
Variance	-	-	-	1.00	1.00	-	-	-	1.00	-	1.00
10	Day 0 - Note 10 - Research Grants & Contracts					Day 1 - Note 10 - Research Grants & Contracts					
	Shetland College	Train Shetland	NAFC (SIC)	NAFC	TOTAL	Shetland College	Train Shetland	NAFC (SIC)	NAFC	New Entity	TOTAL
Research Grants	-	-	-	-	-	-	-	-	105,995	-	105,995
Research Contracts	49,640	-	-	-	49,640	49,640	-	-	-	-	49,640
Creative Industries Grants (UHI, SIC, HIE)	140,220	-	-	-	140,220	-	-	-	-	-	-
Research Council Grants - Aquaculture	-	-	-	11,411	11,411	-	-	-	-	-	-
Uk Central Gov/Local & Health Authority - Aquaculture	-	-	-	116,106	116,106	-	-	-	25,000	-	25,000
EU Government Bodies - Aquaculture	-	-	-	108,089	108,089	-	-	-	6,951	-	6,951
Uk Charities - Aquaculture	-	-	-	13,794	13,794	-	-	-	18,890	-	18,890
Uk Central Gov/Local & Health Authority - Fisheries	-	-	-	274,512	274,512	-	-	-	312,940	-	312,940
EU Government Bodies - Fisheries	-	-	-	46,613	46,613	-	-	-	76,474	-	76,474
Uk Industry - Fisheries	-	-	-	8,368	8,368	-	-	-	16,103	-	16,103
Central Gov/Local & Health Authority - Marine Planning	-	-	-	112,103	112,103	-	-	-	142,982	-	142,982
Uk Charity - Marine Planning	-	-	-	11,120	11,120	-	-	-	63,629	-	63,629
Uk Charities - MST Core	-	-	-	16,250	16,250	-	-	-	18,601	-	18,601
Total	189,860	-	-	718,366	908,226	49,640	-	-	787,565	-	837,205
Variance	-	-	-	1	1	-	-	-	-	-	-
11	Day 0 - Note 11 - Residential Income					Day 1 - Note 11 - Residential Income					
	No further detail					No further detail					
12	Day 0 - Note 12 - Consultancy Income					Day 1 - Note 12 - Consultancy Income					
	Shetland College	Train Shetland	NAFC (SIC)	NAFC	TOTAL	Shetland College	Train Shetland	NAFC (SIC)	NAFC	New Entity	TOTAL
SVT Harbour Plan	-	-	-	-	-	-	-	-	26,924	-	26,924
Marine Planning Consultancy	-	-	-	-	-	-	-	-	50,550	-	50,550
Fisheries Consultancy	-	-	-	-	-	-	-	-	48,137	-	48,137
SFA Consultancy	-	-	-	-	-	-	-	-	20,000	-	20,000
Aquaculture Consultancy	-	-	-	-	-	-	-	-	7,447	-	7,447
Total	-	-	-	-	-	-	-	-	153,058	-	153,058
Variance	-	-	-	-	-	-	-	-	-	-	-

13	Day 0 - Note 13 - Management & Service Fees					Day 1 - Note 13 - Management & Service Fees					
	Shetland College	Train Shetland	NAFC (SIC)	NAFC	TOTAL	Shetland College	Train Shetland	NAFC (SIC)	NAFC	New Entity	TOTAL
Course Management Services	21,219	7,348	-	-	28,567	-	-	-	-	-	-
SSQC	-	-	-	-	-	-	-	-	17706	-	17,706
Haaf	-	-	-	-	-	-	-	-	7,588	-	7,588
Student support service Shetland College*	-	-	-	-	-	-	-	-	16,456	-	16,456
Skills Development Scotland	-	334,250	-	-	334,250	-	334,250	-	-	-	334,250
Library Services Income	29,856	-	-	-	29,856	29,856	-	-	-	-	29,856
Total	51,075	341,598	-	-	392,672	29,856	334,250	-	41,750	-	405,855
Variance	-	-	-	-	-	-	-	-	0.23	-	0.23
14	Day 0 - Note 14 - Other Income					Day 1 - Note 14 - Other Income					
	Shetland College	Train Shetland	NAFC (SIC)	NAFC	TOTAL	Shetland College	Train Shetland	NAFC (SIC)	NAFC	New Entity	TOTAL
Travel and Subsistence - Re-charge (includes Cadets)	-	-	-	53,653	53,653	-	-	-	53,653	-	53,653
Boat hire	-	-	-	22,719	22,719	-	-	-	22,719	-	22,719
Fish Sales	-	-	-	18,804	18,804	-	-	-	18,804	-	18,804
Misc Exam Fees	-	-	-	14,280	14,280	-	-	-	14,280	-	14,280
Facility Hire	1,265	5,490	-	123,524	130,279	1,265	5,490	-	7,315	-	14,070
Sale of Equipment & Materials	888	-	-	3,752	4,640	888	-	-	3,752	-	4,640
Consumables and Prof Fees - Re-charge]	-	-	-	3,459	3,459	-	-	-	3,459	-	3,459
Student Prizes	-	-	-	2,676	2,676	-	-	-	2,676	-	2,676
Miscellaneous Income	14	-	-	9,249	9,263	14	-	-	9,249	-	9,263
Insurance Claims	-	-	-	984	984	-	-	-	984	-	984
Stationary Sales	-	-	-	892	892	-	-	-	892	-	892
Residential Income	-	-	-	17,613	17,613	-	-	-	-	-	-
Consultancy Contracts	-	-	-	207,424	207,424	-	-	-	-	-	-
Management & Services Fees	588	-	-	119,638	120,226	588	-	-	-	-	588
Textile Facilitation Unit	54,102	-	-	-	54,102	54,102	-	-	-	-	54,102
Canteen Income	72,481	-	-	-	72,481	72,481	-	-	-	-	72,481
Catering Services	652	-	-	-	652	652	-	-	-	-	652
Staff Development Reimbursement	5,317	-	-	-	5,317	5,317	-	-	-	-	5,317
Residential Income	-	-	-	-	-	-	-	-	-	-	-
Total	135,307	5,490	-	598,667	739,463	135,307	5,490	-	137,783	-	278,579
Variance	-	-	-	0	0	-	-	-	0	-	0

Years 1 - 5

Cash Flow Forecast (Includes indicative Capital Expenditure & Excludes ER/VR Costs)					
	Year 1 £	Year 2 £	Year 3 £	Year 4 £	Year 5 £
Opening Bank Balance	420,399	338,858	257,317	175,776	94,235
Surplus / (deficit) in year	- 956,146	- 432,973	- 274,556	- 128,762	- 40,927
Reduction in creditors	- 81,541	- 81,541	- 81,541	- 81,541	- 81,541
SFC Transitional Funding	956,146	432,973	274,556	128,762	40,927
Capital Expenditure	- 845,625	- 398,960	- 398,344	- 100,000	-
SFC Capital Funding	845,625	398,960	398,344	100,000	-
Closing Bank Balance	338,858	257,317	175,776	94,235	12,694

'Day 0'

Balance Sheet		Shetland College	Train Shetland	NAFC (SIC)	NAFC	TOTAL
	Note	£	£	£	£	£
Property, Plant and Equipment	1	6,671,000		4,070,000	391,423	11,132,423
Heritage Assets	2					
Intangible Assets	3					
Long-term Investments	4					
Long-term Debtors	5					
Long-Term Assets		6,671,000	0	4,070,000	391,423	11,132,423
Assets held for Sale	6					
Inventories	7					
Short-term Debtors	8	108,919	21,684		967,777	1,098,380
Cash and Cash equivalents	9				901,708	901,708
Current Assets		108,919	21,684	0	1,869,485	2,000,088
Short-term Creditors	10	(969,097)	(44,573)	(105,285)	(316,130)	(1,435,085)
Short-term Provisions	11					
Grant Receipts in Advance - Revenue	12					
Current Liabilities		(969,097)	(44,573)	(105,285)	(316,130)	(1,435,085)
Long-term Borrowing	13					
Pension Liability	14	(1,574,295)	(567,675)	0	(3,932,000)	(6,073,970)
Long-term Provisions	15					
Deferred Liabilities	16					
Other Long-term Liabilities	17					
Long-Term Liabilities		(1,574,295)	(567,675)	0	(3,932,000)	(6,073,970)
Net Assets		4,236,527	(590,564)	3,964,715	(1,987,222)	5,623,456
Usable Reserves	18				2,371,108	2,371,108
Unusable Reserves	18	(4,236,527)	590,564	(3,964,715)	(383,886)	(7,994,564)
Total Reserves		(4,236,527)	590,564	(3,964,715)	1,987,222	(5,623,456)

The Pension Liability relating to Shetland College and Train Shetland is an estimate based on the total liability for the Council divided by the total Council membership of the LGPS, multiplied by the number of members in either Shetland College or Train Shetland.

'Day 1'

Shetland College	Train Shetland	NAFC (SIC)	NAFC	TOTAL
£	£	£	£	£
71,000			216,115	287,115
71,000	0	0	216,115	287,115
27,230	5,421		404,872	437,523
27,230	5,421	0	825,271	857,922
(174,774)	(11,143)		(221,788)	(407,706)
(174,774)	(11,143)	0	(221,788)	(407,706)
0	0	0	0	0
(76,545)	(5,722)	0	819,598	737,331
			(776,304)	(776,304)
76,545	5,722		(43,294)	38,973
76,545	5,722	0	(819,598)	(737,331)

No Pension Liability is shown from Day One as this would require detailed actuarial advice, however the Council agreed at its meeting in December 2018 to provide a guarantee against the pension liability of the new merged college.

Summary of Changes to Income and Expenditure Figures

Summary of Changes to Income and Expenditure Figures		Day Zero to Day One					
I & E Category	Note of Change	Shetland College	Train Shetland	NAFC (SIC)	NAFC	New Entity	Note
		+ Cost / - Saving £	+ Cost / - Saving £	+ Cost / - Saving £	+ Cost / - Saving £	+ Cost / - Saving £	
I & E Category	Note of Change						
Internal Adjustments							
Management & Service Fees	FE Credits Admin Charge to NAFC	21,219					Reduced income to Shetland College for Admin Services provided to NAFC
Professional & Financial Fees	FE Credits Admin Charge from College				- 23,627		No charge from Shetland College
Management & Service Fees	Short Course Management for NAFC		7,348		- 7,588		Reduced income to Train Shetland for Booking Services provided to NAFC
NAFC Movements (Category Changes)							
Consultancy	NAFC transfer between categories				-153058		To better reflect 19/20 position
Other Income	Consultancy Contracts				207,424		Adjustments
Professional & Financial Fees	Boat Slipping Costs				- 23,994		Transferred to Operating Costs
Operating Costs	Marine Costs (Boats)				23,994		Transferred from Professional Fees & Charges
Management & Service Fees	Haaf				- 17,706		Data input error
Research Grants & Contracts	Across Range				- 69,199		Adjustment to better reflect 19/20 position
Professional & Financial Fees	Misc Professional Fees				- 7,348		Re alignment
Management & Service Fees	Skills Development Scotland				- 16,456		Re alignment
Cessation of Activities							
Operating Costs	Consumables				- 9,232		Closure of Broodstock Facility
Other Income	Reduced Facility Hire (Hatchery)				116,209		Closure of Broodstock Facility
Premises Costs	Utilities				- 48,082		Closure of Broodstock Facility
Research Grants & Contracts	Completion of Chair of Creative Industries Project Funding	140,220					Intial 5 year funding comes to an end
Scottish Funding Council	Knowledge Transfer Grant Reduction				59,485		Funding stream no longer available
Other Income	Reduced Residential Income				17,613		Closure of Port Arthur House (Structural investigations completed but monitoring for 1yr)
Premises Costs	Housekeeping Costs removed				- 48,257		Closure of Port Arthur House (Structural investigations completed but monitoring for 1yr)
Premises Costs	Reduced Maintenance				- 30,089		Closure of Port Arthur House (Structural investigations completed but monitoring for 1yr)
Other Income	Management & Service Fee Reductions				119,638		Cessation of Joint Principle arrangement
Costs remaining with Shetland Islands Council							
Employee Costs	Unfunded Pensioner Enhancement to SIC	- 64,978					Current SIC pensioners
Premises Costs	Train Shetland Building Costs		- 69,171				SIC decision is that building will not transfer
Premises Costs	Lease Costs	- 154,098		- 340,136			Property Lease costs to be replaced by minimum value transaction
Professional & Financial Fees	Recharges	- 225,724	- 35,261				Removal of corporate service support
Premises Costs	Recharges (inc Insurance)	- 24,442	- 742				Removal of corporate service support
New Entity Adjustments							
Employee Costs	Apprenticeship Levy	- 9,175	- 1,438			8,557	Adjust apprencheship levy for the new entity
Employee Costs	Full Year Cost of PhD Stipend	1,213					Adjustment to show full year cost of a PhD student stipend
Employee Costs	New Posts					113,700	First Tier Staffing Changes
Operating Costs	Marketing					26,500	Estimated ongoing requirement
Premises Costs	Cleaning Costs - Shetland College Building					16,649	SIC cleaning not budgeted in College and TS
Premises Costs	General Rates Removed	- 117,392					Charitable Entity won't pay rates
Premises Costs	Insurance Costs			- 1,450		12,000	Estimated additional cost of insurance for the new entity
Premises Costs	Minimal Value Charge for Properties					100,000	to be confirmed, Depends on Ministerial bill type
Pro Rata across Categories	Residual & Non Recoverable VAT	51,373	40,360	6,537	-	17,244	S33 of VAT Act 1994 will no longer apply to Shetland College and Train Shetland, calculation uses NAFC experience
Professional & Financial Fees	Health & Safety Systems					3,258	Health & Safety Systems
Professional & Financial Fees	Internal and External Audit					15,000	Double current provision in NAFC + IA cost of annual FES review
Professional & Financial Fees	VAT Liaison					2,500	To complete an Initial VAT Review
Professional & Financial Fees	Bursary Services					12,691	Prudent provision - may be covered by a member of current staff
Professional & Financial Fees	Estate and Property Management					12,000	Management of estate
Professional & Financial Fees	Financial Services					11,200	Provision of additional financial advice and services
Professional & Financial Fees	HR Services					11,200	Provision of HR advice and Services
Professional & Financial Fees	HR systems					8,000	Ongoing cost of HR system (not currently in place)
Professional & Financial Fees	Unforeseen Services or Advice			- 14,075		5,000	Proudent provision for unforeseen events
Professional & Financial Fees	Legal Advice	- 1,362				5,000	Provision for Legal advice and services
Scottish Funding Council	Full NRPA Income	- 295,272					Based on SFC 19/20 provision
Tuition Fees, Contracts & Grants	Income from Council not currently charged due to accounting regulations	- 70,000	- 3,000				Provision of services to the Council currently provided at nil charge
		- 748,419	- 61,904	- 349,124	89,727	380,499	
Income and Expenditure Balance Change		- 748,419	- 61,904	- 349,124	89,726	- 380,499	
Variance to I & E		-	-	0	0	1	0

Summary of Changes to Income and Expenditure Figures - Year One to Five		Day One to Year Five					Notes
		Year 1	Year 2	Year 3	Year 4	Year 5	
		+ Cost / - Saving £	+ Cost / - Saving £	+ Cost / - Saving £	+ Cost / - Saving £	+ Cost / - Saving £	
I & E Category	Note of Change						
Employee Costs	Second Tier Adjustments	- 122,400					Early changes associated with developing the management team, costings in relation to Jane's 3 models taken into account here and in restructure below
Employee Costs	Restructure	- 94,574	- 484,219				Restructure as per FBC, updated for pay rates (includes harmonisation to NRPA for NAFC lecturers & 2nd Tier costs in line with Jane's preferences)
Employee Costs	Additional Staffing for Research and Teaching		37,500	37,500	18,750	18,750	75% of Research additional income
Employee Costs	SPPA contribution rate increase from 17.2% to 23%	39,678					SPPA advised of this increase
Employee Costs	Support Staff to NRPA (currently running behind schedule)						Unlikely before yr 3, but would be funded by SFC so no overall impact
Employee Costs	Pay Awards	103,926	97,071	99,762	102,132	104,550	Assumed at 2% per annum
Premises Costs	Port Arthur House to Reopen			58,000			
Premises Costs	Inflationary Increase (assumed 2.5% per annum)	15,346	15,729	16,123	17,976	18,425	
Operating Costs	Inflationary Increase offset by efficiencies						Efficiencies so no inflation
Marketing	Utilise social media and inhouse expertise to reduce costs						Efficiencies so no inflation
Professional and Financial Fees	Inflationary Increase offset by efficiencies (2.5% to 2%)	7,862	8,058	6,608	6,740	6,875	
Travel/Vehicle Expenses							No Change (assume efficiencies cover inflation)
Scottish Funding Council	Rurality Funding						
Scottish Funding Council	FE Growth (Increased Credits)	- 67,346	- 46,944	- 33,165	- 31,005	- 3,873	See Curriculum Summary Tab
Scottish Funding Council	HE Growth (Increased RAM)	- 6,911	- 346	- 43,497	- 48,872	- 31,913	See Curriculum Summary Tab
Scottish Funding Council	Inflationary Increase (1% per annum)	- 30,640					19/20 = 1.6%, 18/19 = 8.3%, 17/18 = 2.6%
Tuition Fees, Contracts & Grants	Nationally Set Priced Courses Growth	- 62,309	- 9,009	- 61,526	- 83,366	- 70,073	See Curriculum Summary Tab
Tuition Fees, Contracts & Grants	Nationally Set Priced Courses Income Inflation (0.5%)	- 3,631	- 3,676	- 3,984	- 4,401	- 4,751	Based on items shown in blue with white writing on I&E
Tuition Fees, Contracts & Grants	Short Course & Flexible Pricing Growth	- 12,000	- 12,000	- 12,000	- 12,000	- 12,000	1 course x 10 x 12 participants
Tuition Fees, Contracts & Grants	Short Course & Flexible Pricing Income Inflation (2.5%)	- 23,873	- 24,470	- 25,082	- 25,709	- 26,352	Based on items shown in yellow on I&E
Research Grants and Contracts	Growth (with additional staffing costs)		- 50,000	- 50,000	- 25,000	- 25,000	add 75% staffing costs
Research Grants and Contracts	Inflationary Increase (assumed 1% per annum)	- 8,372	- 8,956	- 9,545	- 9,891	- 10,240	Prudent assumption of 1%
Residential Income	Port Arthur House to Reopen			- 89,712	- 2,243	- 2,299	Based on 80% occupancy
Consultancy	Growth	- 20,000	- 20,000	- 25,000	- 25,000	- 25,000	
Consultancy	Inflationary Increase (assumed 2% per annum)	- 3,461	- 3,930	- 4,509	- 5,099	- 5,701	
Management & Service Fees	Inflationary Increase (assumed 2% per annum)	- 8,117	- 8,279	- 8,445	- 8,614	- 8,786	
Other Income	Course Redevelopment Support	- 2,500	- 2,500	- 2,500	- 2,500	- 2,500	
Other Income	Inflationary Increase (assumed 2.5% per annum)	- 6,964	- 7,201	- 7,444	- 7,692	- 7,947	
Bank Interest		4,474					
Scottish Funding Council	NRPA Harmonisation for NAFC Lecturing Staff						
Scottish Funding Council	NRPA Harmonisation for Support Staff						Unlikely before yr 3, but would be funded by SFC so no overall impact
		- 301,813	- 523,173	- 158,417	- 145,794	- 87,835	
Income and Expenditure Balance Change		- 301,813	- 523,173	- 158,417	- 145,794	- 87,835	
Variance to I & E		- 0	- 0	- 0	- 0	- 0	

Year 1

TFU	Purchase of Assets related to TFU	100,000	Capital Investment	Urgent and important	Very High	These assets must be purchased by the new college to comply with State Aid legislation
Facilities	Refurbish Port Arthur House	150,000	Capital Investment	Important	Very High	Redesign and refurbishment of existing buildin to bring back into use.
Facilities	Redesign and rationalisation of classroom and staff base spaces	100,000	Capital Investment	Important	Very High	Redesign of existing staff base spaces to address space issues. Rationalisation of classroom spaces including partitioning and repurposing existing spaces.
Facilities	Replacement of worn floor coverings in Phase 1 & 2	80,000	Replacement	Important	Medium	The floor coverings and carpets in the public areas of Phase 1 & 2 are worn and require replacement.
Facilities	Replacement of desks, chairs and damaged furniture	30,000	Replacement	Urgent and important	Very High	Replacement of unsuitable and damaged classroom and office furniture.
TFU	Upgrade of ventilation in the TFU	50,000	Replacement	Urgent and important	Very High	The existing ventilation system in the TFU is not fit for purpose and wool dust in the air presents a health hazard to staff.
Facilities / Construction	Upgrade to heating / ventilation system in Phase 1 & 2 and Construction	100,000	Replacement	Urgent and important	High	The existing systems in Phase 1 & 2 of the college do not have sufficient capacity to heat the buildings appropriately causing classrooms and work areas to be cold on winter mornings. The heating system installed in the Construction workshop is not fit for purpose and causes stored wood to dry out. There is not suitable ventilation in the art classrooms.
Briggistanes Kitchen	Replacement of dishwasher and redesign of kitchen layout	20,000	Redesign/Replacement	Important	High	Current dishwasher is not fit for purpose and requires pre-washing of items before use. Installation of a new dishwasher will require redesigning the kitchen layout.
TSD	Two lathes for engineering workshop	50,000	Replacement	Important but not urgent	Medium	Some of the existing equipment is very old, cumbersome and difficult to maintain. Also, currently students have to share lathe equipment resulting in less hands on training and more time investment needed for each class.
TSD/IT	Hardware upgrades to simulator	114,225	Replacement	Urgent and important	High	Significant upgrades to hardware required. Software upgrades will not be compatible with existing hardware.
Facilities	Speed controls for all motors (air handling, he	20,000	Investment	Important but not urgent	Medium	Speed controls on all motors, e.g. air handling units, heating, etc. Spend to save. According to SRT they have reduced costs considerably controls in place.
TSD	Eight TIG Welders	5,000	Replacement	Important but not urgent	Medium	Refresh of welding resource required. Heavy usage.
MST	Atlantia replacement engine	23,400	Replacement	Urgent and important	High	Current engine needs replacing. EMFF funding for the engine is not an option as we would need to down-rate a new engine. Operationally that is not an option.
TSD	Training raft	3,000	Replacement	Important but not urgent	Medium	Raft has been very well used and is requiring increasing maintenance and repair. We have a huge number of students on PST course which it is used for. This not being replaced long term could result in loss of revenue, students and reputation.
Year One Total		845,625				

Year 2

	Refurbish Port Arthur House	200,000	Capital Investment	Important	Very High	
Construction	Replacement table panel saw	20,000	Replacement	Important	High	Current table panel saw does not meet current H&S requirements for dust extraction and manual handling and needs to be replaced
Creative Industries	Replacement iMacs at Mareel	21,000	Replacement	Important	Very High	The Mareel iMacs are end-of-life and can no longer reliably support the current software used at the Mareel Media Lab.
Creative Industries	Replacement of domestic knitting machines	8,000	Replacement	Important	High	The Brother domestic knitting machines are end-of-life and no longer manufactured with spare parts becoming increasingly difficult to source.
Computing	Replacement of lab workstations	5,000	Replacement	Important	High	The workstations in the computing lab are out of date and no longer fit for purpose.
Construction	Replacement sander	3,000	Replacement	Urgent and important	High	Current sanding machine does not meet current H&S requirements and needs to be replaced
Creative Industries	Extraction hood and ventilation system for kiln room / Aquatint system	2,000	Capital Investment	Urgent and important	High	The current ventilation system in the kiln room is not adequate for using the Aquatint process, which requires an extraction hood to be installed to comply with H&S legislation
ICT Service	ICT rolling upgrade programme	16,000	Replacement	Important	High	Replacement of end-of-life PCs and laptops
Business & Hospitality	Upgrade to training kitchen facilities	5,000	Replacement	Important	High	Upgrades to equipment in the training kitchen to ensure H&S compliance.
TSD	Break Press	25,000	Replacement	Important	High	Current break press in need of replacement.
IT	SMART boards to replace current boards and	48,960	Replacement	Urgent but not important	Low	Four smart boards still in use, but if new boards are met with enthusiasm, more could be added to other rooms. Projectors are getting older, and are less reliable. Lamps and door motors need to be replaced. Also, the boards don't look great, and are not used often as they are difficult to use.
IT	Two servers and Powervault storage unit	21,000	Replacement	Important but not urgent	Medium	Current hardware 4 years old and out of warranty. They run all the services we use here at NAFC. New equipment would get us better performance, more storage space, and a new 3 year warranty.
Facilities	Replacement vehicle	24,000	Replacement	Urgent but not important	Low	Currently have two vehicles, one owned (4 years old) and one leased. The latter is up for renewal in Nov 2018.
Year Two Total		398,960				

Year 3

Construction	Replacement of main dust extraction motor	5,000	Replacement	Important	Medium	The motor casing on the workshop dust extraction system is corroded and requires replacement.
ICT Service	Replacement of SAN storage system	30,000	Replacement	Important	Medium	The existing storage array is almost at full capacity and approaching its 7 year lifespan.
Facilities	Roof maintenance Phase 1 & 2	105,000	Replacement	Important	Medium	Anticipated significant repairs and replacement of the ageing roof sheeting.
Construction	Replacement CNC router	30,000	Replacement	Important	Medium	The current CNC router is well past end-of-life and can no longer be used for learning & teaching purposes.
Library	Upgrade to library facilities	10,000	Capital Investment	Important	Medium	Additional shelving and redesign of IT room in library
Construction	Replacement of hand and small power tools	10,000	Replacement	Important	Medium	Replacement of end-of-life hand tools and small power tools
Computing	High-end workstations	8,000	Capital Investment	Important	Medium	Two high-end workstations for computing lab.
MST	Atlantia upgrade of working area on deck	16,344	Replacement	Important but not urgent	Medium	Engine replacement is high priority & makes sense to do full refit at same time. The non-engine works should be eligible for EMFF funding. Modifications would enable the vessel to be used for a wider range of gear trial work which would generate additional income. e.g. 3 drum trawl winch, crane and fitting, Gilson winch, net drum, bilge keels, engine fitting, propeller, slippage & stability. Quote from Macduff shipyards. (On UHI capital project list).
TSD	Refurbishment of practical working area	30,000	Replacement	Urgent but not important	Low	Practical area needs redesign and refurbishment to aid delivery of training.
IT	Rewiring main building network	10,000	Replacement	Urgent but not important	Low	Current wiring is 25 years old, and is being pushed to the limit by modern network transfer speeds. Some rooms don't have enough network sockets. Replacement for Moder Dy. A number of options are available but would need to meet requirements on inshore safety and manouverability (the Atlantia is not ideal for inshore velvet creel work); meet requirements from T&S for powerboat courses and night passage training (currently use Moder Dy); ability to be used for survey work (e.g sub-bottom profiling). A multi-purpose replacement for the Moder Dy would allow us to undertake additional activities & training and generate income. A smaller inshore vessel would have lower running and maintenance costs. e.g. Brakesea Vigilante with 280 Iveko engine, max speed up to 28kt. Cost £95 - £120k + VAT. Second-hand boats e.g. catamaran types sometimes on findafishingboat but need to have ability to purchase quickly.
MST	New workboat	144,000	Investment	Urgent and Important	Medium	
Year Three Total		398,344				

Year 4

Facilities	General repairs and maintenance Phase 1 & 2 not covered elsewhere	100,000	Replacement	Important	Medium	Wall cladding, internal decoration, classroom floor coverings, windows, etc.
Year Four Total		100,000				

Staff FTE	Shetland College	Train Shetland	NAFC (SIC)	NAFC	TOTAL
Research Staff	2.6	-		12.5	15.1
Academic Staff	27.1	1.0		16.0	44.1
Support Staff	25.8	8.8		11.9	46.5
Total	55.5	9.8	-	40.4	105.7
Variance					

Student FTE & Headcount	FE FTE	FE HC	HE FTE	HE HC	TOTAL
Business & Hospitality	17.8	48.0	19.3	65.0	150.1
Community Learning	27.9	310.0	8.2	21.0	367.1
Construction	20.3	74.0	16.2	23.0	133.5
Creative & Cultural Studies	28.6	59.0	42.2	58.0	187.7
Health & Care	61.1	251.0	39.0	98.0	449.1
IT	4.1	5.0	11.1	16.0	36.2
Engineering	50.6	182.0	12.0	12.0	256.6
Nautical	50.0	695.0	11.0	11.0	767.0
Aquaculture	8.5	415.0	-	-	423.5
Total	268.8	2,039.0	158.9	304.0	2,770.7

Course Fee Income

Course Name
Applied Aquaculture
Marine Spatial Planning MSc
Deck Cadet - Phase 1
Deck Cadet - Phase 3
Deck Cadet - Phase 5
Engineering Cadet - Phase 1
Engineering Cadet - Phase 3
Engineering Cadet - Phase 5
Centre for Rural Creativity MA
Contemporary Textiles BAH
Business Skills Foundation App
Health & Wellbeing
Youth Work PDA
Criminology
Boat Building
Construction HNC
Centre for Rural Creativity BAH
Civil Engineering FA

TOTAL	53425	59629	72959.67	78099.93	78250.33
Certainty					

SFC Income

Course Name
Applied Aquaculture
Marine Spatial Planning MSc
Deck Cadet - Phase 1
Deck Cadet - Phase 3
Deck Cadet - Phase 5
Engineering Cadet - Phase 1
Engineering Cadet - Phase 3
Engineering Cadet - Phase 5
Centre for Rural Creativity MA
Contemporary Textiles BAH
Business Skills Foundation App
Health & Wellbeing
Youth Work PDA
Criminology
Boat Building
Construction HNC
Centre for Rural Creativity BAH
Civil Engineering FA

TOTAL	70890	116760	151139.3	181904.7	183016.7
Certainty	95%	95%	90%	90%	85%

Values included 67345.5 46943.78 33165.05 31005.31 3873.479

HE				
1	2	3	4	5
0	0	15491.25	30982.5	30982.5
0	0	18474.75	36949.5	36949.5
0	0	0	0	0
0	0	0	10054	25135
0	0	0	0	13340
0	0	0	0	0
0	0	0	9339	15565
0	0	0	0	7872
12163.5	12163.5	13770	13770	13770
0	0	4572.75	9145.5	13718.25
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	2248.75	2248.75	2248.75
0	0	12163.5	34884	60817.5
0	0	0	0	0
12163.5	12163.5	66721	147373.3	220398.5

62309.08 9009.254 61526.1 83365.88 70072.75

HE				
1	2	3	4	5
0	0	10455.75	20911.5	22395.42
0	0	12469.45	26708.61	26708.61
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
7274.25	7274.25	8235	5005.35	5005.35
0	0	9428.307	18856.61	28284.92
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	5053.3	5053.3	5053.3
0	0	9944.284	28519.46	49721.42
0	0	0	0	0
7274.25	7274.25	55586.09	105054.8	137169
95%	95%	90%	90%	85%

6910.538 345.5269 43497.02 48871.57 31912.71

ALL				
1	2	3	4	5
0	0	15491.25	30982.5	30982.5
0	0	18474.75	36949.5	36949.5
0	0	2016	5040	5040
0	0	0	10054	25135
0	0	0	0	13340
0	0	3024	5040	5040
0	0	0	9339	15565
0	0	0	0	7872
12163.5	12163.5	13770	13770	13770
0	0	4572.75	9145.5	13718.25
12060	12060	20100	20100	20100
5040	5040	5040	5040	5040
4725	4725	4725	4725	4725
0	0	250.6667	350.9333	501.3333
0	6204	6204	6204	6204
0	0	2248.75	2248.75	2248.75
0	0	12163.5	34884	60817.5
31600	31600	31600	31600	31600
65588.5	71792.5	139680.7	225473.2	298648.8
95%	95%	90%	90%	85%

62309.08 9009.254 61526.1 83365.88 70072.75

ALL				
1	2	3	4	5
0	0	10455.75	20911.5	22395.42
0	0	12469.45	26708.61	26708.61
0	0	10008	25020	25020
0	0	0	0	0
0	0	0	0	0
0	0	22518	37530	37530
0	0	0	0	0
0	0	0	0	0
7274.25	7274.25	8235	5005.35	5005.35
0	0	9428.307	18856.61	28284.92
0	0	0	0	0
37530	37530	37530	37530	37530
33360	33360	33360	33360	33360
0	0	1853.333	2594.667	3706.667
0	45870	45870	45870	45870
0	0	5053.3	5053.3	5053.3
0	0	9944.284	28519.46	49721.42
0	0	0	0	0
78164.25	124034.3	206725.4	286959.5	320185.7

				Total FTE based in Shetland	Total FTE based in Shetland	FTE of students on Network Courses being supported in Shetland	FTE of students in Network being taught from Shetland				(N X 65%) X L X E (N X 65%) X K X J O + P - Q + R 417.00 56.40 Course Fee X E (Course Fee X 35%) X H (Course Fee X 65%) X L X E (Course Fee X 65%) X K X J V + W - X + Y										Financial Model Year						
Level	Type	Teaching Section	Course Name	HE - Student FTE	FE - Student FTE	FE - No Credits per Student	HAP Student fte	DtN (Y/N)	DtN Students (outwith Shetland)	DtN %	DFN % (not relevant in HAP only)	RAM Level	RAM Value per FTE	Local RAM £	Add HAP RAM £	Less DfN RAM £	Add DtN RAM £	TOTAL RAM £	FE - Credits £	FE - Total Course Fees £	HE - Shetland Course Fee £	HE - Add HAP Course Fees £	HE - Less DfN Course Fees £	HE - Course Fee (DtN Students) £	HE - TOTAL Course Fee £		
HE	MSc		Applied Aquaculture	5				Y	0	50%	50%	PGT02	3098	15490		0	5034.25	0	10455.75			22950	0	7458.75	0	15491.25	3
HE	MSc		Applied Aquaculture	10				Y	0	50%	50%	PGT02	3098	30980		0	10068.5	0	20911.5			45900	0	14917.5	0	30982.5	4
HE	MSc		Applied Aquaculture	10				Y	0	50%	50%	PGT01	3317.84	33178.4		0	10782.98	0	22395.42			45900	0	14917.5	0	30982.5	5
HE	MSc		Applied Aquaculture	10				Y	0	50%	50%	PGT01	3317.84	33178.4		0	10782.98	0	22395.42			45900	0	14917.5	0	30982.5	0
HE	MSc		Marine Spatial Planning MSc	5				Y	0	70%	30%	PGT02	3098	15490		0	3020.55	0	12469.45			22950	0	4475.25	0	18474.75	3
HE	MSc		Marine Spatial Planning MSc	10				Y	0	70%	30%	PGT01	3317.84	33178.4		0	6469.788	0	26708.61			45900	0	8950.5	0	36949.5	4
HE	MSc		Marine Spatial Planning MSc	10				Y	0	70%	30%	PGT01	3317.84	33178.4		0	6469.788	0	26708.61			45900	0	8950.5	0	36949.5	5
FE	Cadet	NAU	Deck Cadet - Phase 1		2	12		N											10008	2016						0	3
FE	Cadet	NAU	Deck Cadet - Phase 1		5	12		N											25020	5040						0	4
FE	Cadet	NAU	Deck Cadet - Phase 1		5	12		N											25020	5040						0	5
FE	Cadet	NAU	Deck Cadet - Phase 1		5	12		N											25020	5040						0	0
FE	Cadet	NAU	Deck Cadet - Phase 1		5	12		N											25020	5040						0	0
HE	Cadet	NAU	Deck Cadet - Phase 3	2				N													10054					10054	4
HE	Cadet	NAU	Deck Cadet - Phase 3	5				N													25135					25135	5
HE	Cadet	NAU	Deck Cadet - Phase 3	5				N													25135					25135	0
HE	Cadet	NAU	Deck Cadet - Phase 3	5				N													25135					25135	0
HE	Cadet	NAU	Deck Cadet - Phase 5	2				N													13340					13340	5
HE	Cadet	NAU	Deck Cadet - Phase 5	5				N													33350					33350	0
HE	Cadet	NAU	Deck Cadet - Phase 5	5				N													33350					33350	0
FE	Cadet	ENG	Engineering Cadet - Phase 1		3	18		N											22518	3024						0	3
FE	Cadet	ENG	Engineering Cadet - Phase 1		5	18		N											37530	5040						0	4
FE	Cadet	ENG	Engineering Cadet - Phase 1		5	18		N											37530	5040						0	5
FE	Cadet	ENG	Engineering Cadet - Phase 1		5	18		N											37530	5040						0	0
FE	Cadet	ENG	Engineering Cadet - Phase 1		5	18		N											37530	5040						0	0
HE	Cadet	ENG	Engineering Cadet - Phase 3	3				N													9339					9339	4
HE	Cadet	ENG	Engineering Cadet - Phase 3	5				N													15565					15565	5
HE	Cadet	ENG	Engineering Cadet - Phase 3	5				N													15565					15565	0
HE	Cadet	ENG	Engineering Cadet - Phase 3	5				N													15565					15565	0
HE	Cadet	ENG	Engineering Cadet - Phase 5	3				N													7872					7872	5
HE	Cadet	ENG	Engineering Cadet - Phase 5	5				N													13120					13120	0
HE	Cadet	ENG	Engineering Cadet - Phase 5	5				N													13120					13120	0
HE	MA		Centre for Rural Creativity MA	2			0 Y	3	60%	40%	PGT03	2745	5490		0	1427.4	3211.65	7274.25			9180	0	2386.8	5370.3	12163.5	1	
HE	MA		Centre for Rural Creativity MA	2			0 Y	3	60%	40%	PGT03	2745	5490		0	1427.4	3211.65	7274.25			9180	0	2386.8	5370.3	12163.5	2	
HE	MA		Centre for Rural Creativity MA	3			0 Y	2	60%	40%	PGT03	2745	8235		0	2141.1	2141.1	8235			13770	0	3580.2	3580.2	13770	3	
HE	MA		Centre for Rural Creativity MA	3			0 Y	2	60%	40%	PGT03	1668.45	5005.35		0	1301.391	1301.391	5005.35			13770	0	3580.2	3580.2	13770	4	
HE	MA		Centre for Rural Creativity MA	3			0 Y	2	60%	40%	PGT03	1668.45	5005.35		0	1301.391	1301.391	5005.35			13770	0	3580.2	3580.2	13770	5	
HE	BAH	A&D	Contemporary Textiles BAH	3				N		75%	25%	UGT03	3752.56	11257.68		0	1829.373	0	9428.307			5460	0	887.25	0	4572.75	3
HE	BAH	A&D	Contemporary Textiles BAH	6				N		75%	25%	UGT03	3752.56	22515.36		0	3658.746	0	18856.61			10920	0	1774.5	0	9145.5	4
HE	BAH	A&D	Contemporary Textiles BAH	9				N		75%	25%	UGT03	3752.56	33773.04		0	5488.119	0	28284.92			16380	0	2661.75	0	13718.25	5
HE	BAH	A&D	Contemporary Textiles BAH	9				N		75%	25%	UGT03	3752.56	33773.04		0	5488.119	0	28284.92			16380	0	2661.75	0	13718.25	0
HE	BAH	A&D	Contemporary Textiles BAH	9				N		75%	25%	UGT03	3752.56	33773.04		0	5488.119	0	28284.92			16380	0	2661.75	0	13718.25	0
FE	FA		Business Skills Foundation App		3.00			N											0	12060							1
FE	NC		Health & Wellbeing		5	18		N											37530	5040							1
FE	PDA		Youth Work PDA		10	8		N						0	0	0	0	0	33360	4725	0					0	1
FE			Criminology		1.11	4		N											1853.333	250.6667							3
FE			Boat Building		10	11	0 N							0	0	0	0	0	45870	6204	0					0	2
HE	HNC		Construction HNC	0			5 N				100%	UGT05	2887.6	0	5053.3	0	0	5053.3			0	2248.75				2248.75	3
HE	HNC		Construction HNC	0			5 N				100%	UGT05	2887.6	0	5053.3	0	0	5053.3			0	2248.75				2248.75	4
HE	HNC		Construction HNC	0			5 N				100%	UGT05	2887.6	0	5053.3	0	0	5053.3			0	2248.75				2248.75	5
HE	BAH		Centre for Rural Creativity BAH	2			0 Y	3	60%	40%	UGT03	3752.56	7505.12	0	1951.331	4390.495	9944.284			9180	0	2386.8	5370.3	12163.5	3		
HE	BAH		Centre for Rural Creativity BAH	5			0 Y	10	60%	40%	UGT03	3752.56	18762.8	0	4878.328	14634.98	28519.46			22950	0	5967	17901	34884	4		
HE	BAH		Centre for Rural Creativity BAH	10			0 Y	15	60%	40%	UGT03	3752.56	37525.6	0	9756.656	21952.48	49721.42			45900	0	11934	26851.5	60817.5	5		
FE	FA		Business Skills Foundation App		3.00			N											0	12060							2
FE	FA		Business Skills Foundation App		5.00			N											0	20100							3
FE	FA		Business Skills Foundation App		5.00			N											0	20100							4
FE	FA		Business Skills Foundation App		5.00			N											0	20100							5

Level	Type	Teaching Section	Course Name	Total FTE based in Shetland		FTE of students on Network Courses being supported in Shetland	FTE of students in Network being taught from Shetland		DFN % (not relevant in HAP only)	RAM Level	RAM Value per FTE	Local RAM	Add HAP RAM	Less DFN RAM	Add DTN RAM	TOTAL RAM	FE - Credits	FE - Total Course Fees	HE - Shetland Course Fee	(Course Fee X 35%) X H	(Course Fee X 65%) X L X E	(Course Fee X 65%) X K X J	V + W - X + Y	Financial Model Year
				HE - Student FTE	FE - Student FTE	FE - No Credits per Student	HAP Student fte	DTN (Y/N)	DTN %															
FE	NC		Health & Wellbeing		5	18		N									37530	5040						2
FE	NC		Health & Wellbeing		5	18		N									37530	5040						3
FE	NC		Health & Wellbeing		5	18		N									37530	5040						4
FE	NC		Health & Wellbeing		5	18		N									37530	5040						5
FE	PDA		Youth Work PDA		10	8		N					0	0	0	0	0	33360	4725	0			0	2
FE	PDA		Youth Work PDA		10	8		N					0	0	0	0	0	33360	4725	0			0	3
FE	PDA		Youth Work PDA		10	8		N					0	0	0	0	0	33360	4725	0			0	4
FE			Criminology		1.56	4		N									2594.667	350.9333						4
FE			Criminology		2.22	4		N									3706.667	501.3333						5
FE			Criminology		2.22	4		N									3706.667	501.3333						0
FE			Boat Building		10	11	0	N									45870	6204						3
FE			Boat Building		10	11	0	N									45870	6204						4
FE			Boat Building		10	11	0	N									45870	6204						5
FE	FA		Civil Engineering FA		5													31600						1
FE	FA		Civil Engineering FA		5													31600						2
FE	FA		Civil Engineering FA		5													31600						3
FE	FA		Civil Engineering FA		5													31600						4
FE	FA		Civil Engineering FA		5													31600						5

Annex 2– Learning and Teaching Strategy (draft)

Effective and Sustainable Tertiary Education, Research and Training in Shetland – Full Business Case

Workstream – Curriculum / Mike Devenney November 2018

Output – Learning and Teaching Strategy

Context

Learning and Teaching will be one of the core and key functions of the merged college.

Vision

To provide learning and teaching of the highest quality within an educational environment that is fully inclusive and highly supportive.

Purpose of Learning and Teaching Strategy

It is the primary purpose of this strategy to ensure that everything that can be done to bring about high quality learning and teaching for all of the college's learners is undertaken and that sufficient and sustained effort is made to maximise the success of our learners and their future prospects. What follows are sets of strategic objectives designed to realise this core purpose.

1. Curriculum Design and Assessment

- Deliver a range of educational and training opportunities to meet the needs of individuals, communities and employers throughout Shetland
- Provide a fully accessible and inclusive curriculum providing opportunities for success and progression for all learners, with a sensitive approach being taken to learners with protected characteristics
- Strengthen engagement with, and contribution to, the University of the Highlands and Islands, thereby increasing the range of UHI courses available to learners in Shetland
- Take maximum advantage of the sharing of learning and teaching development and delivery opportunities offered by the UHI partnership

2. Achieving Excellence in Learning and Teaching

- Deliver innovative, effective and engaging teaching which enables and supports effective learning
- Reflective practice will be expected of all individual members of lecturing staff and teams Arrangements will be put in place to ensure annual evaluation of the quality of learning and teaching
- Promotion and sharing of excellence and innovation in learning and teaching practice will be undertaken routinely
- A programme of improvement/development will be implemented to support identified areas of learning and teaching
- Newly appointed lecturing staff will be encouraged to take up the support opportunities provided by the UHI Learning and Teaching Enhancement Mentoring Strand Experienced

lecturing staff will be encouraged to become mentors within the UHI Learning and Teaching Enhancement Mentoring Strand.

3. Achieve High Levels of Learner Success and Progression into Positive Destinations

- Generate a high expectation culture for learners which enables and supports effective learning
- Ambitious targets for learner success and positive destinations will be set annually
- Target setting will include students in specific groups and those with protected characteristics
- Monitoring of targets will be undertaken at regular intervals throughout the academic year

4. Learner Pathways and Opportunities for Progression

- Suitable entry and exit points will be provided in order to meet learner needs and aspirations
- Learner pathways will be developed providing a high level of opportunities for learner progression and fulfilment

5. Developing Skills for Learning, Work and Life

- A range of employability skills will be developed for all learners to support success and progression
- Opportunities for access to work experience will be provided for learners to support achievement and progression
- A range of professional development opportunities will be developed to support local businesses in developing their workforce

6. Hearing and Listening to the Learner Voice

- The views of learners will be ensured in relation to their learning and will be sought at regular intervals throughout the academic year
- The views of learners will be acted upon quickly and positively as required

7. Developing Creative, Enterprising and Digitally Literate Learners

- Access to the widest range of technology enhanced learning opportunities will be provided

8. Support for Learning

- Inclusivity in teaching practice will be supported
- Provision for appropriate, targeted support for learners who require it will be provided
- Learners having access to a range of employability skills to support their success and progress will be ensured
- Learning environments that are both positive and respectful for all learners will be created.

Annex 3– Research and Knowledge Exchange Strategy (draft)

This document sets out a high-level strategic approach to research and knowledge exchange within a “New Shetland College” encompassing the existing research carried out at the NAFC Marine Centre and Shetland College (incorporating the Centre for Rural Creativity). This is presented within the broader context of the University of the Highlands and Islands.

Aim: To embed existing research and impact activity within an innovative and exciting model that both reflects the values and setting of current activity, and creates a new identity for research in Shetland.

Vision: An innovative research landscape which draws on Shetland’s maritime and cultural heritage to maximise opportunities for synergies, and strengthen existing excellence.

In order to maintain, promote and enhance research and KE, it is proposed that a new ‘Research group’ be established within the new institute to encompass all existing and new research, knowledge exchange and associated activities. This group will be Multi-disciplinary and will be responsible for the coordination and management of research and knowledge exchange activities and for the development of research in Shetland in collaboration with the UHI network.

Members of staff of “New Shetland College” engaged in research and KE will be invited to join the group and to facilitate capacity building and coaching with other members of staff interested and developing their research activities.

Objectives:

Research & Impact: Maintain and increase research, which has an impact on communities in a local, national and international context, contributes to the REF, and continues to support the local economy.

Explore collaboration between marine science and creative industries in the unique context that is Shetland.

Cultivate an International perspective relative to other island/remote maritime communities in delivering collaborative projects.

Develop and increase sustainable income streams

People: Develop an environment, which generates innovative research synergies.

Provide a positive environment for staff and students in the pursuit of scholarship and research. Providing opportunities for engagement with all relevant UHI groups, national research clusters and international collaborations where possible.

Increase and support a vibrant and eclectic postgraduate research community.

Support effective delivery of research degrees including exploration of opportunities for introducing interdisciplinary teaching and strengthening research teaching linkages.

Milestones

Formation of a single research committee with defined Role and Remit and membership.

Development of a 5-year strategic plan outlining a path to long term sustainability for research, carried out in consultation with staff.

Shoormal conference – a minimum of one new collaborative multidisciplinary project

The University of the Highlands and Islands Context

Shetland College and the NAFC Marine Centre are key institutions in the UHI partnership and play a critical role in the development of research and KE – both in a local context and in the wider University context. The emerging new unified Shetland College offers an opportunity to create a new multi-disciplinary Research Group to lead and develop research activity, income generation and capacity building in Shetland, and to contribute to the University wide research activity. The new Research Group will articulate activities to the UHI Research, Impact and Knowledge Exchange Strategic Plan, 2018-2023¹.

Staff in the new research group are members of three of the four UHI research clusters (MESE, HARC and SILK) and will continue to contribute and lead in the ongoing development of these groups.

Shetland Context

New Shetland College will focus its research and knowledge exchange activities in two main areas as highlighted in the UHI Research Strategy:

- » Marine and environmental science
- » Culture, creativity, heritage, language and history

These areas are represented within the current organisational structures as set out below. There are significant opportunities for interdisciplinary and collaborative working, which have been identified by staff working across the sector.

NAFC Marine Science

The Department of Marine Science and Technology at the NAFC Marine has evolved over a period of 20 years from having an economic development role to being an internationally recognised research institute with excellent facilities. The focus of our research has always been to support local maritime industries, and particularly the seafood sector, with high quality applied research outputs to meet their requirements in an ever-changing policy and natural environment. Through the applied nature of our research and our close contact with industry, we have developed a strong niche within the wider research community. The Marine Science Department will continue to deliver the relevant Trust Deeds and Objectives of the Shetland Fisheries Training Centre Trust.

We aim to undertake research and provide advice that sustains coastal communities and maritime resources. This strategy is built around the following objectives:

Research – We will continue to prioritise highly applied fisheries, aquaculture and marine spatial planning research and development that benefits marine communities or the maritime environment.

¹ https://www.uhi.ac.uk/en/t4-media/one-web/university/research/resource/docs/Research-Strategy-2018_2023-WEB.pdf

Provision of Advice – We will work in partnership with relevant stakeholders to provide high quality, applicable and timely advice relating to topics including policy development, fisheries management and marine spatial planning.

Service provision – making the best use of our highly skilled staff and excellent facilities, we will develop and enhance the range of high quality aquaculture, marine survey, and consultancy services that we offer.

Added Value – We will continue to attract funding to support research and development that has a measurable impact for the communities within our target area

Networks – alongside our key local relationships we will continue to develop and maintain effective external links with relevant partners to ensure that we remain responsive to industry needs and business opportunities.

Knowledge Transfer – In delivering applied R&D work we will effectively disseminate knowledge and skills to through our networks to ensure that best use is made of our research outputs and capabilities.

There are several key enablers of this strategy:

- **Our excellent staff and students** who we shall support to achieve these, and their own personal development targets.
- **Our facilities** which we will review and develop in a strategic manner to provide the optimum environment for our research within the local, regional, national and international context.
- **Our partners** both industry and academic with whom we will continue to promote dialogue and collaboration.

Centre for Rural Creativity and the Creative and Cultural Industries

The CRC is a collaboration of staff engaged in scholarly and creative engagement with the Creative Economy and Creative Arts past and present, rooted in an understanding of our regional heritage and context. While based at Shetland College it also has a UHI – wide remit as a centre for PGT and PGR delivery with colleagues in the network, and the hub for the SFC UIF KE Creative Economy group for the University.

The prime focus for research and KE activity in the CRC revolves around culture, creativity and heritage, with key areas of work with local cultural organisations and activities, such as textiles businesses and makers, socially engaged art in a number of contexts, and Shetland heritage including language, music and film. Both empirical research and practice based research projects featured in the work of the Centre.

Our research, KE and teaching activities are predominantly about the CE, people and communities, culture and heritage and creativity in the rural context of the Highlands and Islands and related spaces. In tandem with this regional context and heritage, we seek also to engage with related international networks and issues as they inform cultural challenges and opportunities. We aim to pursue a broad academic agenda by investigating the unique characteristics of our human and physical landscape, islands, island culture and rural creativity in all contexts. We seek to bring agency and empowerment to the communities we serve. In the wider context, there will be a growing focus on research activity in the Creative Economy, and on KE interactions with practitioners and small businesses.

CRC and CCI represent essentially an interdisciplinary group engaged in Art and Socially Engaged Practice, Visual Art and Textiles, Music, Film, History, Literature and Archaeology. We seek to

promote excellence in these discrete areas, and we are committed to creating strong inter-disciplinary research and KE activities to further the aims and objectives of the College and the University.

Through the work of the CRC we aim to:

- Support high quality research and KE activities and outputs including creative practice and practice-based work
- Provide opportunities for financial and strategic support for staff
- Offer postgraduate studentship support – in OGT and PGR
- Create opportunities and strategic support for inter-disciplinary activity
- Support staff research to be submitted to the UK Research Excellence Framework (REF)
- Provide opportunities for dialogue and academic discourse
- Enable and support creative and innovative adjacencies, experimentation and exploration

This strategy is built around the following objectives:

Research – We will continue to prioritise cultural, social and creative research in a rural Islands context

Provision of Advice – We will work in partnership with relevant stakeholders to provide high quality, applicable and timely advice relating to areas of our expertise

Added Value – We will continue to attract funding to support research and development that has a measurable impact for the communities within our target area

Networks – alongside our key local relationships we will continue to develop and maintain effective external links with relevant partners to ensure that we remain responsive to the needs of the creative economy and business opportunities.

Knowledge Transfer – As the hub for the Creative Economy KE group we will effectively disseminate knowledge and skills through our networks to ensure that best use is made of our research outputs and capabilities.

Appendix 2

College Merger - Ministerial Merger Business Case (MMBC)

Merger timeline - accompanying information

The MMBC (Appendix 1) includes a draft merger timeline (MMBC appendix iii).

This paper provides additional information on what happens at certain stages of merger implementation. The [SFC Full Guidance on Mergers and Federations](#) has been used to inform this.

W/c 6th April 2020

Once the merger proposal, in the form of the MMBC, has been agreed by each of the individual governing bodies, i.e. the Council and NAFC, it is sent to the Scottish Funding Council (SFC). The MMBC is then submitted to the Scottish Government and Cabinet Secretary, who then seek formal advice from SFC.

Mid-April to 10th July 2020

Having received the MMBC, the Government will begin their own consultation process with key stakeholders including staff and students. This will take 12 weeks.

W/c 17th August 2020

The Chair of the SFC will agree a small team, including executive officers and an SFC member, to visit the merging institution to discuss the merger proposal with key groups including board members of the merging bodies (governors), senior managers, staff (teaching and support) and students.

Following the visit the SFC team will prepare a report and advise the SFC. The SFC in turn will provide a report to advise Ministers.

W/c 21st December 2020

Ministers will notify their decision to the Council and NAFC and also write to the Chair of the SFC, to inform them of their decision.

Depending on the Ministers' decision, the requisite statutory instrument(s) are laid before Parliament to amend Schedule 2 to the Further and Higher Education (Scotland) Act 2005 (The Act), to close institution(s) and make any changes necessary to governance instruments.

The Vesting date is still to be agreed but will be after 1st March 2021. The Board of the new merged college will form on Vesting Day.

Merger implementation

Alongside the merger timeline there is also a programme of implementation, which is reflected within the MMBC and which the Council will be part of delivering. This includes arrangements for the transfer of assets and liabilities as well as involvement in and support of the joint merger working group.

Appendix 3

College Merger - Ministerial Merger Business Case (MMBC)

Estates & assets

In December 2018 the Council resolved to:

“DELEGATE authority to the Chief Executive (or her nominee) to realise arrangements for property assets resulting in usage of the Council-owned properties for a minimal value transaction to the new college”;

The proposal

It is proposed that Shetland Islands Council make certain property and assets currently dedicated to Shetland College and NAFC for the provision of tertiary and further education, available to a new college established for the same purposes as set out in the MMBC. This would be under the terms of a full lessee repair and maintenance lease. The lease would be for 25 years at a rate of £39k per annum.

Estate portfolio

The colleges utilise an extensive and diverse property estate spread over two geographically distinct areas in Lerwick and Scalloway. Most of the property portfolio involves direct and indirect provision of teaching, learning and research. The portfolio also contains office, catering and maritime infrastructure. The estate is less than 40 years old and is in an acceptable condition¹.

Portfolio

	Ownership	Comments
Shetland College Phase 1, 2 & 3 buildings	Shetland Islands Council	-
Car parking and access roads	Shetland Islands Council	-
NAFC main building	Shetland Islands Council	-
Port Arthur House (accommodation)	Building SFTCT, land Shetland Islands Council	-
John Goodlad Centre	Building SFTCT, land Shetland Islands Council	-
Broodstock Building	Building SFTCT, land Shetland Islands Council	Combined with hatchery

Legislation And Guidance

The Local Government (Scotland) Act 1973, section 74, allows a local authority to dispose of land held by them in any manner they wish but shall not dispose of land for a consideration less than the best that can reasonably be obtained. That rule does not apply where the best consideration that can reasonably be obtained is less than the threshold amount or the difference between that consideration and the proposed consideration is less than the marginal amount².

¹ SC phase 1&2 built early 1990s, phase 3 in 2013, NAFC mid-1980s to present.

² [Local Government \(Scotland\) Act 1973, section 74](#)

In accordance with the Disposal of Land by Local Authorities (Scotland) Regulations 2010 the threshold amount for the purposes of the 1974 Act is £10,000 and the marginal amount is 25% of the best consideration that can reasonably be obtained.

The Proposal is for a transaction over £10,000 and the reduction in consideration is significantly more than 25% of the best consideration that can reasonably be obtained. Therefore the provision of the Regulations will apply.

Regulations 3 and 4 of the 2010 Regulations sets down the procedure for disposal of land for a consideration less than the best that can be reasonably obtained.

The Scottish Government issued guidance on the 2010 Regulations in May 2010. The Guidance includes that the Best Value duties in terms of the Local Government in Scotland Act 2003 Act remain. Paragraph 12 of the Guidance states, "*The Land Disposal regulations are consistent with this duty to secure Best Value and relevant aspects of this duty include:*

- *Making the best use of public resources, including land and property;*
- *Being open and transparent in transactions;*
- *Sound financial controls are in place to minimise the risk of fraud or error;*
- *Assessing the full financial consequences of decisions at an appropriate level before major financial decisions are taken or commitments entered into;*
- *Demonstrating responsiveness to the needs of communities, citizens, customers and other stakeholders, where relevant."*

In the context of the merger proposal, the Council may transfer land for under value where it is satisfied that, "*.. the disposal is reasonable and is likely to contribute to the promotion or improvement of any of the following (in respect of the whole or any part of its area):*

- *The local authority is satisfied that the disposal is reasonable; and*
- *The disposal is:*
 - *economic development or regeneration;*
 - *health;*
 - *social well-being; or*
 - *environmental well-being."*

State Aid is any advantage granted by public authorities through state resources on a selective basis to any undertakings that could potentially distort competition and trade in the European Union (EU). General day to day activities of teaching students and providing the infrastructure to teach students and carrying out non-commercial research and development would fall within the category of non-economic activity. Therefore funding/assistance in respect of these areas is unlikely to be considered State Aid.

The issue is more difficult for economic activities i.e. activities which are being provided on the market.

In relation to the estates and assets, which will be included in the Council's transfer arrangements, the following points are noted:

- Moveable/fixed assets (including carpentry workshop machinery, library books, whiteboards, ICT equipment, furniture, etc) are used primarily for educational purposes. On that basis, it is likely that these can be transferred legitimately for nil value as this should not give rise to issues from a State Aid perspective.

- Textile Facilitation Unit (TFU). Due to the commercial nature of elements of the operation within the TFU, it is more difficult to argue that this should be transferred below value as this will have significant commercial use. This should therefore be transferred for value.
- Heritable Estate: Relating to NAFC Main Building, Shetland College building (Phases 1,2 & 3), The Broodstock Building (combined with the Hatchery) in Scalloway. Providing the Council can justify transfer for minimum value in accordance with the legislation and guidance and the building is used or will be used for teaching etc - this should not give rise to issues from a State Aid perspective

Minimum Value Transaction (MVT)

The Deloitte Financial Assurance Report (December 2018) notes that:

“Savings of £0.78m with regards to premises costs have been assumed. It is important to note that £0.49m of this assumes that there will be no ongoing lease costs associated with the properties used by the colleges. This is subject to a decision by the Council. Any movement from a £nil lease charge will reduce the level of savings which will be achieved by the college. The remainder of the savings - £0.29m - do not have this uncertainty”.

And :

“Following adjustments to the financial modelling and additional work carried out arising from this review, which identified amendments of £0.22m, we are satisfied that the financial projections and associated financial model is robust”.

The financial modelling in the December 2018 Full Business Case has been superseded by the work done in recent months by a Joint Finance Working Group under the direction of the Principal Designate.

The work on the financial modelling leading to agreement by the Shadow Board to the financial model included in the MMBC at Appendix 1 includes a figure of £100k per year for the lease costs of the Shetland College and NAFC Marine Centre buildings to the new merged college. This figure was an early estimate for a lease payment.

The current value of properties owned by Shetland Islands Council, and utilised by the tertiary sector is £10.7m, of which £9.8m relates to buildings, as shown in the table below:

			Asset Register			
Tertiary Estate	Land (L)	Buildings (B)	L - NBV	B - NBV	B - Life	Valuation Method
Shetland College Phase 1	SIC	SIC	290,000	1,870,000	40	DRC
Shetland College Phase 2	SIC	SIC	80,000	935,000	40	DRC
Shetland College Phase 3	SIC	SIC	176,000	3,240,000	45	DRC
Car Park & Access Road	SIC	SIC	inc in PH3	-	50	
NAFC Main Building	SIC	SIC	275,000	3,795,000	40	DRC
NAFC Water Front	Crown Estate leased to SIC		-	-	-	
Total			821,000	9,840,000		

The net present value (NPV) equivalent to the current net book value of the buildings over a 25 year lease period has been used in the table below.

The NPV has been calculated using the HM Treasury's Green Book rate of 3.5%.

Minimum Value Lease (25yrs)						
Year	Discount Factor	MVT Lease	Revenue Savings	Total Cash Flow	Discounted Cash Flow	Cumulative Discounted Cash Flow
		£000	£000	£000	£000	£000
-	1.000					
1	1.000	-39	-357	-395	-395	-395
2	0.999	-39	-357	-395	-395	-790
3	0.999	-39	-357	-395	-395	-1,185
4	0.999	-39	-357	-395	-395	-1,580
5	0.998	-39	-357	-395	-395	-1,975
6	0.998	-39	-357	-395	-395	-2,369
7	0.998	-39	-357	-395	-394	-2,764
8	0.997	-39	-357	-395	-394	-3,158
9	0.997	-39	-357	-395	-394	-3,552
10	0.997	-39	-357	-395	-394	-3,946
11	0.996	-39	-357	-395	-394	-4,340
12	0.996	-39	-357	-395	-394	-4,734
13	0.995	-39	-357	-395	-394	-5,128
14	0.995	-39	-357	-395	-393	-5,521
15	0.995	-39	-357	-395	-393	-5,914
16	0.994	-39	-357	-395	-393	-6,308
17	0.994	-39	-357	-395	-393	-6,701
18	0.994	-39	-357	-395	-393	-7,093
19	0.993	-39	-357	-395	-393	-7,486
20	0.993	-39	-357	-395	-393	-7,879
21	0.993	-39	-357	-395	-392	-8,271
22	0.992	-39	-357	-395	-392	-8,664
23	0.992	-39	-357	-395	-392	-9,056
24	0.992	-39	-357	-395	-392	-9,448
25	0.991	-39	-357	-395	-392	-9,840
		-964	-8,921	-9,885	-9,840	
Value of Buildings				9,840		

This shows that a minimum value lease of £39k per annum over 25 years would demonstrate recognition of the value to the public purse of these properties.

The income to the Council and savings per annum from the reduction in payments with regard to rates, maintenance and energy costs would contribute to the estimated savings set out in the Council's Service Redesign Programme.

This proposal would demonstrate Best Value by making sure a significant contribution to the financial model in the MMBC, ensuring that the merger proposal is viable and meets the Council and Shetland Partnership Strategic objectives as set out in the MMBC.

Conclusions

The recommendation to the Council is that in order to demonstrate Best Value, the Council should approve the transfer of assets as described above for the following considerations:

18 March 2020

1. An estimated one-off capital payment of £100k for the TFU equipment.

This will be the value of the TFU assets on the Council's asset registers at the point of transfer, plus an allowance for smaller assets such as finishing machines, etc.

2. A £39k/year full lessee repair and maintenance lease for the heritable estate as set out above.

ENDS.

Amendments to MMBC

Page 8

Last sentence to read, "...section will be key to building core skills, employability and entrepreneurial ..."

Page 33

First sentence to read, "...section will be key to building core skills, employability and entrepreneurial capacity in our learners, in a way that is accessible and inclusive throughout all Shetland communities.

4th line - to read, "communities and entrepreneurs need."

Page 34

First cross-cutting theme to read, "Wellbeing and Inclusion"

Page 42 - An additional bullet point in Student Demand Box.

"A Shetland fish farm service company operates 15 vessels at fish farms throughout Europe (from the eastern Mediterranean to Iceland), a recent merger with a large Norwegian company will mean this company will shortly have some 300 sea going staff (Shetlanders and Norwegians) requiring a variety of aquaculture and nautical training."

Page 51

After bullet point re SDS survey of 8 school leavers who identify fishing and aquaculture as a preferred occupation...

However, many entrants also join these industries at senior levels, at an older age, often well qualified and undertake skippers certificate courses and a range of aquaculture training.

Numbers of full time fishermen in Shetland are expected to increase considerably from 2021 as the UK obtains additional quota through Brexit. The Scottish Government will allocate 50% of any additional quota to new entrants who will require a variety of certificates and training.

Page 55

Strategic Aims – 4th bullet point to read, "...to learn core skills and skills in employability and enterprise, to enable them to gain the support they need to put their business ideas and community involvement into practice.

Close collaboration – 2nd bullet point to add "CLD and SDS". 3rd bullet point to add "community groups and student support agencies"

Page 60

Integration plan to read, "Ensure additional support for learning and the delivery of all courses, at all college venues, is developed i.e. delete the words, "essential skills, English for Speakers of other Languages, ECDL and outreach courses through Learning centres and other venues.

Page 74

Add: We will also seek growth in research and consultancy income. An example of this would be fundraising to appoint a Chair of Seafood Industries which we identify as being highly relevant for Shetland where the total tonnage of fish landed exceeds the total landed in England, Wales and Northern Ireland combined.

EIS-FELA Questions and Submissions on Ministerial Merger Business Case for Submission to Shetland Islands Council (Full Council) Meeting, 26th March

	EIS question	Council Response
1	The Council will be deciding on a recommendation to merge the College and outsource it from Council control, in the knowledge that the proposed recommendation from the Shadow Board is that the new college vests in a private limited company. Indeed, that private limited company has already been registered on Companies House by the Shadow Board's project manager. A number of questions have been asked, via correspondence with two different project managers, at the CLJCC on 14 th January 2020, and via the academic staff representative on the Shadow Board which have not been previously answered.	<p>The Council had already taken the decision to merge the College in December 2018. Therefore, the report accompanying the MMBC asks the Council to agree and endorse the MMBC. In doing so, the Council are asked to note that at the February Shadow Board meeting it was made clear by the Scottish Funding Council that the final decision regarding the legal status of the new College rests with the Minister.</p> <p>The Companies House registration was discussed at the Shadow Board in February [Minutes available online] and it was noted that "the registration had been completed at the time due to the expected timescale for vesting and with the agreement of the Joint Chairs".</p>
1 a)	Whether the new college is incorporated or non-incorporated it will have charitable status. Therefore, if it were to be incorporated is there anything stopping NAFC Marine Trust from transferring its assets to the new college?	<p>i. S14 of the 1992 Act provides that an order may be made by the Scottish Ministers to transfer the management of a college:</p> <ul style="list-style-type: none"> ○ not under the management of an Education Authority ○ which provides one full-time programme of further education ○ is in receipt of grant paid out of money provided by the Parliament. <p>The funding is currently filtered through SIC as the fundable body. If interpreted strictly, this could not be used to transfer the management of NAFC Marine to the new merged college (Incorporated model). In addition s14 (5) provides that such an order can apply s15 (transfer of staff), s19 (educational endowments) and s.34 (transitional arrangements) to transfer. This does not include the transfer of property, rights and liabilities. Therefore, a transfer agreement would be required which would deal with the transfer of NAFC's assets/properties etc (subject to provisions re charitable status)</p> <p>ii. S230 of the 2005 Act provides that a regional strategic body can require any of its assigned colleges to transfer such of its staff, property, rights, liabilities to another of its assigned colleges. As</p>

		NAFC is not assigned to UHI, UHI cannot require NAFC to transfer its staff, property, rights and liabilities. It would seem unlikely that NAFC would be assigned simply to enable UHI to do this.
1 b)	What funding sources would an incorporated college, that is charitable, not have access to, that a non-incorporated college would have access to?	<p>A briefing to all staff was circulated on 3rd March in response to this query. It was stated (in relation to sustainability) that an Incorporated College would have an inability to carry forward funds/hold reserves, there would be a requirement to submit monthly cash flow projections to UHI in order to 'draw down' funding and there would be restrictions on fundraising as a public body rather than a charity.</p> <p>One way in which incorporated colleges are able to address these issues is to set up ALEOs (Arm's Length Executive Organisations). This would increase overheads and was not considered in the FBC approved by the Council in December 2018. The Council's considerations have been based on the sustainability of the tertiary education sector in Shetland and how it will be best placed to develop and meet the needs of the community and economy.</p>
1 c)	It has been claimed, on a number of occasions, that there would be a financial impact if the new college was incorporated - we have never been provided with these details and are asking for them once again. If this relates to the ability to build reserves, then we have a number of points in the 'submissions' section which have never been addressed.	<p>In the minutes from the Shadow Board meeting on 11th December 2020, the following is recorded:</p> <p><i>"Ms Larg explained that for existing incorporated colleges within the partnership, UHI can only pay out funds on a monthly basis and there are restrictive monthly cashflow arrangements. Furthermore, an incorporated college cannot carry forward reserves at a financial year end".</i></p> <p>Furthermore, Ms Larg further explained within [PB2020-4] at the February Shadow Board meeting:</p> <p><i>"This institute will be an organisation that spans all tertiary education levels providing programmes from access level to post-doctoral level study and research. As such, rather than being a further education college, the institute will be the presence of the University of the Highlands and Islands in Shetland. Much of the work of this proposed institute could not be classified as 'further education'. This is illustrated by the income profile of one of the merging partners, whereby 70% of the income of North Atlantic Fisheries College is drawn from sources other than the Scottish Funding Council. Incorporated body status, therefore, is not regarded by the</i></p>

		<i>University as relevant, nor the most appropriate, to the on-going development of this new body”.</i>
1 d)	It has been claimed that incorporated colleges are financially struggling more so than non-incorporated colleges. This is contrary to the Colleges Scotland reports of 2018 and 2019. Where did you receive this information from and can you evidence it?	12 of 20 incorporated colleges are forecasting deficits in <u>Scotland's colleges 2019 - Audit Scotland report</u> . The report notes “At the time of their annual audits, ten of these were still to determine the specific actions needed to achieve financial sustainability.”
1 e)	What information was given to Anderson Strathearn in order for them to write their report on due diligence? Anderson Strathearn caveated the report that they were reliant on the information sent to them by the Project Manager being accurate. For example, they seem to have conflated the issue of incorporation and charitable status addressed in Q1(a) above.	The due diligence report and advice of Anderson Strathearn was part of the Full Business Case project in 2018. There was a secure online portal which provided access to information from both NAFC & the Council. This included existing contracts, intellectual property, litigation, finance, governance, assets, etc.
1 f)	Can you confirm if the Shadow Board have relied on off the record advice from UHI in recommending the outsourcing of the College to private limited company?	In all matters, the Shadow Board relied on information and advice presented at Shadow Board meetings. With regard to advice from UHI representatives, please note specifically <u>report PB2020-4</u> of the February 2020 agenda.
1 g)	The EIS met with SFC on 7th February 2020 to raise concern that the Shadow Board were relying on SFC advice that privatisation of the College was the preferred option for SFC. EIS representatives were due to meet SFC again on 18th March in order to receive the SFC response on this matter, although they had said on 7th February that no advice should have been given that the preferred option for the College would be privatisation as no business case had been presented to them as yet. Can you confirm if the Shadow Board placed weight on John Kemp (SFC)'s advice to the Board on 26th June 2019?	<p>The minutes of the <u>meeting on 26th of June are available online</u>. The minute records what Mr Kemp stated in the meeting. The minute also records that the Shetland College academic staff representative shared clearly the EIS position which were also noted in the minute, and in minutes of subsequent meetings.</p> <p>The conclusions reached by the Shadow Board on the basis of all the information presented are recorded in the minutes of Shadow Board meetings.</p> <p>Minutes of all Shadow Board meetings are available online from <u>https://www.a-new-college-for-shetland.uhi.ac.uk/shadow-board/shadow-board-meetings/</u></p>
2	We have been advised by SIC senior management that formal TUPE consultation cannot proceed until there is an actual legal body, and appropriate personnel, relating to the new merged college, to consult and negotiate with. This problem has arisen because the Phoenix model of college merger has not happened before. This “new body” does not exist at the moment. Will this body and personnel be in existence before	<p>The Council is obliged to follow the requirements of the legislation with regard to TUPE.</p> <p>The detailed timetable for formal consultation with Council employees will be developed once the overall timeline has been confirmed.</p>

	vesting date, and if so, will the body be in existence for a long enough period to enable these TUPE consultations / negotiations to take place? Is the Council satisfied that due diligence has been done with regards the TUPE process for this Phoenix model?	In the meantime informal discussions with Union representatives will continue.
3	Does Shetland Islands Council understand and accept that they are taking a decision today to recommend that Shetland College should be merged in to a new entity and that this new entity should be outsourced from the Council's control, terms and conditions; without knowledge of the impact new terms and conditions will have on staff?	<p>The terms and conditions of all staff transferring to the new entity will be protected under TUPE.</p> <p>The December 2018 report to the Council, which asked for the decision to merge Shetland College and Train Shetland with NAFC, stated:</p> <p>“...the Transfer of Undertakings and Protection of Employment Regulations will apply to all those employed by the NAFC and SIC. The regulations aim to protect the employment and terms and conditions of employees when there is a transfer to a new employer. When TUPE applies the new college employer takes on the rights, responsibilities and liabilities of the old employers. All employees employed immediately before the transfer are automatically transferred to the new college and employees are protected against having their terms and conditions changed in connection with the transfer”.</p>
4	The proposed financial model details a £423,019 reduction in employee costs by the end of year 2, whilst also predicting an increase in income of £448,963 over the same period of time - how will the increase in income be achieved with considerably less resources available to generate that income?	<p>The reduction in employee costs is based on the financial model for the FBC project in December 2018. This has been updated for pay inflation (including NRPA), an increased contribution rate to the SPPA for lecturing staff, and an increase in research staff. This has been offset against Day 1 costs (latest actual outturn information with known adjustments).</p> <p>The model recognises that savings are not fully realised until year 2, ensuring that there is sufficient time for review, consideration and consultation before a proposed model is implemented.</p> <p>The income generated in the first two years that relates to actual growth is £307,390, of which £50k relates to growth for which additional staffing costs are included, bringing the actual growth required from the restructured staffing model to £257,390.</p>

5	Why is such a significant reduction in employee costs proposed?	The saving on employee costs in the first 2 years represents 8.6% of Day 1 comparable spend, and with no further reductions over the five year modelling period the saving is reduced to 7.2%, or an average of 1.45% per annum, which is less than typical recommended year on year efficiency targets for public bodies.												
6	With this indicated reduction in salary costs being planned for early in the days of the new college, what guarantees can the SIC give on no compulsory redundancies in light of the fact that the merger process will follow the Council's organisational restructure policy?	<p>The Council's policies will only apply up to the date of transfer of staff to their new employer. Their terms and conditions will be protected under TUPE.</p> <p>Any proposed changes to SIC staffing levels prior to transfer will be informed by the Council's current policies. However, the requirements under TUPE legislation will also apply restricting the scope for restructuring prior to merger.</p> <p>The Council's existing Redundancy Policy states that one of its main aims is to reduce the need for compulsory redundancies, wherever possible as well as ensuring that valuable skills, experience and knowledge are retained wherever possible.</p>												
7	For the planned redundancies what sort of ER/VR package will be in place? Will SIC confirm with SFC immediately, in writing, that SIC agreed ER/VR terms will apply and that they will underwrite the costs of the redundancy in any future agreed restructuring?	<p>ER/VR estimations have not been included in the projections for the MMBC as restructuring can only occur post-vesting. The Council has stated previously that, "All employees employed immediately before the transfer are automatically transferred to the new college and employees are protected against having their terms and conditions changed in connection with the transfer."</p> <p>ER/VR costs are the responsibility of the new employer and the expectation is that they will be covered by SFC.</p>												
8	From years 2 - 5 there is a predicted income increase of £904,236. There are some details of the predicted potential increase in SFC and tuition fees, contracts & grants monies of £533,568. However, there are no details of the £370,667 predicted increase in research grants, residential income, consultancy fees, management & services fees and other income - can a detailed breakdown of these, covering years 1 - 5 be provided.	<p>The projected growth to year 2 is £257,390 and growth for years 3 to 5 is shown below:</p> <table><tr><td>Planned Income Growth</td><td>£904,236</td></tr><tr><td>Less Inflationary Increases</td><td><u>£184,192</u></td></tr><tr><td>Growth (less inflation)</td><td>£720,044</td></tr><tr><td>Less Research Growth (with Staffing Increases)</td><td><u>£100,000</u></td></tr><tr><td>Modelled Growth (with restructured staffing)</td><td><u>£620,444</u></td></tr></table> <p>Within the model, it is assumed that actual growth will be achieved through the following:</p> <table><tr><td>Curricular Growth</td><td>£443,000</td></tr></table>	Planned Income Growth	£904,236	Less Inflationary Increases	<u>£184,192</u>	Growth (less inflation)	£720,044	Less Research Growth (with Staffing Increases)	<u>£100,000</u>	Modelled Growth (with restructured staffing)	<u>£620,444</u>	Curricular Growth	£443,000
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		Port Arthur House Reopening £ 94,000 Consultancy (e.g. Marine Spatial Planning) £ 75,000 Course Redevelopment Support Grants £ 8,000 Total Income Growth in Model <u>£620,000</u>
9	SIC senior management have made it clear that the new merged college will be operating in “a new reality” that will mean any training, tertiary education, research etc services they require will be subject to a competitive tendering process. Within the financial model, what is the amount / financial figure that would be at risk, if the new merged college was not successful in securing investment from the SIC, in training, tertiary education and research for the new organisation?	The model includes an assumption that the new entity will be successful in competing for training services and providing Best Value for the Council. The income assumptions are clear in the model.
10	We have been advised, by SIC senior management, that any future merged college will play a crucial and integral part in Shetland’s 10 year plan, which prioritises retaining as many young people in Shetland as possible, whilst also being crucial in attracting young people to come and live in Shetland. If the new college was not successful in securing investment from SIC, as detailed in the question above, how would the SIC ensure that the new merged college is central to the future of Shetland? Or, how will SIC ensure tertiary education continues in Shetland?	<p>The Council together with other statutory partners in the Shetland Partnership, which includes the University of the Highlands and Islands (UHI), have developed the Shetland Partnership Plan. The new College will be a partner as an assigned College with the UHI. Furthermore, the new merged college can be part of development programmes related to the Islands Deal and there is already development work being taken forward for that.</p> <p>The Council’s relationship will change but there are many things that are needed and are expected to continue such as vocational pathways/skills for work and foundation apprenticeships/academy programmes, which are operated in partnership with the Council’s Schools Service.</p> <p>The Council’s commitment to successfully delivering the merger is to ensure the tertiary education sector has a sustainable future because the status quo is not sustainable.</p>
11	Page 71 of the MMBC refers to, “where appropriate, Instructor and/or Trainer posts will be introduced to ensure the new college can be financially competitive in the CPD and short course market in particular”. Are there any existing lecturer posts that this relates to?	This is an expectation in the MMBC for the new entity to consider going forward.
12	SIC has stated that the new college should be part of national bargaining via the NJNC. What assurances can SIC give that, once outsourced, the new college will follow national bargaining structures?	All employees employed immediately before the transfer are automatically transferred to the new college and employees are protected against having their terms and conditions changed in connection with the transfer by TUPE.

		Please note the minutes of the July 2019 Shadow Board meeting where the Shadow Board agreed to recommend to the new College Board “its intention to follow the requirement of the Scottish Funding Council to follow national collective bargaining”.
13	What indications have there been from UHI that strategic funding, such as investment and academic development funding, will be secured by the new college in Shetland? How much of this funding would be available to Shetland and what is the likelihood that we will be successful in obtaining it?	At the Shadow Board workshop held in early March 2020, Model 1 and Model 2 were both highlighted by UHI as being achievable in relation to financial projections, including estimated income. Model 2 was incorporated in MMBC v12. UHI were present at the meeting of the Shadow Board on 18 March where it was agreed that MMBC v12 should be recommended to the Council and NAFC for approval.
14	Can you provide details / information on how the consultation process with staff, students, UHI and other stakeholders, including the public and employers, will be progressed between April and July, given the current restrictions on movement, social distancing, public gatherings, self-isolation requirements etc relating to the COVID-19 crisis?	<p>It is not possible at this stage to determine how or when the evaluation and consultation phases that are shown in the most recent timeline can be taken forward.</p> <p>The Council are in touch with UHI and SFC in order to discuss the merger timeline and to establish the revisions that will be required to the engagement and consultation plans. Any information that becomes available in this regard will be shared with all parties.</p>
15	Taking account of the current reality, relating to COVID-19, how will it be ensured that the required consultation is effective, fully involves all required stakeholders and is meaningful; particularly prior to the Council decision to merge and outsource the College?	<p>Please see response to Q14 above.</p> <p>Regarding consultation on the Council’s decision to merge, the Council took the decision to merge in December 2018.</p> <p>The decision with regard to the legal status of the new merged college does not rest with the Council.</p>

Submissions by Shetland College EIS-FELA branch members

EIS	Council response
1. We have enclosed minutes from the CLJCC on 14 th January 2020. These minutes were never agreed by the employers' side and are therefore a reflection of the EIS position at this meeting. These minutes include representations from the EIS around privatisation, due diligence, and concern for the impact on staff terms and conditions.	The minute of CLJCC meeting held on 14 January were confirmed [by Emma Macdonald and Simon Clark] at the last CLJCC on 3 March 2020, without amendment.
2. An incorporated college can be a charity, therefore we have received no advice that the NAFC Marine Trust cannot merge. There is no predicted surplus of income, for the new college, from years 1-5, so the argument that it is due to inability to build a surplus, which is factually incorrect, is also irrelevant. We have real concerns that the new merged college will not be subject to democratic public accountability, this would mean less security of provision for students and staff. We believe this risk should be added to the risk register for the new college.	There will be opportunity for EIS concerns regarding legal status to be raised during the consultation stages with the Scottish Government.
3. Extra due diligence should be done on this merger because it is a Phoenix model and this model has never been in place before. It appears that SIC are still waiting on legal advice with regards the development of the TUPE process. As such, no decision should be taken prior to that extra due diligence being done.	<p>The SFC guidance on mergers states "The decision to merge should be informed by a detailed risk analysis. The risk analysis will be informed by a review of the prospective partners, referred to as due diligence. This exercise builds the knowledge base that each of the merging partners has about the other and should help to build trust. It is important to know if there are any 'deal breakers' that could lead to a challenge to the merger progressing."¹</p> <p>The Council are not awaiting legal advice regarding the development of the TUPE process. The Council awaits the time for when formal TUPE consultation can proceed with employees in line with our legal responsibilities.</p>
4. We understand that there will be the opportunity to bid for strategic funding from UHI, including investment and academic development funding. This is, again, a competitive process, with no guarantees that the income will be forthcoming to Shetland's new college.	<p>All parties to the merger are agreed that the best opportunities for a sustainable tertiary education sector is through merger.</p> <p>The new, merged college will start life with a business case that shows a sustainable future with every opportunity to grow and develop the tertiary education sector in Shetland for the benefit of current and future students and learners.</p>

¹ [SFC Guidance on Mergers and Federations](#): Page 14

5. We understand that there will be the opportunity to bid for services required by the SIC. This is, again, a competitive process, with no guarantees that the income will be forthcoming to Shetland's new college.	There is a need to develop the business model of the tertiary sector and ensure sustainability in the future. The new college must be a competitive, quality service provider for local business training needs, not just those required of the Council.
6. We are concerned that the delays to income, especially for degree and Masters courses are not fully reflected in the financial model.	There have already been new e.g. masters level courses launched since the FBC project in 2018. This work can continue in advance of vesting date.
7. The proposed curriculum structures include some areas where there will be large numbers of staff, and a wide diverse range of multiple curriculum areas. Staff are concerned that if there is only a Senior Lecturer managing this, it will not be effective and would be too great a workload for one person. Discussions, consultation and agreement will need to be reached on the most effective organisational structures for these areas, that ensure appropriate numbers of promoted lecturing staff, are in place to ensure the curriculum area is effective. There is a concern that the predicted reduction in employee numbers may not make this possible.	As stated in response to Questions posed by EIS, the organisational restructuring required by the new college to ensure effective management of all planned activities will be the responsibility of the new employer.
8. As evidenced by previous college mergers and other organisational restructures, there is a substantial risk of highly experienced, knowledgeable and skilled staff being lost to the new merged college. This disruption and loss of expertise, would only make it harder for student numbers to be maintained, far less increased. This should be added to the risk register for the new college.	The risk of the loss of key staff prior to merger is already recorded on the Council's College Merger Project Risk Register together with other risks including financial sustainability and poorer outcomes for Shetland's learners. It is recognised that all of these risks are heightened in terms of likelihood and severity by further delays to merger. The risks have been noted in reports to the Council.
9. In relation to introducing instructor/ trainer posts, we would be very concerned that changing existing lecturer posts to instructor / trainer posts are targeted as being an area of potential cost savings - this would not be acceptable. Any direct proposals to change nationally agreed terms and conditions of lecturing staff, disguised by the restructuring process, may be classed as an unlawful inducement and appropriate action will be taken.	These issues will be matters for the new merged college. See response to item 7 above.
10. We welcome the agreement, from senior management, to exchange information on T&Cs that will come under TUPE, from the middle of April onwards. The method of doing this, given the current COVID-19 situation, will have to be agreed, but should not delay this process. Page 83 of the MMBC states that, "consultation with trades unions and staff will take place during the restructure process in line with restructuring procedures, including SIC's Organisational Restructure...policy and procedure". As far as we are aware, it hasn't been agreed that this is a policy that will transfer, as this would be part of the TUPE consultation / negotiation process with the new organisation. Since the new organisation is not in	<p>With regard to T&Cs. This process is so that all terms and conditions which currently exist can be checked so that a jointly agreed list (between the Council as current employer and the Union) can be included within the Employee Liability Information, which is transferred to the new employer no later than 28 days prior to transfer.</p> <p>Please see earlier responses regarding restructuring.</p> <p>With reference to page 83 of the MMBC, which includes the HR & organisational development strategy. Specifically, the section quoted</p>

existence this would suggest that this, and other details on page 83, could be considered, “conjecture”. Please confirm what further consultation and negotiation process will be followed.

reflects principles that would be adhered to in the “spirit of co-operation and consultation”. The bullet point that has been quoted from the MMBC also refers to the NAFC’s Redundancy policies. Therefore, that does not indicate any agreement on specific policies but rather reflects that staff will be transferred with T&Cs protected, in line with TUPE.