



REPORT

To: Executive Committee

11 March 2008

From: Research Assistant

REPORT NO: DV002-F Rural Shops Improvement Scheme

1.0 Introduction

- 1.1 The purpose of this report is to present the case for continued assistance for rural retailers in Shetland under the Rural Shops Improvement Scheme.
- 1.2 It is important to maintain economic activity in small communities in order for them to remain vibrant and viable, so that they may retain their population and attract new residents and new investment. Rural shops and post offices play a large part in maintaining this economic activity and are a crucial part of community identity and social infrastructure.
- 1.3 Rural shops operate in a difficult environment, with small customer bases and strong competition from the larger retail outlets in Lerwick. These difficulties are exacerbated by high transport costs, population decline and distance from services and wholesalers. The Rural Shops Improvement Scheme is important for providing finance that is otherwise very difficult to access, either from within the business or from external sources.

2.0 Link to Council Priorities

- 2.1 This report links to part 4.5 of the Council's Corporate Improvement Plan 2007/08 – “Strengthening Rural Communities” – which states that “one of the keys to the overall economic health of Shetland is the development of the economy in rural areas.”
- 2.2 This report links into the following Council priorities as set out in the Corporate Plan 2004/08:
 - Economic Diversification
 - Strengthening Rural Communities
 - Achieving Potential

3.0 Background

- 3.1 Assistance is currently available to rural retailers through the Rural Shops Improvement Scheme (RSIS), administered by SIC Economic Development Unit, which offers 50% grants of up to £10,000 per business for small to medium scale improvements. The conditions of the scheme are attached as Appendix I. The scheme is open to general merchants, post offices and filling stations located outside of Lerwick.
- 3.2 The current phase of RSIS began on 1 January 2004 and ended on 31 December 2007. The total grant assistance approved in that time amounted to £244,008. To date, £215,948 of this has been claimed. Examples of projects funded under this scheme include delivery vehicles upgraded, refurbishment of premises, fully modern scanning equipment installed, refrigeration equipment replaced and smaller scale provisions such as improving indoor fixtures and fittings and installing CCTV cameras. The upgrading of fuel pumps is also eligible under the scheme and works in conjunction with the Scottish Government's Rural Petrol Station Grants Scheme, administered by HIE Shetland.

4.0 Current Situation

- 4.1 In 1990 there were 56 rural shops trading in Shetland. By 2003, that figure had fallen to 36, representing a drop of 36%. Currently, there are 35 rural shops trading, including 1 new service and 1 shop which has re-opened, and there are also 11 post offices and 3 filling stations operating in rural areas which are not connected to general merchants. There have been very few rural shop closures in recent years and this has meant that services have been retained within communities.
- 4.2 Many smaller rural shops find it difficult to finance capital outlay to maintain their level of service. It is likely that without investment some shops and post offices, particularly smaller peripheral stores, will close, or will remain on the edge of closure and unable to offer an adequate service to the local area, due to the logistics of operating and wider economic pressures.
- 4.3 Extra pressure is being placed on rural services with the ongoing Post Office Network Change Programme. This programme was initiated following the announcement by the Department of Trade and Industry in May 2007 that 2,500 post offices across the UK are to close due to unsustainable losses across the network. Area plans are being drawn up and entered into public consultation. Shetland will be considered in the Northern and Western Isles Area along with Orkney and the Western Isles. The relevant local area plan will enter public consultation on 4 March 2008. While the number of closures in each area is not yet known, this process unavoidably puts pressure on local services and adds to uncertainty and loss of confidence in rural communities.

- 4.4 Due to new legislation under the Licensing (Scotland) Act 2005, shops and other licensed premises will face increased costs for alcohol licences. The new charges are based on rateable value of premises and will comprise an initial fee of between £800 to £2,000, followed by an annual charge of between £220 and £900. Even although all rural shops will fall within the lowest rateable value banding, and consequently will face fees at the bottom of the scales, this will place further economic pressure on rural shops, who face either significantly increased charges or the foregoing of their alcohol licence, which may lead to reduced trade.
- 4.5 In the current financial climate it may be necessary to revisit the conditions of the scheme (see Appendix I) and revise the eligibility of certain projects. The emphasis should be on genuine improvements to services and economic diversification, with a shift away from projects which merely replace defunct electrical items, for example.
- 4.6 There appear to be no State Aid implications given the localised nature of the scheme, which does not distort competition nor affect trade between EU Member States.

5.0 Proposal

- 5.1 Given the need for continuing support for rural shops it is proposed that the Council continues the Rural Shops Improvement Scheme for a further period of 4 years from 1 April 2008 to 31 March 2012.

6.0 Financial Implications

- 6.1 The continuation of this scheme has been budgeted for in the 2008/09 financial year. A sum of £40,000 is provided for the Rural Shops Improvement Scheme under budget code RRD 1523 2402, should the Council decide to continue with the new scheme. In subsequent years the scheme will continue subject to finance being approved.

7.0 Policy and Delegated Authority

- 7.1 This report has been prepared in accordance with the following Economic Development policies (Economic Policy Statement – Executive Committee 9 December 2003 [34/03]; Shetland Islands Council 17 December 2003 [161/03]):

2.5.6 – Acknowledging the value of and maximising the benefits that can be derived from the social economy in rural areas, where it directly impacts on economic sustainability or regeneration.

2.5.9 – Maintaining local transport provision, infrastructure and essential rural services.

- 7.2 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 Delegation approved by the Council on 28 March 2007. However, variations to existing policy require the approval of the Council.

8.0 Conclusions

- 8.1 Many shops rely on RSIS assistance to help make their business more viable, and the absence of the scheme would have a detrimental effect on rural services and communities in Shetland.
- 8.2 The Rural Shops Improvement Scheme has had a very positive effect on the network of rural shops in Shetland. The projects undertaken have helped shops to improve turnover, profitability and their service to the community. Rural communities have benefited from these improvements which make their local shop more secure and ensures that small communities have easy access to goods, fuel and other essential services. This increases community confidence and security and also the likelihood of investment and in-migration.
- 8.3 The absence of assistance for rural shops would cause closures among the more marginal businesses in the short to medium term, and a downward spiral of decline among the more stable businesses in the long term, greatly disadvantaging local communities.

9.0 Recommendations

- 9.1 I recommend that the Executive Committee recommends that Shetland Islands Council offer continued grant assistance for rural retailers in Shetland, extending the Rural Shops Improvement Scheme for another four-year period, from 01 April 2008 to 31 March 2012.

Date: 20 February 2008
Our Ref: TC/KS/RF503

Report No: DV002-F



Shetland Islands Council

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Rural Shop Improvement Scheme

Conditions

1. Applicants to the Rural Shops Improvement Scheme are to fill in **only the following sections** of the attached Application Form for Grant Assistance:

Section A – Applicant Information

1. Name and Address of Applicant
2. Name and Address of Business
4. VAT Status

Section B – Business/Project Information

1. Purpose of Financial Assistance
3. Justification
- 4a & b. Employment
7. Environmental and Quality Standards

Section C – Cost and Funding of Project

1. Estimated Cost of Business Proposal
2. Details of proposed funding package

Please note also that financial projections are not required.

2. Under this Scheme, grants are available to improve rural shops in Shetland. Assistance is only available towards the cost of capital projects.
3. Only grocer/general merchant shops and/or post offices and filling stations with a range of stock acceptable to the Council are eligible to receive assistance. Assistance to post offices and filling stations will only be provided on the basis of established need.
4. Eligible Improvements include:
 - Shelving
 - Refrigerated displays, refrigerated counters and deep freezers
 - Tills, scales and similar equipment
 - Shop vans
 - Fuel pumps and accessories
 - Floorcoverings
 - Other minor internal and external improvements

5. Ineligible improvements include:
 - Decoration and maintenance expenditure
 - Second-hand equipment (with the exception of reconditioned petrol pumps)
6. All eligible businesses can receive grants of 50% of the cost of eligible improvements.
7. All eligible businesses can receive maximum grant assistance of £10,000 during the 4 year period beginning on 1 January 2004 and ending on 31 December 2007 subject to availability, and approval, of finance on an annual basis.
8. In addition to the above, working capital assistance can be considered up to a maximum grant of £5,000 during the 4 year period to 31 December 2007, subject to availability, and approval, of finance on an annual basis. Working capital assistance will only be provided on the basis of established need.
9. The Rural Shop Improvement Scheme does not apply to shops, post offices, or filling stations located in Lerwick.
10. Major improvements such as extending premises, building new premises or extensive internal improvements will not be assisted under this Scheme, but may be assisted at the discretion of the Development Committee.
11. **Applicants must not order, purchase or otherwise commit themselves to expenditure in respect of which they intend to apply for grant before receiving a written offer of grant from the Council. Expenditure incurred or committed prior to the aforementioned written offer being received by the applicant will not be eligible for grant.**
12. All grants are discretionary, and subject to the availability of finance. They are not automatic.
13. Grants will be paid out on actual expenditure as shown by satisfactory original invoices satisfactorily receipted.
14. Applicants must be prepared to maintain and operate their premises, machinery and equipment in such a way as to conform, to the satisfaction of the Council, with current Food, Health and Safety at Work and Trading Legislation.
15. Applicants must be prepared to supply a copy of their business accounts to the Council, within 9 months of the end of their financial year, for each of the five years following receipt of grant.
16. If the property/equipment is sold, transferred or otherwise disposed of, within the five years from receipt of grant, the new owner must accept the grant conditions for the remaining period, failing which the grant will be repayable by you, in full, at the date of sale or transfer.

17. The business will continue to operate for a period of at least 5 years from the date of receipt of grant. Failure to do this may lead to the grant being paid back in full.

Economic Development Unit
Shetland Islands Council
24.10.06



REPORT

To: Executive Committee

11 March 2008

From: Agricultural Assistant

REPORT NO: DV007-F
***"de minimis"* AID IN THE AGRICULTURAL SECTOR**
SHETLAND AGRICULTURAL BUSINESS SCHEME

1.0 Introduction

- 1.1 This report has been prepared to review the authority to approve grant assistance under the Shetland Agricultural Business Scheme (SABS). Changes in the relevant EC regulation means that applicants can receive a larger sum of grant for agricultural projects under SABS. While it is now permissible to pay larger grants under EC regulations, the Council has first to agree that the scheme can be changed. In addition to increasing the level of grant the scheme can also include a section for Bull Improvement. A recommendation is made to operate SABS as detailed in appendix 1.

2.0 Links to Corporate Priorities

- 2.1 In order to achieve the Priority of 'Sustainable Economic Development' as contained within Shetland Island Council's Corporate Plan 2004-2008, all economic development activities must comply with European state aid legislation.

3.0 Background

- 3.1 SABS is operated under the remit of the European Commission Regulation "*de minimis*" aid in the sector of agriculture production based on the allocation of a share of the national ceiling from the Scottish Government Rural Payments Inspections Directorate (SGRPID). This gives the Council authority to spend part of this budget on SABS but does not involve the provision of funds from the Scottish Government.

- 3.2 The provision for *de minimis* aid in the sector of agriculture production as set out in Commission Regulation (EC) No 1535/2007 was adopted by the Commission of the European Communities on 20 December 2007 (replacing Commission Regulation (EC) 1860/2004), came in to force on 01 January 2008 and expires on 31 December 2013. Under this regulation *de minimis* aid is defined as state aid below a certain set level per beneficiary, the principle being that low levels of aid do not distort competition.
- 3.2 Under the revised *de minimis* regulation the ceiling has been raised from 3,000 Euros to 7,500 Euros per beneficiary over a three-year rolling period. In addition the overall ceiling for the total amount of *de minimis* agricultural aid granted by each Member State has been increased to the equivalent of 0.75% of total national agricultural output.
- 3.3 In February 2006 the Council requested and received a £200,000 allocation from the *de minimis* national ceiling towards the SABS. With expenditure under the scheme amounting to £99,973 in 2006 and £45,000 by mid December 2007 a further allocation from the ceiling was requested and on 17 January 2008 an allocation of £300,000 awarded for the Shetland Agricultural Business Scheme 2008.
- 3.4 The increase in the ceiling per applicant will result in increased annual expenditure and it is estimated that £100,000 per annum will be required to operate the scheme. Should the Council decide to continue the scheme for the six year duration of the Commission Regulation it will be necessary to obtain a further allocation from the national ceiling in due course.
- 3.5 In 2007 a new category for purebred Shetland heifers was included within the Heifer Rearing project. It is proposed that the scheme be further amended in 2008 to include an additional project for Bull Improvement.

4.0 Proposal

- 4.1 The proposal is that the Council continue to operate the SABS scheme, as detailed in appendix 1, for the duration of the Commission Regulation (EC) No 1535/2007, 01 January 2008 to 31 December 2013, subject to annual budget approval.

5.0 Financial Implications

- 5.1 The cost of the proposed SABS is £100,000 per annum and provision for this is contained in the Economic Development Unit 2008/2009 Budget.

6.0 Policy and Delegated Authority

- 6.1 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).
- 6.2 This proposal is in line with the Council's policy to "Strengthen Rural Communities in Shetland" as detailed in the Council's economic development policies (Economic Policy Statement – Executive Committee 9 December 2003 [34/03]; Shetland Islands Council 17 December 2003 [161/03]).

7.0 Conclusions

- 7.1 The main objective of the SABS is to promote agricultural development throughout Shetland. The projects eligible for assistance under the Scheme will help to promote agricultural development in rural areas by encouraging improvements to agricultural holdings and stock, reducing the threat from imported diseases and encouraging diversification of livestock production methods.
- 7.2 The *de minimis* agricultural aid ceiling at 7,500 euros (approximately £5,500) over a three-year rolling period per separately managed agricultural business is a relatively small amount and will be of most assistance to smaller businesses. However, the rural community as a whole will benefit from the assistance.
- 7.3 Accessing a share of the *de minimis* agricultural aid national ceiling allows Shetland Islands Council to provide low levels of assistance to crofters and farmers throughout Shetland without the need to notify and receive prior approval from the European Commission.

8.0 Recommendations

- 8.1 I recommend that the Committee approves -
 - a) the Shetland Agricultural Business Scheme as detailed in Appendix 1;
 - b) that the scheme is operated on an annual basis subject to annual budget approval until 31 December 2013.

Date: 28 February 2008
Our Ref: ES/KS

Report No: DV007-F

Appendix 1

Shetland Agricultural Business Scheme

Application Form

Please refer to the Conditions attached before completing this form

Section A **Agricultural Business Details**

Name of Business _____

Address of Business _____

_____ Postcode _____

Telephone _____ e-mail _____

Business IACS Reference Number _____

County / Parish / Holding (CPH) Number _____ / _____ / _____

Business VAT Number (if not registered please state) _____

Section B **Project Details**

Please provide details in the relevant project section(s) and enclose supporting documents as required for the project(s) you wish to apply for:

1) LIME APPLICATION

Tonnage on Invoice	Date delivered	Area delivered to	Tonnage claimed

Note: All applications must be accompanied by original detailed invoices or receipted accounts.

2) FERTILISER APPLICATION

Tonnage on Invoice	Date delivered	Area delivered to	Tonnage claimed

Note: All applications must be accompanied by original detailed invoices or receipted accounts.

3) ARABLE CROPS

Field OS Number	Area (hectares)	Type of crop (i.e. rape, turnips, Swedes)

Note: Applications should be submitted by **30 SEPTEMBER 2008**. Crop location details should be provided, either the six digit Ordinance Survey Field Reference Number or a map of the area.

4) HEIFER REARING

Ear tag No. of heifer	Date of birth	Calving date	Ear tag No. of calf

Note: To verify that the heifers were born, reared and retained after calving on your holding all applications must be accompanied by:

- a) Copies of Cattle Passports (page 1) for each of the heifers claimed
- b) Copies of Cattle Passports (page 1) for each calf (or alternatively copies from movement records)

5) BULL IMPROVEMENT

Ear tag No.	Date of birth	Breed	Insurance Ref No

Declaration to be completed by Veterinary Officer

In my opinion the bull described above is a good quality pedigree sire.

The bull has been tested and the results show that he is not an active carrier of BVD.

Signed:

Date:

Herd Improvement Plan

Please provide details of how the above bull will improve your cattle herd:

Note: All applications must be accompanied by original receipted invoices, the bull's pedigree certificate and any relevant documents in support of your Herd Improvement Plan.

Section C
de minimis aid

Note: THIS SECTION MUST BE COMPLETED BY ALL APPLICANTS

Under EC regulation 1535/2007 (the “*de minimis*” aid regulation) the assistance provided through this scheme is *de minimis* aid (see Scheme Conditions attached).

Has the business named in Section A previously received agricultural *de minimis* aid?

YES / **NO** (please delete as applicable)

If **YES** please provide details below of **all** the agricultural *de minimis* aid you have received over the past **three** years:

Date awarded	Grant Provider and Scheme (eg SIC SABS 2006)	Amount in Euros

Section D
Applicant Declaration

I have read and understood the Scheme Conditions attached and agree to abide by all the conditions.

To the best of my knowledge the project(s) on which I am applying for grant is (are) not eligible for any other assistance.

I certify that the information provided by me in this Application Form is correct and complete.

Signed:

Date:

Anyone who knowingly makes a false declaration to fraudulently obtain a grant may be committing a criminal offence.

Section E**For Official Use Only**

Applicant _____

File Ref. SABS _____

Project Details**1) Lime Application**

Tonnage Claimed	Tonnage Eligible	Area Rate	Project Total
		£	£

2) Fertiliser Application

Tonnage Claimed	Tonnage Eligible	Area Rate	Project Total
		£	£

3) Arable Crops

Crop Inspected	Hectares Eligible	Rate	Project Total
		£	£

4) Heifer Rearing

Documents Checked	Heifers Eligible	Rate	Project Total
		£	£

5) Bull Improvement

Documents Checked	Eligible Cost	Rate	Project Total
		50%	£

Sum of projects 1 – 5

£	Euro conversion rate	Euros
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De minimis aid

Previous de minimis aid declared	Sum of projects this claim	Grant restricted to de minimis ceiling	New three year de minimis total	Grant due this claim	Conversion rate	Grant due this claim
€	€	Yes / No	€	€		£

De minimis aid awarded this claim €	Grant awarded £	Approved
Date keyed Initials	Date authorised Initials	



Economic Development Unit
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Shetland Agriculture Business Scheme

Conditions

1. Grant assistance is available under this scheme to agricultural businesses in Shetland that are operated as a separately managed business and are either registered as such with SGRPID under the Integrated Administration and Control System (IACS) or if exempt from IACS fulfil the same criteria, ie all land that the applicant farms is treated as one business.

This scheme is operated in compliance with Regulation (EC) No. 1535/2007 on the application of Articles 87 and 88 of the EC Treaty to *de minimis* aid in the sector of agricultural production. Under this regulation (the "*de minimis*" aid regulation) the assistance offered is *de minimis* aid. This term refers to relatively small amounts of financial assistance that do not require the prior approval of the European Commission. There is however a ceiling of 7,500 Euros (approximately £5,360) for all *de minimis* aid provided to an agricultural business over any period of **three fiscal years**. **If you have received any assistance under the *de minimis* regulation within the past three fiscal years you need to ensure that any grant paid to you will not raise the total above this ceiling.**

2. The following projects will be eligible for grant assistance and it is up to each agricultural business manager to decide which project(s) they wish to apply for up to the ceiling of 7,500 Euros per separately managed agricultural business within any period of three fiscal years:

Lime Application – grant will be paid per eligible tonne (to the nearest whole tonne) for lime purchased and spread on the applicants holding during 2008, the rate of grant will be based on distance from Lerwick as follows:

Area 1	Lerwick to Parkhall, Voe, Sumburgh, Bressay	£11 / tonne
Area 2	Voe – North Roe, Parkhall – West, Yell, Whalsay	£15 / tonne
Area 3	Unst	£18 / tonne
Area 4	Other Islands	£19 / tonne
Area 5	Fetlar	£20 / tonne

All applications must be accompanied by original detailed invoices or receipted accounts.

Fertiliser Application - grant will be paid per eligible tonne for fertiliser purchased and spread on the applicants holding during 2008, the rate of grant will be based on distance from Lerwick as follows:

Area 1	Lerwick to Parkhall, Voe, Sumburgh, Bressay	£45 / tonne
Area 2	Voe – North Roe, Parkhall – West, Yell, Whalsay	£47 / tonne
Area 3	Unst	£49 / tonne
Area 4	Other Islands	£51 / tonne
Area 5	Fetlar	£53 / tonne

All applications must be accompanied by original detailed invoices or receipted accounts.

Arable Crops - rape, turnips, Swedes and stubble turnips grown for winter fodder in 2008 will qualify for assistance at a rate of £350 per eligible hectare or part thereof (minimum area that can be claimed is 0.2 ha).

Applications for cropping grant must be submitted by 30 SEPTEMBER 2008. Details of crop type, location and area must be provided.

Heifer Rearing – Shetland born heifers, which are at least 18 months old at time of calving in 2008 will qualify for assistance once the heifer has calved and joined the applicants herd. The following rates of grant will apply per eligible heifer:

Heifers sired by a recognised beef breed of bull	£100
Pure bred Shetland heifers	£200
Heifers sired by a recognised dairy breed of bull	£135

To verify that the heifers were born, reared and retained after calving on the applicants holding all applications must be accompanied by:

- a) copies of Cattle Passports (page 1) for each of the heifers claimed
- b) copies of Cattle Passports (page 1) for each calf (or alternatively copies from movement records)

Heifers traded or passed between herds will **not** be eligible for grant.

Bull Improvement – pedigree beef or dairy bulls less than 5 years old may qualify for assistance provided they are certified by a veterinary officer as of good quality and test results have shown that they are not a carrier of BVD.

The rate of grant will be 50% of the purchase price (including freight) up to a maximum grant of £2,400 and will be limited to one bull per applicant. The scheme will be limited to a total of 35 bulls.

Applicants must provide a Herd Improvement Plan detailing the improvements sought by introducing a specific bull.

Applicants will be required to keep the bull for a minimum of **4 years**. Should the bull become unsuitable for breeding during this 4 year period and require to be replaced the owner must inform the Council's Agricultural Development Officer, supplying a vets letter detailing the reason for disposal.

Applicants will be required to confirm that the bull is still in their possession by completing an annual return for each of the 4 years.

Applicants will be required to have the bull insured throughout the four-year period.

- 3. Applicants will allow Council staff to inspect their grant assisted crops, livestock and relevant livestock records at all reasonable times in order to monitor compliance with scheme conditions.
- 4. **Applicants must ensure that the projects on which they are claiming assistance will not be eligible for assistance from any other source and sign a declaration to this effect.**
- 5. **If your project is acceptable you will receive a letter offering grant assistance. For the purposes of the "de minimis" regulation, you must retain this letter offer for three years from the date of offer and produce it if requested to do so by the UK public authorities or the European Commission. (You may need to keep it longer for other purposes.)**
- 6. To comply with European Commission *de minimis* aid regulations the Council must keep records of all payments made under this scheme. This information is recorded in order to verify to the Scottish Executive and the European Commission that the individual and national ceiling limits available under this scheme have not been breached.
- 7. Recipients of grant assistance from the Council must abide by the EU Statutory Management Requirements regarding keeping land in Good Agricultural and Environmental Condition (GAEC) and the Code of Good Practice for the Prevention of Environmental Pollution From Agricultural Activity (the PEPFAA Code). Grant recipients should also be aware of and abide by the guidance provided under The 4 Point Plan regarding the responsible use of manure and slurry, how to reduce dirty water around the farm, improve nutrient use, carry out a land risk assessment for slurry and manure and manage water margins.

8. Recipients of grant assistance from the Council must abide by the terms of the Shetland Animal Health Schemes. In particular, grant recipients must comply with the set of rules for importation of sheep into Shetland. Failure to comply with the terms of relevant operational animal health schemes will result in grant money being reclaimed by the Council and to disqualification from receiving future Council grant assistance.
9. The Council reserves the right to find out the amount of arrears of debt, if any, owed to the Council by applicants for assistance and to withhold payment of any assistance until such time as the arrears have been cleared or satisfactory arrangements have been made to clear such arrears.
10. Failure to observe any of the conditions of the Scheme may involve repayment of the grant and may disqualify the applicant from future assistance from this grant or other grant and loan schemes run by the Council.
11. Closing date for receipt of application forms is **31 January 2009**.

IMPORTANT NOTES RELATING TO PERSONAL AND CONFIDENTIAL INFORMATION

Data Protection 1998

The Shetland Islands Council is registered under the Data Protection Act 1998. Any personal information provided by you in this form will be used solely by the Council in connection with your application for grant assistance.

Local Government (Scotland) Act 1973

It is normal practice for reports on applications for financial assistance to be considered in public. Normally, the only information which is exempt from the public are personal and financial details. However, the information provided in the application form and in the supporting submissions may be made public in reports to the Council or any of its relevant Committees if the Council Members decide, without your approval.

Freedom of Information (Scotland) Act 2002

Any information you provide with your application may be provided to the public under this Act.

If there is any information contained in this application form or supporting documentation which you do not wish to be publicised, you should advise the Economic Development Unit when you submit your application. Any requests for disclosure of such information may be discussed with you, however, it cannot be guaranteed that your information will be kept confidential.

Data Protection Statement

The Department for Environment, Food and Rural Affairs (as data controller) requires details of the identity of recipients of de minimis aid in the agriculture and fisheries sectors, amounts of aid granted and date(s) of aid granted to be kept on a central register. Such data will be kept in order to comply with the provisions of Commission Regulation 1860/2004 on de minimis State aid in the agriculture and fisheries sectors and in particular to ensure that ceilings on the amount of aid granted are not breached. To this end, the data may be shared amongst any organisation granting de minimis State aid in the agriculture and fisheries sectors and will be passed to organisations responsible for upholding the provisions of Regulation 1860/2004 on request. Defra may also be required to release information, including personal data and commercial information, on request under the Environmental Information Regulations 2004 or the Freedom of Information Act 2000. However, Defra will not permit any unwarranted breach of confidentiality nor will Defra act in contravention of its obligations under the Data Protection Act 1998. There is a legitimate public interest in knowing how public funds are spent and so details of the amount of aid paid, the identity of the recipient, and other details may be disclosed under the Access to Information legislation mentioned above.

SIC MANAGEMENT INFORMATION 2007/08 - PERIOD 9

1st April 2007 to 31st December 2007

Revenue Expenditure by Service - Housing Revenue Account

Annual Budget	Year to Date Budget	Year to Date Actual	Year to Date Variance (Adverse)/ Favourable
£	£	£	£

Housing (Total)	-7,053,430	-3,891,013	-3,434,937	-456,076
Head of Housing	-2,011,994	-1,508,996	-1,491,404	-17,592
Operational Services	-973,140	559,773	491,463	68,310
Business Support	-4,068,296	-2,941,790	-2,434,996	-506,794

Revenue Expenditure by Subjective - Housing Revenue Account

Annual Budget	Year to Date Budget	Year to Date Actual	Year to Date Variance (Adverse) /Favourable
£	£	£	£

Employee Costs (sub total)	119,877	89,443	66,766	22,677
Basic Pay	87,533	65,650	48,727	16,923
Overtime	0	0	946	-946
Other Employee Costs	32,344	23,793	17,093	6,700
Operating Costs (sub total)	2,194,245	1,624,438	1,425,012	199,426
Travel & Subsistence	1,122	842	464	378
Property Costs	2,145,048	1,585,650	1,393,138	192,512
Other Operating Costs	48,075	37,946	31,410	6,536
Transfer Payments (sub total)	28,578	27,528	26,648	880
Income (sub total)	-9,396,130	-5,632,422	-4,953,364	-679,058
TOTAL	-7,053,430	-3,891,013	-3,434,937	-456,076

COMMUNITY SERVICES MANAGEMENT A/c's 2007/08 - COST CENTRE DETAIL - PERIOD 9
1st April 2007 to 31st December 2007

<u>Cost Centre</u>	<u>Description</u>	Annual Budget	Year to Date Budget	Year to Date Actual	Year to Date Variance (Adverse)/ Favourable
		£	£	£	£
Housing Revenue Account TOTAL		-7,053,430	-3,891,013	-3,434,937	-456,076
Head of Housing		-2,011,994	-1,508,996	-1,491,404	-17,592
HRH0350	Housing Support Grant	-2,011,994	-1,508,996	-1,491,404	-17,592
Operational Services		-973,140	559,773	491,463	68,310
HRH1300	Ladies Drive Hostel	-64,522	-63,818	7,588	-71,406
HRH3100	Customer Services	34,123	25,026	23,727	1,299
HRH3150	Garages, HRA	18,597	13,948	9,890	4,058
HRH3151	South Team Area 2	194,997	146,248	174,998	-28,750
HRH3152	South Team Area 1	194,997	146,248	-2,780	149,028
HRH3153	North Team Area 2	194,997	146,248	169,659	-23,411
HRH3154	North Team Area 1	194,997	146,248	118,906	27,342
HRH3300	Other	-1,740,826	0	-10,240	10,240
HRH3350	Grazing Lets	-500	-375	-492	117
HRH4258	Cost of Refurbishment	0	0	207	-207
Business Support		-4,068,296	-2,941,790	-2,434,996	-506,794
HRH2047	Rents General Needs	-4,409,153	-3,313,555	-2,909,782	-403,773
HRH2048	Rents Sheltered Housing	-504,289	-384,217	-353,982	-30,235
HRH2355	Supervision & Management	-106,920	29,925	27,712	2,213
HRH3200	Planned Services HRA	952,066	726,057	801,055	-74,998

SHETLAND ISLANDS COUNCIL MANAGEMENT A/c's 2007/08 - COST CENTRE DETAIL - PERIOD 9

BY Harbour Account

1st April 2007 to 31st December 2007

<u>Cost Centre</u>	<u>Description</u>	Annual Budget	Year to Date Budget	Year to Date Actual	Year to Date Variance (Adverse)/ Favourable
		£	£	£	£
Harbour Account TOTAL		-249,163	-2,562,594	-3,232,472	669,878
Ports Management (sub total)		954,061	721,536	688,245	33,291
PRM0150	Canteen Service	25,544	19,087	23,204	-4,117
SRM0001	Ports - Recruitment Expenses	17,040	12,780	398	12,382
SRM0100	Ports - Support Services	218,318	164,717	159,085	5,632
SRM2000	Ports - Operations Management	693,159	524,952	505,557	19,395
Sullom Voe (sub total)		-4,994,880	-3,771,563	-4,027,675	256,112
PRM2100	Sullom Voe	-5,453,916	-3,980,008	-4,052,237	72,229
PRM2101	B & L Sullom Voe	-40,093	-100,961	-254,272	153,311
PRM2102	Pilotage Sullom Voe	-633,093	-474,820	-448,299	-26,521
PRM2103	Mooring Sullom Voe	-286,009	-214,506	-248,757	34,251
PRM2110	Marine Officers	1,161,727	881,855	818,697	63,158
PRM2111	Launch Crews	1,056,465	806,830	788,263	18,567
PRM2112	Towage Crews	-2,597,573	-1,957,652	-1,661,396	-296,256
PRM2116	Pollution Control	1,500	1,125	0	1,125
PRM2120	SOTEAG	2,500	1,875	89	1,786
PRM2121	SVA	78,223	58,667	36,653	22,014
SRM2001	Towage Management	8,400	6,300	11,447	-5,147
SRM3050	Ports - Admin Building	107,557	82,709	61,542	21,167
VRM3205	Nav Aids Sullom Voe	35,129	27,634	37,694	-10,060
VRM3206	Radar Sullom Voe	15,262	11,697	10,997	700
VRM3207	VHF Radio Sullom Voe	12,100	9,075	3,433	5,642
VRM3210	Maintenance Workshop	67,623	50,453	44,645	5,808
VRM3211	Helicopter Hangar	3,464	3,109	2,568	541
VRM3212	Meteorological Office	2,529	1,856	853	1,003
VRM3213	Long Term Store	2,830	2,070	1,080	990
VRM3214	Crew Accommodation	7,336	5,451	3,221	2,230
VRM3215	Pollution Store	39,375	29,455	28,569	886
VRM3221	Sullom Shoormal	43,452	24,778	20,974	3,804
VRM3222	Sullom Spindrift	46,134	26,789	23,074	3,715
VRM3223	Sullom Spray	49,277	29,151	21,770	7,381
VRM3225	Dunter	237,203	164,615	127,384	37,231
VRM3226	Shalder	216,290	147,985	128,597	19,388
VRM3227	Stanechakker	161,388	106,580	54,743	51,837
VRM3228	Tirrick	289,090	215,534	186,924	28,610
VRM3229	Tystie	237,203	164,615	128,398	36,217
VRM3230	Sullom A	9,349	6,053	1,970	4,083
VRM3231	Sullom B	9,349	6,053	2,599	3,454
VRM3232	Sullom C	9,849	6,428	1,354	5,074
VRM3235	Vehicles Sullom Voe	31,610	20,925	17,708	3,217
VRM3236	Boat Hoist	3,072	2,288	-4,570	6,858
VRM3237	Small Plant	5,200	3,900	2,013	1,887
VRM3239	Sullom Shearwater	16,801	10,891	7,078	3,813
VRM3240	Tug Jetty	48,517	39,638	67,521	-27,883
Scalloway (sub total)		148,813	116,113	-184,351	300,464
PRM2200	Blacksness	8,021	5,463	-239,212	244,675
PRM2201	B & L Scalloway	-5,000	-3,750	-10,183	6,433
PRM2202	Pilotage Scalloway	-11,950	38	667	-629
VRM3261	Nav Aids Scalloway	7,000	5,250	4,876	374

VRM3262	Offices & Stores Scalloway	31,425	23,825	14,812	9,013
VRM3263	Fish Market	32,671	24,821	4,631	20,190
VRM3264	Piers Scalloway	68,845	49,408	33,599	15,809
VRM3266	Vehicles Scalloway	1,870	1,404	1,459	-55
VRM3267	Lyrie	15,931	9,654	4,999	4,655
Other Piers (sub total)		150,801	98,483	-44,015	142,498
PRM2300	Baltasound	1,532	1,143	-6,165	7,308
PRM2301	Collafirth	-272	-208	-4,129	3,921
PRM2302	Toft	228	167	364	-197
PRM2312	Cullivoe	-18,683	-14,019	-47,525	33,506
PRM2314	Fair Isle	723	537	0	537
PRM2315	Hamnavoe	173	126	-99	225
PRM2316	Melby Pier	0	0	141	-141
PRM2317	Mid Yell	-260	-196	-36,686	36,490
PRM2318	Out Skerries	349	258	-167	425
PRM2319	Symbister	9,974	7,405	6,855	550
PRM2322	Vaila/Grutness	-1,662	-1,250	-1,652	402
PRM2323	West Burrafirth	48	32	-679	711
PRM2324	Humber Inflatable	77	0	0	0
PRM2325	Orkney Spinner	24	0	0	0
PRM2326	Avon Searider	60	0	0	0
VRM3270	Baltasound Pier Maintenance	13,528	8,998	3,343	5,655
VRM3271	Collafirth Pier Maintenance	7,983	5,404	2,242	3,162
VRM3272	Toft Pier Maintenance	3,019	1,920	8	1,912
VRM3273	Garth Pier Maintenance	8,596	6,188	13,003	-6,815
VRM3280	Billister Pier Maintenance	806	376	0	376
VRM3282	Cullivoe Pier Maintenance	41,733	29,002	7,910	21,092
VRM3283	Easterdale Pier Maintenance	1,466	1,074	141	933
VRM3284	Fair Isle Pier Maintenance	7,784	2,850	0	2,850
VRM3285	Hamnavoe Pier Maintenance	2,034	1,181	620	561
VRM3286	Melby Pier Maintenance	64	0	0	0
VRM3287	Mid Yell Pier Maintenance	6,566	4,388	2,004	2,384
VRM3288	Out Skerries Pier Maintenance	7,637	5,039	4,102	937
VRM3289	Symbister Pier Maintenance	30,227	19,913	10,931	8,982
VRM3290	Toogs Pier Maintenance	316	188	0	188
VRM3291	Uyeasound Pier Maintenance	2,912	1,725	339	1,386
VRM3292	Vaila/Gruting Pier Maintenance	11,540	7,913	58	7,855
VRM3293	West Burrafirth Pier Maintenan	12,279	8,329	1,026	7,303
Port Engineering (sub total)		622,942	456,312	404,091	52,221
VRM3200	Port Engineering Services	622,942	456,312	404,091	52,221
Jetties & Spur Booms (BP Funded) (sub total)		-244,640	-183,475	-68,767	-114,708
PRM2150	Jetties/Spur Booms - SV	-1,485,372	-1,114,029	-1,847,517	733,488
VRM3250	Jetty 1	545,229	408,923	579,126	-170,203
VRM3251	Jetty 2	317,654	238,242	671,236	-432,994
VRM3252	Jetty 3	147,554	110,667	246,071	-135,404
VRM3253	Jetty 4	190,085	142,564	277,720	-135,156
VRM3254	Construction Jetty	28,000	21,000	6,527	14,473
VRM3255	Spur Booms	12,210	9,158	-1,930	11,088
Transfer of Funds (sub total)		3,113,740	0	0	0
PRM2002	Transfer to Funds	3,113,740	0	0	0

SIC MANAGEMENT INFORMATION 2007/08 - PERIOD 9**1st April 2007 to 31 December 2007****Revenue Expenditure by Service**

(Harbour Account, Support Services & Recharged Services)

	Annual Budget	Year to Date Budget	Year to Date Actual	Year to Date Variance (Adverse)/Favourable
	£	£	£	£
Ports & Harbours (total)	-249,163	-2,562,594	-3,232,472	669,878
Ports Management	954,061	721,536	688,245	33,291
Sullom Voe	-4,994,880	-3,771,563	-4,027,675	256,112
Scalloway	148,813	116,113	-184,351	300,464
Other Piers	150,801	98,483	-44,015	142,498
Port Engineering Services	622,942	456,312	404,091	52,221
Jetties & Spur Booms (BP Funded)	-244,640	-183,475	-68,767	-114,708
Transfer of Funds	3,113,740	0	0	0

Revenue Expenditure by Subjective

(Harbour Account, Support Services & Recharged Services)

	Annual Budget	Year to Date Budget	Year to Date Actual	Year to Date Variance (Adverse)/Favourable
	£	£	£	£
Employee Costs (sub total)	6,859,155	5,120,588	4,983,725	136,863
Basic Pay	4,489,596	3,367,195	3,287,990	79,205
Overtime	373,634	280,227	248,736	31,492
Other Employee Costs	1,995,925	1,473,166	1,446,999	26,167
Operating Costs (sub total)	4,717,686	3,262,992	3,474,506	-211,514
Travel & Subsistence	189,862	143,099	103,481	39,618
Property Costs	1,036,887	665,671	562,176	103,495
Other Operating Costs	3,490,937	2,454,222	2,808,849	-354,627
Transfer Payments (sub total)	3,191,963	58,667	36,596	22,071
Income (sub total)	-15,017,967	-11,004,841	-11,727,299	722,458
TOTAL	-249,163	-2,562,594	-3,232,472	669,878

SIC MANAGEMENT INFORMATION 2007/08 - PERIOD 9**1st April 2007 to 31st December 2007**

Shetland Islands Council	Annual	Year to Date	Year to Date	Year to Date
Revenue Expenditure by Service	Budget	Budget	Actual	Variance
(Reserve Fund)				(Adverse)/Favourable
	£	£	£	£
Executive Services (sub total)	1,481,943	961,796	834,933	126,863
Finance	296,418	4,888	5,154	-266
Legal & Administration	1,032,773	811,931	706,284	105,647
Housing	152,752	144,977	123,494	21,483
Education & Social Care (sub total)	140,000	0	0	0
Community Development	140,000	0	0	0
Infrastructure Services (sub total)	322,021	241,516	659,481	-417,965
Environment	70,000	52,500	510,406	-457,906
Planning	252,021	189,016	149,076	39,940
Economic Development Unit (sub total)	4,656,200	3,492,150	2,719,199	772,951
Economic Development Unit	4,656,200	3,492,150	2,719,199	772,951
TOTAL	6,600,164	4,695,462	4,213,614	481,848

Revenue Expenditure by Subjective	Annual	Year to Date	Year to Date	Year to Date
(Reserve Fund)	Budget	Budget	Actual	Variance
				(Adverse)/Favourable
	£	£	£	£
Employee Costs (sub total)	0	0	788	-788
Basic Pay	0	0	0	0
Overtime	0	0	395	-395
Other Employee Costs	0	0	394	-394
Operating Costs (sub total)	1,566,837	1,213,354	1,128,275	85,079
Travel & Subsistence	21,000	15,750	22,450	-6,700
Property Costs	762,153	608,966	496,139	112,827
Other Operating Costs	783,684	588,638	609,686	-21,048
Transfer Payments (sub total)	5,033,327	3,482,108	1,822,017	1,660,091
Income (sub total)	0	0	1,262,533	-1,262,533
TOTAL	6,600,164	4,695,462	4,213,614	481,848

EXECUTIVE SERVICES MANAGEMENT A/c's 2007/08 - COST CENTRE DETAIL - PERIOD 9 1st April 2007 to 31st December 2007

<u>Cost Centre</u>	<u>Description</u>	Annual Budget	Year to Date Budget	Year to Date Actual	Year to Date Variance (Adverse)/ Favourable
		£	£	£	£
Reserve Fund TOTAL		6,850,164	4,695,462	4,213,614	481,848
Financial Support Services		296,418	4,888	5,154	-266
RRF1151	Councillor Christmas Grant	4,529	4,529	4,635	-106
RRF1152	S.I.C.C.T. Allowances	478	359	519	-160
RRF1312	Graduate Placement Scheme	291,411	0	0	0
Asset & Property Services		1,032,773	811,931	706,284	105,647
RRB6380	N.A.F.C.	600,525	379,683	292,852	86,831
RRB6381	SCOFÉ Property Costs	432,248	432,248	413,432	18,816
Housing		152,752	144,977	123,494	21,483
RRH2800	Housing Initiatives	53,118	51,843	44,518	7,325
RRH2801	Tenant Participation	14,816	14,816	658	14,158
RRH2803	Shetland Women's Aid	78,318	78,318	78,318	0
RRH2804	Market Value Compensation	6,500	0	0	0
Environment		70,000	52,500	510,406	-457,906
RRY5002	PSHG-Housing Imp Grants	70,000	52,500	510,406	-457,906
Planning		252,021	189,016	149,076	39,940
RRY8381	Area Regeneration Res Fund	57,270	42,953	106,228	-63,275
RRY8383	Coastal Protection	39,968	29,976	925	29,051
RRY8481	KIMO Policy	6,770	5,077	4,761	316
RRY8482	Nuclear Policy	7,650	5,738	2,591	3,147
RRY8483	NENIG	12,863	9,647	12,826	-3,179
RRY8486	Env Improve/Cons	127,500	95,625	21,745	73,880
Economic Development		4,906,200	3,492,150	2,719,199	772,951
RRD1104	SCGWAG Advisors	11,500	8,625	4,304	4,321
RRD1105	Pony Breeders Scheme	1,000	750	424	326
RRD1123	Potato & Vegetable Scheme	16,000	12,000	0	12,000
RRD1124	AI Scheme	8,000	6,000	1,923	4,077
RRD1125	Bull Purchase Scheme	0	0	3,350	-3,350
RRD1129	Livestock Health Scheme	67,700	50,775	36,815	13,960
RRD1130	Agricultural Shows Scheme	3,000	2,250	0	2,250
RRD1131	Agricultural Training	10,000	7,500	3,359	4,141
RRD1133	Agriculture General Assistance	307,500	230,625	139,453	91,172
RRD1134	Grants to Agric Loan Scheme	25,000	18,750	0	18,750
RRD1135	Ineligible Crofter-Agric Grant	50,000	37,500	54,751	-17,251
RRD1136	Agriculture Contractors Scheme	30,000	22,500	11,956	10,544
RRD1500	Other Research	45,000	33,750	100,193	-66,443
RRD1502	Publications	3,000	2,250	8,457	-6,207
RRD1520	Other General Assistance	165,000	123,750	156,679	-32,929
RRD1523	Rural Shop Improvement	75,000	56,250	17,582	38,668
RRD1526	Rnew Energy Proj	380,000	285,000	47,144	237,856
RRD1528	Foula Electricity	25,000	18,750	16,057	2,693
RRD1529	BES111	70,000	52,500	36,857	15,643
RRD1530	Economic Infrastructure Projec	250,000	187,500	0	187,500
RRD1620	Tourism Financial Assistance	70,000	52,500	32,523	19,977
RRD1621	Tourism Infrastructure	350,000	262,500	100,000	162,500

RRD1700	Energy at the Edge	0	0	-1,855	1,855
RRD5005	MDP	104,000	78,000	34,306	43,694
RRD5031	Shetland Promotional Costs	221,000	165,750	87,241	78,509
RRD5033	Industry Marketing Event	0	0	-85	85
RRD5038	Johnsma's Foy	38,959	29,219	18,924	10,295
RRD5039	Flavour of Shetland	111,041	83,281	108,239	-24,958
RRD5040	International Links	20,000	15,000	905	14,095
RRD2120	Fisheries General Assistance	485,000	176,250	231,238	-54,988
RRD2121	North Atlantic Fisheries Coll	1,963,500	1,472,625	1,468,458	4,167
Lifelong Learning		140,000	0	0	0
RRL6050	Modern Apprenticeship	140,000	0	0	0



REPORT

To:	Infrastructure Committee	4 March 2008
	Services Committee	6 March 2008
	Executive Committee	11 March 2008

**From: Head of Finance
Executive Services Department**

Report No: F-010-F

**HOUSING REVENUE ACCOUNT/HARBOUR ACCOUNT/RESERVE FUND
REVENUE MANAGEMENT ACCOUNTS 2007/08
FOR THE PERIOD 1 APRIL 2007 TO 31 DECEMBER 2007**

1. Introduction

- 1.1 The purpose of this report is to advise Members of the financial position on the Council's Housing Revenue Account, Harbour Account and Reserve Fund for the first 9 months of 2007/08.

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 reviewing financial performance relative to the Council's financial policies.

3. Background

- 3.1 The revenue management accounts for funds other than the General Fund are presented to Executive Management Team (EMT) on a quarterly basis to enable EMT to monitor the Council's overall financial position.
- 3.2 This is the second monitoring report to Members for 2007/08 and covers the period 1 April 2007 to 31 December 2007. Only controllable items of expenditure are included, on the basis that recharges for central services and financing costs are not controllable in terms of spending decisions. Thus expenditure items include employee costs, property costs, transport, grants and other running costs, and income comprises of fees and charges, grants and rents.

3.3 For information, all appendices shows the Annual Budget, Year to Date Budget, Actual and Variance. It is the Year to Date variances, which are referred to within this report, the Year to Date figures include income and expenditure from 1 April 2007 to 31 December 2007. An estimation of when spending will occur or income is to be received is made on each budget and a spend profile is set which determines the Year to Date Budget, i.e. for salaries an equal charge each month is expected so the budget will show in this report 9/12ths of the Annual budget in the Year to Date budget, for other items this is not so straightforward and these will either be based on past spending patterns or on a 1/12th basis across the year. The Year to Date Variance shows how actual activity has varied from the planned budget. Appendices 1, 3 and 5 show expenditure and income by service area and by type. Appendices 2, 4 and 6 shows the same data by cost centre activity.

4. Housing Revenue Account Financial Position at 31 December 2007 (SERVICES COMMITTEE)

- 4.1 The Housing Revenue Account (HRA) revenue for the first 9 months is over budget by £0.456m (see Appendix 1). Attached, as Appendix 2 is a more detailed cost centre listing of spend to date for information. There are two main areas where variances are occurring.
- 4.2 There is a profiling error of £0.557m on rents due to the timing of the rents fortnights not matching the management accounts period end. This will even out over the year.
- 4.3 Property costs is underspent by £0.192m, this is mainly due underspends on maintenance budgets £0.117m due to the timing difference between the budget profile, the completion of works and the charging by the Housing DLO to the HRA. The other main variance is an underspend on void rents (£0.111m).
- 4.4 The outturn on the HRA is expected to be within budget.

5. Harbour Account Financial Position at 31 December 2007 (COUNCIL)

- 5.1 The Harbour Account (P&H) revenue for the first 9 months is under budget by £0.670m for the six months (see Appendix 3). Attached, as Appendix 4 is a more detailed cost centre listing of spend to date for information. There are two main areas where variances are occurring.
- 5.2 The most significant adverse variance is on towage dues at Sullom Voe of £0.431m, which have not been realised. However, spend on boarding and landing hired services (helicopter services) is down by £0.137k. Income at Blackness for pier activities is up £0.247m and there has been underspending across all the small piers to date by

£0.142m. Overspending for the jetties and spur booms of £0.115m is due as a result of expenditure being incurred at a faster than budgeted rate under the maintenance contract. This contract is wholly funded by BP and will have no impact at the year-end.

- 5.3 It is difficult to predict the outturn on the Harbour Account at this stage, as the oil throughput is outwith the control of the Council. However, the latest prediction is that the outturn on the Harbour Account will be within the budget.

6. Reserve Fund Financial position at 31 December 2007 (INFRASTRUCTURE & EXECUTIVE COMMITTEE)

- 6.1 The Reserve Fund for the first 9 months is under budget by £0.481m (see Appendix 5). Attached, as Appendix 6 is a more detailed cost centre listing of spend to date for information. There are two main areas where variances are occurring.
- 6.2 The most significant adverse variance under Environmental Services is an outstanding accrual for income £0.478m in relation to Private Sector Housing Grant income which is to be netted off to zero this year and will have no impact at the year end. The underspend on Economic Development Unit is mainly on grants which are demand led (£0.706m). The main projects are Renewable Energy, Economic and Tourism Infrastructure. Under Legal and Administration underspending of £0.086m is due to difficulty profiling maintenance and the operating lease not being paid in line with the budget profile.
- 6.3 It is anticipated that the outturn on the Reserve Fund will be under budget.

7. Action Plan to resolve budget variances

- 7.1 Budget Responsible Officers (BRO's) have been actively encouraged to review the profiles on their budgets, identify and deal with any miscodings and action appropriate virements so that period variances do not obscure the real financial position. Management Accountancy will continue to provide advice and training to assist BROs to manage their budgets.

8. Financial Implications

- 8.1 It is expected that the Housing Revenue Account and Reserve Fund will be within the budget set for 2007/08. On the Harbour Account this is more difficult to predict as it depends on the level of throughput at Sullom Voe which is outwith the Council's control. At this stage it is predicted that it will be within the budget.

- 8.2 Any underspend against budget will reduce the draw on reserves, conversely, any overspend will increase the draw on reserves, which will reduce the amount available for use in future years.

9. Policy & Delegated Authority

- 9.1 This report is being presented to the Services and Infrastructure for information and comment; and Executive Committee in terms of its remit for financial policy and monitoring. The Committees may make comment to Council where necessary but the report is presented to Council for information.

10. Recommendation

- 10.1 The Services, Infrastructure and Executive Committees are asked to consider this report and make comment to Council where necessary. Thereafter, I recommend that the Council note the report and any comments from the Committees.

Report No: F-010-F

Ref: Accountancy/HKT

Date: 22 February 2008

SIC MANAGEMENT INFORMATION 2007/08 - PERIOD 9**1st April 2007 to 31 December 2007****Revenue Expenditure by Service**

(Harbour Account, Support Services & Recharged Services)

	Annual Budget	Year to Date Budget	Year to Date Actual	Year to Date Variance (Adverse)/Favourable
	£	£	£	£
Ports & Harbours (total)	-249,163	-2,562,594	-3,232,472	669,878
Ports Management	954,061	721,536	688,245	33,291
Sullom Voe	-4,994,880	-3,771,563	-4,027,675	256,112
Scalloway	148,813	116,113	-184,351	300,464
Other Piers	150,801	98,483	-44,015	142,498
Port Engineering Services	622,942	456,312	404,091	52,221
Jetties & Spur Booms (BP Funded)	-244,640	-183,475	-68,767	-114,708
Transfer of Funds	3,113,740	0	0	0

Revenue Expenditure by Subjective

(Harbour Account, Support Services & Recharged Services)

	Annual Budget	Year to Date Budget	Year to Date Actual	Year to Date Variance (Adverse)/Favourable
	£	£	£	£
Employee Costs (sub total)	6,859,155	5,120,588	4,983,725	136,863
Basic Pay	4,489,596	3,367,195	3,287,990	79,205
Overtime	373,634	280,227	248,736	31,492
Other Employee Costs	1,995,925	1,473,166	1,446,999	26,167
Operating Costs (sub total)	4,717,686	3,262,992	3,474,506	-211,514
Travel & Subsistence	189,862	143,099	103,481	39,618
Property Costs	1,036,887	665,671	562,176	103,495
Other Operating Costs	3,490,937	2,454,222	2,808,849	-354,627
Transfer Payments (sub total)	3,191,963	58,667	36,596	22,071
Income (sub total)	-15,017,967	-11,004,841	-11,727,299	722,458
TOTAL	-249,163	-2,562,594	-3,232,472	669,878



REPORT

To: Infrastructure Committee 4 March 2008
 Services Committee 6 March 2008
 Executive Committee 11 March 2008

From: Head of Finance
 Executive Services Department

Report No: F-009-F

GENERAL FUND REVENUE MANAGEMENT ACCOUNTS 2007/08 FOR THE PERIOD 1 APRIL 2007 TO 31 DECEMBER 2007

1. Introduction

- 1.1 The purpose of this report is to advise Members of the financial position on the Council's general fund revenue accounts including support and recharged ledgers for the first nine months of 2007/08.

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 reviewing financial performance relative to the Council's financial policies.

3. Background

- 3.1 The general fund revenue management accounts are presented to Executive Management Team (EMT) on a monthly basis to enable EMT to monitor the Council's overall financial position.
- 3.2 This is the three quarter year monitoring report to Members for 2007/08 and covers the period 1 April 2007 to 31 December 2007. Only controllable items of expenditure are included, on the basis that recharges for central services and financing costs and income are not controllable in terms of spending decisions. Thus expenditure items include employee costs, property costs, transport, grants and other running costs, and income comprises of fees and charges, grants and rents.
- 3.3 For information, all appendices show the Annual Budget, Year to Date Budget, Actual and Variance. It is the Year to Date variances, which are referred to within this report, the Year to Date figures include income and expenditure from 1 April 2007 to 31 December 2007. An estimation of when spending will occur or income is to be received is made on each

budget and a spend profile is set which determines the Year to Date Budget, i.e. for salaries an equal charge each month is expected so the budget will show in this report 9/12ths of the Annual budget in the Year to Date budget, for other items this is not so straightforward and these will either be based on past spending patterns or on a 1/12th basis across the year. The Year to Date Variance shows how actual activity has varied from the planned budget. Appendix 1 shows expenditure and income by service area and by type. Appendices 2 shows the same data by cost centre activity.

4. Overall Financial position on General Fund revenue (including support and recharged ledgers) at 31 December 2007

- 4.1 The General Fund revenue management accounts is £3.238 million less than budget (see Appendix 1). This is after savings of £2.7m have been built into the 2007/08 budgets to reach the approved draw on Reserves of £5 million. There are a number of profiling errors identified amounting to nearly £0.982m which is overstating the underspend.
- 4.2 Attached, as Appendix 2 is a more detailed cost centre listing of spend to date for information grouped by Education and Social Care (Appendix 2a), Infrastructure Services (Appendix 2b) and Executive Services (Appendix 2c).

5. SERVICES COMMITTEE BUDGETS/EXPENDITURE

Analysis of Education and Social Care Service Activity as at 31 December 2007

- 5.1 The Education and Social Care Department spent £2.132m less than expected for the period of this profiling errors have been identified amounting to £0.814m. Some significant differences over planned activity are set out below.

5.1.1 Schools

Overall spend on schools is running under budget £1.275m, There are profiling errors on additional funding grants which require to be sorted amounting to £0.557m across the schools service for National Priorities Action Fund. Delayed charging for the DLO Catering Contract has resulted in an underspend of £0.203m which will be spent as the year progresses.

5.1.2 Community Care

Overall net spend is £0.140m over the approved budget. The service has a target deficit budget by £1.3M for the year, which the Council expected to secure through vacant posts. On current activity, the service is on target to meet the deficit set by the Council.

5.1.3 Children's Services

Underspending on grants and salaries has resulted in Children's Services under budget by £0.413m.

5.1.4 Social Care Training

The social care training programme has not been progresses as fast as was originally intended leading to an underspend of £0.401m at period 9.

5.1.5 Shetland College and Train Shetland

The College has an adverse variance of £0.075m due the timing of the receipt of external funding not matching the budget profile.

6. INFRASTRUCTURE COMMITTEE BUDGETS/EXPENDITURE

Analysis of Infrastructure Service Activity as at 31 December 2007

6.1 The Infrastructure Department spent £1.158m less than expected for the period of this profiling errors have been identified amounting to -£0.154m. Some significant differences over planned activity are set out below.

6.1.1 Environmental Rova Head Disposal

Higher than anticipated income £0.339m received from additional waste flows and drill cuttings. This is offset by reduced Processing Shed income due to waste flows being passed through landfill.

6.1.2 Environmental Health Repairs Notice

This is an accrual on expenditure £0.233m for which income will be received in 2007/08 which will net this expenditure to zero. This is not a real variance. The antisocial behaviour project for CCTV is behind schedule and has an underspend of £0.259m. This project is going ahead and the budget will be spent this year or accrued into 2008/09.

6.1.3 Transport

The Shetland Transport Partnership is underspent on External Consultants £0.188m due to the late approval of the Transport Strategy by the Government. It is anticipated however that the outturn position will be very close to balanced at the end of the financial year.

7. EXECUTIVE COMMITTEE BUDGETS/EXPENDITURE

Analysis of Executive Service Activity as at 31 December 2007

7.1 The Executive Department is over the budget by £0.152m than expected for the period after corporate savings of £1.3m have been included. Of this variance, profiling errors have been identified amounting to £0.322m. Some significant differences over planned activity are set out below.

7.1.1 Savings Required Across the Council

Part of the £2.7m savings mentioned in paragraph 4.1 lies on a Finance cost centre (£1.3m), this still has to be met from savings across the Council either from general underspending on activities and vacancies.

7.1.2 Housing & Capital Projects Unit

There is a timing difference between the receipt of income and the payment of rebates which has resulted in an underspend of £0.263m.

The Capital Projects Unit is underspent by £0.130m due mainly to vacancies.

7.1.2 Asset Services

Property costs are below budget by £0.240m mainly on maintenance and electricity due to outstanding bills.

8. Action Plan to resolve budget variances

- 8.1 Budget Responsible Officers (BRO's) have been actively encouraged to review the profiles on their budgets, identify and deal with any miscodings and action appropriate virements so that period variances do not obscure the real financial position. Management Accountancy will continue to provide advice and training to assist BROs to manage their budgets.

9. Financial Implications

- 9.1 The general fund revenue management accounts for the first 9 months of 2007/08 (including support and recharges) is £3.328m under the budget for that period. This is after savings of £2.7m have been taken into account. To ensure that the savings are achieved by the end of the year there is a need for Budget Responsible Officers to continue to carefully manage their budgets. There are a number of profiling errors identified amounting to nearly £0.982m which is overstating the underspend.
- 9.2 Any underspend against budget will reduce the draw on reserves, conversely, any overspend will increase the draw on reserves, which will reduce the amount available for use in future years.

10. Policy & Delegated Authority

- 10.1 This report is being presented to the Services and Infrastructure for information and comment and Executive Committee in terms of its remit for financial policy and monitoring. The Committees may make comment to Council where necessary but the report is presented to Council for information.

11. Recommendation

- 11.1 The Services, Infrastructure and Executive Committees are asked to consider this report and make comment to Council where necessary. Thereafter, I recommend that the Council note the report and any comments from the Committees.

Report No: F-009-F
Ref: Accountancy/HKT

Date: 22 February 2008

SIC MANAGEMENT INFORMATION 2007/08 - PERIOD 9

1st April 2007 to 31st December 2007

Revenue Expenditure by Service**Shetland Islands Council**

(General Fund, Recharged Services & Support)

	Annual Budget	Year to Date Budget	Year to Date Actual	Year to Date Variance (Adverse)/ Favourable	Savings To be Achieved	Year to Date Variance Before Savings have been deducted (Adverse)/Favourable
	£	£	£	£	£	£
Executive Services (sub total)	10,882,220	8,008,102	8,159,941	-151,839	-1,321,964	1,170,125
Executive Management	791,814	476,885	544,024	-67,139		-67,139
Council Members	703,915	538,864	486,784	52,080		52,080
Organisational Development	2,771,393	2,049,196	2,082,359	-33,163		-33,163
Finance	1,188,049	640,441	1,844,952	-1,204,511	-1,321,964	117,453
Legal & Administration	3,063,684	2,414,846	1,949,416	465,430		465,430
Housing & Capital Projects	2,363,365	1,887,870	1,252,406	635,464		635,464
Education & Social Care (sub total)	54,832,596	42,994,077	40,861,719	2,132,358	-1,372,011	3,504,369
Executive Director	4,887,251	3,548,438	3,110,561	437,877		437,877
Lifelong Learning	2,699,152	2,378,807	2,170,603	208,204		208,204
Schools	30,960,347	24,042,307	22,767,006	1,275,301		1,275,301
Community Care	11,427,550	9,544,560	9,685,092	-140,532	-1,372,011	1,231,479
Children's Services	4,830,414	3,679,733	3,266,253	413,480		413,480
Criminal Justice Unit	9,092	7,679	-5,752	13,431		13,431
SCOFÉ	18,790	-207,447	-132,044	-75,403		-75,403
Infrastructure Services (sub total)	27,190,802	20,597,702	19,438,942	1,158,760	0	1,158,760
Directorate	1,080,289	806,559	781,585	24,974		24,974
Environment & Building Services	5,077,107	4,141,336	3,520,645	620,691		620,691
Roads	6,616,762	4,866,541	5,055,075	-188,534		-188,534
Transport	13,450,473	10,081,539	9,564,755	516,784		516,784
Planning	966,171	701,727	516,882	184,845		184,845
Economic Development Unit (sub total)	987,172	754,301	655,738	98,563	0	98,563
Economic Development Unit	987,172	754,301	655,738	98,563		0
TOTAL	93,892,790	72,354,182	69,116,340	3,237,842	-2,693,975	5,931,817

NOTE: Harbour and HRA figures not included here, as they will be dealt with by specific management accounting reports.

Revenue Expenditure by Subjective**Shetland Islands Council**

(General Fund, Recharged Services & Support

	Annual Budget	Year to Date Budget	Year to Date Actual	Year to Date Variance (Adverse) /Favourable	Savings To be Achieved	Year to Date Variance Before Savings have been deducted (Adverse)/Favourable
	£	£	£	£	£	£
Employee Costs (sub total)	71,642,239	52,720,335	53,526,295	-805,960	-2,693,975	1,888,015
Basic Pay	54,147,918	40,438,388	39,141,559	1,296,829	0	1,296,829
Overtime	1,092,407	883,840	971,399	-87,559	0	-87,559
Other Employee Costs	16,401,914	11,398,107	13,413,337	-2,015,230	-2,693,975	678,745
Operating Costs (sub total)	39,660,763	29,448,086	26,999,383	2,448,703	0	2,448,703
Travel & Subsistence	3,764,979	2,763,265	2,136,537	626,728	0	626,728
Property Costs	14,137,063	11,175,256	10,324,013	851,243	0	851,243
Other Operating Costs	21,758,721	15,509,565	14,538,832	970,733	0	970,733
Transfer Payments (sub total)	9,039,798	7,122,155	6,096,013	1,026,142	0	1,026,142
Income (sub total)	-26,450,010	-16,936,394	-17,505,351	568,957	0	568,957
TOTAL	93,892,790	72,354,182	69,116,340	3,237,842	-2,693,975	5,931,817

EDUCATION & SOCIAL CARE Mgt A/c's 2007/08 - COST CENTRE DETAIL - PERIOD 9 1st April 2007 to 31st December 2007
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<u>Cost Centre Description</u>	Annual Budget	Year to Date Budget	Year to Date Actual	Year to Date Variance (Adverse)/ Favourable
	£	£	£	£
Directorate Mgt	213,016	167,704	197,978	-30,274
QOL/Com Safety/Data Share	458,203	267,897	295,512	-27,615
Resources	2,104,881	1,580,330	1,188,698	391,632
Sport & Leisure Mgt	97,989	73,078	72,020	1,058
Sport & Leisure	1,634,058	1,160,024	1,105,591	54,433
Community Work Mgt	49,113	36,672	34,656	2,016
Community Work	329,991	262,733	216,106	46,627
Culture/Museum	1,211,371	1,196,543	1,156,950	39,593
Shetland Library	1,025,204	782,241	755,162	27,079
Adult Learning	340,556	260,492	241,340	19,152
Shetland College and Train Shetland	140,811	-67,916	-114,894	46,978
Central Schools Support Mgt	425,439	312,766	347,870	-35,104
Central Schools Support	1,328,041	999,987	978,469	21,518
Improvement & Quality Assurance Mgt	138,474	101,708	177,261	-75,553
Improvement & Quality Assurance	362,377	289,797	218,843	70,954
Parental Involvement	36,636	27,241	10,741	16,500
ASN Schools' Provision	3,961,232	3,024,811	2,987,475	37,336
Pre-School Provision	1,333,094	973,376	925,869	47,507
Primary Schools	9,666,966	7,228,447	6,869,235	359,212
Secondary Schools	12,505,271	9,436,526	9,351,264	85,262
Visiting Services	1,583,112	1,208,942	1,175,157	33,785
Other Schools Activities	-380,295	438,706	-275,178	713,884
Community Care Service Mgt	310,173	230,697	229,956	741
Community Care (inc. all Older People income)	-3,361,304	-1,211,565	-1,553,114	341,549
CC Assessments & Care Management Mgt	59,778	44,415	49,134	-4,719
CC Assessments & Care Management	467,911	340,822	283,911	56,911
Adult Services Mgt	62,887	47,310	42,106	5,205
Adult Services	3,193,732	2,541,206	2,337,234	203,972
Mental Health	214,914	185,872	154,974	30,898
Older People Services Mgt	111,670	82,721	85,140	-2,419
Older People Services	10,072,923	7,075,412	7,856,967	-781,555
OT Assessments	294,866	207,670	198,786	8,884
Head of Children's Services	115,211	86,109	88,466	-2,357
ASN - Children's Services Provision	89,410	94,737	41,417	53,320
Children and Families Mgt	59,930	44,779	45,482	-703
Children and Families	593,258	452,629	463,729	-11,100
Child Protection Mgt	45,885	34,273	35,742	-1,469
Children's Resources Mgt	0	0	3,700	-3,700
Children's Resources	2,893,290	2,128,157	1,777,338	350,819
Psychological Services	340,685	256,032	251,203	4,829
Youth Services Mgt	51,732	38,801	38,043	758
Youth Services	562,739	485,732	480,905	4,827
Youth Justice	78,274	58,484	40,229	18,255
Criminal Justice	9,092	7,679	-5,752	13,431
TOTAL EDUCATION AND SOCIAL CARE	54,832,596	42,994,077	40,861,719	2,132,358

Appendix A

Offer of Additional Capital Grant for 2007/08

Approved Projects - Progress

February 2008

Project Description	Capital Cost	Progress	Spend by Year End
Islesburgh CC – Replace Heating & Ventilation	£100K Estimated	Completed.	£120,000 * see appendix B for additional expenditure
Fire Alarm and Emergency Lighting Upgrades	£75K	Works completed	£138,000 * see appendix B for additional expenditure
Building Management Systems – 6 schools presently unfunded	£100k Estimated	Works completed	£147,000 * see appendix B for additional expenditure
Purchase of 2 No. Super Low Floor Buses (Provided to operators in return for reduction in contract costs)	£260K	Completed	£252,556
Shore power for tugs	£100-125K (£60-70K being claimed)	Completed	£68,000
Council acquisition of Quendale House	£250K	Ongoing. Anticipate spend by year end.	£258,000 * see appendix B for additional expenditure
Install water meters and waste control measures	£50K	Completed	£32K
Wind turbines at 4 schools	£25K estimated	Unable to go ahead due to Health & Safety requirements	£0
Install district heating – 4 buildings in LK	£60K	Ongoing	£60K

Reserve Projects

Purchase sea bed at Blacksness Pier, saving rent to Crown Estate	£150-200K estimated	Unable to go ahead due to new advice received	£0
Replace tungsten lighting with fluorescent	£50K estimated	Unable to go ahead due to other staff commitments	£0
Improved insulation – various buildings	£20K	Unable to go ahead due to other staff commitments	£0



REPORT

To: Executive Committee **11 March 2008**
Shetland Islands Council **19 March 2008**

From: Head of Capital Programme and Housing Service

Report No: CPS-07-08-F

Subject: Offer of Additional Capital Grant for 2007/08

1.0 Introduction

- 1.1 The Council approved proposals to allocate additional Capital Grant on a range of Spend to Save projects (min ref. SIC 88/07). This report recommends adding additional projects to ensure maximum expenditure of the Grant.

2.0 Link to Corporate 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 that the community and corporate plans are implemented by finances, consistent planning and action, performance, management and communication.
- 2.3 A Council, which is organised, efficiently run and sustainable, is one of our key priorities. Within the Corporate Improvement Plan we have pledged that the Council's capital programme will be further aligned with available funds.

3.0 Background

- 3.1 In a letter dated the 2 February 2007, the Scottish Executive announced a capital grant allocation of £1.141m for Shetland Islands Council.
- 3.2 The purpose and conditions of the grant stated that, "*The Grant shall be used for investment in capital expenditure projects which maximise future savings to the Council (for example in ways that will enable the Council to reduce its*

energy costs and secure improvements in their asset management planning)". These are generally defined as "spend to save" projects.

- 3.3 Further, the projects should be undertaken between 2007/08 and all projects should be substantially complete by 31 March 2008.
- 3.4 The projects approved are listed in *Appendix A*. This list includes reserve projects to be brought forward in the event of any slippage to ensure as much of the money as possible is spent.
- 3.5 Not all projects have been able to go ahead for various reasons and some have not been able to achieve the anticipated spend. The projects on the reserve list have not been able to commence for the reasons noted.
- 3.6 If all projects achieve their anticipated spend by year end there is a balance of £151K remaining in the Spend to Save budget.
- 3.7 In order to maximise the spend on the additional Capital Grant additional Spend to Save projects which are able to achieve spend by the financial year end have been identified and are listed in *Appendix B*.
- 3.8 Should Members agree to continue with these additional projects they will be monitored by the Capital Programme Service with reporting back to the Council on progress, along with all other capital projects.

4.0 Proposal

- 4.1 It is proposed that Members:
 - 4.1.1 Note the actions taken so far to progress the use of this grant;
 - 4.1.2 Confirm acceptance or amend the additional spend to save projects recommended in *Appendix B*.

5.0 Financial Implications

- 5.1 The proposals within this report make use of additional resources without the need to provide additional funding from the Council. Therefore, there are no direct financial implications from this report. The completion of the projects will result in some one off savings to the Council and some longer term reductions in revenue expenditure.

6.0 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.

7.0 Conclusion

- 7.1** This grant represents additional funding offered to the Council with conditions attached. For various reasons not all the projects identified have been able to go ahead and further projects which can achieve spend have been identified.

8.0 Recommendations

- 8.1** It is recommended that the Executive Committee and Council:
- 8.1.1** Note the actions taken so far to progress the use of this grant;
 - 8.1.2** Confirm acceptance or amend the additional spend to save projects recommended in Appendix B.

Our Ref: CPS-07-08-F/CM/RS

Date: 3 March 2008

Enclosure: Appendix A: Approved Projects - Progress
Appendix B: Proposed Additional Projects

Appendix B

Offer of Additional Capital Grant for 2007/08

Proposed Additional Projects

February 2008

Project Description	Capital Cost	Value of Savings	Payback Period
Islesburgh CC – Replace Heating & Ventilation	£20K additional to original budget of £100K to carry out upgrading of Fire Alarm works	£11K plus	5 years est. (complex case)
Fire Alarm and Emergency Lighting Upgrades	£63K additional to original budget of £75K requested for increased scope of works and training for electricians	£7,500 p.a. saving in service agreements	10 years
Building Management Systems – 6 schools presently unfunded	£47K additional to estimated original budget of £100K expenditure requested for increased scope of works to carry out rationalisation of system necessary due to poor system logic.	£1750 per school p.a. estimated	10 years est.
Council acquisition of Quendale House	£8K additional to original budget of £250K. requested in order to buy out a burden in the title	Rent presently £42,916, reducing to circa £25K p.a. post Sept 2007	Circa 10 years
ICT New Air Source & Alterations	£25.1K new budget replace 1 st floor air handling unit and alterations	£7K energy savings p.a.	4 years
IP Phones	£40,344	Ongoing revenue savings in BT costs. Investment in each IP phone results in savings equal to the cost of the telephone within 1 year.	1 year



REPORT

To: Executive Committee

11 March 2008

From: European Officer

REPORT NO: DV010-F UPDATE ON EUROPEAN ACTIVITIES

1.0 Introduction

- 1.1 The purpose of this report is to update Members on current EU issues and activities.

2.0 Link to Council Priorities

- 2.1 Engaging in activities of a European nature is a key component of achieving the Priority of 'Sustainable Economic Development' as contained within Shetland Island Council's Corporate Plan 2004-2008.

3.0 Funding Streams

3.1 Highlands & Islands Convergence Programme 2007-2013

Community Planning Partnerships (CPPs) within the H&I's region are invited to submit a plan for a package of funds for their area. Funding will largely come from ERDF Priority 3 (enhancing peripheral and fragile communities) and ESF Priority 1 (increasing the workforce). The local authority is responsible for the submission of the CPP plan. Support will not be given to a loose aggregation of small projects across an area, rather plans will be required to demonstrate a thematic or geographical, integrated approach which will assist in community regeneration. The Community Planning Board agreed in September 2007 for the Community Regeneration Partnership to handle Shetland's bid for funds, and work is currently underway to draw up a plan. Plans have to be submitted by 11 July.

3.2 Scottish Rural Development Programme (SRDP) 2007-2013

The European Commission is expected to approve the SRDP in the near future. As reported previously to this Committee, the new LEADER funding programme will form Axis 4 of the SRDP. LEADER is an EU funding initiative which aims to promote community and economic development in rural areas based on a 'bottom-up' approach. The Council will be Lead Partner for the new Shetland LEADER programme and following approval of the SRDP, we will be advised on the level of funds for Shetland. As soon as our funding package has been confirmed, work can progress on getting the local programme up and running.

3.3 European Fisheries Fund (EFF) 2007-2013

As previously reported to Committee, progress has been very slow in getting the UK EFF programme established, however in late November 2007, the area allocations were agreed. The Scottish Government has secured 40%, or £38.8 million, of the overall UK budget. Of the £38.8 million, £12.4 million is ring-fenced for the H&I's region. The Scottish Operational Programme will form part of the overall UK programme which is expected to go out for an 8 week consultation starting in April. Thereafter, the programme must be approved by the European Commission. It is unlikely to be up and running until late 2008.

There is now a considerable gap since the previous FIG programme came to an end in 2006 and until the EFF will be in place. Concerns about the delays were put in a letter from SIC to Richard Lochhead, Cabinet Secretary for Rural Affairs and the Environment asking the Scottish Government to consider interim funding measures until the new programme is in place. No response has been received as yet.

4.0 Conference of Peripheral Maritime Regions (CPMR)

4.1 CPMR Transport Workshop – 22-23 November 2007, Shetland,

In November, Shetland hosted a two-day workshop on island transport issues. There was a good geographic spread of representatives from Argyll & Bute, Orkney, Western Isles, Sweden, Estonia, Bornholm, Gotland, Denmark, and also Calmac and ZetTrans.

The workshop focussed on both maritime and air transport and representatives gave a presentation of the situation in their own region. In relation to maritime transport, the experience of those present was that the tendering process for maritime routes was largely ineffective on most island routes. Complex and long tendering processes seem to result in very few effective tenders.

The meeting agreed that the CPMR Islands Commission should ask the European Commission to undertake a detailed and comprehensive study of the experience of the various EU islands in the field of tendering for maritime services. The purpose of such a study would be

- to indicate when tendering has proved beneficial to island communities;
- to indicate when it has not, and why;
- to compare the costs associated with this procedure; and
- to outline the best practices leading to the best provision of value/services for island communities and island economies.

In relation to air transport, experience has shown that - with the exception of the more remote and smaller islands (eg the Scottish Islands) - these services tend to attract more competition. An issue of particular concern is the potential financial impact of the proposed inclusion of air transport in the EU's Emission Trading Scheme. For islands such as Shetland this could have a significant detrimental impact where there are a lack of alternative options. The CPMR are following this debate closely.

4.2 CPMR Political Bureau Meeting – 18-19 January 2008, Seville

In his capacity as CPMR UK Alternate Member, Councillor Angus attended the recent meeting of the Political Bureau. The Political Bureau is responsible for the overall strategic direction of the CPMR. Prior to the Political Bureau meeting, delegates participated in a conference on the future of EU regional policy post 2013 which is already the subject of much debate. EU Commissioner for Regional Policy, Danuta Hubner, was present and outlined some of the challenges the EU is facing such as dealing with an ageing population, the impact of globalisation, growing the knowledge economy, and a review of the Common Agricultural Policy.

At the Political Bureau meeting, the future of the CPMR was debated. The current CPMR Secretary General is due to step down at the end of 2009, and this coupled with the considerable growth in CPMR membership since its creation, the current debate on future EU regional policy and the increasing impact of globalisation necessitates the need to review the CPMR's remit in a climate of changing circumstances. The meeting also focussed on the proposed EU Maritime Policy, elements of which have traditionally been at the core of CPMR's work. Following the European Commission's Blue Book proposals and accompanying Action Plan issued at the end of 2007, the CPMR have set up a Working Group 'Aquamarina' to monitor the Action Plan. Shetland has been closely following the maritime policy proposals and contributing to the debate and will participate in this Working Group.

4.3 CPMR Fisheries Intercom Group (FIG)

On behalf of the FIG, Chairman, Councillor Simpson, attended the Inter-Regional Advisory Committee (RAC) meeting on 10 December. The Inter-RAC Committee comprises representation from all the RACs and deals with issues of common interest. The meeting agreed to Councillor Simpson having observer status on this Committee. This will allow the FIG to be aware of the work of the RACs.

4.4 CPMR/European Commission Conference on European Aquaculture – 15-16 November 2007, Brussels

Councillor Simpson attended a conference organised by the European Commission on the future of aquaculture within the EU. The aim of the conference was to discuss the sustainable development of aquaculture and prepare some of the groundwork for developing a European Strategy. It was considered that in spite of some of the current challenges for this industry, there is an optimistic future for aquaculture within Europe. There was a clear message from participants that further research is key to the future development and sustainability of the industry. A European strategy is anticipated to be complete by the end of 2008.

5.0 Financial Implications

- 5.1 The financial implications arising from this report are potential travel and subsistence costs associated with attending forthcoming meetings. These costs can be met from existing budgets.

6.0 Policy & Delegated Authority

- 6.1 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).
- 6.2 As this is an information report, there is no requirement for a decision to be made.

7.0 Conclusion

- 7.1 This report provides an update of current EU issues and activities.

8.0 Recommendation

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

Our Ref: SJS/R4/10/6
Date: 26 February 2008

Report No: DV010-F



REPORT

To: Executive Committee

11 March 2008

**From: Service Manager- Environmental Health
Environment and Building Services
Infrastructure Services Department**

JOHNE'S HEALTH PROGRAMME PROPOSAL

1 Introduction

- 1.1 The purpose of this report is to seek approval from Members for the funding of a proposed Johne's Health Scheme for Shetland to control the infection rate in cattle herds.

2 Links to Corporate Priorities

- 2.1 "Strengthening Rural Communities" and "Agriculture" are two of the priorities contained in the Corporate Plan to achieve sustainable economic development. This report demonstrates strong linkages with both of these priorities.

3 Background

- 3.1 Johne's disease is a wasting disease of ruminants. It damages the digestive system resulting in profuse persistent diarrhoea, severe weight loss, loss of condition and infertility. Johne's Disease has a significant impact on herds due to loss of yield and early culling. There is also thought to be a possible causal link between Johne's in dairy herds and Crohn's Disease in humans.
- 3.2 A veterinary assessment report on Johne's Disease in Shetland was commissioned in 2007. The recommendations were subsequently costed and a bid for funding was prepared and submitted to the Scottish Government. However, they have stated they are unable to financially contribute to the scheme, although they are prepared to explore avenues to support the scheme through advice or research. The agricultural community were consulted through a series of regional roadshows; the feedback at these events suggested a high level of support for a Johne's Health Scheme.

- 3.3 It is proposed that the Johne's Scheme should if approved, be administered by Environmental Health as an additional element to the existing Shetland Animal Health Scheme. The Agricultural Panel considered the principle of Johne's Health Scheme and considered a number of options for funding the scheme. The Panel recommended their preferred option for approval of funding through the Council; this option is detailed in this report. If the Council approve the funding of a scheme it will be notified to the EU for block exemption approval under State Aid.
- 3.4 The proposal that is recommended for approval by the Agricultural Panel recognises that Johne's Control relies on the implementation of a biosecurity and hygiene programme alongside a test and cull strategy to limit the spread and prevalence of Johne's within and between herds.
- 3.5 Johne's disease is a far more difficult disease to control than BVD because the available blood tests for Johne's are only able to detect infected animals relatively late in the course of the disease. This means that some animals will already be spreading infection before they can be removed. For this reason experience with Johne's control programmes in the UK and in other countries has demonstrated the need for specifically targeted management changes to reduce the exposure of vulnerable animals to infection, alongside a testing programme to remove infected animals. This is the approach recommended by George Caldow in his report on Johne's disease control in the Shetland Islands (Caldow, 2007).
- 3.6 Shetland Johne's Disease Control Programme Provisional Costings have been calculated using data supplied from the Animal Health Office in January 2007 and fees for veterinary services based on 2007 prices and 2006 animal importation figures.

Number of cattle herds in Shetland - 201
 Number of female cattle over 2 years of age - 2656
 Number of bulls over 2 years of age - 116
 Total number of cattle to be tested - 2772

Annual Screening Costs

Total Cost of veterinary visits at £15.50 -	£3,115
Total blood sampling cost at £2.20 -	£6,098
Total lab fees – Johne's ELISA £4.00 -	£11,088
Johnes PCR £20 (estimate one test per herd) -	<u>£4,020</u>

Total	£24,321
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Testing of imported animals

Testing of 45 animals -	Total	£200
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Veterinary Farm Assessment and drawing up of Farm Plan

One hour per farm at £50/hour

Total £10,050

Total Estimated Cost Year One - £34,571

4 Financial Implications

- 4.1 The funding for this project will be from the Economic Development Units Agricultural Budget and will not be a growth item. The scheme will be coded to budget code RRD1129 2402 (Livestock Health grants). However this is an additional cost to the budget that was approved on 07 February 2008 (Min Ref 12/08), and £35,000 will have to be vired from RRD1133 2402 (Agricultural General Assistance grants) to cover the cost. The annual funding for the scheme will be included in the Livestock Health Grants budget in following years.

5 Policy and Delegated Authority

- 5.1 The Economic and Development policies adopted by the Committee on 9 December 2003 [Min Ref 34/03] and by the Council on 17 December 2003 [Min Ref 161/03] contain the following relevant policies:
- 5.1.1 "Supporting the retention and promoting the sustainable growth of key rural industries including agriculture".
- 5.1.2 "Generate improved product quality and greater efficiency of production in all agricultural sectors".
- 5.1.3 "Maintain and enhance the high health status of Shetland livestock".
- 5.2 The proposals outlined above will only proceed upon receipt of State aid clearance in the form of a notified and accepted Scheme.
- 5.3 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.

6 Conclusion

- 6.1 The proposed scheme will be fully evaluated and monitored to determine its efficiency in controlling and reducing the spread of Johne's. Reports on all of the Animal Health Schemes run by the Council will be reviewed by the Agricultural Panel.

7 Recommendation

- 7.1 I recommend that the Executive Committee approve the funding for five years of a Shetland Johne's Health Scheme subject to EU approval being granted.

Report Number: ES-05-08-F