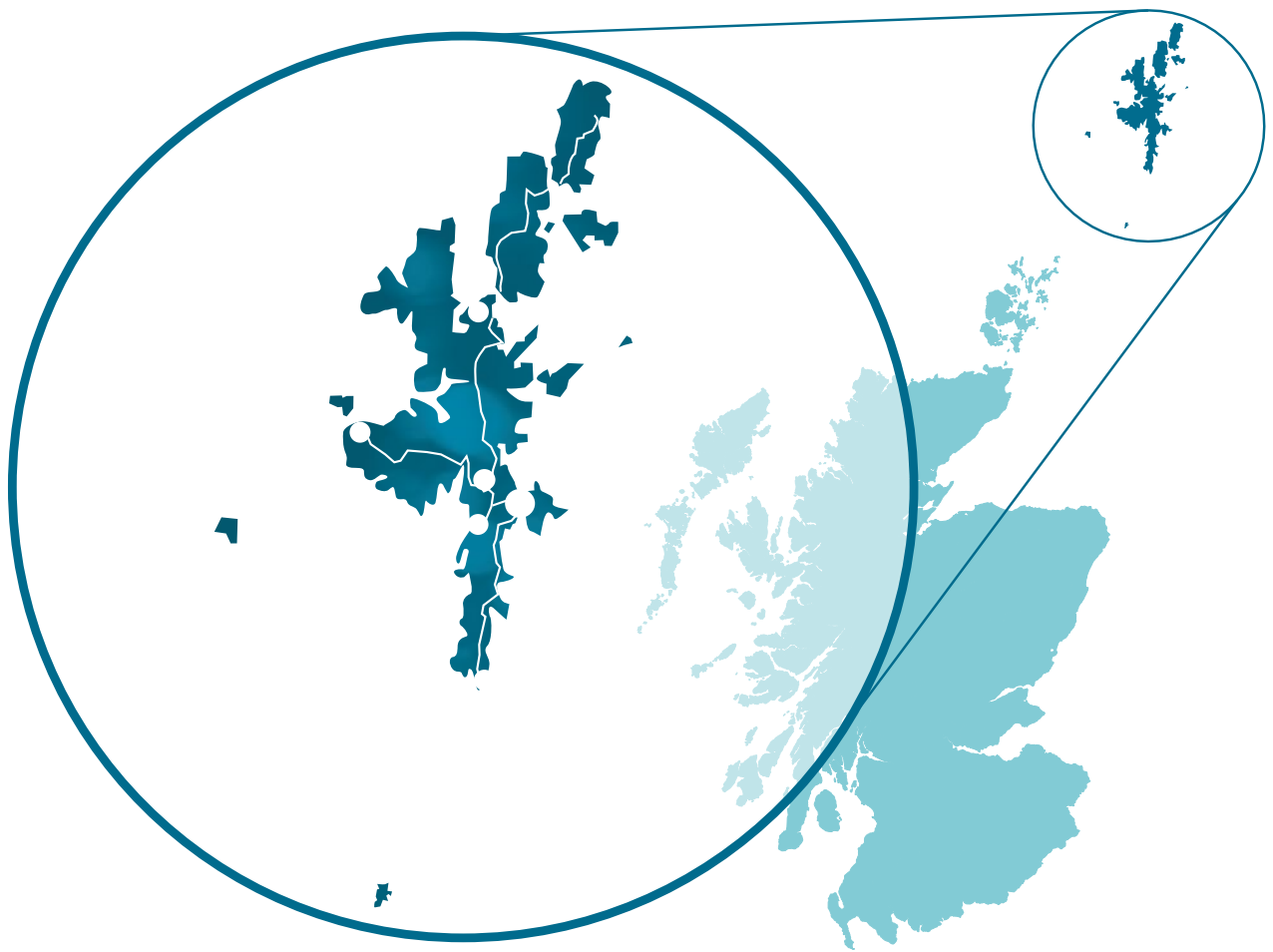


Best Value Assurance Report

Shetland Islands Council



ACCOUNTS COMMISSION 

Prepared by Audit Scotland
August 2022


The Accounts Commission

The Accounts Commission holds councils, health and social care integration joint boards and other local government bodies in Scotland to account and helps them improve. We operate impartially and independently of councils and of the Scottish Government, and we meet and report in public.

We expect councils to achieve the highest standards of governance, financial stewardship and value for money in how they use their resources and provide their services.

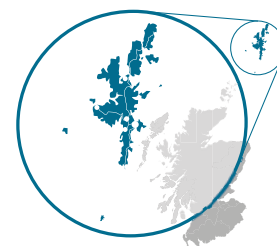
Our work includes:

- securing and acting upon the external audit of Scotland's councils, integration joint boards and various joint boards and committees
- assessing the performance of councils and integration joint boards in relation to Best Value and community planning
- carrying out national performance audits to help councils improve their services
- requiring councils to publish information to help the public assess their performance.

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Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. We help the Auditor General for Scotland and the Accounts Commission check that organisations spending public money use it properly, efficiently and effectively.

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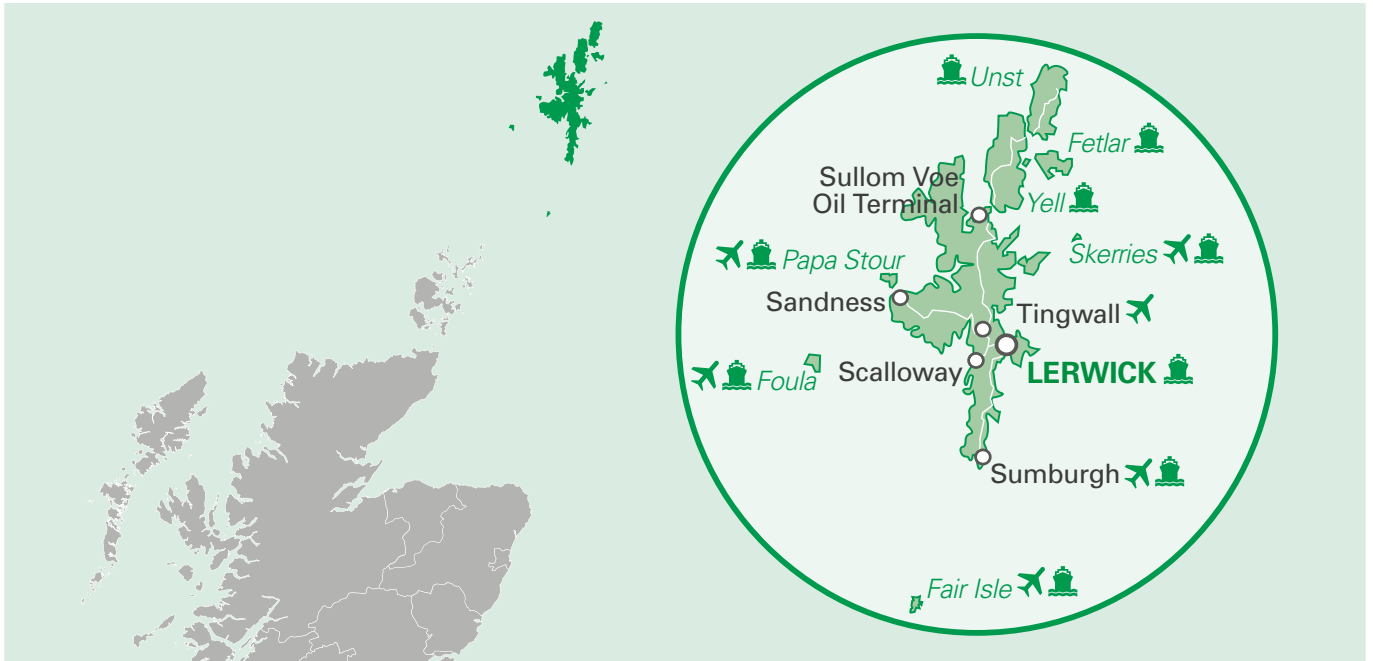
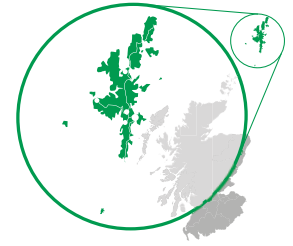


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Links

-  PDF download
 -  Web link
-

Key facts



Area



Population



Workforce



Elected members

- 20 Independent
- 1 Scottish Green
- 1 Scottish National Party
- 1 Labour



Council houses



2022/23
Revenue budget¹



2022/23
Capital budget²



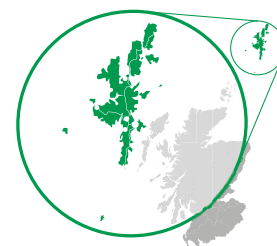
Budget gap
2026/27

Notes:

1. Revenue budget covers day-to-day costs such as wages.

2. Capital budget covers the cost of major projects such as schools and roads. This is made up of the general fund capital budget (£20,094k), harbour capital budget (£297k) and housing revenue account capital budget (£4,983k).

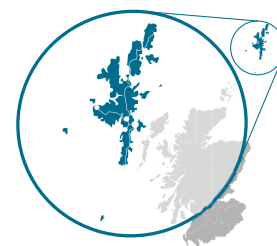
Commission findings



- 1** The Commission accepts the Interim Controller of Audit's report on Best Value in Shetland Islands Council and we endorse his recommendations.
- 2** We last reported on Shetland Islands Council in 2013, noting significant progress by the council in developing a culture of continuous improvement following previous critical findings by the Commission on the council.
- 3** We are once again, however, seriously concerned about the council's inability to demonstrate Best Value, evidenced by the nature and range of issues in the Controller's report. We are not confident that the council is able to show that it is financially sustainable. Our concern is particularly around:
 - the absence of a clear plan to eliminate the forecast funding gap over the next five years, which could be as large as £142 million
 - the council's reliance on drawing down its reserves to achieve a balanced budget which could exhaust these reserves in ten years
 - weaknesses continuing to exist in the council's performance management arrangements and plans to remedy these having progressed slowly
 - the council's approach to service transformation being slow and lacking in urgency.
- 4** Elected members need to be more closely involved in developing plans to remedy these and the other criticisms in the report and thus provide clear leadership. Officers need to ensure that options agreed by members to change services are articulated clearly in a timed and costed plan linked clearly with its Change Programme. Better arrangements for managing and reporting performance are a vital element for progress to be made.
- 5** Shetland has distinct and significant challenges around geography, population decline and lack of affordable housing. We commend the clear vision of the council and its partners who work well together to address such challenges. They responded well to the challenges of the pandemic. The council is also able to demonstrate that it can be innovative in how it provides and invests in some of its services, including through working well with its partners. But such innovation needs to become more embedded in the corporate drive to deliver the required strategic change.
- 6** We acknowledge that the people of Shetland enjoy generally high-quality services provided by the council with good levels of customer satisfaction. While there are good examples of how the council has engaged with communities, such engagement needs to be more consistent to face the difficult decisions ahead to reach a more financially sustainable position.

- 7** The Commission would encourage the council to develop and publish an action plan to enable it to tackle issues in the most appropriate order and timescales and to provide a baseline against which it can assess and demonstrate its progress. We also encourage the council to consider if it might be appropriate to seek external help to ensure optimum capacity in planning and delivering its action plan.
- 8** The progress required by Shetland Islands Council is urgent. We therefore require the Controller of Audit to report back to us within 18 months.

Audit approach



1. The statutory duty of Best Value was introduced in the Local Government in Scotland Act 2003. The audit of Best Value is a continuous process that forms part of the annual audit of every council. Findings are reported each year through the Annual Audit Report.

2. In addition, the Controller of Audit presents a Best Value Assurance Report to the Accounts Commission at least once during the five-year (currently extended to six-year) audit appointment for each council. This is the first assurance report on Shetland Islands Council. The Controller of Audit's previous report on Shetland Islands Council was a statutory follow-up report, published in January 2013. A summary timeline is included at the [Appendix](#).

3. This report seeks to provide the Commission with assurance on the council's statutory duty to deliver Best Value, with a particular focus on the Commission's Strategic Audit Priorities. We are looking for councils to demonstrate Best Value by showing continuous improvement in how they deliver services. The pace and depth of this improvement is key to how well councils meet their priorities in the future.

4. Our work covers many Best Value themes in the statutory guidance but does not cover them all. Our audit approach is proportionate and risk based and so is reflective of the context, risks and performance of the individual council. It also draws on the intelligence from audit and scrutiny work carried out in previous years.

5. In keeping with this approach, we conducted initial work to identify risks and council initiatives to build into the scope of our audit. This included a review of previous audit and inspection reports and intelligence, a review of key council documents, initial meetings with senior officers and reflection on our wider public sector knowledge and experience. Key areas of focus for our audit are set out in [Exhibit 1 \(page 8\)](#).

Impact of Covid-19 pandemic on the audit approach

6. Due to Covid-19 levels in the Shetland Islands at the time of fieldwork, the audit team held all interviews with key officers, elected members and partners remotely. Despite the restrictions regarding on-site fieldwork, we were able to gather sufficient evidence to support the audit judgements in this report.

7. The pandemic has brought unprecedented challenges for councils across the country. The long-term impacts on communities and the delivery of public services are still unknown, but they will be significant and could continue for some time. The scope of our work covers the current impact of Covid-19 on Shetland Islands Council where it is known.

Exhibit 1

Key areas of focus for our audit



The council's vision and priorities



The leadership, culture and working relationships within the council, including political leadership, and the effectiveness of governance and scrutiny arrangements



An assessment of how the council monitors and responds to trends in performance and outcomes, and the council's approach to reporting on these activities



Partnership working and service delivery with others, including:

- the Integration Joint Board
- the Community Planning Partnership
- the Islands Growth Deal



How the council monitors, manages and reports on its finances and other resources, including its medium and longer-term financial planning, financial sustainability, use of reserves, workforce planning and any transformational activity



How the council engages with communities, staff and other stakeholders, including its approach to community engagement and empowerment



How the council considers equalities and the impacts of climate change in delivering its services



The unique geography and demography of the islands, and associated challenges for service provision



How the council demonstrates continuous improvement

Source: Audit Scotland

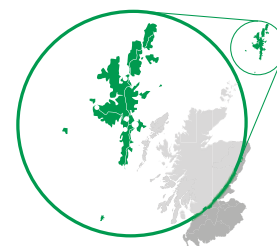
Follow-up to report

8. The audit work was carried out by a joint team from Audit Scotland and Deloitte, the appointed auditor. This is the final year of the current audit appointment. Audit Scotland will be the newly appointed auditor from October 2022. In this next audit appointment, the audit of Best Value will be integrated into the annual audit of the council, rather than requiring a Best Value Assurance Report. The appointed auditor will follow up on the findings of this report and carry out more detailed audit work on Best Value characteristics as appropriate.

Acknowledgement

9. We gratefully acknowledge the cooperation and assistance provided to the audit team by all elected members, officers and other stakeholders during the audit.

Key messages

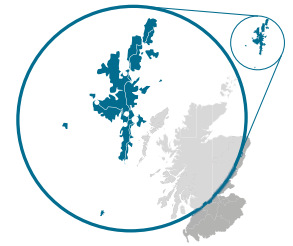


- 1** The council has not yet demonstrated that it is meeting its Best Value duty in a number of important areas. Across its services and activities, the council can point to examples of good practice, but it has been slow to improve its plans for financial sustainability, its performance management and reporting, its transformation programme and aspects of its community engagement and empowerment. While there has been some very recent progress, the council's prospects for making the changes needed are uncertain. The elected members need to increase their ambition, pace and focus to deliver in these important areas.
- 2** Shetland Islands Council faces specific challenges relating to the make-up and distribution of its population, its topography, workforce and the economy of the islands. The council's strategic plan, *Our Ambition*, reflects these challenges and opportunities and sets a clear vision for the council and its communities. The plan's aims are shared by partners.
- 3** The council's elected members and senior management have good working relationships, but they are not yet providing the strategic leadership needed to coordinate and drive forward plans. Financial plans, asset improvement plans and workforce plans are not clearly linked to the council's priorities in *Our Ambition*.
- 4** The council's services perform well, with national benchmarking data showing that performance improved in over half of the relevant indicators in the last five years. Shetland also has some of the highest service satisfaction scores in Scotland. Where service performance is weak, there are examples of the council taking action to improve.
- 5** The council's own performance management and reporting systems and arrangements are not well developed and inconsistent, with a lack of performance indicators and targets. There have been some recent signs of improvement.
- 6** The council has long-term and medium-term financial plans in place, however there is an estimated funding gap over the next five years of between £61.2 million and £142.1 million. There is no clear link to the council's Change Programme, and therefore no clear plan of how the required savings will be made. The council is therefore unable to demonstrate that it is financially sustainable in the medium to long term.

- 7** The council has been slow to deliver on transformation with a lack of pace and urgency to move it forward. The Change Programme has been put in place but is piecemeal and lacks sufficient resources.
 - 8** The council and its partners responded well to the challenges of the Covid-19 pandemic. There is a good culture of the council and its partners working together – that includes between the council and the NHS, and with the private and voluntary sectors. The Community Planning Partnership is committed to reducing inequalities but outcomes for Shetland’s population are mixed.
 - 9** The council has a good understanding of the communities it serves but is not engaging with communities in a systematic way. There was no consultation on *Our Ambition* or the budget.
 - 10** The council is making good progress with implementing some aspects of the Community Empowerment Act, and is working with partners to support communities to become more resilient. Progress on implementing other aspects of the Act, such as the development of locality plans, has been slow.
-

Part 1

Does the council have clear strategic direction?



The council has a clear vision and priorities that take account of the challenges of the community. These priorities are shared by partners and elected members.

The council responded quickly to the Covid-19 pandemic, effectively delivering most services, and meeting the needs of communities.

Elected members and senior management have strong working relationships. But some of the supporting plans to deliver *Our Ambition* lack detail, and the council's leadership – elected members and management – has not done enough to drive their progress.

Council business is transparent and open with papers and recordings of meetings available to the public.

The council offers good training and briefings to elected members to assist them in carrying out council business.

The Shetland Islands are remote and cover a diverse area, presenting a number of specific challenges

10. The Shetland Islands cover 1,467km² and are located in the North Atlantic Ocean, 170km north of mainland Scotland. The Shetland Islands are an archipelago of around 100 islands, 16 of which are inhabited. The largest island is known as The Mainland and is the location of Shetland's capital and only town, Lerwick. To the north are the North Isles of Yell, Fetlar and Unst (which is Britain's northernmost island). To the south, almost halfway to Orkney, is the island of Fair Isle, with a population of 54. Foula and Papa Stour to the west and Skerries to the east also have small populations. Shetland Islands Council provides inter-island air and ferry services to nine of the islands.

11. The Shetland Islands have a population of 22,870, the second lowest of the 32 council areas in Scotland. In contrast to the increasing national trend, Shetland's population was projected to decline by 6.1 per cent between 2018 and 2043. The 0–15 age group faces the largest decline (22.7 per cent) followed by the working age population (9.6 per cent). The population aged 75 and over, however, is projected to grow by 72.2 per cent.

12. Net migration has declined since 2008, and has been negative since 2011, meaning more people are moving out of the Shetland Islands than are moving there. The council and its partners face issues with workforce recruitment and retention. These factors, along with a declining and ageing population, pose challenges to the sustainability of service provision in the islands.

13. The top three employment sectors in the Shetland Islands are agriculture, forestry and fishing (18.8 per cent), human health and social work (14.1 per cent) and wholesale and retail (10.9 per cent). Together, they account for around 7,000 jobs across the area. The council is the biggest employer with 3,668 employees (including relief and supply workers) in March 2022. The council employs approximately 26 per cent of the working age population of the Shetland Islands.¹

14. Shetland's economy relies on the North Sea for its fishing grounds and oil fields. Shetland produces 74 per cent of Scottish mussels and 23 per cent of Scottish farmed Atlantic salmon. UHI (University of the Highlands and Islands) Shetland estimated that the total value of the seafood industry (fishing, aquaculture and processing) to Shetland's economy was about £386 million in 2020.

15. The oil industry has also been a major part of Shetland's economy for the past 40 years. Around 1,000 people are directly or indirectly employed in the energy sector and ancillary services in Shetland (specifically oil, gas, renewables, power generation and supply). The council and its partners face a significant challenge in terms of climate change, and are working to explore how Shetland's topography can support the transition to renewable energy ([paragraphs 123–124](#)).

16. Between October 2020 and September 2021, Shetland had the lowest unemployment rate in Scotland, at 2.4 per cent, compared with the Scottish rate of 4.2 per cent. This figure remained relatively stable throughout the Covid-19 pandemic. The total number of jobs furloughed in Shetland during the pandemic was approximately 3,500 (around one-fifth of jobs). In 2020/21, 3.2 per cent of Shetland's working-age population were claiming Universal Credit or Jobseeker's Allowance, the second lowest rate in Scotland. Shetland's economic inactivity rate increased by seven percentage points between 2019 and 2021. In 2021, Shetland's economic inactivity rate was 26.3 per cent, which was higher than the Scottish average of 23.8 per cent.

17. Research by Highlands and Islands Enterprise in 2016 found that the cost of living in remote rural locations in Scotland, including Shetland, was considerably greater than in other parts of the UK.² In 2017–19, 22 per cent of households in Shetland were estimated to be in extreme fuel poverty. Households in Shetland do not have access to mains gas, relying on electricity for heating. In 2020, average household electricity bills in Shetland were the highest in Scotland, at £1,717 per year.

18. There is a shortage of affordable housing in the Shetland Islands. There is a small developer base in the islands, and the council reports that affordable housing construction costs are 34 per cent higher than elsewhere in Scotland. In Shetland, as well as elsewhere in Scotland, Covid-19 and EU withdrawal have increased the cost of labour and building materials and therefore the overall cost of housing construction. The council reports that over 40 per cent of households in Shetland cannot afford to access home ownership even at market entry level.

The council plan, *Our Ambition*, sets a clear vision and takes account of the specific challenges for the community

19. The council set out its priorities in its council plan *Our Ambition 2021–26* in December 2020. This was developed on the basis that the council faces a number of drivers for change. *Our Ambition* covers the following themes and priorities:

- Shetland’s population balance
- Covid-19 – recovery and renewal
- skills and learning
- digital connectivity
- UK withdrawal from the European Union
- caring for our community
- climate change
- a fairer Shetland
- sustaining current jobs and creating new ones
- transport.

20. The council was in the process of updating its previous corporate plan (for the period 2016–20) when the pandemic hit in March 2020 and work on the new plan had to be paused. In July 2020, the council approved a Recovery and Renewal Framework, and then work on the council plan resumed. This Framework set out to ensure a coordinated approach was taken to the council’s Covid-19 phases of recovery and renewal. It was also designed to maximise the impact that Shetland’s collective resources can have for Shetland going forward.

21. *Our Ambition* maps closely to the Shetland Partnership Plan (Community Planning Partnership Plan) with the priorities of *Our Ambition* drawn from priorities in the Shetland Partnership Plan to ensure the best outcomes for the people of Shetland. These plans and priorities are based on relevant data and were agreed by elected members.

The council did not consult directly with communities on the council plan

22. Council officers did not directly consult with the community on *Our Ambition*. There was a reliance instead on elected members and staff as representatives of the community. While this is a useful way to gather views from the community, especially given the geography of the Shetland Islands, wider consultation is needed. There is a risk that community groups will be excluded from the process of forming the council’s priorities. We discuss community consultation further in [Part 4](#).

Some supporting plans lack detail and are not clearly linked to the council's priorities in *Our Ambition* and there is a lack of strategic leadership to progress these plans

23. Within *Our Ambition* the council sets out some of the more detailed plans that will help it achieve its priorities. For example, it sets out that it will engage in the development of a new Shetland Transport Strategy and a Medium-Term Financial Plan. However, in some instances it is unclear how the council will deliver on the actions it sets out, for example what the plans are for delivering on 'using technology to support modern, accessible customer interactions'. There is also a need to update other supporting plans to reflect the council plan, for example the Long-Term Financial Plan.

24. The council states that a key enabler of *Our Ambition* is the **Change Programme** . This Programme is supported by a Change Programme Policy Framework which identifies the key council policies and strategic plans. However, the Change Programme is at a very early stage of development ([Part 5](#)). Despite good working relationships between elected members and management, they are not providing the strategic leadership to drive forward these plans. The Chief Executive has introduced the Change Programme to promote cross-organisational activity, but it is taking some time to embed.

The council responded quickly to the Covid-19 pandemic, delivering services and meeting the needs of communities

25. The Accounts Commission's [Local government in Scotland Overview 2021](#) describes how the Covid-19 pandemic is having a profound impact on all aspects of society, including the economy, jobs, and people's physical and mental health. Councils have been at the centre of the response to the pandemic, supporting communities through these difficult times. The council was quick to respond to the challenges of the Covid-19 pandemic, working well with partners to provide support to vulnerable individuals and communities, while continuing to deliver other vital services ([paragraph 109](#)). The council explained that due to its small, island nature, it made decisions to redirect central and corporate teams to support front-line services during the pandemic.

26. Following the council's emergency response to the pandemic from March to May 2020, the council focused on developing a framework to structure the council's recovery and renewal phases in June and July 2020, producing the Recovery and Renewal Framework.

27. The council has also developed a New Ways of Working Plan which reflects on lessons learned from the Covid-19 pandemic and plans for how staff will be deployed and supported in the event of future pandemics. Not all elements of the plan are fully developed but they are drawing on lessons learnt during the pandemic. The lockdown constrained the council's ability to deliver a full range of services and engage with communities. The council will continue to improve digital connectivity to ensure it can continue to work and deliver services remotely, for example remote virtual inspection in building services. The council is also committed to building on the strong partnership working that has increased through the pandemic.

28. The council has a Human Resources Partnership Group which brings together the council and trade union representatives. Throughout the pandemic



The **Change Programme** is the council's overarching framework for coordinating all change projects to deliver *Our Ambition*. The programme supersedes previous transformation programmes.

this group met more regularly, leading to closer and more effective partnership working and assisting in the open flow of information between the council and employees. This improvement has been sustained as the group continues to meet more regularly.

Elected members are committed to working together to progress council business

29. The council was made up of 22 elected members before the local government elections in May 2022; 21 of the members were Independents and one was from the Scottish National Party (SNP).³ Despite this diverse political make-up, overall, the elected members work well together to progress the council's aims and objectives.

30. Council business is carried out in full council meetings as well as by seven committees and two boards. Overall, the committee system provides an appropriate structure to consider and progress council business and is effective. Business generally progresses well with appropriate challenge and scrutiny from members. However, there are some instances in the Audit Committee where there is a lack of focus on strategic issues and instead more of a focus on operational issues.

31. Officers provide elected members with sufficient information at meetings and in response to questions at meetings. Officers also hold informal briefing sessions with members to provide them with information to assist with decision-making. For example, the chief executive and council officers share relevant information with committee chairs at a weekly informal meeting.

The council is open and transparent in its business although there has been a delay in livestreaming council meetings

32. The council publishes agendas, reports and minutes on its website, enabling members of the public, partners and stakeholders to obtain information on council business and decisions.

33. In August 2020, the council made available recordings of meetings of the full council and its main committees. These recordings are available on the council's YouTube channel. The council's social media accounts are updated each week to publicise the following week's committee business and meetings. In addition, media representatives regularly observe council meetings and the council's business is extensively covered in the local media.

34. In 2021, the council carried out an Openness and Transparency Review. The review found that it was meeting its statutory duties but also resulted in an action plan for improvement in some areas, including a project to livestream meetings. This was increasingly important due to the problems of attending meetings in person created by the Covid-19 pandemic. However, as the council was due to move to new chambers it decided that it would not make practical and financial sense to install the system in the old building. There has also been a delay due to a difficulty in sourcing some technical parts. The new audio and recording facility was implemented with the opening of the new council chamber, and recordings continue to remain available on the council's new microsite, with plans to start livestreaming in September 2022.

The council offers good training and learning opportunities for elected members with a recently updated member development policy

35. The council provides a range of training and seminars to elected members. Seventeen seminars were conducted in 2020–21 following a move to online delivery during the pandemic. Attendance levels at the seminars were mixed. For example, 11 members (50 per cent) attended a seminar on the Early Action Programme ([Case study 1, page 37](#)) and nine members attended a seminar on Councillors' Code of Conduct. The highest levels of attendance for a seminar was 15 members and the lowest was two members.

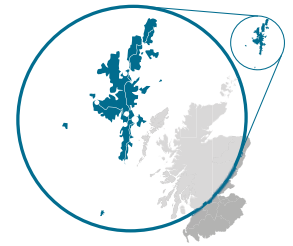
36. In November 2021, the council approved a new member development policy to be implemented following the local government elections in May 2022. This introduced a number of new or revised requirements including:

- an induction programme for all new and returning members
- a Continuing Professional Development (CPD) framework for elected members in order to establish their own self-assessment of training and development needs
- appropriate and ongoing mandatory and elective training opportunities to meet identified knowledge and skills gaps.

37. The new induction programme has taken on board feedback from members and officers who participated in previous induction programmes. It has also taken into account best practice from other councils. The new member induction programme was well attended by the most recent intake of elected members and feedback was positive.

Part 2

How well is the council performing?



Despite examples of the council using performance information to improve its services, overall performance management arrangements have been weak. The council did not agree performance indicators for its previous corporate plan, and its service performance reporting has been inconsistent in recent years. The council is currently working to make improvements in this area.

The council's public performance reporting tends to focus on positive achievements, with areas of under-performance and actions to address these being less clear.

In 2020/21, the council's performance was in the top quartile in over half of the relevant indicators. Its performance relative to other councils improved between 2016/17 and 2020/21. The council performs well compared to other councils in adult social care services and A-class roads maintenance. Shetland's geography generally contributes to areas where performance appears to be poorer in relative terms.

The council's performance improved in half of the relevant national benchmarking indicators over the last five years, and the rate of improvement has generally been faster than the Scottish average.

In 2019/20, Shetland had some of the highest Local Government Benchmarking Framework service satisfaction scores in Scotland.

The council's performance management arrangements have been weak

38. The council's approach to performance management and reporting against its previous council plan (2016–20) was weak. It lacked performance indicators and a systematic and consistent approach to reporting. It is therefore difficult to ascertain the council's overall progress towards achieving its strategic priorities and intended outcomes.

39. The council was slow to agree performance indicators to measure progress towards its priorities set out in *Our Ambition*. While the new corporate plan was approved in December 2020, the council did not approve performance indicators to measure the progress against this until 15 months later, in March 2022. Progress was impacted by the Covid-19 pandemic as performance and improvement staff were redirected to Covid-19 data collection. The agreed performance indicators are mainly Local Government Benchmarking Framework (LGBF) indicators, as well as some additional indicators. It is too early to make a judgement of progress towards these priorities as performance data is not yet available beyond 2020/21.

40. At March 2022, many indicators still lacked targets. There are some indicators, however, where targets are not appropriate, such as the percentages of primary and secondary pupils registered for free school meals. The Corporate Management Team and new elected members plan to consider each indicator and set targets where appropriate. The council has not specified timescales for this to be completed.

41. The council reports its performance using a variety of methods through the performance section of its website, including annual performance reports, 'Spotlight on services' performance reports and infographics. However, reports largely tend to focus on positive aspects of performance and achievements, and areas for improvement, and associated improvement actions, are less clear.


42. The council's annual performance reports are case-study led, describing numerous projects that benefit the community. Reports are not balanced and performance data that would allow the reader to track the council's progress over time is limited. The council is developing a performance dashboard in Pentana (its performance management system) to allow elected members and the public to monitor performance against its priority areas and performance indicators.

43. The council reports its performance against the LGBF indicators to the Policy and Resources Committee annually. This shows trends in the council's performance over time, as well as performance compared to other councils. The reports also contain narrative around past performance and planned future improvements for each indicator.

The council is making improvements to its performance management arrangements

44. The council identified improvement actions associated with its performance management arrangements through its Openness and Transparency Review in June 2021. This included a need to implement the performance management framework (PMF), with indicators in place to monitor the delivery of *Our Ambition*.

45. In October 2021, the council's internal auditor carried out a review of the council's performance management arrangements. The audit identified five recommendations (four were considered high priority requiring urgent attention and one was medium priority, which was classed as less critically important but requiring improvement). One service improvement was also identified as an opportunity for business improvement around guidance relating to undertaking and reporting on benchmarking activity. The audit findings included:

- there were gaps relating to how the PMF, which was jointly developed with **NHS Shetland**  as part of a 'Once for Shetland' approach, applies to the council's processes
- some of the performance results data and indicator targets included so far were incomplete
- future reporting arrangements for *Our Ambition* had not been established
- performance was not reported to the Corporate Management Team for scrutiny and review. Rather, performance was reported quarterly to individual committees and the format and content of performance reports differed between the directorates
- in most cases no performance indicator information nor any other benchmarking activity were included in service performance reports.



The council shares its performance management system with **NHS Shetland**.

46. The council has accepted the associated recommendations and has set timescales for implementation, with all actions to be implemented by 30 September 2022. It has responded well to the internal audit and has made improvements to its service performance reporting to ensure it is more consistent between directorates. The Corporate Management Team also now receives a quarterly 'outliers' report showing areas where performance indicators, actions and complaints are behind or ahead of target or are incomplete.

Shetland Island Council's performance improved in comparison with other councils between 2016/17 and 2020/21

47. The LGBF brings together a wide range of performance information for all Scottish councils. It includes measures on how well councils are delivering services, the cost of services and residents' satisfaction. The LGBF contains a total of 101 performance, cost and satisfaction indicators across all council services that allow councils to monitor performance consistently over time.

48. The LGBF allows individual councils to compare their performance with that of other councils and with Scotland as a whole. Relative performance is assessed by dividing indicators into four quartiles. Quartile one represents the top performing councils, while quartile four represents the poorest performing councils. Although there are 101 indicators included in the LGBF, our performance analysis compares 34, mainly outcomes-based, indicators that have been reported consistently each year between 2016/17 and 2020/21 ([Exhibit 2, page 20, notes](#)).

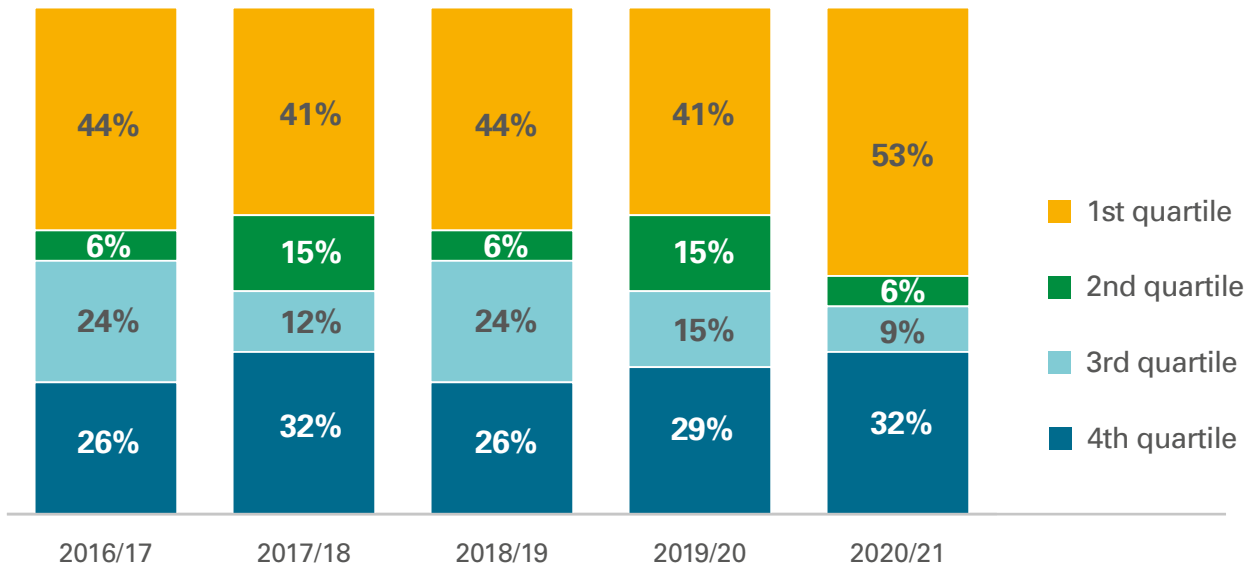
49. The proportion of indicators where Shetland Island Council's performance was in the top quartile has improved over time ([Exhibit 2, page 20](#)). In 2020/21, the council performed well compared to other councils in adult social care services; A-class roads maintenance; procurement spend on local enterprises; and street cleanliness. The council has benefited from a significant reserves position ([paragraph 76](#)) which it has used to invest in some services. This has helped it to improve its performance in some key areas, such as adult social care ([paragraph 60](#)).

50. In terms of the council’s general performance against the 34 relevant indicators, performance improved in 18 (53 per cent). Indicators where performance improved included the number of business gateway start-ups per 10,000 of the population and the percentage of funded early years provision which was graded good or better. Of those indicators that improved, Shetland improved its performance at a faster rate than the Scottish average in over three-quarters of indicators. The council’s performance declined in the remaining 16 (47 per cent) indicators.

Exhibit 2

Shetland Islands Council’s performance relative to other councils, 2016/17 – 2020/21

The percentage of indicators in which the council performed in the top quartile increased from 44 per cent in 2016/17 to 53 per cent in 2020/21.



Notes:

1. The analysis is based on 34, mainly outcomes-based, indicators which were reported every year within the five-year period. The analysis excludes satisfaction indicators, which are instead considered separately at [paragraphs 59–60](#). It also excludes most cost-based indicators as high or low cost cannot be easily determined as positive or negative as these may be influenced by a council’s priorities and local circumstances.
2. The data for 2020/21 shows the impact of the first year of the Covid-19 pandemic on councils’ services and the lives of the communities they serve. The pandemic significantly altered the delivery and operating landscape for councils and a number of factors have affected both the level of demand for services and the context in which they are delivered.
3. Covid-19 and the measures put in place to respond to this have resulted in some methodological changes to some national datasets, which has impacted on the LGBF. For example, due to data completeness issues, some councils’ data has been modelled for certain indicators.
4. Due to comparability issues caused by the Covid-19 pandemic, indicators related to educational attainment have been excluded from this analysis. These are instead considered at [paragraph 54](#).

Source: Audit Scotland; Local Government Benchmarking Framework, Improvement Service, 2020/21

Some of the council's areas of poorer performance relative to other councils are influenced in part by its geography



51. The council's performance relative to other councils is variable. Its performance fell into either the top or bottom quartile in 85 per cent of the relevant indicators in 2020/21, with almost a third being in the bottom quartile. Areas where the council performed poorly compared to other councils include housing services; recycling; and the average time taken to deliver a local business and industry planning decision.

52. In some instances, the council's performance is influenced by its island context, including its geography and topography. For example:

- Prior to Covid-19, Shetland's geography was a factor in the length of time it took to complete non-emergency housing repairs. This is similar in other remote areas, such as the Orkney Islands. Covid-19 has also had an impact on the council's repair times.
- The council reports that its rent loss due to empty properties is due to the number of void properties in low demand areas, particularly in Shetland's North Isles. It includes a list of low demand housing available for rent on its website.
- A report by Zero Waste Scotland in 2014 found that the sparsely distributed nature of Shetland's population and the need to ship waste large distances to the mainland imposes higher costs and more operational challenges than those incurred on the mainland. The council incinerates general waste at its energy recovery plant (ERP) at Gremista. The generated heat is distributed to homes, council offices, the hospital, swimming pool and cinema in Lerwick as part of a cost-effective district heating scheme run by Shetland Heat Energy and Power. This is not reflected in recycling statistics. In addition, the council does not offer a separate food waste collection because the Waste (Scotland) Regulations 2012 do not require rural councils to do so.
- The council has indicated that its poorer performance in processing industry and business planning decisions in part reflects the nature of some complex, major planning applications. This includes the Shetland Space Centre (the first satellite launch facility in the UK) and the Viking Wind Farm (the largest onshore wind farm in the UK in terms of electricity output). Shetland's geography and climate make it an attractive location for such applications. The council has also faced recruitment difficulties in its planning department, and has sought assistance from external consultants to help progress these planning applications.

The council is working to improve educational attainment at Higher and Advanced Higher level

53. The Covid-19 pandemic has affected the comparability of 2019/20 and 2020/21 educational attainment data with previous years. The cancellation of exams in 2020 and 2021 meant grades were awarded based on teacher estimates and therefore cannot be used for trend analysis against earlier years.

54. Looking at LGBF educational attainment data before the pandemic, the council's performance improved in three of six **education indicators**  between 2016/17 and 2018/19, including the percentage of pupils gaining five or more awards at level 5 or higher, and the average total **tariff scores**  for pupils in SIMD quintile 3 ([paragraph 56](#)). Educational attainment data during the pandemic shows an increase in the educational attainment of senior phase pupils across all six indicators between 2019/20 and 2020/21.⁴ The council performed above the Scottish average in five out of six of these indicators in 2020/21.

55. In 2021, Shetland Islands Council was the lowest performing council in Scotland in relation to the percentage of A to C passes at Higher and Advanced Higher level. The council has carried out a review of Higher and Advanced Higher attainment in its two secondary settings to identify recommendations for improvement. These include:

- holding data workshops on the Insight data for high school management teams to support further development in data literacy, to enhance schools' approaches to tracking and monitoring the senior phase
- continuing to address digital connectivity and access to technology issues for children and young people and their families
- carrying out further fact-finding on practice and approaches around Higher and Advanced Higher in the highest performing councils in Scotland
- encouraging the use of Pupil Equity Funding where appropriate to help close poverty-related attainment gaps in the Senior Phase in both schools.

56. The Scottish Government uses the Scottish Index of Multiple Deprivation (SIMD) to measure the attainment gap within councils. The SIMD is a measure of the level of deprivation and poverty in an area. The whole of Scotland is divided into 6,976 small areas, called data zones. The data zones are divided into five equal-size groups (quintiles) according to their level of deprivation. Data zones in quintile 1 are the most deprived and those in quintile 5 are the least deprived. SIMD data zones in rural areas cover large land areas and this measure is less helpful at identifying smaller pockets of deprivation typically found in more rural areas, including the Shetland Islands. Shetland, for example, shows no pupils in the senior phase in SIMD quintiles one or five. The council has developed an alternative model for defining deprivation in Shetland. This involves the use of locally agreed vulnerability criteria to identify individual children and families who may be at risk of socio-economic disadvantage that are not directly drawn out by SIMD or free school meals data.

Since 2019, Education Scotland has carried out follow-up inspections in four schools and nursery classes to track progress against identified issues

57. Six of Shetland's schools and nursery classes have been subject to inspections by Education Scotland between 2019 and 2022. Four of the schools underwent follow-up inspections, and three of these schools require no further follow-up activity. For the one school still requiring further follow-up, Education Scotland highlighted significant staffing changes had taken place within the school, and the school had reverted from having two classes to being a one-class school. The inspectorate, however, noted positive progress in relation



There are 12 senior phase **educational attainment indicators** within the LGBF. However, Shetland only has data available in six of these ([paragraph 56](#)).



The **tariff score** is a summary measure calculated from all academic achievement of pupils during the senior phase (S4–S6) across a range of awards. The tariff score reflects the number of awards that a pupil achieves, the SCQF level at which each award is assessed, and the grade of the award achieved.

to improving the curriculum; teachers' skills in tracking and monitoring children's progress; and more effective tracking of children's progress in literacy, numeracy and health and wellbeing within the school.

58. Three of the school inspections took place after March 2020. Education Scotland highlighted a number of ways in which schools had supported children, young people and families throughout Covid-19. These included:

- the provision of paper-based resource packs to those who were unable to access digital devices or had connectivity issues
- regular wellbeing check-ins for families and maintaining contact with families during lockdowns
- the distribution of digital devices to support remote learning and support to use these.

Shetland has some of the highest service satisfaction scores in Scotland












59. Over the last five years, satisfaction scores have declined nationwide, and this is generally also the case in Shetland. In contrast to the national trend, however, the council improved its performance in satisfaction scores for adults receiving support to live at home. In 2019/20, Shetland ranked within the top four councils in Scotland for all 11 LGBF satisfaction indicators and within the top three in all but one. In 2019/20, the council ranked first in Scotland for satisfaction with its leisure facilities, museums and galleries and adult social care provision ([Exhibit 3, page 24](#)).

60. Shetland scores particularly highly on the LGBF's satisfaction indicators for adults receiving support to live at home, against a backdrop of decline across Scotland. The Integration Joint Board (IJB) attributes this to services being locally planned and person-centred, with flexibility in the planning, assessment and delivery of services and support to ensure a bespoke approach in Shetland. In 2020/21, almost three-quarters of over-65s with long-term care needs in Shetland received care at home, the second highest proportion out of all councils in Scotland. The council has chosen to invest highly in this area, including providing approximately £6.8 million additional funding from its reserves towards community health and social care in 2020/21. The council also had the second highest home care costs per hour for people aged 65 and over between 2018/19 and 2020/21. The council and its partners are concerned that the introduction of a Scottish National Care Service will negatively affect the quality of provision of its services and the outcomes for those who use care services in the council area.

61. The Community Planning Partnership, known as the Shetland Partnership, conducted a community survey of its Islands with Small Populations in 2021 ([paragraph 130](#)). The survey asked communities to rate their sense of community morale, current connectivity and satisfaction with local services. Forty-seven responses from a total of 140 possible households found that 55 per cent of respondents were satisfied with public transport provision; 40 per cent were satisfied with healthcare provision; and 57 per cent were satisfied with education provision. This was the first community survey of the Islands with Small Populations and the Shetland Partnership intends to use this to track progress against the locality plan ([paragraph 130](#)).

Exhibit 3

Shetland's LGBF satisfaction indicators relative to the national average and other councils over the last five years

Indicator	SIC performance 2019/20	Change over time (percentage points)		SIC rank 2019/20
		Shetland	Scotland	
 Local schools ¹	87.0	-0.3	-3.5	2nd
 Libraries ¹	84.4	-2.3	-2.3	4th
 Parks and open spaces ¹	90.4	-1.9	-1.0	3rd
 Museums and galleries ¹	90.2	-2.1	-2.7	1st
 Leisure facilities ¹	90.6	-0.4	-3.9	1st
 Refuse collection ¹	87.0	-6.0	-7.4	3rd
 Street cleaning ¹	73.4	0.7	-9.7	3rd
 Adults supported at home who agree that their services and support had an impact in improving or maintaining their quality of life ²	88.2	4.7	-4.0	1st
 Adults supported at home who agree that they are supported to live as independently as possible ²	93.8	19.3	-1.9	2nd
 Adults supported at home who agree that they had a say in how their help, care or support was provided ²	87.3	9.3	-3.4	1st
 Carers who feel supported to continue in their caring role ²	49.9	-1.2	-5.8	1st

Notes:

1. Satisfaction levels are based on three-year rolled average responses to the Scottish Household Surveys for 2017 to 2020. Percentage point change over time has been calculated using the rolled averages from 2014–17 and 2017–20. Satisfaction level ('SIC performance 2019/20' column) is based on the 2017–20 data.

2. Indicators are from the Scottish Health and Care Experience Survey which is conducted biennially. Percentage point change has been calculated using 2015/16 and 2019/20 data and satisfaction level is based on the 2019/20 data.

Source: Audit Scotland; Local Government Benchmarking Framework, Improvement Service 2020/21

62. In 2020/21, the council's tenant satisfaction scores were lower than the Scottish average for all indicators. The greatest difference in the council's and Scottish landlord average scores was in relation to tenants' satisfaction with the opportunities given to them to participate in the council's decision-making process (Shetland scored 60 per cent compared with the Scottish average of 84 per cent). The council is engaging with the Scottish Housing Regulator on a number of areas, including tenant satisfaction.

The council is using performance information to improve recycling, roads and housing

63. The council's previous corporate plan included an action to reduce the council's effect on the local environment, particularly through reducing carbon emissions from its work and buildings. In 2018, the council introduced a kerbside recycling collection service for all households in Shetland which has led to improvements in recycling performance, from 10.5 per cent of waste in 2018/19 to 18.4 per cent in 2020/21. However, the council had the lowest levels of household waste recycling in Scotland in 2020/21 ([paragraph 51](#)). The council will implement the national deposit return scheme in July 2023. This should help Shetland to further improve the proportion of waste that is recycled as the council will have the opportunity to recycle more types of waste.

64. 'Transport' is one of the priorities in *Our Ambition*. As part of this, the council has committed to investing in the maintenance of its roads network to ensure it continues to support the economy and communities. The council has made a policy decision to maintain its road carriageways in their current condition. In 2019–21, Shetland's A-class roads were ranked first in Scotland for their condition. In March 2022, the council reported to its Policy and Resources Committee that its B-, C- and unclassified roads have deteriorated in recent years. It has therefore allocated more funds to improving the condition of these roads than to A-class roads.


65. As part of its priority around Shetland's population balance in *Our Ambition*, the council has committed to increase future affordable housing supply across all tenures and to meet the needs of those who are facing homelessness. Since 2017/18, the council has reduced the average time homeless households spend in temporary accommodation. However, in 2020/21, the council still ranked 30th in Scotland for its performance in this indicator. The council is experiencing significant pressure on its housing stock, particularly in the Lerwick area, where there is a high demand for one- and two-bedroom housing. The council is seeking to rebalance its housing stock towards housing of the right size and type through its Strategic Housing Investment Plan. Between 2017/18 and 2020/21, 58 of 104 affordable housing completions in Shetland were one- or two-bedroom homes in Lerwick. Covid-19 and Brexit led to longer void periods; slower turnover of stock; reduced housing options for applicants; and pressure on temporary accommodation, which is likely to continue into 2022/23.

The council is committed to reducing inequalities across the community but its approach to impact assessments could be more consistent

66. As noted elsewhere in the report, the council has demonstrated a strong commitment to addressing inequalities ([paragraphs 21](#) and [98](#)). It is engaged in a range of activities to support delivery of its equality ambitions. As part of

the Public Sector Equality Duty, the council is also legally required to carry out equalities impact assessments (EIAs) for any proposed new or revised policies or practices.

67. While there is clear evidence of the council conducting EIAs, its approach to these could be more consistent. For example, it prepared assessments for the Young Person's Guarantee and on the strategic outline case for Brae High School, but has not prepared EIAs on its budget or for *Our Ambition*. In *Our Ambition*, the council made clear links to other equalities-related plans and activities.

68. The council is named as a relevant authority in the **Islands (Scotland) Act 2018** . In line with the Act, the council has a dedicated webpage where it publishes its island communities impact assessments (ICIAs). At May 2022, it had published the results of five ICIAs, three of which were for internal policies and two for Shetland-wide strategies (the Regional Marine Plan and Community Learning and Development Plan).

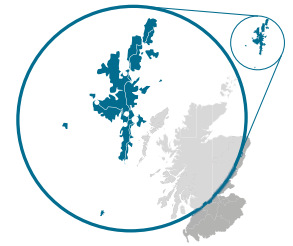
69. There are a number of key council strategies which have been approved since December 2020 which have not undergone an ICIA. This includes the Local Housing Strategy Framework and Learning Estate Strategy. The approval of *Our Ambition* predated the ICIA element of the Act coming into force, however ICIAs are also designed to cover existing policies, strategies and services. The council has not carried out an ICIA on *Our Ambition*, but has agreed to carry out ICIAs on existing policies, strategies and services at their routine review dates or on receipt of a review request.



The Islands (Scotland) Act 2018 places a duty on relevant public bodies to have regard to island communities in carrying out their functions. This means that relevant public bodies must carry out an islands community impact assessment (ICIA) in relation to any policy, service or strategy which is likely to have an effect on an island community which is significantly different from its effect on other communities, including other island communities. This element of the Act came into force on 23 December 2020.

Part 3

Is the council using its resources effectively?



The council has effective financial management arrangements as well as an effective process for identifying and managing risk.

The current estimated funding gap of between £61.2 million and £142.1 million over the next five years needs to be addressed. There is no clear link between the savings needed and the Change Programme. The council's reliance on using reserves to balance its budget is not sustainable in the long term.

Elected members' input into the budget process is variable and there has been no community engagement on the budget in recent years.

The council has historically reported underspends against the capital programme and this continues to be impacted by the Covid-19 pandemic and by the UK leaving the EU.

Financial plans, the asset improvement plan and workforce plans are not clearly linked to *Our Ambition*.

The council's financial planning is not sufficiently well developed to provide assurance about its financial sustainability

70. The council has a Long-Term Financial Plan (LTFP) covering the period 2015–50. Four financial models based on different scenarios were produced to give an indication of the broad financial impact. This modelling estimated a funding shortfall of over £200 million over the next 35 years, based on the level of capital expenditure required to maintain the existing asset base, while retaining acceptable levels of revenue expenditure. Given the continuing uncertainty and related challenges created by Covid-19, the council has not recently reviewed its LTFP. It has also not been updated to align with its *Our Ambition* priorities.

71. The council refreshes its Medium-Term Financial Plan (MTFP) on an annual basis, with the latest plan covering the period 2021–27. While the MTFP makes reference to links to other council plans and strategies, including *Our Ambition* and its Workforce Strategy, these links are not explicitly set out.

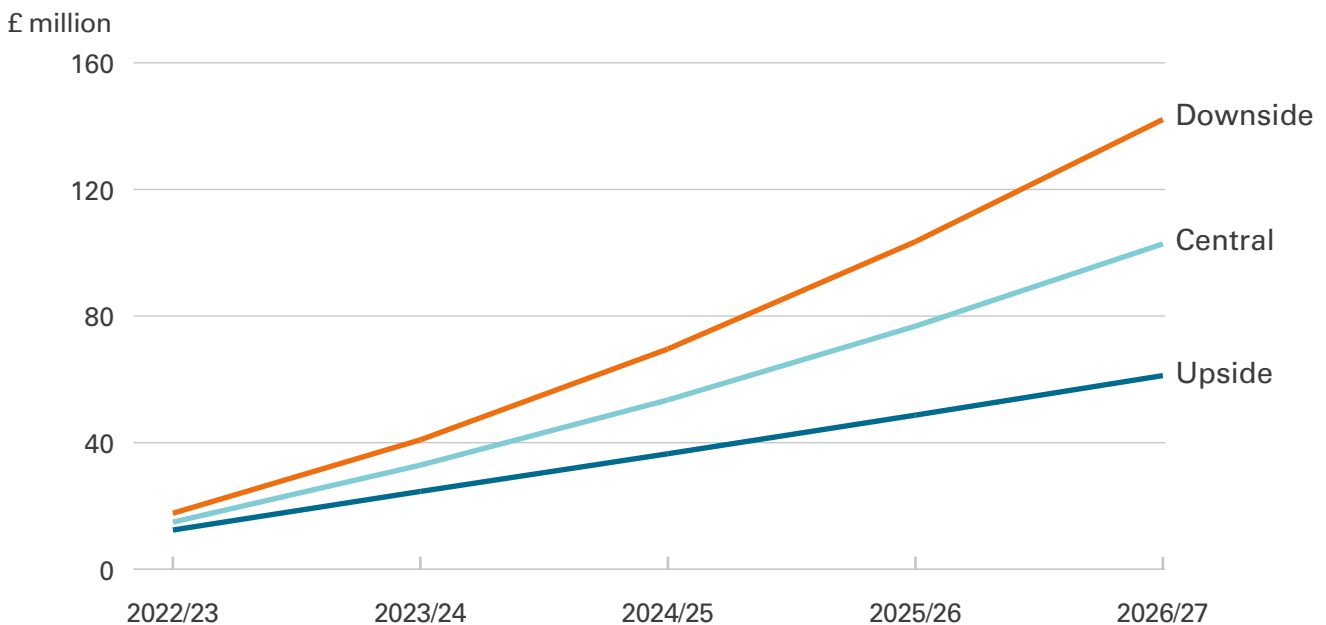
72. The council has used scenario planning to model the impact of the key assumptions, into three different scenarios. The estimated funding gap over the next five years is between £61.2 million and £142.1 million, as illustrated in [Exhibit 4](#).

73. The council had historically reported a gap in the funding it received to cover the costs of its inter-island ferry services. Following significant engagement with the Scottish Government over a number of years, the council secured full funding of £10.7 million for the first time in 2021/22. Each scenario within the MTFP assumes that this will continue to be met by the Scottish Government over the period of the MTFP.

Exhibit 4

Shetland Islands Council's estimated funding gap

The council's estimated funding gap between 2022/23 and 2026/27 is between £61.2 million and £142.1 million.



Source: Shetland Islands Council Medium-Term Financial Plan 2021–2027

The council has effective financial management arrangements in place

74. The council has effective financial management arrangements in place and has a good track record of delivering services within budget and managing short-term financial risk. Financial monitoring reports are scrutinised quarterly by the Corporate Management Team and the Policy and Resources Committee. These reports provide a good overall picture and include appropriate narrative explanations for significant variances against budget.

75. The council is projected to achieve a small underspend of £680,000 against the approved general fund budget in 2021/22. The council's activity continues to be impacted by the Covid-19 pandemic and this was reflected in the original

approved budget. The net impact of the pandemic is currently projected to be an additional cost of £4.1 million, with additional funding received from the Scottish Government to date of £3.8 million.

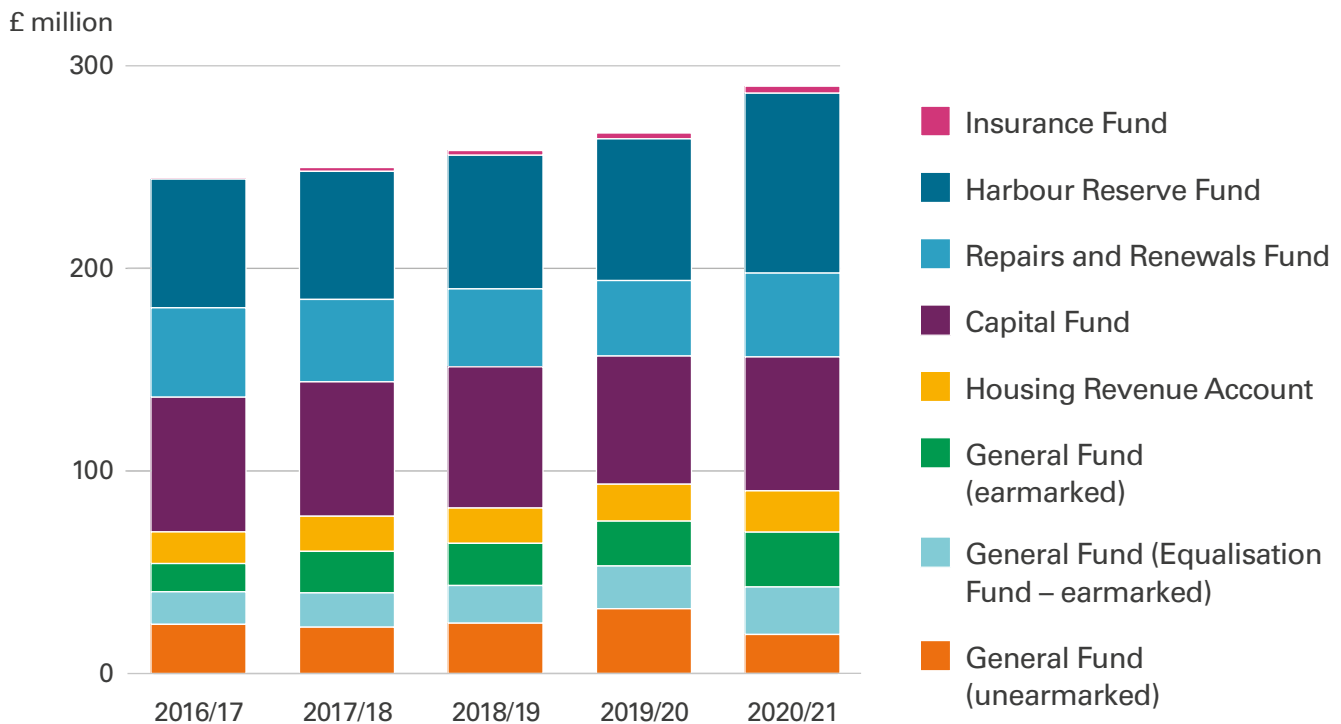
The council's reliance on reserves to set a balanced budget is not sustainable in the long term

76. Shetland Islands Council is in a unique position among Scottish councils of holding a significant level of reserves which are invested to generate income to support the annual budget. As at 31 March 2021, the level of usable reserves held by the council, excluding unrealised gains on investment, was £290 million ([Exhibit 5](#)).

Exhibit 5

Shetland Islands Council's reserves position

The level of usable reserves at 31 March 2021 was £290 million.



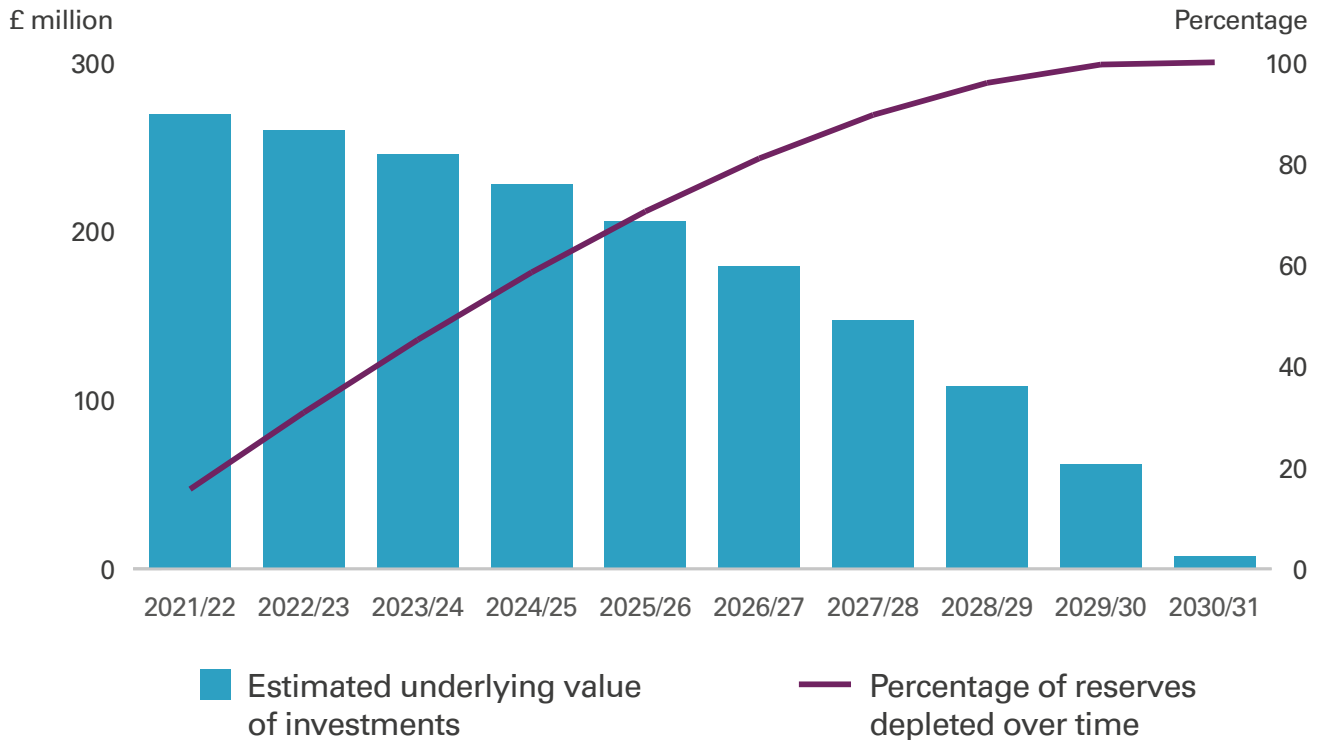
Source: Shetland Islands Council Audited Annual Accounts

77. In its MTFP, the council estimates that it can sustainably draw around £15 million from its reserves each year without eroding the underlying value of the investment. It has historically relied on using more than this amount in order to set a balanced budget. While this reliance has decreased in recent years, the reserves are projected to be fully depleted by 2030/31 if continued at the current rate ([Exhibit 6, page 30](#)).

Exhibit 6

Shetland Islands Council's use of reserves

The council's reserves are estimated to be fully depleted by 2030/31 if continued at the current rate.



Source: Shetland Islands Council Medium-Term Financial Plan 2021–2027

There are good examples of the council focusing on early intervention and prevention; however, there is no system in place setting out how the impact of the majority of these will be monitored

78. There are good examples of where the council is focusing on early intervention and prevention as part of its longer-term approach to delivering a balanced budget, with a view to achieving a 'one council' approach across the following four strategic themes:

- **Investment** – Actions designed to reduce the need for council services/ reduce the cost of council services (for example the Residential Care project, Anchor Early Action project ([Case study 1, page 37](#)), Waste and Recycling projects and Emotional Resilience and Wellbeing project).
- **Efficiency** – Actions designed to reduce the cost of council services without changing service levels to the public (for example bus service procurement, internal air services and accommodation rationalisation).
- **Commercialisation** – Actions designed to increase income to the council (for example the Energy Hub and Economic Development investments).

- **Retrenchment** – Actions which reduce the council’s role in terms of services it provides and to whom (for example the Fair Ferry funding and college merger).

As discussed in [Case study 1 \(page 37\)](#), there has been extensive monitoring of the Anchor project. However, there is currently no system in place to monitor the impact of the other activities listed above. Without appropriate arrangements, the council will be unable to determine whether these actions are having the desired impact.

The council has an effective process for identifying, assessing and managing risks

79. The council has an effective process for identifying and managing risks, including the specific risks arising as a result of Covid-19 and the UK’s exit from the EU. A clear risk management policy is in place, with the risk register regularly reviewed by the Corporate Management Team, sitting as the council’s Risk Board. Quarterly reports are then considered by both the Policy and Resources Committee and the full council to allow all members to be informed and involved in discussing the high level and strategic risks facing the council. Budget management reports also clearly identify the financial risks arising as a result of Covid-19 with the impact on costs and income being closely monitored.

Elected members’ input into the budget process is varied and there has been no community engagement in recent years

80. The 2022/23 budget was approved by the council in February 2022, with a good level of debate during the council meeting. However, elected member input into this process in preparation for the formal meeting was varied. Engagement took place with committee chairs and individual directorates, but no council-wide briefings were provided. This has resulted in a limited corporate approach and lack of collective decision-making. Input from elected members at an earlier stage of the budgeting process would have allowed the council to make more informed and planned decisions.

81. There was no community engagement in the budget-setting process. It is important that the council seeks the views of the wider community to help inform the council’s budget priorities ([paragraph 138](#)).

There is no clear link between the savings needed and the Change Programme

82. The Change Programme was approved in April 2021 but remains at an early stage of development. The detailed supporting projects and activities are still to be developed, therefore there is no clear plan of how this programme will address the savings estimated as being needed within the MTFP. This is discussed further in [Part 5](#).

83. There has historically been a lack of buy-in from elected members on the need for change and there has been limited resources set aside within the budget to invest in transformational activity. As discussed in [paragraph 76](#), the council holds a significant level of reserves and historically has relied on using these to balance its budget rather than needing to identify areas for efficiency savings or income generation from service redesign. It has therefore taken a very

short-term view rather than considering the longer-term financial implications. As an example, in setting its budget for 2022/23, elected members agreed a freeze on Council Tax, the only council in Scotland to do so.

The council has historically reported underspends against its capital programme

84. Underspends have been reported against the capital programme in recent years. In 2020/21, actual expenditure was only 55 per cent compared to the original approved budget, partly as a result of Covid-19. This has improved in 2021/22 with expenditure expected to be 85 per cent of the original approved budget and has continued to be impacted by slippage and the continuing impact of the Covid-19 pandemic. The capital programme continues to be impacted by higher costs as a result of the UK leaving the EU and higher transport costs.

85. The housing capital programme has been more significantly impacted, with expenditure reported to be 69 per cent of the original approved budget in 2021/22. These underspends are due to several factors, including delays incurred during lockdown, limited availability of contractors and the council focusing its staff in getting property voids back into use and therefore diverting from the capital projects. In setting its 2022/23 revenue budget, members decided, against the advice of officers, not to increase housing rents due to the level of outstanding work, therefore this has had a further impact on the income available to support council housing services in 2022/23.

The Asset Improvement Plan is not clearly linked to the council's priorities

86. The annual budget-setting process includes approval of an Asset Improvement Plan (AIP), which covers the next five years, with the most recent covering the period 2022–27. As in the case of the MTFP, the projects within the AIP are not clearly linked to how they will help the council achieve its priorities set out in *Our Ambition*. The council has an ambitious AIP over the next five years with a total planned investment of £120 million. This includes anticipated expenditure to replace its ageing fleet of inter-island ferry vessels, make improvements to local infrastructure such as roads and ferry terminals and to invest in its schools. The council recognises that it cannot afford to proceed with every capital project without additional support and is pursuing alternative funding streams. The council has not yet prioritised which projects it will take forward. It will need to do this to ensure that its limited capital resources are invested in line with its ambitions.

87. In 2021/22, the council spent £17.499 million against its AIP. The most significant projects completed in recent years include:

- Anderson High School Halls of Residence – £13.187m
- Lerwick Library Refurbishment – £1.750m
- Knab Site Redevelopment – £3.374m
- Eric Gray Centre Replacement – £5.811m
- B9082 Cullivoe Road Improvement – £5.014m.

88. The council makes use of business cases, which include options appraisals, cost considerations and available funding. However, as reported by the local auditor in his 2020/21 report, there are examples of the council making decisions based on business cases that are not then implemented as agreed. The information being provided to members to make these decisions is not always fully developed and has resulted in delays to the achievement of savings and additional costs to the council. For example:

- The business case for the acquisition of **Shetland Leasing and Property Development Ltd (SLAP)**  demonstrated clear financial savings, identified positive changes to service delivery and provided assurance that if appropriately managed, progressed and monitored, value for money would be achieved. While the outcome of the purchase has resulted in financial savings and positive changes to service delivery, it was subsequently identified that the council had paid £1.55 million (9 per cent) above the value of the assets and delays in filing the accounts cost the council an additional £380,000.
- In approving the business case for the redevelopment of the Knab site (the site of the previous Anderson High School in Lerwick being redeveloped into a mixed use of homes, leisure and business space) in February 2019, £1 million capital funding was approved for demolition costs, with a payback period of less than four years. The actual demolition costs increased to £3 million, with a payback period of more than nine years. Members approved the additional funding requirements for the project in January 2021 and remain supportive of the project, however, they have raised concerns over the significant increase in costs. While the development of a business case is complex, it is important that members are making decisions based on robust information.



Shetland Leasing and Property Development Ltd

In 2018, the council acquired SLAP, a property and investment company, which has a portfolio of 22 properties leased to local private sector businesses, national entities and Shetland Islands Council. The acquisition resulted in an increased rental income for the council and assisted the council in the delivery of its Property Asset Management Strategy.

Weaknesses remain in the council's procurement processes

89. The council has a Central Procurement Team (CPT) that is responsible for procurement of goods and services estimated to be in excess of £50,000. Where the value is expected to be less than this, the procurement is dealt with by each individual service. The council spends approximately £70 million per year on procured work, supplies and services.

90. In 2020/21, the council's internal auditor carried out an audit of the council's procurement activity to assess compliance with its Contract Standing Orders (rules for the procurement of goods, works and services). The conclusion of this audit was a 'limited level of assurance' on the control environment and identified scope for improvement, in particular:

- The Contract Standing Orders had not been reviewed and updated, despite this being a recommendation in the previous audit in November 2017. There was also limited operational documented procedures or training available to officers responsible for undertaking procurement activity.
- Sample testing found that a number of contracts worth more than £10,000 had been awarded directly to a sole supplier without seeking the minimum number of quotes set out in the Contract Standing Orders.


91. Further work is being carried out by internal audit as part of the 2021/22 audit programme, with a report expected to the Audit Committee in June 2022.

Recruitment and retention of staff is a key issue for the council, however workforce planning is not fully embedded

92. Recruitment and retention of people for key posts is an ongoing issue within Shetland, with a specific set of challenges as an island council. Within *Our Ambition*, the council has committed to working with its partners to develop a clearer understanding of issues relating to recruitment and retention in Shetland and deliver a strategy that focuses on overcoming barriers to recruitment and retaining working age people.

93. A Workforce Strategy was approved in December 2020 covering the period 2020–25 which set out key areas of priority required to meet the council’s future workforce needs. The Strategy is based on three themes, ‘Right Shape’, ‘Right Skills’ and ‘Right Culture’.

94. A Workforce Plan was then approved in September 2021 covering the period 2021–26. This provides an action plan developed following the approval of the strategy and also reflecting on lessons learned through the pandemic. The aim of the plan is to build workforce capability through upskilling, re-skilling and increasing flexibility. The plan sets out a number of actions that the council should take to meet its workforce needs, including:

- working with **Promote Shetland**  to attract more external candidates to hard-to-fill roles
- understanding the barriers to attract applicants to specific roles, developing career pathways and supporting relocation to Shetland and its rural areas
- investing in workforce development to deliver transformational change.

95. While the MTFP and annual budget states that it will be updated to reflect changes to workforce planning assumptions, this is still at an early stage and there is no clear link between workforce planning, financial planning and the Change Programme. It is important that this is closely aligned so that the council understands the shape and size of the workforce for the future, what that means in terms of budgets and how that is going to be achieved through the Change Programme.

The council has effectively kept staff informed, supported and motivated during the pandemic

96. The council has effectively kept staff informed, supported and motivated during the pandemic and adapted well to remote working. Sickness absence has fallen to lower than 2016/17 levels reflecting a similar pattern across Scotland. The main cause is linked to the pandemic lockdown. Before the pandemic the council’s main reason for sickness absence was poor mental health. The council provides employees with access to counselling and coaching through its Staff Welfare Service and Workforce Development and in 2020 started an Employee Assistance Programme as an additional tool to support this area.

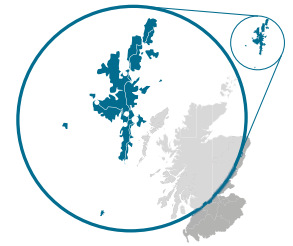
97. The council’s staff survey in 2021 reported improvements in satisfaction in comparison to 2015. ‘Quality of Line Manager’ increased from 69.2 per cent to 73.3 per cent, ‘Quality of Senior Management’ increased from 42.9 per cent to 57.3 per cent and satisfaction with working for the council increased from 62.2 per cent to 75.7 per cent. The council has a number of ways to track and report on actions taken as a result of feedback received.



Promote Shetland is a marketing service which aims to market Shetland as a place to live, work, study, visit and invest.

Part 4

Is the council working well with its partners?



There is a positive culture of partnership working in Shetland. Community planning partners are committed to reducing inequalities in Shetland and have worked well to deliver Shetland's Covid-19 response. There is, however, a mixed picture in terms of improvements in local outcomes.


At an operational level, the council and the NHS work well together and there are some good examples of service transformation. There is a lack of strategic direction from the IJB in directing health and social care service redesign and transformation.

The council is working well with partners to support Shetland's transition to net zero.

The council is making good progress with implementing some aspects of the Community Empowerment Act, and is working with partners to support communities to become more resilient. There has, however, been slow progress on other aspects of the Act, such as the development of locality plans.

There are good examples of community engagement, including with harder-to-reach groups, but the council did not consult with communities on the development of *Our Ambition*, nor does it consult communities on its budget.

The Shetland Partnership is clearly committed to reducing inequalities, and partners work well together

98. The Shetland Partnership (Shetland’s Community Planning Partnership) developed the Shetland Partnership Plan 2018–28, which was published in July 2018. This sets out the shared vision for the local area, as well as four high-level priorities (Participation; Place; People; and Money) and associated outcomes. The plan was informed by community feedback gathered through the **Place Standard**  consultation in 2016, and data on topics such as population, health, poverty and employment. There is a clear commitment to reducing inequalities within the plan, and in the various improvement projects supporting its delivery. Performance indicators, along with interim and longer-term targets, are set out within the plan.

99. The Community Planning Partnership (CPP) Management and Leadership Team (MLT) provides strategic leadership and oversight of community planning activity in Shetland. The council, NHS Shetland, Highlands and Islands Enterprise (HIE), the Scottish Fire and Rescue Service (SFRS) and Police Scotland are all represented on the MLT. The role of chair rotates annually, and the current chair is the Chair of NHS Shetland. The MLT meets frequently, the meetings are well attended and there are positive working relationships between partners.

100. The wider Shetland Partnership Network brings together all statutory community planning partner agencies, such as Skills Development Scotland and Historic Environment Scotland, along with local partners, including representatives of Voluntary Action Shetland, Shetland Charitable Trust, Shetland Amenity Trust, Zetrans and UHI Shetland. This network is designed to support information sharing, the development of ideas and relationship building. Although partners within this network have been involved in the Covid-19 response, engagement with the wider network has been adversely affected by Covid-19. In recognition of this, the council’s Community Planning and Development Team is currently re-engaging with the wider Shetland Partnership Network.

101. Community planning partners have worked well on projects designed to tackle inequalities. These include the Anchor Early Action Project ([Case study 1, page 37](#)) and Voices for Equity ([paragraphs 140–142](#)).

For indicators where data is available, the Shetland Partnership’s impact on local outcomes has been mixed

102. The Shetland Partnership’s Management and Leadership Team report on the partnership’s performance in its annual progress report on its plan. Performance reports include examples of activity carried out under each of the four priorities, case studies and an assessment of progress against the performance indicators with associated commentary. Almost one-quarter of the 21 performance indicators have not been reported on since the 2018 baseline, and only around one-fifth have been reported on year-on-year. The CPP has noted challenges with some of the performance indicators and reports that it may change or supplement some of these.



Place Standard

is used to support community engagement about place. It facilitates conversations about the physical characteristics of a place (such as buildings and transport links) as well as the social aspects (including people’s feelings about whether they have a say in decision making).

Case study 1



Anchor Early Action Project

The Anchor Early Action Project is a partnership project between the council, the IJB, NHS Shetland, Police Scotland and Voluntary Action Shetland. It was introduced in 2018, funded by the National Lottery Communities Fund.

Anchor Project officers work with individuals and families who are struggling to cope or on a difficult pathway, to identify specific actions or support needed to help overcome barriers and challenges and enable positive change. This supports a shift from crisis intervention to early intervention and prevention for families and individuals. The overall goal of the project is to create a system of support that will actively reduce the number of avoidable family crises.

The project has three objectives:

- to facilitate family-led problem solving with those families engaged with Anchor
- to record and share learning on barriers and opportunities to family-led problem solving and the value of early intervention
- to demonstrate the potential value of system change and facilitate change through stimulating either small incremental changes or step-changes.

A project board was established at the outset to oversee delivery of the project, and to translate the learning from Anchor into system change. The board consists of a 'core board' with representation from each of the five partners, and a 'wider board' of ten senior managers from Shetland Islands Council, NHS Shetland and the IJB.

Family-led problem solving helps families to identify their own goals and measure their successes. Family-led intervention takes into account the particular needs of each family, so support given by the project officers varied by family. Examples of support given include: help with transportation or shopping; support to complete grant applications; and the provision of food parcels during the pandemic.

Evaluations of the first two years of the project reported positive outcomes for supported individuals and families. These included: new or improved relationships with support services; reduced stress and fewer mental health issues; improved family relationships; improved wellbeing and behaviour in children; improved confidence and problem-solving skills; increased uptake of free school meals; and improved financial stability.

An external review of the project also estimated that one hour of early action support could replace 3.5 hours of crisis intervention support.

The Covid-19 pandemic had an impact on the implementation of the project. As a result, an Early Help Team was established to expand the provision of early action to support more families. The project board's remit was expanded to become the Early Action Programme Board. This was in response to learning achieved through the project, as well as to accelerate system change. The project is now known as the Early Action Programme.

The Anchor Early Action Project is due to conclude by 31 March 2023. The Early Action Programme Board is now evaluating the learning gained through the project to support the development of a future model of family support, which is to be embedded within universal services, such as healthcare and schools.

Source: The Shetland Partnership

103. The performance indicators for which data for more than one year is available show a mixed picture of performance over time. Areas which have seen improvements include:

- the percentage of people who feel part of their community
- the percentage of people engaging in sport and physical activity
- the percentage of 16–19 year-olds who are in education, employment, training and personal development.


104. The percentage of households in fuel poverty also appears to have improved, however the Shetland Partnership attributes this to the Scottish Government’s changed definition of fuel poverty which is likely to be masking the true extent of the situation in Shetland.

105. Areas where performance has declined over time include:

- Shetland’s carbon emissions compared with the Scottish average ([paragraph 123](#))
- foodbank usage
- the number of employees in Shetland.

Despite a general decline in outcome indicators over time, Shetland’s outcomes were better than the Scottish average in 12 of 17 indicators in 2019/20

106. The Community Planning Outcome Profile (CPOP) indicators assess life outcomes in an area. These indicators cover, for instance, early years, older people, safer/stronger communities, health and wellbeing, and engagement with local communities.

107. Shetland’s performance improved against six of the 17 CPOP indicators between 2015/16 and 2019/20, including median earnings and emergency hospital admissions, while performance was maintained in relation to the percentage of primary one children with a healthy weight. Performance declined in ten indicators, including the employment rate and Shetland’s fragility index, which is a weighted combination of depopulation, rural depopulation and old age dependency ratio. In most cases where Shetland’s performance declined, this trend was broadly similar to the Scottish average and/or **family group**  average trend. Shetland’s child poverty levels increased by two percentage points between 2015/16 and 2019/20, however Shetland had the lowest levels of child poverty in Scotland in 2019/20.

108. The latest CPOP data (2019/20) shows that Shetland’s outcomes were better than the Scottish average in 12 of the 17 indicators. Its outcomes were also better in ten of the 17 indicators compared to similar councils (that is, those in its family group).



LGBF family groups are councils that have been grouped together for comparison as they are similar in terms of relative deprivation and rural, semi-rural or urban.

The council and its partners have demonstrated strong partnership working in response to Covid-19

109. There are strong and positive working relationships between partners in Shetland and a positive culture of partnership working more generally. These good relationships have allowed partners to work well together in their joint response to the Covid-19 pandemic:

- The Chief Social Work Officer led the 'Care for People' team, which worked across the council and with the third sector to support vulnerable community members during the pandemic. Sub-groups provided support in relation to statutory social work services, community support and resilience, substance abuse and domestic violence.
- Partners established the Community Resilience Forum and Business Resilience Forum to support the initial response to the Covid-19 pandemic. The forums were used to provide updates on the public sector response to Covid-19 and hear updates on business and community issues.
- The council and its partners set up a Food Group, bringing together all emergency food providers in Shetland, and representatives from council services to source and distribute food to families on low incomes. The group set up 'food larders' in some schools, to make food accessible to vulnerable families supported by social work and the Anchor Early Action Project. The Food Group supported around 80 families and over 150 children during the pandemic.
- The council, supported by public, private and third sector partners, delivered the Coronavirus Support Hub, a freephone telephone service which provided support in relation to food, medicines, essential items, financial hardship, emergency care and lockdown advice to those who were shielding.
- The council and HIE supported community organisations to apply for and secure funding for their communities.
- The council supported NHS Shetland to deliver the Covid-19 vaccination programme. As part of this, three council assets were used as mass vaccination centres (MVCs) and the council provided free transport, including ferries, to those attending the MVCs from outlying areas.
- During the pandemic, the council and IJB have maintained strong performance in the percentage of over-65s with long-term care needs receiving social care at home; the rate of readmission to hospital within 28 days; and the proportion of care services graded 'good' or better in Care Inspectorate inspections. They ranked within the top three local authority areas for these indicators in 2020/21.

The council and the NHS work well together at an operational level

110. The Shetland Islands IJB was established in June 2015. The council and NHS Shetland delegated the responsibilities for planning and resource service provision of adult health and social care services to the IJB. The Shetland Islands

Health and Social Care Partnership (HSCP) is the delivery organisation for the functions that have been delegated to the IJB.

111. Operationally, there is a long-standing, good working relationship between the council, the NHS and the HSCP. There are good examples of the partners working together to transform services, for example the nursing models for Islands with Small Populations ([Case study 2](#)).

Case study 2



Nursing Models for Islands with Small Populations

Shetland has a number of non-doctor islands – Fair Isle, Foula, Fetlar and Skerries – where, traditionally, a resident nurse has been the first point of contact for all healthcare needs on a 24/7 basis. Before Covid-19, there were also visiting services from the General Practitioners based at the respective Health Centres with responsibility for each island, along with some services provided by allied health professionals. It was recognised that this single post holder model was unsustainable as no one person can be on-call 24/7/365. The resignation of three post holders in quick succession led to the need to review this model of service provision.

Engagement took place with the communities of each of the islands in order to create a sustainable, affordable, and clinically appropriate service model which meets the health and care needs of islanders both now and for the future. This was initially through each community council, then with small working groups for each island to take forward the development of the future service model. Engagement also took place with partner agencies, predominantly Scottish Ambulance Service and Scottish Fire and Rescue Service.

The project work has resulted in the agreement and implementation of a new model for Fair Isle, Foula and Fetlar. Of note is the separate development of a 'joint care worker and caretaker' model for Skerries as after three rounds of recruitment and an extensive reach of the recruitment campaign, the Partnership was unsuccessful in securing a candidate that could take on the initially proposed role.

The new agreed models of care are a combination of a residential nurse with the post holders also providing personal care for islanders as required; out-of-hours care being accessed via NHS 24 and supported by a Scottish Ambulance service First Responder scheme. These new models are designed to enhance the resilience and overall sustainability of these remote island communities.

Source: Audit Scotland

112. The HSCP reports strong performance in delayed discharges, unlike many other HSCPs across Scotland. This has been achieved through focused daily monitoring as part of the partnership working, with dedicated social work input to support the hospital and the development of an Intermediate Care Team. This has allowed the HSCP to focus on early intervention and prevention work, for example the 2022/23 budget included a specific commitment to invest in the Intermediate Care Team to support people in their own homes. Difficulties with recruitment and retention of care staff continues to be a key issue across the council area ([paragraph 92](#)). The HSCP is engaging with the Care Inspectorate on this issue.

113. Responding to the Covid-19 pandemic has delayed progress in the HSCP's development and improvement programme. However, in some ways it has accelerated change, for example the use of technology-based solutions and working in multidisciplinary teams. Despite these challenges, Shetland's

performance in 2020/21, as reported in its Annual Performance Report, is showing improving performance and performance above the Scottish average, although some of the data is only available from 2017/18.

114. Access to adult mental health psychological therapies continues to be significantly below target due to long-standing recruitment difficulties. As part of the recovery plan, the psychological therapies team has recruited additional staff, and the service is embedding new technologies. The IJB is regularly monitoring the implementation of the recruitment, staff development and community-based support model that was developed by the HSCP.

There is a lack of ownership from the IJB in directing health and social care service redesign and transformation

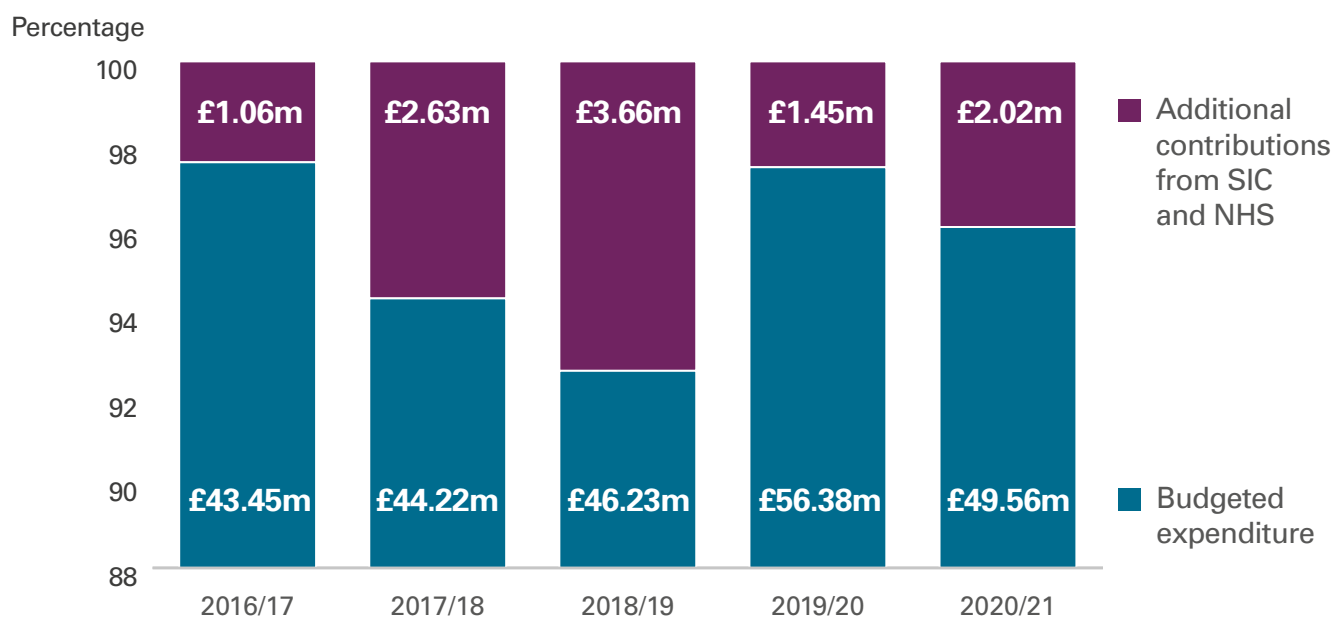
115. The IJB is currently reliant on the transformation strategies, workforce plans and savings plans of the partner bodies and does not currently operate a fully integrated budget. There is therefore a lack of ownership from the IJB in directing the service redesign and transformation across adult health and social care.

116. The IJB budget process is not fully integrated and is largely driven by the outcomes from the budget discussions at each partner body rather than the IJB making resourcing decisions, indicating a lack of ownership by the IJB. The IJB has historically overspent against its budget and, in each year, has received additional funding from the partner bodies to offset this, as illustrated in [Exhibit 7](#), rather than making difficult decisions to operate within the original budget.

Exhibit 7

Shetland IJB budget funding

The IJB has received additional contributions from the partner bodies to offset overspends.



Source: Shetland IJB Audited Accounts

117. In March 2022, the IJB approved its 2022–27 Medium-Term Financial Plan. The plan assumes that the IJB will be fully funded by the partners, and therefore does not identify any funding gaps or savings targets that need to be met. There is, therefore, little incentive to make transformational change. It does recognise that both the council and NHS are faced with financial challenges and highlights the need for all parties to work together to develop safe, effective and sustainable health and social care services.


118. The IJB recently approved its refreshed Strategic Commissioning Plan covering the period 2022–25 to include a strategic priority to shift the balance of care towards people being supported within and by their communities. This is expected to improve the IJB’s focus on providing strategic direction, with clear and specific direction to partner bodies for the services that it is commissioning.

The council is working with Orkney Islands Council and Comhairle nan Eilean Siar to progress the Islands Growth Deal

119. The council has worked well with Orkney Islands Council and Comhairle nan Eilean Siar on the *Our Islands Our Future* campaign. This was launched in June 2013 and sought to get the Scottish and UK governments to recognise the islands’ unique circumstances. The campaign received a positive response, including the passing of the Islands (Scotland) Act 2018 which recognises the distinct context and challenges of island communities ([paragraph 68](#)).

120. Another positive development for the islands has been the Islands Growth Deal. This represents a £100 million investment across Shetland Islands Council, Orkney Islands Council and Comhairle nan Eilean Siar. The Deal aims to harness the islands’ unique assets to play a key role in the transition towards net zero and help address the islands’ severe demographic challenges. The deal is funded equally by the Scottish and UK governments and is expected to attract a further £235 million investment from public, private and academic sector partners.

121. The three island councils and their partners have worked together to develop the Islands Growth Deal which was signed in March 2021 by the councils and the UK and Scottish Governments. The deal includes six Shetland-based project proposals and three joint island project proposals. Shetland Islands Council is leading on the joint TalEntEd Islands Programme in the Deal. This is designed to create opportunities for education, skills, entre- and intrapreneurship⁵, and commercialisation, supporting the increase in sustainable ‘green’ jobs across all three island groups. The programme is also intended to help the universities and academic partners on the islands develop new approaches to education provision that are aligned to long-term skills needs. It is hoped that this will attract people to the islands and encourage the existing population to stay, addressing the demography challenges and outmigration of young people, and therefore contributing to the longer-term sustainability of the islands.

122. The three island councils are currently working on outline business cases for each project, which will be presented to the **Islands Growth Deal Joint Committee**  for approval before being presented to the Scottish and UK governments for their approval.



Two elected members from each of the island councils sit on the **Islands Growth Deal Joint Committee**. Shetland Islands Council is currently represented by the Leader and Chair of the Development Committee.

The council is committed to working with partners on Shetland's transition to net zero

123. The council and its partners face a significant challenge in terms of climate change. The Shetland Islands had the highest level of CO₂ emissions per capita in Scotland in 2019/20, at almost four times the national average. The biggest consumer of energy within the council's own operations is its internal ferry services, accounting for around half of the energy it consumes as an organisation. The council is currently working to develop two net zero route maps for the council's estate and services and for Shetland as a whole by July 2022.


124. The council is working well with its partners to explore renewable energy opportunities through the ORION (Opportunity for Renewable Integration with Offshore Networks) project ([Case study 3, page 44](#)). This involves a range of initial research studies which will feed into larger, long-term projects to support Shetland's transition to net zero.

The council has supported community groups through the community asset transfer process

125. The Community Empowerment (Scotland) Act 2015  makes it easier for communities to take ownership of land and buildings, in a process known as community asset transfer. The council has introduced an asset transfer policy, outlining the principles and stages of the process, as well as guidance on the decision-making process and review and appeals procedures. Since the Act came into force, three assets have been successfully transferred to community groups.

126. The council's community planning and development service and Community Involvement and Development Officers support communities with community asset transfers. In addition to successful asset transfers, the council has also worked with community groups who have expressed an interest in asset transfer.

The council does not yet have a mainstreamed approach to participatory budgeting

127. The council has supported community councils to run numerous **participatory budgeting (PB)**  exercises since 2010, and half of Shetland's 18 community councils have run at least one PB event. These exercises have used PB as an approach to distributing grant funding to community groups within local communities. Since the Act came into force, £276,000 has been subject to PB. All councils are expected to involve communities in how they spend a proportion of their budget, but the council has made limited progress to date with this mainstreamed approach to PB.

128. Community councils held two virtual PB events during the Covid-19 pandemic. Projects were promoted using social media and communities voted for their preferred projects online. Paper-based information and voting forms were also made available for community members who could not attend the virtual events or vote online.



The Community Empowerment (Scotland) Act

2015 aims to give communities more influence over how the council and its community planning partners deliver services. It provides formal routes for communities to become more involved, including participatory budgeting, participation requests and community asset transfers.



Participatory budgeting (PB)

allows communities to have a say in how the council should spend money locally.

Case study 3



The ORION project

The council and its partners are working to explore how Shetland's unique topography can support the transition to renewable energy

Climate change is a strategic priority for the council and, in January 2020, the council approved the Shetland Energy Hub Project. This has since become known as the ORION (Opportunity for Renewable Integration with Offshore Networks) Project. The project aims to:

- enable the offshore oil and gas sector transition to net zero
- transform Shetland's current dependency on fossil fuels to affordable renewable energy to address fuel poverty and improve community wealth
- create a green hydrogen export business at industrial scale in Shetland by harnessing offshore wind power and creating new jobs.

The council is working in partnership with HIE, the Net Zero Technology Centre (NZTC) in Aberdeen, and the University of Strathclyde to progress the ORION project and has set renewable energy and net zero targets to be achieved.

In 2021, as part of the project, the NZTC carried out research to help understand which energy industries will generate value based on access to energy sources; explore export, import and storage opportunities for hydrogen and CO₂; and to understand the energy volumes that can be generated and managed on the islands.

The outcomes of the study are being used to shape NZTC projects funded by the Scottish Government's Energy Transition Fund. This includes an energy hub project involving research, pilot studies and technology trials for green hydrogen production at scale. It also includes a hydrogen backbone links project, which involves developing the technology required to export hydrogen via pipeline or tanker. The council has an essential future business interest in the projects as they relate to the future operation of the Port of Sullom Voe, Shetland's major deep water harbour. So far, the council has invested £160,000 match funding for the projects, with additional investment planned to help unlock £8.8 million of pilot projects which Shetland has the potential to feature in or host.

The University of Strathclyde has been leading on a two-to-three-year study to evaluate Shetland's onshore power systems, the first phase of which was completed in March 2022. It is also leading on a marine study to examine how maritime transport and ports can switch to clean fuels.

The Shetland Energy Transition Skills Group has also been set up to help understand and respond to skills issues and prepare and implement a sector skills development plan. The group includes representation from the council, the ORION team, HIE, UHI Shetland and the Shetland Net Zero Industry Forum.


Source: Shetland Islands Council

The Shetland Partnership has been slow to develop locality plans

129. The Community Empowerment (Scotland) Act 2015 also requires community planning partnerships to produce a locality or neighbourhood plan for each locality it has identified as experiencing significantly poorer outcomes. These were to be in place by October 2017. The Shetland Partnership, however, has been slow to develop locality plans with its communities and has only one plan in place. It has not yet identified other localities for future locality plans.

130. The Shetland Partnership approved its Islands with Small Populations locality plan in August 2020, almost three years after the deadline. This covers the islands of Fair Isle, Fetlar, Foula, Papa Stour and Skerries, all of which are remote from Lerwick and have populations of fewer than 100 people. The plan was developed in partnership with the island communities and built on ongoing engagement between the islands and council services. The locality plan includes a collective plan for the five islands and a plan for each individual island. Expected outcomes in the collective plan include quicker resolutions of problems with operational service delivery; and ensuring action to increase the working age population of the islands is ambitious, holistic and results in a step-change for the islands' sustainability. However, there is no budget for delivering the locality plan.

131. The Shetland Partnership established an Islands with Small Populations Strategic Delivery Group following the publication of the plan, which first met in December 2020. Group membership includes representation from the council, NHS Shetland, HIE, the SFRS, Police Scotland, the Crofting Commission and Zetrans, as well as two community representatives from each island. The group has met to discuss a range of local issues, including health care; transport; connectivity; housing; and tourism.

132. While not a locality plan as defined by the Community Empowerment (Scotland) Act 2015, the council has worked with Scalloway Community Council to develop a **Local Place Plan**  through the Re-Create Scalloway project. The project began in 2018 and was intended to establish a future direction for the development and growth of Scalloway. The council supported engagement with the Scalloway community and the development of a spatial vision, which identified key development opportunities in the village, and an associated action plan for the area. To date, a number of actions have been achieved, including the demolition of the old youth centre, improved signage and way-finding, as well as public realm and parking improvements.

133. The council is currently leading on the Shetland Partnership's activity on a Shetland Place-based Review. There may be opportunities for the council and community planning partners to use the work it is doing around this to inform future locality plans.

The council and its partners are supporting island communities to become more sustainable and resilient

134. There are numerous examples of ways the council has supported communities to become more resilient and self-sufficient, including:

- The council and its partners are progressing the Fair Food project, which aims to create a more equitable food community in Shetland. The council approved £96.6k funding through its Coastal Communities Fund in January



Local Place Plans are part of the Planning (Scotland) Act 2019 and give people an opportunity to develop proposals for the development and use of land in the place where they live.

2021 towards a three-year 'Grow Shetland' pilot project. This is being delivered by Transition Turriemfield and aims to support the community to grow more of its own fruit and vegetables, increase access to affordable food and encourage healthy eating.

- The island of Foula is an off-grid island which, until recently, did not have 24-hour access to electricity. The council and HIE have supported the Foula Electricity Trust (which owns and operates the electricity scheme on the island) to identify on-island renewable energy generating solutions. This has included supporting the Trust to secure loan finance through Scottish Government sources for wind generation. The wind generation has now been running for two winters and has reduced the use of diesel on the island.
- The council is piloting a Community Maintenance Post on the island of Fetlar, which has 61 full-time residents. The post was created to pilot a new approach to service delivery, which combined a number of duties into one locally-based post. The post was also designed to assist in sustaining the working age population on the island and add to the limited employment opportunities on the island.

The council has engaged well with communities on some topics but did not consult with them on *Our Ambition* or the budget

135. The council does not have an overarching community engagement strategy, but it uses a range of methods to engage communities. The council has four Community Involvement and Development Officers who support engagement with communities, and the council engages with its Islands with Small Populations through the strategic group ([paragraph 131](#)). The council has a public consultations section on its website, however it does not publish or show the results of its previous consultations within this.

136. There is no citizens' panel in Shetland, however, during the audit, members and officers reported good levels of engagement with community councils. The Association of Shetland Community Councils meets three times per year and provides a forum for all 18 of Shetland's community councils to engage with the council. The council's Community Council Liaison Officer also attends community council meetings.

137. During the audit, officers and elected members highlighted that elected members are much more visible in small island communities, and there is a lot of informal engagement between elected members and the communities they serve. The Covid-19 pandemic has resulted in less in-person engagement and more online engagement with communities. This creates a risk that harder-to-reach groups and communities with poor connectivity are less engaged.

138. The council does not consult communities on its budget-setting process ([paragraph 81](#)). It also did not consult communities on the development of *Our Ambition* ([paragraph 22](#)). The council drew on the Shetland Partnership Plan, which was informed by community engagement ([paragraph 98](#)), when developing *Our Ambition*. However, this was carried out prior to the major developments of Covid-19 and EU withdrawal which may have had an impact on communities' priorities.

139. The council and its partners have carried out good, topical engagement exercises with communities. For example:

- In 2021, the council and HIE carried out an online survey as part of its 'Climate Conversation' with communities which received 836 complete responses. The council intends to use the survey results to inform its future communications, engagement and actions to tackle climate change.
- The council also carried out a series of 29 virtual Community Conversations between October and December 2020 to allow community organisations, community councils and partners to reflect on what had been achieved during the Covid-19 pandemic response.

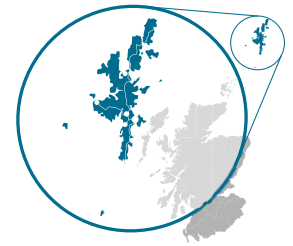
140. Between 2018–20, the council delivered the Scottish Government-funded Voices for Equity project on behalf of the Shetland Partnership. This aimed to help reduce inequalities in Shetland through participation. It matched 15 community participants with 15 civic participants to enable them to form 'learning relationships' whereby community participants facing challenges due to inequalities shared their knowledge and experiences with decision makers in Shetland.

141. Civic participants reported that Voices for Equity provided them with an enhanced understanding of inequalities. Feedback from community participants on the project was positive. For example, some reported that their confidence and self-esteem had increased, and their capacity had improved as they now felt they were capable of doing things they did not think they would be able to before. The council reports that various plans have been informed by Voices for Equity, including the Shetland Community Learning and Development Plan and Regional Transport Strategy, as well as the Anchor Early Action Project. It is not clear, however, how the council has used the results of this engagement activity to inform these. The council reports that the impact of Voices for Equity was more subtle, in that it has led to more thoughtful policy development and decision-making, reflecting decision-makers' enhanced understandings of inequalities in Shetland.

142. The Shetland Partnership intends to use a similar methodology used in Voices for Equity to inform the Place priority in the Shetland Partnership Plan and the ten-year Plan to Attract People to Live, Work, Study and Invest in Shetland, and shape renewal and development for Shetland following Covid-19.

Part 5

Is the council demonstrating continuous improvement?



The council does not have a systematic approach to continuous improvement. Despite this, service performance has improved in many areas, and there are examples of innovation.

The council has taken action to address some areas of poor performance. The council also generally responds well to scrutiny including audits and inspections to improve. There is evidence of the council engaging externally to improve its services.

However, a lack of strategic leadership and drive has led to the council not yet demonstrating that it is meeting its duty of Best Value in a number of important areas. These are:

- transformation
- financial sustainability
- performance management
- community empowerment.

The council has progressed in some aspects of Best Value since 2013, but is not yet meeting its duty in a number of areas

143. The Accounts Commission Audit of Best Value and Community Planning in Shetland Islands Council took place in March 2005 with a follow-up in January 2007. These reports highlighted a number of concerns including:

- the absence of clear strategic plans and targets
- lack of alignment between planned activity and resources
- shortcomings in performance management and reporting
- the Executive Committee also attempting to fulfil the role of an Independent Audit Committee
- the council's inability to balance its budget, without relying on reserves.

144. A series of follow-up statutory reports from 2010 to 2013 highlighted concerns about the continual qualification of the council's financial statements, the effectiveness of working relationships, governance and accountability and the strategic leadership of the council.

145. The council put in place an improvement plan with the essential building blocks of Best Value in place by 2011. A further statutory report in January 2013 found significant improvement across all areas. The report found that the council would need to take difficult decisions to deliver on the commitments in its Medium-Term Financial Plan. These decisions needed to be taken to make the long-term financial position sustainable. The council also needed to review and prioritise its improvement activity. [Exhibit 8 \(page 50\)](#) compares these judgements to the council's current position.

146. While significant improvement has taken place, there are some specific aspects of Best Value that lack strategic leadership which are:

- limited performance management and reporting
- ability to demonstrate financial sustainability
- transformation
- aspects of community empowerment.

The council does not have an overarching, systematic approach to continuous improvement but there is evidence of improvement activity

147. The council does not have a structured approach to continuous improvement which limits the pace and depth of the council's improvement. There are, however, examples of where improvement activity takes place:

- The council carries out lessons-learned reviews of whether individual projects, such as the colleges merger and establishment of a fleet of pool cars, met objectives successfully. These are considered by the Corporate Management Team and council committees and used by the Programme Management Office team to inform future work.
- The review of the council's Anchor Project ([Case study 1, page 37](#)) identified the success of the project and allowed a strategic expansion of this early action work.

The council generally responds positively to inspection reports and scrutiny recommendations

148. The council draws on the work and recommendations of scrutiny and inspection reports. For example, it is following up on the actions from the internal audit report of its performance management arrangements ([paragraphs 45–46](#)). Council officers also carried out an Openness and Transparency review drawing on recommendations from its external auditor. This identified actions for improvement ([paragraphs 34 and 44](#)) with a timetable for completion.

Exhibit 8

Comparison of previous key Best Value Judgements in 2012 and 2013

A comparison of Controller of Audit judgements in 2012, 2013 and 2022 shows that Shetland Islands Council has not made adequate progress in some key aspects of Best Value since 2013.

Controller of Audit judgement 2012	Controller of Audit judgement 2013	Controller of Audit judgement 2022
Leadership and strategic direction		
<p>In April 2011 the council established new political management arrangements and in June 2011 it approved a new management structure.</p> <p>The initial indications are that they are helping the council to conduct business in a more focussed and organised way.</p> <p>The council has agreed a new management structure and has made significant progress in implementing the new arrangements.</p> <p>Working relationships have improved. The council needs to ensure that effective working relationships are maintained to support continued improvement. This will be particularly important leading up to the council elections in May 2012.</p> <p>The council has been working effectively with partners to develop a long term vision for the Shetland Islands.</p>	<p>The early indications are that the new political leadership is providing a clear strategic direction for the council. The interim chief executive's secondment has come to an end and the council has appointed a permanent chief executive.</p> <p>Working relationships among members and officers are constructive. It is important that this is sustained to tackle challenges ahead.</p>	<p>Appropriate political and management structures are in place with good working relationships between elected members and senior management, but they are not yet providing the strategic leadership needed to coordinate and drive forward plans.</p> <p>The council has a clear vision that takes account of the challenges facing the community.</p> <p>Part 1</p>
Building capacity and sustaining improvement		
<p>The council has improved its capacity by implementing its improvement plan. The changes to political management arrangements, governance and management structures have all helped with this. The council continues to develop training and development to support members and officers and has brought in external expertise to support improvement in key areas.</p> <p>The council has made improvements to a number of supporting systems and processes which help it to do business more effectively. Some of the commitments in the improvement plan are behind schedule and need further development, but they do not compromise the plan overall.</p>	<p>The council continues to make good progress on its improvement plan and is building capacity by investing in training and development for members and officers. The council should review its improvement activity to ensure that it is being prioritised and managed effectively, so that it can assure itself that it has the capacity to deliver its objectives.</p>	<p>Good training and learning opportunities are offered to members.</p> <p>Part 1</p> <p>The council does not have a systematic approach to continuous improvement. Despite this, service performance has improved in many areas, and there are examples of innovation.</p> <p>Part 5</p>

Controller of Audit judgement 2012	Controller of Audit judgement 2013	Controller of Audit judgement 2022
Performance management and planning		
<p>There has been some improvement in performance management and planning arrangements, but further improvement is needed in this area.</p>	<p>The council has continued to improve its planning, budgeting and performance management arrangements.</p>	<p>The council has been slow to introduce appropriate performance management arrangements. The council is currently working to make improvements in this area.</p> <p>Part 2</p>
Financial management and accountability		
<p>Some aspects of financial management have improved; the council has introduced more effective financial planning and budget-setting arrangements and agreed a strategic budget plan and agreed principles to underpin its reserves policy. Budget monitoring reports to elected members have improved, but need to improve further.</p> <p>Some aspects of financial management remain an area of significant concern however. The latest budget monitoring report indicated that the council has significant challenges in delivering its 2011/12 budget. The process of finalising the annual accounts was problematic, the financial statements were again qualified due to the exclusion of the results of the Shetland Charitable Trust and the annual audit report to the Controller of Audit and elected members raised concerns about the resourcing of the finance function.</p>	<p>The council's financial management arrangements have improved significantly. The 2011/12 financial statements received an unqualified audit opinion for the first time in six years. The council has appointed a new chief financial officer who has been instrumental in improving financial management in the council.</p> <p>In order to sustain this positive direction of travel the council will need to take the difficult decisions needed to deliver on the commitments contained in the Medium-Term Financial Plan, to put the long-term financial position of the council on a sustainable footing.</p>	<p>The council has effective financial management arrangements as well as an effective process for identifying and managing risk.</p> <p>However, the current estimated funding gap of between £61.2 million and £142.1 million over the next five years needs to be addressed. There is no clear link between the savings needed and the Change Programme. The council's reliance on using reserves to balance its budget is not sustainable in the long term.</p> <p>Part 3</p>

Source: Audit Scotland

149. In some instances, the council has been slower to respond to recommendations and these are across some areas we have highlighted in the report. In its most recent external audit report in 2020/21, the council had implemented 13 recommendations with six recommendations either not implemented or partially implemented.

The council engages externally to share services, develop and share best practice

150. The council is part of the Northern Alliance, working with Children's Services across eight councils in North and West Scotland. Through this membership the council accessed the knowledge and expertise of Aberdeenshire Council's Learning Estates Team and this has been valuable in progressing Shetland Island Council's work on this.

151. Shetland Children's Services Management Team also worked with the Northern Alliance in September 2021 to identify drivers for improvement in the service and take this improvement forward.

152. The council has identified potential efficiencies from working with partners and other organisations to successfully provide shared services including:


- ICT desk, network infrastructure, and some systems shared with NHS Shetland and the local third sector
- Performance Management System shared with NHS Shetland ([paragraph 45](#))
- the council payroll service also provides this service to Shetland Charitable Trust.

The council's approach to transformation has been slow, lacking drive and urgency

153. The council had two key programmes to deliver service redesign and transformation change, the Service Redesign Programme since 2018 and Business Transformation Programme since 2017. These were replaced by the Change Programme which was approved by the council in April 2021. The council plans to work towards a 'one-council' approach through the Change Programme, championed by the Chief Executive. A Change Programme Board is in place, and has a Programme Management Office (PMO) to deliver this change programme.

154. To date, very little progress has been made on the Change Programme, with the PMO at the early stages of developing its remit and workplan. The process of identifying all existing projects across the council, most of which pre-date the change programme, is ongoing. The programme is not currently transparent with the project timelines and available resources missing.

155. When working on larger transformation and service delivery projects there is a culture of directorates working on projects in their own areas with some resistance to change. Transformational change has historically happened at directorate level with little oversight and involvement from Corporate Services. There is a lack of dedicated resource and strategic leadership to drive this work forward.

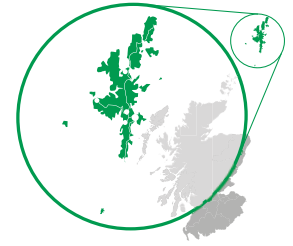
156. A good transformation programme should provide a core, dedicated resource which is the centre of excellence providing the tools and templates which can be used by all projects. These tools and templates are to assess whether intended benefits of change have been achieved. This central team also avoids duplication and inconsistency amongst the projects in the programme and allows best practice to be promoted. One option for this may be a **hub-and-spoke model** , with the PMO team as the hub and individual projects as spokes.

157. A Change Programme Policy Framework identifies the key council policies and strategic plans to progress *Our Ambition* and the Change Programme, which provides some strategic direction. However, the Change Programme contains no milestones or targets, and a lack of detailed actions to support its delivery. *Our Ambition* states that the progress will be reported and monitored through the Change Programme and Performance Management Framework. As the Change Programme is still being developed it will be difficult for the council and its stakeholders to know how well the council is progressing *Our Ambition*.



In a **hub-and-spoke** approach to change management there is a centralised hub where activity is coordinated and resources and information flow in and out of the individual projects (spokes).

Recommendations



The council should improve performance management and reporting by:

- ensuring performance indicators are in place for plans and strategies at the time of their development ([paragraph 38](#))
- setting targets for its performance indicators as appropriate and in a timely manner ([paragraph 40](#))
- ensuring annual performance reporting is balanced, uses a mixture of qualitative and quantitative information (including recently agreed performance indicators) and clearly draws out areas for improvement and associated improvement actions ([paragraph 42](#))
- ensuring monitoring is in place for the council's early intervention and prevention projects ([paragraph 78](#)).

Elected members should work with council management to set out how it will meet the estimated funding gap ([paragraph 70](#))

- The council should improve how it involves elected members in budget-setting ([paragraph 80](#)).

The council needs to fully embed its Change Programme by:

- identifying, developing and aligning its supporting projects and activities ([paragraph 154](#))
- setting clear timescales ([paragraph 154](#))
- fully resourcing its work including the PMO Team ensuring there is a dedicated core hub for its work ([paragraphs 155–156](#))
- creating a clear plan of how it will address savings identified in the MTFP ([paragraph 82](#)).

The council should align all plans and strategies under *Our Ambition* to meet its priorities, specifically:

- workforce planning ([paragraphs 71 and 95](#))
- the Asset Improvement Plan ([paragraph 86](#))
- financial planning ([paragraph 95](#))
- the Change Programme ([paragraph 95](#)).

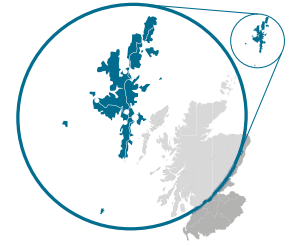
In respect of community engagement, the council should:

- engage communities on key strategic plans and developments, including the council plan and annual budget ([paragraph 138](#))
- demonstrate how the results of community engagement exercises have fed into plans and services ([paragraphs 135 and 141](#))
- ensure locality plans are in place ([paragraph 129](#)).

In respect of impact assessments, the council should:

- develop a consistent approach in carrying out EIAs ([paragraph 67](#)).
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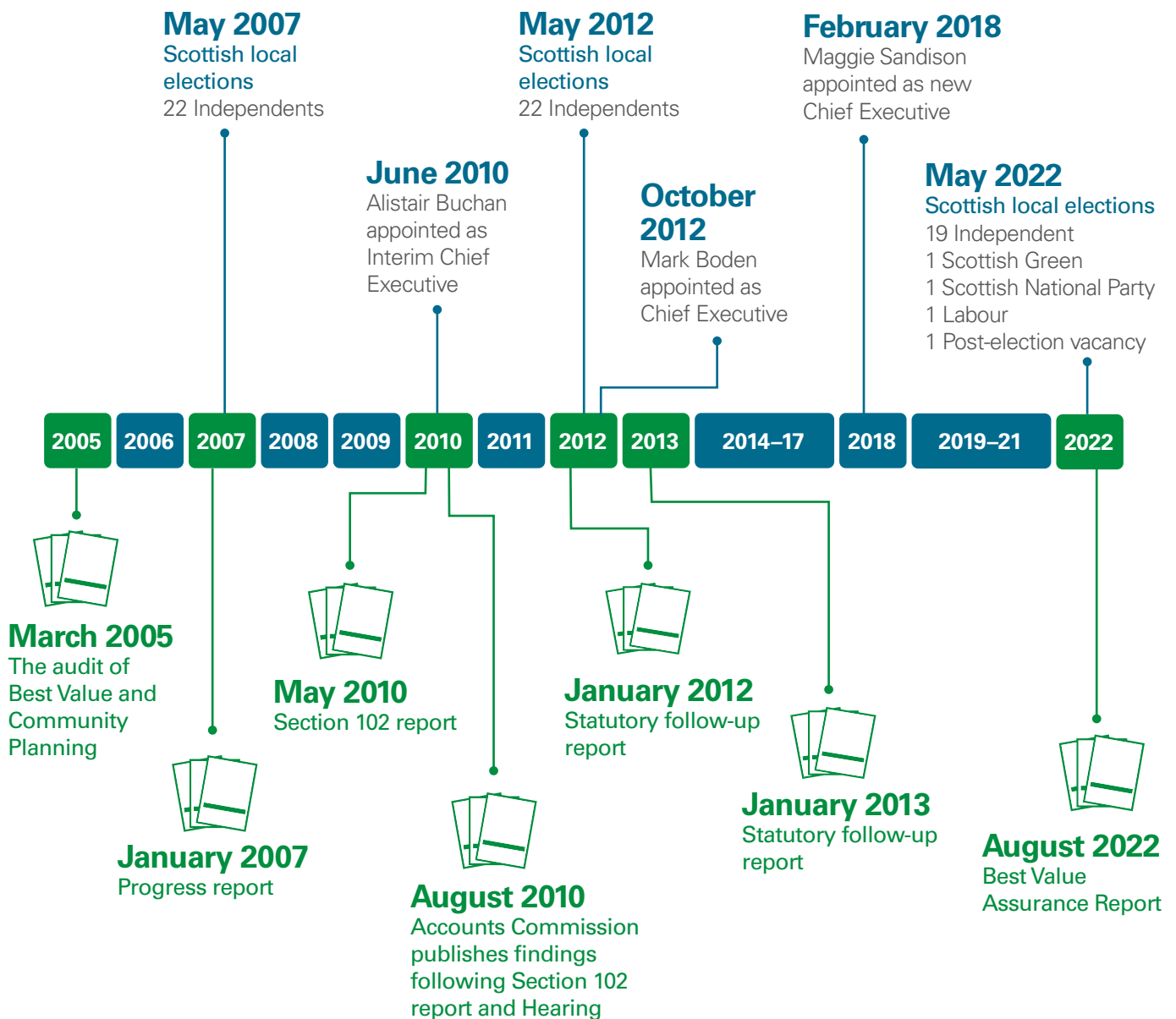
Endnotes



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- 1 We have based this calculation on the total number of 16–64 year-olds in the Shetland Islands in 2020.
 - 2 A minimum income standard for remote rural Scotland: A policy update, Highlands and Islands Enterprise, October 2016.
 - 3 Following the elections in May 2022, Shetland Islands Council is now composed of 23 elected members (20 Independent, 1 Green, 1 Labour and 1 SNP).
 - 4 This means that the council had higher percentages of pupils gaining five or more awards at Levels 5 and 6, and higher average total tariff scores in SIMD quintiles 2–4 in 2020/21 than 2019/20. The Improvement Service has said that any change in attainment levels during 2020 and 2021 should not be seen as an indication that performance has improved or worsened without further evidence. It has instead reported attainment during this time as ‘increasing’ or ‘decreasing’.
 - 5 ‘Intrapreneurship’ is defined as entrepreneurship within an existing organisation.

Appendix

Best Value audit timeline



March 2005: Shetland Islands Council – The Audit of Best Value and Community Planning

The Accounts Commission has significant concerns about the lack of clear strategic plans and targets; the lack of systems to monitor performance across all areas of activity; the lack of a corporate approach to procurement.

January 2007: Shetland Islands Council – The Audit of Best Value and Community Planning: progress report

The Accounts Commission accepts that Shetland Islands Council has made a start in addressing the issues raised in the Commission's previous findings. However, it remains concerned about the pace and extent of change.

May and August 2010: Report by the Controller of Audit to the Accounts Commission under section 102 and Accounts Commission findings

The process for the recruitment and selection of the chief executive was not sufficiently rigorous. The council has not demonstrated that it can set a clear strategic direction, backed by sound and consistent decision making. The council faces a challenging financial future. The council needs to improve its governance and accountability arrangements.

January 2012: Shetland Islands Council Statutory follow-up report

The Accounts Commission welcomes the prompt action and progress made by the council with its improvement plan. It is seriously concerned the council's financial statements had been qualified for the sixth consecutive year.

January 2013: Shetland Islands Council Statutory follow-up report

The Accounts Commission welcomed the prompt action and progress made by the council with its improvement plan, but emphasised the need for such positive direction to be sustained and consolidated.

Best Value Assurance Report

Shetland Islands Council

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ISBN 978 1 913287 92 4