



REPORT

To: Executive Committee

31 January 2008

From: Principal Officer - Marketing

DV006-F **Flavour of Shetland – Arrangements for 2008**

1.0 Introduction

- 1.1 This report follows on from report DV040 which presented development options for Flavour of Shetland (FOS) to the Executive Committee on 23 October 2007.
- 1.2 This report addresses issues relating to the proposed 2008 FOS following decisions made at that meeting and as requested by the Executive Committee.
- 1.3 At the meeting on 23 October 2007, the Executive Committee agreed that:
 - 1.3.1 FOS should remain on Victoria Pier - subject to approval by Lerwick Port Authority (LPA),
 - 1.3.2 LPA should again be contacted regarding provision of additional space to extend the event;
 - 1.3.3 The event budget should be reduced to £70,000;
 - 1.3.4 A gate charge should be introduced to the event.

2.0 Background

- 2.1 FOS was first held in July 2005 as a complimentary event to the NatWest Island Games held in Shetland that year. The aim of the event was to extend the attraction and spectacle of the games to a wide audience.

- 2.2 This was achieved through a celebration and showcase of the best of Shetland in one location for the benefit of both visitors and local people, principally through music, crafts, food, drink and products and cultural activities with a Shetland origin or theme. FOS is now well-established as a key summer event in Shetland and a key element of the Johnsmas Foy.
- 2.3 Analysis of research has shown the event to be highly successful and steps have been taken to systematically develop it on an annual basis, in the same style and format, with full Council approval. The target dates for Flavour of Shetland 2008 are 19 - 22 June 2008.

3.0 Link to Council Priorities

- 3.1 FOS links to part 4.1 of the Council's Corporate Improvement Plan which commits the Council to "invest in the Marketing Service and the development of the Shetland Brand, linking that to products with the aim of adding value to the economy".
- 3.2 This report has links with "Celebrating Shetland's Cultural Identity" which is a priority in the Council's corporate plan.
- 3.3 FOS specifically links into the following Council priorities as set out in the Corporate Plan:
- Marketing Shetland
 - Skills development
 - Economic diversification
 - Our cultural identity

4.0 Use of Victoria Pier

- 4.1 LPA was contacted on 30 October 2007 regarding use of Victoria Pier and asked to give consideration to providing an extended area at Victoria Pier along with the use of Alexandra Wharf. Permission was granted for use of the Victoria Pier by the Board on the basis that it cannot be larger than the area used in 2007. Use of Albert Wharf was declined as it is to be used to accommodate passengers at that time from a large cruise ship call. The response from LPA dated 14 November 2007 regarding this is attached for information at Appendix 1. There are a number of issues attached to use of Victoria Pier for the event which will require to be addressed.

5.0 Event Budget

- 5.1 The Executive Committee agreed that the budget should be reduced to £70,000 and that a gate charge is introduced to the event. Proposed changes to arrangements made in 2007 are presented below.

- 5.2 It should be noted that in 2007 costs relating to equipment, safety and security along with operational costs amounted to £72,493 alone which represented 68% of the 2008 event cost.
- 5.3 The Financial Review Panel have recommended that a £1m reduction be made on the economic development discretionary programmes budget for 2008/2009. Should this project be approved it will be funded as a component of that reduced budget.
- 5.4 Equipment
- 5.4.1 The principal element relates to hire, erection, storage and provision of the specialist marquees. In 2007 this amounted to £39,129. Whilst these costs are largely fixed, attempts will be made to make savings in this area. This may impact on the number of marquees which can be hired and thus some elements of the event will be downscaled and some removed. The total revised 2008 budget will be £32,415.
- 5.5 Entertainment and Activities
- 5.5.1 The total budget for 2007 was £24,585. It has been necessary to cancel use of the demonstration kitchen and visiting Master Chefs and Viking parade. The 2007 parade attracted large numbers of people to the town on Saturday and led to significant over-crowding on the pier. In order to make savings music programming will be managed in-house. Total revised 2008 budget will be £13,226.
- 5.6 Safety and Security
- 5.6.1 This will be a significant issue given expectation generated over three successful years of the event along with the introduction of a gate charge. The budget for last year was £12,774. Strict efforts will continue to be made to control numbers on site in line with public safety. There is a specific need for additional security relating to introduction of a gate charge. The purchase of equipment in 2007 will not again be necessary in 2008, however the monies saved in this area will be required to finance additional security resulting in a total revised budget of £11,650.
- 5.7 Waste Management
- 5.7.1 There are no savings which can be made in this area. The total budget will be £400.

5.8 Publicity and Promotion

5.8.1 The 2007 budget was £11,515 however savings will be made in this area. This will include managing press and advertising in-house and reducing the number of adverts placed. The budget includes design and production of on-site signage and the budget will be reduced to £5,825.

5.9 Operational Costs

5.9.1 The 2007 budget was £20,590. These costs related to services directly associated with the successful operation of the event. Attempts will be made to reduce this budget to £19,649 in the light of an increase in additional staff required in connection with the gate charge.

5.10 Fees

5.10.1 An increase of £1,000 is estimated in respect of obtaining a Performing Rights Licence and Phonographic Performance Limited licence for live music performance. However no other increases are expected. Total budget will be £2,540.

5.11 Income

5.11.1 Total income is estimated at £16,350. It is proposed to introduce a £3,000 charge for bar provision and an estimated £9,000 from gate receipts may be raised. The gate receipt is estimated on the basis of 4,500 unique visitors over 4 days at £2 charge per day.

5.12 Outline budget details are attached at Appendix 2.

6.0 Financial Implications

6.1 The approved budget for FOS for the last three years has been £100,000. It has been consistently possible to remain within a 10% variance of this.

6.2 The changes outlined above will result in a total project budget of £70,000 and, based on the revised budget, it is expected that it will be possible to remain within a similar variance. Significant efforts would be made to be prudent on any additional spending.

6.3 These figures do not take into account the increase in staff time which will be required to manage aspects of FOS for which savings are indicated, for example in managing the music programming and organising public relations in-house.

6.4 The proposed source of this funding is the Flavour of Shetland budget for which the code is RRD 5039.

7.0 Observations

- 7.1 Introduction of a gate charge to the event coupled with limiting crowd numbers and a reduction in the event budget will make Flavour of Shetland 2008 a markedly different event from that seen previous years. It is possible that it will affect the integrity of the event as a 'Shetland showcase'.
- 7.2 LPA have attached a number of factors to the offer of Victoria Pier which need to be taken into account. These may prove difficult to address. For example it is possible that drilling on the pier, required to secure the marquee infrastructure, cannot be avoided. A road closure arrangement at the esplanade for cruise ship traffic may not be possible however the possibility of operating a one-way system in the area is currently under investigation. Advice will be taken from Transport and Roads Sections on this matter.
- 7.3 For the last two years the Bergen-Lerwick Race Committee has been granted permission by the Council for exclusive use of the entertainment tent for a private prize-giving ceremony. Usage is for a period of 2½ hours, which includes time for removing and replacing tables and chairs. This attracted a number of complaints from those attending the event last year. It is felt that this arrangement, in conjunction with the introduction of an event gate charge and more strict control to maintain the agreed crowd safety limit, will prove problematic if permission is once again granted.
- 7.4 In 2007, the Lerwick Mid-Summer Carnival incorporated a Viking Parade featuring some of Shetland's Jarl Squads. It is most likely that a similar element will be incorporated into the 2008 Carnival and will thus compensate in some way for the cancellation for the parade associated with Flavour of Shetland earlier in the day.
- 7.5 It is possible that the introduction of a gate charge may dissuade casual visitors who may have previously visited the event for a short period, such as, for example, during their lunch hour.
- 7.6 The isolated cost of implementing a gate charge will be £3,238. This comprises £1,258 for stewarding, £1,680 for gate staffing and £300 for event wristbands.
- 7.7 The introduction of a charge for running the bar service may limit the number and range of candidates interested in taking on the opportunity.
- 7.8 It has proved exceptionally difficult, despite exhaustive efforts, to sketch an initial site layout for 2008 and very difficult to implement improvements gathered from the 2007 research given the limited site area. In this respect there is continued concern regarding stagnation of the event at its current site.

8.0 Conclusions

- 8.1 The aim of Flavour of Shetland is to realise a focussed summer festival which showcases Shetland and its culture, music and produce.
- 8.2 The event does generate some immediate benefits but principally the aim is to focus on long-term economic benefits through celebrating and raising the profile of Shetland with a view to developing community confidence.
- 8.3 The changes to the event as outlined in this report and in line with the recommended budget savings will result in a much different event from that experienced in 2007. However this should be achievable given past success in budgetary control for the event.

9.0 Recommendations

- 9.1 It is recommended that the Executive Committee review and approve the changes made to the format of Flavour of Shetland as described in this report.

Date: 21 January 2008
Our Ref: NHH/KS/RF1173

Report No: DV006-F

**Flavour of Shetland
Expenditure - 2007**

	2007 Actuals	2008 Estimated	
Equipment			
Field and Lawn			
Marquee and furniture hire	27,030	24,000	Attempt to cut the amount spent on marquees
Transportation	3,570	3,570	
Travel / Expenses	3,224	2,800	Book cheaper accommodation (B&B instead of Hotel)
Container	45	45	
Bar	0	-	
Stall Dividers	5,260	2,000	
	39,129	32,415	
Entertainment and Activities			
Children's Activities			
Childrens' Entertainer	3,009	3,281	
Other fees, materials	930	930	
Music			
Music Programming	2,790	-	Cut amount spent on music by doing the programming in-house
Technical Requirements	2,468	2,468	
Musicians	5,970	5,970	
PA	400	400	
Stage	128	128	
Masterchef Demonstrations			
Equipment	135	-	Drop this activity due to cost
Transport	269	-	
Set-up, Video and Sound, Porter	2,164	-	
Masterchef Fee, Travel and Expenses	3,463	-	
Produce	771	-	
Storytelling			
Display boards	174	50	
Jarls Squad parade			
Transport	1,144	-	Drop this activity due to cost
Donations towards pipe/brass bands	400	-	
Hospitality	370	-	
	24,585	13,226	
Safety and Security			
Health and Safety Management	4,000	4,000	Service to be bought in due to expertise not held within department
Barriers / Fencing	2,519	-	Capital costrealised in 2007 only
Fire Extinguishers	270	300	
Security	5,092	6,350	Security will be increased due to charging
First Aid	893	1,000	
	12,774	11,650	
Waste Management			
Skips / Bins / Refuse Clearance	312	400	
	312	400	
Publicity and Promotion			
Website	1,265	500	
Public Relations	1,173	-	Arrangements for this will be handled in-house.
Advertising (design)	1,845	500	
Advertising (placement)		-	
Shetland Visitor	345	345	
Shetland News Agency	225	225	
Shetland Times	1,600	800	
SIBC	105	-	
VisitShetland website	180	-	
i-i Magazine	140	-	
Signage (design)	1,310	800	
Signage (production)	2,564	2,500	
Visitor Questionnaire	610	500	
Journalist visit	153	-	
	11,515	6,170	
Operational Costs			
Food Quality Control	1,500	1,500	
DLO	1,114	1,114	
Plumbing and Carpentry	3,460	3,460	
Power Distribution	5,199	5,200	
Lighting	1,520	1,520	
Outdoor PA and Programme Projection	2,730	-	
Site office / caravan	100	100	
Forlift Hire	375	375	
Hardware	197	200	
Small Expenses	81	400	Increase for wristbands due to charging
Cleaning materials	358	400	
Hospitality	0	-	
Event Staff	3,957	5,680	Additional event staff are required to manage entry
Clothing	0	-	
	20,590	19,949	
Fees			
Insurance	1,500	1,500	
Licences	40	1,040	
	1,540	2,540	
Income			
Stand Space and Furniture Hire	(4,457)	(4,350)	Estimate
Charge for Bar	0	(3,000)	Estimate
Entry Charge	0	(9,000)	Based on 4500 unique visitors @ £2/day
	(4,457)	(16,350)	
TOTAL	105,990	70,000	



LERWICK PORT AUTHORITY

Albert Building, Lerwick, Shetland ZE1 0LL

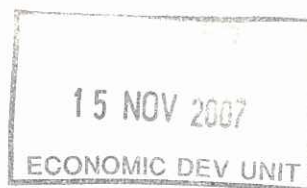
Tel 01595 692991 Fax 01595 693452
e-mail: info@lerwick-harbour.co.uk

14 November 2007

Our Ref: SML/WB

Your Ref: NH/FOS2008

Neil Henderson
Principal Officer – Marketing
Shetland Islands Council
Economic Development Unit
6 North Ness Business Park
Lerwick
ZE1 0LZ



Dear Neil

FLAVOUR OF SHETLAND

Thank you for your letter of 30 October 2007.

I note that the Council wishes for Flavour of Shetland to remain on Victoria Pier and I am sure that the Board Members of Lerwick Port Authority will agree to the pier being made available for that purpose again in 2008.

However, there a number of factors that we will require to be taken into account.

1. The area available for Flavour of Shetland cannot be any larger than the area used in 2007. The reason for this is that the Authority must maintain vehicle access around the site to service vessels berthed at the pier. We will require a scale plan of the event site, detailing key dimensions, to prevent recurrence of the problems encountered when the event was set up last year.
2. An additional event area at Albert Wharf is not possible as the area is required to accommodate a large cruise ship call where the passengers will use Albert Wharf pontoon. The adjacent wharf is required for safe assembly of passengers.
3. As coaches for cruise ship passengers will not be able to use Victoria Pier as usual, we request the Flavour of Shetland organisers to consider a road closure

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for part of the Esplanade roadway to allow this area to be made available for cruise ship coaches instead.

4. The Authority normally only permits activities to take place on Victoria Pier where there is a strong maritime link to the event, for example if the event is directly linked to the vessels accommodated at the pier such as the participating yachts in the Bergen – Shetland Race.
5. LPA has concerns at recent settlement occurring at Victoria Pier and in particular the weakening caused to the pier deck by repeated drilling of the Flavour of Shetland infrastructure into the deck. Alternative fixing methods that do not require the deck to be drilled would be preferable.
6. We note your comment on a gate charge and your associated requirement for on-site toilets. On previous occasions, a pass system has worked to allow paying attendees to visit the Esplanade toilets.

Your request to use Victoria Pier for the Flavour of Shetland event will be considered by the Board of Lerwick Port Authority on 20 November 2007 and I will contact you again after that date.

Yours sincerely

Sandra Laurenson
Chief Executive



REPORT

To: Executive Committee

31 January 2008

From: Area Economic Development/ Tourism Officer

DV005- F
Shetland Amenity Trust
Shetland Geopark

1.0 Introduction

- 1.1 This report concerns an application for grant assistance from Shetland Amenity Trust to progress Shetland's application to become a European Geopark. If this is successful then Shetland will also become part of the UNESCO-endorsed Global Geoparks Network
- 1.2 The Trust are requesting a grant of £115,656 over a three year period, towards the costs associated with the targeted development and promotion of Shetland's geological heritage. All the proposed actions are designed to enhance Shetland's sustainable tourism product and at the same time significantly strengthen Shetland's application to become a member of the European Geopark Network.
- 1.3 The timing for this approval is critical because Shetland has already started the process of applying to become a member of the European Geopark Network and has been advised on the actions required to resubmit its application by the July 2008 deadline, for consideration at the September 2008 meeting.

2.0 Links to Corporate Priorities

- 2.1 "Strengthening Rural Communities ", "Looking after where we live" and "Celebrating Shetland's Cultural Identity" are priorities in the Council's Corporate Plan. This report links to these priorities.

3.0 Background

3.1 In recognition of the islands rich and in some cases unique geological heritage a Shetland Geology Working Group (SGWG) led by Shetland Amenity Trust was established in 2004. Its remit is to: "Safeguard and increase awareness and understanding of Shetland's rich geological heritage". Members of the group include Shetland agencies, industry representatives and voluntary groups, actively involved in sustainable tourism development, conservation, education and the promotion of natural and cultural heritage.

3.2 SGWG has established that there is a political will and community support to use Shetland's geology as a driver for sustainable development and that Shetland would benefit from becoming a member of the European Geopark Network.

" A European Geopark is a clearly defined area with a geological heritage of particular importance in terms of its scientific quality, rarity, aesthetic appeal and educational value"

3.3 The aim of the European Geopark Network, which currently has 32 members, in 14 countries, is to promote geology to the public and to use geology and other aspects of natural and cultural heritage to promote sustainable economic development.

3.4 The typical activities of a Geopark are based around the safeguarding and promotion of geological heritage, education and geotourism, linked to broader aspects of the natural and cultural environment. Apart from experiencing visually dramatic geological features the most interesting aspect of geology to most people is how it impacts on the cultural or natural heritage of an area. Shetland's archaeological heritage, its seabird colonies and its unique habitats for example, are in part an outcome of Shetland's underlying geology.

3.5 In July 2005 members of the Advisory Committee from the European Geopark Network were invited to visit Shetland and assess its suitability for membership. They were taken to Unst and Fetlar to see slices of ancient ocean crust (ophiolite) rarely seen at the earth's surface, to Keen of Hamar where the serpentine scree supports an endemic chickweed, to Eshaness where they walked through the flank of a volcano, to Viking steatite (soapstone) quarries at Catpund, a living history event at Old Scatness Broch and the early 19th century horse powered chromite crushing circle at Hagdale.

3.6 As a result of their visit they expressed the view that Shetland had great potential to present a strong case to become a European Geopark. The key factors required to demonstrate that Shetland would be a successful and active member of the Network would be to:

- Define Shetland's unique geology package and its international importance

- Demonstrate a strong management structure with involvement from all sectors of the community
 - Provide evidence of existing activities, interpretation education and research related to Shetland's geological heritage.
 - Present a development and marketing plan that will contribute to overcoming social and economic disadvantage through the protection of the geological heritage and promotion of geotourism..
 - Explain local policies on sustainable development.
- 3.7 In Nov 2005 the Executive Committee endorsed Shetland's aspiration to become a member of the European Geopark Network [Min ref 42/05] and approved £3000 towards the cost of commissioning an experienced local geologist to contribute to the preparation and presentation of the submission required to apply for membership.
- 3.8 In August 2006 SIC Economic Development contributed £19,739 (25%), towards the cost of appointing a part time Geology Project Officer for one year, developing a volcano trail in Northmavine, geological exhibits on Fetlar and at Mavis Grind, designing and publishing a geology leaflet and presenting Shetland's geological credentials to the International Geopark Conference 2006 in Belfast, Northern Ireland.
- 3.9 In December 2006 Shetland Amenity Trust was encouraged to submit an application for Shetland's membership on the understanding that it was unlikely to succeed first time but that the co-ordination committee would give constructive feedback on how Shetland could meet the exacting standards set for new members. Feedback from this initial application was received in May 2007 and is attached as appendix 1
- 3.10 The 3-year action plan described in this report closely matches the recommendations in the feedback and, if approved, would enable Shetland to demonstrate that it is operating as a "defacto Geopark" and resubmit its application to the European Geopark Network by the July 2008 deadline for consideration at the September 2008 meeting.

4 Proposal

- 4.1 It is proposed to carry out a three-year programme of targeted activity to develop and promote Shetland's geological heritage, with an aim to enhance Shetlands sustainable tourism product and significantly strengthen Shetland's application to become a member of the European Geopark Network.
- 4.2 Outcomes from the project would include 4 more geological trails, 3 further geological exhibits, a geology field guide, a Shetland Geopark website, Geosite interpretation, a geology based educational programme and Geopark student exchange, a Shetland geology database, a mineral slide and photo database and a Shetland geology reference library.

- 4.3 The Council would be contributing specifically to the co-ordination of all these activities and the marketing of Shetland as a global class geotourism destination. Shetland Amenity Trust would use Council funding to attract match funding from a number of external funders for the project costs identified in the plan.
- 4.4 After this intensive development phase there would be less of a requirement to maintain a project officer with a specific remit for geotourism. The most effective model for a sustainable Geopark in Shetland in the longer term will be one that has a distinct identity yet contributes to the wider aims of Shetland Amenity Trust
- 4.5 The new Museum and Archive has become the hub for all heritage activities in Shetland, and is committed to actively encouraging people to visit local heritage centres and sites, including geosites, throughout Shetland. Shetland Geopark would be managed within this framework and individual projects considered as part of Shetland Amenity Trust's wider natural and cultural heritage remit.
- 4.6 All the actions, policies and procedures developed as part of the submission for membership of the EGN build on existing local activities and partnerships, unitising existing and proven local mechanisms rather than inventing new ways of doing things that will require additional resources.

5.0 Financial Implications

- 5.1 It is estimated that the cost of completing the Geopark Action Plan over a three-year period is:

Activity	2008/09	2009/10	2010/11
Project Officer			
Salary internal travel, office, admin, training, Geopark application, and community liaison	£34,611	£33,199	£33,846
Conference Participation			
Attendance, presentations and displays (condition of Geopark membership)	£3,000	£3,000	£3,000
Geological Trails			
Ophiolite:(beneath the ocean)	£20,000		
Human use of natural resources		£20,000	
Post glacial geology and sea level rise			£20,000
Delting Virtual trail			£10,000
Geology Exhibits			
Geology Walls (Belmont and Ulsta)	£10,000		£10,000
Quartzite Xylophone (Gutcher)		£10,000	

Other Interpretation Projects

Geology Field Guide	£5,000	
Volcano trail interpretation at Eshaness Lighthouse		£25,000

Marketing

Website, promotion of access to and around geosites, community newsletter,	£5,000	£5,000	£5,000
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Education

Develop educational programmes	£1,000	-	
Student Geopark exchange			£1,000

General

Reference Library	£500	£500	£500
Shetland Geology Database	£500	£500	
Mineral slide/ photo database			
	£74,611	£77,199	£108,346

TOTAL**£260,156**

The proposed funding for the project over a three-year period is:

Proposed Funding

Own Funds (SAT)	5%	£ 13,000
Scottish Natural Heritage	11%	£ 30,000
SIC Infrastructure (re access)	2%	£ 5,000
Forward Scotland (CERS)	4%	£ 10,000
NORCE	10%	£ 25,000
(Northern Peripheries Programme)		
BP	4%	£ 10,000
Your Heritage	19%	£ 50,000
Community Councils	1%	£ 1,500
SIC Economic Development Unit	44%	£115,656
TOTAL	100%	£260,156

The contribution of £115,656 from the Economic Development Unit would be met in three annual tranches of £39,277, £37,866 and £38,513 respectively from the Economic Infrastructure Projects Budget (RRD1530 2402), subject to budget approval.

- 5.2 Following the completion of this three-year programme of intensive activity, the ongoing development of Shetland's geological heritage will be progressed as an integrated part of Shetland Amenity Trust's wider natural and cultural heritage remit. Any specific future projects that require Council funding will be considered with reference to Shetland's Heritage Tourism Investment Programme.
- 5.3 The Financial Review Panel have recommended that a £1m reduction be made on the economic development discretionary programmes budget for 2008/2009. Should this project be approved it will be funded as a component of that reduced budget.

6.0 Policy and Delegated Authority

- 6.1 This project complies very closely with the Principles contained in the Council's Heritage Tourism Investment Programme 2007 – 2012, approved by the Executive Committee on 04.09.07 (Min. Ref. 29/07) and ratified by the Council on 12.09.07 (Min. Ref. 108/07). In particular:-

Value for Money – The project will make a significant contribution to heritage tourism through: attracting more visitors to come to Shetland; widening the range of attractions on offer and contributing to the preservation and interpretation of a valuable aspect of Shetland heritage;

Long Term Viability – Ongoing maintenance of the geosites sites once they have been developed and the management and marketing of Shetland Geopark will be carried out as a distinct but component part of Shetland Amenity Trusts core activities.

Minimum Environmental Impact and best practice in Conservation and Heritage Management –The project describes Shetland policies on access, maintenance, monitoring and the protection of heritage sites in Shetland and how they will be practically achieved in the case of new geosites.

Community Support –Majority support was expressed at six public meetings held in strategic locations throughout Shetland between November 2005 and March 2006.

High Quality and Good Service - SAT have a proven track record in designing, managing and executing heritage projects of this type to the highest possible standard.

Links to Wider Strategic Objectives – This project helps to fulfil aspects of the Council's Corporate Plan, Structure Plan, Cultural Strategy. Environmental\ Strategy and Tourism Plan

- 6.2 The Shetland Tourism Plan adopted by the Council on 13 September 2006 [Min Ref 133/06] has an ambition that "Shetland will become a year round destination offering a high quality product and experience". and specific objectives to:

"Investigate the development of heritage sites as niche tourism products"

"Support Shetland endeavours to become a European Geopark"

"Better market Shetland's unique selling points including historic and natural heritage"

- 6.3 With regard to the Economic Policy Statement approved by the Executive Committee on 9 December 2003 (Min. Ref. 34/03) and by the Council on 17 December 2003 (161/03), the project helps to fulfil the Marketing, Economic Diversification, Tourism and Strengthening Rural Communities priorities.
- 6.4 The Executive Committee has delegated authority to make decisions on all matters within its remit, as described in section 10.0 of the Council's Scheme of Delegations, approved by the Council on 28 March 2007.

7.0 Observations

- 7.1 Shetland has great potential to use its geological heritage to attract more visitors but to do so must first develop and interpret its internationally significant geosites and use them to present a distinct Shetland geotourism package and high quality visitor experience.
- 7.2 Developing and promoting Shetland geological heritage to visitors will make a valuable contribution to Shetland's heritage tourism product. It will also strengthen Shetland's case to become a member of the European Geopark Network.
- 7.3 European Geopark Status is not a legal designation so it comes with no specific legal requirements. It is a mark of quality recognised by UNESCO, international visitors, academics, and external funding agencies. Member's work together to improve their profile as special tourism destinations and use the Geopark logo and promotional material to create an image of quality linked to geological heritage and sustainable development, and, to lever in European funding. European Geopark status is reviewed every 3 years.
- 7.4 In order to maintain high standards and a degree of exclusivity it is generally accepted that membership will become increasingly difficult to achieve. It seems likely that there will be a restriction on the number of Geoparks allowed in each country. Shetland has submitted an initial application and all the signs are that we are close to successfully gaining Geopark status. However a considerable amount of work is still required to revise Shetland's application so that it can be resubmitted by the July deadline for consideration at the September 2008 meeting.
- 7.5 Most of the activities described in this report will be taking place in the North Isles, Northmavine and the South Mainland. However in the longer term it is envisaged that geosites will continue to be developed and interpreted throughout Shetland closely linked to the wider aims of the new Museum and Archives in Lerwick and local heritage centres throughout Shetland.

8.0 Conclusions

- 8.1 The targeted development of Shetland's geological heritage as described in this report will permanently enhance Shetland's sustainable tourism product and contribute to encouraging more people to visit, stay longer and spend more time in rural areas of Shetland.
- 8.2 Becoming part of the European network (and the UNESCO-endorsed Global Geopark Network) would be an excellent opportunity to showcase Shetland's natural and cultural heritage throughout the world, be an exemplar for the Shetland brand and play a significant role in promoting Shetland's unique identity and its promise of an authentic quality visitor experience
- 8.3 It will also help to establish strong transnational partnerships throughout Europe and act as a lever for attracting external development funding to rural communities throughout Shetland

9.0 Recommendations

- 9.1 I recommend that the Committee approve a grant of £115,565 over a three-year period to Shetland Amenity Trust towards the cost of the targeted development and promotion of Shetland's geological heritage.

LC/KS/RF1108
Date: 18 January 2008

Report No: DV005-F

Appendix 1



Cellule de coordination du réseau des
European Geoparks
Réserve Géologique de Haute-Provence
BP 156 – 04005 Digne les Bains cedex France
Tél : 33 (0) 492 367 07
Fax: 33 (0) 492 367 071
Mail : s.giraud@resgeol04.org

May 25, 2007

Miss K. Blazeby
Geology Projects Officer
Shetland Amenity Trust
Garthspool
Lerwick
Shetland ZE1 0NY
United Kingdom

Dear Miss Blazeby,

RE: Your application for membership of the European Geoparks Network

During the last meeting of the coordination committee of the European Geoparks Network, held in Gerostein, Germany, a detailed discussion was held regarding your application for membership of the European Geoparks Network. The application dossier had been distributed to members of the coordination committee following its submission to the EGN Cellule in December 2006.

The coordination committee acknowledged the extensive list of geological sites included in the dossier. However it was felt that more information on the European and wider international significance of these sites was required. The committee were pleased to acknowledge the imminent recruitment of a geoparks project officer, on a part-time basis, whose role is to facilitate various geoparks projects. However it was also noted that there was very little in the way of geotourism activities reported in the dossier and it is important that, at the time of application, that the applying territory clearly demonstrate that they are operating as a de-facto geopark already. While acknowledging your proposed plans for the future a lack of geological information on existing information panels was noted. The committee was also concerned about the long term financial sustainability of the proposed geopark and felt that some further clarification of the management structure was needed.

While the EGN acknowledge the work carried out so far on Shetland and fully acknowledge the proposed work plan for the future we feel that Shetland is not yet ready to receive an applications evaluation mission at this stage. In order to progress things, we recommend the following:

- You take some time to start implementing some of the actions highlighted in the dossier in order that you can demonstrate that you are operating as a “de facto geopark”
- Demonstrate that you have a network of geological sites of European / international significance
- Clarify the management structure
- Define a long term financial plan

Once these actions have been undertaken, the EGN would be pleased to consider a revised application from Shetland for membership of the European Geoparks Network.

Sincerely

Prof Nickolas Zouros (Co-ordinator)
Dr Patrick McKeeever (Vice co-ordinator)
For the EGN Coordination Committee



REPORT

To: Executive Committee

31 January 2008

From: Head of Business Development

DV008-F
Progress Report
Sullom Voe Strategic Plan

1.0 Introduction

- 1.1 This report has been prepared to update the Executive Committee on the earlier problems associated with finding a suitably qualified and experienced consultant to complete the Sullom Voe Strategic Plan as envisaged. It goes on to explain how the project has been split into two narrower fields of expertise rather than a single contract for all the work. The report seeks the approval of additional funding to allow part of the work to begin and suggests that an in-house working group is set up to concentrate on this project and any follow up work.

2.0 Links With the Corporate Plan

- 2.1 Sustainable Economic Development through Economic Diversification is one of the priorities contained in the Corporate Plan 2004 – 2008. Achieving an understanding of the steps that need to be taken to reduce the impact of the declining oil throughput at Sullom Voe Terminal and the eventual closure of the terminal on the Shetland economy is an essential part of securing a future sustainable economy in Shetland.

3.0 Background

- 3.1 On 28 March 2007 Shetland Islands Council approved a tendering process for a study into the future opportunities for the Port of Sullom Voe within a budget of £45,000 (Min.Ref. 51/07). This led to an exercise to seek expressions of interest for the work from which five companies were selected for tender. Regrettably, only one of these companies submitted a tender and, following an interview, it became clear that the company was unable to deliver the full range of research services necessary to complete the work. It was also clear

at that stage that the cost of hiring specialist consultants would be considerably higher than originally estimated.

- 3.2 This very poor outcome led to a decision to split the project into two separate parts. The specialist hydrocarbons work relating to the future of the oil terminal was awarded to Professor Kemp of Aberdeen University Department of Economics. This work, which will cost £25,000, is due for completion at the beginning of April 2008 and will provide models for the future of oil production at Sullom Voe Oil Terminal for the next thirty years.
- 3.3 A tender brief was then prepared for the more general research work relating to the other development opportunities that may exist now and in the future. A summary of the brief is shown in Appendix 1. This brief was sent to five of the more marine related consultation businesses that expressed an interest to be engaged in the project under the first tender exercise. Two of these businesses subsequently submitted tenders. Of these one is very strong from a company that has a long and very wide experience in port development around the world. This company has been advised that it will be offered the work subject to the approval of additional funds to pay for the work.

4.0 Proposal

- 4.1 It is proposed that the Executive Committee reaffirms commitment to this project, increases the budget available for the Sullom Voe Strategic Plan from £45,000 to £89,000, and, sets up an in-house working group to co-ordinate the project. This group would then be responsible for carrying out the actions identified in the Strategic Plan.

5.0 Financial Implications

- 5.1 The cost of preparing both segments of the Sullom Voe Strategic Plan will be:

	£
Oil Related Opportunities (including expenses)	25,000
<i>Marine and Other Opportunities</i>	
Fees	46,555
Expenses	6,345
Optional Workshop at Conclusion	<u>10,950</u>
Total	88,850

- 5.2 The cost of this work will be coded to the Economic Research budget RRD 1500 1760 with virements being made from the Economic Infrastructure Projects budget, RRD 1530 2402, as required. It is expected that £20,000 of the expenditure will fall in the present financial year with the remainder occurring in 2008/09 when any virements required will be taken from the General Assistance budget, RRD 1520 2402.

- 5.3 The Financial Review Panel have recommended that a £1m reduction be made on the economic development discretionary programmes budget for 2008/2009. Should this project be approved it will be funded as a component of that reduced budget.

6.0 Policy and Delegated Authority

- 6.1 This report meets the existing Council priority for Economic Diversification contained in the Council's Economic Policy Statement approved by the Executive Committee on 9 December 2003 (Min Ref 34/03) and by the Council on 17 December 2003 (Min Ref 161/03).
- 6.2 The Executive Committee has delegated authority to make decisions on all matters within its remit, and as described in Section 10.0 of the Council's Scheme of Delegations approved by the Council on 28 March 2007 (Min Ref: 54/07).

7.0 Conclusion

- 7.1 For a generation the work provided at the Sullom Voe Oil Terminal and the Port of Sullom Voe has been an essential part of the Shetland economy. The activity at the terminal is currently in decline and will continue to decline towards the eventual end of oil production later this century. The Council has to make every effort to encourage the Terminal Operators to attract in more business and to diversify the activity of the port into realistic new opportunities. A Strategic Plan should provide a sound basis for this work but it is also important that the Council assembles a working group dedicated to carrying out the actions identified in the plan and to develop the Plan.

8.0 Recommendation

- 8.1 I recommend that the Executive Committee
- a) Confirms the appointment of a consultant to undertake the study brief summarised in Appendix 1;
 - b) Increases the budget for the Sullom Voe Strategic Plan to £89,000; and,
 - c) Instructs the Chief Executive to set up a working group to co-ordinate the project and carry out resulting actions.

Date: 18 January 2008
Our Ref: DI/KS/RF1180

Report No: DV008-F

**SHETLAND ISLANDS COUNCIL: SULLOM VOE OPTIONS APPRAISAL BRIEF
FOR CONSULTANTS**

- Identify the opportunities for use of the port taking account of Shetlands other ports.
- To identify the economic benefits of these potential opportunities:
- To identify any constraints to uses of, or development of, the port and potential to mitigate these taking account of the assets of the port at Sullom Voe:
- To provide an indication of any required improvements to existing facilities or for new infrastructure or free port status;
- To provide rough costings for these and any sources of likely funding;
- Consider the timescale for delivery of any identified opportunities and any necessary partners;
- To set out how the port could be marketed and the opportunities delivered.



REPORT

**To: Executive Committee
Shetland Islands Council**

**31 January 2008
7 February 2008**

From: Head of Capital Programme and Housing Service

Report No: CPS-01-08-F

**Subject: Capital Programme - Capital Programme Review Team (CPRT) – November
and December 2007**

1.0 Introduction

- 1.1 The Capital Programme Review Team (CPRT) was established to monitor existing projects and make proposals to the Council for decisions relating to the Capital programme (SIC Min Ref 141/06).
- 1.2 The proposals within this report follow the fourth meeting of the CPRT on the 12 and 19 November 2007 and the fifth meeting on 17 December 2007.
- 1.3 This is not a progress report on committed capital projects, which is subject to a separate report to the Council.
- 1.4 This report does look at and make recommendations on projects that remain at this stage uncommitted.
- 1.5 The adjusted list of capital projects to be progressed is attached as Appendix A.

2.0 Link to Corporate Priorities

- 2.1 As part of the Council's commitment to sustainability within the Corporate Improvement Plan we have undertaken to define our priorities so we can sustain the services we want to provide and help develop our economy. A key component of this is the commitment we have made to implement a Capital Programme prioritisation system and the continuation of that process.
- 2.2 This is one of a series of periodic reports submitted from CPRT to seek approval of the proposed changes to the Capital programme regarding inclusion of new projects, budget and programming.

3.0 CPRT Submissions

- 3.1 CPRT heard requests for funding through the Capital programme. These requests and the recommendation from CPRT are set out and summarised below:

Existing project seeking adjustments to budget:

- 3.1.1 **Sumburgh Runway Extension** – The Senior Contracts Manager reported on a requirement for additional funding of £5,000k and budget adjustment of £20,000k making a total of £25,000. The additional £5,000k was required as the Councils contribution to making good storm damage.
CPRT recommendation – That provision be made in the current capital programme for the additional funding.

The projects seeking to be added to the programme were:

- 3.1.2 **Energy Conservation Capital Budget** - The Energy Manager gave a presentation on the projects included and requested a budget of £69k for 08/09.
CPRT recommendation – CPRT approved the report for recommendation to the Council.
- 3.1.3 **Knab Dyke** – The Sport and Leisure Services Manager presented a report on the Knab Dyke Reconstruction project following a tender exercise. The lowest tender was for £291,079.20.
CPRT recommendation – CPRT approved the report for recommendation to the Council.
- 3.1.4 **Refurbishment of Play Areas** – The Sport and Leisure Services Manager presented a report on the refurbishment of play areas over two years with a budget of £253,000.00 in 2008/09 and 2009/10.
CPRT recommendation – CPRT approved the report for recommendation to the Council.
- 3.1.5 **Replacement Aeration Machinery** – The Sport and Leisure Services Manager presented a report on replacing Aeration machinery at a cost of £20,120.
CPRT recommendation – CPRT approved the report for recommendation to the Council.
- 3.1.6 **Community Managed Water Based Facilities** – The Sport and Leisure Services Manager presented a report on water based facilities with a budget of £500,000.00 in 2008/09.
CPRT recommendation – CPRT approved the report for recommendation to the Council.
- 3.1.7 **Capital Grants to Voluntary Organisations (General)** – The Sport and Leisure Services Manager presented a report on the grants to voluntary bodies with a budget of £375,000.00 in 2008/09.

CPRT recommendation – CPRT approved the report for recommendation to the Council.

- 3.1.8 **Islesburgh Youth Hostel Modernisation** – The Sport and Leisure Services Manager presented a report on the modernisation of Islesburgh Youth Hostel in response to a Fire Risk Assessment and a VisitScotland annual inspection at a cost of £34,803.00.
CPRT recommendation – CPRT approved the report for recommendation to the Council.
- 3.1.9 **Shetland Public Sector Network** – ICT Manager presented a report on the public sector network for the next 5 years at a cost of £1,196m over the period.
CPRT recommendation – CPRT approved the report for recommendation to the Council.
- 3.1.9 **Integra E-series, Authorisation and Document Imaging** – ICT Manager presented a report on upgrading to the Integra E-series module at a cost of £47,100 in 2008/09.
CPRT recommendation – CPRT approved the report for recommendation to the Council.
- 3.1.10 **Photocopier Replacement Programme** – ICT Manager presented a report on a photocopier replacement programme over 5 years at a cost of £375k.
CPRT recommendation – CPRT approved the report for recommendation to the Council.
- 3.1.11 **PC Lan Replacement** – ICT Manager presented a report for the PC Lan (Local area network) replacement programme over 5 years at a cost of £236k.
CPRT recommendation – CPRT approved the report for recommendation to the Council.
- 3.1.12 **Schools ICT Budget** – ICT Manager presented a report for the Schools ICT Programme over the next 5 years at a cost of £1.71m.
CPRT recommendation – CPRT approved the report for recommendation to the Council.
- 3.1.13 **50 x 500kg Block Weights – Trading Standards** – The Trading Standards Service Manager presented a report on the proposal at a cost of £34k during 2008/09.
CPRT recommendation – CPRT approved the report for recommendation to the Council.
- 3.1.14 **Conservation Grant Programme** – The Heritage Manager gave a summary of the Conservation Grant Programme and requested continuation of the existing programme at a cost of £70k in 2008/09.
CPRT recommendation – CPRT approved the report for recommendation to the Council.

- 3.1.15 **Urgent Repairs to Ferry Terminals** – The Head of Transport presented a report on Urgent Repairs to Ferry Terminals at a cost of £265k in 2008/09.
CPRT recommendation – CPRT approved the report for recommendation to the Council.
- 3.1.16 **Office Accommodation** - The Acting Asset & Properties Manager gave an outline on proposals to convert the old fire station to create additional office space for Infrastructure Services at a cost of £600k.
CPRT recommendation – CPRT approved the report for recommendation to the Council.
- 3.1.17 **Ness of Sound Farm** - The Acting Asset & Properties Manager outlined a request for £50k to maintain buildings and stone dykes at Ness of Sound Farm.
CPRT recommendation – CPRT approved the report for recommendation to the Council.
- 3.1.18 **Walls Pier Feasibility Study** – The Senior Contract Manager presented a report on works to Walls Pier at a cost of £3.150m.
CPRT recommendation – CPRT approved the report for recommendation to the Council.
- 3.1.19 **Joint Occupational Therapy Resource Centre** – Head of Community Care gave a presentation on this new build project at a cost of £2.6m.
CPRT recommendation – CPRT approved the report for recommendation to the Council.
- 3.1.20 **Works to Town Hall and Stonework to Lystina House** - The Acting Asset & Properties Manager presented a report for the works to the Town Hall and Lystina House. £385k for stonework on Lystina House and the Town Hall and £352k for internal works to the Town Hall. The decision was taken by CPRT to score these as 2 separate projects.
CPRT recommendation – CPRT approved the report for recommendation to the Council as 2 separate projects.
- 3.1.21 **Copper Pipework Replacement** – The Acting Asset & Properties Manager presented a report on the copper pipework replacement for a budget of £200k in 2008/09.
CPRT recommendation – CPRT approved the report for recommendation to the Council.
- 3.1.22 **Disability Discrimination Act (1995) Works** – The Acting Asset & Properties Manager presented a report on the DDA works at a cost of £170k in 2008/09.
CPRT recommendation – CPRT approved the report for recommendation to the Council.

- 3.1.23 **Mid Yell Heating Scheme – Feasibility Study** - The Energy Manager presented this report and requested a contribution of £15k towards the cost of this feasibility study in 2008/09.
CPRT recommendation - to recommend approval of funding for the feasibility study.
- 3.1.24 **Islesburgh Squash Courts** – Leisure Facilities Officer presented this report and requested £15k to carry out a feasibility study in 2008/09.
CPRT recommendation - to recommend approval of funding for the feasibility study.
- 3.1.25 **Montfield Business Case** - The Head of Service Community Care gave a presentation on the proposals for Montfield and requested a budget of £30k for a Feasibility Study.
CPRT recommendation – to recommend approval from the Feasibility Study budget.
- 3.1.26 **Vehicle and Plant Replacement Rolling Programme 2008/09** - Service Manager Transport Operations gave a presentation on proposals for Vehicle and Plant Replacement in 08/09. Request was for £1,246,000.
CPRT recommendation – CPRT approved the report for recommendation to the Council but with a recommendation that the budget be reduced to £1m.
- 3.1.27 **Ferries Capital Rolling Programme 08/09** - The Engineering Superintendent Ferries gave a presentation on proposals and requested £204k for 08/09.
CPRT recommendation - that £12k for additional external seating did not represent a good return and this element be removed from the budget. CPRT recommended approval of the remainder of the works at £192k.
- 3.1.28 **Funding for Capital Maintenance Projects** - The Technical Support Manager gave a presentation on Education Maintenance projects proposed for 08/09 and requested £1,519k.
CPRT recommendation – CPRT approved the report for recommendation to the Council but noted that the proposal and expenditure was affected by no decision taken on the future of the school estate.
- 3.1.29 **Gremista Landfill – Next Phase** - The Waste Services Manager gave a presentation on the next extension to the Gremista Landfill at a cost of £4,255m.
CPRT recommendation – CPRT approved the report for recommendation to the Council.
- 3.1.30 **Bottle Bank Replacements** - The Waste Services Manager gave a presentation on replacing existing bottle banks at a cost of £11,550.
CPRT recommendation – CPRT recommended that this project be funded from revenue and not capital.

- 3.1.31 **Listed Buildings** - The Burial Grounds Service Manager gave a presentation on repairs to these buildings at a cost of £215k in 08/09. The cost of this proposal was reduced from a previous report.
CPRT recommendation – CPRT approved the report for recommendation to the Council.
- 3.1.32 **Fetlar Breakwater & Small Craft** - The Head of Transport gave a presentation on this project at a cost of £2,070m. This is 70% funding.
CPRT recommendation – CPRT approved the report for recommendation to the Council.
- 3.1.33 **Proposed Road Improvement Schemes** - The Network and Design Manager gave an update on current road improvement schemes. He requested £50k in 08/09.
CPRT recommendation – CPRT approved the report for recommendation to the Council.
- 3.1.34 **Roads and Transport Capital Rolling Programmes** - The Network and Design Manager described each of the projects within this programme.
- Minor Works and Purchases - £50k for 08/09
 - Development Related Roads - £50 for 08/09
 - Bridge Replacements £250k for 08/09
 - Footways - £100k for 08/09
 - Streetlighting Replacement - £150k for 08/09
 - Traffic Management - £50k for 08/09
 - Accident Investigation and Prevention - £50k for 08/09
 - Minor Works and Purchases Air Service - £15k for 08/09
 - Minor Works and Purchases Bus Service - £40k for 08/09
 - Roads Reconstruction - £250k for 08/09
 - Roads Drainage Improvements - £50k for 08/09
 - Crash Barrier Replacement - £250k for 08/09
- CPRT recommendation** – CPRT approved the report for recommendation to the Council as a series of individual projects.
- 3.1.35 **Provision of Chalet Accommodation** - The Senior Housing Officer described the works involved in this project and requested £26,100 for 08/09.
CPRT recommendation – CPRT approved the report for recommendation to the Council.
- 3.1.36 **Provision of Staff Accommodation** - The Senior Housing Officer described the works involved in this project and requested £44,500 for 08/09.
CPRT recommendation – CPRT approved the report for recommendation to the Council.

- 3.1.37 **Provision of Temporary Accommodation** - The Senior Housing Officer described the works involved in this project and requested £32,500 for 08/09.
CPRT recommendation – CPRT approved the report for recommendation to the Council.
- 3.1.38 **Ports & Harbours – Plant & Equipment Replacement** - The General Manager Ports and Harbours described the works involved at a cost of £140k in 08/09.
CPRT noted that this covered 2 separate projects, Plant Vehicles and Equipment also Navigational Aids.
CPRT recommendation – CPRT approved the report for recommendation to the Council as 2 separate projects. CPRT noted that this was proposed to be funded from the Harbour Account rather than from the Capital Programme.
- 3.1.39 **Shetland College Feasibility Study** - An early warning on the outcome of the Feasibility Study for another phase at Shetland College was noted by CPRT.
- 3.1.40 **Breiwick Road** – The Network and Design Manager, Roads presented a report on the proposed replacement of the sea wall at the Sletts.
CPRT recommendation – That further information be prepared for Option 2 and cash flow projections prepared for both options in order that the project can be evaluated.
- 3.2 CPRT scored each of the new projects with complete information in accordance with the Council's criteria (Min ref 48/06). The new projects were then ranked alongside other projects that are still to be programmed. The results of that scoring, as a revised list of projects awaiting commencement (in order of priority), are attached as Appendix A.
- 3.3 The Council agreed to greater scrutiny by CPRT for projects within rolling programmes. The recommendations set out in this report continue that process. Some projects which were formerly within rolling programmes are now identified as individual projects. In consultation with the Head of Transport, CPRT has also recommended a reduction in expenditure on the Vehicle and Plant Replacement programme for 2008/09.
- 3.4 Members should note that there are still many projects at feasibility and/ or option appraisal stage. These projects cannot be scored by CPRT until this information is complete. Therefore, they cannot be added to the prioritisation list at this stage. This applies to the remaining Social Work projects and projects associated with the Transport Strategy. However, as these projects progress they will be prioritised in due course and brought to Members for consideration at that point.
- 3.5 Should Members agree to the recommendations in this report, the adjustment in Table 1 below shows the net result. This also takes into account slippage identified on other approved projects and existing budget adjustments identified at the Capital Programme Review Team meeting No. 3 and reported

to Members at the Council meeting on (SIC Min Ref 130/07). At that time there was no slippage identified to fund these adjustments.

Project	Expenditure £000 (A)	Slippage £000 (B)
Sumburgh Runway Extension	25	
Social Care Projects (items not accrued from 06/07 – not overspends)	45.5	
Papa Stour Ferry Terminal – Final account/ VAT claim adjustment	4	
Replacement Workshop - Mid Yell	25	
Recladding Gremista Workshop		415
Water Based Facilities (Marinas)		475
SSIS Upgrade		64
IP Phones		150
A970 Oversund Junction		110
Setter Hill to Brook Point		20
Scord Plant Crusher		250
Community Organisation Grants		73
Budget Commitments from August 2007 (Min ref 130/07)	492	
Copper Pipework Replacement		100
Office Accommodation		400
Disability Discrimination Works		10
Commision Study into Tunnel		75
Bluemull STAG for Ferries/ Terminals		25
Sub Totals	591.5	2167
Total Slippage Available (B-A) £000		1575.5

- 3.6 The available slippage of £1,575.5M will allow projects to come forward in order of priority. However it is recognised that, at this stage in the financial year, it is likely that mobilisation and lead in time on these projects may not enable significant expenditure to take place.
- 3.7 Not all of the projects identified in Appendix A can achieve any spend in 2007/08 for varying reasons. The projects that could commence and achieve some spend in 2007/08 are listed in Appendix B. The remaining projects that cannot commence until later years is attached as Appendix C. These will be subject to the programming report also on this agenda. It is recommended that these projects proceed.
- 3.8 If the projects identified in Appendix B are commenced there will be £1,117M of slippage remaining. This amount along with any further slippage will remain in the reserve fund for use in future years.
- 3.9 As with all Capital Projects there may be several phases. Therefore, all projects have to be managed in a flexible way to make sure that funding is fully utilised and the programme of work fits together in the most meaningful way. This means that some projects might conclude the feasibility or design

phase but then have to wait for the further availability of funding to commence the construction phase.

- 3.10 Further adjustments to the capital programme will be reported to Members in due course. Similarly, progress against all projects will be reported to Members on a periodic basis.
- 3.11 At an earlier meeting of the full Council some Members expressed dissatisfaction with the outputs generated by the prioritisation process. When the prioritisation process was established in March 2006 (Min Ref 48/06), it included provision of a Member/ Officer working group to review the weighting and points to be awarded.
- 3.12 Re-establishment of that working group with a Member from each ward has allowed the existing arrangements to be reviewed. The outputs and recommendations from that working group will be brought back to the Council for determination in due course.
- 3.13 Subject to the review outlined in 3.11, all new projects will be subject to the Capital Programme Review Process (CPRT), (Min Ref 141/06). Projects that come through this process in the future will be scored and ranked alongside remaining projects for Members to consider into the future.
- 3.14 With a target of £20m per annum to spend, and a programme that is heavily over-subscribed, it is necessary for Members to reach a decision on the order that they would like to see these projects completed. This will aid and facilitate the programming and delivery of all projects into the future. It will also promote sustainability of reserves.

4 Proposal

- 4.1 It is proposed that Executive Committee and Council:
 - 4.1.1 Note the serious and over committed nature of the capital programme;
 - 4.1.2 Recognise and authorise the need to meet commitments in 3.4;
 - 4.1.2 Recognise and authorise the progression of projects identified in Appendix B;
 - 4.1.3 Note the Capital programme is heavily over subscribed and must continue to be prioritised in some form to remain sustainable.

5 Financial Implications

- 5.1 The proposals within this report make use of existing agreed resources without the need to provide additional funding at this stage. Therefore, there are no direct financial implications from this report. Indirectly, tighter control

may lead to greater efficiencies and a longer term reduction in revenue burdens.

6 Policy and Delegated Authority

- 6.1 This report is submitted to the Executive Committee in terms of its remit for financial monitoring, and for them to make comments or recommendations to Council. However, decisions relating to the approval or variation to the Council's Capital Programme requires approval of the Council, in terms of Section 8.0 of the Council's Scheme of Delegations.

7 Conclusion

- 7.1 This report represents the results of the latest CPRT meeting. The programme for 2007/08 is in its final stages and the options for achieving any further spend are limited. Historically, slippage does occur throughout the year. However, the current arrangements force these issues and provide a focus greater than before. This means that the incidence of slippage should be much less and so it cannot be relied upon as a longer term solution to the existing constraints upon the capital programme. The recommendations within this report will assist with controlling of costs, allocation of resources in the future and the provision of a sustainable capital programme into the future.

8 Recommendations

- 8.1 It is proposed that Executive Committee and Council:
- 8.1.1 Note the serious and over committed nature of the capital programme;
 - 8.1.2 Recognise and authorise the need to meet commitments in 3.4;
 - 8.1.3 Recognise and authorise the progression of projects identified in Appendix B;
 - 8.1.4 Note the Capital programme is heavily over subscribed and must continue to be prioritised in some form to remain sustainable.

Our Ref: CM/RS/CPS-01-08-F

Date: 22 January 2008

Enclosures:

Appendix A: Adjusted List of Capital Projects in Progress

Appendix B: Adjusted List of Projects Able to Achieve Spending in 2007/08

Appendix C: Revised List of Projects Awaiting Commencement

Revised List of Projects Awaiting Commencement in Order of Priority

Ref	Project	Capital Cost £	Able to proceed in 2007/08
27	Burial Grounds Rolling Programme	944,638	Y
62	Breivick Road, Sea Wall	281,250	N
83	Joint Occupational Therapy Resource Centre	2,600,000	N
35	Social Care Rolling Programme	1,198,000	N
102	Roads Rolling Minor Works & Purchases Air Service	15,000	N
101	Roads Rolling Accident Investigation & Prevention	50,000	Y
66	Refurbishment of Play Areas	247,250	N
87	Disability Discrimination Act Works	170,000	N
90	Ferries Capital Rolling Programme	192,000	Y
75	Schools ICT Equipment	276,000	Y
109	Housing Temporary Accommodation	32,500	Y
105	Roads Rolling Roads Drainage Improvements	50,000	N
97	Roads Rolling Bridge Replacements	250,000	N
104	Roads Rolling Road Reconstruction	250,000	N
99	Roads Rolling Streetlighting Replacement	150,000	N
74	PC & LAN Replacement	236,000	N
106	Roads Rolling Crash Barrier Replacement	250,000	N
31	Leog House Replacement	300,000	N
69	Capital Grants to Voluntary Organisations	375,000	N
91	Education Capital Maintenance	1,519,000	N
73	Photocopier Replacement	90,000	Y
71	Shetland Public Sector Network	295,000	N
107	Housing Chalet Accommodation	26,100	Y
77	Replacement Roller Weights	34,000	Y
63	Energy Recovery Plant	110,000	N
86	Copper Pipework Replacement	200,000	N
72	Integra eSeries	47,100	Y
67	Aeration Machinery Replacement	20,100	Y
65	Knab Dyke	291,079	Y
111	Ports & Harbours Nav Aids	70,000	N
103	Roads Rolling Minor Works & Purchases Bus Service	40,000	N
70	Islesburgh Youth Hostel Modernisation	34,803	Y
96	Roads Rolling Development Related	50,000	N

Ref	Project	Capital Cost £	Able to proceed in 2007/08
81	Ness of Sound Farm	50,000	N
88	Energy Conservation	69,000	N
29	Replacement Workshop Mid Yell	155,000	N
79	Urgent Repairs to Ferry Terminals	265,000	N
93	Fetlar Breakwater & Small Craft	2,070,000	N
33	Baltasound Library	143,000	N
100	Roads Rolling Traffic Management	50,000	N
32	Public Toilets Rolling Programme	100,000	N
68	Water Based Facilities	500,000	N
95	Roads Rolling Minor Works & Purchases	50,000	N
98	Roads Rolling Footways	100,000	N
30	Recladding Gremista Workshop	415,000	N
89	Vehicle & Plant Replacement Programme	1,000,000	N
17	Papa Stour Road	400,000	N
14	Germatwatt Footways, Walls	800,000	N
82	Walls Pier	3,150,000	N
20	A970 Scord to School Scalloway	35,000	N
108	Housing Staff Accommodation	44,500	Y
11	Education MIS - ICT Project	100,000	N
2	Happyhansel School Accommodation	600,000	N
6	Scalloway JHS - Science Block	290,000	N
80	Office Accom Review - LK Fire Station	600,000	N
21	Murrister Replacement Building	150,000	N
53	A9071 Bixter to Aith	1,670,000	N
78	Conservation Grant Programme	70,000	N
85	Lystina House & Town Hall Stonework	385,000	N
110	Ports & Harbours Plant & Equipment	70,000	N
25	Sellanes Pier	5,400,000	N
64	Burial Grounds/Ancient Monuments	398,000	N
92	Landfill Phase 2	4,255,000	N
8	AHS - Hostel	9,791,000	N
84	Town Hall Works (Internal)	352,000	N
52	Bridge Inspection Walkways	155,000	N

Total Value £ 44,377,320

Note: some of these costs will be spread over several years

APPENDIX B

Revised List of Projects that can Achieve Spend in 2007/08

Ref	Code	Project	Capital Cost in 07/08	Able to proceed in 2007/08
27	GCY51**	Burial Grounds Rolling Programme	20,000	Y
102	GCY9208	Roads Rolling Minor Works & Purchases Air Service	5,000	Y
101	GCY9207	Roads Rolling Accident Investigation & Prevention	10,000	Y
105	GCY9211	Roads Rolling Roads Drainage Improvements	10,000	Y
104	GCY9210	Roads Rolling Road Reconstruction	95,000	Y
99	GCY9204	Roads Rolling Streetlighting Replacement	10,000	Y
90	GCY7601	Ferries Capital Rolling Programme	12,000	Y
75	GCX4312	Schools ICT Equipment	50,000	Y
109	GCH3120	Housing Temporary Accom (Homelessness)	8,000	Y
107	GCH3102	Housing Chalet Accommodation	12,000	Y
108	GCH3100	Housing Staff Accommodation	30,000	Y
73	GCX4319	Photocopier Replacement	20,000	Y
77	GCY5301	Replacement Roller Weights	34,000	Y
72	GCX4322	Integra eSeries	47,100	Y
67	GCJ3017	Aeration Machinery Replacement	20,100	Y
65	GCJ3002	Knab Dyke	20,000	Y
70	GCJ3018	Islesburgh Youth Hostel Modernisation	34,803	Y
106	GCY9212	Roads Rolling Crash Barrier Replacement	20,000	Y
Total Value £			458,003	

APPENDIX C

Revised List of Projects Awaiting Commencement in Order of Priority

Ref	Project	Capital Cost £
27	Burial Grounds Rolling Programme	924,638
62	Breivick Road, Sea Wall	281,250
83	Joint Occupational Therapy Resource Centre	2,600,000
35	Social Care Rolling Programme	1,198,000
102	Roads Rolling Minor Works & Purchases Air Service	10,000
101	Roads Rolling Accident Investigation & Prevention	40,000
66	Refurbishment of Play Areas	247,250
87	Disability Discrimination Act Works	170,000
90	Ferries Capital Rolling Programme	180,000
75	Schools ICT Equipment	226,000
109	Housing Temporary Accommodation	24,500
105	Roads Rolling Roads Drainage Improvements	40,000
97	Roads Rolling Bridge Replacements	250,000
104	Roads Rolling Road Reconstruction	155,000
99	Roads Rolling Streetlighting Replacement	140,000
74	PC & LAN Replacement	236,000
106	Roads Rolling Crash Barrier Replacement	230,000
31	Leog House Replacement	300,000
69	Capital Grants to Voluntary Organisations	375,000
91	Education Capital Maintenance	1,519,000
73	Photocopier Replacement	70,000
71	Shetland Public Sector Network	295,000
107	Housing Chalet Accommodation	14,100
63	Energy Recovery Plant	110,000
86	Copper Pipework Replacement	200,000
111	Ports & Harbours Nav Aids	70,000
103	Roads Rolling Minor Works & Purchases Bus Service	40,000
96	Roads Rolling Development Related	50,000
81	Ness of Sound Farm	50,000
88	Energy Conservation	69,000
29	Replacement Workshop Mid Yell	155,000

Ref	Project	Capital Cost £
79	Urgent Repairs to Ferry Terminals	265,000
93	Fetlar Breakwater & Small Craft	2,070,000
33	Baltasound Library	143,000
100	Roads Rolling Traffic Management	50,000
32	Public Toilets Rolling Programme	100,000
68	Water Based Facilities	500,000
95	Roads Rolling Minor Works & Purchases	50,000
11	Education MIS - ICT Project	100,000
98	Roads Rolling Footways	100,000
30	Recladding Gremista Workshop	415,000
89	Vehicle & Plant Replacement Programme	1,000,000
17	Papa Stour Road	400,000
14	Germatwatt Footways, Walls	800,000
82	Walls Pier	3,150,000
20	A970 Scord to School Scalloway	35,000
108	Housing Staff Accommodation	14,500
2	Happyhansel School Accommodation	600,000
6	Scalloway JHS - Science Block	290,000
80	Office Accom Review - LK Fire Station	600,000
21	Murrister Replacement Building	150,000
53	A9071 Bixter to Aith	1,670,000
78	Conservation Grant Programme	70,000
85	Lystina House & Town Hall Stonework	385,000
110	Ports & Harbours Plant & Equipment	70,000
25	Sellanes Pier	5,400,000
64	Burial Grounds/Ancient Monuments	398,000
92	Landfill Phase 2	4,255,000
8	AHS - Hostel	9,791,000
84	Town Hall Works (Internal)	352,000
52	Bridge Inspection Walkways	155,000
Total Value £		43,648,238

APPENDIX A

Summary of Ring Fenced Capital Projects (Proposed) 2008/09

Housing Revenue Account (HRA)

			Capital Cost to SIC £
Ref	Code	Project	
I	HCH3303	Land/Property Acquisition	50,000
ii	HCH3404	Environmentals General	232,000
iii	HCH3512	Community Care	100,000
iv	HCH3525	Feasibility Studies	25,000
v	HCH3526	Opportunity Conversion	123,000
vi	HCH3706	Heating Replacement Scheme	150,000
vii	HCH3708	Re-rendering programme	393,000
viii	HCH3709	Landward Crudens	115,000
ix	HCH3710	Lerwick Crudens	923,000
x	HCH3711	Housing Quality Standard	380,000
xii	HCH3700	Tenants Improvement Compensation	5,000
Total Ring Fenced Expenditure for 2008/09			2,496,000

APPENDIX B

Summary of Capital Projects Prioritisation November/ December 2007 Projects in Order of Priority

Priority Order	Project Ref.	Project	Net Estimated Capital Cost to SIC £	Gross Estimated Capital Cost £ *external funding
1	27	Burial Grounds Rolling Programme	924,638	924,638
2	62	Breivick Road, Sea Wall	281,250	281,250
3	83	Joint Occupational Therapy Resource Centre	2,600,000	2,600,000
4	35	Social Care Rolling Programme	1,198,000	1,198,000
5	102	Roads Rolling Minor Works & Purchases Air Service	10,000	10,000
6	101	Roads Rolling Accident Investigation & Prevention	40,000	40,000
7	66	Refurbishment of Play Areas	247,250	247,250
8	87	Disability Discrimination Act Works	170,000	170,000
9	90	Ferries Capital Rolling Programme	180,000	180,000
10	75	Schools ICT Equipment	226,000	226,000
11	109	Housing Temporary Accommodation	24,500	24,500
12	105	Roads Rolling Roads Drainage Improvements	40,000	40,000
13	97	Roads Rolling Bridge Replacements	250,000	250,000
14	104	Roads Rolling Road Reconstruction	155,000	155,000
15	99	Roads Rolling Streetlighting Replacement	140,000	140,000
16	74	PC & LAN Replacement	236,000	236,000
17	106	Roads Rolling Crash Barrier Replacement	230,000	230,000
18	31	Leog House Replacement	300,000	300,000
19	69	Capital Grants to Voluntary Organisations	375,000	375,000
20	91	Education Capital Maintenance	1,519,000	1,519,000
21	73	Photocopier Replacement	70,000	70,000
22	71	Shetland Public Sector Network	295,000	295,000
23	107	Housing Chalet Accommodation	14,100	14,100
24	63	Energy Recovery Plant	110,000	110,000
25	86	Copper Pipework Replacement	200,000	200,000
26	111	Ports & Harbours Nav Aids	70,000	70,000
27	103	Roads Rolling Minor Works & Purchases Bus Service	40,000	40,000
28	96	Roads Rolling Development Related	50,000	50,000
29	81	Ness of Sound Farm	50,000	50,000
30	88	Energy Conservation	69,000	69,000
31	29	Replacement Workshop Mid Yell	155,000	155,000
32	79	Urgent Repairs to Ferry Terminals	265,000	265,000
33	93	Fetlar Breakwater & Small Craft	2,070,000	2,970,000 *
34	33	Baltasound Library	143,000	143,000
35	100	Roads Rolling Traffic Management	50,000	50,000
36	32	Public Toilets Rolling Programme	100,000	100,000
37	68	Water Based Facilities	500,000	500,000
38	95	Roads Rolling Minor Works & Purchases	50,000	50,000
39	11	Education MIS - ICT Project	100,000	100,000
40	98	Roads Rolling Footways	100,000	100,000

41	30	Recladding Gremista Workshop	415,000	415,000
42	89	Vehicle & Plant Replacement Programme	1,000,000	1,000,000
43	17	Papa Stour Road	400,000	400,000
44	14	Germatwatt Footways, Walls	800,000	800,000
45	82	Walls Pier	3,150,000	3,150,000
46	20	A970 Scord to School Scalloway	35,000	35,000
47	108	Housing Staff Accommodation	14,500	14,500
48	2	Happyhansel School Accommodation	600,000	600,000
49	6	Scalloway JHS - Science Block	290,000	290,000
50	80	Office Accom Review - LK Fire Station	600,000	600,000
51	21	Murrister Replacement Building	150,000	150,000
52	53	A9071 Bixter to Aith	1,670,000	1,670,000
53	78	Conservation Grant Programme	70,000	70,000
54	85	Lystina House & Town Hall Stonework	385,000	385,000
55	110	Ports & Harbours Plant & Equipment	70,000	70,000
56	25	Sellanes Pier	5,400,000	5,400,000
57	64	Burial Grounds/ Ancient Monuments	398,000	398,000
58	92	Landfill Phase 2	4,255,000	4,255,000
59	8	AHS - Hostel	9,791,000	9,791,000
60	84	Town Hall Works (Internal)	352,000	352,000
61	52	Bridge Inspection Walkways	155,000	155,000
Total Capital Requirement			43,648,238	44,548,238

APPENDIX C - Proposed Capital Programme 2008/09

Ongoing Capital Projects into 2008/09

Ref	Code	Project	£ 08/09
37	GCK2000	Feasibility Studies	400,000
58	GCL4403	Lerwick Library Design Works	88,000
26	GCL4402	Cinema and Music Venue	2,000,000
4	GCE1304	AHS - ECI	700,000
5	GCE1315	Mid Yell JHS	3,500,000
7	GCE3402	Sandwick - ASN	500,000
55	GCE1627	Bells Brae Alterations	100,000
36	GCA0231	Care Homes Fire Upgrade	80,000
34	GCY5132	Replacement Esplanade Toilets	352,000
28	GCY5133	Rova Head Reinstatement	1,900,000
13	GCY6106	A971 Haggersta to Cova	695,000
15	GCY6120	A970 Oversund Junction	110,000
18	GCY6123	Gilbertson Road Reconstruction	10,000
19	GCY6201	Bressay Link	250,000
22	RCM2314	Uyeasound Pier	2,500,000
68	GCJ3001	Water Based Facilities (Marinas)	475,000
38	GCX4311	SSIS Upgrade	64,000
39	GCX4315	IP Phones	150,000
69	GCJ3006	Community Organisation Grants	73,000
41	GCE1626	Cunningsburgh Nursery	20,000
42	GCY6116	B9074 Trondra Phase 2	11,000
16	GCY6121	B9081 Mid Yell (Hillend Section)	215,000
65	GCJ3002	Knab Dyke	271,079
n/a	GCY7552	Bluemull STAG for Ferries Terminals	75,000
n/a	GCY7508	FS Ext Links OD Survey	25,000
		Total	14,564,079

Proposed Capital Expenditure for 2008/09

Ref	Code	Project	£ 08/09
		Carry Forward from 2007/08	14,564,079
71	GCX4323	Shetland Public Sector Network	295,000
63	GCY5129	Energy Recovery Plant	110,000
79	GCY7626	Urgent Repairs to Ferry Terminals	265,000
111	PCM2104	Ports & Harbours Nav Aids	70,000
40	GCK2002	Contingency and Final Accounts	220,000
92	GCY5108	Design Works Landfill Phase 2	72,536
27	GCY51**	Burial Grounds Rolling Programme	670,956
35	GCA10**	Social Care Rolling Programme	868,978
102	GCY9208	Roads Rolling Minor Works & Purchases Air Service	7,254
101	GCY9207	Roads Rolling Accident Investigation & Prevention	29,014
66	GCJ3003	Refurbishment of Play Areas	179,163
87	GCB6004	Disability Discrimination Act Works	123,311
90	GCY7601	Ferries Capital Rolling Programme	130,564
75	GCX4312	Schools ICT Equipment	163,931
109	GCH3120	Housing Temporary Accom (Homelessness)	18,134
105	GCY9211	Roads Rolling Roads Drainage Improvements	29,014
97	GCY9202	Roads Rolling Bridge Replacements	181,339
104	GCY9210	Roads Rolling Road Reconstruction	90,459
99	GCY9204	Roads Rolling Streetlighting Replacement	101,550
74	GCX4300	PC & LAN Replacement	171,184
106	GCY9212	Roads Rolling Crash Barrier Replacement	161,329
69	GCJ3006	Capital Grants to Voluntary Organisations	272,009
91	GCE1500	Education Capital Maintenance	1,101,818
73	GCX4319	Photocopier Replacement	50,775
107	GCH3102	Housing Chalet Accommodation	10,155
86	GCB6001	Copper Pipework Replacement	145,071
103	GCY9209	Roads Rolling Minor Works & Purchases Bus Service	29,014
96	GCY9201	Roads Rolling Development Related	36,268
100	GCY9206	Roads Rolling Traffic Management	36,268
95	GCY9200	Roads Rolling Minor Works & Purchases	36,268
98	GCY9203	Roads Rolling Footways	72,536
89	GCY7254	Vehicle & Plant Replacement Programme	725,357
108	GCH3100	Housing Staff Accommodation	10,880
110	PCM2101	Ports & Harbours Plant & Equipment	50,775
		Total Capital Expenditure	21,099,989

APPENDIX D

Capital Projects to be Completed or Commenced Beyond 2008, Model of Constraints

Ref	Project	£000's 08/09	2009/10 (Yr2) £000	20010/11 (Yr3) £000	2011/12 (Yr4) £000	2012/13 (Yr5) £000	2013/14 (Yr6) £000
37	Feasibility Studies	400	400	400	400	400	400
58	Lerwick Library	88	500	1,900	100	0	0
26	Cinema and Music Venue	2,000	2,520	85	0	0	0
4	AHS - ECI	700	0	0	0	0	0
5	Mid Yell JHS	3,500	4,000	1,850	113	0	0
7	Sandwick - ASN	500	12	0	0	0	0
55	Bells Brae Alterations	100	0	0	0	0	0
36	Care Homes Fire Upgrade	80	350	350	0	0	0
34	Replacement Esplanade Toilets	352	0	0	0	0	0
28	Rova Head Reinstatement	1,900	150	0	0	0	0
13	A971 Haggersta to Cova	695	1,300	5	0	0	0
15	A970 Oversund Junction	110	0	0	0	0	0
18	Gilbertson Road Reconstruction	10	0	0	0	0	0
19	Bressay Link	250	500	8,000	8,000	2,000	250
22	Uyeasound Pier	2,500	150	0	0	0	0
68	Water Based Facilities (Marinas)	475	0	0	0	0	0
38	SSIS Upgrade	64	0	0	0	0	0
39	IP Phones	150	0	0	0	0	0
69	Community Organisation Grants	73	0	0	0	0	0
41	Cunningsburgh Nursery	20	0	0	0	0	0
42	B9074 Trondra Phase 2	11	0	0	0	0	0
16	B9081 Mid Yell (Hillend Section)	215	10	0	0	0	0
65	Knab Dyke	272	0	0	0	0	0
40	Contingency and Final Accounts	300	300	300	300	300	300
27	Burial Grounds Rolling Programme	925	0	0	0	0	0
62	Breiwick Road, Sea Wall	281	20	0	0	0	0
83	Joint Occupational Therapy Resource Centre	800	1,600	100	0	0	0
35	Social Care Rolling Programme	1,198	0	0	0	0	0
102	Roads Rolling Minor Works & Purchases Air Service	10	0	0	0	0	0
101	Roads Rolling Accident Investigation & Prevention	40	0	0	0	0	0
66	Refurbishment of Play Areas	247	0	0	0	0	0
87	Disability Discrimination Act Works	170	0	0	0	0	0

90	Ferries Capital Rolling Programme	180	0	0	0	0	0
75	Schools ICT Equipment	226	0	0	0	0	0
109	Housing Temporary Accommodation	25	0	0	0	0	0
105	Roads Rolling Roads Drainage Improvements	40	0	0	0	0	0
97	Roads Rolling Bridge Replacements	250	0	0	0	0	0
104	Roads Rolling Road Reconstruction	235	0	0	0	0	0
99	Roads Rolling Streetlighting Replacement	140	0	0	0	0	0
74	PC & LAN Replacement	236	0	0	0	0	0
106	Roads Rolling Crash Barrier Replacement	250	0	0	0	0	0
31	Leog House Replacement		50	240	10	0	0
69	Capital Grants to Voluntary Organisations		375	0	0	0	0
91	Education Capital Maintenance		1,519	0	0	0	0
73	Photocopier Replacement		70	0	0	0	0
71	Shetland Public Sector Network		295	0	0	0	0
107	Housing Chalet Accommodation		14	0	0	0	0
63	Energy Recovery Plant		110	230	292	420	0
86	Copper Pipework Replacement		200	0	0	0	0
111	Ports & Harbours Nav Aids		70	0	0	0	0
103	Roads Rolling Minor Works & Purchases Bus Service		40	0	0	0	0
96	Roads Rolling Development Related		50	0	0	0	0
81	Ness of Sound Farm		50	0	0	0	0
88	Energy Conservation		69	0	0	0	0
29	Replacement Workshop Mid Yell		170	10	0	0	0
79	Urgent Repairs to Ferry Terminals		265	0	0	0	0
93	Fetlar Breakwater & Small Craft		400	1,500	170	0	0
33	Baltasound Library		130	13	0	0	0
100	Roads Rolling Traffic Management		50	0	0	0	0
32	Public Toilets Rolling Programme		100	100	100	100	100
68	Water Based Facilities		500	0	0	0	0
95	Roads Rolling Minor Works & Purchases		50	0	0	0	0
11	Education MIS - ICT project		100	0	0	0	0
98	Roads Rolling Footways		100	0	0	0	0
30	Recladding Gremista Workshop		415	0	0	0	0
89	Vehicle & Plant Replacement Programme		1,000	0	0	0	0
17	Papa Stour Road		350	50	0	0	0
14	Germatwatt Footways, Walls		700	100	0	0	0
82	Walls Pier		150	2,800	200	0	0

20	A970 Scord to School Scalloway		35	0	0	0	0
108	Housing Staff Accommodation		15	0	0	0	0
2	Happyhansel School Accommodation		50	500	50	0	0
6	Scalloway JHS - Science Block		250	40	0	0	0
80	Office Accom Review - LK Fire Station		350	240	10	0	0
21	Murrister Replacement Building		130	20	0	0	0
53	A9071 Bixter to Aith		150	1,500	20	0	0
78	Conservation Grant Programme		70	0	0	0	0
85	Lystina House & Town Hall Stonework		70	300	15	0	0
110	Ports & Harbours Plant & Equipment		70	0	0	0	0
25	Sellaness Pier		397	3,985	182	0	0
64	Burial Grounds/Ancient Monuments		78	300	20	0	0
92	Landfill Phase 2		400	3,600	255	0	0
8	AHS - Hostel		1,391	3,000	3,000	2,000	400
84	Town Hall Works (Internal)		52	280	20	0	0
52	Bridge Inspection Walkways		155	0	0	0	0
50	Blacksness Pier		0	0	0	94	2,965
Sub Total of Known Expenditure		20,018	22,867	31,798	13,257	5,314	4,415
Estimate of Funding to Replace Rolling Programmes			7,697	7,504	6,889	6,568	6,182
Total Estimate of Expenditure			30,564	39,302	20,146	11,882	10,597
Budget Currently Available			17,400	15,800	16,900	17,600	17,600
Funding Gap			-13,164	-23,502	-3,246	5,718	7,003

APPENDIX E

Capital Projects to be Completed or Commenced Beyond 2008, Model of Offset Costs on Larger Projects

Ref	Project	2008/09 (Yr1) £000	2009/10 (Yr2) £000	2010/11 (Yr3) £000	2011/12 (Yr4) £000	2012/13 (Yr5) £000	2013/14 (Yr6) £000	2014/15 (Yr7) £000	2015/16 (Yr8) £000	2016/17 (Yr9) £000	2017/18 (Yr10) £000
37	Feasibility Studies	400	400	400	400	400	400				
58	Lerwick Library	88	500	1,900	100	0	0				
26	Cinema and Music Venue	2,000	2,520	85	0	0	0				
4	AHS - ECI	700	0	0	0	0	0				
5	Mid Yell JHS	3,500	4,000	1,850	113	0	0				
7	Sandwick - ASN	500	12	0	0	0	0				
55	Bells Brae Alterations	100	0	0	0	0	0				
36	Care Homes Fire Upgrade	80	350	350	0	0	0				
34	Replacement Esplanade Toilets	352	0	0	0	0	0				
28	Rova Head Reinstatement	1,900	150	0	0	0	0				
13	A971 Haggersta to Cova	695	1,300	5	0	0	0				
15	A970 Oversund Junction	110	0	0	0	0	0				
18	Gilbertson Road Reconstruction	10	0	0	0	0	0				
19	Bressay Link	250	500	8,000	8,000	2,000	250				
22	Uyeasound Pier	2,500	150	0	0	0	0				
68	Water Based Facilities (Marinas)	475	0	0	0	0	0				
38	SSIS Upgrade	64	0	0	0	0	0				
39	IP Phones	150	0	0	0	0	0				
69	Community Organisation Grants	73	0	0	0	0	0				
41	Cunningsburgh Nursery	20	0	0	0	0	0				
42	B9074 Trondra Phase 2	11	0	0	0	0	0				
16	B9081 Mid Yell (Hillend Section)	215	10	0	0	0	0				
65	Knab Dyke	272	0	0	0	0	0				
40	Contingency and Final Accounts	300	300	300	300	300	300				
27	Burial Grounds Rolling Programme	925	0	0	0	0	0				
62	Breiwick Road, Sea Wall	281	20	0	0	0	0				
83	Joint Occupational Therapy Resource Centre	800	1,600	100	0	0	0				
35	Social Care Rolling Programme	1,198	0	0	0	0	0				
102	Roads Rolling Minor Works & Purchases Air Service	10	0	0	0	0	0				
101	Roads Rolling Accident Investigation & Prevention	40	0	0	0	0	0				
66	Refurbishment of Play Areas	247	0	0	0	0	0				

87	Disability Discrimination Act Works	170	0	0	0	0	0				
90	Ferries Capital Rolling Programme	180	0	0	0	0	0				
75	Schools ICT Equipment	226	0	0	0	0	0				
109	Housing Temporary Accommodation	25	0	0	0	0	0				
105	Roads Rolling Roads Drainage Improvements	40	0	0	0	0	0				
97	Roads Rolling Bridge Replacements	250	0	0	0	0	0				
104	Roads Rolling Road Reconstruction	235	0	0	0	0	0				
99	Roads Rolling Streetlighting Replacement	140	0	0	0	0	0				
74	PC & LAN Replacement	236	0	0	0	0	0				
106	Roads Rolling Crash Barrier Replacement	250	0	0	0	0	0				
31	Leog House Replacement		50	240	10	0	0				
69	Capital Grants to Voluntary Organisations		375	0	0	0	0				
91	Education Capital Maintenance		1,519	0	0	0	0				
73	Photocopier Replacement		70	0	0	0	0				
71	Shetland Public Sector Network		295	0	0	0	0				
107	Housing Chalet Accommodation		14	0	0	0	0				
63	Energy Recovery Plant		110	230	292	420	0				
86	Copper Pipework Replacement		200	0	0	0	0				
111	Ports & Harbours Nav Aids		70								
103	Roads Rolling Minor Works & Purchases Bus Service		40	0	0	0	0				
96	Roads Rolling Development Related		50	0	0	0	0				
81	Ness of Sound Farm		50	0	0	0	0				
88	Energy Conservation		69	0	0	0	0				
29	Replacement Workshop Mid Yell		170	10	0	0	0				
79	Urgent Repairs to Ferry Terminals		265	0	0	0	0				
93	Fetlar Breakwater & Small Craft		400	1,500	170	0	0				
33	Baltasound Library		130	13	0	0	0				
100	Roads Rolling Traffic Management		50	0	0	0	0				
32	Public Toilets Rolling Programme		100	100	100	100	100				
68	Water Based Facilities		500	0	0	0	0				
95	Roads Rolling Minor Works & Purchases		50	0	0	0	0				
11	Education MIS - ICT project		100	0	0	0	0				
98	Roads Rolling Footways		100	0	0	0	0				
30	Recladding Gremista Workshop		415	0	0	0	0				
89	Vehicle & Plant Replacement Programme		1,000	0	0	0	0				
17	Papa Stour Road		350	50	0	0	0				
14	Germatwatt Footways, Walls		700	100	0	0	0				

82	Walls Pier		150	2,800	200	0	0				
20	A970 Scord to School Scalloway		35	0	0	0	0				
108	Housing Staff Accommodation		15	0	0	0	0				
2	Happyhansel School Accommodation		50	500	50	0	0				
6	Scalloway JHS - Science Block		250	40	0	0	0				
80	Office Accom Review - LK Fire Station		350	240	10	0	0				
21	Murrister Replacement Building		130	20	0	0	0				
53	A9071 Bixter to Aith		150	1,500	20	0	0				
78	Conservation Grant Programme		70	0	0	0	0				
85	Lystina House & Town Hall Stonework		70	300	15	0	0				
110	Ports & Harbours Plant & Equipment		70								
25	Sellaness Pier		397	3,985	182	0	0				
64	Burial Grounds/Ancient Monuments		78	300	20	0	0				
92	Landfill Phase 2		400	3,600	255	0	0				
8	AHS - Hostel		1,391	3,000	3,000	2,000	400				
84	Town Hall Works (Internal)		52	280	20	0	0				
52	Bridge Inspection Walkways		155	0	0	0	0				
50	Blacksness Pier		0	0	0	94	2,965				
Sub Total of Known Expenditure		20,018	22,867	31,798	13,257	5,314	4,415	0	0	0	0
Estimate of Funding to Replace Rolling Programmes		0	7,697	7,504	6,889	6,568	6,182	6,182	6,182	6,182	6,182
Total Estimate of Required Expenditure		20,018	30,564	39,302	20,146	11,882	10,597	6,182	6,182	6,182	6,182
Original Budget Available		17,400	15,800	16,900	17,600	17,600	17,600	17,600	17,600	17,600	17,600
Required Budget		20,018	30,564	39,302	20,146	13,600	13,600	13,600	13,600	13,600	13,600
Amount to be Offset in Future Years as a Result		2,618	14,764	22,402				39,784			
Total to be offset at £4m p.a (as an example)											
Amount Available for any Other Project		0	0	0	0	1,718	3,003	7,418	7,418	7,418	7,418



REPORT

**To: Executive Committee
Shetland Islands Council**

**31 January 2008
7 February 2008**

From: Head of Housing and Capital Programme Service (CPS)

Report No: CPS-03-08-F

Subject: Programming of Prioritised Capital Projects

1.0 Introduction

- 1.1 In December 2006 the Council agreed the prioritisation of existing capital projects for future programming (Min ref. 195/06).
- 1.2 In accordance with the designated priority, this report seeks to recommend and advise the Council on the programming of those projects with the resources available.
- 1.3 For the purposes of programming, this report asks Members to confirm the programme for the next financial year and the outline for future years.
- 1.4 The Council already accepts all of the projects within this report on to the existing capital programme. Therefore, this report is not seeking to exclude any project. With a practical limit on the resources available, the aim is to determine what can be progressed in the next financial year 2008/09 and the implications for the programme beyond 2009.

2.0 Links to Council Priorities

- 2.1 The proposals within this report will link to the Council's corporate plan by enhancement of skills development and learning.
- 2.2 Section 2 of the corporate plan requires the council to organise its business and administration to make sure the Community and Corporate plans are implemented by finances, consistent planning and action, performance management and communication.

3.0 Issues Relating to the Council's Larger Projects and the Capital Programme

- 3.1 While there are outline dates for planning purposes, the actual start and finish dates for some of the Council's larger projects (£7m +) are not yet confirmed and so they are at various stages of design. As a natural consequence the Council will be in a position to control the release of the actual contract once designs and tenders are completed. Without proper planning the entire programme will be compromised.
- 3.2 The release of these larger projects, in particular the new Anderson High School (AHS) will critically affect the local construction market. This is discussed further in 3.3 below. Local contractors remain in a position to win a significant share of sub contracts associated with the AHS. Therefore the final release of these contracts will have to be managed in detail to maximise the potential for local contractors and to minimise the risk to them.
- 3.3 As a consequence, there will be many options available to the Council to ensure that local contractors are not disadvantaged. With this in mind, it is proposed that the necessary detailed programming be subject to future decisions of the Council, to meet prevailing circumstances when those particular projects are ready to contractually proceed. In the meantime, the programme beyond 2008/09 has to reflect the variable nature of the determining factors.
- 3.4 At the risk of stating the obvious, members should be absolutely clear that, it will be necessary to critically evaluate, the existing programme and existing financial policy in order to provide funding for the new AHS when the ECI process is completed. As progression of the new AHS will require an increased draw on reserves, the amounts available for other projects into the future will be reduced. This will inevitably have an impact on the existing programme and all other projects into the future. The permutations around the AHS are multiple and complex and so will need to be the subject of a further detailed report and recommendations when all parameters are better known.
- 3.5 It is not known at this stage how much work the local construction market will be able to secure on the Council's largest projects. Naturally, local industry, employment and the overall economy are dependent on local companies securing work in a competitive environment. Unless the Council tailors the programme to suit the prevailing capacity of the construction industry, there would be a detrimental impact on the economy. Therefore, it is recommend that the programme is closely monitored and adjusted to ensure that negative effects on local industry are minimised.
- 3.6 At the same time it would be impractical to place all other projects on hold until the detailed design of the AHS is completed. Therefore, the remainder of this report deals with all other projects in the full and certain knowledge that some adjustment will be required at some point to accommodate the new AHS.

4.0 Capital Programme 2008/09

- 4.1 All new projects requiring prioritisation into the future will be subject to the Capital Programme Review Team (CPRT) process (Min ref. 141/06). Projects that come through this process in the future will be scored and ranked alongside remaining projects for Members to consider into the future. This process is currently under review by a Member Officer Working Group (MOWG).
- 4.2 There are capital projects relating to the Housing Revenue Account (HRA), which are ring fenced for a particular purpose. The ring fencing for specific education projects has been removed by the Scottish Government funding allocation. In practical terms this means all funding on the schools estate must now be met from within council resources. This compounds the problems discussed later in 4.8. A summary of remaining ring fenced capital expenditure (proposed) is attached as *Appendix A*.
- 4.3 Ring fencing arises when the money available cannot be spent on anything else other than the project/s specified. In the case of the HRA, this money is recovered through tenant's rents and so cannot be used for any other purpose across the Council.
- 4.4 Unlike the rest of the Council's activities the HRA capital programme is subject to the prudential borrowing regime. As a consequence the figures for the HRA are indicative only at this stage and will have to be re-affirmed when the outturn figures for 2007/08 are known.
- 4.5 *Appendix B* lists all of the uncommitted Capital Projects in their priority order as presented to CPRT and recommended to Executive Committee and the Council.
- 4.6 The recent introduction of a prioritised list of projects means that this is a transitional period where a lot of projects remain partly completed. The amount needed to complete the projects that are committed is £14.56m.
- 4.7 It is anticipated that some projects planned for 2007/08 but uncompleted will remain committed expenditure in 2008/09. Thus, the amount available for projects in 2008/09 (£20m) will have to be reduced by a corresponding amount to complete the projects already committed. A further £1.1m (min) slippage from 2007/08 can be rolled forward into 2008/09. This would have the effect of increasing the amount available for the capital programme to £21.1m in 2008/09.
- 4.8 This presents a problem in that, there still remains insufficient money to meet the council's existing commitments on one off projects (£14.56M) and fully fund rolling programmes across the Council's services. Also as can be seen on *Appendix B*, once considered in their own right, some projects within rolling programmes score lower than one off projects. In practice this would mean creating new assets before investing in existing assets.

- 4.9 Rolling programmes are intended to protect and maintain the Council's core assets. Thus, if investment in existing assets is neglected and the problem goes unchecked the Council could be in a position of continually adding assets and at the same time failing to properly invest in its existing assets. Clearly, this would have a detrimental impact on service provision and increased revenue implications for the future. This problem would be compounded if further one off projects from the uncommitted list were commenced ahead of rolling programmes.
- 4.10 Further, taking into account the problems identified in 4.8 & 4.9, and following consultation for this report, Heads of Service have identified several projects that are critical to the efficient running and continuation of services. By critical, this is defined as key service provision that would have to stop if funding was not available. The critical nature has so far not been identified as part of the prioritisation process. I would recommend 100% funding of critical projects. These projects are:
- 4.10.1 Shetland Public Sector Network (£295k) – Without this funding there would be no network to plug new computers in to and an enhanced risk of system failures;
 - 4.10.2 Energy Recovery Plant (£110k) – Without this one off investment the waste to energy plant will be unable to operate;
 - 4.10.3 Urgent Repairs to Ferry Terminals (£265k) – Without this investment the integrity of the terminals cannot be maintained;
 - 4.10.4 Ports and Harbours Navigation Aids (£70k) – Without this equipment the safe operating of Sullom Voe cannot be maintained;
 - 4.10.5 Design Works Landfill Phase II (£73k) – Failure to secure the design works will lead to implementation of phase II works and closure of the landfill site following completion of phase I.
- 4.11 It is recommended that the problems identified in 4.8 to 4.10 be taken into account by the MOWG as part of their proposals and recommendations.
- 4.12 In my view the Council should not be in a position of adding assets when it is unable to fund the maintenance of its existing assets or meet its critical investment requirements. In order to allow the continuation of rolling programmes and maintain core assets of the council, it is proposed to take corrective action by allocating the remaining capital budget on a shared pro-rata basis (approximately 72%) towards all rolling programmes across all services. This can be supplemented with any further slippage that occurs between now and the end of the financial year.
- 4.13 It is further proposed that further slippage that naturally occurs in 2008/09 be used in the first instance to supplement rolling programmes up to their full amount in priority order. Thereafter, new projects that add assets can be considered for bringing forward as funding allows.

- 4.14 A summary of the proposed capital programme for 2008/09 is attached as *Appendix C*. Historically, there are always final accounts to be settled, overspends and projects of an emergency or unexpected nature. An allowance has to be made to cover these eventualities. Therefore, this list includes a contingency sum of £220k. This is also to deal with the commencement/ preparation of any high priority projects that may arise. Note: the spending on some projects is spread across more than one year.
- 4.15 Further, if rolling programmes were abolished in whole or in part, many small schemes in rural areas may simply not happen, if they are to be clinically ranked against other schemes, without any mechanism for distributing resources to peripheral areas. This might also be true with any Scottish Government funding if there was no mechanism to secure that allocation.
- 4.16 In accepting that expenditure is required to protect and maintain core assets, I would recommend that all of the projects within rolling programmes beyond 2009 be subject to continued scrutiny as part of the CPRT process. The suggestion is that funding would still be available but would have to be better justified by detailing the spending required in future years. This would make it necessary for all Heads of Service to continue planning their resource requirements beyond March 2009 and submit their proposals for assessment by the CPRT during the later stages of 2008.
- 4.17 The list of Capital Projects still to be completed beyond March 2009 is set out as an example in *Appendix D*. This appendix is intended to demonstrate the financial consequences of the existing project list and the resulting funding gap. This demonstrates that even without the AHS the high volume spending might be undeliverable without the necessary change and management of the process. Some of the figures used are based on estimates and not the approved budgets.
- 4.18 Members should note that the list on *Appendix D* represents the remaining projects as known to us now. Further projects can be expected for addition to this list as the Transport Strategy and other feasibility studies (in particular Social work projects) draw to a close.
- 4.19 It can also be seen from *Appendix D* that the timing of the larger projects mentioned in 3.0 might not be achievable in financial terms without adjustment of expenditure in future years. On top of that, there will also be a physical constraint, as there will be a limit to what the construction sector can cope with at any one time.
- 4.20 If the funding gap was set offset and recovered by spending less in future years a different view can be taken. This type of approach is expressed as an example and model in *Appendix E*. This approach would require further adjustment should local contractors secure work in whole or in part on the larger projects such as the AHS. The inclusion of the AHS would make the funding gap larger.

- 4.21 By offsetting the cost of the larger projects as indicated in *Appendix E*, the programme begins to look more manageable and does allow for the introduction of new projects in future years. The detail and consequences will have to be made known to the Council in the future, to inform any decisions on the release of these larger contracts when actual costs and timings are known. In any event it should be noted that the capital programme is heading for an extended period of constraint.
- 4.22 **The projects highlighted in bold italics on Appendix D and E, are the projects that will have to start beyond 2009 unless additional funding becomes available.** Should there be sufficient slippage in the proposed programme the next project will be brought forward from the original prioritised list once all the resource demands of existing rolling programmes are satisfied.

5 Proposal

- 5.1 It is proposed that Executive Committee and Council:
- 5.1.1 Approve the delivery of the prioritised capital programme as set out in Appendices B and C;
 - 5.1.2 Ensure investment in existing assets by approving recommendations in 4.10 & 4.12;
 - 5.1.3 Ask the MOWG to take identified problems into account and return recommendations to the council;
 - 5.1.4 Note the need to further adjust the capital programme at some point to fund the AHS;
 - 5.1.5 Note the over committed nature of the programme in future years (Appendix D and E) and the need to take corrective action in the future regarding the phasing of the larger projects, moving closer to the model expressed in Appendix E.

6 Financial Implications

- 6.1 The approval of this programme will help to keep expenditure within sustainable limits.

7 Policy and Delegated Authority

- 7.1 The Executive Committee had delegated authority to make decisions on all matters within its remit, and as described in Section 10.0 of the Council's Scheme of Delegations. However, matters relating to the Council's capital programme are referred to Council for decision (Section 8.0 – Scheme of Delegations).

8 Conclusion

- 8.1 The prioritisation and programming of the existing capital projects will greatly assist with the planning and delivery of these works. This should then lead to more economic delivery taking into account the resources available and the prevailing market conditions. The programming will also help local contractors and suppliers to plan their business and training requirements to meet the Council's planned objectives. The current approach should also ensure that the Council's requirements are delivered in an approved order while maintaining existing assets. This should in turn lead to greater effectiveness and promote longer term sustainability. However, the damaging effects of releasing large projects around the same time should be noted and corrective action taken as soon as practicable to do so. The amounts available will fluctuate and so the programme will have to be reviewed and approved in a stepped approach for the future. Care will be needed to balance all of these competing priorities without diminishing the available resources.

9 Recommendations

- 9.1 It is recommended that Executive Committee and Council:
- 9.1.1 Approve the delivery of the prioritised capital programme as set out in Appendices B and C;
 - 9.1.2 Ensure investment in existing assets by approving recommendations in 4.10 & 4.12;
 - 9.1.3 Ask the MOWG to take identified problems into account and return recommendations to the council;
 - 9.1.4 Note the need to further adjust the capital programme at some point to fund the AHS;
 - 9.1.5 Note the over committed nature of the programme in future years (Appendix D and E) and the need to take corrective action in the future regarding the phasing of the larger projects, moving closer to the model expressed in Appendix E.

Our Ref: CPS-03-08-F

Date: 22 January 2008

- Appendix A Summary of Ring Fenced Capital Projects (Proposed) 2008/2009
- Appendix B Capital Projects Listed in their Priority Order
- Appendix C Committed and Proposed Expenditure 2008/09
- Appendix D Capital Projects to be Completed or Commenced Beyond 2009, Model of Constraints
- Appendix E Capital Projects to be Completed or Commenced Beyond 2009, Model of Offset Costs on Larger Projects



REPORT

**To: Executive Committee
Shetland Islands Council**

**31 January 2008
7 February 2008**

From: Head of Capital Programme (CPS) & Housing Services

Report No: CPS-04-08-F

Subject: Progress Report – Capital Programme

1.0 Introduction

- 1.1 This report seeks to advise the Council on the progress of the programme with a view to establishing an overview for all projects.
- 1.2 In December 2006 the Council agreed the prioritisation of the Capital Programme (Min Ref: 195/06).
- 1.3 This report is the second in a series of progress reports to be made to Council on a quarterly basis.

2.0 Links to Council Priorities

- 2.1 The proposals within this report will link to the Council's corporate plan by enhancement of skills development and learning.
- 2.2 Section 2 of the corporate plan requires the Council to organise its business and administration to make sure the Community and Corporate plans are implemented by finances, consistent planning and action, performance management and communication.

3.0 Background

- 3.1 This is the second report of this kind.
- 3.2 The ongoing detailed programming for 2008/09 is subject of another report on the agenda for this meeting

- 3.3 In response to recommendations from Audit and Scrutiny the tables have been broken down by service area. We have also added programme progress and enhanced data within the comments within each project. However this is very much dependant on information provided to Capital Programme Services. In cases where such information is not forthcoming this is highlighted in the appendices.
- 3.4 The management and control of the Capital programme will help to keep expenditure within sustainable limits. Continuation with recommendations would reinforce the best value message and contribute to the change in culture needed to control expenditure.

4.0 Proposal

- 4.1 It is proposed that Members:
- 4.1.1 Note the progress of the current committed projects.

5.0 Financial Implications

- 5.1 There are no direct financial implications arising from this report at this stage.

6.0 Policy and Delegated Authority

- 6.1 The Executive Committee has delegated authority to make decisions on all matters within its remit, as described in Section 10.0 of the Council's Scheme of Delegations.
- 6.2 This report is submitted to the Executive Committee in terms of its remit for financial monitoring, and for them to make comments or recommendations to Council.
- 6.3 However, decisions relating to approval or variation to the Council's Capital Programme requires approval of the Council (Section 8.0 – Scheme of Delegations).

7.0 Conclusion

- 7.1 The ongoing prioritisation of the existing capital projects will greatly assist with the planning and programming of these works. This should then lead to more economic delivery taking into account the resources available and the prevailing market conditions. The programming will also help local contractors and suppliers to plan their business and training requirements to meet the Council's planned objectives.

8.0 Recommendations

8.1 It is recommended that the Council:

8.1.1 Note the progress of the current committed projects.

Our Ref: CM/RS/CPS-04-08-F

Date: 22 January 2008

Enclosed:

Appendix A Capital Programme Progress Report

CAPITAL PROGRAMME - PROGRESS REPORT GENERAL FUND (INCLUDING SCOTTISH EXEC FUNDING)
ECONOMIC DEVELOPMENT

Revised budget		Code	Project	YTD Actual	Contractual estimate	Estimated outturn	Programme Progress	Project Review Comments	Contractors Performance	Comments	Action
Economic Development											
134,609.00		GCD1570	Wind Farm Development	249,163.00						To be transferred to Charitable Trust	
100,000.00	234,609.00	GCD1575	Old Scatness	53,625.00		100,000.00		New Project		Min Ref 87/07	
234,609.00				302,788.00							

CAPITAL PROGRAMME - PROGRESS REPORT GENERAL FUND (INCLUDING SCOTTISH EXEC FUNDING)
EDUCATION & SOCIAL CARE SERVICES

Revised budget	Code	Project	YTD Actual	Contractual estimate	Estimated outturn	Programme Progress	Project Review Comments	Contractors Performance	Comments	Action
Sports & Leisure - Grants & Rolling Programme										
213,000.00	GCJ3006	Grants Rolling Programme	91,735.00	135,000.00	213,000.00		Anticipate Full Spend	N/A	Various applications being processed	
100,000.00	GCJ3016	Islesburgh CC Replace Heating & Ventilation	60,673.00		120,000.00				Spend to Save Min Ref 88/07	
0.00	GCJ3013	NOF-PE Sandwich JHS games Hall	175.00						Minor adjustment	
735,000.00	GCJ3001	Water Based Facilities	20,731.00	705,000.00	23,000.00	Slipped	Funding package reduced by 130K & programme 475K slipped to 08/09	N/A	670K committed to Hamnavoe Marina and 475K slippage to next year	130K saving allocated to prioritised projects.
65,000.00	GCJ3002	Dyke Repairs	45,954.00	47,000.00	65,000.00		Tenders returned and reported to CPRT for budget allocation	N/A	Knab Dyke	Report to SIC 07/02/08 from slippage recommending commencement on site during 07/08 .
215,000.00	GCJ3003	Play Areas	210,863.00	215,000.00	215,000.00	Complete	Sound complete, Gulberwick and Mid Yell complete .		Actual Costs 227K but 12K received from Gulberwick Play Area Assoc.	
300,000.00	GCL4402	Cinema/Music Venue	270,517.00	300,000.00	400,000.00	Design programme on target	Design ongoing, on programme.	N/A	Scottish Arts Council decision anticipated spring 08 (2.1M). Other funding applications made and decision awaited.	Report to be prepared to CPRT on overspend. Overspend due to delay in Arts Council decision - anticipated there would be Arts Council income in 07/08.
100,000.00	GCL4403	Lerwick Library Design Phase	0.00		100,000.00	Design 20%	New Project - Briefing being finalised and procurement documents commenced	N/A	Min Ref 87/07. Design phase only, brief has been developed and design proposals commenced.	Requires approval and prioritisation for construction phase in future years - anticipate 2.4M
1,728,000.00			700,648.00							

Revised budget	Code	Project	YTD Actual	Contractual estimate	Estimated outturn	Programme Progress	Project Review Comments	Contractors Performance	Comments	Action
Education Projects										
0.00	GCE1610	Kitchen Equipment	(5,763.00)						06/07 Accrual	
0.00	GCE1621	Hamnavoe Boiler	0.00		37,000.00	0%, 100% anticipated for year-end	Extra work to be actioned and funded through the Schools Fund		Scottish Exec Schools Fund. To be completed to meet Scottish Exec funding.	Schools Fund Claim Scottish Exec
350,000.00	GCE1626	Cunningsburgh Nursery	58,415.00	310,000.00	360,000.00	95%, 100% anticipated for year-end	Proceeding well, other than overrun	Progress slow, L&A damages applied	Project complete and in defects liability period	Schools Fund Claim Scottish Exec
250,000.00	GCE1627	Bells Brae Alterations	23,405.00	30,000.00	250,000.00	20% currently - up to 70% at end of year, 30% 08/09	Scope reviewed to meet budget constraints		Works started on site. To be complete to meet Scottish Exec funding.	Schools Fund Claim Scottish Exec
49,000.00	GCE1630	Access Audit	14,557.00	50,000.00	65,000.00		Project complete - snagging outstanding		Alterations to Burravoe School - overspend in 07/08 due to contract delay & increased scope	Schools Fund Claim Scottish Exec
10,000.00	GCE1631	Reroofing	0.00		10,000.00		Programmed Jan- Mar 08 - Construction Summer 08		Brae Reroof - Design Work only this year. Budget required next year	Schools Fund Claim Scottish Exec
100,000.00	GCE1633	Technical Machinery Upgrade	0.00		70,000.00	20% but anticipate 100% by year-end	New PM in post to progress project	N/A	Works to be complete this year.	Schools Fund Claim Scottish Exec
0.00	GCE1634	South Nesting Primary	9,645.00		9,645.00		Complete		Late payment not accrued. Minor remedial works carried out by contractor.	Schools Fund Claim Scottish Exec
984,000.00	GCE1304	Anderson High School Replacement	596,455.00	984,000.00	1,850,000.00		Now in early contractor involvement process		Procurement route change and Design & Build Contractor appointed. ECI stage payment greater than current budget	Report prepared for Council
600,000.00	GCE1315	Mid Yell J.H.S.	37,073.00	600,000.00		0%, at design stage	Project redefined following cost reduction exercise	Contract advertised as design and build procurement route	(1M) Slippage	Allocated to prioritised projects. Works to be on site May 08. To be completed Dec 2010.

							New Project/ Extensive survey and design work ongoing. Some projects can not start until better weather or during school holidays. Works addressed thus far include a new boiler for Brae JHS; fire alarm system for the JCH; M&E works to the AHS; replacing the Midgarth Wall; upgrading services systems at Happyhansel Primary School; Bressay Canteen Refurbishment out to Tender.			
795,000.00	GCE1500	Maintenance School Buildings	136,865.00	160,000.00	500,000.00				Min Ref 87/07	May have slippage identified later
0.00	GCE1502	Health & Safety	141.00						Incorrect posting	
0.00	GCE1512	Re-roofing	(8,000.00)		0.00				06/07 Accrual	
0.00	GCE3401	AHS ASN	(2,935.00)		0.00				06/07 Accrual	
589,000.00	GCE3402	Sandwick JHS Add Support Needs	52,191.00	589,000.00		on programme	Cost reduction exercise reduced tender cost		Project to commence on site a.s.a.p.	Programme to be completed October 08
3,727,000.00			912,049.00							

Revised budget	Code	Project	YTD Actual	Contractual estimate	Estimated outturn	Programme Progress	Project Review Comments	Contractors Performance	Comments	Action
Social Care Projects & Rolling Programme										
1,813.00	GCA0120	Special Studies			1,813.00	Recharge	N/A Internal recharge	N/A	YE Recharge	
67,000.00	GCA1000	Special Aids Stock Items	53,033.00	67,000.00	67,000.00		On target	N/A	More funding req 08/09	Increase bid for next year
269,187.00	GCA1001	Specialist Aids	197,421.00	107,857.00	269,187.00		On target	N/A	£100k budget increased within rolling prog	Increase bid for next year
28,000.00	GCA1003	Minor Adaptions	19,930.00	4,846.00	28,000.00		On target	N/A	More funding req 08/09	Increase bid for next year
197,000.00	GCA1004	Major Adaptions	217,285.00	63,660.00	239,902.00		More funding required	N/A	More funding req 08/09	Report to Council 07/02/08 further funding required
91,850.00	GCA1005	Housing Renovations	86,956.00		143,429.00		More funding required	N/A	More funding req 08/09	Report to Council 07/02/08 further funding required
66,000.00	GCA1006	Professional Fees	15,627.00	2,389.00	66,000.00		On target	N/A	More funding req 08/09	Increase bid for next year
19,150.00	GCA1007	Specialist Aids Refurbishment	17,400.00	2,256.00	19,000.00		On target	N/A	More funding req 08/09	Increase bid for next year
24,000.00	GCA0100	Inspection, Health & Safety	11,682.00	14,000.00	24,000.00		Costs need to be transferred from revenue			
20,000.00	GCA0101	Building Fabric	10,399.00	2,354.00	20,000.00		54 small projects including floor finishes, room refurbishments, toilet and fire upgrades to Viewforth; Taing House; Leog; Stanegarth; Stocketgaet; Nordalea; 21-22 Leaside.			
35,000.00	GCA0102	Electrical Sys Upgrade	10,058.00	10,000.00	35,000.00					
15,000.00	GCA0103	Mechanical Sys Upgrade		8,000.00	15,000.00					
20,000.00	GCA0104	Plant Equip Replacements	255.00	9,000.00	20,000.00					
20,000.00	GCA0105	Safety Surfaces	10,224.00	10,000.00	20,000.00					
Projects										
60,000.00	GCA0221	Kantersted Respite Unit	(70,529.00)	153,119.00	60,000.00	Complete	Final A/C being progressed	Contractor not progressing final account timeously	06/07 Accrual	Request figures from Contractor
98,000.00	GCA0231	Care Homes Fire Upgrade	325.00	91,000.00	0.00	Complete	Wastview awarded to DLO (Pilot Scheme complete Jan 08, programme on remainder to be decided for 08/09)		Anticipate completion Dec 07	Further funds required 08/09 and total of 150K needs to be charged to CT
1,000.00	GCG0232	Leog Replacement	0.00	0.00	0.00		Project delayed.		(299K) Slippage	Allocated to prioritised projects.
1,033,000.00			580,066.00							

CAPITAL PROGRAMME - PROGRESS REPORT GENERAL FUND (INCLUDING SCOTTISH EXEC FUNDING)
EXECUTIVE SERVICES

Revised budget	Code	Project	YTD Actual	Contractual estimate	Estimated outturn	Programme Progress	Project Review Comments	Contractors Performance	Comments	Action
ICT Projects										
280,000.00	GCX4300	PC/Lan Upgrade	232,821.00	280,000.00	280,000.00	Cpml by YE	On Target	N/A		
95,000.00	GCX4301	WAN Upgrade	68,304.00	95,000.00	95,000.00	Cpml by YE	On Target	N/A		
80,000.00	GCX4306	Internet/Public Infrmtn System	17,562.00	80,000.00	80,000.00	Cpml by YE	On Target	N/A		
140,000.00	GCX4310	Decentralised Working	92,680.00	140,000.00	140,000.00	Cpml by YE	On Target	N/A		
100,000.00	GCX4311	SSIS Upgrade	(4,488.00)	100,000.00	64,750.00	Slippage		N/A	Slippage identified £32,250	Use slippage to fund new projects
160,000.00	GCX4312	Computers for Schools	159,620.00	160,000.00	160,000.00	Cpml by YE	On Target	N/A		
17,000.00	GCX4314	Ferry Ticketing System	0.00	17,000.00	17,000.00	Cpml by YE	On Target	N/A		
250,000.00	GCX4315	IP Phones	74,136.00	250,000.00	100,000.00	Slippage		N/A	Slippage identified £150,000	Use slippage to fund new projects
17,000.00	GCX4316	AHS Computers	11,931.00	17,000.00	17,000.00	Cpml by YE	On Target	N/A		
250,000.00	GCX4317	ICT Backup & Recovery Scheme	188,033.00	250,000.00	250,000.00	Cpml by YE	On Target	N/A		
75,000.00	GCX4319	LV/MV Photocopiers	32,275.00	75,000.00	75,000.00	Cpml by YE	On Target	N/A		
70,000.00	GCX4320	SSDN Infrastructure Project	62,832.00	70,000.00	70,000.00	Cpml by YE	On Target	N/A		
90,000.00	GCX4321	Risk Management System	5,184.00	90,000.00	90,000.00	Cpml by YE	On Target	N/A		
1,624,000.00			940,890.00							

Revised budget	Code	Project	YTD Actual	Contractual estimate	Estimated outturn	Programme Progress	Project Review Comments	Contractors Performance	Comments	Action
Legal & Administration Rolling Programme										
200,000.00	GCB6001	Copper Pipework Replacement	83,120.00	60,000.00	100,000.00		Less work carried out than anticipated due restricted working periods - school holidays			100k slippage to be identified to CPRT
669,000.00	GCB6002	Office Accommodation Strategy	213,458.00	600,000.00	269,000.00		Works on the former fire station were proposed to be funded from this buget but that project is not at a stage where it is able to commence in the current year.			approx 400k slippage to be identified and reported to CPRT
170,000.00	GCB6004	DDA Access Audit Construction	61,850.00	35,000.00	160,000.00		Estimate spend of £160k by year end - subject to to works being carried out at Hayfield House			10k slippage to be identified to CPRT
37,000.00	GCB6006	Ness of Sound Farm	28,643.00	37,000.00	37,000.00		Works progressing with no problems			
250,000.00	GCB6008	Purchase Quendale House	0.00	250,000.00	250,000.00		Asset & Property progressing. Anticipate full spend during 07/08		Spend to Save Min Ref 88/07	
40,000.00	GCB6009	Old Library Reinforce Flat Roof	0.00		40,000.00		Building Services progressing		40K required and allocated - Min Ref 131/07 - however no funds available at that time	Further funding identified for full council 07/02.
1,366,000.00			387,071.00							

Revised budget	Code	Project	YTD Actual	Contractual estimate	Estimated outturn	Programme Progress	Project Review Comments	Contractors Performance	Comments	Action
Housing Projects										
64,997.00	GCH3100	Staff Accommodation	3,495.00		64,997.00				Additional spend identified	Progress to complete 03/08
29,000.00	GCH3102	Chalets	525.00		29,000.00				Additional spend identified	Progress to complete 03/08
20,000.00	GCH3110	JSAP	7,528.00		20,000.00					
65,000.00	GCH3120	Homelessness Housing	42,837.00	41,844.00	65,000.00				Additional spend identified	Progress to complete 03/08
8,003.00	GCH3200	Housing			8,003.00					
187,000.00			54,385.00							

Revised budget	Code	Project	YTD Actual	Contractual estimate	Estimated outturn	Programme Progress	Project Review Comments	Contractors Performance	Comments	Action
Housing & Capital Programme Services Rolling Programmes										
331,000.00	GCK2000	Feasibility Studies: Overall	22,632.00	331,000.00	331,000.00	Some studies delayed	Over subscribed, but some studies unlikely to go ahead this year. Recharges to be applied to budget at year end. Spend will increase.	N/A	Further funding needed to cover project & fees next year	Increase bid for 08/09
170,000.00	GCK2001	CCTV System Lerwick	0.00	179,000.00	250,000.00	Tender Stage	Tenders received 179K + Planning approved Jan 07	N/A	Additional funding identified from Scottish Executive	Further Scottish Exec funding identified within Infrastructure - to be transferred to capital
501,000.00			22,632.00							

CAPITAL PROGRAMME - PROGRESS REPORT GENERAL FUND (INCLUDING SCOTTISH EXEC FUNDING)
HOUSING REVENUE ACCOUNT

Revised budget	Code	Project	YTD Actual	Contractual estimate	Estimated outturn	Programme Progress	Project Review Comments	Contractors Performance	Comments	Action
		Housing								
1,656,069.00	HCH3303	Land/Property Acq	194,404.00	104,000.00	1,656,069.00			n/a	Purchase of former SIC housing	Monitor housing market
210,000.00	HCH3404	Environmental Improvements.	269,871.00		330,000.00	90%		satisfactory	Engineer submit breakdown	Possible virement
125,000.00	HCH3512	Community Care Projects	24,636.00	10,000.00	60,000.00	100%			No further projects identified	
	HCH3516	Lerwick Internals Phase 1	(6,548.00)							
25,000.00	HCH3525	Feasibility Studies HRA	3,411.00		25,000.00				4 feasibilities current	To progress these to 100%
150,000.00	HCH3526	Opportunity Conversions	75,026.00	67,000.00	90,000.00	100%		satisfactory		Await Midlea decision
500,000.00	HCH3711	Housing Quality Standard	0.00		200,000.00		Anticipate possible underspend		Savings likely to be used in other areas	Virements to be made
120,000.00	HCH3712	Retentions/Final Accounts	0.00		120,000.00					
5,000.00	HCH3700	Tenants Rights Compensation	0.00		5,000.00					None required
0.00	HCH3704	Pump Prime	32,010.00							
30,000.00	HCH3706	Heating Replacement Program	0.00		30,000.00				Tender due accept 03/08	Advertise and tender
200,000.00	HCH3708	External Re-Render Programme	44,695.00		110,000.00				New tender accepted	Start Feb 08
530,000.00	HCH3709	Landward Crudens	315,886.00		415,000.00	85%			Scalloway almost completed	
450,000.00	HCH3710	Lerwick Crudens	16,570.00		50,000.00				Awaiting Planning consent	
100,932.00	HCH3800	Cap Rec/Sale Council Hs	11,518.00		100,932.00					
	HCH3801	Capital Receipt - Sale of Land								
4,102,001.00			981,479.00							

CAPITAL PROGRAMME - PROGRESS REPORT GENERAL FUND (INCLUDING SCOTTISH EXEC FUNDING)
INFRASTRUCTURE SERVICES

Revised budget	Code	Project	YTD Actual	Contractual estimate	Estimated outturn	Programme Progress	Project Review Comments	Contractors Performance	Comments	Action
Environment - General Rolling Programme										
33,000.00	GCY9006	Energy Conservation	(2,925.00)	33,000.00	33,000.00	No report				
100,000.00	GCY9016	Public Toilet Rolling Programme	0.00		100,000.00	No report	New Project		Min Ref 87/07	
265,000.00	GCY9019	Architectural Heritage Programme	265,000.00	265,000.00	265,000.00	No report				
20,000.00	GCY9030	Replace Power Distribution Gremista	14,515.00		20,000.00	No report	New Project		Min Ref 87/07	
418,000.00			276,590.00							

Revised budget	Code	Project	YTD Actual	Contractual estimate	Estimated outturn	Programme Progress	Project Review Comments	Contractors Performance	Comments	Action
Reserve Fund Grants										
80,000.00	GCY9011	Reserve Fund Property Grants	15,154.00	80,000.00	80,000.00	No report	New Project		Min Ref 87/07	
80,000.00			15,154.00							

Revised budget	Code	Project	YTD Actual	Contractual estimate	Estimated outturn	Programme Progress	Project Review Comments	Contractors Performance	Comments	Action
Private Sector Housing Grants										
918,000.00	GCY9015	Private Sector Housing Grants	871,088.00		918,000.00	No report				
918,000.00			871,088.00							

Revised budget	Code	Project	YTD Actual	Contractual estimate	Estimated outturn	Programme Progress	Project Review Comments	Contractors Performance	Comments	Action
Environmental Projects										
0.00	GCY5108	Landfill	140,460.00						Payment not accrued	Report to CPRT required
140,000.00	GCY5114	South Whiteness Burial Ground	171,397.00		137,988.00	No report	Additional costs reported CPRT and spend profile amended		153K required and allocated over programme. Min Ref 131/07 - however no funds available at that time.	Check with BRO spend to date greater than anticipated outturn?
7,500.00	GCY5116	Tingwall Burial Ground	8,728.00		7,500.00	No report	Ditto		Ditto	Allocate slippage when identified.
28,500.00	GCY5120	Dunrossness Burial Ground	0.00		28,495.00	No report	Ditto		Ditto	Ditto
40,000.00	GCY5121	Fetlar Burial Ground	7,146.00		40,000.00	No report	Ditto		Ditto	Ditto
14,500.00	GCY5122	Bigton Burial Ground	17,703.00		14,406.00	No report	Ditto		Ditto	Ditto GCY5114 above
174,000.00	GCY5123	Lund Burial Ground	181,647.00		170,357.00	No report	Ditto		Ditto	Allocate slippage when identified.
13,500.00	GCY5124	Bixter Burial Ground	9,847.00		13,500.00	No report	Ditto		Ditto	Ditto
34,000.00	GCY5125	Voe Burial Ground	11,300.00		32,000.00	No report	Ditto		Ditto	Ditto
9,500.00	GCY5126	Muckle Roe Burial Ground	21,016.00		9,500.00	No report	Ditto		Ditto	Ditto
6,500.00	GCY5127	Skerries Burial Ground	0.00		6,500.00	No report	Ditto		Ditto	Ditto
98,000.00	GCY5129	Energy Recovery Plant Update Works	54,529.00		98,000.00	No report			98K required and allocated Min Ref 131/07 - however no funds	Allocate slippage when identified.
50,000.00	GCY5131	Contaminated Land Projects	15,028.00		50,000.00	No report			Scottish Exec Funding	
350,000.00	GCY5132	Esplanade Toilets	26,852.00		50,000.00	Tenders out January, back February, start on site March. Works to be completed 2008/09.				
2,000,000.00	GCY5133	Rova Head Reinstatement	728,353.00		2,000,000.00	No report	Project reprofiled		(1M) Slippage	Allocated to prioritised projects.
30,000.00	GCY5400	Local Air Quality Management	109.00		30,000.00	No report				

430,000.00	GCY5501	Recladding Gremista Workshop	0.00		430,000.00	Slippage identified project now budgeted for future years	New Project		Min Ref 87/07	
75,000.00	GCY5502	Fire Alarm & Emergency Lighting Upgrade	60,624.00		75,000.00	Projects complete and in service at Janet Courtney Hostel; Isburgh House; Bruce Hostel; FE College Gremista; Town Hall; Lystina House. All ex- ADT sytems.			Spend to Save Min Ref 88/07	
Environmental Projects cont										
Revised budget	Code	Project	YTD Actual	Contractual estimate	Estimated outturn	Programme Progress	Project Review Comments	Contractors Performance	Comments	Action
100,000.00	GCY5503	Building Management Systems (6 Schools)	54,658.00		100,000.00	Works on site and at commissioning stage at Aith JHS, Brae High School, Islesburgh House, Islesburgh Community Centre, Urafirth School, Whalsay School, Scalloway JHS, Sandwich JHS			Spend to Save Min Ref 88/07	
3,601,000.00			1,509,397.00							

Revised budget	Code	Project	YTD Actual	Contractual estimate	Estimated outturn	Programme Progress	Project Review Comments	Contractors Performance	Comments	Action
Roads Rolling Programme										
25,365.00	GCY6000	Roads Rolling Programme	0.00		25,365.00	No report	Project recharge at year end			
243,000.00	GCY9200	Minor Works, Roads	48,372.00		138,042.00	No report			Adjustments but overall budgets are still within programme	
195,000.00	GCY9201	Development Related Roads	16,681.00		34,438.00	No report			Ditto above	
183,000.00	GCY9202	Bridge Replacements	79,284.00		158,714.00	No report			Ditto above	
194,000.00	GCY9203	Footways & Streetlighting	208,566.00		391,872.00	No report			Ditto above	
49,000.00	GCY9204	Street Lighting Replacements	22,607.00		61,504.00	No report			Ditto above	
20,000.00	GCY9205	Plant Purchases	0.00		0.00	No report			Ditto above	
48,000.00	GCY9206	Traffic Management	15,798.00		67,466.00	No report			Ditto above	
49,000.00	GCY9207	AIP	98,335.00		118,335.00	No report			Ditto above	
19,000.00	GCY9208	Minor - Airstrips	263.00		19,000.00	No report			Ditto above	
49,000.00	GCY9209	Minor Works & Purchases, Bus Services	46,765.00		49,000.00	No report			Ditto above	
230,635.00	GCY9210	Road Reconstruction	221,559.00		241,264.00	No report			Ditto above	
1,305,000.00			758,230.00							

Revised budget	Code	Project	YTD Actual	Contractual estimate	Estimated outturn	Programme Progress	Project Review Comments	Contractors Performance	Comments	Action
Roads Projects										
200,000.00	GCY6106	Haggersta A971	2,045.00		50,000.00	No report	Land purchase problem		(595K) Slippage	Allocated to prioritised projects.
30,000.00	GCY6112	Setter Hill to Brook Point	6,748.00		10,000.00	No report	Possible slippage			

111,000.00	GCY6116	B9074 Trondra Phase 2	61,169.00		111,000.00	No report	Additional unforeseen costs reported CPRT		100K required and allocated Min Ref 131/07 - however no funds available at that time.	Reported to CPRT to Council 07/02/08
0.00	GCY6118	Germatwatt Footways	1,914.00			No report	No Budget			BRO to advise
540,000.00	GCY6120	A970 Oversund Junction	116,748.00		490,000.00	No report	Increased scope		Additional 140K - Min Ref 87/07	
10,000.00	GCY6121	B9081 Mid Yell Link to A968	0.00		10,000.00	No report				Report to CPRT required?
482,000.00	GCY6123	Gilbertson Road	448,761.00		482,000.00	No report	Full budget requirement not identified at 07/08 bid exercise			Report to CPRT required
400,000.00	GCY6201	Bressay Link	139,319.00		400,000.00	No report	Projected delayed		(100K) to Transport Strategy	
0.00	GCY6298	Advance Design of Schemes	46.00			No report	No Budget			
205,000.00	GCY6401	Scord Quarry Plant Purchase	0.00		205,000.00	No report				
250,000.00	GCY6402	Scord Quarry Crusher	0.00		0.00	Project Cancelled	Project Cancelled	N/A	Min Ref 87/07	Allocate funds elsewhere
0.00	GCY6403	Mid Yell Workshop	0.00		25,000.00	No report	Project reprofiled		(155K) Slippage	Reinstate 25K of Funds
2,228,000.00			776,750.00							

Revised budget	Code	Project	YTD Actual	Contractual estimate	Estimated outturn	Programme Progress	Project Review Comments	Contractors Performance	Comments	Action
Transport Rolling Programme										
1,246,000.00	GCY7254	Transport - Vehicle and Plant Replacement	422,531.00	422,531.00	1,105,440.00	No report				
1,246,000.00			422,531.00							

Revised budget	Code	Project	YTD Actual	Contractual estimate	Estimated outturn	Programme Progress	Project Review Comments	Contractors Performance	Comments	Action
Transport Projects										
0.00	GCY7203	Sumburgh Runway Extension	513.00			Complete	Ongoing involvement due to remedials		Additional work required	Reported to CPRT to Council 07/02/08
260,000.00	GCY7205	Purchase 2 Low Floor Buses	252,556.00	252,556.00	252,556.00	Complete	Buses in operation	N/A	Spend to Save Min Ref 88/07	Balance back to StoS
75,000.00	GCY7210	Shetland Transport Strategy	0.00		75,000.00	Not committed	This project is required in 2008/09		Money reallocated to STP	
335,000.00			253,069.00							

Revised budget	Code	Project	YTD Actual	Contractual estimate	Estimated outturn	Programme Progress	Project Review Comments	Contractors Performance	Comments	Action
Planning Rolling Programme										
70,000.00	GCY9010	Conservation Grants	5,000.00		70,000.00	No report				
70,000.00			5,000.00							

Revised budget	Code	Project	YTD Actual	Contractual estimate	Estimated outturn	Programme Progress	Project Review Comments	Contractors Performance	Comments	Action
Planning Projects										
50,000.00	GCY8400	Water Meters & Waste Control Measures	30,315.00		50,000.00	No report	Project scope increased - more sites added		Spend to Save Min Ref 88/07	
25,000.00	GCY8401	Wind Turbines at 4 Schools	0.00		0.00	No report	Project scope decreased		Spend to Save Min Ref 88/07	Allocate balance of funds to other projects
60,000.00	GCY8402	Install District Heating 4 Buildings in Lerwick	4,845.00		60,000.00	No report			Spend to Save Min Ref 88/07	
135,000.00			35,160.00							

Revised budget	Code	Project	YTD Actual	Contractual estimate	Estimated outturn	Programme Progress	Project Review Comments	Contractors Performance	Comments	Action
Ferry Operations										

116,000.00	GCY7601	Ferries Rolling Programme	60,541.00	46,000.00	116,000.00	No report	Anticipate full spend by year end		Project is on target	
116,000.00			60,541.00							

Revised budget	Code	Project	YTD Actual	Contractual estimate	Estimated outturn	Programme Progress	Project Review Comments	Contractors Performance	Comments	Action
Ferry Terminal & Replacement Programme										
0.00	GCY7605	Fetlar Ferry Terminal	(10,668.00)			Complete	Complete		VAT receipts from suppliers	Reported to CPRT to Council 07/02/08
0.00	GCY7606	Papa Stour Terminals	14,623.00			Budget adjusted through CPRT	Complete		Reported to CPRT	Reported to CPRT to Council 07/02/08
	GCY7625	Foula Dredging	0.00			No report				
516,000.00	GCY7626	Ferry Terminal Structural Improvements	420,112.00	509,654.00	516,000.00	No report			Project is on target	
516,000.00			424,067.00							

Revised budget	Code	Project	YTD Actual	Contractual estimate	Estimated outturn	Programme Progress	Project Review Comments	Contractors Performance	Comments	Action
Shetland Transport Partnership										
10,677.00	GCY7504	Ulstal Marshalling Area Signs	0.00	(857.00)	0.00		Issues resolved at no cost	N/A	Scot Exec Funding	
1,068.00	GCY7505	Ulstal Marshalling Area Grid	0.00		0.00		Issues resolved at no cost	N/A		
50,000.00	GCY7508	FS Ext Links OD Survey	3,374.00	25,000.00	25,000.00	Ongoing	Project requires to run for a full year for meaningful results - started late due to staff resource issues	N/A		
10,000.00	GCY7509	Fetlar Issues Study	8,650.00	12,000.00	12,000.00	Completed	Workload greater than estimate	N/A		
25,000.00	GCY7510	FS South Mouth Study	0.00	0.00	0.00		Work has been carried out internally - further report to be prepared to CPRT	N/A		
15,000.00	GCY7511	FS CT/DRT Audit & Implementation	270.00	0.00	0.00		Work is not now going ahead - has been dealt with by another method	N/A		
50,000.00	GCY7512	FS Inter Island Service Study	53,000.00	53,000.00	53,000.00	Will be completed by year end	Some additional work has been required	N/A		
10,000.00	GCY7513	FS Initiate SIC/ZPT Travel PI	10,956.00	11,000.00	11,000.00	Completed	1k overspend	N/A		
16,719.00	GCY7514	FS Minor Projects	15,607.00	15,800.00	15,800.00	Completed		N/A		
75,000.00	GCY7550	Commission Study into Tunnel	33,437.00	75,000.00	75,000.00	Will be completed by year end	Proposed to be funded by ZETRANS Capital Programme			
50,000.00	GCY7551	STAG 2 Whalsay Study	23,713.00	65,000.00	65,000.00	Will be completed by year end	Overspend of 15k			
100,000.00	GCY7552	Bluemull STAG for Ferries/Terminals	1,000.00	25,000.00	25,000.00	Started late - will be completed in 2008/09	75k required in 08/09			
100,000.00	GCY7553	Stag for Bressay Link Options	12,196.00	100,000.00	100,000.00	Anticipate completion by year end				
513,464.00			162,203.00							

CAPITAL PROGRAMME - PROGRESS REPORT GENERAL FUND (INCLUDING SCOTTISH EXEC FUNDING)
 PORTS & HARBOURS (RESERVE FUND)

Revised budget	Code	Project	YTD Actual	Contractual estimate	Estimated outturn	Programme Progress	Project Review Comments	Contractors Performance	Comments	Action
		Port Operations								
25,000.00	RCM2208	Scalloway Dredging Consents	570.00	25,000.00	25,000.00	Work on consents underway	Budget to be fully utilised this year in feasibility and obtaining consents	n/a	Reported to CPRT - Min ref 131/07 - however budget moved from RCM2313	No further action required
32,000.00	RCM2309	Peerie Dock, Symbister	0.00	32,000.00	0.00	Delayed	Project delayed due to planning issues		Planning issues prevent project from going ahead 07/08	Slippage to RCM2312 07/08 Budget required for 08/09
280,000.00	RCM2312	Scalloway Oil Support	183,887.00	228,000.00	228,000.00		Budget to be fully utilised this year		Project will be completed by year end	Funding from RCM2309
463,962.00	RCM2313	Tugs for Sellaness	24,046.00		350,000.00		Budget to be fully utilised this year			
1,200,000.00	RCM2314	Uyeasound Harbour Development	34,810.00	2.79m	550,000.00	Contract awarded, planned start February	New Project		Project on schedule and within budget	
2,000,962.00			243,313.00							

CAPITAL PROGRAMME - PROGRESS REPORT GENERAL FUND (INCLUDING SCOTTISH EXEC FUNDING)
 PORTS & HARBOURS (HARBOUR ACCOUNT)

Revised budget	Code	Project	YTD Actual	Contractual estimate	Estimated outturn	Programme Progress	Project Review Comments	Contractors Performance	Comments	Action
		Port Operations								
70,000.00	PCM2101	Plant Vehicles & Equip	33,210.00		70,000.00		Budget to be fully utilised this year			
70,000.00	PCM2104	Nav Aids - Sullom Voe	7,918.00		70,000.00		Ditto above			
70,000.00	PCM2134	Shore Power for Tugs	65,933.00	50,000.00	70,000.00		Ditto above		Spend to Save Min Ref 88/07	
210,000.00			107,061.00							



REPORT

To: **EXECUTIVE COMMITTEE**
SHETLAND ISLANDS COUNCIL

31 January 2008
7 February 2008

From: **Head of Finance**

HOUSING REVENUE ACCOUNT ESTIMATES (HRA) AND CHARGE SETTING – 2008/09

Report No: F-004-F

1.0 Introduction

- 1.1 On 31 October 2007 (min ref. 144/07), the Shetland Islands Council approved the budget strategy to be adopted for the Housing Revenue Account for the 2008/09 revenue estimates process.
- 1.2 Members agreed the following strategy option: -

“To pursue Housing Revenue Account debt relief while tightly controlling revenue spending and investing £13 million of Reserves over several years in additional housing stock.”
- 1.3 The Council's budget target included income to be increased across the Council by at least 2%.
- 1.4 As there is no imminent prospect of the HRA debt being paid off, the 2008/09 budget has been prepared on the basis that the outstanding debt requires to be serviced.

2.0 Links to Corporate Priorities

- 2.1 This report links to the Council's corporate priorities, defined in its Corporate Plan, specifically in relation to prioritising and planning so we can sustain the services we want to provide and help develop our economy, in particular, to keep revenue budgets within sustainable limits.

3.0 2008/09 Estimates

- 3.1 The Council is required to set a balanced budget for the HRA. Table 1 below shows the position on the HRA of increasing average rent by inflation only, i.e. 2%.

Table 1	2008/09 Proposed Budget £000
<u>Expenditure:</u>	
Supervision & Management	516,127
Repair & Maintenance	2,267,666
Void Rents & Charges	207,847
Hostel	61,146
CFCR	1,678,037
Capital Charges - Dwellings	4,610,994
Capital Charges - Hostel	136,120
	9,477,937
<u>Income:</u>	
HSG - General	(1,602,809)
HSG - Hostel	0
Interest on Revenue Balances	(48,591)
Rents - Dwellings	(5,132,500)
Rents - Hostel	(96,699)
Rents - Other	(100,235)
Contribution from Housing R & R Fund	(2,497,103)
	(9,477,937)
Balanced HRA	0

- 3.2 From Table 1 it can be seen that the proposed rent increase requires a contribution from the Housing Repairs & Renewals Fund of £2,497,103 in order to balance the HRA.
- 3.3 The budgets detailed in Table 1 above include Capital from Current Revenue (CFCR) funding of £1.7m for investing in additional housing stock in line with Council's agreed strategy for the HRA.
- 3.4 The draw on the Housing Repairs and Renewals Fund is higher than the target for the year by £600k. This is mainly due to the loss of the Hostel element of Housing Support Grant (£200k), the requirement for Corporate and Democratic Core recharges to be charged to the HRA (£80k), and higher than anticipated Debt Charges due to interest rate rises (£160k).
- 3.5 For information, a review of the Hostel and Outreach services has been carried out and will be reported to Services Committee on 6 March 2008. The budgets included in this report have been prepared on the basis of the revised service.
- 3.6 Appendix A shows a Cost Centre summary of the proposed 2008/09 budgets for information. Appendix B shows the effect of the 2% increase on rent levels.

4.0 Housing Repair and Renewals Fund

- 4.1 The projected fund balance on the Housing Repair and Renewals Fund is shown in Table 2 below: -

Table 2	
	£000
Opening Balance at 1 April 2007	12,398
Projected Investment Income 2007/08	744
Projected Contribution 2007/08	(85)
Projected Balance at 1 April 2008	13,057
Projected Investment Income 2008/09	783
Contribution to HRA 2008/09	(2,497)
Projected Fund Balance at 31 March 2009	11,343

- 4.2 The above table shows that the estimated closing position of the Housing Repairs and Renewals fund at the end of 2008/09 is predicting a decrease of £1.714m against the projected opening balance as at 1 April 2008. This is due to the expected growth in investment income being lower than the budgeted contribution to the HRA in 2008/09.
- 4.3 As stated in the budget strategy this fund is to be used to invest in additional housing stock. The size and the rate of investment will result in fluctuating projected balances on the fund i.e. the balance will be less if significant investment is made quickly.

5.0 Review of Charges/Payments

- 5.1 It is proposed that Members consider increasing average rent by inflation only of 2%, an increase average rent from £53.85 to £54.93. The effect of this increase on rents is shown in more detail in Appendix B.
- 5.2 Appendix C sets out the Housing Revenue Account charges for 2008/09 and Appendix D sets out the decant compensation payments to tenants. The decant compensation payments remain the same as 2007/08, and it is proposed that this payment is reviewed again as part of the 2009/10 estimates.
- 5.3 In order to fulfil the requirements of the existing Tenants Charter and in line with the Housing (Scotland) 2001 Act, all tenants together with the Shetland Tenants Forum have been consulted on the proposed rent increases. The conclusion of the Tenants Forum representatives following detailed consultation is that they are happy with the rent increase proposals for 2008/09, and note that it is a further inflation only increase, whilst maintaining the same level of service.

- 5.4 Individual tenants were consulted by way of a postal questionnaire, with a return rate of approximately 17%. The following results have been analysed:

	Too high	Too low	About right
Do you think your current rent is:	32%	0	68%
Do you think the proposed increase is:	29%	0	71%
	Poor/very poor	Neither good nor poor	Good/very good
Do you think the rent you pay represents value for money?	14%	19%	67%

Overall, from the returns received, the majority of those responding are satisfied with the level of increase proposed and feel that they are getting value for money.

6.0 Policy and Delegated Authority

- 6.1 There are no delegated powers for Head of Housing Services to determine the level of revenue resources required to provide services.
- 6.2 The Executive Committee has delegated authority to make decisions on all matters within its remit and as described in Section 10.0 of the Council's Scheme of Delegations. However, decisions relating to approving the revenue estimates and level of rent and charges requires approval of the Council, in terms of Section 8.0 of the Council's Scheme of Delegations.

7.0 Conclusions

- 7.1 In summary this report sets out the proposed estimates for the Housing Revenue Account for the 2008/09 financial year. These are detailed in Appendix A.
- 7.2 The Council is statutorily obliged to set a balanced budget for the HRA, this is achieved by drawing £2,497,103 from the Housing Repairs and Renewals Fund. The increase in proposed Housing Repairs and Renewals Fund contribution is due to the inclusion of CFCR funding (as detailed in para 3.3), the loss of Housing Support Grant for the Hostel, Corporate and Democratic Core recharges, and increased Debt Charges (all detailed in para 3.4).
- 7.3 A review of rents and charges has been undertaken and the proposals are detailed in Appendices B & C and current decant compensation payments are set out in Appendix D.

8.0 Recommendations

8.1 I recommend that Executive Committee and Council:

8.1.1 consider and agree the 2008/09 estimates contained in paragraph 3.1 and detailed in Appendix A;

8.1.2 consider and agree the proposed increase to average rent as detailed in Appendix B, and approve the contribution of £2,497,103 from the Housing Repairs & Renewals fund;

8.1.3 consider and agree charges as detailed in Appendix C;

8.1.4 consider and note the decant compensation payments as detailed in Appendix D;

Date: 23 January 2008
Our Ref: HKT/E/1/2008

Report No: F-004-F

2008/09 REVENUE ESTIMATES**COST CENTRE DETAIL - HOUSING REVENUE ACCOUNT**

	2008/09 Budget £
Supervision and Management	149,220
Corporate & Democratic Core	80,333
Void Rents	207,847
Dwelling Rent Income	(5,132,500)
Other Rent Income	(100,235)
Housing Support Grant	(1,602,809)
Debt Charges	4,610,994
CFCR	1,678,037
Ladies Drive Hostel	100,567
Waiting List Allocation	237,983
Repairs & Maintenance - Responsive	1,106,329
Repairs & Maintenance - Planned	1,127,047
Garages	34,290
Transfer from the Housing Repairs & Renewals Fund	<u>2,497,103</u>

2008/09 REVENUE ESTIMATES

PROPOSED RENT LEVELS - HOUSING REVENUE ACCOUNT

Apt. Size	Area	Category	2007/08 Rent Per Week £	Inflation 2%	
				2008/09 Rent Per Week £	Weekly Increase £
8 Apartment	Lerwick	Base	94.65	96.54	1.89
8 Apartment	Lerwick	Central Heating	104.03	106.11	2.08
8 Apartment	Lerwick	Double Glazing	99.48	101.47	1.99
8 Apartment	Lerwick	Both	108.86	111.03	2.17
7 Apartment	Lerwick	Base	85.27	86.97	1.70
7 Apartment	Lerwick	Central Heating	93.80	95.67	1.87
7 Apartment	Lerwick	Double Glazing	89.53	91.32	1.79
7 Apartment	Lerwick	Both	98.06	100.02	1.96
6 Apartment	Lerwick	Base	75.89	77.41	1.52
6 Apartment	Lerwick	Central Heating	83.56	85.23	1.67
6 Apartment	Lerwick	Double Glazing	79.58	81.17	1.59
6 Apartment	Lerwick	Both	87.26	89.00	1.74
5 Apartment	Lerwick	Base	66.23	67.55	1.32
5 Apartment	Lerwick	Central Heating	72.76	74.22	1.46
5 Apartment	Lerwick	Double Glazing	69.64	71.03	1.39
5 Apartment	Lerwick	Both	76.17	77.70	1.53
4 Apartment	Lerwick	Base	56.85	57.98	1.13
4 Apartment	Lerwick	Central Heating	62.53	63.78	1.25
4 Apartment	Lerwick	Double Glazing	59.69	60.88	1.19
4 Apartment	Lerwick	Both	65.37	66.68	1.31
3 Apartment	Lerwick	Base	47.47	48.41	0.94
3 Apartment	Lerwick	Central Heating	52.01	53.05	1.04
3 Apartment	Lerwick	Double Glazing	49.74	50.73	0.99
3 Apartment	Lerwick	Both	54.29	55.37	1.08
2 Apartment	Lerwick	Base	37.80	38.56	0.76
2 Apartment	Lerwick	Central Heating	41.78	42.62	0.84
2 Apartment	Lerwick	Double Glazing	39.79	40.59	0.80
2 Apartment	Lerwick	Both	43.77	44.65	0.88
1 Apartment	Lerwick	Base	28.42	28.99	0.57
1 Apartment	Lerwick	Central Heating	31.27	31.89	0.62
1 Apartment	Lerwick	Double Glazing	29.84	30.44	0.60
1 Apartment	Lerwick	Both	32.69	33.34	0.65
8 Apartment	Non Lerwick	Base	89.92	91.71	1.79
8 Apartment	Non Lerwick	Central Heating	98.83	100.80	1.97
8 Apartment	Non Lerwick	Double Glazing	94.51	96.39	1.88
8 Apartment	Non Lerwick	Both	103.42	105.48	2.06
7 Apartment	Non Lerwick	Base	81.01	82.62	1.61
7 Apartment	Non Lerwick	Central Heating	89.11	90.89	1.78
7 Apartment	Non Lerwick	Double Glazing	85.06	86.75	1.69
7 Apartment	Non Lerwick	Both	93.16	95.02	1.86
6 Apartment	Non Lerwick	Base	72.10	73.53	1.43
6 Apartment	Non Lerwick	Central Heating	79.39	80.97	1.58
6 Apartment	Non Lerwick	Double Glazing	75.61	77.12	1.51
6 Apartment	Non Lerwick	Both	82.90	84.55	1.65
5 Apartment	Non Lerwick	Base	62.91	64.17	1.26
5 Apartment	Non Lerwick	Central Heating	69.12	70.51	1.39
5 Apartment	Non Lerwick	Double Glazing	66.15	67.48	1.33
5 Apartment	Non Lerwick	Both	72.37	73.81	1.44
4 Apartment	Non Lerwick	Base	54.00	55.08	1.08
4 Apartment	Non Lerwick	Central Heating	59.40	60.59	1.19
4 Apartment	Non Lerwick	Double Glazing	56.70	57.84	1.14
4 Apartment	Non Lerwick	Both	62.10	63.34	1.24
3 Apartment	Non Lerwick	Base	45.09	45.99	0.90
3 Apartment	Non Lerwick	Central Heating	49.41	50.40	0.99
3 Apartment	Non Lerwick	Double Glazing	47.25	48.20	0.95
3 Apartment	Non Lerwick	Both	51.57	52.60	1.03
2 Apartment	Non Lerwick	Base	35.91	36.63	0.72
2 Apartment	Non Lerwick	Central Heating	39.69	40.49	0.80
2 Apartment	Non Lerwick	Double Glazing	37.80	38.56	0.76
2 Apartment	Non Lerwick	Both	41.58	42.41	0.83
1 Apartment	Non Lerwick	Base	27.00	27.54	0.54
1 Apartment	Non Lerwick	Central Heating	29.70	30.30	0.60
1 Apartment	Non Lerwick	Double Glazing	28.35	28.92	0.57
1 Apartment	Non Lerwick	Both	31.05	31.67	0.62
AVERAGE RENT			53.85	54.93	1.08

Notes:

a) Central Heating is base + 10%

b) Double Glazing is base + 5%

c) Both is base + 15%

d) Non-Lerwick properties have a 95% rent differential

2008/09 REVENUE ESTIMATES

REVIEW OF CHARGES - HOUSING REVENUE ACCOUNT

TYPE OF CHARGE	2007/08 CHARGE £	2008/09 CHARGE £	VARIANCE %
GARAGES:			
Garage Rents (no electricity)	5.45	5.55	1.83
Garage Rents (electricity)	8.03	8.20	2.12
Double Garage (electricity)	12.05	12.30	2.07
Garage Site Rent	1.15	1.20	4.35
SHEDS:			
Soldian Court and Voderview, Lerwick	0.65	0.70	7.69
HOSTEL:			
Charges per week for first four week stay:			
Occupancy Charge	59.53	60.72	2.00
Breakfast Charge	2.43	2.48	2.06
Furniture Charge	5.63	5.74	1.95
Service Charge	10.86	11.08	2.03
Sub-Total	78.45	80.02	2.00
V.A.T	13.73	14.00	2.00
Total	92.18	94.02	2.00
Charges per week for subsequent stay:			
Occupancy Charge	59.53	60.72	2.00
Breakfast Charge	2.43	2.48	2.06
Furniture Charge	5.63	5.74	1.95
Service Charge	10.86	11.08	2.03
Sub-Total	78.45	80.02	2.00
V.A.T	3.31	3.38	2.04
Total	81.76	83.40	2.00
First four weeks charge is higher due to VAT being chargeable on all charges to those residents who have not been designated as statutorily homeless. Thereafter, VAT is charged on the furniture, breakfast and service charge only. A Council Tax charge is also applied in addition to the above charge.			
* Subject to a separate report there may be no Hostel charges for 2008/09			

2008/09 REVENUE ESTIMATES**Decant Compensation Payments 2008/09**

Payment	Amount 07/08	Amount 08/09	% Increase
	£	£	
Disturbance Allowance	750	750	-
Per Room Allowance	120	120	-
Flooring Allowance *	80	80	-
Carpet Allowance **	240	240	-

* Flooring Allowance only paid when the kitchen and bathrooms have been altered

** Carpet Allowance one-off payment when size of room is increased,

Recommend that these payments are reviewed for 2009/10 financial year.



REPORT

To: Executive Committee
Shetland Islands Council

31 January 2008
7 February 2008

From: Head of Finance
Executive Services Department

TREASURY MANAGEMENT STRATEGY STATEMENT 2008/09 **Report No: F-005-F**

1. Introduction

- 1.1 This Treasury Management Strategy Statement sets out the Council's policy in relation to its strategy for borrowing and investing, in connection to the cash reserves and funding resources of the Council for the financial year 2008/09.
- 1.2 The Treasury Section within Finance carries out all the daily cash management functions, which is crucial for the day-to-day operations of the Council. There have been strict internal guidelines in place for many years, which control the operation of this function and these are set out within this report. The Treasury Section also deals with external fund management as well as co-ordinating the Council's relationship with their banker, but these functions are out with the scope of this report.

2. Links to Corporate Priorities

- 2.1 This report links to the Council's corporate priorities, defined in its Corporate Plan, specifically in relation to assisting the Council in ensuring the financial resources are managed so that the Council can sustain and develop the economy.

3. Background

- 3.1 This report complies with CIPFA's Code of Practice for Treasury Management in the Public Services, which the Council formally adopted on 10 July 2002 (minute reference 120/02). The objective of this code is to provide guidance on the best practice for treasury management.
- 3.2 Cash management involves the two main areas of cash reserves and debt management, and these are specifically dealt with in this report. Cash reserves include amounts held in accounts with the Council's bank and deposited with other approved institutions, but not invested in shares, long term bonds, property, etc.
- 3.3 In relation to debt management the Council at present has no external borrowings, although there is an agreed overdraft facility with the Council's bank to cover any short-term situations if required. The Council is debt free on all internal accounts except the Housing Revenue Account and the Harbour Account. The Housing and Harbour Debt are currently financed from internal reserves, and do not require external borrowing.
- 3.4 Set out at Annex A is the suggested Treasury Management Strategy Statement document for 2008/09 which encompasses:
 - Treasury Management Prudential Indicators
 - Approved Lending Organisations
 - Capital Borrowing Strategy
 - External Fund Management
 - Delegation and Reporting

4. Financial Implications

- 4.1 The Treasury Management Strategy adopted will have consequences for the daily operating cash capabilities of the Council.

5. Policy and Delegated Authority

- 5.1 The Head of Finance currently has delegated authority for Cash and Debt Management, which was approved following consideration of a report by the Shetland Islands Council on 10 July 2002 (minute reference 120/02).
- 5.2 This report complies with CIPFA's Code of Practice for Treasury Management in the Public Services, which the Council formally adopted on 10 July 2002 (minute reference 120/02).
- 5.3 This report is being presented to the Executive Committee in terms of its remit for financial policy and monitoring. The Committee may make comment to Council where necessary, but the report is presented to Council for approval.

6. Conclusions

- 6.2 This report proposes the Treasury Management Strategy Statement for the Shetland Islands Council to be followed for the financial year 2008/09.
- 6.3 The Strategy Statement meets the requirements of best practice as per CIPFA's Code of Practice on Treasury Management in the Public Services.

7. Recommendation

- 7.1 I recommend that the Executive Committee considers this report and makes comment to Council where necessary. Thereafter, I recommend that the Council adopt the Treasury Management Strategy Statement set out in Annex A, for the financial year 2008/09.

Date: 21 January 2008
Our Ref: CAB/DS

Report No: F-005-F

Annex A

SHETLAND ISLANDS COUNCIL

TREASURY MANAGEMENT STRATEGY STATEMENT

2008/09

1. Introduction

- 1.1 This Treasury Management Strategy Statement details the activities and guidelines to be followed by the Treasury Section for all areas of cash management in the forthcoming financial year (2008/09). Its production and submission to the Shetland Islands Council is a requirement of the CIPFA Code of Practice for Treasury Management in the Public services.
- 1.2 Cash Management for the Shetland Islands Council is carried out within the Treasury Section of the Finance Department, and consists of the daily management of ten bank accounts (including those for the Pension Fund and the Shetland Charitable Trust) and the associated short-term lendings. On the 11th January 2008 the Treasury Section had £24 million invested with the Council's bank and £6 million on short-term loans.
- 1.3 Debt Management is also carried out within the Treasury Section, and currently there is no external borrowing. There is an agreed overdraft facility with the bank of £800,000 that can be used to cover the accounts managed by Treasury, for any short-term situations if required. The Council is debt free on all internal accounts except the Housing Revenue Account and the Harbour Account. The Housing and Harbour Debt are currently financed from internal reserves, and do not require external borrowing.
- 1.4 The Local Government in Scotland Act 2003 requires the Council to set Prudential Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable. The Act also requires the Council, in conjunction with this, to set out its treasury strategy for borrowing and investment. The suggested strategy for 2008/09 covers the following:
- Treasury Management Prudential Indicators
 - Approved Lending Organisations
 - Capital Borrowing Strategy
 - External Fund Management
 - Delegation and Reporting

2. Treasury Management Prudential Indicators for 2008/09 –2010/11

2.1 The following prudential indicators are relevant for the purposes of setting an integrated treasury management strategy.

2.2 CIPFA Code of Practice for Treasury Management

Shetland Islands Council adopted the CIPFA Code of Practice for Treasury Management in the Public Services in July 2002 (minute ref: 120/02).

2.3 Upper limit on fixed interest rate exposure

	2008/09 £000	2009/10 £000	2010/11 £000
Upper limit - fixed interest rate exposure	-70,000	-77,000	-79,000

The indicator for Shetland Islands Council is negative because of the substantial cash investments the Council holds relating to the Capital Fund, Reserve Fund, Repairs & Renewals Fund and other miscellaneous Funds.

2.4 Upper limit on variable interest rate exposure

	2008/09 £000	2009/10 £000	2010/11 £000
Upper limit - variable interest rate exposure	-58,000	-62,000	-64,000

The indicator for Shetland Islands Council is negative because of the substantial cash investments the Council holds relating to the Capital Fund, Reserve Fund, Repairs & Renewals Fund and other miscellaneous Funds.

2.5 Amount of fixed rate borrowing, maturing in each period

The Council has a no fixed rate borrowing.

2.6 Upper limits on sums invested for longer than 364 days

At the 31st March 2007 the Council had around £280 million invested with external fund managers. It is not possible to predict when each of these will mature as it will be dependent on conditions in the stock market.

The purpose of this indicator is to contain the local authority's exposure to the possibility of loss arising as a result of having to seek early repayment or redemption of principal sums invested to cover current commitments. It is not anticipated that early repayment or redemption of principal sums invested will be required.

3. **Approved Lending Organisations**

3.1 It is paramount that the Council safeguards any surplus funds that it may have from time to time. The Council, Shetland Charitable Trust plus its related companies and the Pension Fund will only lend to:

- A Bank or Building Society with at least a -AA long term Fitch IBCA rating,
- Bank of Scotland - Council's own bank,
- Any bank which is a wholly owned subsidiary of the above,
- Any Local Authority.

The –AA long term rating is defined by Fitch IBCA (International Bank Credit Association) as a “low expectation of investment risk.... adverse changes in business, economic or financial conditions may increase risk, albeit not very significantly”.

3.2 The Cash Management Officer will maintain an approved lending list of the financial institutions that meet the above criteria, which will be displayed in Treasury.

3.3 In addition the following guidelines will apply:

- No more than £3 million to be lent to any single organisation from one account, apart from the Council's own bank.
- No more than £6 million to be lent to any one organisation in total from all accounts, apart from the Council's own bank.

4. Capital Borrowing Strategy

- 4.1 As per the Prudential Code there will be no capital borrowings required during 2008/09.

5. External Fund Management

- 5.1 All surplus funds with a projected life span of 5 years or more and a book value exceeding £5 million should be invested with Fund Managers, where statute permits.

This has the advantages of:

- allowing diversification of fund investment instead of relying on cash deposits;
- the funds being in the best position to take account of market movements;
- better long term returns for the fund.

6. Delegation and Reporting

- 6.1 The Council recognises that, in order to best manage the risks involved in Cash and Debt Management and to permit the making of the immediate daily decisions required by the money markets, it is inappropriate and impractical to pursue a system of Council (or Committee) involvement in the decision making process. The Council, therefore, delegates all matters relating to Cash and Debt Management, except where prohibited by law or where these matters relate to Externally Managed Funds, to the Head of Finance and his nominees. The delegated authority will cover any borrowing and lending transactions within the approved policy parameters for the year 2008/09.

- 6.2 The Head of Finance will report annually before the start of each financial year on the proposed Treasury Management Strategy Statement to be followed for the forthcoming year.



REPORT

To: Executive Committee

31 January 2008

From: European Officer

**REPORT NO: DV003-F
LEADER Programme 2007-2013**

1.0 Introduction

- 1.1 The purpose of this report is to brief Members on the LEADER funding programme for the period 2007-2013 and how it will operate in Shetland.

2.0 Link to Council Priorities

- 2.1 LEADER is an EU funding initiative which aims to promote community and economic development in rural areas. Our participation is therefore necessary to assist in achieving the Priority of 'Sustainable Economic Development', in particular 'Strengthening Rural Communities', as contained within Shetland Island Council's Corporate Plan 2004-2008.

3.0 Background

- 3.1 Shetland has participated in three previous LEADER programmes, the last one being a joint programme with Orkney. LEADER has now been integrated into the Scottish Rural Development Programme (SRDP) 2007-2013 and will represent around 5% of the total SRDP budget. It remains a 'bottom up' form of engagement driven by rural communities and sits alongside two main delivery mechanisms: nationally delivered measures such as Less Favoured Areas Support Scheme; and regionally delivered Rural Development Contracts. The geographic area covered will be the whole of Shetland with priority given to projects outside of Lerwick and the highest priority afforded to development in remote communities.

- 3.2 A Local Action Group (LAG) – comprising representation from the Council, the Local Enterprise Company, community and voluntary groups, other public agencies and the business sector – is responsible for the implementation and strategic coordination of the programme and approving the applications for assistance. There is a requirement that the LAG is composed of 50% non-governmental partners and has a 50/50 gender balance. The Shetland LAG is already well established and sits as the funding element of the Community Regeneration Partnership under the Community Planning Board. This helps ensure that LEADER is integrated into the overall policy framework for rural development in Shetland.

4.0 Programme Management and Administration

- 4.1 As with the previous LEADER programmes, there is a requirement for an approved, publicly accountable body to act as Lead Partner and assume responsibility for the financial control of the programme. This includes acting as the intermediate beneficiary for the LAG funds and distributing payments to approved projects.
- 4.2 For the last programme, HIE Shetland acted as Lead Partner and co-ordinated the LAG. During 2007, HIE confirmed they were no longer in a position to undertake this role for the new programme. This therefore required another agency to take on the role if Shetland was to continue benefiting from LEADER funding. Following discussions locally, it was agreed that the Council, via the Economic Development Unit, would be the most suitable body since the promotion of economic development in rural areas falls directly within its remit. The Council also meets the requirements of being a publicly accountable body. At its meeting on 4 September 2007, this Committee agreed to the Council, via the Economic Development Unit, taking on the role of Lead Partner. As Members are aware, the new Shetland Community Development Trust (SCDT) will be established in the near future and will assume most of the Council's economic development functions. The change may result in SCDT becoming the Lead Partner for LEADER in Shetland.
- 4.3 It is the intention to outsource the administration of the Shetland LEADER programme to an outside organisation. As with the previous programme, a co-ordinator and administrator will be required to manage the day-do-day running of the programme. In December 2007, the Council advertised for Expressions of Interest and several notes of interest were received. This will be progressed once the Scottish Government has advised on the outcome of our funding bid.

5.0 LEADER Budget

- 5.1 The total LEADER budget allocation for Scotland for the period 2007-2013 is £38 million which will be divided among approximately 20 LAGs. In addition to the main LEADER budget, there is an additional £19 million to be shared amongst the 7 local authorities in the Highlands and Islands area. This additional funding is as a result of our 'convergence' status in the 2007-2013 programming period and will be channelled through the LAGs. The extra funding stream will hopefully enable the LAG to consider larger projects such as small-scale capital and infrastructure projects.
- 5.2 Shetland has put in a bid for £1.5 million from the main LEADER budget, and £2.7 million from the additional convergence budget, making a total request of £4.2 million. These bids were based on our experience and ability to spend under the previous LEADER programme, and taking into consideration potential projects ideas that have come forward. Up to 20% of the main LEADER budget can be used for administration costs of the programme.
- 5.3 An independent selection panel will propose the funding allocation for each LAG using a selection criteria which considers factors such as partnership working, value for money, and the overall quality of the bid. The funding recommendations will be put to the Cabinet Secretary for Rural Affairs and the Environment for approval. As Members may be aware from media reports towards the end of 2007, concern was expressed that Shetland was potentially looking at receiving an unsatisfactory share of the £19 million convergence budget. This was taken up through the appropriate channels and also by Tavish Scott MSP in an attempt to ensure we receive a fair allocation of funds.

6.0 Proposed Shetland LEADER Programme 2007-2013

- 6.1 To bid for a share of LEADER and convergence funds, a Rural Development Strategy for Shetland and separate Business Plan had to be prepared and submitted to the Scottish Government. It is the intention that the Rural Development Strategy will act as a strategic framework for other programmes and funding initiatives. This will help ensure that there is close coordination in all rural development and regeneration initiatives in order to achieve maximum impact. The Strategy also fits within the vision contained within the Community Planning Board Framework Document "Together Shetland" and will be presented to the next Community Planning Board meeting in March for endorsement. Due to the timescales, this was not possible before the LEADER bid was submitted however approval in principle was given. Both the Strategy and Business Plan will be reviewed and updated as necessary.

- 6.2 As part of the process of preparing for the next LEADER Programme, extensive consultation took place within Shetland with all the key players in rural development in the public, private and voluntary sectors. The LAG played a key role in developing the Rural Development Strategy and the Business Plan.
- 6.3 We are required by the Scottish Government to select two of five themes for our local programme and all actions have to fit within the two themes as well as being consistent with the aims and objectives of the Rural Development Strategy and Business Plan. The themes chosen for the Shetland programme are:
- **Revitalising Communities** – according to the Scottish Government guidelines, eligible projects could include those involving rural transport initiatives, developing community facilities including energy and recycling, introducing or developing childcare provision, and remote access IT provision.
 - **Progressive Rural Economy** – according to the Scottish Government guidelines, eligible projects could include those that link businesses to supply chain through IT, tourism activities, on farm agricultural and diversification projects including production and marketing, more efficient technology, renewable energy, and projects to complement Rural Development Contract measures.
- 6.4 The Scottish Government have stated that women and young people are two groups which require specific targeting in the Programme. In addition, micro and small businesses, self-employed, and social enterprises have also been selected as target groups within Shetland. The LAG have also decided to target the following areas:
- Northmavine, Yell, Unst and Fetlar (Initiative at the Edge areas)
 - Firth and Mossbank, and Staneyhill (local communities with specific problems)
 - Small outer isles such as Skerries, Fair Isle, Foula and Papa Stour
 - Walls and Sandness

All projects to be approved by the LAG will have to demonstrate how they can assist one or more target groups, fit in with either of the two themes of the programme, and that they will assist with meeting targets in the Business Plan. During the consultation process, many project ideas were highlighted and discussed and should be able to be taken forward as soon as the programme is open for bids.

LEADER normally funds 50% of project costs and the LAG meets every six weeks to consider project applications.

7.0 Timescales

- 7.1 The Council submitted its bid for a share of the funds to the Scottish Government by the deadline of 14 November 2007. We have been advised that it is likely to be February at the earliest before we will be informed of the outcome of our bid. The delay is due to the SRDP still awaiting approval by the European Commission. Thereafter the Scottish Parliament must put in place secondary legislation to get the SRDP up and running.
- 7.2 At this stage, it is anticipated that it will be Spring at the earliest before the local LEADER programme is up and running. However, as soon as the funds to Shetland are confirmed and a co-ordinator is in place, a publicity campaign can begin to raise awareness of the programme within the community. Given that during the consultation process many project ideas were discussed, organisations should be in a position to act fairly quickly once the programme is open and running for bids.

8.0 Financial Implications

- 8.1 As with the previous LEADER programme, the Council may be approached to provide match funding for some LEADER projects. As is normal practice, any funding application would be subject to the Council's agreed application and decision-making procedures with any funding granted consistent with the economic objectives of the Council and within available budgets.

9.0 Policy & Delegated Authority

- 9.1 The Executive Committee has delegated authority to make decisions on all matters within its remit, and as described in Section 10.0 of the Council's Scheme of Delegations approved by the Council on 28 March 2007 (Min Ref 54/07).
- 9.2 As this is an information report, there is no requirement for a decision to be made.

10.0 Conclusion

- 10.1 This report gives Members an overview of the LEADER funding programme for the period 2007-2013 and how it will operate in Shetland. Further updates will be provided to this Committee in due course.

11.0 Recommendation

- 11.1 Members are asked to note the contents of this report.

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