

Shetland Islands Council

Transformation: how councils are redesigning and delivering more efficient services to achieve planned outcomes



 **AUDIT SCOTLAND**

Prepared by Audit Scotland
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Key messages

- 1 The council's Change Programme includes clear themes and projects and is aligned with the strategic plan, Our Ambition 2021-26. However, progress to develop detailed project plans has been slow, with most projects still lacking these.
- 2 The council holds significant reserves, with a General Fund balance of £234.7 million at 31 March 2025 (based on unaudited figures). It uses these to support spending on services, but the current level of reserves use (£43.9 million in 2025/26) is unsustainable.
- 3 The local energy industry has been a key source of council income and the council is exploring opportunities to sustain this income through the transition to green energy, as this is important for its long-term financial outlook. The council also anticipates longer-term financial benefits will be achieved from Change Programme projects, but these projects are not yet at the stage where the benefits can be articulated.
- 4 There is limited staffing capacity within the council to progress transformation, at both the senior leadership and officer level. It has a small Programme Management Office which supports services with change projects.
- 5 The council has established arrangements for reporting progress against its Change Programme projects to its Corporate Management Team, which operates as its Programme Management Office Sponsoring Group. Progress reports could be enhanced to include reporting against time, project costs and estimated benefits.
- 6 The council reports progress to elected members via quarterly directorate performance reports. This reporting could also be enhanced to include progress against project costs and estimated benefits.
- 7 The council has shown a willingness to work with partners across Shetland and beyond, but it now needs to increase the pace of this work. There is evidence of joint funding arrangements in place to support investment in Change Programme projects.

- 8 The council has undertaken considerable engagement with its communities around its plans. The council now needs to ensure that it delivers on these plans for its communities.
- 9 Project documentation includes consideration of impacts on vulnerable groups. Formal equality impact assessments are carried out at relevant stages of project development. As many projects are still in the early stages of development, there have been limited assessments available to review.
- 10 There is currently a lack of success measures in place for Change Programme projects due to the stage that the projects are at.

Introduction

1. Transformation is about radically changing how councils operate and deliver services to achieve planned outcomes in a financially sustainable way ([Transformation in councils](#), Accounts Commission, October 2024).
2. The [Transformation in councils](#) report recognises that, while work has been ongoing in relation to local government transformation for decades, a step change is required and the pace and scale of transformation must increase significantly. Transformation, through greater collaboration with partners, will be key for councils to deliver more sustainable service models in challenging financial climates.
3. This report sets out how the council is redesigning and delivering more efficient services to achieve planned outcomes.
4. [The Accounts Commission's Strategy \(2021-26\)](#) sets out its priorities to focus on inequalities, funding, communities and recovery. The [Code of Audit Practice](#) sets out the Best Value work required to report on these priorities.
5. This report covers the thematic aspect of the Best Value audit requirements. The Commission has directed auditors to report on transformation and how councils are redesigning and delivering more efficient services to achieve planned outcomes. In carrying out the work, auditors have considered the following questions:
 - To what extent does the council have clear plans for transformation that link to its priorities and support long-term financial sustainability?
 - To what extent do the council's programme management arrangements facilitate effective oversight of its transformation plans?
 - To what extent are partners and communities involved in the development and delivery of the council's plans for transformation?
 - To what extent has the council considered the impact of its transformation activity, including on vulnerable or protected groups?
6. An improvement action plan is included at Appendix 1 of this report. This sets out audit recommendations in key areas, and the council's planned response including responsible officers and dates for implementation.

7. The coverage of the work is in line with the expectations for council's arrangements for the seven Best Value themes in the [Local Government in Scotland Act 2003, Best Value Statutory Guidance 2020](#) and we have considered the Accounts Commission's transformation principles set out in [Transformation in councils](#).

Exhibit 1: Transformation principles

Principle	
Vision	<p>Have a clear vision that sets out the intended end state of any transformation activity, focused on:</p> <ul style="list-style-type: none"> • delivering large-scale recurring savings or generating income for the council, contributing to its longer-term financial sustainability • improving outcomes for citizens in line with council priorities • taking a whole-system approach to see and realise opportunities both within councils and more widely • meeting the needs of the people who use services and reduce inequalities • focusing on preventative activity, where applicable, to reduce the demand for services and to make them sustainable in the longer term.
Planning	<ul style="list-style-type: none"> • Be clear on the scale of the change required and ensure transformation plans are sufficiently ambitious to credibly respond to the scale of the challenge. • Commit staff with appropriate skills, time, and resources to ensure transformation occurs at the scale and pace required and that there is enough capacity for the changes to be embedded. • Be clear about the timescales, costs, outcomes, and anticipated impacts of transformation projects. • Show urgency and progress projects at pace without compromising appropriate governance on projects.
Governance	<ul style="list-style-type: none"> • Have a clear process for monitoring, evaluating, and reporting progress. • Put in place effective governance and escalation processes so that the transformation activities are well managed in their own right, but also able to be given priority alongside other business-as-usual activities.
Collaboration	<ul style="list-style-type: none"> • Develop better working relationships with communities and/or partners to achieve a sustainable model of service delivery. • Actively consider the opportunities offered by regional or national sectoral collaboration, or by integrating services locally with partners, or by supporting individuals and communities to achieve desired outcomes in place of an existing service. • Learn from good practice across Scotland and beyond.
Innovation	<ul style="list-style-type: none"> • Implement new ways of thinking, including innovation, creativity and a desire, willingness, and action to change and do things in new and different ways that achieve the outcomes needed. • Embed the right culture and behaviours to manage change and help maximise the contribution of all the team.

Source: Accounts Commission

Transformation planning

8. The council needs to ensure it can deliver sustainable services now and in the future, and difficult decisions will need to be made to achieve this. The Accounts Commission's [Local government budgets 2024/25](#) briefing noted that councils' cumulative funding gap between 2025/26 and 2026/27 is £780 million. This means that, cumulatively, councils need to identify and deliver recurring measures such as savings or increased income of five per cent of their overall revenue budget to be financially sustainable in the short term.

9. In January 2025, the Accounts Commission advised in its [Local government in Scotland financial bulletin 2023/24](#) that councils need to intensify transformation activity, progressing at scale and pace to ensure their financial sustainability. It also highlighted that how councils plan to use their reserves, make savings and transform their services needs to become more transparent.

Findings and evidence relating to the council's transformation planning arrangements

Findings	Evidence
The council has a Change Programme linked to its 'Our Ambition' corporate plan for 2021-26. As of February 2025, the Change Programme comprised 21 projects within five overarching programmes. Progress with developing detailed project plans has been slow, with most projects still lacking these.	<ul style="list-style-type: none"> • The council's Corporate Plan 'Our Ambition 2021-26' sets out ten priorities. The delivery of the plan is supported by a Change Programme. • The council developed a Change Programme Delivery Plan in autumn 2022. This set out 42 projects and programmes linked to the corporate plan. Actions were noted under each project with timescales and corporate resource requirements, though these were still to be confirmed in a number of cases. Twelve projects did not have dates against actions and the timing or nature of corporate resource support requirements were still to be established for 31 projects. • The Change Programme has evolved since 2022, with 21 projects/programmes now sitting beneath overarching themes. The council reports that it reviews the Change Programme annually as part of Directorate Plan development process. • As of February 2025, the council's Change Programme comprised five overarching programmes:

Findings	Evidence
	<ul style="list-style-type: none"> ○ Inclusive Growth Programme ○ People Programme ○ Climate Change Programme ○ Connecting Shetland ○ Performance Improvement Programme ● As of June 2025, internal council reporting showed one project (the Fair Isle Ferry Replacement) with an approved Business Case. One business case was in draft, and two were in development. Five projects had Project Initiation Documents (three of these had business plans in development and two are yet to commence). Five projects had Project Boards. ● The business cases, Project Initiation Documents, and project plans that we reviewed covered timescales, governance arrangements, resourcing, costs and anticipated outcomes and benefits as appropriate. For example, the Strategic Outline Case for a new high school building in Brae sets out the anticipated benefits and cost implications for different options considered. ● Given the lack of progress in developing detailed plans for a significant number of projects in its Change Programme, there is a risk that some projects will not have these in place within the timescales of the current Corporate Plan (2021-26), which the Change Programme was initially intended to support. The council needs to increase the pace of progress. If the council considers that it cannot progress all projects within its Change Programme in the short- to medium-term, it will need to prioritise specific projects and focus resources towards these.
<p>The council holds significant reserves, with a General Fund balance of £234.7 million at 31 March 2025 (based on unaudited figures). It has used these to support spending on services. The current level of reserves use (£43.9 million in 2025/26) is not sustainable.</p> <p>The council is taking steps to support its long-term financial sustainability. Given that the local energy industry has been a key source of council income,</p>	<ul style="list-style-type: none"> ● The council holds significant reserves, with a General Fund balance of £234.7 million at 31 March 2025 (based on unaudited figures). It has used these reserves to fund spending on services – the 2025/26 budget included £43.9 million of reserves to support revenue expenditure. £22.9 million of this relates to anticipated returns from long-term investments or trading income, both of which the council sees as “sustainable”. This leaves a further £21 million unsustainable draw on reserves. ● The 2023/24 Annual Audit Report included a recommendation that work was needed to reduce the council’s reliance on reserves, or other unsustainable resources, in order to achieve financial balance each year. The council intends to introduce an investments/reserves policy to support its movement to a sustainable financial position. It has been working with a partner to update its

Findings	Evidence
<p>the council has recognised that sustaining this income through the transition to green energy is important for its long-term financial outlook. It also anticipates longer-term financial benefits from projects in the Change Programme, but these projects are not yet at the stage where the benefits can be articulated.</p>	<p>2025/26 Treasury Management Strategy Statement and Annual Investment Strategy. It reports that it plans to supplement this with further work on existing reserves categories and a more holistic overview of spending and modelling of borrowing and use of reserves.</p> <ul style="list-style-type: none"> • The council should seek to take advantage of its strong financial position in the short-term by exploring opportunities to invest in transformational activity that will support the longer-term sustainability of its services, as opposed to relying on unsustainable annual drawdowns from its reserves to balance budgets. • The council included £8.3 million savings in its 2025/26 budget, but these do not stem from the Change Programme. Though the Change Programme is geared towards the delivery of wider council objectives and outcomes for communities rather than financial savings, project plans do show consideration of financial factors such as the costs of different options, funding arrangements, and affordability. The council also reports that some Change Programme projects may deliver longer-term financial benefits for Shetland, but these are not yet at the stage where they can be articulated. • In the long term, the council recognises that managing the energy transition will be important for its long-term financial sustainability, given that oil and gas activity in Shetland (and Sullom Voe oil terminal in particular) has historically been a key driver for council income. The council is working with partners in the public sector and the energy industry on the Opportunity for Renewable Integration with Offshore Networks (ORION) project, which aims to develop clean energy generation in Shetland. The council has several potential future income streams arising from this work (Case study 1, page 10). • The council is currently in a strong financial position and is taking steps to maintain this through the transition to renewable energy. However, at this stage it is unclear whether this, in combination with any future financial benefits that might be delivered by the Change Programme, will negate the current level of draw on reserves.

Case study 1

Opportunity for Renewable Integration with Offshore Networks (ORION)

The ORION project is a long-term project which focuses on Shetland's energy transition, driven by climate change and the deletion of Shetland's oil and gas activities, which have historically

provided commercial income to the council. Through decarbonisation, ORION has the potential to generate ongoing future income for the council and support the Shetland economy and community more widely.

The council has recently agreed a lease with the renewable energy producer Statkraft to build a green hydrogen hub and ammonia production in Scatsta. This will generate annual income for the council of £1.13 million. The development is also expected to generate further income from the shipment of products through Sullom Voe harbour.

As part of this project, the council has agreed a fixed community benefit payment to the council of £5,000 per megawatt installed, which is equivalent to £2 million per year. The council negotiated for this income to flow to the council to support strategic projects that will deliver benefits to Shetland communities.

Source: Audit Scotland

Recommendation 1

The council needs to increase the pace of progress on its Change Programme.

Recommendation 2

In terms of its Change Programme, the council should ensure that it is clear about what it is able to deliver within the resources it has available, and to what timescale. In doing so, it may need to prioritise certain projects and focus resources on taking these forward.

Recommendation 3

The council should identify opportunities to invest in transformational projects that support the long-term sustainability of council services.

Programme management

10. It is essential that the council has good programme management arrangements in place to ensure it is making sufficient progress against its transformation plans. It is important that the council has the structures and the staffing resource in place to deliver its transformation ambitions. In addition, the council must ensure that both senior officers and elected members have appropriate oversight of progress.

Findings and evidence relating to the council's programme management arrangements

Findings	Evidence
There is limited staffing capacity within the council, at both the officer and senior leadership level, to progress transformation. The council has actively targeted resources to support this work, but capacity remains a risk.	<ul style="list-style-type: none"> • The council has a programme management office (PMO) in place, comprised of a project manager and two project support officers. The team provides centralised project management support and reporting to some of the council's high priority projects, such as the Fair Isle Ferry replacement project. As a result of its size, the PMO has limited capacity to support projects and therefore must be selective over which projects to support. At July 2025: <ul style="list-style-type: none"> – one member of the PMO is working to support the Fair Isle ferry replacement project on a full-time basis; – one member of the PMO is working across several smaller projects and supporting reporting; – one member of the PMO is supporting archaeology work. • The council has identified four directors to be Senior Responsible Officers for each of the five overarching Change Programme projects. In its December 2024 performance report to the Policy and Resources Committee, the Corporate Services directorate reported that it is taking far longer than anticipated to identify existing or new Change Programme projects and thematic programme level objectives, due in part to director workload. • The council has actively recruited additional staff to support transformation. Elected Members approved a two-year rolling Graduate Development Programme in 2024. Graduates are recruited on a permanent basis to work on a range of key council projects, that will be identified by the Corporate Management Team (CMT) along with the

Findings	Evidence
	<p>Programme Management Office. The programme started in September 2024 and recruited eight graduates who are currently working on projects across the council.</p> <ul style="list-style-type: none"> • In the June 2025 Red, Amber, Green (RAG) status report to the CMT, four projects highlighted resourcing and capacity issues. In all four cases, recruitment was underway or planned, however one project had failed to recruit a vacant post earlier in the year. • The council reports that it has previously bought in external resources to support business case development where officers have lacked the capacity to develop these. Directors are also encouraged to buy-in resources for projects where the council cannot resource these internally.
<p>The council's CMT operates as the PMO Sponsoring Group. It receives progress reports on the Change Programme. These could be enhanced through the inclusion of progress updates in relation to time, cost and estimated benefits.</p>	<ul style="list-style-type: none"> • The CMT sits as the PMO Sponsoring Group and is chaired by the Chief Executive. The group meets quarterly and considers progress on the development and delivery of the Change Programme. • The council has developed a RAG status report to support quarterly progress reporting to the CMT on the Change Programme. We reviewed two of these reports and found that this gave a comprehensive update on progress, but lacked detail on progress in relation to time, cost and estimated benefits. Specific items which were classed as amber or red were highlighted for consideration by CMT. • During interviews, it was highlighted that where projects are reaching critical stages or are facing issues, they are added to the CMT meeting agenda as a standing item rather than waiting for the quarterly PMO Sponsoring Group meeting. • The Chief Executive also meets fortnightly with directors and receives updates on Change Programme projects alongside other updates. These discussions can include updates on progress with projects, issues and potential cost implications. The council reports that any changes to costs of projects are then reported to CMT for awareness and discussion.
<p>The council reports progress with its Change Programme projects to elected members in quarterly directorate reports. Reports include updates on progress in relation to time but do not include updates in relation</p>	<ul style="list-style-type: none"> • Transformation projects are included in Directorate Plans which are reported to relevant Committee meetings quarterly. For each project, reports include: <ul style="list-style-type: none"> – a description of the project – planned and actual start dates – the due date – a RAG status for progress and percentage completion

Findings	Evidence
to project costs and estimated benefits.	<ul style="list-style-type: none"> – a RAG status for expected success (i.e. whether the project is likely to meet target) – commentary on progress. • Reports to elected members do not include progress in relation to costs and estimated project benefits. • Business cases are also presented to the full Council for consideration. • Sounding Boards are used between Committee meetings to provide updates to elected members from project teams, if required.

Recommendation 4

The council should enhance its reporting on progress with the Change Programme to the Corporate Management Team to include information on progress in relation to timings, costs and estimated benefits within updates. It should also enhance its reporting to elected members to include progress in relation to costs and estimated benefits.

Partnership working and community engagement

11. The [Best Value in Scotland](#) report noted that councils must now rethink how they work together, and with local partners and communities, to provide financially sustainable services. Few councils provide services jointly or share support services across different councils to a great extent. The scale and nature of the challenge, as set out in the [Transformation in councils](#) report, means that it is only by working more collaboratively that councils and their local partners, communities and the third sector will be able to provide sustainable local services.

Findings and evidence relating to the council's partnership working and community engagement arrangements

Findings	Evidence
The council has shown willingness to work collaboratively with partners across Shetland and beyond. It now needs to increase the pace of this work.	<ul style="list-style-type: none"> • The council has set in motion several transformation initiatives in partnership with other organisations across the public and private sector: <ul style="list-style-type: none"> – The Community Planning Partnership (the Shetland Partnership) involves public sector partners, including NHS Shetland, Police Scotland, and Highlands and Islands Enterprise. A Shetland Partnership Plan for 2018-28 sets out shared priorities. This is supported by a Delivery Plan for 2023-28, which sets out four overarching projects: Empowered Shetland, Compassionate Shetland, Person-Centred Delivery, and Shetland's Climate Change Strategy. – The council signed a strategic partnership with the Net Zero Technology Centre in 2020 to develop the Shetland Energy Hub concept. Highlands and Islands Enterprise and the University of Strathclyde subsequently joined the partnership. These organisations form the core project team, supported by a steering group with representatives from the energy industry. Within the partnership, a Shetland Power System Working Group (which includes energy developers and government agencies) seeks to coordinate renewable energy proposals in and around Shetland.

Findings	Evidence
	<ul style="list-style-type: none"> – The council is involved in a rural energy hub project with Orkney Islands Council, the environmental consultancy Aquatera Ltd, the European Marine Energy Centre, Community Energy Scotland, and Highland Fuels Ltd. After initial projects in Orkney and Shetland, this second phase of work aims to pilot a rural energy hub in Shetland. A hub is expected to open in Brae during 2025. – The council is working with partners on the Knab Redevelopment project, which is part of the Islands Growth Deal. Shetland Arts will be responsible for developing a creative hub, while University of Highlands and Islands Shetland will be responsible for procurement on student accommodation at the site. – The council has worked in partnership with Orkney Islands Council, Comhairle nan Eilean Siar and Visit Scotland on investigating the feasibility of implementing a visitor levy. – The council reports that it has played a facilitation role in the development of the SaxaVord spaceport. For example, it reports that it was involved in negotiations with the UK government on the project and has been involved in emergency response planning. • The above examples indicate that the council is open to working with partners. However, many of the projects are still in early stages. As noted in recommendation 1, the council will need to consider how it can increase the pace of this work. • In addition to the above work with partners, the council has engaged with the Improvement Service's Transformation Programme. The council's Chief Executive is sponsoring one of the six short-term transformation projects within the programme (around identification of new digital shared services that could be delivered nationally or regionally) and the council reports that it has representatives on all workstreams.
<p>The council has used a variety of UK and Scottish government funding sources to support investment in Change Programme projects.</p>	<ul style="list-style-type: none"> • The council is in the process of replacing the Fair Isle ferry. The council will provide £18.6 million funding, supported by a UK government grant of £26.8 million. • The Knab redevelopment project will be jointly funded between the Scottish Government (£9.6 million) and the council (£61.9 million). The Scottish Government funding is part of the Islands Growth Deal. This element of the project funding is intended to be used as follows: <ul style="list-style-type: none"> – £5.0 million for housing

Findings	Evidence
	<ul style="list-style-type: none"> – £0.5 million on student accommodation – £3.0 million for a creative hub – £0.6 million for site infrastructure, – £0.5 million for public art installations and creative sector R&D. • The rural energy hubs project received grant funding from UKRI, a UK government agency. The council's cost share of £1.6 million is to be fully funded through this grant. • The council ran a campaign from December 2020 to January 2021 to receive full revenue funding from the Scottish Government for its inter-island ferries, recognising that ferry services were fully funded by the Scottish Government in other parts of Scotland (Case study 2, page 21). The council created a brochure, released a press statement, and made social media posts. The campaign was successful, with full funding having been in place since the 2021/22 budget. This amounted to £24.7 million in the 2025/26 budget.
<p>The council has undertaken considerable engagement with communities around its plans. This is generally reflected in project documentation, including identified impacts on vulnerable groups. The council now needs to ensure that it delivers on these plans on behalf of communities.</p>	<ul style="list-style-type: none"> • We have seen evidence of community engagement on a number of projects at the council: <ul style="list-style-type: none"> – Fair Isle ferry replacement – The council performed two consultations from December 2022 to January 2023 and again in February 2023. In each consultation, it held in-person events on Fair Isle to share project information and get feedback on plans. It also gathered further feedback through an online form. Furthermore, the council created a webpage for the project with information on project plans, anticipated benefits, consultation, FAQs, news, and contact details for the project team. – Inter-island transport connectivity programme – to inform the Strategic Business Case for this project, the consultants Stantec held a public survey over December 2024 to January 2025. The council reported that this received over 1000 responses. Four in-person drop-in sessions and two online sessions were held in March 2025 to discuss the survey results, each focusing on a different local community. – Rural energy hubs – the council held regular fortnightly workshops with the Brae Youth Club Committee on developing an infrastructure plan and business model for the Brae pilot energy hub. Two drop-in days were held at Brae Youth Centre in November 2024 to update the community on plans.

Findings	Evidence
	<ul style="list-style-type: none"> – Knab redevelopment – there is a dedicated project website with news, project plans and FAQs. The website includes a project team email address for the public to contact the project team at the council. Other engagement has included a ‘Design a House’ competition in 2025 for school pupils across Shetland to input on what housing should look like. Project team members gave presentations in schools in conjunction with the competition. – Brae High School new building – Six key areas of concern around the school building identified by the Brae Parent Council are reflected in the Strategic Outline Case. <ul style="list-style-type: none"> • The council has also carried out wider engagement. For example, it consulted on its 2025/26 budget through a public survey and by gathering views through community councils. In addition, the Shetland Partnership ran a ‘Our Place – Your Say’ survey in February to March 2025. This was led by the council’s planning service and aimed to gather ‘lived experience’ evidence to feed into the next Local Development Plan. There were 975 responses, which the council intends to use to inform the next Corporate Plan and ongoing service design. • The council undertook an in-person workshop, webinar and online survey over March-April 2025 to gather views from local tourism businesses around the potential implementation of a visitor levy. • We have seen evidence of the council’s engagement identifying impacts on vulnerable groups. For example, the council identified through a household survey that arrangements for those with a disability were a limiting factor in the use of the Fair Isle ferry. The Strategic Outline Case for a new building for Brae High School notes that in the existing building, a lack of flexible spaces impacting children with additional support needs and a lack of private spaces for partner services delivered to vulnerable people (e.g. social work services). The new building seeks to address these issues.

Impact of transformation

12. It is important that the council has success measures in place to demonstrate the impact of its transformational activity on service quality; outcomes for people who use services, inequalities and/or savings.

Findings and evidence relating to the impact of the council's transformation activity

Findings	Evidence
Two of the council's case studies include financial and non-financial benefits. One further case study is geared towards improving outcomes for Shetland's smallest island communities.	<ul style="list-style-type: none"> As part of the audit, we requested case study examples of successful transformation achieved by the council to date, or examples where plans indicate significant benefits will be achieved. <ul style="list-style-type: none"> One case study was the inter-island ferries revenue funding project (Case study 2, page 21). This aimed to secure full and fair revenue funding from the Scottish Government for the council's inter-island ferry service. This project has successfully delivered significant financial benefits to the council, with it having secured full funding to support the delivery of its ferry service. This has been reflected in budgets since 2021/22 and amounted to £24.7 million in 2025/26. The project has also delivered economic and social benefits to island communities. ORION is a long-term project which focuses on Shetland's energy transition. The council outlined success measures relating to environmental protection, local supply chain integration, benefits to sectors and benefits to the Shetland community. The council reports that its Energy Strategy is currently in development, but monitoring will take place through the work of the Empowering Shetland forum and in quarterly performance updates to the Development Committee. Some financial and community benefits that are being delivered through the ORION project are outlined in Case study 1 (page 10). The council has worked with partners within the Shetland Partnership and local communities to develop the Islands with Small Populations Locality Plan. This seeks to improve outcomes for the island communities

Findings	Evidence
	<p>of Fair Isle, Fetlar, Foula, Papa Stour and Skerries, all of which are remote from Lerwick and have populations of less than 100 people. One of the outcomes of the plan includes communities and agencies working together when redesigning services, where possible improving public sector outcomes and reducing public sector spend. The Shetland Partnership has developed a performance framework to measure impact with a range of performance measures, for example relating to the population or economic base of the islands. The council also reports that the development of the plan has provided the ability for public bodies to have discussions with the communities around changing service levels.</p>
<p>There is currently a lack of success measures in place for Change Programme projects due to the stage that many of the projects are at.</p>	<ul style="list-style-type: none"> • The council developed a Change Programme Policy Framework in 2021. It highlighted that all major projects included in the Change Programme will have an agreed set of indicators to support the tracking and management of defined project outcomes. However, we have seen limited evidence of these in practice. The council has advised that success measures are included in project business cases, which as reported above are still in development for most projects. • The CMT sits as a Learning Board, which is a forum intended for sharing learning across the organisation. Items discussed at the Learning Board are not specific to the Change Programme, but we found evidence of some reporting in relation to Change Programme projects (specifically the Fair Isle ferry and Cullivoe Road). • Progress against Change Programme projects covered in directorate plans is captured in quarterly progress reports to relevant committees. However, reports do not include success measures. • The council prepares an annual progress report against its strategic plan, Our Ambition. The most recent report is for 2023 and makes reference to progress with some Change Programme projects, including the Brae campus, Cullivoe Road, the Islands Growth Deal and the inter-island ferries service. There are performance indicators for each of the strategic priorities within Our Ambition. • A benefits realisation process is in place for the Islands Growth Deal which sets out key performance indicators for the project and details how progress will be measured. The council reports that it would like to replicate this approach in other projects across the Change Programme.

Findings	Evidence
<p>Equality impact assessments are carried out at relevant stages of project development. As many projects are still in the early stages of development, there have been limited assessments available to review.</p>	<ul style="list-style-type: none"> • The council has an equality impact assessments (EQIAs) webpage and publishes completed EQIAs. To date, only one of the EQIAs related to a Change Programme project, the Fair Isle ferry replacement. The EQIA was prepared by an external partner and included a comprehensive assessment of impacts. • The council has advised that EQIAs are completed for projects at relevant stages in the project development. These assessments also include island communities impact assessments and children's rights assessments. Again, as many projects are still in early stages of development, there have been limited assessments available to review.

Case study 2

Inter-island ferries revenue funding project

In late autumn 2020, the council led a focused, short-term campaign in the lead up to the setting of the 2021-22 Scottish Government budget to secure full and fair revenue funding for its inter-island ferry service. The council received partial funding for the ferry service on a recurring basis, however the Scottish Government fully funded ferry services in other areas of Scotland.

The campaign used islanders' everyday lived experience of the inter-island ferry services. Ten individual profile pieces showcasing ferry users' experiences were shared on social media channels, alongside a brochure to be shared with the Scottish Government and press releases. The campaign resulted in 16 posts on Facebook and 17 tweets around the campaign which achieved on average over 3,000 impressions.

In January 2021, the Scottish Government announced an additional £5.5 million in revenue funding, making the total funding package of £19.2 million allocation, an increase of £7.7 million on the previous year's allocation. This funding has been maintained over five successive budget cycles. The campaign also led to £27 million from the Levelling Up Programme and £10 million in transport connectivity capital funding for ferry infrastructure improvements.

The project has allowed the council to provide assurance to communities of its ability to continue to deliver the ferry services. The council reports that had it not been able to secure the funding for its inter-island ferries, it may have had to look at options to reduce its ferry services due to financial pressures. This would have had social and economic implications for the islands and their communities.

Source: Audit Scotland

Recommendation 5

The council should ensure that success measures are in place and monitored and reported for its Change Programme projects.

Appendix

Improvement action plan

Issue/risk	Recommendation	Agreed management action/timing
<p>1. Pace of Change Programme</p> <p>The council has a Change Programme linked to its 'Our Ambition' corporate plan for 2021-26. As of February 2025, the Change Programme comprised 21 projects within five overarching programmes. Progress with developing detailed project plans has been slow, with some projects still lacking these.</p> <p>Risk – Failure to deliver transformational changes will lead to further unsustainable service expenditure, eroding the council's reserves, or the services provided may not fit the future needs of Shetland's citizens.</p>	<p>The council needs to increase the pace of progress on its Change Programme.</p>	<p>RAG report will be amended to track project plan development, and key project dates.</p> <p>CMT will be able to make decisions on whether the pace of project progress is appropriate, and allocate additional resources including project management resources if required.</p> <p>The graduate programme is designed to increase the capacity and capability for project management across the Council however as this is still in its first year of operation it has not had the time to be embedded and drive the pace of projects this year.</p> <p>Chief Executive April 2026</p>

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<p>2. Deliverability of the Change Programme</p> <p>Given the lack of progress in developing detailed plans for a significant number of projects in its Change Programme, there is a risk that many projects will not be commenced within the timescales of the current Corporate Plan (2021–26), which the Change Programme was initially intended to support. The council needs to increase the pace of progress. If the council considers that it cannot progress all projects within its Change Programme in the short- to medium-term, it will need to prioritise specific projects and focus resources towards these.</p> <p>Risk – Ineffective delivery of Change Programme projects impacts the long-term sustainability and resilience of council services.</p>	<p>In terms of its Change Programme, the council should ensure that it is clear about what it is able to deliver within the resources it has available, and to what timescale. In doing so, it may need to prioritise certain projects and focus resources on taking these forward.</p>	<p>RAG report will be separated into Short-Term (current Corporate Plan), Medium-Term (current and next Corporate Plan), and Long-Term (multiple Corporate Plans)</p> <p>Information will be sought from Project Managers for those projects that are projected to be completed beyond the scope of the current Corporate Plan, to allow reporting on the planned outcomes that are expected be in place by 2026 which can then be reported to Elected Members as required.</p> <p>Chief Executive December 2025</p>

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<p>3. Use of financial flexibility</p> <p>The council is taking steps to support its long-term financial sustainability. Given that the local energy industry has been a key source of council income, the council has recognised that sustaining this income through the transition to green energy is important for its long-term financial outlook. It also anticipates longer-term financial benefits from projects in the Change Programme, but these have not been articulated to date. The council should seek to take advantage of its strong financial position in the short-term to invest in transformational activity that will support long-term sustainability.</p> <p>Risk – Ongoing reliance on reserves to balance the budget may limit opportunities to invest in long-term service sustainability and weaken financial resilience.</p>	<p>The council should identify opportunities to invest in transformational projects that support the long-term sustainability of council services.</p>	<p>The council accepts the principle that investment in transformational projects is essential to long-term service sustainability. While the council's reserves are actively invested and not wholly available for immediate use, it will continue to explore opportunities to support transformation within the constraints of its investment strategy.</p> <p>The council will develop and implement a clear investment strategy to prioritise and fund transformational projects that will improve service sustainability, reduce long-term costs, and align with strategic priorities. This will include criteria for project selection, timelines, and measurable outcomes.</p> <p>Chief Executive March 2026</p>

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<p>4. Progress reporting to the CMT and elected members</p> <p>The council should enhance its reporting on progress with the Change Programme to the CMT to include information on progress in relation to timings, costs and estimated benefits within updates. It should also enhance its reporting to elected members to include progress in relation to costs and estimated benefits.</p> <p>Risk – The CMT and elected members do not have sufficient oversight of progress with Change Programme projects.</p>	<p>The council should enhance its reporting to the Corporate Management Team and elected members to include information on progress in relation to timings, costs and estimated benefits within updates.</p>	<p>The PMO RAG report presented to CMT will be amended to track documentation progress, benefit realisation, and providing key dates from individual Project Plans. As there is likely to be significant crossover, a version of this with additional narrative will be included alongside the AIP regularly reported to elected members.</p> <p>Chief Executive December 2025</p>
<p>5. Change Programme success measures</p> <p>There is a lack of success measures in place for Change Programme projects due to the stage that many of the projects are at.</p> <p>Risk – The council is unable to quantify the impact of Change Programme projects.</p>	<p>The council should ensure that success measures are in place and monitored and reported for its Change Programme projects.</p>	<p>As above, the RAG report to CMT will capture benefits and the timescales associated with those.</p> <p>Project Managers will also complete benefit realisation reports to be reported to CMT as Learning Board when it is timely to do so.</p> <p>Chief Executive December 2025</p>

Shetland Islands Council

Transformation: how councils are redesigning and delivering more efficient services to achieve planned outcomes



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