



If calling please ask for:
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Date: 27 June 2019

Dear Sir/Madam

You are invited to the following meeting:

**Special Zetland Transport Partnership (ZetTrans)
Council Chamber, Town Hall, Lerwick
Wednesday 3 July 2019 at 2pm**

Apologies for absence should be notified to Anne Cogle at the above number.

Yours faithfully

J R Riise
Secretary to ZetTrans

AGENDA

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

Item	
1.	Public, School and Adult Social Care Bus Transport - Strategic Outline Case <i>ZTP-21</i>



Zetland Transport Partnership

Agenda Item

1

Meeting(s):	Zetland Transport Partnership	03 July 2019
Report Title:	Public, School and Adult Social Care Bus Transport - Strategic Outline Case	
Reference Number:	ZTP-21-19-F	
Author / Job Title:	Robina Barton – Transport Policy and Projects Officer	

1.0 Decisions / Action Required:

1.1 That the Partnership **RESOLVES** to: -

1.1.1 **NOTE** that the Public and School Bus Transport Business Case (Min Ref 47/18) has been revised to incorporate Adult Social Care Transport, with Peter Brett Associates appointed to provide the additional resources required to support the Business Case Development.

1.1.2 **NOTE** that the preferred way forward for public, school and adult social care transport in Shetland detailed in the Strategic Outline Case (SOC) in Appendix 1 comprises three components; namely: -

- (a) For Public Bus Transport – a network of services based on the current network grounded in a hierarchy of travel needs factors established through public engagement, with refinements to take advantage of opportunities for efficiency, and a framework to support any decisions to modify the network to meet financial constraints.
- (b) For School Bus Transport – a network of dedicated services and public transport based services that provides transport to entitled pupils in compliance with the Council's prevailing policy criteria described in the Council's School Transport Policy.
- (c) For Adult Social Care Transport – a range of services to meet entitlement for client travel requirements based on an assessment of need grounded in social care legislation.

1.1.3 **DELEGATE AUTHORITY** to the Lead Officer of ZetTrans, working with the Council's Director of Development Services, to take any decisions and action required on behalf of ZetTrans to develop the Outline Business Case for the preferred way forward described in paragraph 1.1.2 above for each of the Public, School and Adult Social Care Bus Transport Networks for consideration by the Partnership in October 2019.

2.0	High Level Summary:
2.1	This report presents a Strategic Outline Case for the provision of a network of public, school and adult social care road transport services throughout Shetland.
2.2	It describes a preferred way forward that addresses the Investment Objectives, Business Needs and Critical Success Factors established in relation to local and national strategy and policy, in consultation with key stakeholders.
2.3	The preferred way forward is the provision of a network of services broadly similar to the current network.
3.0	Corporate Priorities and Joint Working:
3.1	ZetTrans' overarching policy is to have in place transport arrangements that are affordable and meet people's needs within available resources.
3.2	The Council's Corporate Plan states as one of its five top political priorities, "Provide quality transport services within Shetland, and push for improvements in services to and from Shetland" (Our Plan – 2016 – 2020).
3.3	ZetTrans, as the main partner, works closely with the Council to deliver its transport priorities along with NHS Shetland and Highlands and Islands Enterprise.
4.0	Key Issues:
4.1	The current contracts for the network of School and Public Bus Services expire on 16 August 2020. In order to ensure continuity of services it is necessary to have in place new contracts from 17 August 2020.
4.2	Transport is referred to in a range of community planning policy and strategy contexts in Shetland, which collectively describe what is required of Shetland's public transport network. These are described in detail in the SOC (Appendix 1).
4.3	The Council's School Transport Policy defines the policy on entitlement to School Transport – allowing for greater entitlement than National statutory minimum levels.
4.4	Adult Social Care Transport entitlement is based on an assessment of individual need grounded in social care legislation and local policy.
4.5	Using the Treasury '5-Case Model' and supplementary guidance, which Shetland Islands Council has adopted, the SOC builds this legislation and policy along with a range of other parameters, into a process to: - <ul style="list-style-type: none"> • Establish the strategic context for the project • Make the case for change • Identify and agree Business Needs, Investment Objectives and Critical Success Factors against which a range of service options can be appraised. • Identify and agree a long list of service options • Review the long list of options to establish a short list of options to be taken forward to the Outline Business Case • Agree the preferred way forward

- 4.6 The Investment Objectives reflect the Business Needs identified. As recommended by the Treasury guidance they are based on the following key goals for investment and expenditure – Compliance, Replacement, Effectiveness, Efficiency and Economy.
- 4.7 Critical Success Factors (CSFs) are conditions that must be met if the project is to be considered a success. The CSFs for this project pertain to strategic fit, value for money, supply-side capacity, affordability and achievability. They were derived from corporate and community planning policies and strategies, in particular Shetland Islands Council Service Redesign Programme, Shetland's Partnership Plan 2018-28 and Shetland Transport Strategy 2008 (refreshed in 2018). They were verified with a Project Team of key stakeholders at a workshop held on 11th June 2019 and will be reviewed and refined over the course of the Business Case process which will include ongoing input from stakeholders and community engagement.
- 4.8 A longlist of 21 possible service options was generated in relation to the following categories:
- service scope
 - service solution
 - service delivery
 - service implementation
- 4.9 Each longlist option was assessed against the Investment Objectives, Business Needs and CSFs, resulting in a list of preferred, possible and discounted options for each category.
- 4.10 The preferred options from each category were combined to provide a preferred way forward or 'reference case'. Other preferred and possible options were combined to provide alternative more ambitious and less ambitious ways forward. The resulting 4 possible ways forward, found on p.41 of Appendix 1, and a 'do minimum' alternative will be carried forward for further appraisal within the Outline Business Case.
- 4.11 This SOC has established the preferred way forward is a network of services broadly similar to the current circumstances. This provides a confidence that the current transport network, which was designed through public consultation, with packaging of contracts to create efficiencies, is providing a generally reasonable level of service (although there known gaps in services geographically and in terms of days of the week and times of the day for some).
- 4.12 Enhancements to this level of service could generate significant community benefits through addressing the known gaps (and any further issues that arise from engagement/ consultation). Conversely, a reduction from this level of service could result in negative social and economic impacts. The Outline Business Case will involve a detailed examination of the risks and benefits associated with each of the possible ways forward and a clear explanation of how different options have been evaluated and recommendations reached.
- 4.13 Benefits and risks will be identified through consultation and considered in relation to the Public Sector and the wider community. Benefits will be weighted and classed as cash releasing, financial non-cash releasing, quantitative and qualitative. Again the OBC will include clear explanations of how appraisal is carried out, what is taken into account and the rationale behind conclusions reached.

4.14 A delivery plan to achieve the Full Business Case is given on pages 48 and 49 of Appendix 1. From this it can be seen that the intention is to present the Outline Business Case to Council and ZetTrans for approval in October 2019 and the Final Business Case by mid-January 2020.	
5.0 Exempt and/or Confidential Information:	
5.1 None.	
6.0 Implications :	
6.1 Service Users, Patients and Communities:	Through various means service users, communities and stakeholders have been involved in establishing the needs to be addressed by the public, school and adult social care bus transport networks. As the Business Case process continues there will be further engagement with the Shetland community and a wide range of key stakeholders to inform the refinement of the investment objectives and critical success factors, and identification of the benefits and risks associated with options taken forward from the SOC for further exploration.
6.2 Human Resources and Organisational Development:	There are no human resources or organisational development issues arising immediately out of this report.
6.3 Equality, Diversity and Human Rights:	An Integrated Equalities Impact Assessment will be carried out as part of the Business Case process.
6.4 Legal:	A legally compliant European Union procurement exercise was carried out and a Framework Agreement entered into with a number of successful service providers. Contracts for specific services shall be concluded in accordance with the procedures specified in the Framework Agreement.
6.5 Finance:	There are no financial implications arising directly from this report, however costs associated with the preparation of the business case to be reported later this year will be shared between ZetTrans and its primary funding organisation, the Shetland Islands Council. As the primary funder, this project will contribute to the Council's Service Redesign Programme in line with the requirements of its Medium Term Financial Plan, and long term savings target.
6.6 Assets and Property:	There are no Assets and Property issues arising immediately out of this report.
6.7 ICT and New Technologies:	There are no ICT or New Technologies arising immediately out of this report.

6.8 Environmental:	There are no environmental issues arising immediately from this report.	
6.9 Risk Management:	Shetland's public, school and adult social care bus transport networks are important to the social and economic wellbeing of Shetland. Failure to conduct a thorough Business Case approach to the making decisions on the future network of services would undermine the capacity of the Council and ZetTrans to make informed investment decisions that can be shown to be based on policy aims and objectives. This could lead to unintended or unexpected consequences in terms of effective delivery of community planning objectives and outcomes. Furthermore, the Business Case approach will mitigate risk of unsustainable financial consequences that may arise out of inadequate account being taken of Shetland Islands Council's financial position and priorities.	
6.10 Policy and Delegated Authority:	<p>ZetTrans' policy is to seek to have in place transport arrangements that meet people's needs and that can be afforded in the medium term. To achieve this policy ZetTrans works closely with Shetland Islands Council.</p> <p>ZetTrans has functional responsibility to secure transport services in Shetland under the Transfer of Functions to the Shetland Transport Partnership Order 2006.</p>	
6.11 Previously Considered by:	Shetland Islands Council	3 July 2019

Contact Details:

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Date Cleared: 26 June 2019

Appendices:

Appendix 1 – Public Bus School and Social Care Transport Business Case Strategic Outline Case 190625 Final

Background Documents: None.



now part of



Public Bus, School and Adult Social Care Transport Business Case

Strategic Outline Case

On behalf of **Shetland Islands Council**



Project Ref: 45602/5503 | Rev: AA | Date: June 2019

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


Project Name: Public Bus, School and Adult Social Care Transport Business Case

Project Ref: 45602/5503

Report Title: Strategic Outline Case

Doc Ref: 001

Date: 27/06/2019

	Name	Position	Signature	Date
Prepared by:	Alastair Mackie	Associate		27/06/2019
Reviewed by:	Bob Pinkett	Director		27/06/2019
Approved by:	Bob Pinkett	Director		27/06/2019
For and on behalf of Peter Brett Associates LLP				

Revision	Date	Description	Prepared	Reviewed	Approved
1	21/06/19	Changes arising from Project Board and internal stakeholders review	AM	BP	BP

This report has been prepared by Peter Brett Associates LLP ('PBA') on behalf of its client to whom this report is addressed ('Client') in connection with the project described in this report and takes into account the Client's particular instructions and requirements. This report was prepared in accordance with the professional services appointment under which PBA was appointed by its Client. This report is not intended for and should not be relied on by any third party (i.e. parties other than the Client). PBA accepts no duty or responsibility (including in negligence) to any party other than the Client and disclaims all liability of any nature whatsoever to any such party in respect of this report.

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1 Introduction

1.1 Purpose of the Business Case

- 1.1.1 This Strategic Outline Case (SOC) is a key element in the development of Shetland Islands Council's (SIC) 'Public Bus, School and Adult Social Care Transport Business Case'. By developing and testing strategic options ZetTrans and the Council can procure the next generation of public, school and social care transport networks more effectively, to operate after the current contracts expire in August 2020. Secondly through this review the Council will establish strategic options and financial models for managing better the long-term costs of providing transport services in Shetland.
- 1.1.2 This SOC has been prepared using the HM Treasury Five Case Model¹, which is the standard adopted by Shetland Islands Council for the preparation of Business Cases. The SOC will address each of the 'Five Cases', covering the strategic case, the economic case, the commercial case, the financial case and the management case.

1.2 Scope

- 1.2.1 The service scope includes:
- Public local bus services
 - School transport services (excluding air and ferry service for pupils which are covered in related business plans) – buses and taxis
 - Social care transport services – buses and taxis
- 1.2.2 Transport services which are excluded from this review include:
- Air and ferry services (as they are part of separate reviews)
 - Tourist coach services and charters
 - National Health Service non-emergency patient transport and ambulance services
- 1.2.3 Opportunities for synergies and integration with transport systems not in scope will however be considered at a strategic level.
- 1.2.4 The geographical scope is all of the 16 inhabited Shetland islands:
- Mainland, Yell, Unst, Fetlar, Whalsay, Housay, Bruray, Bressay, Fair Isle, Foula, West Burra, East Burra, Trondra, Muckle Roe, Papa Stour, Vaila

1.3 Context

- 1.3.1 Research undertaken by Shetland Islands Council (SIC) and ZetTrans staff to date has established a number of current and future operational and funding issues to be addressed. The Council is currently engaged in a wider Service Redesign Programme across a range of directorates and service areas, and this business case is therefore part of the ongoing Council review programme.

¹ <https://www.gov.uk/government/publications/the-green-book-appraisal-and-evaluation-in-central-government>

- 1.3.2 A SIC Project Board and Project Team structure for the transport business case has been established and details of its remit and composition is set out in section 11.
- 1.3.3 Peter Brett Associates, now part of Stantec, has been appointed to provide independent technical support, analysis and critical review to the Project Team.

1.4 Structure and Content

- 1.4.1 This SOC has been prepared using the agreed standards and format for business cases.
- 1.4.2 The approved format is the HM Treasury Five Case Model, which comprises the following key components:
- The **strategic case**. This sets out the strategic context and the case for change, together with the supporting investment objectives for the scheme
 - The **economic case**. This demonstrates that the organisation has selected a preferred way forward, which best meets the existing and future needs of the service and is likely to optimise value for money (VFM)
 - The **commercial case**. This outlines what any potential deal might look like
 - The **financial case**. This highlights likely funding and affordability issues and the potential balance sheet treatment of the scheme
 - The **management case**. This demonstrates that the scheme is achievable and can be delivered successfully in accordance with accepted best practice.
- 1.4.3 The HM Treasury Guide to Developing the Project Business Case (2018)² has been used as template for the contents of this Strategic Outline Case.

²https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/749086/Project_Business_Case_2018.pdf

2 The Strategic Context

2.1 Organisation Overview

- 2.1.1 The Development Service of Shetland Islands Council is one of the five Council Directorates and the Transport Planning Service, which holds the budget for the funding of the public bus network and school transport services, sits within this area. Other transport services are procured on behalf of the Children's Service and Health and Social Care directorates.
- 2.1.2 The functional responsibility for public bus services lies with ZetTrans, Shetland's Transport Partnership. The Transport (Scotland) Act 2005 established the need for Regional Transport Partnerships and ZetTrans was established in December 2005, as an independent statutory body.
- 2.1.3 Under Sections 63 and 64 of the Transport Act 1985 there is a duty placed upon local authorities "to secure the provision of such public transport services as the council considers it appropriate to secure to meet any public transport requirements within their area which would not in their view be met apart from any action taken by them for that purpose". This duty was transferred from Shetland Islands Council to ZetTrans when the Regional Transport Partnership was established.
- 2.1.4 School transport services are the responsibility of Shetland Islands Council as the local Education Authority and must comply with Section 51 of the Education (Scotland) Act 1980, as amended, which requires the Council to make such arrangements as they consider necessary for the provision of school transport and transport facilities on such terms and conditions as may be arranged, and to pay all or part of reasonable travelling expenses for school pupils residing in their area and attending designated schools. Section 42(4) of the 1980 Act defines the statutory walking distance for school pupils as being 2 miles for any pupil under the age of 8 years of age and 3 miles for any other pupil.
- 2.1.5 Some children require specialist travel support to enable them to access their education, where they have been assessed to have Additional Support Needs (ASN). In these circumstances while the statutory distance limits for mainstream pupils in theory apply the assessment of the complete package of education and care for the pupils is undertaken by Education officers, who then may request transport to be provided by the Transport Planning Service.
- 2.1.6 Meeting the travel needs of adult social care clients is also the responsibility of the Transport Planning Service, who hold the client travel budget, but who act on instructions arising from a social worker's assessment of personal needs (and how that translates into travel requests to enable the client to access a range of social care services and activities).
- 2.1.7 The overarching rationale for this business case is the need to re-procure public, school and social care transport contracts so that services are in place after the current contracts expire in August 2020.
- 2.1.8 The current annual cost of the bus network is £5.352m, made up of: Public Service £2.302m; Education Transport £2.342m; ASN & Social Care Transport £0.708m (from February Environment & Transport Committee 2019 budget report).
- 2.1.9 These figures all relate to contract costs and are revenue budgets. There are currently no capital budgets related to local bus services, education or social care transport in Shetland.

2.2 Alignment to Existing Policies and Strategies

- 2.2.1 The Council collectively works to achieve a number overarching corporate objectives and each Directorate has service specific strategies and policies to work to. These strategies and

policies are considered in detailed in the following section, drawing specific attention to links to this transport review and meeting the future travel needs of users and clients.

Shetland Islands Council Policies and Strategies

Our Plan - 2016 to 2020

- 2.2.2 “Our Plan” is the core corporate plan for the Shetland Islands Council and it is regularly reviewed to provide a strategic direction for all Council services. It provides information on the issues facing Shetland, including its population and the growth of its economy.
- 2.2.3 On transport and access to services Our Plan 2016 to 20 states:
- *“There will be transport arrangements in place that meet people’s needs and that we can afford to maintain in the medium term”*
 - *“Our communities will feel better connected using new community transport solutions developed by communities themselves”*
 - *“We will have a clearer understanding of the options and investments needed to create a sustainable internal transport system over the next 50 years”.*
- 2.2.4 These objectives form the main strategic drivers in relation to the need to provide school and public bus services beyond the end of the current contract period (i.e. from August 2020 onwards). They must be viewed in the context of other organisational strategies to which the Council and ZetTrans are committed as community planning partners.
- 2.2.5 Meeting the needs of the communities is at the heart of the plan and therefore it identifies the ethos for delivering services. The Council’s values are confirmed as ‘excellent services, working well together and taking personal responsibility’.
- 2.2.6 The Shetland Islands Council Customer Charter states that:
- We will:*
- *Respond promptly when you contact us*
 - *Resolve issues as quickly as possible*
 - *Be polite, helpful and professional at all times*
 - *Treat everyone with equity and fairness*
 - *Communicate clearly, avoiding jargon*
 - *Maintain confidentiality, ensuring only those who need to see your information do so*
 - *Take responsibility and rectify any mistakes we make*
 - *Use your views to help us improve the way we do things*
- 2.2.7 These values are recognised and adhered to in the delivery of transport for users, pupils and clients by the Transport Planning Service and ZetTrans.

Shetland’s Partnership Plan (2018-2028)

- 2.2.8 The Shetland Partnership brings together representatives from the public, private and voluntary sectors, community councils and Shetland Charitable Trust. It is the main statutory

Local Outcomes Improvement Plan, developed to take a long term view of how Shetland will realise it's ambitions for growth and sustainability.

2.2.9 The Community Empowerment (Scotland) Act 2015 requires all Community Planning Partnerships to produce a Local Outcomes Improvement Plan (LOIP) and the Shetland Partnership meets that statutory requirement.

2.2.10 The Plan seeks to deliver on key ambitions and objectives, including:

- *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*
- *Partner agencies work to align existing plans, strategies and partnerships with priorities to reduce inequality of outcome in Shetland*
- *Priorities and ambitions assessed to identify any potential social, economic, environmental, equality and rural proofing impacts and adapted accordingly*
- *Focuses on where partners' collective efforts can add most value for their local communities, with particular emphasis on reducing inequalities, improving outcomes for most vulnerable and moderating future demand for crisis services.*

2.2.11 With the Partnership Plan the Shetland Islands Council Shared Priorities are identified:

- *People – individuals and families can thrive and reach their full potential*
 - *The number of vulnerable people and households in Shetland will be considerably reduced as a result of people being enabled and empowered to address the issues they face.*
- *Participation – people can participate and influence decisions on services and use of resources*
 - *Staff from across the Shetland partnership will be actively seeking to involve communities in decision making and service delivery.*
- *Place – Shetland is an attractive place to live, work, study and invest*
 - *Public Transport is the top priority identified by Shetland Communities*
- *Money – all households can afford to have a good standard of living*
 - *Households will be supported to minimise their outgoings with low-income households benefitting from reduced bills including food, energy and travel*

2.2.12 There are specific targets, which often can only be delivered through the support for and the further development of an effective transport network:

- *98% of school leavers will be participating in learning, training or work in 2021, rising to 100% in 2028 (currently 97.4%)*
- *90% of people will feel that they are part of their community in 2021, rising to 95% by 2028*
- *65% of people are satisfied with local services (health care, schools and public transport in 2021, rising to 75% in 2028 (currently 59%)*

- *The Place Standard Average Score for Public Transport improves from the 3.6 baseline to 5 (NB 7 = less improvement needed, 1 = more improvement needed)*
- *Carbon emissions are reducing faster than the Scottish average by 2021 and within 20% of the Scottish average by 2028 (carbon emissions currently 73% higher than Scottish average).*
- *The percentage of households in Shetland who do not earn enough to have an acceptable standard of living will have fallen to 35% in 2021 and 25% in 2028 (currently 49%)*
- *Locality Planning will be delivering improved outcomes in at least one community by 2021, and inequality of outcome between areas will have reduced by 2028*

2.2.13 The Partnership Plan therefore provides a strategic framework for delivering transport in the Shetland Islands for the next 10 years and by setting specific targets for transport outcome improvements it forms strong basis for developing both this strategic case and the detailed assessment of options.

10 Year Plan to Attract People to Live and Work in Shetland (2017)

2.2.14 As part of the Partnership Plan specific work was undertaken to understand and address key demographic issues which, if successful in delivering population growth, will have specific transport impacts. In particular the growth in access to school, jobs and new homes will require existing transport networks to be reviewed and strengthened to meet emerging new demands.

2.2.15 The report identifies its targets and how they will be measured:

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.*

How will we measure success?

- *Creation of 700 new private sector jobs based in Shetland by 2028. Interim target of 300 by 2022.*
- *Grow the FTE student population by 20% by 2028 (currently 178 FE and HE students)*
- *A more balanced demographic profile (in line with the Scottish average) with 20% of the population aged 16-29 years by 2028 (currently at 16%).*
- *Annual apprenticeship registrations rising to 175 by 2028 (currently at 127)*

2.2.16 The plan states that “working in partnership is vital in order to realise the ambitions in this plan, an ambitious growth plan such as this requires support from all community planning partners, the community itself as well as Scottish and UK Governments. Housing and transport are key components of any talent attraction strategy, particularly in an island community such as Shetland. However, refreshed strategies and plans for Transport and Housing...have been refreshed to align themselves to the ambitions in this plan.”

- 2.2.17 It is acknowledged that the plan for population growth requires Community Partner buy-in, noting that “Constituent partner agencies to take a project based approach to this action plan, prioritising and committing resources as required.”
- 2.2.18 “Lack of housing to accommodate incoming workers and families” was identified as a key risk. It also stated that “accommodation is a key concern for young people wishing to return or stay in Shetland.” Any housing development would have knock-on effects on the demand for internal transport links.
- 2.2.19 Targeted support for industry growth sectors should include “infrastructure to support business growth” and a “Tourism Strategy which will aim to increase the number of non-cruise ship tourists to Shetland.” Both of these ambitions are closely related to enhancing internal transport links.
- 2.2.20 Surveys undertaken among the general community, the business community and young people in 2014, were utilised in developing the Plan. The following key points came out of the consultation in relation to internal transport:
- *Community - Transport cost and availability (both internally and externally) ... if you don't have a car, commuting can be challenging*
 - *Business Community - (There are) good internal transport infrastructure – short commuting times... (need to ensure) that internal transport costs were affordable for young people and people on low incomes.*
 - *Young People - There should be better transport links at the weekend, but knowing some services are better used than others there could be a pre-booking ticketing scheme either online or by phone. The services should be more consistent based on need across all rural areas. It would also be to have Wi-Fi on the service, particularly on longer routes. A survey should be conducted with young people to find out when and where they require public transport, providing a report to demonstrate the demand. This includes gathering requests from young people including, “second bus time in Yell/Unst at weekend nights” and emergency options if you miss the last bus.*
 - *Young people articulated a vision for the future in which: “Improvements have been made to transport, with a new rail link between Unst and Sumburgh. The demand for buses has been recognised and the timetable reflects the needs to the community requirements. Access to technology on transport has also increased particularly on the longer journeys. The faster internet expansion has helped support better communication between communities, however there is awareness that this could further isolate young people.”*

Shetland – Our Place - Place Standard Final Report (2017)

- 2.2.21 The Place Standard consultation and reporting methodology is identified as the best way of achieving an understanding of attitudes by inviting people to rank the place they live against 14 different themes. This approach to joint consultation in developing strategies and agreeing priorities ensures consistency in engagement, as well as saving resources and avoiding duplication.
- 2.2.22 It has influenced the development of the following key strategies:
- Shetland Islands Health and Social Care Partnership’s Joint Commissioning Plan
 - The 2008 Shetland Transport Strategy as refreshed for 2018-2020
 - Local Outcomes Improvement Plan
 - Shetland Local Housing Strategy

- Shetland Strategy for Physical Activity and Sport
 - Local Development Plan
 - Community Profiles and Plan
- 2.2.23 At the core of the final report are the results of an extensive public consultation. 939 people provided valid responses and made 4,840 individual comments. Of those who completed the survey, 605 were female (64%) and 334 were male (36%). Key findings relevant to this review include:
- *Overall the Shetland community has rated Public Transport as their No.1 priority (14.5%).*
 - *Overall the Shetland community has given Public Transport an average rank of 3.6/6.4.*
- 2.2.24 The highest percentage response was in Lerwick & Bressay (26%). Lowest in Whalsay & Skerries (6%). Between areas the following priorities were identified:
- *Central, North, South, West, Whalsay and Skerries placed public transport as their No.1 priority.*
 - *North Isles ranked Public Transport their No. 2 priority (behind Work & Local Economy).*
 - *Lerwick and Bressay ranked Public Transport their No. 3 priority (behind Housing & Community, and Work & Local Economy).*
- 2.2.25 The highest percentage response was in 45-54 age group (26.2%), and the lowest in the 75+ age group (3%):
- *For the 25 to 74 age group, Public Transport was chosen as where most improvement is needed,*
 - *For those aged 16 to 24, Public Transport is ranked 2 as the area where most improvement is required*
 - *Those over 75 chose Public Transport as where most improvement is needed*
- 2.2.26 Through the consultation the following matters were raised as 'public transport key issues':
- *Frequency of bus and ferry services*
 - *Affordability of transport*
 - *Distance to bus stops and quality of bus shelters.*
 - *Timetables and service information are not easy to understand*
 - *Integration between services – including between bus and ferry and air*
 - *Need for improved access to health facilities*
- 2.2.27 In summary the Place Standard consultation has been invaluable in informing and shaping the development of a business case for delivering efficient and effective public buses, school and social care transport.

On Da Level (Shetland's Commission on Tackling Inequalities) (2016)

- 2.2.28 The Shetland Partnership Board identified inequalities as key issue to address in its community planning initiatives and therefore established Shetland's Commission on Tackling Inequalities. "On Da Level" is the main report of the findings of the commission and transport inequalities are identified to be addressed in further work.
- 2.2.29 The cost, quality and the lack of transport is noted in the review, through comments from individuals and communities addressing inequality. A key aspiration is to address the cost of travel, as part of a general review of income inequalities:
- *Low income households are supported to reduce their household bills, such as food, energy and travel*
- 2.2.30 It is acknowledged that, even with no public funding constraints, the public transport network will never be comprehensive enough to offer the same level of access and convenience as a private vehicle. In other words, in most areas of Shetland, including the peripheral areas of Lerwick, a car is necessary to ensure access and choice to employment and opportunities. Evidence highlights specific constraints:
- *The cost of public transport is high for individuals, if not entitled to concessions: this is preventing people accessing volunteering and work placements that could support them to move into employment*
 - *For those who are unwell and living in remote areas, the challenge (and cost) of public transport can be prohibitive, e.g. accessing Work Capability Assessments (WCA);*
 - *Multi-journey fares ironically means that those more able to afford to buy a book of tickets at a time can get cheaper fares*
 - *Not all households have a driving licence, or the resources to obtain one*
 - *An issue for young people in Shetland is the cost of car insurance, as well as the cost of obtaining a driving licence*
 - *The network and timings remain a challenge for young people, e.g. the lack of a bus from the college to Lerwick at 3.30pm*
- 2.2.31 To date, it had been assumed that the barrier to vulnerable people accessing opportunities was a lack of availability of buses; evidence gathered for the Commission exposed the lack of affordability as a bigger issue for those on benefits and wishing to move into employment.
- 2.2.32 The cost and availability of transport influence individuals' ability to gain access to employment, services and social opportunities. Travel concessions are available for external and internal travel; some are provided at a national level and others are local. At the individual and household level, travel is prohibitive for those on lower incomes, particularly those not entitled to concessions. This can lead to debt to meet costs if people are forced to travel (e.g. family bereavement, hospital visits and family crisis).
- 2.2.33 Previous research highlighted that, in most areas of Shetland, including the peripheral areas of Lerwick, a car is necessary to ensure access to and choice of employment and opportunities. It had been assumed that the barrier to vulnerable people accessing opportunities was a lack of availability of buses; however, evidence has demonstrated that inability to afford fares, for example for those on benefits who wish to move into employment, is also an issue. Those groups that benefit from discounted or free travel are not necessarily those that, financially, need it most.

Transport Strategies

- 2.2.34 The framework for transport delivery on Shetland was established through the Shetland Transport Strategy (2008), which is the statutory Transport Plan for the Shetland Transport Partnership, ZetTrans. This plan has been updated more recently to reflect current issues, operations and future plans, through the Shetland Transport Strategy Refresh (2018-2028).

Shetland Transport Strategy Refresh (2018-2028)

- 2.2.35 The Shetland Transport Strategy Refresh (STSR) contains a specific intervention to review the public bus network in line with ZetTrans' 3 strategic objectives:

- **Strategic Objective 1** - *To underpin Shetland's economy by enabling individuals to access employment and training and businesses to access labour markets, customers and suppliers.*

This strategic objective broadly aligns with the Money priority of Shetland's Partnership Plan – "All households can afford to have a good standard of living"

- **Strategic Objective 2** - *To support Shetland's communities by enabling individuals, families and localities to thrive socially, physically and economically.*

This strategic objective broadly aligns with the People priority of Shetland's Partnership Plan – "Individuals and families can thrive and reach their full potential"

- **Strategic Objective 3** - *To conserve Shetland's environment by enabling the reduction of detrimental transport impacts on Shetland's unique natural resources.*

This strategic objective broadly aligns with the Place priority of Shetland's Partnership Plan – "Shetland is an attractive place to live, work, study and invest"

- 2.2.36 The review identifies the need that the STSR Delivery Plan should be fully aligned with these Strategic Objectives and wider Council strategic objectives. The development of a business case review of the transport contracts will be consistent with the strategic objectives of ZetTrans.

Financial Strategies

- 2.2.37 The development of a business case to achieve change in a service such as transport will invariably be set in the context of current and future budgets and expenditure. At a time of public sector austerity paying close attention to the financial impacts of a range of options becomes even more important. The current financial conditions are considered in the overall annual budget setting and medium term financial planning.

Shetland Islands Council Medium Term Financial Plan (2018/19 – 2023/24)

- 2.2.38 The Council's Medium Term Financial Plan (MTFP) outlines the Council's financial position and notes that there is a projected shortfall in funding from 2019/20 and onwards. Officers were instructed to develop a set of options that deliver £15.6m of cost reduction over the next five years:

"The MTFP emphasises that action needs to be taken now to achieve future savings and that changes that are proposed and implemented have to move the Council towards the achievement of the Corporate Plan and contribute to the Shetland Partnership Plan outcomes."

- 2.2.39 It was agreed by the Council in August 2018 and has subsequently informed the Budget set in February 2019 (see below)

- 2.2.40 On local bus service provision the MTFP notes:

- 2.2.41 *Other transport costs, the buses, are also funded to a different level in Shetland because of they are on a scale and with a volume of customers that makes many, if not all, routes uneconomical to operate and therefore only exist due to Council subsidy. Other Councils do not have to provide significant levels of funding for the Services because the private sector fills that gap.*
- 2.2.42 Therefore the unique operating circumstances of public transport are recognised, but the service is not immune from the requirement to deliver revenue budget savings where possible.
- 2.2.43 The wider Service Redesign Programme is identified as part of the review in the MTFP and while not explicit in the MTFP the current development of a business case for public bus, school and social transport is part of the overall SRD:

Service Redesign Programme: a wide range of projects being developed by the Corporate Management Team, specifically targeted to review and consider options for future service delivery with a focus on outcomes and financial constraints. Also included are appropriate projects that address early intervention and prevention opportunities that have been identified. All the projects have a major contribution to achieving the change required and to balance future budgets and the Building Better Business Case approach will be used to ensure that decisions are made with the appropriate work having been carried out and information presented.

- 2.2.44 The Council's Policy and Resources Committee in 2018 approved the Service Redesign Programme. There is commitment by senior officers to reduce the costs of the bus contracts by £500k per annum.

The Council Budget Book (2019/20)

- 2.2.45 The 2019/20 Council Budget Book is a detailed financial plan that works with the more strategic Medium-Term Financial Plan to meet Council strategic financial objectives on a yearly basis. The most recent Budget was agreed in February, 2019 and it echoes the review of financial pressures and options facing Shetland set out in the MTFP. While there is no explicit reference to local bus or other service transport provision it notes the objectives set for the Service Redesign Programme (and therefore the value of undertaking the current business case development for transport).

National Policies and Strategies

National Transport Strategy (2006)

- 2.2.46 The National Transport Strategy, published in 2006, set a framework for transport in Scotland for a twenty year period. It proposed a single transport vision, set five high level objectives and targeted achieving three key strategic outcomes.
- 2.2.47 High Level Objectives:
- *Promote economic growth by building, enhancing, managing and maintaining transport services, infrastructure and networks to maximise their efficiency;*
 - *Promote social inclusion by connecting remote and disadvantaged communities and increasing the accessibility of the transport network;*
 - *Protect our environment and improve health by building and investing in public transport and other types of efficient and sustainable transport which minimise emissions and consumption of resources and energy;*
 - *Improve safety of journeys by reducing accidents and enhancing the personal safety of pedestrians, drivers, passengers and staff; and*

- *Improve integration by making journey planning and ticketing easier and working to ensure smooth connection between different forms of transport.*

2.2.48 Key Strategic Outcomes

- *Improved journey times and connections, to tackle congestion and lack of integration and connections in transport*
- *Reduced emissions, to tackle climate change, air quality, health improvement*
- *Improved quality, accessibility and affordability, to give choice of public transport, better quality services and value for money, or alternative to car.*

2.2.49 Clearly the NTS provides the framework for ZetTrans and all of the work of the Transport Planning Service in Shetland, and it has proved to be highly relevant in setting transport policies and strategies for the Shetland Islands since 2006.

2.2.50 In 2016 the Government published National Transport Strategy Refresh, which has updated the text of the NTS where required but generally restates the National Transport Strategy framework as set out in 2006. A full review of the NTS commenced in 2016 and undertook consultation on the principles of the new NTS in 2017.

The Climate Change (Scotland) Act 2009

2.2.51 There will need to be continuing work on reducing carbon emissions to support the Council's duty under the Climate Change Act. Ensuring that an efficient sustainable travel network is available to residents and visitors to the Shetland Islands will play an important role in meeting these statutory duties.

Education legislation and policies

2.2.52 Education is provided at pre-school, primary and secondary levels in the Shetland Islands, at 15 primary schools, 5 junior high schools, 2 high schools and 2 colleges. In accordance with the Education (Scotland) Act 1980, the provision of education is the responsibility of local authorities who perform the function of education authority. Education has to be flexible to fit individual needs, be tailored to 'age, ability and aptitude' (Education (Scotland) Act 1980) and aims to develop the 'personality, talents and mental and physical abilities of children and young persons to their fullest potential' (Standards in Scotland's Schools etc. Act 2000). Support for pupils to travel sustainably and to encourage active travel to schools is required under the Schools (Health Promotion and Nutrition) (Scotland) Act 2007.

2.2.53 Ensuring that children can attend school is a prime objective of the Education (Scotland) Act 1980 legislation and is the framework for the current policies and levels of school transport provision in the Shetland Islands.

The Education (Scotland) Act (1980)

2.2.54 The Act makes specific reference to the provision of education by Education Authorities and the rights and duties of parents, as well as setting out the functions of Education Authorities in relation to individual learners.

2.2.55 Entitlement to assistance with home to school travel is primarily secured through the provisions of The Education (Scotland) Act (1980), sections 51, 60 and 61. Pupil support is determined by maximum walking distances for mainstream school pupils, with further assessments on personal needs undertaken for pupils with Additional Support Needs.

2.2.56 The statutory maximum walking distances are 2 miles for pupils who have not reached their eighth birthday and 3 miles for pupils aged eight years and over. In the winter period (October

half term to Easter) the Shetland Islands Council also provides discretionary home to school transport for all pupils who live more than 1.5 miles from their school.

- 2.2.57 The legislation also enables Councils to offer vacant seats on school transport to pupils who are not otherwise entitled to statutory support through maximum distances. Where parents decide to use a placing request to send their child to an alternative school (i.e. not their designated school) they will be responsible for their child's transport, utilising their own transport or vacant places if available.
- 2.2.58 Advice to parents on school transport entitlement is provided in the Shetland Island Council's School Transport Policy, last updated in 2018. This also include information on how walking distances are measured and audited as required.

Social care legislation and policies

- 2.2.59 There has been considerable change in social care and health provision over the last decade with drives towards greater integration and self directed support having impacts on how clients can access the services they need (and the transport that is required to achieve that objective).
- 2.2.60 The Public Bodies (Joint Working) (Scotland) Act 2014 set the framework for the integration of adult health and social care, with a goal of consistent provision of quality, sustainable care services for people in Scotland who need fully joined-up support and care. This is particularly important for the growing number of people with multiple, complex, long-term conditions.
- 2.2.61 For the Scottish Government the PB(JW) Act established a set of nationally agreed outcomes, which are applied across health and social care, and for which NHS boards and local authorities will be held jointly accountable. While the Act does not specifically refer to travel and transport there is an expectation that access to services would be enabled by the appropriate body and that responsibility can now be shared to achieve more effective provision.
- 2.2.62 The focus for the close working of health and social care in Shetland, as across the whole of Scotland, is the Integration Joint Board formed in 2015. Its duties and responsibilities are established through the Act and are emerging as the new body develops new ways of working. In the Act there is considerable emphasis on 'strategic commissioning', to establish the arrangements for delivery of integrated functions and this clearly offers opportunities for integrated transport provision in Shetland.
- 2.2.63 The other major change in social care policy that will impact on travel and transport is the Social Care (Self-directed Support) (Scotland) Act 2013 (SDS). Again the focus is on more effective and equitable access to services rather than specifically establishing requirements for transport. The application of SDS takes a number of forms and ensuring that the cost of transport is included to avoid it being a barrier to access is important.
- 2.2.64 Although direct payments have been available for many years, councils now have a legal duty to offer 4 options to people who have been assessed as needing a community care service:
- option 1 - a direct payment, which is a payment to a person or third party to purchase their own support
 - option 2 - the person directs the available support
 - option 3 - the local council arranges the support
 - option 4 - a mix of the above

- 2.2.65 Within this framework there are opportunities in the assessment of needs to review travel and transport requirements, to establish the most effective package for the individual but also manage resources more efficiently for collective travel.

3 The Case for Change - Spending Objectives, Current Services and Business Needs

3.1 Introduction

- 3.1.1 The main purpose of this section is to set out why change is required and the context in which that change could be delivered. This is achieved by developing investment objectives, considering the existing service arrangements that would be affected by any change and assessing the business needs that can be advanced by service change.

3.2 Investment Objectives

- 3.2.1 Making a case for new or changed priorities in expenditure in the public sector will always need a sound objectives based approach. The Treasury Green Book Supplementary Guidance on Delivering Public Value from Spending Proposals suggests that any changes to a service should be focussed on some or all of the following key objectives for intervention and expenditure:

- To improve the quality of the outcomes - effectiveness
- To improve the delivery of outputs - efficiency
- To reduce the cost of inputs - economy
- To ensure statutory or regulatory compliance
- The procurement of services to ensure continuity - replacement

- 3.2.2 The Investment Objectives for this business case were developed and agreed at a workshop in October 2018 by Shetland Islands Council officers representing Community Planning, Economic Development, Education and Training, Health and Social Care, Housing and Transport. The Investment Objectives initially agreed for the strategic case have been reviewed and updated, including further review at a Project Team workshop on June 11th, 2019.

- 3.2.3 The Five Investment Objectives are:

- Investment Objective 1: Ensuring that ZetTrans meets its statutory duty to secure a fit for purpose network of public bus transport services (that takes account of local and national strategic aspirations) and that Shetland Islands Council meets its statutory duty to provide school and social care transport to enable access to services
- Investment Objective 2: Ensuring the continuity of public, school and social care transport services from 20th August 2020
- Investment Objective 3: Ensuring that the public, school and social care transport networks contribute to delivering the outcomes of the Shetland Partnership Plan
- Investment Objective 4: Reducing annual expenditure through the 2019/2020 procurement process
- Investment Objective 5: Meeting Investment Objective 1 in line with the financial objectives of Shetland Islands Council established by the Service Redesign Programme

- 3.2.4 Advice from HM Treasury is that Investment Objectives should be SMART – Specific, Measurable, Achievable, Relevant and Time-constrained. We have sought to meet this requirement in the objectives identified above.

3.3 Existing Arrangements

- 3.3.1 The current public bus services network is made up of mainline and feeder services, with dial-a-ride services providing additional demand responsive provision. School Transport is provided by a mix of dedicated services, taxis and use of public services where compatible. Social care transport is provided by the in house bus fleet and taxis.
- 3.3.2 Lerwick is the main service centre in Shetland and it is possible to commute to Lerwick by bus for a 9-5 work-day, and at lunch times, 6 days a week from most parts of Shetland, including the Northern Isles. Outwith Lerwick, the main service centres are Brae, Scalloway and Sandwick and it is possible to commute locally to these centres by bus for a 9-5 work-day, and at lunch times, 6 days a week. Most outlying rural areas have a local, sometimes demand-responsive, shopping service 1 or 2 days a week. In addition, there is a regular bus service linking Lerwick to the airport at Sumburgh.
- 3.3.3 This network of public and school transport services comprises 174 contracts covering 63 public services and 111 dedicated school services.
- 3.3.4 The Council has a revenue budget for services but no capital budget for public transport.
- 3.3.5 All current contracts covering public bus services and school transport services expire in August 2020. Contracts are generally procured for 5 years or less, dependent on service and user requirements. Table 3-1 Contract Costs 2019

Existing costs (£m)	Public Transport (£m)	School Transport (£m)	ASN and Social Care (£m)	Total (£m)
Current	2.302	2.342	0.708	5.352

- 3.3.6 The public bus network covers a range of travel needs related to the following Hierarchy of Travel Needs Factors, which were established from engagement with users and communities in advance of the 2014 bus contracts review.
1. Journey to work
 2. Access to training and further/higher education
 3. Access to Healthcare
 4. Access to shops (rural and Lerwick)
 5. Access to social and leisure opportunities
 6. Access to external transport link
 7. Access to tourist attractions/destinations
- 3.3.7 This hierarchy continues to be applied in strategic planning for services and is considered to be successful in matching wider council objectives. However there has been discussion at officer level whether the Hierarchy of Travel Needs Factors should be more localised as there

may be regional variations - the case being made that this change would support better, less 'Lerwick-centred' decision making. A previous review of the hierarchy at an October 2018 workshop also proposed to combine 'journey to work' and 'education/training' as priority 1:

1. Access to work, training and education
2. Access to Healthcare
3. Access to shops (rural and Lerwick)
4. Access to social and leisure opportunities
5. Access to external transport link
6. Access to tourist attractions/destinations

It may be worth revisiting this established prioritisation of services in the public engagement exercises at a later stage of this business case development, including whether a regional approach would result in different prioritisation across the Islands.

3.4 Business Needs

- 3.4.1 The development of a business case is dependent on understanding the current situation and how the investment objectives will impact on the identified issues and concerns (the business needs) – specifically what is the current service gap that undertaking the project will resolve.
- 3.4.2 For an infrastructure project the expenditure on new capital equipment or facilities, for example, can be assessed in terms of how the new investment improves effectiveness, efficiency and/or economy (see section 3.2.1 above). For a service improvement where business processes are the prime focus, such as transport contracts, there will be an imperative to achieve the objectives that increase effectiveness, efficiency, economy, but also meet statutory duties (compliance) and aids procurement (replacement).
- 3.4.3 The starting point for any review of local authority transport services will invariably be meeting the statutory duties to transport the general public, school children or social care clients, safely and securely. The fundamental requirement to provide these services arises from these statutory duties.
- 3.4.4 **Therefore, the prime business need is to continue to fulfil the Shetland Islands Council and ZetTrans transport duties and responsibilities - compliance.**
- 3.4.5 The current transport network was derived from an extensive engagement exercise with the users of services, public of Shetland, service providers and a range of agencies, in advance of the last procurement exercise. The network was carefully configured from this information to optimise routes and services as well as integrating public and school services. Contracts were designed to be effective and efficient, and this will be required in the next contract review.
- 3.4.6 **The secondary business need is to procure efficient and effective contracts for operation from 2020, to ensure continued service and therefore no challenges to the Council or ZetTrans on their statutory duties - replacement.**
- 3.4.7 Research and engagement has established that there are some areas that communities feel should be addressed. Examples are frequency, network coverage, the length of day and days of the week, coverage outwith the conventional working day, and the fact that some areas feel poorly served.
- 3.4.8 With reference to all of this it is clear that from a service perspective the current network is the minimum requirement on the basis that it meets many of the travel needs of the Shetland

public and should form the basis for the next generation of public and school bus services. With a growth in user, student and client populations, if not in the overall population of the Shetland Islands, the transport provision will need to reflect new and potentially more complex demands not currently in place.

3.4.9 A clear third business need is designing an improved network that meets identified unmet demands while maintaining services at a similar quality standard for existing users - effectiveness.

3.4.10 Resources, competition and costs of operation will be an issue as the transport operational context continues to change, whether for private bus and taxi operators or for the Council's in-house fleet. For example, the provision of public transport services is reliant on having access to enough qualified drivers. There are not currently enough young drivers coming through to replace those who have retired, or are coming up for retirement. It is clear that action will need to be taken to address this specific issue within the lifespan of the next set of contracts, bearing in mind that Shetland has very low levels of unemployment and potential drivers can find more lucrative work.

3.4.11 Although it is an important business need to reduce the unit costs of operation to secure 'more for less' the industry trends may impact on this drive to manage and use resources better, needing intervention to address these countervailing movements in costs and delivery – efficiency.

3.4.12 An overarching business need is to deliver services within a sustainable financial model. This will be defined further within the Financial Case, but with the Service Redesign Programme there is a corporate and strategic imperative to reduce costs of operation and delivery. While meeting statutory requirements sets the parameters of the service, the ability to achieve a range of savings across non-statutory provision becomes increasingly difficult as the overall balance of spending shifts away from discretionary expenditure.

3.4.13 The fifth and final business need is to address the financial pressures facing the Council in the funding of transport services and look for innovation or new contracting models to reduce input costs – economy.

4 Business Scope and Services

4.1 Potential Business Scope and Key Service Requirements

- 4.1.1 This section is important in clarifying the scope of the services that must, should or could be developed. It is a precursor to the review of a long list of options and is an essential exercise to avoid 'mission creep' where optional services are added to the business case review. This is particularly important to fix in advance of workshops or stakeholder engagement, to avoid the scope of a review being expanded (or constrained).

Table 4-1 Business Scope and Key Service Requirements

	Minimum	Intermediate	Maximum
Potential business scope	<p>Operate minimal local bus services only where the statutory role of the local authority under the Transport Act 1985 applies – where local bus services would otherwise not be provided.</p> <p>For school transport services provide transport to all entitled pupils as per Education Act 1980 statutory distances.</p> <p>For social care clients provide transport support to a minimal level to offer access to centres, employment or training.</p>	<p>Operate the current network of integrated public and school services and dedicated school transport services, including higher frequencies and level of provision than required by law.</p> <p>For school transport services provide transport to all entitled pupils as per current discretionary Council reduced walking distance limits and winter entitlement policies.</p> <p>For social care meet all current demands for client travel to centres, employment or training</p> <p>Fil any further gaps or unmet demand in service provision over the medium term approach by developing complementary measures with communities, community agencies and third sector.</p>	<p>Provide a fully integrated and dedicated public transport network alongside a dedicated school and social care transport network, meeting all statutory duties and offering wide choice through discretionary provision to an agreed level across the Shetland Islands. This will be provided through a 'mixed economy' model, with in house fleet, private contractors and a fully developed community transport sector.</p>

	Minimum	Intermediate	Maximum
Key service requirements	<p>Journey to work across Shetland</p> <p>Access to training and further/higher education from across Shetland</p> <p>Access to Healthcare across Shetland</p> <p>Access to shops (rural and Lerwick)</p> <p>Access to social and leisure opportunities across Shetland</p> <p>Access to external transport links</p> <p>Access to tourist attractions/destinations</p> <p>Access to social care facilities</p>	<p>Journey to work across Shetland</p> <p>Access to training and further/higher education from across Shetland</p> <p>Access to Healthcare across Shetland</p> <p>Access to shops (rural and Lerwick)</p> <p>Access to social and leisure opportunities</p> <p>Access to external transport links</p> <p>Access to tourist attractions/destinations</p> <p>Access to social care facilities</p>	<p>Journey to work across Shetland</p> <p>Access to training and further/higher education from across Shetland</p> <p>Access to Healthcare across Shetland</p> <p>Access to shops (rural and Lerwick)</p> <p>Access to social and leisure opportunities</p> <p>Access to external transport link</p> <p>Access to tourist attractions/destinations</p> <p>Access to social care facilities</p> <p>Higher levels of intra and inter community transport</p> <p>Lower or free fares</p> <p>Long operating days</p> <p>Highest standards of environmental performance of vehicles</p>

5 Benefits, Risks, Constraints and Dependencies

5.1 Main Benefits Criteria

- 5.1.1 The potential benefits that will be realised in relation to the Investment Objectives will be identified through stakeholder consultation before the completion of the Outline Business Case. This exercise will highlight the benefits delivered through implementation of the minimum, intermediate and maximum scope that have been defined to meet the business needs.
- 5.1.2 It is recognised that identifying the benefits and establishing appropriate measures at the strategic outline case stage can be problematic, as the project scope is being determined and refined, and service options are potentially only understood at high level at this point. Therefore, at this stage we will identify benefit categories by type, the key beneficiaries and the benefit class (which is how the benefit can be measured).
- 5.1.3 Our initial analysis suggest that the benefits will be identified in relation to the following beneficiaries:
- A. Direct Public Sector - Shetland Islands Council, ZetTrans
 - B. Indirect Public Sector - Integration Joint Board, NHS, Other Public Sector Agencies
 - C. Wider - Service Users, Non-Users, Businesses, Voluntary Sector, Wider Community
- 5.1.4 In the preliminary benefits register below we suggest that the benefits are defined under the following headings, consistent with HM Treasury guidance:
- Cash Releasing Benefits (CRB)
 - Financial but non-Cash Releasing Benefits
 - Quantifiable (or quantitative) benefits
 - Non-quantifiable (or qualitative) benefits

Table 5-1 Preliminary Benefits Register

Benefit Class	A: Direct Public Sector Benefits – to SIC/ZetTrans	B: Indirect Public Sector Benefits – to other organisations	C: Wider benefits – to individuals, household, businesses
Cash Releasing Benefits (CRB)	Reduced overall contract costs	Increase in market competition, reducing transport costs generally	n/a
Financial but non-Cash Releasing Benefits	More efficient contracts through greater integration, reducing unit contract costs More effective use of in house fleet	Transport market capacity released to be available to other sectors	Potential for reduced fares through market competition allowing council savings to be passed on

Quantifiable (or quantitative) benefits	Customer satisfaction	Increased participation in activities Client/user satisfaction	Greater access to services improving life chances for users
Non-quantifiable (or qualitative) benefits	Improved public image of services	Improved public image of services	Economic, social, cultural, health and wellbeing benefits

5.2 Main Risks

- 5.2.1 An initial review of business and service risks associated with the design of this project is shown below, together with their possible mitigation. Further risks related to development of the project options will be identified through workshops and stakeholder engagement before completion of the Outline Business Case.
- 5.2.2 Key to risk assessment is a proportionate, prudent and evidence based approach to understanding negative events or impacts affecting a project. Table 5-2 Risk Overview

Main Risk	Mitigation
Business Risks	100% within business
Lack of stakeholder engagement	Ensure adequate time to engage stakeholders in setting and/or validating: Investment Objectives Business Scope and Key Service Requirements Benefits criteria Development risks Critical Success Factors Extend current contracts to accommodate this if required
Clarity on political view on service reductions if necessary	Provide Members with a menu of costed options along with their implications in relation to organisational finance, and in relation to meeting the aspirations of related strategies and plans
Lack of organisational experience in business case development	Identify knowledge gaps and agree how they will be addressed
Availability and commitment of internal resources: Project Team: Transport Planning, Children's Services, Health and Social Care Legal and Procurement Project Board: Senior management time to be involved	Ensure project is carefully planned and engage with senior managers to agree and secure the necessary resources
Service Risks	Shared with other organisations

Suppliers – Are suppliers in a position to be more competitive through efficiency?	To be identified through stakeholder engagement
Specification – there is a tension between the expressed needs from users, policy, other agencies and financial constraints	Ensure clarity in service specification on requirements and brief all groups on potential compromises that may be required well in advance
Timescale – sufficient lead in time is required to allow operators to secure the required vehicles	Liaise with operators and manufacturers if necessary with regard to supply chain for new vehicles – could Council advance procurement assist?
Change management and project management - Community Planning and Locality Planning in transition and not yet mature	Commence early engagement with directorates and teams that may be considered needing additional support in any service transition
External Risks	Non-systemic risks – whole society
Wider risks may arise through political uncertainty, consequent economic pressures, impact on oil and gas industry, climate change	Recognise limited ability to mitigate wider societal risks but ensure awareness and consideration of the project in wider context

5.3 Constraints

- 5.3.1 Constraints are external conditions or factors that the project team cannot change or reduce significantly. They can be financial, legislative or delivery deadlines, where third parties may have imposed specific conditions or controls.
- 5.3.2 The two main constraints for this project are the commitment to an investment objective of reducing costs by £500,000 per annum and the timescale for the completion of the preferred option in order to ensure continuity of services from August 2020.
- 5.3.3 There may also be a wider constraints, for example on resources in the bus industry in Shetland, where there is a recognised shortage of drivers and concerns over industry management continuity, which even with concerted effort from stakeholders may not change significantly in the short or medium term.

5.4 Dependencies

- 5.4.1 Dependencies are the key relationships between the project with other programmes or projects, as well as external dependencies. Resourcing this project within a relatively small council team who will have other projects and pressures is a clear area where interdependencies could have an impact.
- 5.4.2 This project is dependent on securing the appropriate levels of staffing and resources within Transport Planning, Children's Services, Health and Social Care, Finance Services, Procurement Services and Legal Services (and these being available at key stages of the project). These dependencies will be carefully monitored and managed by the Project Board and Project Team through the lifespan of the project.

5.5 Review of Strategic Case

- 5.5.1 Officers and the Councils technical advisors developed the draft strategic case as set out in the sections above. The need to assess the strategic case through an internal stakeholder and

project team workshop was identified early in the Strategic Assessment (Gateway Review 0) and a workshop was organised for 11th June, 2019.

- 5.5.2 The outcomes of the workshop have been used to update and revise the strategic case in preparation for the next stage of the development and appraisal of a long list of options, in advance of short listing using the HM Treasury methodology.

6 The Preferred Way Forward

6.1 Introduction

- 6.1.1 In accordance with the Capital Investment Manual and requirements of HM Treasury's Green Book (A Guide to Investment Appraisal in the Public Sector), this section of the SOC documents the wide range of options that have been considered in response to the potential scope identified within the strategic case.
- 6.1.2 The process is driven by a clear and structured appraisal approach from a 'long list' and a 'preferred way forward' to a 'short list' and a 'preferred option'.

6.2 Critical Success Factors (CSFs)

- 6.2.1 Before considering a long list of options business case promoters should consider what are the prime attributes for the successful delivery of the project, and the identification of Critical Success Factors is a key step to the next stage of appraisal. CSFs are crucial indicators that the project can be achieved and therefore if the attribute is only 'desirable' it cannot be said to be a CSF.
- 6.2.2 CSFs are utilised throughout the business case stages to assess whether a project is still on track, but are particularly useful in post implementation review. It is therefore desirable that the CSFs agreed at the start of business case development are achievable, clear and focussed on the success outcomes, recognising they may need minor adjustment through the process (but not significant rewriting or removal).
- 6.2.3 Following review by officers at the June 2019 workshop the proposed Critical Success Factors for this project are as follows:

Table 6-1 Critical Success Factors

CSF Classification	Critical Success Factors
Strategic fit and business needs	CSF1: The school, social care and public transport service meets Shetland Transport Strategy Objectives 1 and 2, and contributes to Objective 3.
	CSF2: The school, social care and public transport service fits with a stakeholder approved hierarchy of transport need and contributes to raising the Place Standard Score for transport and achieving Shetland Partnership Plan outcomes.
	CSF3: The project aligns with the requirements of the SIC Service Redesign Programme

Potential value for money	CSF4: A new fit for purpose public, school and social care transport service can be operational by August 2020.
	CSF5: The school, social care and public transport network provides the best value for money while meeting Council revenue budget objectives.
Supplier capacity and capability	CSF6: The levels of transport service proposed are deliverable within the scale/capabilities of local service providers, particularly in relation to driver availability and business capacity, bearing in mind the limited ability of Shetland Islands Council to operate significantly more services in-house.
	CSF7: The project stimulates competition in the market to achieve cost reductions through the procurement process.
Potential affordability	CSF8: The project creates the ability to generate a choice of costed network options to ensure decision makers can make informed choices in relation to available funding.
	CSF9: The project reflects and responds to the pressures of continued public sector funding constraints.
Potential achievability	CSF10: The project can be delivered by existing Shetland Islands staff and resources within Transport Planning, Children's Services, Health and Social Care, Financial, Procurement and Legal services.

7 Options - Long List and Analysis

7.1 Introduction

- 7.1.1 A long list of options has been identified to achieve the project's business needs and these have been assessed against the investment objectives and critical success factors set out previously. The verification of this long list will form part of the stakeholder engagement exercise which will be undertaken to inform the Outline Business Case for report to Shetland Islands Council and ZetTrans in October 2019.
- 7.1.2 The initial evaluation was undertaken by SIC officers and has been subsequently independently reviewed and tested by the PBA review team. An options framework has been used to identify and filter options in accordance with HM Treasury Green Book guidance, creating options in a series of sequenced choices, as shown in Table 7.1.

Table 7-1 Long List Options Framework

Key dimensions	Description
Scope	The ' what ', in terms of the potential coverage of the project. Scope options are driven by business needs, service requirements and the scale of organisational change required. Examples include coverage in terms of: business functions, levels of service, geography, population and user base.
Service solution	The ' how ' in terms of delivering the 'preferred' scope for the project. Potential service solutions are driven by available technologies, recognised best practice and what the market place can deliver. These solutions provide the potential 'products' to be delivered.
Service delivery	The ' who ' in terms of delivering the 'preferred' scope and service solution for the project. Potential options for service delivery are driven by resources, competencies and capabilities – both internal and external to the organisation. Examples include: in-house provision, outsourcing, alliances and strategic partners.
Service implementation	The ' when ' in terms of delivering the 'preferred' scope, solution and service delivery arrangements for the project. Potential implementation options are driven by deadlines, milestones, dependencies (between outputs), economies of scale, benefit realisation and risk management. Options for implementation include: piloting, modular delivery, big bang and phasing (tranches).
Funding	The ' funding ' required for delivering the 'preferred' scope, solution, service delivery and implementation path for the project. Potential funding options are driven by the availability and opportunity cost of public funding, Value for Money and the characteristics of the project.

7.2 Scope options

- 7.2.1 This range of options considers coverage of the Shetland public and school transport network. In accordance with HM Treasury Green Book and Capital Investment Manual, the scope options include Business as Usual (BAU), which we have called Status Quo, Do Less to Do-Maximum. An almost infinite number of options and permutations are possible; however,

within the broad scope outlined in the strategic case, the scope options that have been considered are shown in Table 7.2.

Table 7-2 Scope Options

Option	Description
1.0 Status Quo	Provide the current public bus network and school transport service provision and meet all current demands for social care client travel to centres, employment or training
1.1 Do Less	Do not procure public services when current contracts expire – leave the market to fill the service gap – while providing legal minimums of school and social care transport
1.2 Do Minimum	Provide the current public bus network, the legal minimum of school transport service provision, and provide social care transport support to a minimal level to offer access to centres, employment or training.
1.3 Intermediate Enhanced	Provide the current public bus network and school transport service provision, and meet all current demands for social care client travel to centres, employment or training with gaps filled in the longer term.
1.4 Do Maximum	Immediately address gaps in current service provision and run separate dedicated public, school and social care transport networks.

- 7.2.2 The scope options have been assessed against the investment objectives, business needs and critical success factors, using a yes/no score for compliance against each factor. This analysis is shown in Table 7.3 with ✓ indicating compliance and ✗ indicating non-compliance. Where insufficient information is available the option is given a ?, recognising it cannot at this stage be assessed as either compliant or non-compliant and therefore is not included in the scoring. The positive scores are then totalled for each scope option.

Table 7-3 Scope Option Assessment

Option		Status Quo	Do Less	Do Minimum	Intermediate	Do Maximum
		1.0	1.1	1.2	1.3	1.4
Investment Objectives	1	✓	✗	✓	✓	✓
	2	✓	✗	✓	✓	✓
	3	✓	✗	?	✓	✓
	4	✓	✓	✓	?	✗
	5	✓	✗	✓	?	✗
Business Needs	1	✓	✗	✓	✓	✓
	2	✓	✗	?	✓	✓
	3	?	✗	?	✓	✓
	4	✓	✗	✓	✓	✗
	5	?	✗	?	?	✗
Critical Success Factors	1	✓	✗	?	✓	✓
	2	✓	✗	?	✓	✓
	3	✓	✗	✓	?	✗
	4	✓	✗	✓	✓	✗
	5	✓	✗	✓	✓	✗
	6	✓	✓	✓	✓	✗
	7	✓	✗	✓	?	✓
	8	✓	✗	✓	✓	✓
	9	✓	✓	✓	✓	✗
	10	✓	✓	✓	✓	✓
Score (✓/20)		18	4	14	15	11
Conclusion		Preferred way forward	Discounted	Carried forward	Carried forward	Discounted

7.2.3 The Preferred Way Forward is option 1.2, Status Quo (Business as Usual). This scores 18 out of 20 for delivery against investment objectives, business needs and critical success factors. The option meets all investment objectives, most business needs and all critical success factors and minimises change for users and suppliers, but may not reduce contract costs in line with objectives of Service Redesign Programme.

7.2.4 Two options are carried forward for further consideration: option 1.1, Do Minimum and option 1.3, Intermediate.

7.2.5 Option 1.1 delivers some cost saving and meets most investment objectives, business needs and critical success factors, but is inconsistent with the Shetland Transport Strategy and Shetland Partnership Plan and involves loss of service to some users.

- 7.2.6 Option 1.3 meets most investment objectives, business needs and critical success factors but is likely to increase costs due to additional services and inefficient procurement due to piecemeal tendering of additional services.
- 7.2.7 Two options are discounted following this analysis: option 1.0, Do Less and option 1.4, Do Maximum.
- 7.2.8 Option 1.0 delivers a significant cost saving but fails to meet almost all investment objectives, business needs and critical success factors, and is not compliant with ZetTrans statutory duties.
- 7.2.9 Option 1.4 addresses all business needs comprehensively and meets most investment objectives and critical success factors but would lead to increased costs requiring additional funding and may be beyond the capacity of suppliers to deliver.

7.3 Service solution options

- 7.3.1 This range of options considers potential solutions in relation to the preferred scope. The options considered are shown in Table 7.4.

Table 7-4 Service Solution Options

Option	Description
2.0 Local Bus	Passenger transport provided by local buses operating on a mix of timetabled and demand responsive services
2.1 Flexible Bus	Passenger transport provided by local buses operating on a fully demand responsive basis, in respect of places served and timetable
2.2 Taxi	Passenger transport provided by taxis and private hire vehicles
2.3 Car Club	Passenger transport provided by a privately-operated pool of cars available to community members that opt in
2.4 Personal Travel Budget	Every individual in Shetland is given an annual budget to arrange their own travel

- 7.3.2 The service solution options have also been assessed against the investment objectives, business needs and critical success factors, applying the same yes/no scoring used for the scope options.

Table 7-5 Service Solution Option Assessment

Option		Local bus	Flexible bus	Taxi	Car Club	Personal budget
		2.0	2.1	2.2	2.3	2.4
Investment Objectives	1	✓	✓	✓	✗	✗
	2	✓	✓	✓	✗	✗
	3	✓	✓	✓	✗	✗
	4	✓	✓	✗	✓	✓
	5	✓	✓	✗	✗	✗
Business Needs	1	✓	✓	✓	✗	✗
	2	✓	✓	✓	✗	✗
	3	?	?	✗	✗	✗
	4	✓	✓	✗	✗	✗
	5	?	?	✗	✓	✓
Critical Success Factors	1	✓	✓	✓	✗	✗
	2	✓	✓	✓	✗	✗
	3	✓	✓	✗	✗	✗
	4	✓	✓	✓	✗	✗
	5	✓	✓	✗	✓	✓
	6	✓	?	✗	✓	✓
	7	✓	?	✗	✗	✗
	8	✓	✓	✓	✗	✗
	9	✓	✓	✗	✓	✓
	10	✓	?	✗	✓	✓
Score (✓/20)		18	15	9	6	6
Conclusion		Preferred way forward	Carried forward	Discounted	Discounted	Discounted

- 7.3.3 The Preferred Way Forward is option 2.0, Local Bus, which scores 18 out of 20 against for delivery against investment objectives, business needs and critical success factors. The option meets all investment objectives and critical success factors and most business needs.
- 7.3.4 Option 2.1, Flexible Buses, scores 15 out of 20 and is carried forward for further consideration. The option meets all investment objectives most business needs and critical success factors.
- 7.3.5 Option 2.2, Taxis, scores 9 out of 20. While it would be an innovative solution, it is unlikely to be an efficient means of meeting all transport needs and the resources required to provide an effective network would involve a major mobilisation programme by private sector players. It is uncertain that this option could be delivered satisfactorily. The option is therefore discounted.
- 7.3.6 Options 2.3 and 2.4 are also discounted. A car club solution (option 2.3) would deny access to most non-drivers unless they had a friend or family member available at the appropriate

time. The loss of accessibility would be contrary to the objectives of the Shetland Transport Strategy and the Shetland Partnership Programme outcomes. This option would also require major logistical effort to deliver. The personal travel budget (option 2.4) would be an innovative approach but there is no certainty as to how the market would respond in providing commercial services and it would not meet ZetTrans statutory duties.

7.4 Service delivery options

Introduction

- 7.4.1 This range of options considers the options for service delivery in relation to the preferred scope and potential solution. The options considered are shown in Table 7.6.

Table 7-6 Service Delivery Options

Option	Description
3.0 SIC	All services are provided by Shetland Islands Council
3.1 ZetTrans	All services are provided by ZetTrans
3.2 Private sector	All services are provided by the private sector with SIC acting as operator of last resort
3.3 Single supplier	All services are provided by a single private sector supplier
3.4 Community Transport	All services are provided by community organisations
3.5 Voluntary sector	All services are provided by the voluntary sector
3.6 Mixed supply	Services are provided by SIC and the private sector

- 7.4.2 The service delivery options have again been assessed against the investment objectives, business needs and critical success factors, as shown in Table 7.7.

Table 7-7 Service Delivery Option Assessment

Option		SIC	ZetTrans	Private sector	Single supplier	CT	Voluntary sector	Mixed supply
		3.0	3.1	3.2	3.3	3.4	3.5	3.6
Investment Objectives	1	✓	✓	✓	✓	✗	✗	✓
	2	✓	✓	✓	✓	✗	✗	✓
	3	✓	✓	✓	✓	✗	✗	✓
	4	✗	✗	✓	?	✓	✓	?
	5	✗	✗	✓	?	✓	✓	?
Business Needs	1	✓	✓	✓	✓	✗	✗	✓
	2	✓	✓	✓	✓	✗	✗	✓
	3	✗	✗	?	?	✗	✗	?
	4	✗	✗	✓	✓	✓	✓	✓
	5	✗	✗	?	✓	✓	✓	?
Critical Success Factors	1	✓	✓	✓	✓	✗	✗	✓
	2	✓	✓	✓	✓	✗	✗	✓
	3	✗	✗	✓	✓	✓	✓	?
	4	✓	✓	✓	✓	✗	✗	✓
	5	✗	✗	✓	✓	✓	✓	?
	6	✗	✗	✓	?	✗	✗	✓
	7	✗	✗	✓	?	✗	✗	✓
	8	✓	✓	✓	✓	✗	✗	✓
	9	✗	✗	✓	✓	✓	✓	?
	10	✗	✗	✓	✓	✗	✗	✓
Score (✓/20)		9	9	18	15	7	7	13
Conclusion		Discounted	Discounted	Preferred way forward	Carried forward	Discounted	Discounted	Carried forward

- 7.4.3 The Preferred Way Forward is option 3.2, use of private suppliers, which scores 18 out of 20. This meets most investment objectives and business needs, and all critical factors.
- 7.4.4 Option 3.3, single supplier, scores 15 out of 20 and meets most investment objectives, business needs and critical factors. It is an option that may reduce costs in the short term but carries the risk of reducing competition in the longer term and therefore increasing costs. There is also a risk to service delivery in the event of any failure by the single supplier and the potential difficulty of sourcing alternatives. The option is recommended to be carried forward for further investigation.
- 7.4.5 Option 3.6, mixed supply from private and public sectors, scores 13 out of 20 and also meets most investment objectives, business needs and critical factors. The option is recommended to be carried forward for further investigation.

- 7.4.6 Options 3.0 and 3.1, operation by SIC or ZetTrans, both score 9 out of 20 and are discounted. Neither would represent best value for money because of the costs involved and the mobilisation required to implement. In addition, ZetTrans does not currently hold a PSV Operator's Licence and, so, is unable to operate bus services.
- 7.4.7 Options 3.4 and 3.5, operation by the community transport or voluntary sectors, have also been discounted due to the scale of operations that would be required being beyond the capacity of either sector in Shetland at present.

7.5 Implementation options

- 7.5.1 This range of options considers the choices for implementation in relation to the preferred scope, solution and method of service delivery. Table 7.8 sets out the options considered.

Table 7.8: Implementation Options

Option	Description
4.0 Immediate	Implement solution in August 2020, on expiry of existing contracts
4.1 Delay by 1 Year	Extend current contracts and aim to introduce new solution in August 2021
4.2 Delay by 2 – 4 Years	Extend current contracts and aim to introduce new service in August 2022, 2023 or 2024
4.3 Phased Implementation	Extend some contracts and introduce new service by stages

- 7.5.2 The service delivery options have again been assessed against the investment objectives, business needs and critical success factors, as shown in Table 7.9.

Table 7-9 Implementation Option Assessment

Option		Immediate	1-year delay	2-4 Year delay	Phased
		4.0	4.1	4.2	4.3
Investment Objectives	1	✓	✓	✓	✓
	2	✓	✓	✓	✓
	3	✓	✓	✓	✓
	4	✓	?	✗	?
	5	✓	?	✗	?
Business Needs	1	✓	✓	✓	✓
	2	✓	?	✗	?
	3	✗	?	✗	?
	4	✓	✓	✗	✓
	5	✗	?	✗	?
Critical Success Factors	1	✓	✓	✓	✓
	2	✓	✓	✓	✓
	3	✓	?	✗	?
	4	✓	?	✗	?
	5	✓	?	✗	?
	6	✓	✓	✓	✓
	7	✓	✓	✗	✓
	8	✓	✓	✓	✓
	9	✓	?	✗	?
	10	✓	✓	✓	✓
Score (✓/20)		18	11	9	11
Conclusion		Preferred way forward	Carried forward	Discounted	Carried forward

- 7.5.3 The Preferred Way Forward is option 4.0, Immediate, with implementation in August 2020, on expiry of the current contracts. This meets all investment objectives and business needs and most critical factors.
- 7.5.4 Option 4.1, a one-year delay, and option 4.3, phased implementation, both score 11 out of 20 and meet most investment objectives and critical factors and some business needs. These are carried forward for further investigation.
- 7.5.5 Option 4.2, a delay of two to four years, scores 9 out of 20. This option meets some investment objectives and critical factors and only one business need, compliance with SIC statutory duties. This option has been discounted.

7.6 Funding options

- 7.6.1 It is agreed that the scheme will be funded by Shetland Islands Council. No alternative methods of finance have been explored.

7.7 Long List Summary

- 7.7.1 Table 7.10 provides a summary of the options generated in the long list and the results of the option assessment.

Table 7-10 Summary of Long List Option Assessment

1. Service scope	1.0 Status quo	1.1 Do less	1.2 Do minimum	1.3 Intermediate	1.4 Do maximum		
	Preferred way forward	Discounted	Carried forward	Carried forward	Discounted		
2. Service solution	2.0 Local bus	2.1 Flexible bus	2.2 Taxi	2.3 Car club	2.4 Personal budget		
	Preferred way forward	Carried forward	Discounted	Discounted	Discounted		
3. Service delivery	3.0 SIC	3.1 ZetTrans	3.2 Private	3.3 Single supplier	3.4 CT	3.5 Voluntary sector	3.6 Mixed supply
	Discounted	Discounted	Preferred way forward	Carried forward	Discounted	Discounted	Carried forward
4. Implementation	4.0 Immediate	4.1 1-year delay	4.2 2-4 year delay	4.3 Phased			
	Preferred way forward	Carried forward	Discounted	Carried forward			
5. Funding	5.0 SIC						
	Preferred way forward						

8 Short List of Options

- 8.1.1 The results of the long list assessment set out in the previous chapter have provided a potential short list of options for further assessment, as summarised in Table 8-1.

Table 8-1 Summary of Preferred and Possible Options

Option	Preferred	Possible
Service scope	1.0 Status quo	1.2 Do minimum 1.3 Intermediate
Service solution	2.0 Local bus	2.1 Flexible bus
Service delivery	3.2 Private operators	3.3 Single supplier 3.6 Mixed supply
Implementation	4.0 Immediate	4.1 1-year delay 4.3 Phased
Funding	5.0 SIC	

- 8.1.2 The preferred and possible options for each choice have been reviewed and a short list of five options has been identified. These are shown in Table 8-2.

Table 8-2 Short List of Options

Option	Less ambitious PWF 1	Do minimum	Preferred way forward	Less ambitious PWF 2	More ambitious PWF
Service scope	1.0 Status Quo	1.2 Do Minimum	1.0 Status Quo	1.3 Intermediate	1.3 Intermediate
Service solution	2.0 Local bus	2.0 Local bus	2.0 Local bus	2.0 Local bus	2.0 Local bus
Service delivery	3.2 Private operators	3.2 Private operators	3.2 Private operators	3.2 Private operators	3.2 Private operators
Implementation	4.1 1-year delay	4.0 Immediate	4.0 Immediate	4.3 Phased	4.0 Immediate
Funding	5.0 SIC	5.0 SIC	5.0 SIC	5.0 SIC	5.0 SIC

- 8.1.3 The short list of options has been re-assessed using the option framework previously used in chapter 7. Table 8.3 summarises the results.

Table 8-3 Short List of Options – Summary of Assessment

Option		Less ambitious PWF 1	Do minimum	Preferred way forward	Less ambitious PWF 2	More ambitious PWF
Investment Objectives	1	✓	✓	✓	✓	✓
	2	✓	✓	✓	✓	✓
	3	✓	✗	✓	✓	✓
	4	?	✓	✓	?	?
	5	?	✓	✓	?	?
Business Needs	1	✓	✓	✓	✓	✓
	2	✓	✗	✓	✓	✓
	3	?	✗	?	✓	✓
	4	✓	✓	✓	?	?
	5	?	✗	?	?	?
Critical Success Factors	1	✓	✗	✓	✓	✓
	2	✓	✗	✓	✓	✓
	3	?	✓	?	?	?
	4	✓	✓	✓	✓	✓
	5	?	✓	?	?	?
	6	✓	✓	✓	✓	?
	7	✓	✓	✓	✓	✓
	8	✓	✓	✓	✓	✓
	9	?	✓	?	?	?
	10	✓	✓	✓	✓	✓
Score (✓/20)		13	14	15	13	12

8.1.4 The short list of options will be taken forward for further analysis in the Outline Business Case.

9 The Commercial Case

9.1 Introduction

- 9.1.1 This section covers the proposed procurement exercise in relation to the preferred option of tendering public bus services at the current level of provision, adult social care services and school transport services in line with the current SIC School Transport Policy, in a joint tendering exercise between ZetTrans and the Shetland Islands Council, for implementation on August 2020.
- 9.1.2 In particular in the Strategic Outline Case we have to assess at high level market capacity and how the market will react to a potentially significantly revised approach to procuring local transport services.

9.2 Required services

- 9.2.1 Subject to the outcomes of the business case review the level of public bus services to be tendered could match the level of public bus services currently in operation across Shetland and the level of school transport services to be tendered is in line with provision under the current SIC School Transport Policy. Social Care transport services are generally provided by the Council in-house fleet or taxi services in line with the Council's internal procedures and assessment processes.
- 9.2.2 This represents the 'Status Quo' position in the option testing process.

9.3 Market capacity

- 9.3.1 There is a well-established bus, coach and taxi market in the Shetland Islands, dominated by small and often family run companies or sole traders. The major UK bus groups do not have presence on the islands and it is unlikely that the size of the 'contestable market' or levels of profitability would be sufficient to encourage participation in the tendered market.
- 9.3.2 Consolidation and the closure of business as owners retire continues to be a concern. As noted previously the age of drivers is increasing notably with few younger recruits and this will present a significant challenge in the medium to long term.
- 9.3.3 Informal cooperation between transport operators is well established and is broadly beneficial to the smooth working of transport networks on the Shetland Islands. It remains to be seen whether further cooperation such as joint bids on tenders, for example, may occur in this round of procurement and whether this will lead to more (or less) competitive pricing.
- 9.3.4 More detailed market capacity analysis will be undertaken in the Outline Business Case stage.

9.4 Potential for risk transfer

- 9.4.1 The potential for risk transfer was fully explored when the initial procurement strategy was established for the procurement of passenger transport. This strategy has subsequently been reviewed in preparation for this exercise and no alterations are proposed. The strategy transfers the risks as follows:

Table 9-1 Risk Transfer Matrix

Risk Category	Potential allocation
---------------	----------------------

	Client	Contractor	Shared
1. Design risk	Y		
2. Construction and development risk	Y		
3. Transition and implementation risk			Y
4. Availability and performance risk			Y
5. Operating risk		Y	
6. Variability of revenue risks	Y		
7. Termination risks	Y		
8. Technology and obsolescence risks	Y		
9. Control risks	Y		
10. Residual value risks	Y		
11. Financing risks	Y		
12. Legislative risks			Y
13. Other project risks	Y		

9.5 Proposed charging mechanisms

- 9.5.1 ZetTrans and Shetland Islands Council will make payments for the contracts awarded in line with the Conditions of Contract as established under the Framework Agreement currently in place.
- 9.5.2 Where the contract is for the provision of a public bus service, this contract will be established on a minimum cost basis and in line with section 10.3 of the Conditions of Contract, the invoice presented “shall show the total revenue taken during the performance of the Service as a net reduction in the total payment due to the Contractor”.
- 9.5.3 The specific section (10.6) of the Conditions of Contracts states, “The Client will endeavour to pay to the Contractor the due amount within 30 days of receipt of a correctly completed invoice. A separate invoice must be issued by the Contractor for each calendar month (or other period specified by the Client.”
- 9.5.4 In cases where, under section 10.5, the Client provides “more than 48 hours notice of the fact that the Contractor shall not be required to provide transport on any day, then the Contractor shall not be entitled to any payment whatsoever”.

9.6 Proposed contract lengths

- 9.6.1 The proposed contract lengths for inclusion in the tendering exercise will be reviewed but it is anticipated that contract lengths of three, five and seven years will be tested for effectiveness and attractiveness to the local bus and taxi market. Bidders will have the opportunity to put forward tenders for different contract lengths.

9.7 Proposed key contractual clauses

- 9.7.1 Tenders shall be sought from Operators on the current Passenger Transport Framework.
- 9.7.2 This Framework Agreement has a suite of established documents which would apply to all contracts tendered under it. These documents include:
- Passenger Transport Conditions of Contract
 - Passenger Transport Service Performance Specification
- 9.7.3 The documents cover all contractual clauses applicable to this exercise.

9.8 Personnel implications (including TUPE)

- 9.8.1 It is anticipated that the TUPE – Transfer of Undertakings (Protection of Employment) Regulations 1981 – will not apply to this investment as outlined above.
- 9.8.2 Section 18 of the Passenger Transport Conditions of Contract notes that Contractors recognise “his/her responsibilities under the Transfer of Undertakings (Protection of Employment) Regulations 2006 as amended and will provide relevant information on staff employed on the Contract as may be required”. It also notes that “at no time shall the Contractor’s employees be or become employees of the Client either in terms of any Contract or the Framework Agreement or otherwise”.

9.9 Procurement strategy and implementation timescales

- 9.9.1 It is anticipated that the procurement strategy will match that which was successfully utilised when tendering the existing services.
- 9.9.2 It is anticipated that, subject to the approval of the Outline Business Case, the implementation of new contracts will be conducted to the following timescale:
- September 2019 – Tender Documents Drafted
 - October 2019 – Tender Documents Finalised (following completion and approval of the OBC)
 - October 2019 – Full Business Case development and Issue of Tender Documents
 - November 2019 – Tender Submission Deadline
 - November – December 2019 – Analysis of Submissions
 - January 2020 – Report the tender results and Full Business Case to ZetTrans and Shetland Islands Council
 - February 2020 – Award Contracts
 - August 2020 – New Contracts Begin

9.10 FRS 5 accountancy treatment

It is envisaged that the assets underpinning the delivery of service will not be on the balance sheet of the organisation.

10 The Financial Case

- 10.1.1 For the Strategic Outline Case, it is necessary to set out the organisation's financial situation, the resources available for the project and any constraints.
- 10.1.2 The earlier review of the Medium Term Financial Plan and annual budget in section 2.2.38 – 2.2.45 provides an overview of the financial pressures facing the council overall and each of the directorates specifically. With the additional requirements to bring forward savings through the work of the Service Design Review programme there is a recognition that savings will need to be found from the overall £5.3m transport services budget.
- 10.1.3 The current annual cost of the bus network is £5.352m, made up of: Public Service £2.302m; Education Transport £2.342m; ASN & Social Care Transport £0.708m (from February Environment & Transport Committee 2019 budget report).
- 10.1.4 The full Financial Case will be completed in partnership with SIC Finance Services following the procurement exercise. This will be set out in the Outline Business Case and presented to Shetland Islands Council and ZetTrans in October 2019.
- 10.1.5 Further work on the funding of services, including value for money, inflation, financial risks, market stability and competition impacts, will be undertaken as part of the Full Business Case, to be developed from November 2019.
- 10.1.6 The procurement exercise will provide accurate financial information with which to cost each option.
- 10.1.7 Due to the changing landscape of passenger transport service provision in Shetland over the past few years, it is not possible to provide detailed costed options ahead of the tender exercise as all contract information held is four years out of date. The necessary detailed knowledge of the specific circumstances, strategies and financial models of each member of the Framework Agreement that would be required to produce accurately costed models of each option are not held by the Council.
- 10.1.8 However, we will use cost data provided by the Transport Planning Service and our own industry costing data sets to identify at a high level the likely financial impacts of the options as they are developed and refined.

11 The Management Case

11.1 Introduction

- 11.1.1 This section of the SOC addresses the ‘achievability’ of the scheme. Its purpose is to set out the actions that will be required to ensure the successful delivery of the scheme in accordance with best practice.

11.2 Programme management arrangements

- 11.2.1 The project is an integral part of the portfolio of projects currently being undertaken to ensure a sustainable network of public bus, school and social care transport services within Shetland and to/from Shetland.
- 11.2.2 The project is overseen by the Project Board.
- 11.2.3 The programme management arrangements are consistent with the Managing Successful Programmes methodology.
- 11.2.4 The project will be managed in accordance with PRINCE 2 methodology.

Outline project reporting structure

- 11.2.5 The project is overseen by the Project Board
- 11.2.6 The project sits within a programme of transport projects and initiatives and the Programme Manager is the Executive Manager Transport Planning/ Lead Officer ZetTrans.

Outline project roles and responsibilities

The Project Board comprises: -

- Director Development Services (SIC) – Chair, Senior Responsible Owner - School and Adult Social Care Transport
- Director, Children’s Services (SIC)
- Director, Community Health and Social Care, (SIC and NHS), Chief Officer IJB
- Executive Manager, Governance and Law (SIC)
- Executive Manager Finance (SIC)
- Executive Manager Transport Planning (SIC)/ Lead Officer ZetTrans – Vice Chair, Senior Responsible Owner - Public Transport

11.3 Outline project plan

Table 11-1 Milestones

Date	Activity	Who
By 14 th June 2019	Prepare SOC	Project Manager/PBA

26 th June 2019	Present SOC and timeline to Council and ZetTrans for approval	ZetTrans Lead Officer/Project Board/ Project Manager
July – August 2019	Develop OBC	Project Team/PBA
September 2019	Consultation – key stakeholders Verification/ refinement of Investment Objectives and Critical Success Factors Verification/ refinement of Benefits and Risks Verification/ refinement of methodology to obtain shortlist Verification/ refinement of Hierarchy of Transport Need and priorities	Project Team/PBA
October 2019	Finalise preferred option based on consultation feedback and each of the five components of the business case	Project Team/PBA
October 2019	Present OBC (which will include procurement strategy) to Council and ZetTrans for approval to go to Final Business Case	Transport Lead Officer/Project Board
October – December 2019	Complete FBC: Stakeholder Engagement Procurement or VFM solution Recommended service provider and solution Finalise methodology for awarding contracts	Project Team/Procurement/ PBA
October 2019	Issue tender docs	Procurement
November 2019	Tender submission deadline	Procurement
November – December 2019	Assess tender docs	Project Team/Procurement/ PBA
January 2020	Report FBC to Council and ZetTrans for decision on final set of contracts to be awarded	Transport Lead Officer/Project Board
Feb 2020	Award contracts with 6 month lead in time	Procurement/Legal

11.4 Gateway review arrangements

11.4.1 The impacts/risks associated with the project will be developed in more detail in the preparation of the OBC.

- 11.4.2 The presentation to Shetland Islands Council and ZetTrans on 26th June and 27th June respectively will confirm that the project fits with the strategic aims of the two organisations which is consistent with Gate 0 of the assurance process.
- 11.4.3 Further reviews will be developed as part of the Outline and Full Case processes and reported the Programme Board, Shetland Islands Council and ZetTrans as required.