



## **REPORT**

**To: Development Committee**

**02 October 2008**

**From: Head of Business Development**

**DV047-F**  
**Shetland Hamefarin 2010**

### **1.0 Introduction**

- 1.1 This report has been prepared to keep the Committee informed about the progress being made to organise the 50<sup>th</sup> anniversary celebrations of the Hamefarin in 2010.

### **2.0 Links to Corporate Priorities**

- 2.1 The Corporate Plan includes a policy relating to events which states that we will “Develop, support and improve events, in and beyond Shetland, that build Shetland’s reputation and reinforce confidence in the community ..... and organise Shetland Hamefarin 2010 .....”

### **3.0 Background**

- 3.1 The first Hamefarin took place in 1960 and attracted many people with family links to return to Shetland. At that time most of the Hamefarers had been born in Shetland or were first generation family born outside Shetland. Many had left in poorer times to earn a living overseas. People returned to Shetland at that time to meet close relatives and re-establish links with friends and communities. The event was a great success and is still spoken of fondly today. 25 years later in 1985 the second Hamefarin was celebrated and again proved to be a very popular event involving more second and third generation descendants who were seeking to experience Shetland culture and heritage for the first time. A third smaller Hamefarin was organised in 2000 to mark the coming of the new millennium and that too was a very successful occasion.

- 3.2 Shetland Hamefarin 2010 will celebrate 50 years of establishing links with people who have Shetland connections, whether through family or previous residency. The event will build on the model of the former Hamefarin festivals with the following aims:-
- To provide an opportunity for people with Shetland connections to return and re-establish links with relatives and friends;
  - To promote the modern culture and heritage and vibrant communities of Shetland to people who have not visited Shetland before;
  - To ensure that all Hamefarers leave Shetland with a favourable impression of the islands, can act as ambassadors for Shetland and become customers for Shetland produce;
  - To enable people to trace their Shetland family roots; and,
  - To send a message that all people with Shetland connections are welcome to return at any time.
- 3.3 On 5 December 2006 the Council's Executive Committee approved the setting up of an organising committee for the Shetland Hamefarin celebrations in 2010. The committee consists of a mixture of councillors, officials, people with experience of previous Hamefarins and other people/organisations who have a particular role to perform in the Hamefarin. Committee membership is shown in appendix 1. Since being formed the committee has been engaged in the following tasks:
- Establishing a website to communicate with prospective Hamefarers
  - Promoting the Hamefarin to the Shetland community
  - Preparing a draft programme for the event (see appendix 2)
  - Making arrangements for transport and accommodation
  - Agreeing an emblem for the Hamefarin (monochrome version in appendix 3)
  - Commissioning a Hamefarers book
  - Organising a CD of Shetland poetry, songs and tunes
- 3.4 In addition there is likely to be a variety of activities originating from outside the Committee such as the making of a Hamefarin quilt and a botany project with links between Shetland and New Zealand. As the time of the Hamefarin approaches it is expected that more of these projects will emerge to help provide more character for the celebrations. A list of the current activities of the Hamefarin Committee is shown in appendix 4.

## 4.0 Event Scale

- 4.1 Using the Hamefarin website it is possible to keep contact with prospective Hamefarers from all over the world and to seek information from them about how serious their enquiry is. So far enquiries representing 662 people have been registered. Of these 381 people have registered a serious enquiry and 237 are interested in coming to the Hamefarin. While it is still not possible to say how many Hamefarers will actually visit, the celebrations are likely to involve around 500 people. It will therefore be a bigger event than any of the previous Hamefarin celebrations.

## 5.0 Financial Implications

### 5.1 Expenditure

Promotional Emblem	787
Website and website management	11,659
Advertising	1,489
Hamefarin Book	11,000
Hamefarin Club	3,000
Transport from Airport/Ferry	1,000
Accommodation Booking Service	8,750
Daytrips Transport	6,000
Daytrips catering	2,000
Welcome to Shetland Reception	2,000
Concert	10,000
Hamefarin Dance	5,000
Final Fling	10,000
Firework display	5,000
Shetland CD net cost	1,000
Venue hire	15,000
Hamefarers Packs	8,000
Promotional Material	3,000
Contingency	5,000
<b>Total Expenditure</b>	<b>109,685</b>

### 5.2 Projected Income

Hamefarin Membership	25,000 (500 x £50)
Concert tickets	5,000
Dance tickets	5,000
<b>Total Income</b>	<b>35,000</b>
<b>Net Cost</b>	<b>£74,685</b>

### 5.3 Summary of Projected Costs and Budgets

Financial Year	2007/08	2008/09	2009/10	2010/11	Total
		£	£	£	£
Expenditure	6,851.50	8,052.50	38,015.50	56,765.50	109,685.00
Income	0		25,000.00	10,000.00	(35,000.00)
<b>Net Cost</b>					<b>74,685.00</b>
<b>To be funded from:</b>					
SIC Johnsmas Foy budget RRD5038				44,000.00	44,000.00
SIC General Assistance budget RRD1520		2,500.00	3,250.00		5,750.00
SIC Other Promotional Costs budget RRD5031	6,851.50	5,552.50	9,765.50	2,765.50	24,935.00
<b>Total</b>	<b>6,851.50</b>	<b>5,552.50</b>	<b>9,765.50</b>	<b>2,765.50</b>	<b>74,685.00</b>

5.4 In 2010 the Hamefarin will be run as the theme for the Johnsmas Foy and most expenditure during 2010 will be coded to the Johnsmas Foy budget RRD 5038, which should contain around £50,000, subject to Council approval. Opportunities for external funding such as through Event Scotland or the Scotland Homecoming project will be explored.

## 6.0 Policy and Delegated Authority

6.1 This report has been prepared under economic Development policy number 25 “Enable individuals and businesses to develop and promote Shetland products and services with confidence and pride”, which includes events and specifically refers to Shetland Hamefarin 2010. The policy was approved by the Development Committee on 24 April 2008 (01/08) and by the Council on 14 May 2008 (55/08).

6.2 The Development Committee has delegated authority to implement decisions within its remit for which the overall objectives have been approved by the Council, in addition to appropriate budget provision, including:

Economic Strategy  
Europe

6.3 As the subject of this report is covered by existing policy the Development Committee does have delegated authority to make a decision.

## **7.0 Conclusion**

- 7.1 Shetland Hamefarin 2010 is shaping up to be a significant celebration with the prospect of hundreds of people visiting Shetland for the occasion. The engagement between the Hamefarin committee and organisations throughout Shetland is working very well. The intention of the committee is to have all the main details of Shetland Hamefarin 2010 concluded before the end of this year so that people can begin booking their holidays as early as possible in 2009.

## **8.0 Recommendation**

- 8.1 It is recommended that the Development Committee notes the contents of this report.

DI/KLM/RF1139  
Date: 25 September 2008

Report No: DV047-F



**Shetland Hamefarin 2010**

**Organising Committee**

Cllr Sandy Cluness, Chairman  
Cllr Rick Nickerson, Shetland Islands Council Cultural Spokesperson  
Douglas Sinclair, Shetland Family History Society  
Elizabeth Angus, Shetland Family History Society  
Stephen Mouat, Lerwick Up-Helly-Aa Committee  
Mhari Pottinger, Shetland Folk Festival Society  
Maurice Mullay, Hamefarin Club Organiser  
John Smith, Shetland Islands Council  
David Nicol, NB Communication Ltd  
Nicola Halcrow, Shetland Islands Council Events Co-ordinator  
Tommy Coutts, Shetland Islands Council Economic Development Unit  
Tommy Watt, Shetland Museum and Archives  
Ian Tait, Shetland Museum and Archives  
Misa Hay, VisitShetland  
Douglas Irvine, Head of Business Development  
Shetland Arts (No specific person)

In addition the committee is working closely with:

Shetland Fiddle and Accordion Festival Committee  
Shetland ForWinds  
Peter Leask & Sons  
Mr Laughton Johnson  
Shetland Litho

And will work closely with:

Various local history groups  
Shetland Drama Festival  
Registration Service (Births, Deaths and Marriages)





## **Appendix 2**

### **Shetland Hamefarin 2010 Draft Schedule of Events**

<b>Date</b>	<b>Event / Activity</b>
Sunday 13 June	Arrive in Shetland, settle into accommodation
Monday 14 June	Welcome to Shetland function (Venue tbc depending on size of event)
Tuesday 15 June	Local Trip (North Isles)
Wednesday 16 June	Local Trip (Westside)
Thursday 17 June	Local Trip (North Mainland)
Friday 18 June	Local Trip (Nesting and Vidlin) Hamefarin Concert
Saturday 19 June	Flavour of Shetland (A Shetland showcase event celebrating the best local craft, culture, music and food)
Sunday 20 June	Flavour of Shetland Sunday Worship
Monday 21 June	Local Trip (Lerwick)
Tuesday 22 June	Local Trip (South Mainland)
Wednesday 23 June	Local Trip (Whalsay and Skerries)
Thursday 24 June	Local Trip (Scalloway, Burra and Tingwall)
Friday 25 June	Hamefarin Dance
Saturday 26 June	Final Fling
Sunday 27 June	Depart Shetland

The Hamefarin Club will be open in Islesburgh Community Centre throughout the fortnight of celebration.

Evening lectures and an art exhibition are being planned for the Shetland Museum and Archives.







**Current Activities**

- Sourcing accommodation options for Hamefarers
- Setting up booking service arrangement for accommodation
- Seeking special travel arrangements with air and sea carriers
- Preparing membership cards and information packs
- Keeping the website up to date
- Devising promotional material
- Developing an online booking and database system for Hamefarin holidays
- Making arrangements for an event to inform the various local family history societies about daytrips
- Organising the venues and entertainment for the concert, dance and final fling
- Organising the details of the Hamefarin Club in Islesburgh Community Centre
- Planning for commercial use of the Hamefarin emblem for merchandising
- Engaging with local and external people and organisations that have ideas for the Hamefarin – Quilting, Arts projects, Shetland Forwards, Shetland Drama Festival etc, etc





## **REPORT**

**To: Development Committee**

**02 October 2008**

**From: Development Officer**

### **DV049-F** **Economic Importance of Childcare Services**

#### **1.0 Introduction**

- 1.1 This is a brief information report to update Members regarding recent work undertaken by the Economic Development Unit (EDU) and Shetland Childcare Partnership in relation to the economic impact and issues concerning childcare in Shetland.

#### **2.0 Link to Corporate Priorities**

- 2.1 The activities reported in this document aim to fulfil the Council's commitments in the Corporate Plan to deliver a sustainable economy and supports the aims contained in the Economic Development Policy Statement (2007-2011).

#### **3.0 Background**

- 3.1 The EDU in conjunction with Shetland Childcare Partnership commissioned Anderson Consulting to do a report on the current economic importance of Shetland's childcare industry.
- 3.2 The report was commissioned to establish need for supporting the industry. We were aware of a decline in numbers of providers and growing circumstantial evidence that demand was not being met.
- 3.3 Shetland has extremely low unemployment so any possible opportunity to increase the available workforce is a priority.
- 3.4 The Executive Summary of the report is attached as appendix 1 and full report is available at <http://www.shetland.gov.uk/coins/Agenda.asp?meetingid=2444>

## **4.0 The Research Project**

### **4.1 The project had the following aims**

- Benchmark the current provision and look at opportunities for the childcare sector
- Identify key barriers and issues for the sector
- Establish the importance of childcare services on the local economy
- Identify possible support mechanisms

### **4.2 Anderson Consultants won the contract and completed the work in October of this year.**

## **5.0 Key Findings**

- 5.1 Formal childcare services in Shetland are crucial as they support parents to access employment opportunities and support the local economy to maximise the available workforce.
- 5.2 In addition, the parents who use childcare services often hold posts in key services. In peripheral areas a single childminder can support the provision of local health, education and police services. The report states that in Shetland, where there is low unemployment and population decline, childcare services are essential so that parents can be supported to return to work or to relocate to Shetland. This then brings benefits to employers as they can retain skilled staff and ease recruitment difficulties.
- 5.3 Parents in Shetland can have difficulty in finding appropriate childcare and often have to find a patchwork of different solutions to meet their childcare needs. The range of provision is complex and there are limited opportunities to find full-time care for younger children in Shetland and, particularly if there is more than one child under school age, cost can be prohibitive. As a result, access to informal childcare through family or friends can be extremely important, but this form of support is not available to everyone
- 5.4 The providers of childcare services also face significant challenges. Childminders and nurseries face increasing bureaucracy and regulation and in the private sector in particular, without the wider support which is available to those in the public sector, this can lead to difficult operating conditions. Current conditions and future requirements are expected to place upward pressure on the cost of delivering childcare services, particularly in nurseries. Recent changes in regulation are believed to have contributed to the steady decline in childminders whose numbers are down from 65 in 2000 to only 29 in 2008.



## **6.0 Key Recommendations**

6.1 The report makes several recommendations to support and develop the sector, including:-

- A coherent package of targeted advice and financial support for childminders
- A geographically based, two strand approach that recognises that there are different demand issues between central and remote areas.
- Continuation of practical support for training.

## **7.0 Financial Implications**

7.1 There are no financial implications arising from this report.

## **8.0 Policy and Delegated Authority**

8.1 The subject of this report relates to Economic Development Policy Number 27 “Enable individuals to achieve their full economic potential” (Development Committee Minute Reference 01/08, SIC Minute Reference 55/08).

8.2 In accordance with Section 11.0 of the Council’s Scheme of Delegation, the Development Committee has delegated authority to implement decisions within its remit for which the overall objectives have been approved by the Council, in addition to appropriate budget provision including:

- Economic Strategy
- Europe

8.3 As this is an information report, there is no requirement for a decision to be made.

## **9.0 Conclusions**

9.1 The report values both the direct employment in the sector and the indirect net benefit to the local economy. The formal childcare services in Shetland are estimated to either directly employ or support 450 full-time equivalent jobs. These jobs generate a knock-on economic benefit of £10.4 million in the local economy.

9.2 The project benchmarked the current situation in the sector. No work was done on the economic value of demand which is not being met. Currently there is a high level of awareness about parents who are willing to go to work or people who have not moved to Shetland because of the lack of available childcare.

- 9.3 A key objective of the Council is to increase Shetland's population. Childcare is a critical support service to parents who want to live and work in Shetland.

## **10.0 Next Steps and Future Work**

- 10.1 The report is the first step towards building a robust support package for the sector. Now that we know the economic importance and better understand what is an extremely complex industry sector, work has begun to develop support structures.
- 10.2 EDU are in the process of working with Shetland Childcare Services to tailor a financial and practical support scheme for the sector.
- 10.3 Details of the support scheme will be presented to the Economic Development Committee for approval in due course.

## **11.0 Recommendations**

- 11.1 I recommended that the Development Committee note the contents of this report.

Our Ref: MS/JJ RF/1207  
Date: 23 September 2008

Report No: DV049-F

## Economic Value of Childcare in Shetland

Executive Summary to

Shetland Islands Council and Shetland Childcare  
Partnership

23 July 2008

---

**Shetland Islands Council**

**Shetland Childcare Partnership**

**Economic Value of Childcare in Shetland**

**23 July 2008**

Anderson Solutions (Consulting) Ltd  
7 Caledonian Road  
Edinburgh  
EH11 2DA  
T: 0845 459 4785

E: [jennifer@andersonsolutions.co.uk](mailto:jennifer@andersonsolutions.co.uk)

W: [www.andersonsolutions.co.uk](http://www.andersonsolutions.co.uk)

# **Executive Summary**

This summary provides an overview of the report into the Economic Value of Childcare in Shetland. The study was commissioned by Shetland Islands Council and the Shetland Childcare Partnership. The study was required to consider:

- current provision and opportunities for the childcare sector;
- key barriers and issues for the sector;
- effect of the childcare sector on the local economy; and
- future support mechanisms.

The focus of the research and analysis is on the forms of regulated childcare which can offer a parent the opportunity to work. These childcare services will have the greatest economic value to Shetland as they provide direct employment and have the additional value of supporting others to access employment.

Throughout the report the provision of informal childcare is also referred to, including both family support and unregulated childminders, however, it was not within the remit of the study to measure the supply and impact of informal childcare.

The research has revealed that the economic value of childcare services in Shetland is significant because of the direct and indirect employment that it supports. However, there are challenges which suggest the potential value is not being realised, and that some elements of existing provision are under threat, which would, if lost, create a knock-on negative economic impact in the wider Shetland economy.

## **Supply and Demand**

There are four forms of regulated childcare which can offer support to a working parent:

- childminders;
- private nurseries;
- local authority owned nurseries and pre-school groups that offer extended hours; and
- out of school clubs (OOSC).

In Shetland, as may be expected, Lerwick offers both the highest number and widest range of providers (Table 1). In contrast the west of Shetland is wholly dependent on childminders (See Chapter 3 of the main report for more detail). In addition, provision is not consistent within sectors, for example only four of the nine nursery providers can offer full-time provision, and only two of these can cater for children under the age of two and childminders are free to choose their own operating hours.

**Table 1: Formal Childcare Provision that Supports Employment in Wider Economy**

	Lerwick	Central	South	West	North	N Isles
Childminders	9	4	3	6	5	2
Pre-School, Local Authority, Voluntary Nurseries (offering extended hours)	4	1	-	-	1	1
Private Nursery	1	-	1	-	-	-
Out of School Clubs	1	-	2	-	1	-

Sources: Shetland Childcare Partnership and Shetland Islands Council

Each form of childcare has its advantages and disadvantages and is likely to be viewed differently by each family in need of childcare. For example, difficulties that can be encountered by parents include:

- those with young children (under 2 years) can only access either childminders or private nurseries and there are limited spaces due to childminder/staff ratio restrictions;
- it can be difficult to find a single solution for one child as it is very difficult to find full-time childcare anywhere in Shetland. This leads to fragmented childcare provision; and
- it can be even more difficult to find a single solution for two or more children in Shetland, which can create significant problems for parents, particularly if each child is in more than one form of childcare.

### Challenges for Childminders

Childminders represent the main form of provision in the peripheral areas of Shetland and are also significant in Lerwick and its surrounding areas. However, the sector is facing difficulties. There has been a significant decline in the number of childminders between 2000, when there were 65, and today when there are 29 registered childminders. Based on interviews with 15 of Shetland's childminders and those associated with the sector, the main challenges that exist for childminders include:

- difficulties in managing a one-person business in a heavily regulated and often isolated environment;
- a lack of recognition of the important role that they play for both the children and parents, and the standards that they maintain;
- inappropriate / ever-changing regulation;
- a conflict between the nature of childminding and the demands of an increasingly professionalised sector. This conflict means the sector appears to be in the midst of a difficult transition period and many are leaving the sector; and
- it can be difficult to start-up a viable childminding business as it can take time for parents to adjust their behaviour and once operational it can quickly become difficult to offer full-time places.

It appears likely that there will be a further reduction in the number of childminders as those that find the new and more challenging environment for a childminding business no longer attractive as a self-employment option (see Chapter 3 of the main report for more detail). However, as a result perhaps of the difficult transition phase and the demand for childcare services, there are new models emerging. There are partnership models where two childminders combine their business to provide a childcare service. If this remains in domestic premises it continues to be a childminding business, if it moves to non-domestic

premises it becomes a nursery business. A partnership approach can help to share the burden of running the business and can combine different skills in order to address the challenges faced.

### Challenges for Nurseries

The nursery sector is in general more stable with a mix of private and public sector provision. In Shetland two local authority owned nurseries provide options for full-day care, while two others offer 'extended hours' where the provision of pre-school education places is supplemented by hours that can provide a half day of childcare provision, at relatively low cost. The private sector nurseries both offer full-day care but cannot offer the free pre-school education places. Based on interviews with both the local authority and private providers, the challenges in the nursery sector are different from those in the childminding sector. The challenges in the nursery sector are summarised as:

- SSSC registration and qualification requirements, this is perhaps the most prominent challenge across the sector. Nursery managers are now required to be qualified to SCQF Level 9 (degree equivalent) and for some providers this will be difficult, if not impossible – although peripatetic managers may provide a solution in the public sector;
- private sector versus public sector pay. The level of pay on offer in the private sector can be half of what is available in the public sector which can make recruitment and retention particularly difficult for the private sector nurseries;
- staff training which is essential can be difficult to support unless it is undertaken out of work hours;
- fluctuating numbers can be a problem in more peripheral areas where the provision of pre-school education nurseries may require significant subsidy, and it is therefore difficult to justify or sustain the extended hours provision, which could support employment;
- financial stability for voluntary groups. Similar to the previous point, in peripheral areas it can be particularly difficult to sustain voluntary group provision and access funding. This perceived or real fragility can reduce confidence in the provision and may make parents reluctant to rely on it to support their employment, which in turn makes the provision ever more fragile as the service is not fully utilised.

### Demand for Childcare

Challenges in the supply of childcare inevitably have knock-on impacts on those who are reliant on formal childcare services. There are mechanisms that can provide support to parents using formal childcare, these include tax credits, a voucher scheme if supported by a parent's employer and in the case of Shetland College assistance with up to 100% of the cost of childcare for students, assessed on need. However, take up of these mechanisms in Shetland appears low, for example only 41 parents currently benefit from the childcare voucher scheme offered by SIC and Shetland College struggles to spend its budget. Interviews suggest this is likely to be a result of a combination of a lack of supply of appropriate childcare places; dependency on unregulated or informal childcare; and either a lack of need or awareness of the support available.

The measurement of demand for childcare is difficult because of the use of informal childcare options and the combination of more than one option for either one child or within one family, which is often forced upon, rather than selected by a parent. However, economic indicators exist which suggest demand is high within the workforce. There is low unemployment in Shetland and a higher than average proportion of women in employment.

Indications from the research which included a small survey of parents suggest that demand currently exceeds supply, particularly in central areas of Shetland. With evidence of population drift away from the peripheral areas in Shetland and employment focused in Lerwick there will be different pressures experienced on childcare throughout Shetland:

- in central areas there will be pressure on the sector due to high demand levels and parents may find it difficult to find an available space that suits their needs; and
- in rural areas, satisfying demand will be more difficult because of the challenges in providing viable childcare that meets the demands of working parents.

## **Economic Value**

The economic value of childcare is that it provides not only direct employment for those involved in the provision of childcare but that it can also allow parents to access employment. The economic value of childcare is particularly important in Shetland because:

- there is low unemployment, and therefore difficulties in recruitment within the economy; and
- there is also a need to attract new residents to Shetland, often to provide key services.

The risk to Shetland of insufficient childcare services is that not enough people return to the workforce and there is a reduced ability to attract new residents from outwith Shetland. The result of this is that it could become increasingly difficult to fill vacancies and maintain key service provision, particularly in peripheral areas, where often a childminder supports police, health and education services through their service.

The quantitative assessment of the economic value of childcare services considers three sources of value:

- **Direct** – the direct effect considers all employment associated with the delivery of frontline childcare services. The figure includes employment in childcare services that do not necessarily support employment in the wider economy, for example pre-school education only providers;
- **Indirect** – the indirect effect is calculated by estimating the value associated with those that are enabled to work through the provision of formal childcare services;
- **Induced** – the induced effect considers the effect on the local economy which arises from the combined spending power of those directly or indirectly in employment and supported by childcare services.

The calculations associated with the three sources of impact outlined above demonstrate that formal childcare services support almost **450 full-time equivalent jobs** and generate income of **£10.4 million** (see Chapter 5 of the main report for more detail).

**Table 2: Total Employment and Income Impact of Childminding and Childcare Services in Shetland, 2008**

<b>Impact</b>	<b>Employment Supported (FTEs)</b>	<b>Income Supported (£'s million)</b>
Direct	98	£2.3
Indirect	245	£5.8
Induced	103	£2.3
<b>Total</b>	<b>446</b>	<b>£10.4</b>



## **Recommendations**

There are a number of issues in the childcare sector that if resolved could improve the economic value of the sector to the wider economy. This is likely to require greater focus and clarity in how current resources are used and in some cases, with the support of further information, this may justify additional resources. These resources should be prioritised towards the greatest challenges identified for the types of provision that support working parents. This will require collaboration between all stakeholders involved in strategic decision-making regarding childcare to ensure that efficient and effective use is made of the resources available to maximise the benefit to Shetland.

Areas suggested for priority consideration include:

- a clear, geographically based, two-strand approach that recognises the different supply and demand issues that exist between central and more peripheral areas in Shetland and ensure collaborative solutions are developed between all key stakeholders in order to support working parents;
- a coherent package of targeted advice and financial support for childminders that better promotes existing support and considers new and more appropriate support tailored to suit the current provision phase. Recommendations include the provision of:
  - either formal or informal support for childminders, ideally both;
  - advice and support on business development, and it is suggested that the progress of both the Scalloway and North Isles example is supported, monitored and recorded so that other childminders may benefit;
  - promotion of existing start-up assistance and a review of success with those that consider childminding. A greater understanding of the needs addressed and level of success of the Western Isles scheme may be of benefit, however, any additional support may not necessarily be financial;
  - opportunities that encourage childminders to work together, where appropriate, to develop a shared understanding of issues and challenges they face. For example, developing an approach towards fees for transporting children to and from pre-school education places;
  - promotion of the importance of childminders and the quality standards that must be adhered in order to raise awareness amongst parents and boost confidence in the sector. This could help the childminding sector by boosting demand and by identifying the potential benefits from the difficulties they currently face; and this awareness raising could also be used to support recruitment activities;
- continuation of the practical support for training;
- achieving an effective balance between strategic and 'on-the-ground' support;
- while focus is likely to be largely on supply-side issues, there should be serious consideration, although less resources, dedicated to demand-side activity. For example, it is very difficult to get a clear understanding of provision of childcare services in Shetland and this is reflected in the comments of those interviewed. Focus should be given to the demand-side challenges and a single point of coherent and user-friendly information developed to assist working parents. Any demand-side initiative could also be used to promote the benefits of using regulated childcare services; and

- where strategic decisions are being made regarding the provision, form and location of all childcare services, consideration should be given to:
  - o working parents and the need to support employment within Shetland; and
  - o reducing the pressure on parents travelling between different options for either the same child or different children.

Supporting the wider Shetland economy and therefore the wider community is the overall aim of the recommendations above. A viable, formal and coherent childcare sector is critical for Shetland's future as the projected reductions in the working population will make it increasingly difficult for employers, including key service providers, to recruit and reverse the decline. A strong childcare sector will support working parents and can help to encourage those not currently employed and in-migrants to work in Shetland. If choosing to review childcare services a further survey or discussions with working parents would be expected to generate valuable information for any review.

In addition, within these recommendations, it is important for decision-makers to remain sensitive to the balance between different providers and where possible try to support positive outcomes for all, including providers and working parents. Between public and private providers there are variances that exist in terms of both cost and access to support services and, for example, while working parents may benefit, childminders and private nurseries may be financially affected by an increase in pre-school education. However, in an environment of insufficient supply, issues between the public and private sector are perhaps not as significant as they might be if supply and demand become more closely matched.

## Economic Value of Childcare in Shetland

Final Report to

Shetland Islands Council and Shetland Childcare  
Partnership

23 July 2008

---

**Shetland Islands Council**

**Shetland Childcare Partnership**

**Economic Value of Childcare in Shetland**

**23 July 2008**

Anderson Solutions (Consulting) Ltd  
7 Caledonian Road  
Edinburgh  
EH11 2DA  
T: 0845 459 4785

E: [jennifer@andersonsolutions.co.uk](mailto:jennifer@andersonsolutions.co.uk)

W: [www.andersonsolutions.co.uk](http://www.andersonsolutions.co.uk)

## **Table of Contents**

Executive Summary .....	1
1 Introduction .....	7
2 Childcare Options for Working Parents.....	9
3 Supply of Childcare in Shetland .....	14
4 Demand for Childcare Services in Shetland .....	28
5 Economic Value of Childcare .....	41
6 Conclusions and Recommendations .....	45

# **Executive Summary**

This summary provides an overview of the report into the Economic Value of Childcare in Shetland. The study was commissioned by Shetland Islands Council and the Shetland Childcare Partnership. The study was required to consider:

- current provision and opportunities for the childcare sector;
- key barriers and issues for the sector;
- effect of the childcare sector on the local economy; and
- future support mechanisms.

The focus of the research and analysis is on the forms of regulated childcare which can offer a parent the opportunity to work. These childcare services will have the greatest economic value to Shetland as they provide direct employment and have the additional value of supporting others to access employment.

Throughout the report the provision of informal childcare is also referred to, including both family support and unregulated childminders, however, it was not within the remit of the study to measure the supply and impact of informal childcare.

The research has revealed that the economic value of childcare services in Shetland is significant because of the direct and indirect employment that it supports. However, there are challenges which suggest the potential value is not being realised, and that some elements of existing provision are under threat, which would, if lost, create a knock-on negative economic impact in the wider Shetland economy.

## **Supply and Demand**

There are four forms of regulated childcare which can offer support to a working parent:

- childminders;
- private nurseries;
- local authority owned nurseries and pre-school groups that offer extended hours; and
- out of school clubs (OOSC).

In Shetland, as may be expected, Lerwick offers both the highest number and widest range of providers (Table 1). In contrast the west of Shetland is wholly dependent on childminders (See Chapter 3 of the main report for more detail). In addition, provision is not consistent within sectors, for example only four of the nine nursery providers can offer full-time provision, and only two of these can cater for children under the age of two and childminders are free to choose their own operating hours.

**Table 1: Formal Childcare Provision that Supports Employment in Wider Economy**

	Lerwick	Central	South	West	North	N Isles
Childminders	9	4	3	6	5	2
Pre-School, Local Authority, Voluntary Nurseries (offering extended hours)	4	1	-	-	1	1
Private Nursery	1	-	1	-	-	-
Out of School Clubs	1	-	2	-	1	-

Sources: Shetland Childcare Partnership and Shetland Islands Council

Each form of childcare has its advantages and disadvantages and is likely to be viewed differently by each family in need of childcare. For example, difficulties that can be encountered by parents include:

- those with young children (under 2 years) can only access either childminders or private nurseries and there are limited spaces due to childminder/staff ratio restrictions;
- it can be difficult to find a single solution for one child as it is very difficult to find full-time childcare anywhere in Shetland. This leads to fragmented childcare provision; and
- it can be even more difficult to find a single solution for two or more children in Shetland, which can create significant problems for parents, particularly if each child is in more than one form of childcare.

### Challenges for Childminders

Childminders represent the main form of provision in the peripheral areas of Shetland and are also significant in Lerwick and its surrounding areas. However, the sector is facing difficulties. There has been a significant decline in the number of childminders between 2000, when there were 65, and today when there are 29 registered childminders. Based on interviews with 15 of Shetland's childminders and those associated with the sector, the main challenges that exist for childminders include:

- difficulties in managing a one-person business in a heavily regulated and often isolated environment;
- a lack of recognition of the important role that they play for both the children and parents, and the standards that they maintain;
- inappropriate / ever-changing regulation;
- a conflict between the nature of childminding and the demands of an increasingly professionalised sector. This conflict means the sector appears to be in the midst of a difficult transition period and many are leaving the sector; and
- it can be difficult to start-up a viable childminding business as it can take time for parents to adjust their behaviour and once operational it can quickly become difficult to offer full-time places.

It appears likely that there will be a further reduction in the number of childminders as those that find the new and more challenging environment for a childminding business no longer attractive as a self-employment option (see Chapter 3 of the main report for more detail). However, as a result perhaps of the difficult transition phase and the demand for childcare services, there are new models emerging. There are

partnership models where two childminders combine their business to provide a childcare service. If this remains in domestic premises it continues to be a childminding business, if it moves to non-domestic premises it becomes a nursery business. A partnership approach can help to share the burden of running the business and can combine different skills in order to address the challenges faced.

### Challenges for Nurseries

The nursery sector is in general more stable with a mix of private and public sector provision. In Shetland two local authority owned nurseries provide options for full-day care, while two others offer 'extended hours' where the provision of pre-school education places is supplemented by hours that can provide a half day of childcare provision, at relatively low cost. The private sector nurseries both offer full-day care but cannot offer the free pre-school education places. Based on interviews with both the local authority and private providers, the challenges in the nursery sector are different from those in the childminding sector. The challenges in the nursery sector are summarised as:

- SSSC registration and qualification requirements, this is perhaps the most prominent challenge across the sector. Nursery managers are now required to be qualified to SCQF Level 9 (degree equivalent) and for some providers this will be difficult, if not impossible – although peripatetic managers may provide a solution in the public sector;
- private sector versus public sector pay. The level of pay on offer in the private sector can be half of what is available in the public sector which can make recruitment and retention particularly difficult for the private sector nurseries;
- staff training which is essential can be difficult to support unless it is undertaken out of work hours;
- fluctuating numbers can be a problem in more peripheral areas where the provision of pre-school education nurseries may require significant subsidy, and it is therefore difficult to justify or sustain the extended hours provision, which could support employment;
- financial stability for voluntary groups. Similar to the previous point, in peripheral areas it can be particularly difficult to sustain voluntary group provision and access funding. This perceived or real fragility can reduce confidence in the provision and may make parents reluctant to rely on it to support their employment, which in turn makes the provision ever more fragile as the service is not fully utilised.

### Demand for Childcare

Challenges in the supply of childcare inevitably have knock-on impacts on those who are reliant on formal childcare services. There are mechanisms that can provide support to parents using formal childcare, these include tax credits, a voucher scheme if supported by a parent's employer and in the case of Shetland College assistance with up to 100% of the cost of childcare for students, assessed on need. However, take up of these mechanisms in Shetland appears low, for example only 41 parents currently benefit from the childcare voucher scheme offered by SIC and Shetland College struggles to spend its budget. Interviews suggest this is likely to be a result of a combination of a lack of supply of appropriate childcare places; dependency on unregulated or informal childcare; and either a lack of need or awareness of the support available.



The measurement of demand for childcare is difficult because of the use of informal childcare options and the combination of more than one option for either one child or within one family, which is often forced upon, rather than selected by a parent. However, economic indicators exist which suggest demand is high within the workforce. There is low unemployment in Shetland and a higher than average proportion of women in employment.

Indications from the research which included a small survey of parents suggest that demand currently exceeds supply, particularly in central areas of Shetland. With evidence of population drift away from the peripheral areas in Shetland and employment focused in Lerwick there will be different pressures experienced on childcare throughout Shetland:

- in central areas there will be pressure on the sector due to high demand levels and parents may find it difficult to find an available space that suits their needs; and
- in rural areas, satisfying demand will be more difficult because of the challenges in providing viable childcare that meets the demands of working parents.

## **Economic Value**

The economic value of childcare is that it provides not only direct employment for those involved in the provision of childcare but that it can also allow parents to access employment. The economic value of childcare is particularly important in Shetland because:

- there is low unemployment, and therefore difficulties in recruitment within the economy; and
- there is also a need to attract new residents to Shetland, often to provide key services.

The risk to Shetland of insufficient childcare services is that not enough people return to the workforce and there is a reduced ability to attract new residents from outwith Shetland. The result of this is that it could become increasingly difficult to fill vacancies and maintain key service provision, particularly in peripheral areas, where often a childminder supports police, health and education services through their service.

The quantitative assessment of the economic value of childcare services considers three sources of value:

- **Direct** – the direct effect considers all employment associated with the delivery of frontline childcare services. The figure includes employment in childcare services that do not necessarily support employment in the wider economy, for example pre-school education only providers;
- **Indirect** – the indirect effect is calculated by estimating the value associated with those that are enabled to work through the provision of formal childcare services;
- **Induced** – the induced effect considers the effect on the local economy which arises from the combined spending power of those directly or indirectly in employment and supported by childcare services.

The calculations associated with the three sources of impact outlined above demonstrate that formal childcare services support almost **450 full-time equivalent jobs** and generate income of **£10.4 million** (see Chapter 5 of the main report for more detail).

**Table 2: Total Employment and Income Impact of Childminding and Childcare Services in Shetland, 2008**

Impact	Employment Supported (FTEs)	Income Supported (£'s million)
Direct	98	£2.3
Indirect	245	£5.8
Induced	103	£2.3
<b>Total</b>	<b>446</b>	<b>£10.4</b>

## Recommendations

There are a number of issues in the childcare sector that if resolved could improve the economic value of the sector to the wider economy. This is likely to require greater focus and clarity in how current resources are used and in some cases, with the support of further information, this may justify additional resources. These resources should be prioritised towards the greatest challenges identified for the types of provision that support working parents. This will require collaboration between all stakeholders involved in strategic decision-making regarding childcare to ensure that efficient and effective use is made of the resources available to maximise the benefit to Shetland.

Areas suggested for priority consideration include:

- a clear, geographically based, two-strand approach that recognises the different supply and demand issues that exist between central and more peripheral areas in Shetland and ensure collaborative solutions are developed between all key stakeholders in order to support working parents;
- a coherent package of targeted advice and financial support for childminders that better promotes existing support and considers new and more appropriate support tailored to suit current challenges. Recommendations include the provision of:
  - o either formal or informal support for childminders, ideally both;
  - o advice and support on business development, and it is suggested that the progress of both the Scalloway and North Isles example is supported, monitored and recorded so that other childminders may benefit;
  - o promotion of existing start-up assistance and a review of success with those that consider childminding. A greater understanding of the needs addressed and level of success of the Western Isles scheme may be of benefit, however, any additional support may not necessarily be financial;
  - o opportunities that encourage childminders to work together, where appropriate, to develop a shared understanding of issues and challenges they face. For example, developing an approach towards fees for transporting children to and from pre-school education places;

- o promotion of the importance of childminders and the quality standards that must be adhered in order to raise awareness amongst parents and boost confidence in the sector. This could help the childminding sector by boosting demand and by identifying the potential benefits from the difficulties they currently face; and this awareness raising could also be used to support recruitment activities;
- continuation of the practical support for training;
- achieving an effective balance between strategic and ‘on-the-ground’ support;
- while focus is likely to be largely on supply-side issues, there should be serious consideration, although less resources, dedicated to demand-side activity. For example, it is very difficult to get a clear understanding of provision of childcare services in Shetland and this is reflected in the comments of those interviewed. Focus should be given to the demand-side challenges and a single point of coherent and user-friendly information developed to assist working parents. Any demand-side initiative could also be used to promote the benefits of using regulated childcare services; and
- where strategic decisions are being made regarding the provision, form and location of all childcare services, consideration should be given to:
  - o working parents and the need to support employment within Shetland; and
  - o reducing the pressure on parents travelling between different options for either the same child or different children.

Supporting the wider Shetland economy and therefore the wider community is the overall aim of the recommendations above. A viable, formal and coherent childcare sector is critical for Shetland’s future as the projected reductions in the working population will make it increasingly difficult for employers, including key service providers, to recruit and reverse the decline. A strong childcare sector will support working parents and can help to encourage those not currently employed and in-migrants to work in Shetland. If choosing to review childcare services a further survey or discussions with working parents would be expected to generate valuable information.

In addition, within these recommendations, it is important for decision-makers to remain sensitive to the balance between different providers and where possible try to support positive outcomes for all, including providers and working parents. Between public and private providers there are variances that exist in terms of both cost and access to support services and, for example, while working parents may benefit, childminders and private nurseries may be financially affected by an increase in pre-school education. However, in an environment of insufficient supply, issues between the public and private sector are perhaps not as significant as they might be if supply and demand become more closely matched.

# 1 Introduction

- 1.1 Anderson Solutions was commissioned by Shetland Islands Council and the Shetland Childcare Partnership to undertake research into the economic value of childcare services in Shetland.
- 1.2 Within this remit the study has also considered the supply and demand-side factors that may affect the future economic value of the sector, key challenges for the future have been identified and recommendations made on areas for priority consideration.

## Study Objectives

- 1.3 The Invitation to Tender required that the study considers the following:
  - current provision and opportunities for the sector;
  - key barriers and issues for the sector;
  - effect on the local economy; and
  - future support mechanisms.
- 1.4 The methodology which follows demonstrates how these objectives were addressed.

## Methodology

- 1.5 Within the context of the study there is a distinction made between the provision of formal and the provision of informal childcare. Informal childcare is considered to be childcare which is provided by friends or family, or by persons operating outwith the regulatory framework. The study highlights informal childcare and its impact where appropriate however the focus is on formal childcare and in particular childcare that will enable a parent to work.
- 1.6 Published data and reports have been used to inform the analysis and where these have been used they are referenced in the text of the report. In addition, the study team undertook primary research using a mix of face-to-face and telephone interviews with providers of childcare. The interviews captured information from:
  - Private/voluntary nurseries (3);
  - Childminders (15);
  - Pre-School Providers (4);
  - Local Authority Owned Nurseries (3);
- 1.7 These interviews were supported by telephone consultations with a representative or representatives of :
  - Shetland Childcare Partnership (SCP);
  - Shetland Pre-School Play;

- Shetland Islands Council (SIC);
  - Scottish Childminding Association (SCMA);
  - Scottish Commission for the Regulation of Care (Care Commission);
  - Shetland College; and
  - Western Isles Childcare Partnership.
- 1.8 A list of consultees and the childcare providers interviewed is provided in Appendix A.
- 1.9 Once the study had commenced, a small survey of parents was added to the methodology. The survey was undertaken using a structured self-completion questionnaire. It was possible to undertake the survey at no additional cost as the distribution and collection of questionnaires was coordinated by Shetland Pre-School Play. The questionnaires were circulated to six parent and toddler groups and 34 completed questionnaires were returned. The findings provide background information on the search for childcare but should not be taken as a representative sample of parents. This is because to attend a parent and toddler group the parent will generally have to either work part-time or not work, and therefore the survey excludes parents who work full-time.

## **Report Structure**

- 1.10 The remainder of the report is structured as follows:
- Chapter 2 provides an overview of the childcare options that could be selected by working parents and a brief summary of the advantages and disadvantages of each option;
  - the available supply of each childcare option in Shetland is analysed in Chapter 3 and the key challenges that exist for each option are considered. The chapter also provides a review of new models of childcare that are emerging in Shetland and elsewhere;
  - Chapter 4 presents the information collected on demand for childcare services in Shetland, including the views of parents, and considers the future outlook for demand in Shetland;
  - Chapter 5 presents the economic value analysis of childcare services in Shetland; and
  - Chapter 6 presents conclusions and recommendations from the study.

## **2 Childcare Options for Working Parents**

- 2.1 This chapter reviews the different forms of childcare that enable a parent, most commonly a mother, to return to and remain in work. Therefore, pre-school education providers that offer 2.5 hours childcare per day to 3 and 4 year olds in term time, unless they offer extended hours, are not considered as it is highly unlikely that they will offer sufficient provision to enable or encourage a parent to work.
- 2.2 In terms of formal (regulated) childcare provision, there are four options for a working parent:
- a childminder;
  - a private nursery;
  - local authority nursery or a pre-school group that offers extended hours; and
  - an out of school club.
- 2.3 Informal childcare in the form of extended family and friends is also an option which is open to many working parents and is often used for part or all of their childcare needs.
- 2.4 In addition, there is speculation that there is unregulated childminders offering services to parents. It is not possible to quantify the extent of this provision and in some cases the line between unregulated childminders and the informal use of family or friends may be blurred.
- 2.5 The benefits and disadvantages of each option are discussed below.

### **Childminder**

- 2.6 In this scenario a parent chooses a childminder who will look after their child in the childminder's own home. Childminders are tightly regulated by the Care Commission which inspects the childminder and their home once a year. There are limits on the number of children each childminder can take at any one time: typically 6 children in total including the childminder's own children and no more than one child may be under one year old.
- 2.7 Rates of pay for childminders can vary and are usually reached by agreement between the childminder and the parent. On average the charge is between £3 and £4 per hour per child. Childminders often work between 8am and 6pm daily; however, some may choose to offer more selective hours. Holidays are usually arranged well in advance with the parents of the children they look after. One difficulty with childminders is that once they become established they will rarely be able to offer a full-time place as often, as found through the research in Shetland, current commitments are piecemeal and therefore it is difficult for a full-time place to be offered.
- 2.8 The main benefit of using a childminder is that young children are cared for in a home environment with few other children around. The term 'home from home' is often used to describe this form of care. The main disadvantage is

that if the childminder is ill then the working parent can be left with an unexpected childcare problem at very short notice. In addition, if a childminder decides to cease operating this can leave a parent in great difficulty and, where there is a shortage of supply and a lack of informal support, long-term economic problems.

## Local Authority Nurseries / Pre-School Groups

2.9 Local authorities are obliged to offer every 3 and 4 year old a free nursery place for 2.5 hours per day in term time. These sessions are usually either in the morning from 9.00am to 11.30am or in the afternoon from 12.30pm to 3.00pm<sup>1</sup>. Mostly these places are offered in local schools, however to ensure that a sufficient number of places are available, local authorities extend this to partner providers that employ a qualified member of staff to deliver the pre-school programme.

2.10 Currently the government funded hours of pre-school education stands at 475 hours per annum. Within the Concordat jointly agreed by the Scottish Government and COSLA in November 2007, a commitment is given that the local authorities and the Government will do what is required to:

*“Expand pre-school provision and make substantial progress towards a 50% increase in pre-school entitlement for 3 and 4 year olds. The entitlement to pre-school provision will be maintained at the new level of 475 hours per annum (equivalent to 38 weeks at 12.5 hours) in 2008-09 and 2009-10. This will increase to 570 hours per annum (equivalent to 38 weeks at 15 hours) in August 2010.”*

2.11 In Shetland a number of local authority or pre-school groups offer “extended hours” or wrap-around care which means that childcare is provided between the hours of approximately 9 am and 1 pm which would allow a parent to work on a part-time basis. Often these additional hours are offered at very low cost, with one example on Shetland being quoted at £15 per week for cover between 8.45 am and 1.00 pm (including the free provision of 2.5 hours).

2.12 In addition, some providers offer a second afternoon session and in Shetland a further model exists as two local authority owned nurseries, one of which is managed by Shetland College, also provide full day-care options for parents.

2.13 The main advantage of using the extended hours nurseries in Shetland is that the timing can normally allow a parent to work at least part-time and if combined with another option or full-day care is available it can support full-time employment. The main disadvantages are that this option is generally only available in term-time, leaving the working parent with the problem of sorting out alternative cover during the holidays, and is only available to 3 and 4 year olds.

---

<sup>1</sup> Although this provides a valuable social, learning and development experience for the child, the session is not long enough to allow the parent to work and furthermore it is only available in term time.



## **Private Nurseries**

- 2.14 Private nurseries are also regulated by the Care Commission and can accept children into day-care according to staff:child ratios which vary by the age of the child i.e. for babies the ratio is 1 staff member for every 3 babies, for children over 2 the ratio is 1 staff member for every 5 children. Charging rates vary according to the age of the child and the nursery, but are typically around £32-£36 per day for a baby and £26-£32 per day for a child over two years old. Nurseries are open from 8am to 6pm daily and close for only a few days a year at Christmas and New Year.
- 2.15 Some nurseries have partner provider status which means that they deliver the pre-school education programme for 3 to 5 year olds on behalf of the local authority for 2.5 hours per day during term time. As such they are inspected by HMIE as well as the Care Commission.
- 2.16 Private nurseries that do not have partner provider status often take children by taxi between the nursery school where they are enrolled for their 2.5 hours of pre-school education and the private nursery where they remain outside these hours for childcare.
- 2.17 The main benefit of using a private nursery is that cover is guaranteed, regardless of staff illnesses, and is available all year round. The disadvantage is that numbers can be large and it can feel very different to a home environment and for this reason some parents may feel it is an unattractive option.

## **Out of School Clubs (OOSC)**

- 2.18 Out of School Clubs (OOSC) are only an option for children of school age, but for many people this can make the difference between whether or not they can work when their child starts primary school. In general these are usually located in primary schools and cover is available in term time after school and for full-days on in-service days. This form of childcare is generally available at a comparatively low cost. The staff who run OOSC often run holiday clubs as well in the summer holidays and for a week at Easter. The main benefit is that the child remains on the school premises until their parent finishes work and that cover can be available during the holidays. Breakfast clubs operate in a similar fashion and can also provide support to working parents.
- 2.19 However, in Shetland provision is quite different, only one OOSC is located within the school, the rest require travel between school premises and the Out of School staff do not run the holiday clubs. The supply of childcare services in Shetland is discussed further in Chapter 3.
- 2.20 In general, the main disadvantage is that the staff can vary quite a lot due to the hours of the job and it can be difficult to staff OOSC in some areas. However, in Shetland there is a further disadvantage created by OOSC not being located within schools.

## **Informal Childcare**

- 2.21 Informal childcare refers to grandparents, other family members and unregistered childminders. While it is not possible to quantify the role that informal childcare plays in allowing a parent to return to work, it is



acknowledged that it is significant factor and, in the case of grandparent carers, a preferred option for many working parents.

- 2.22 However for a variety of reasons, care from grandparents is not always available. As grandparents age, become ill, do not live nearby, or indeed continue in work themselves, they may not be as able to offer their services for childcare.
- 2.23 The other, very different form of informal childcare is an unregistered childminder. Operating in this manner is an offence and has the obvious risk that if the childminder is reported to the Care Commission for any reason then the working parent will be presented with a major childcare issue at very short notice. In using an unregistered childminder parents are also unable to take advantage of schemes that provide support towards the cost of childcare.

## Summary: Childcare Options for Working Parents

- 2.24 Four forms of formal (regulated) childcare may allow a parent to work. A summary of the key advantages and disadvantages of each option is provided below.

**Table 2-1: Childcare Options for Working Parents**

	<b>Advantage</b>	<b>Disadvantage</b>
Childminder	Home from home environment Flexible hours Consistent carer	Can be subject to short-notice gaps in provision Can be difficult to get a full-time place
Private Nursery	Generally stable provision Can offer full-time care	Can be prone to high staff turnover
Local Authority Nurseries and Pre-School Groups (that provide Extended Hours)	Stable Provision	Only available to 3 and 4 year olds Will generally only support part-time working unless used in combination with other options
Out of School Clubs	Reliable registered care	Only available to school age children Can be difficult to staff Transport often has to be provided in Shetland
Informal Childcare	Can be low / no cost Attractive to use family members	Risks associated with using unregistered childminders

- 2.25 The summary table highlights that options are often restricted due to the age of the child. For example, if a parent has a child younger than 3 years they are restricted to either a childminder or a private nursery, or the use of informal options.

- 2.26 With the exception of informal childcare provided at no cost, each option above can be viewed as expensive for a working parent and may not be available in close proximity to either the home or place of work.
- 2.27 For many parents the solution can be to use a combination of different options to meet their needs or as a result of the availability of different options, this may be a mix of informal and formal or a mix of different formal options. In addition, if a parent has more than one child the provision of childcare may be even more fragmented as children of different ages may not be able to access the same provider at the same time. Despite the obvious inconvenience of complex childcare provision the different providers may not be in close proximity to each other creating transport and timing difficulties for the parent. Furthermore there is increasing concern at a policy level around the use of fragmented childcare and the effect on the child.

## 3 Supply of Childcare in Shetland

- 3.1 The previous chapter provided an overview of options available to working parents. Chapter 3 presents these options within the Shetland context and considers:
- the supply of childcare (that can support employment) throughout Shetland;
  - challenges in the supply of different childcare options;
  - new models emerging in an effort to address challenges in supply in Shetland and elsewhere; and
  - outlook for childcare that supports wider economic activity.

### Current Provision

- 3.2 The supply of childcare options for working parents in Shetland includes both formal and informal childcare. For the purposes of this report informal childcare includes support from friends and family and the use of unregistered childcare.

#### Formal Provision

- 3.3 As discussed in the previous chapter, the formal options that are most likely to support employment include childminders, private nurseries, providers of pre-school education providers that also offer extended hours provision and OOSC for children aged 5 or over.
- 3.4 Table 3-1 shows that Lerwick offers the full range of options for childcare and that South and North Shetland offer three of the four options. However, indications from the research suggest that despite the existence of options, insufficient supply exists throughout Shetland to meet demand, including Lerwick. Childminders are the only provision in the West of Shetland and in Yell a childminding service is also the only provision.

**Table 3-1: Formal Childcare Provision that Supports Employment in Wider Economy**

	Lerwick	Central	South	West	North	N Isles
Childminders	9	4	3	6	5	2
Pre-School, Local Authority, Voluntary Nurseries (offering extended hours)	4	1	-	-	1	1
Private Nursery	1	-	1	-	-	-
Out of School Clubs	1	-	2	-	1	-

Sources: Shetland Childcare Partnership and Shetland Islands Council

- 3.5 The table below demonstrates the complexity and range of nursery based childcare options available in Shetland which vary by opening times, age of child accepted and whether or not funded pre-school education places are on offer. The table excludes providers that do not offer extended hours, OOSC only providers, and individual childminders.

- 3.6 Only four of the nine nurseries offer full-time places which could alone, without the use of other options, support a parent to work full-time. For parents with children under two years of age there are only two nurseries that could offer full-time provision, and only a further three that could offer part-time provision.

**Table 3-2: Providers that Enable a Parent to Seek Employment (excluding childminders and OOSC only providers)**

	Provision			Opening Hours	
	Offers pre-school education funded places (3-5 years)	Places for all pre-school ages	Places for children of school age (OOSC)	AM (approx 0845-1230)	PM (approx 1230-1730)
<b>Private / Voluntary Providers</b>					
Peerie Foxes Nursery		✓		✓	✓
Central Private Nursery		✓	✓	✓	✓
North Isles Childcare (open 2 days/week)	✓	✓	✓	✓	✓
Lerwick Pre-school	✓			✓	
Salloway Playgroup	✓	2 yrs +		✓	
<b>Local Authority Providers</b>					
Blyde Haven Nursery***	✓			✓	✓
Bells-Brae Nursery*	✓			✓	until 1500hrs
Mossbank*	✓	2 yrs +	✓	✓	✓
Islesburgh Pre-School Group**	✓			✓	

\* Managed by SIC School Service (Bells Brae Nursery afternoon session does not offer extended hours and would therefore be less likely to support a parent to work)

\*\* Managed by SIC Social Care Service

\*\*\* Managed by Shetland College

## Trends in Provision

- 3.7 During the research the greatest and most common concern raised was the decline in the number of childminders throughout Shetland. In 2003 when a strategy was prepared for SCP<sup>2</sup> the supporting document stated that in 2000 there was 65 childminders, and the numbers had fallen to 43 by 2003. This downward trend has continued and the number of childminders has now more than halved since 2000. Information from SCP shows that there are currently 29 registered childminders in Shetland.
- 3.8 The reason most commonly cited for the decline in the number of childminders is the increase in regulation and paperwork in recent years. The increasing professionalism that is demanded from childminders means

<sup>2</sup> Shetland Childcare 2012, April 2004, AB Associates for the Shetland Childcare Partnership

that many find that it is no longer an attractive occupation. The challenges faced by childminders are explored further in the rest of this chapter.

- 3.9 In 2000 there were two private nurseries and there continues to be two private nurseries. In recent years one nursery closed but around the same time another opened.

### **Informal Provision**

- 3.10 In Shetland informal provision will be the preferred option for many as extended family networks may provide opportunities for family-based childcare. However, anecdotal comments during the course of the research suggest that there are also unregistered childminders operating in Shetland who will be paid by parents to undertake childcare duties.
- 3.11 One disadvantage with informal provision, as highlighted in Chapter 2, is that parents are unable to access support schemes such as working tax credits or voucher schemes, if available through their employer, to support the cost of childcare. However, this will only be viewed as a disadvantage if they incur costs in the use of informal provision. A further, and perhaps more significant, problem with informal provision is that it is not universally available. For those residents who have chosen to locate to Shetland, the likelihood of a locally available family support network is low. Therefore, if an in-migrant with childcare responsibilities wishes to work they must seek paid-for childcare services, regulated or unregulated.

## **Challenges in the Provision of Formal Childcare**

- 3.12 The ongoing provision of childcare appears to be faced with many more challenges than opportunities. This section provides an overview of the main challenges identified during the research for the providers that create the greatest economic value by supporting working parents.

### **Challenges for Childminders**

- 3.13 The greatest concern from consultees for the study is the pressure which exists in the childminding sector. The reduction in the number of childminders is understood to largely be a consequence of the increasing level of professionalism being embedded into the childcare industry through standards introduced since the Care Commission began to regulate the sector.
- 3.14 The interviews with childminders in Shetland show that the operation of a childminding business is a demanding, and often difficult, way to earn a living. A number of the childminders interviewed expect to stop being a childminder (3 childminders) or are uncertain whether they will continue (3 childminders). The remainder all expect to continue as childminders for the foreseeable future, however many of these childminders also acknowledge the challenges in the sector. The challenges are summarised under five main headings and the analysis was informed by interviews with childminders and those in the wider strategic environment. The biggest challenges are summarised as:
- difficulties in managing a one-person business in a heavily regulated environment when you also have responsibility for other peoples' children during your working day;

- a lack of recognition of the quality of care and support provided;
- inappropriate / ever-changing regulation;
- conflict between short-term lifestyle choice and demands of an increasingly professionalised sector; and
- fragmented nature of supply and demand.

3.15 These challenges are each discussed in brief below.

#### Managing a One-Person Business

3.16 Being a sole-trader can be challenging in all industry sectors. However, in the childminding sector these challenges are exacerbated by the regulatory requirements placed on childminders, which mean they are treated the same as nurseries. In addition, the service they provide means that they spend their working days with responsibility for other peoples' children, which leaves little opportunity for business management or regulatory linked paperwork. These pressures are all placed on an individual operating from within their own home and who has very limited support available. This can lead to isolation and, with ever-changing regulation, a sense of being overwhelmed by the requirements placed upon them.

3.17 However, this does not mean that all childminders are in difficulty. Some of those interviewed, the minority, appeared to have little concern with changes in the regulatory system or by the requirements of running their own business. Those that were least concerned often linked their successful approach towards the challenges to either previous training, work experience or their long-term commitment to childminding.

3.18 The variety of responses received regarding the challenges of running a one-person business in the childminding sector are reflected in the following comments:

*'When you're looking after children from 9am till 6pm when do you find the time to do everything you need to do?'*

*'When you're self-employed you have no one to speak to, you have to deal with everything yourself and there's just too much.'* said by a childminder intending to cease operating

*'I will have to do SVQs and it is a good thing and I want to do it but how do you find the time? I'll probably have to take on fewer bairns.'*

*'Days off have to be spent deep cleaning and studying.'*

*'It's getting harder to keep up with everything, sometimes it's hard to do all the planning that's required, it's time that can be better spent with children.'*

3.19 In addition, the start-up process for a childminder can be very slow; some childminders can be operating for up to a year with either no, or a small number of, children. This is often because it takes time for parents to change their behaviour, for example finding a job or believing that a childminder is going to stay in the sector; and it can take time for a childminder to build a reputation. This means that building a financially viable childminding business can take place over a prolonged period.

### Lack of Recognition

- 3.20 A comment made by a small number of childminders and other consultees is that the childminding profession gets little recognition for the quality of care it offers and that this can create its own challenges. Comments from childminders included:

*'People don't appreciate that childminders have to work to same standards as nurseries.'*

*'Childminders aren't valued because if a mum is going back to a professional job they maybe don't see the childminders one as an equally professional role.'*

### Inappropriate / Ever Changing Regulation

- 3.21 The subject matter that generated the greatest number of discussions during the interviews with childminders is the extent and ever changing nature of the regulatory framework that childminders must operate within (discussed in detail in Appendix C). Comments received from childminders often expressed either resignation or frustration with the system. Three common themes emerged: the inappropriateness of some requirements in the 'home from home' environment; the volume of paperwork involved; and the frequently changing nature of the requirements.
- 3.22 The recent introduction of the new grading system for childminders was also raised by many of those interviewed. However, this rarely was raised as a problem in its own right, more that it is an example of the ever changing environment in which they must work. The words 'it's the last straw' were used on occasion to describe either the grading system or the new fire regulations.
- 3.23 However, in general there was recognition that regulation was necessary, but that perhaps it could be more manageable or that more support could be available. The following comments are representative of those childminders interviewed with regards to regulation.

*'I'm not scared of it [regulatory paperwork] but folk are put off because they think 'oh my god, how am I going to answer that.'*

*'Level of admin and training will be a barrier to new people coming in, particularly if they only want to do it part-time.'*

*'Regulations aren't going to improve the number of childminders.'*

*'Quality of care is nothing to do with how well you can fill in a form'*

*'The Care Commission is pushing childminders out of the sector'*

*'I'm thinking about giving it up and it's the combination of all the different bureaucracy that comes from the Care Commission.'*

*'Pinnies scare the bairns' – a point raised by a number of childminders.*

*'Have been graded and happy with system, it will be quite nice to have a grading system so that come June anyone can look up and see your grades, you'll be able to tell quite quickly who the good childminders are.'*

*'It's a combination of everything they ask us to do that's causing the problems, not just the grading. I know a couple of people that have been through it [grading] and don't seem to think there is that much to it.'*

*'Mams are happy, bairns are happy and the mams never ask about paperwork, they never ask to see my aims and objectives.'*

*'Can be really well qualified and still not able to do your job.'*

*'It can be really daunting with all the regulations, contracts, policies and procedures.'*

*'There's problems with the ever-changing regulation, for example when I first started I was told I wouldn't need to get a mains fire alarm because it would only apply to those registering after a certain date but now I'm told I do need to get it and it will cost me more now.'*

*'Paperwork from Commission is a big issue and I'm not good at it.'*

#### Conflict between lifestyle choice and professionalised industry

- 3.24 There appears to be, in many cases, a conflict between a drive to increase control and professionalism in the sector and the very nature of traditional childminding provision.
- 3.25 On one side there is pressure to:
- develop specific policies and procedures and undertake the same level of regulatory linked activities as nurseries, which often have extensive support networks; and
  - invest in facilities.
- 3.26 On the other side is the nature of childminding, which demonstrates some of the many reasons why it is a preferred option for parents;
- the childminder is often a mother of small children herself;
  - the childminder may only wish to work part-time;
  - the service is offered in the childminders home;
  - the childminder is the only person responsible for the children; and
  - it is a flexible service and can offer very part-time cover.
- 3.27 The potential conflict between the nature of childminding and the increasingly regulated environment will not be an issue for some childminders. However, it is apparent for others it is a difficult transition to make and many are considering their future as a childminder.

#### Fragmented Nature of Supply and Demand

- 3.28 Childminding can offer very part-time provision and during the interviews it was apparent that very few childminders had any full-time children. The views on why varied between different childminders. One childminder said



*'I've never been approached to do full-time childminding, maybe if you want to work full-time a nursery is better as there's less problems with holidays'.*

- 3.29 Another childminder said *'It used to be that people would look for full-time places, now if you've only got two days they'll say 'god I'll take that''.*
- 3.30 The previous point highlights that because there appears to be high demand for established childminders it is difficult for childminders to offer little more than a few hours or a small number of days. One childminder said *'It's difficult once you start and have been going for a while to offer full-time places because children don't leave in one go, they slowly disappear and gaps are very quickly filled up.'*
- 3.31 While, for those 'full' childminders, this generates their maximum potential income, it can make day-to-day operation more challenging and/or restrictive as they often have to transport 3-5 year olds to and from pre-school education so that the free provision can be accessed and with a high number of children creating fragmented demand there will be frequent drop-off and pick-up times for children.
- 3.32 Evidence of the different challenges faced may exist in the decline of a previously popular drop-in centre for childminders operated by the Shetland Childminders Group. However, a lack of demand means that it is no longer active. It is believed the challenges in running a childminding business in today's environment is one reason why this previously popular networking opportunity has now ceased to operate.

### **Challenges for Nurseries**

- 3.33 Although nurseries exist within the same regulatory framework the challenges that they face are, in many cases, very different. These are summarised as:
- SSSC Registration and Qualification Requirements;
  - private versus public sector pay;
  - staff training;
  - fluctuating numbers; and
  - financial viability for voluntary groups.

#### SSSC Registration and Qualification Requirements

- 3.34 The main challenge facing the nurseries over the next few years is the requirements of the qualifications framework and the timescales involved in registering childcare workers with the SSSC (discussed in detail in Appendix B). This will create considerable challenges for the early years childcare sector across the board - private and local authority providers alike - and could well result in upward pressure on the cost of running a childcare service as staff gain more formal qualifications. For the local authority it will

also create difficulties in the future in finding appropriately qualified staff to cover absences, particularly in some of the remoter isles<sup>3</sup>.

#### Private versus Public Sector Pay

- 3.35 Discrepancies in the rate of pay for junior staff in private nurseries and local authorities create problems for the private sector in retaining staff for any great length of time. The typical rate of pay in the private sector for an early years worker is approximately £6 per hour and the working day is 10 hours long (8am until 6pm). For a similar role in a local authority nursery, pay is in the region of £12 per hour, the work day is often from 9am until 3pm and staff are only required to work in term time.
- 3.36 As a result, staff turnover is often quite high for staff in private nurseries which creates a poor image for parents who want stability in the people who provide care for their child(ren).

#### Staff Training

- 3.37 It can be difficult to organise and deliver staff training in early years work due to the time involved and the difficulty of releasing staff during a typical working day. For this reason, most training is required at weekend and in the evenings or absence cover needs to be arranged to ensure that ratios are maintained when staff are attending a training session.

#### Fluctuating Numbers

- 3.38 The numbers of children for which childcare is needed can fluctuate from year to year, particularly in the more peripheral areas where the presence of one or two families can make the difference between whether or not pre-school (or indeed school education) is required. This makes the viability and cost of providing and staffing a permanent childcare facility unsustainable.

#### Financial Stability for Voluntary Groups

- 3.39 Outwith the areas of high demand it can be particularly challenging to sustain voluntary group provision and access funding. This fragility, whether perceived or real in the case of individual providers, can make it difficult for parents to feel confident in the ongoing provision of childcare. This creates a vicious circle where parents may seek out alternative provision perceived to more stable, which has the knock-on effect of restricting the number of children that might otherwise attend voluntary groups, which then makes the provision ever more fragile.

### **Challenges for Pre-School Education and Out of School Clubs**

- 3.40 The requirement to provide 475 hours pre-school education to every 3-5 year old in Scotland does create challenges in the remote areas, where

---

<sup>3</sup>From “Recent and Future Developments in Pre-School Education”, Shetland Islands Council Report, April 2008, paragraph 6.3.

providing cost-effective provision with suitably qualified employees is difficult.

- 3.41 Shetland Islands Council has addressed this challenge by using unqualified Nursery Assistants in some more peripheral areas of Shetland. However, the new SSSC registration requirements (discussed in Appendix C) will mean that in the near future this will no longer be an option for the local authority.
- 3.42 In addition, the low demand in some more peripheral areas means that the local authority is paying for provision that is not used.

### **Challenges for Informal Childcare**

- 3.43 Informal childcare is split into two forms for the purposes of this report. The first form is the use of family or friends at usually no direct cost. However, this support network does not exist for all those in need of childcare and for those that do have family close by they may increasingly find it difficult to access as grandparents perhaps become less available as people are incentivised to return to work and/or continue working.
- 3.44 The second form of informal childcare is very different and is the existence of childminders working outwith the regulatory framework. This has a number of risks, not all of which are relevant to economic value. However, those that are relevant include the risk of the childminder ceasing to operate at short-notice which will leave a gap in provision and knock-on impacts on the employee and the employer. The availability of this type of care also makes it difficult to understand demand for paid for childcare at a strategic level.

### **New Models Emerging**

- 3.45 There are new models for childcare emerging which seek to address one or more of the challenges highlighted above. These include:
- provision of highly subsidised childcare to address wider community needs;
  - business development in the childminding sector;
  - start-up support in the childminding sector; and
  - greater flexibility in pre-school education provision.

### **Provision to Address Community Needs**

- 3.46 Two forms of childcare have been identified which address wider community needs. These may not always have the indirect economic benefits of enabling a parent to return to work however they can enhance the viability of childcare provision, generally through additional financial support from the public sector.

#### Nursery Provision

- 3.47 Mossbank is an area of social and economic deprivation within Shetland. The Mossbank pre-school facility caters for children from 2 to 5 years of age between the hours of 8.30 am and 6.00 pm on weekdays. They have 27

children enrolled at the facility and they try to be as flexible as possible in accommodating the parents' needs. The facility is located in the school and is fully funded by Shetland Childcare Partnership and Shetland Islands Council education department.

- 3.48 As a result of consultation with Education Department representatives it is apparent that this solution is specifically tailored to the needs of the area and the rationale is to address more than just unmet childcare demand. In addition, this is an expensive option for the local authority and therefore will be difficult to justify elsewhere in Shetland without a similarly broad rationale for intervention.

#### Childminding Provision

- 3.49 A further option for childcare providers is the provision of what SCMA term 'community childminding'. Where a childminder can be used at short notice to support families 'in crisis' through emergency referrals from social care services. This can benefit a childminder seeking to expand their skills and undertake new challenges. Where the SCMA has been involved in this form of activity the childminder has received specialised training and also receives a higher rate of pay in recognition of the short-notice and often complex nature of the childcare demand. The SCMA believes that this can assist the viability of a childminding business. However, a childminder providing this form of care would be unable to support the same number of children and therefore the overall economic effect for Shetland would be fewer parents receiving support. In Shetland there are childminders who have received specialist training and one childminder is utilised in this manner.

### **Transforming Childminding into Nursery Provision**

- 3.50 Traditionally in Shetland a childminder has been a sole trader operating out of their own home. However, there is evidence of business development which is likely to lead to childminding businesses transforming into a small nursery business. In Yell, a childminder has recruited an assistant to help grow the business and in Scalloway two childminders have decided to set-up a partnership nursery operation. Each model is briefly described below.

#### Recruitment

- 3.51 There is only one registered childminder on Yell and no private nursery. At present the childminder caters for 14 children from 12 local families. She employs an assistant to help her maintain the correct ratios. The parents of these children occupy a number of vital roles which help to maintain essential services on the island such as teaching, nursing and policing. To maintain her business in the future the childminder is looking for larger premises which would be used solely for childminding rather than running the service from her home. However, this would cease to be a childminding business as it is understood that childminders must operate out of domestic premises.

#### Partnership Working

- 3.52 Two childminders in Scalloway are working in partnership to expand local childminding provision by opening a purpose-built nursery business which will be rented from the local housing association. This will open in August

2008 and initially accommodate 12 children. It has the physical capacity (75sq metres) to expand to 20 children should it be required.

- 3.53 In another situation, two childminders are working together in domestic premises. As the business still operates from a 'home' this continues to be a childminding business, unlike the example above.
- 3.54 The benefit of partnership working is that it can benefit from two different skills sets which can help the business address the increasingly diverse range of challenges faced in the childcare sector.

### **Start-Up Support for Childminding Businesses**

- 3.55 Elsewhere in Scotland, a lack of childminders is also evident. In an attempt to address the shortage, the Western Isles Childcare Partnership has undertaken a pilot programme in an effort to increase the number of childminders in Barra.
- 3.56 Similar to the numbers of childminders in Shetland, the Western Isles had 68 childminders in 2000 and now has 28, and there are areas in the Western Isles where there is no childcare provision.
- 3.57 The initiative directly tackles the challenges that can be faced by a childminder after start-up. The experience in the Western Isles was that childminders were deregistering because it was difficult to attract sufficient business in the first few months to support viable operation. A problem also recognised in Shetland.
- 3.58 An intervention was designed which 'topped-up' two new childminders pay to £150 per week in the first six months of operation, enabling the childminder to develop their business and reputation. It is understood that this was funded by the Council.
- 3.59 In addition to this pilot, the fund received from the Scottish Government for the Childcare Strategy is used to support childminders with:
- a development worker;
  - start-up grants;
  - funding for smoke detectors; and
  - equipment grants.
- 3.60 The four forms of support listed above and provided through the Childcare Strategy funding is similar to support available in Shetland.
- 3.61 The Western Isles Childcare Partnership has applied for funding from the Fairer Scotland Fund to follow-up what has been considered a successful pilot for the same start-up support for four more childminders in the Western Isles.

### **Flexibility in Pre-School Education Provision**

- 3.62 Traditionally provision is offered in 2.5 hour slots per day, which amounts to 12.5 hours provision per week over 38 weeks. In areas of high demand there are often two sessions offered per day to accommodate numbers, and where this is offered the children tend to be split by age with 3 year olds

attending one session and four year olds attending the other. In addition, as discussed previously, there is a mix of providers that can offer this service.

- 3.63 Through consultation with a representative of the Education Department of Shetland Islands Council, it appears that there may be increasingly flexible provision of pre-school education in areas where extended hours services are currently offered, which tend to also be the areas of high demand. For example, there is a potential that the current 2.5 hours allocation over five days could be bundled into four hours over three days (12 hours per week). While this will amount to only 3 half-days per week, it could still improve support for working parents, particularly those that are part-time where the cost of alternative formal childcare may be prohibitive.
- 3.64 The following provides an example of a parent working three full days per week and the costs they would incur for a child (aged 3-5) in a local authority owned partner provider – The cost of childcare would currently cost £19 per day, including a 2.5 hour commissioned place. This would amount to £57 for three days per week. If pre-school education provision can be bundled to cover four hours per day over three days the bill per week could potentially reduce by approximately £10-£11, which equates to a reduction of approximately £400 per annum (over 38 weeks).
- 3.65 However, this potentially more flexible provision will still only be available to 3-5 year olds and it is understood will only be available to those in nurseries which are either local authority or partner providers that offer extended hours.
- 3.66 In addition, the entitlement to pre-school education is to be increased in 2010 and again in 2011. This will mean that the current 2.5 hour per day (for 38 weeks) will be increased to 3 hours in 2010 and increased again to 3.25 hours in 2011.
- 3.67 The potential disadvantage is that it may create challenges for childminders and private nurseries who are not partner providers as they may see their hours reduce.

## Outlook for Supply

- 3.68 The outlook for supply is complex, different providers face different challenges. However, it is apparent that the greatest challenges, at least in the short-term, exist within the childminding sector.
- 3.69 Those operating in the childminding sector expect there to be a decline in the number of childminders. The following quote from a childminder demonstrates the general 'mood' detected in the interviews:
- 'I think there will be a decline in numbers, a lot are thinking of giving it up because of the grading, but it's not just the grading, it's that it has come on top of everything else. It's the last straw.'*
- 3.70 However, there is hope that this current phase will represent the lowest that childminder numbers will get. The comments from those interviewed indicate that the childminding sector is in the midst of a significant and difficult transition phase. Analysis suggests that this transition appears likely to result in:
- a reduction in the number of childminders, at least in the short-term;

- an increasingly professionalised sector that will appeal to a smaller or perhaps different pool of potential childminders;
  - a number of childminding businesses developing into small nursery businesses through either recruitment or partnership development with another childminder and the use of non-domestic premises (likely to be reliant on access to low-cost premises);
  - a need for formal and/or informal support to help childminders face the complex challenges and reduce isolation, although information from SCP suggests some childminders do not access existing forms of support;
  - childminding becoming an increasingly full-time occupation over the medium to long-term. It appears likely that there will be a reduction in the proportion of childminders working part-time or with a very small number of children as the return in terms of income is less likely to justify the time, effort and money required to maintain a childminding business;
  - a potential high turnover of 'new' childminders, particularly in more rural areas, as it proves more difficult than anticipated to attract children or run the business; and
  - greater transparency in the provision of care, potentially improving the overall quality of provision.
- 3.71 In contrast the outlook for nurseries appears more stable, however, there will be increasing challenges in ensuring that nurseries are staffed by appropriately qualified individuals. This is likely to result in increasing costs as nurseries must meet and maintain the registration requirements which may place upward pressure on the price of childcare.
- 3.72 The future is generally more challenging for private nurseries as they often have the added complexity of transporting children to and from pre-school education places and offer significantly lower levels of pay in comparison to public sector providers. This will always make recruitment and retention of staff much more difficult for private nurseries.
- 3.73 The continuing development of pre-school education provision by the Government is presenting interesting options which may assist with both affordability and availability of childcare that can support employment. While this should benefit all working parents in terms of reducing costs, this may have negative impacts on those that would otherwise be paid for full-time care.
- 3.74 In relation to the outlook for supply by geography, it is clear that areas of high demand in Shetland will be better able to sustain viable provision that will support a parent to work. This may be through private childminders or private nurseries, or through extended hours at public or voluntary provision or out of school clubs.
- 3.75 In contrast, delivery of provision that can support employment is much less likely to be viable in the more remote areas where issues such as access to skilled staff and a lack of demand can make it difficult for viable operation to be sustained or significant additional public sector investment to be justified. For example, the potential to have flexibility in the provision of pre-school education is most likely to only exist in those areas of high demand where extended hours can be financially justified.



## **Summary: Supply of Childcare in Shetland**

- 3.1 The provision of childcare is not uniform across Shetland. The widest range of options is available in Lerwick and childminders represent the majority of supply that is scattered throughout the rest of the islands. The main challenges in the supply of the two key forms of different childcare options that support employment are summarised below:

### Childminders

- difficulties in managing a one-person business in a heavily regulated environment;
- a lack of recognition;
- inappropriate / ever-changing regulation;
- conflict between nature of childminding and demand of an increasingly professionalised sector; and
- fragmented nature of supply and demand.

### Nurseries

- SSSC registration and qualification requirements;
  - private versus public sector pay;
  - staff training;
  - fluctuating numbers; and
  - financial stability for voluntary groups.
- 3.2 Childminder numbers are in decline with more expected to leave the sector and challenges likely in the recruitment of new childminders. In addition, the historic dependence on family members to provide informal childcare may be less available to parents in the future, and is not available to those attracted to Shetland to live and work. However, new models are emerging which may target some of the challenges. In response to these problems the importance of extended hours pre-school education and nursery places is likely to increase in the overall pattern of childcare.



## 4 Demand for Childcare Services in Shetland

4.1 The previous chapter considered supply-side issues for childcare in Shetland and the challenges that are faced by providers. This chapter looks at the factors that influence the nature of demand for childcare in Shetland. The chapter is presented in three broad sections:

- **Drivers of Demand** – this section considers the employment and population factors that influence the demand for childcare.
- **Access to Childcare** – this section considers the factors that influence a parent's ability to access childcare services. It also considers indicative satisfaction with the solution selected based on findings from the parent survey.
- **Outlook for Demand** – the third section reviews information that can indicate what pressures may exist on demand in the future, in particular information on population projections for Shetland.

4.2 The analysis is informed by:

- current uptake of formal childcare;
- published data on population, employment and working patterns;
- findings from research with childminders and nurseries in Shetland; and
- findings from a small survey of parents that attend parent and toddler groups in Shetland.

### Drivers of Demand

4.3 The drivers of demand considered in the following analysis will not be the only factors that influence an individual's decision to seek childcare as the individual circumstances of each parent will vary, however, they are considered to represent the most influential and common factors. The section considers:

- employment factors including the proportion of the population employed, the main centres of employment in Shetland and those occupations that research suggests are often supported by childcare services; and
- population factors including the number of children, and in particular the analysis considers the number of children aged 0-4 years when childcare demands tend to be more intensive.

### Employment

4.4 In 2006 Shetland had recorded unemployment of 1.6% which is below the Scottish average of 2.8%. This can make it difficult for organisations to recruit and has traditionally kept the average wage high. From the individuals perspective this means that where the skills of the individual

meet skills gaps in the economy access to employment can be relatively easy.

- 4.5 In addition to the low rates of unemployment, the proportion of the population aged 16-74 who are economically active (which is a category that includes the unemployed) is significantly higher in Shetland (75%) than in Scotland as a whole (65%). Similarly the proportion of females who are economically active is much higher in Shetland (69%) than in Scotland (59%). Overall, 85% of the females who are economically active are in either full-time or part-time employment, or 58% of the total population of females aged 16-75. This suggests that, in comparison to Scotland as a whole, Shetland performs relatively well in terms of a population that is economically active and enabling females to access employment (Table 4-1). High employment will generate high demand for childcare.

**Table 4-1: Economic Activity in Shetland and Scotland, 2001 (percentage of population aged 16-74)**

	Shetland (%)	Scotland (%)
All Economically Active	75	65
Female Economically Active	69	59
Male Economically Active	81	72
Female in Part-time Employment	27	19
Female in Full-time Employment	31	30
Male in Part-time Employment	4	3
Male in Full-time Employment	58	51

Source: Census Data 2001, [www.scrol.gov.uk](http://www.scrol.gov.uk)

#### Female Occupations

- 4.6 In general, the majority of childcare is provided to enable a female, rather than a male, to work. The 2001 census showed that over 5000 females are in employment in Shetland and are represented in similar occupations to the rest of Scotland. The main occupations of women are Administrative, Personal Service, and Elementary, followed by Associate Professional and Technical and Professional Occupations (Table 4-2).

**Table 4-2: Percentage of Females Aged 16-74 in Employment by Occupation**

	Shetland (%)	Scotland (%)
Managers and Senior Officials	8	9
Professional	11	10
Associate Professional and Technical	12	14
Administrative and Secretarial	18	21
Skilled Trades	6	2
Personal Service	16	12
Sales and Customer Service	10	13
Process, Plant and Machine Operatives	3	4
Elementary Occupations	17	13

Source: Census Data 2001, [www.scrol.gov.uk](http://www.scrol.gov.uk)

- 4.7 Discussions with the 15 childminders interviewed suggest that the following occupations are particularly prevalent in their customer base:

- Teachers and other school staff;
  - NHS staff, including Doctors;
  - Care Home / Independent Living staff;
  - Administration in public services;
  - Police; and
  - Other professional occupations;
- 4.8 These occupations can be considered essential to the day-to-day running of services and industry in Shetland, particularly education and health services. Presumably these parents use formal childcare because there are no appropriate alternatives or childminders represent their preferred choice. It is also likely that these occupations represent those that attract a high number of in-migrants to Shetland and therefore they lack the informal supply that may be favoured by those residents that have family nearby.
- 4.9 Therefore if formal childcare became less accessible it is possible it would become difficult for these parents to remain in employment. For the more professional or full-time occupations this could potentially have knock-on effects on decisions to remain in Shetland.

#### Location of Employment

- 4.10 Lerwick is the main centre of employment in Shetland. The Employment Survey undertaken in 2007 counted 7,247 full-time and part-time posts within Lerwick<sup>4</sup>. However, Lerwick is home to relatively low 31% of the population, including children but the survey suggests it has 60% of the jobs, demonstrating its importance as a source of employment for residents in other areas of Shetland. Within the posts counted, almost 44% were within the public sector, including but not limited to the local authority, NHS and police.
- 4.11 Therefore it is likely that the highest demand for childcare which will support employment will exist where the highest employment exists, which is in Lerwick.

#### **Population**

- 4.12 Population itself is not an indicator of demand for childcare. However, the population of 0-4 children and the proportion of families where either the sole parent is in employment or both adults in a couple are in employment can be used as an indicator of demand. The following calculation uses a combination of tables from the 2001 census to estimate the number of families that have children aged 0-4 who may require formal or informal childcare to enable them to work.

---

<sup>4</sup> Source: Employment Survey 2007, Economic Development Unit, Shetland Islands Council

#### Number of Families with Children Aged 0-4

- 4.13 In Shetland in 2001 there were 2,685 families with dependent children. Of these families, 1,037 included children aged 0-4 years. These families may represent those that, if all adults in the household are working, are most likely to be in need of part-time or full-time childcare solutions.
- 4.14 Data from the census on family composition and economic activity shows that:
- 39% (1,037) of all families (2,685) that have dependent children have children that are aged 0-4; and
  - 1,895 families with dependent children have all parents working (1,545 couple families have both parents working and the parent works in 350 lone parent families).
- 4.15 Using the assumption that 39% is a representative average for working families it is possible to estimate that 39% of working families (where all parents work) have children aged 0-4. This equates to 739 families in need of childcare for children aged 0-4.
- 4.16 This provides a basic estimate of family demand for either formal or informal childcare for children aged 0-4 of 739 families. However there are a number of caveats if trying to use this calculation to estimate demand for childcare:
- it does not represent the number of children, only the number of families in need of support;
  - it excludes demand for childcare for children aged 5 years or over;
  - those families with children aged 0-4 may be less likely to be in employment than the average household with dependent children.

### **Access to Childcare**

- 4.17 Once the need for childcare is established, the selection of an appropriate childcare solution will be determined by the accessibility of formal and informal childcare to each family. Accessibility may be determined by availability of supply, geographic factors, cost and family structure locally.
- 4.18 It is estimated that currently there are a maximum of 436 families which access formal childcare, however, there may be some double counting as due to the fragmented nature of use that is apparent from the research one family may use more than one form of childcare for one child or a number of children.

**Table 4-3: Nature of Childcare and Estimated Number of Families Supported to Work**

	<b>Families</b>
Childminders	151
Local Authority Pre-School Education including Extended Hours	81
Voluntary Pre-School Education including Extended Hours	30
Private Nursery	92
Out of School Clubs	82
<b>Total</b>	<b>436*</b>

*Source: Survey Findings and Shetland Islands Council*

*\* Total may include some double counting of the same family as findings suggest that some families are expected to either choose to or have to use more than one option for a child or have more than one child in different options.*

4.19 Some of the analysis which follows is based on the findings from the small survey of parents. The characteristics of respondents are:

- ninety one percent of those that completed the questionnaire have thought about using or have used childcare in the last 2 years (the questionnaire was designed for this group so a high percentage is to be expected).
- between the respondents they were seeking childcare for 34 children under 3 years old, 12 children between 3 and 5 years and 2 children that were over 5 years old.

4.20 The following sections review the access issues which may determine the childcare option that parents select.

### **Cost versus Income**

4.21 In situations where formal childcare is the only option, there comes a certain point where it is a marginal decision for the mother to return to work. One example where a parent faces a marginal decision is when they have two children in a private nursery (or with a childminder<sup>5</sup>) part-time (i.e. 3 days a week). The cost to the parent is in the region of £850 - £900 per month. The average gross full-time earnings in Shetland in 2007 was £23,757 (Annual Survey of Hours and Earnings) which works out at approximately £890 per month net on a pro-rata basis.

4.22 In this situation the mother really is working just to pay the childcare bill and it becomes a matter of personal choice on whether or not it is more appropriate to stop working for a period of time until the childcare costs become less of an issue. Only those in higher-paid jobs can comfortably afford to pay for childcare at this level. Therefore, it is not always the provision of childcare that is the issue affecting the decision for women to

---

<sup>5</sup> Where rates average £4 per child per hour.

return to work: the cost of childcare is a major factor, especially for those with two or more pre-school children and without the option of family care.

- 4.23 However, only a minority of parents in the survey highlighted cost as a problem. Comments included:

*'When I return to work affording childcare will be a problem'*

*I was very lucky to find a place in a private nursery which is good but expensive. Cheaper nursery places would be much welcome'*

- 4.24 There are schemes designed to support affordability of childcare however they are selective and while welcome may not change the decision to access childcare. Two potential options are highlighted below:

#### Working Tax Credit

- 4.25 Advice from National Government states that if a parent is working more than 16 hours a week and is on a low income, it may be possible to access Working Tax Credit.
- 4.26 The Working Tax Credit includes a specific element to support the cost of registered or approved childcare for working parents. The childcare element can help with up to 80 per cent of eligible childcare costs.
- 4.27 There are limits on the weekly costs you can claim. If you pay childcare for:
- one child, the maximum you can claim is £175 a week
  - two or more children, the maximum is £300 a week<sup>6</sup>

#### Childcare Vouchers

- 4.28 An employer may choose to provide a childcare voucher scheme. If an employee joins the scheme up to £243 per month can be deducted from gross pay prior to the employee paying tax or national insurance contributions. If two parents are both in employment and can access a voucher scheme, both can benefit. In addition, the vouchers 'purchased' do not have to be used immediately but can be saved up to pay for childcare at other times. It is also understood the employer can benefit as it also does not need to pay national insurance contributions on the value deducted.
- 4.29 Employers can use their discretion in how the scheme is provided. For example Shetland Islands Council sets a minimum take home pay of £7,500 per annum, under which vouchers are not available. What may be surprising is that despite the Council employing a high proportion of the working population in Shetland, only 41 parents currently access the voucher scheme.
- 4.30 However, cost of childcare is not always the highest priority when attempting to access childcare. Further indication exists that demand outweighs supply in the following comment from a parent 'availability is more important than

---

<sup>6</sup> Source: [www.directgov.co.uk](http://www.directgov.co.uk)

cost [very difficult to get childcare]'. Another parent said that the complexity of accessing childcare meant that she had decided to stop working in the short-term. The following section reviews information on the availability of childcare from a parent's perspective.

### **Availability of Childcare**

- 4.31 In general the consensus across all interviews and consultations undertaken is that there is a lack of childcare available despite there being evidence of some available spaces with both childminders and extended hours providers. One particular example stated by a representative of Shetland College, and therefore relates to those returning to study, is that the College has a childcare fund from the Scottish Executive which can assist students with up to 100% of the costs of childcare, dependent on need. However, it is difficult to spend the fund because students can have problems finding childcare, particularly for those with children under three years old and for part-time needs. This is despite Blyde Haven being set-up principally to address the need of students. The consultee commented *'It's so frustrating to have the money and not be able to spend it.'*
- 4.32 The parent survey found that of the 31 respondents who stated a preference for a particular form of childcare, nearly half (45%) state their first, or first equal, preference for childcare is provision by friends and family. The second most popular preference is childminders who are the first preference, or first equal preference, for 35% of respondents.
- 4.33 School nurseries with extended hours are the preferred, or first equal, choice for 16%; and private nurseries are the preferred, or first equal, choice for 10% of respondents.
- 4.34 This small sample suggests that the preferred option is provision by friends and family. This may be understandable due to the low or zero cost associated with this type of provision and the trust that is likely to exist between parent and childcare provider. While many may have a preference to use family members as childcarers this option is not available to all. As one respondent to the parent survey said:
- 'It seems incomers that are brought in by jobs are not supported to do that work. Shetland folk are left to cope using family but for incomers this is not an option.'*
- 4.35 In addition, a recent study by Northmavine Community Development Company highlighted that increasingly family childcarers are less prevalent due to factors that include:
- other family members are also working full-time and do not have the time to care for children;
  - family may be scattered over different areas of Shetland so cannot take care of children;
  - a mother may not have transport to access other family members;
  - there are more incomers in the community who do not have family nearby.

- 4.36 The family-related issues listed above have been raised consistently during the research. Many people now living in Shetland don't have extensive, if any family connections that they can rely on and for others family members, that may traditionally have supported families with childcare services, are now working themselves. Another parent commented that 'there seems to be less and less options for parents'.
- 4.37 The small survey of parents suggests that 64% that were looking for childcare had found their ideal solution, however, almost half (48%) of all respondents stated that they had to compromise in some way in their search for childcare. Comments included:

*'No childminders available in Weisdale area – all booked up'*

*'Using a nursery instead of a childminder'*

*'I returned to work but decided to give up for a year. Organising childcare for two children under 3 and juggling work and family life was too stressful.'*

*'Not in location I wanted'*

*'I had to compromise on working hours and I wasn't sure if I wanted to use the private nursery or not. Turns out it was fantastic and I'd use it for future children'*

*'Husband had to take part-time hours to accommodate opening times [of childcare]'*

*'Didn't get nursery place for suitable days'*

*'The children are at two different childminders two of the three days per week I work'*

*'Childminder found but not in ideal location, it adds 40 minutes onto my travel time'*

*'Had to use private nursery as well as a childminder, childminder was my preferred option'*

*'Had to change my hours of work to suit childminder'*

*'I have not found childcare yet'*

*'Hours available did not meet working hours – childminder worked short days'*

- 4.38 For others there appeared to be fewer problems, comments included:

*'We've been really lucky that my mum helps with childcare and I work flexible part-time around husband's shifts. I haven't had to use childcare privately therefore returning to work and childcare have been unproblematic'*

*'In my experience my return to work was made very simple and I cut down to part-time with no trouble'.*



*'I have been extremely lucky, first childminder excellent but not ideal location. Plan to return [to work] again in Jan 09 and started looking early. As a result found ideal childminder in local area!'*

- 4.39 Parents also commented on general supply issues, or rather the lack of supply, particularly for those children too young for pre-school education and the lack of childminders.

*'There's not enough childcare, too much paperwork/legislation, grading etc putting people off'*

*'There aren't enough childminders in Lerwick area.'*

*'Very scary lack of childminders and private nursery places – especially for under one year olds'*

*'Lack of childcare is a major problem in Shetland. Most registered childminders have no spare places and there is a lack of nursery places for pre-nursery children'*

*Basically there is a lack of both childminders and private nurseries to have much of a choice. Both childminders [I use] chosen because of availability rather than having several to choose from'*

*'Lack of childminders [means it is] so difficult to use the same person for all your working hours. I had to use two different people a childminder and a family member.'*

- 4.40 A lack of information on childcare options was also highlighted in the survey. Comments included:

*'I wasn't sure where to begin when looking for childcare. Maybe a dedicated leaflet/website listing all childcare providers in Shetland could help. I don't remember getting such a thing.'*

*'We need better information and more help for working parents in Shetland.'*

- 4.41 The comments above highlight many of the challenges raised in the previous chapter in relation to the supply of childcare, in particular the often fragmented nature of supply, particularly from childminders and the problems with a lack of supply. In particular, the general consensus appears to be that parents consider themselves 'lucky' when they find a childcare option that suits them.

- 4.42 Each parent was also asked what the outcome has been from their search for childcare. Just over half (55%) have returned to work and are happy with the childcare they receive. Approximately a fifth of parents have changed the way they work and childcare was a major influence on their decision and 10% are still looking for a childcare solution (Table 4-4).

**Table 4-4: Outcome of the Search for Childcare to Enable Return to Work**

	%
I have returned to work as intended and am happy with my childcare	55
I will soon return to work as intended and am happy with my proposed childcare	6
I am working in a different way or in a different job and childcare was a major influence on my decision	19
I decided not to return to work and lack of childcare was part of my decision	6
I am still looking for a childcare solution	10
I have returned to work but am unhappy with my childcare costs	3

### **Access to Preferred Location for Childcare**

- 4.43 Some of the comments above show that there are location difficulties. The sample survey of parents found that the preferred location for the provision of childcare was near their home (52%). Thirty five percent stated their preferred location was near both their home and their place of work and 13% wanted their childcare to be near their place of work.
- 4.44 It appears that the general shortage of supply means that people are taking what might be considered extreme options in terms of geography, with anecdotal references to people travelling between 15 and 30 miles out of their way to access available childcare.

### **Outlook for Demand**

- 4.45 Each factor that influences demand will have a knock-on effect on supply-side decisions and will determine how well current and future provision is matched to need. This section considers the factors likely to influence the future demand for childcare.

#### **Population Projections**

- 4.46 One factor with a significant influence on the demand for childcare services is population and the proportion of population that are young children, particularly pre-school children.
- 4.47 The Community Planning Board in Shetland has a target to increase the population of Shetland to 25,000 by 2025. If this is to be achieved it will be necessary to reverse the current trend of declining population in Shetland.
- 4.48 The current prediction from the General Register Office for Scotland is that the population of Shetland will have declined from 21,880 in 2006 to 20,590 in 2025. This represents a population decline of 6% over a 19 year period. However, the headline projection disguises more concerning demographic trends. In the same 19 year period the population of 0-5 year olds is expected to drop by a quarter; and the population of those aged 16-64, who will provide the workforce of the future, will have fallen by almost a fifth (18%).

- 4.49 The reason why the overall population projection shows a less dramatic decline (-6%) is that the population aged 65 years or over will have grown by two-thirds by 2025. (Table 4-5)

**Table 4-5: Population Projections for Shetland, 2006-2025**

	2006	2025	% Change
0-5 years	1,461	1,092	-25%
6-15 years	2,949	2,342	-21%
16-64 years	14,069	11,470	-18%
65 years plus	3,401	5,686	+67%
Total	21,880	20,590	-6%

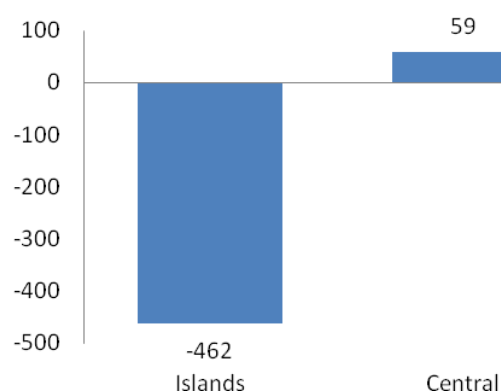
Source: General Register for Scotland, 2006 based population projections

- 4.50 If these projections are realised there will be significant knock-on effects for a whole range of services, not least childcare services.

### Population Drift

- 4.51 The decline in population in Shetland is being experienced to a greater degree in the outlying areas and in particular the islands of Shetland. With employment in Shetland largely centred in Lerwick and access to the widest range of services in the town, there is a belief that population is drifting towards Lerwick and its immediate areas. However, between 1991 and 2001 there was only an overall increase of 59 residents in what might be classed as central Shetland (Lerwick, Gulberwick, Quarff, Scalloway and Tingwall), but anecdotal evidence suggests that the next census will show an even more significant shift in population to the areas surrounding Lerwick (Figure 4-1).

**Figure 4-1: Population Change in the Islands of Shetland and Central Shetland<sup>7</sup>, 1991-2001**



Source: Shetland in Statistics 2007, Shetland Islands Council

<sup>7</sup> Central Shetland represents a combination of the following areas: Lerwick, Gulberwick, Quarff, Scalloway and Tingwall.

## **Proportion in Need of Formal Childcare**

- 4.52 In an environment where mothers are being encouraged to return to work and changes in the pension rules may mean that grandparents are less available to provide childcare there is likely to be an increasing proportion of the population in need of formal childcare. The proportion in need of formal childcare will be increased further if Shetland is successful in attracting new residents to either fill essential posts or to relocate to Shetland who have little or no family connections in the islands. However, this is likely to occur, at least in the short-term in a community where the overall population is expected to decline slowly over time.

## **Summary: Demand for Childcare Services in Shetland**

- 4.53 The childcare solution selected by parents will depend on a unique combination of factors including cost, availability of options, location and personal preference. Often the choice is driven by availability of care only, i.e. a nursery or childminder place is only available for two days a week, therefore an alternative is sought for the remainder of the requirement, for example, a family member covers for a further one day a week and the parent works part-time. The options available to in-migrants to Shetland are reduced as they are unlikely to have informal childcare that they can either fully rely on or use to 'top-up' formal provision. The alternative, if no childcare can be found, is that the parent does not return to work.
- 4.54 The measurement of demand for childcare is difficult because of the use of informal childcare options and the combination of more than one option for either one child or within one family, which is often forced upon, rather than chosen by, a parent.
- 4.55 Significant employment drivers exist to suggest that demand for childcare is high, there is low unemployment and there are a high proportion of women in employment. However, the population is in decline with particularly severe reductions projected for the proportion of the population that are either children or of working age. Therefore employment indicators suggest a high demand for childcare but population projections show an expected fall in demand for childcare. One crucial question is the continuing importance of informal childcare and whether changing demographics and patterns of working may lead to a higher proportion of working parents seeking out formal childcare solutions.
- 4.56 However, at this moment in time, indications are that demand exceeds the supply of both formal and informal childcare. One of the many indicators of this is that parents appear more concerned about the availability of childcare than the cost of childcare.
- 4.57 With anecdotal evidence of population drift towards central Shetland and employment focused in Lerwick there will be different pressures experienced throughout Shetland:
- there will be pressure on services in central areas due to high demand levels and parents may find it difficult to find an available space that suits their needs; and

- in rural areas, it is likely to also be difficult to find provision because of the lack of demand and therefore difficulties in the creation of viable or sufficient provision.

## 5 Economic Value of Childcare

- 5.1 In other industrial sectors the economic value lies in both the employment and the output of an industry. In childcare the 'output' can be considered the sector's enabling role in that it allows others to seek/return to employment, which has knock-on benefits in the wider economy.
- 5.2 This chapter provides an estimate of the economic value of current childcare provision in Shetland. The analysis considers the direct and indirect employment effects and the induced effect from that employment.
- 5.3 The potential impacts from a lack of childcare are considered in the final section of the chapter.

### Estimating the Value of Childcare

- 5.4 In this section the methods used to estimate the value of childcare in Shetland are described. This has been done in several stages and takes account of:
  - **The direct effect** – meaning the **employment** and **income** earned by all people engaged in childminding (both childminders and nursery staff);
  - **The indirect effect** – meaning the employment and income earned by all people who use childminding and childcare services for their children in order to go to work; and
  - **The induced effect** – meaning the combined effect on the local economy of the spending power derived from those whose employment is supported directly and indirectly through childminding and childcare services.
- 5.5 Each effect and its associated economic value is summarised below.

#### The Direct Effect

- 5.6 To arrive at this figure all employment associated with delivering all childcare services has been added together. This is made up from the following elements:
  - the number of childminders in Shetland who are currently (June 2008) registered with the care commission;
  - the number of nursery staff in private nurseries involved in the care of children under school age;
  - the number of nursery staff in local authority and private partner provider nurseries offering extended hours cover in addition to the 3 – 5 curriculum framework time of 2.5 hours per day in term time;
  - the number of nursery staff in other local authority nurseries that deliver the 3 – 5 curriculum framework;
  - the number of staff employed in running the after school club service; and

- the number of staff employed in running playgroups and other voluntary sector childcare provision.
- 5.7 This gives an estimated 98 full-time equivalent (FTE) jobs which are directly relating to running childminding and childcare services on Shetland. These jobs relate to childminders, teachers, early years workers and early years assistants. To estimate the income associated with this figure employment has been multiplied by average earnings for Shetland for 2007 of £23,757 which has been taken from the Annual Survey of Hours and Earnings for 2007 (Table 8.7a). By this method it is estimated that approximately **£2.3 million** is derived from the direct provision of childminding services in Shetland each year.

### **The Indirect Effect**

- 5.8 The indirect effect is calculated by estimating the value of childcare provision that allows a parent to work either full-time or part-time. There are four elements to this calculation:
- **Working parents who use the services of a childminder** 15 out of the 29 childminders in Shetland were interviewed and asked to give details of the number of working parents they catered for. This figure was split by those who worked full-time and those who worked part-time. To estimate the results for all childminders the findings were grossed up on the basis of the results for the sample interviewed.
  - **Working parents who use the services of a private nursery** The two main private nurseries in Shetland were asked to provide data similar to that outlined above.
  - **Working parents who use the services of an extended hours nursery** This has been more complex as the nurseries do not routinely gather data on working parents as part of the registration process. This number has been estimated based on interviews with the centre managers and, where data could not be provided a working assumption has been made that approximately half the children using the nursery will have a mother who works part-time and is supported to do so, in part, through the provision of extended hours sessions.
  - **Working parents who use the services of an Out of School Club** the number of Out of School Club places which are taken by children of working parents has been estimated.
- 5.9 Where the split between those working full-time and those working part-time was unknown, research published in the Economic Journal, 2008 was referred to which estimated that 34% of mothers who worked did so full-time and the remaining 66% worked part-time.
- 5.10 To estimate the value of earning supported by this employment the figures from the Annual Survey of Hours and Earnings for 2007 have been used which were £23,757 for full-time employment and £11,879 for part-time employment.
- 5.11 By these methods it is estimated that 435 parents are supported to access employment with the assistance of formal childcare services. It is estimated that this represents 245 full-time equivalent posts and that therefore **£5.8 million** in income is supported indirectly through the provision of

childminding and childcare services in Shetland. The combined provision currently caters for approximately 470 children across the islands<sup>8</sup>.

- 5.12 Significantly, the nature of jobs supported is very important as many of the working parents are teachers, nurses, doctors as well as office workers and local authority employees. It is this point which really highlights the true value of childminding services, and it is particularly clear in the more remote areas where single childminders enable groups of parents to remain in their work which in turn is helping to deliver essential education and health services to remote rural communities.

### The Induced Effect

- 5.13 Finally the analysis considers the effect on the local economy which arises from the combined spending power of the direct and indirect employment and income which depends on childminding and childcare services. This spending supports retail, leisure and further service sector jobs locally. To do this the latest Scottish Input-Output Tables for 2004 (published December 2007) have been used. The employment multiplier for the closest service category ("122 - other service activities") in this case is 1.301 and the corresponding income multiplier is 1.282.
- 5.14 Applying these multipliers to direct and indirect employment suggests that an estimated **446 full-time equivalent jobs** in Shetland are derived from the provision of childminding and childcare services and that this generates a combined income for Shetland residents of approximately **£10.4 million**.

**Table 5-1: Total Employment and Income Impact of Childminding and Childcare Services in Shetland, 2008**

Impact	Employment Supported (FTEs)	Income Supported (£'s million)
Direct	98	£2.3
Indirect	245	£5.8
Induced	103	£2.3
Total	446	£10.4

- 5.15 There is also likely to be some paid informal childcare, and while unregulated, will also be providing income to those engaged in provision.

### Impact of a Lack of Childcare

- 5.1 The above sections have measured the value associated with the current provision of formal childcare. However, there are negative economic impacts from a lack of childcare that should also be considered but are more difficult to measure without data from another moment in time. These impacts should be of particular concern in a situation where demand appears to exceed supply and where supply from childminders may further

<sup>8</sup> This figure excludes 3 and 4 year old children who attend pre-school nurseries in schools for only 2.5 hours per day.



decline. The main impacts of a lack of formal childcare are understood to be:

- a potential returner to the labour force not returning, which reduces the potential workforce. This is a particularly relevant in Shetland where unemployment is very low and recruitment can be difficult;
- a returner to work having to give up employment due to childcare difficulties. This has knock-on effects not just for the individual's income but also for the employer who will have lost a trained member of staff;
- a reduced ability to relocate someone from the mainland to fill a vacancy or the loss of in-migrants due to the lack of childcare, either formal or informal;
- a potential breakdown of service provision in remote areas where teachers, police, health workers may all be reliant on locally available childcare;
- a shortage of income for a family that may need all parents to be in employment whether a couple family or a lone-parent family;

5.2 Therefore while the provision of formal childcare has an economic value, a lack of childcare has a significant economic impact. For example should seven of Shetland's childminders cease operating this would result in an immediate impact on approximately 45 working parents with knock-on effects on their employment and employers. While some would be expected to find alternatives reasonably quickly, with the limited supply reported by those interviewed, for others this might be more difficult. In a worst case scenario the initial negative economic impact in Shetland of seven childminders ceasing to operate would be approximately £800,000 (excluding any positive impact created from alternative employment being found for childminders).

## **6 Conclusions and Recommendations**

- 6.1 The research findings presented in the previous chapters have shown that there are a number of challenges that face those that support and provide childcare services in Shetland. However, the risks that face the sector do not just face those directly employed. The research indicates that demand currently outweighs supply and therefore may already be restricting economic activity in Shetland. Any further reduction in childcare provision which supports working parents will have indirect impacts on the Shetland labour market as many individuals, often highly skilled individuals, depend on formal childcare services to enable them to access employment.
- 6.2 The final section of this chapter presents recommendations for priority areas that warrant further consideration by those with a strategic responsibility for childcare services and labour market development. The demographics of population, the vision to increase the population and labour market conditions in Shetland mean that these issues should be considered in the broader context of the sustainability of key services and commercial activity.

### **Supply versus Demand**

- 6.1 Only two formal childcare options, childminders and four of Shetland's nurseries can provide full-time formal childcare for working parents. However, childminders report very few children in full-time care. The research suggests that this is likely to be because many parents use a 'patchwork' of solutions to address their childcare needs, often mixing formal and informal childcare solutions. Other options such as out of school clubs can provide essential care for school age children and this can support full-time working. In addition, the provision of extended hours by some providers of pre-school education can also assist a parent access employment.
- 6.2 Although it is difficult to fully measure demand for childcare due to the utilisation of informal childcare. The indication based on 2001 census data is that over 700 families require childcare for children aged 0-4 years. However, supply appears constrained and estimated demand is nowhere near to being met by formal services and therefore the utilisation of informal childcare is understood to be extremely high.
- 6.3 Access to formal childcare for children 0-4 years can be extremely difficult, particularly for the younger age group (under three years), as options are generally restricted to childminders and selected nurseries, and those looking for care for babies will find only limited provision exists.
- 6.4 In summary the main findings from the research in relation to supply-side and demand-side issues are:
- it is difficult (and expensive) to access full-time childcare provision anywhere in Shetland, childcare for children under two years of age can be particularly problematic;
  - there is high employment in Shetland and demand for childcare appears to exceed supply. Although not all providers are full, particularly in rural

areas, insufficient supply particularly of full-time care often leads to parents being forced to use a patchwork of childcare solutions that may not always be in close proximity to each other;

- formal childcare often supports key employment in health, education and other public services and in rural areas provision of these services may be particularly dependent on one independent provider of childcare;
- Lerwick and its surrounding area is an area of high demand for childcare as the majority of employment is located in the Lerwick area;
- there is a lack of childcare options outwith the Lerwick area, however, viable provision of childcare that will enable to parent to work is difficult in areas where demand is low;
- informal support plays a crucial role in childcare in Shetland but may be less accessible in the future;
- the number of childminders has been in decline since 2000 and a further decline is expected in the short-term;
- childminders are under extensive pressure as a result of the challenges they face, often on their own. These include the pressure of working from home, running your own business, looking after other peoples' children and complying with the regulatory framework that they must operate within;
- new models are emerging which may see a small number of childminders transform their business into a small nursery;
- starting-up a new childcare business can be challenging and a slow process as parents can be slow to change their behaviour by either shifting from existing childcare solutions or seeking new or different employment;
- SSSC requirements are likely to affect access to an available workforce and may lead to an increase in the cost of provision for both public and private nursery providers;
- the current provision of childcare is confusing to parents and there are difficulties in understanding what provision might be available and where; and
- a lack of childcare will undoubtedly affect Shetland's ability to attract in-migrants who have childcare responsibilities and are seeking employment.

## **Economic Value**

- 6.5 The estimated economic value calculation estimates that formal childcare in Shetland supports almost **450 full-time equivalent jobs** and generates a combined income, including induced effects, of **£10.4 million** per annum.
- 6.6 However, the value to Shetland is much greater than the above calculation perhaps indicates. The previous chapters have shown that childcare has wider economic and community value beyond income and income multipliers, in particular the ability to recruit to essential posts in education,

health and elsewhere in the public sector and to support in-migrants to live and work in Shetland.

## **Recommendations for Future Support**

6.7 There are a number of issues in the childcare sector that if resolved could improve the economic value of the sector to the wider economy. This is likely to require greater focus and clarity in how current resources are used and in some cases, with the support of further information, this may justify additional resources. These resources should be prioritised towards the greatest challenges identified for the types of provision that support working parents. This will require collaboration between all stakeholders involved in strategic decision-making regarding childcare to ensure that efficient and effective use is made of the resources available to maximise the benefit to Shetland.

6.8 Areas suggested for priority consideration include:

- a clear, geographically based, two-strand approach that recognises the different supply and demand issues that exist between central and more peripheral areas in Shetland and ensure collaborative solutions are developed between all key stakeholders in order to support working parents;
- a coherent package of targeted advice and financial support for childminders that better promotes existing support and considers new and more appropriate support tailored to suit the current provision phase. Recommendations include the provision of:
  - o either formal or informal support for childminders, ideally both;
  - o advice and support on business development, and it is suggested that the progress of both the Scalloway and North Isles example is supported, monitored and recorded so that other childminders may benefit;
  - o promotion of existing start-up assistance and a review of success with those that consider childminding. A greater understanding of the needs addressed and level of success of the Western Isles scheme may be of benefit, however, any additional support may not necessarily be financial;
  - o opportunities that encourage childminders to work together, where appropriate, to develop a shared understanding of issues and challenges they face. For example, developing an approach towards fees for transporting children to and from pre-school education places;
  - o promotion of the importance of childminders and the quality standards that must be adhered in order to raise awareness amongst parents and boost confidence in the sector. This could help the childminding sector by boosting demand and by identifying the potential benefits from the difficulties they currently face; and this awareness raising could also be used to support recruitment activities;
- continuation of the practical support for training;

- achieving an effective balance between strategic and ‘on-the-ground’ support;
- while focus is likely to be largely on supply-side issues, there should be serious consideration, although less resources, dedicated to demand-side activity. For example, it is very difficult to get a clear understanding of provision of childcare services in Shetland and this is reflected in the comments of those interviewed. Focus should be given to the demand-side challenges and a single point of coherent and user-friendly information developed to assist working parents. Any demand-side initiative could also be used to promote the benefits of using regulated childcare services; and
- where strategic decisions are being made regarding the provision, form and location of all childcare services, consideration should be given to:
  - o working parents and the need to support employment within Shetland; and
  - o reducing the pressure on parents travelling between different options for either the same child or different children.

6.9 Supporting the wider Shetland economy and therefore the wider community is the overall aim of the recommendations above. A viable, formal and coherent childcare sector is critical for Shetland’s future as the projected reductions in the working population will make it increasingly difficult for employers, including key service providers, to recruit and reverse the decline. A strong childcare sector will support working parents and can help to encourage those not currently employed and in-migrants to work in Shetland. If choosing to review childcare services a further survey or discussions with working parents would be expected to generate valuable information for any review.

6.10 In addition, within these recommendations, it is important for decision-makers to remain sensitive to the balance between different providers and where possible try to support positive outcomes for all, including providers and working parents. Between public and private providers there are variances that exist in terms of both cost and access to support services and, for example, while working parents may benefit, childminders and private nurseries may be financially affected by an increase in pre-school education. However, in an environment of insufficient supply, issues between the public and private sector are perhaps not as significant as they might be if supply and demand become more closely matched.

# Appendix A

## Consultees / Providers of Information

<b>Name</b>	<b>Organisation</b>	<b>Title</b>
Melvyn Clark	Bell's Brae Nursery	Depute Head Teacher (Early Years)
Marina Eva	Blyde Haven Nursery	Manager
Mairi Jamieson	Central Private Nursery	Owner/ Manager
Sandra Gray	Islesburgh Pre-School Group	Manager
Muriel Fox	Lerwick Pre-School	Manager
Betty Wardrop	Mossbank Nursery	Manager
Mhairi Garnier	North Isles Childcare	Peripatetic Manager
Liz Boxwell	Peerie Foxes Nursery	Owner/Manager
Olya Inkster	Scalloway Play Group	Manager
Maggie Simpson	Scottish Childminding Association	Director of Childminding Development
Jenny Smith	Scottish Commission for the Regulation of Care	
Joanna Jack	Shetland Childcare Partnership	OOSC Manager
Rosemary Inkster	Shetland Childcare Partnership	
Rowena Samuel	Shetland Childcare Partnership	
Karen Eunson	Shetland College	Senior Lecturer Community Learning
Audrey Edwards	Shetland Islands Council	Quality Improvement Manager
Christine Geldard	Shetland Islands Council	Pre-School Education Support Officer
Wilma Ross	Shetland Islands Council	Staff Welfare Officer
Patricia Wright	Shetland Pre-School Play	
Val Walterson	Shetland Pre-School Play	

## Childminders

Andrea Moffat	Kaye Sandison
Ann Keith	Kirsty Nicolson
Audrey Leask	Lillian Hunter
Catherine Scott	Lorraine Adamson
Christina Ritchie	Sheila White
Gemma Manson	Susan Clelland
Hazel Smith	
Ingrid Aitken	
Jill Thomson	

# Appendix B

## Regulatory Environment

There have been a number of recent developments in the regulatory environment governing childcare which have brought added pressures to the supply-side of the market, i.e. on those providing childminding and day-care services. This appendix describes the requirements from the regulatory and support organisations governing childcare and discusses the impact these changes may have on childminding and day-care services in Shetland.

The appendix is structured as follows:

- **Registering to provide childminding and day-care services:** a description of the requirements made on childminders and day-care settings by the Care Commission, a list of the policies and practices required;
- **The Inspection Process:** an outline of the inspection process and description of the grading system from inspections taking place from 1<sup>st</sup> April 2008 onwards; and
- **SSSC Registration:** a description of the Registration Rules that apply to those involved in the day care of children.

## Registering to Provide Childminding and Day-care Services

The Care Commission is the national organisation established under the Regulation of Care (Scotland) Act 2001 to regulate and inspect Scottish care services.

In accordance with Section 9 of the Regulation of Care (Scotland) Act 2001, all childminders and day-care settings (i.e. private nurseries) must be registered with the Care Commission in order to look after one or more unrelated children aged under 8 years, for reward, for more than two hours a day. It is an offence to childmind without being registered by the Care Commission. Childminders are expected to meet and maintain the same standards as nurseries and day care services are all inspected by the Care Commission using a standard approach to inspection.

The registration process is wide-ranging and rigorous, involving references, training, a health assessment, and police check on the prospective childminder and every other adult over 16 in their household to ensure that they are “fit to be in the proximity of children”. The prospective childminder's home is inspected too, to ensure it is a safe and suitable environment for children or a “fit premises”.

Anyone setting up as a childminder incurs a number of costs as part of the start-up process:

- Care Commission Registration Fee
- SCMA Membership - optional
- Public Liability Insurance
- Business Tools, such as cashbook and contracts

- Possible alterations to property such as additional fencing and gates , wired smoke alarms
- Start-up equipment - toys, high chairs, smoke alarms, fireguards, fire blankets etc.
- First-aid training

The registration process takes approximately three months. Apart from the Care Commission itself, formal help is also available to prepare for childminding through the Scottish Childminding Association (SCMA) which runs preparation training courses covering the conditions of the childminding service, childminding contracts, business issues and overheads. Although membership of the SCMA is strong in many regions of Scotland, its membership is relatively low in Shetland and similar services are provided by the Shetland Childcare Partnership.

The following policies and practices are typically required from a childminder by the Care Commission:

- Admissions policy (e.g. first come, first served, based on availability of place and ratios)
- House rules (e.g. behaviour, safe play, noise, tidying up, hand-washing, etc)
- Safe environment (e.g. no smoking policy, enclosed and safe outdoor play, equipment checks, infection control)
- Health and well-being (e.g. protection from harm, best hygiene, exercise, qualified in first aid, emergency policy)
- Health and safety (e.g. qualified in first aid, trained in food hygiene, supervision while playing outdoors, keeping chemicals out of reach, maintenance of toys and equipment, premises fitted with smoke and fire alarms, infection control)
- Engaging with children (e.g. learning through play, age appropriate activities, etc)
- Confidentiality policy (e.g. relating to personal details of the children minded)
- Equal opportunities (e.g. treating everyone the same way, learning about different cultures, celebrating different festivals)
- Quality of Experience (e.g. offering a balanced range of age-appropriate activities)
- Support and development (e.g. supportive and relaxed environment for the children)
- Child protection policy (e.g. clean, safe and secure environment, carrying out risk assessments covering all aspects of business, restricted/ supervised television watching/ internet time, undertaking to report concerns to the Social Services Department)
- Computer policy (e.g. no unsupervised time, age-appropriate games and websites)
- Complaints policy (e.g. bring issues to the attention of the childminder, supply parents with Care Commission contact for further issues)
- Emergency procedures (e.g. fire drill every 3rd month, planned evacuation route, emergency local contact numbers)



- Behaviour policy (e.g. encouraging of good behaviour, violence or abuse not allowed, time out used to control bad behaviour)
- Use of Medicines (e.g. written permission from parents to give medicine, record kept, parent to sign record at the end of the day)
- Record keeping – (e.g. details of aims and objectives of service, admission criteria, charges, complaints procedure, accident and incident reports, injury insurance, confidentiality, emergency procedures, child protection policy)
- Emotional, social and physical development of minded children
- SCQF rated certificate of achievement

When the Care Commission have assessed an individual as a “fit person” meeting the criteria appropriate for offering a childcare service, they receive a Certificate of Registration and are inspected by the Care Commission every 12 months thereafter. The National Care Standards relating to Early Education and Childcare up to the age of 16 are used to guide the inspection. There are 14 of these in total and the Commission inspects on 4 or 5 per year, covering all standards every three years

## **Inspection**

Before a first inspection visit the Care Commission will ask the childminder or day-care manager to fill out a pre-inspection form that will find out about the needs of the service at that point and also a self-evaluation of the service to show the Care Commission how well the individuals believes their service is meeting the care standards.

Providers are encouraged by the Commission to involve staff (where relevant) and service users in completing the self-assessment form to give a more rounded view of performance. As well as knowing the quality themes well, they are advised to start the process early, gather evidence, think how best to engage with all interest groups involved in their service (users, carers, staff) and engage with the Commission (and use their website) to clarify any doubts about the self-assessment and inspection process.

The individual receives at least four weeks’ notice of the inspection at which point they are expected to complete and return the pre-inspection form. The form will also arrive with an information pack to refer to in the run up to the inspection. The form also arrives with an information pack to refer to in the run up to the inspection. The individual receives confirmation of the inspection one week before and will be notified of all the documents that the Care Commission Officer would like to look over during the visit. Once the Care Commission Officer arrives at the childminder’s home they may wish to look at other documents that relate to the service as well.

Inspections may be annual in which case they will be announced visits however the inspection could also be a follow up which may not necessarily be announced. For newly registered childminders the first annual inspection usually takes place around twelve weeks after registration or when the service is partially operational. Follow-up inspections are usually short and focus on one particular aspect of the service or a certain theme of standards.

The Care Commission Officer uses a variety of methods to establish whether or not the service is meeting the standards such as having a meal with minded children, having a chat with the children or their parents or simply observing routines and the

interaction with children. Where the focus is on a particular theme or standard, the Care Commission Officer will use the methods most suited. The Officer will also observe how the children talk to the childminder, examine all records, inspect the premises and observe the outdoor facilities.

A draft report is produced within two weeks of the inspection. There may be requirements to follow that are compulsory and also recommendations that are not but should be considered. The person or organisation inspected will then have three weeks to respond to this and comment on the accuracy of the content. Once the Care Commission has considered any response made they will produce a final report which will be available on request. For childminders, reports for individuals are publicly available to download from the Care Commission's website.

The next inspection will be set within twelve months although the dates of inspections may be changed if the Care Commission feels that an earlier date is preferable. The new certificate will then be issued provided that the service has passed inspection and the Care Commission is satisfied that the standards are being met. The role of the Care Commission will also be reviewed to ensure that they are meeting their own standards for inspection. These forms will be sent to all those individuals who had a part to play in the inspection and the feedback will be used to maintain the quality approach that the Care Commission is striving for.

For inspections happening from 1 April 2008 onwards, the Care Commission have introduced a grading system whereby a childminder or nursery is graded from 6 (excellent) to 1 (unsatisfactory) to reflect performance on each standard. It is this change which is causing many childminders to cease offering childminding services and deregister with the Care Commission.

### New Grading System for Inspection

From 1 April 2008 a new grading system has been introduced into the inspection process for all care services in Scotland including day-care of children and childminding. The Care Commission believes that the new system will benefit people who purchase care services through providing them with clear, consistent and transparent information on the quality of services. This is intended to give reassurance to those who purchase the services (the parents) and to ensure that the standards and quality within the service are as high as they can possibly be. For providers of care services, the Care Commission believes that the new system will give a better idea of their relative performance in the marketplace and that this can only be good for the overall standard of care within the sector.

All services will be graded across the four quality themes of:

- care and support
- environment
- staffing, and
- management and leadership

Within these 4 themes there are 5 further statements for which evidenced must be provided in order to pass the inspection. The grades will range from –

6 - excellent  
5 – very good

- 4 – good
- 3 – adequate
- 2 – weak
- 1 – unsatisfactory

If any aspect of the service receives a lower grade of either 1 or 2 it means that that particular element of the service is not acceptable to the Care Commission and changes will need to be made by the service provider.

Within the 4 themes, if any statement received one of the lower two grades then the overall theme will be graded at the lowest point, i.e. if one of the five aspects of management and leadership is given a grade of 1 then the overall grade for management and leadership will be given a grade of 1 regardless of how well the other aspects were graded.

If all statements within each theme receive a grade of 3 or more, then an average is taken of all scores and this will be the overall grading for the quality theme. All results are publicly available through the Care commission's website.

### **SSSC Registration**

The Regulation of Care (Scotland) Act 2001 established the Scottish Social Services Council as the regulator of the social service workforce and its education and training (the same Act also established the Care Commission as the regulator of services). Following consultation by the Scottish Executive in 1999 on how the social services workforce should be registered and regulated, a policy decision was taken to create a register that was qualifications-based. The registration timetable which followed set out criteria for all those registered with the Care Commission to provide day care services for children to be qualified to the following extent:

- Manager/lead practitioner – SVQ Level 4 (equivalent to SCQF Level 8/9) qualification in Early Education and Childcare or Play work or an HNC plus a PDA – to be achieved within 3 years of registration;
- Practitioner – SVQ Level 3 in Early Years or SVQ Level 3 in Play work or an HNC Childcare and Education or the predecessor Nursery Nursing awards – to be achieved within 3 years of registration;
- Support Worker – SVQ level 2 in Early Years or Play work or an NC – to be achieved within 5 years of registration.

In practice there are many different qualifications which are relevant and a full listing is provided (and updated regularly) by the SSSC. The list above contains the most commonly held qualifications for each category. A new degree for managers and practitioners in Childhood Practice will produce graduates from 2011 and this will be equivalent to SVQ 4 or SCQF Level 9.

The Scottish Government is still to set a final date by which all workers must register; as yet it is not a compulsory requirement. When it does become compulsory, it will have cost implications for the provision of childcare services as qualified staff will command a higher wage than unqualified staff.

## **Summary and Implications for Childminding**

The care of children, particularly in a one-to-one setting, is very tightly monitored by the regulatory authorities. It takes time and effort to set up as a childminder and to maintain the registration. The requirements are becoming higher all the time and this presents a barrier for some people considering entering the sector and for some existing childminders each subsequent requirement (e.g. the requirement to have a wired smoke alarm in the home) gives a reason for de-registering, particularly in cases where they look after only a few children and their income from childminding is relatively low<sup>9</sup>.

Childminding tends to be a very localised market. Parents will look for services within a few miles of their home, place of work or children's school. In this setting, where childminders are relatively well known in the local community, the grading system has the potential to be divisive: a low score on one aspect of their service could damage that person's reputation, regardless of how well they rate on other aspects. It could be that the low score is given on elements which concern the Care Commission but are not of major interest to the parents.

Consequently, the grading system has been met with opposition from some childminders and private nursery owners across the country. The "lowest common denominator approach" in cases where 1 out of 5 statements receives a grading of 1 or 2 is causing particular concern as it is unfair to the good aspects of the service. Anecdotal evidence suggests that the number of childminders that are de-registering is beginning to increase in some areas.

The registration requirements set out by the SSSC puts qualifications ahead of experience when recruiting new nursery staff and has implications for staff currently employed in nurseries who do not have qualifications i.e. the mum returning to work who does not have a qualification but knows how to look after children. The additional cost implication this will have for those providing the service could make the decision to use childcare services even more marginal, especially for parents with two or more pre-school children.

---

<sup>9</sup> Latest data suggest that the average rate of pay for childminders in Shetland is close to the national average: £3.10 per hour in Shetland compared to a national average of £3.20 per hour for Scotland as a whole.



## **REPORT**

**To:** Development Committee

02 October 2008

**From:** Principal Officer - Marketing

**DV46-F**

**Flavour of Shetland – Review of 2008 and Options for 2009, 2010 and 2011**

### **1.0 Introduction**

1.1 This report has two purposes:

- (a) To provide a brief review of Flavour of Shetland 2008 which was held between 19 -22 June as part of the Johnsmas Foy.
- (b) To gain Committee approval, in principle, for the event budget requirements over the next three years and to confirm the dates for the event in 2009, 2010 and 2011, in order to assist in forward planning.

### **2.0 Link to Council Priorities**

- 2.1 The project 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".
- 2.2 This report has links with "Celebrating Shetland's Cultural Identity" which is a priority in the Council's corporate plan.
  - Flavour of Shetland (FOS) specifically links with the Marketing pledge to "develop, support and improve events, in and beyond Shetland, that build Shetland's reputation and reinforce confidence in the community."

### **3.0 Background**

- 3.1 Flavour of Shetland (FOS) was first held in July 2005 as a complementary 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.
- 3.2 FOS has now been held 4 times and comprises a showcase of food, drink, music, crafts, products and cultural activities with a Shetland origin or theme. Latterly, FOS has been held on Victoria Pier, with the permission of Lerwick Port Authority (LPA), as part of the Johnsmas Foy. Appendix 1 outlines the current aim and objectives of FOS.
- 3.3 It is managed and coordinated by the Economic Development Unit and has enabled a high level of in-house competence in event management to be developed which has transferred well to other events managed by the Unit such as the Energy at the Edge conference (September 2007) and the inaugural Shetland Food Festival which will be held this month.

### **4.0 FOS: Review of 2008**

- 4.1 This brief section of the report will consider the event budget along with a brief review of key points noted during FOS 2008. A fuller appraisal completed by the Economic Research Assistant is at Appendix 2.
- 4.2 At its meeting of 23 October 2007 the Executive Committee agreed that the budget for the event should be limited to £70,000 (min ref 36/07). The main change made to the event in order to reduce the budget was removal of the demonstration kitchen and Master Chef sessions which enabled costs to be reduced.
- 4.3 Despite much effort, it proved very difficult to limit costs to the specified budget of £70,000 since such a high percentage of the costs of the event were fixed i.e. marquee infrastructure, security, health and safety etc. However, it is considered that the difference, which is less than 10%, is within acceptable limits of the target that was set.

- 4.4 The estimated final operational costs for FOS 2008 are shown in Table 1 below. FOS has an established budget, RRD5039 which was used to fund the 2008 event.

Table 1 – Flavour of Shetland 2008 Costs

<b>Item</b>	<b>Cost £</b>
Equipment	36,359
Entertainment and Activities	12,410
Safety and Security	7,210
Waste Management	374
Publicity and Promotion	6,754
Operational Costs	15,398
Fees	2,540
<i>Income</i>	<i>(7,000)</i>
	<hr/> <b>£74,045</b> <hr/>

#### 4.5 Brief Review

4.5.1 The event was held over 4 days and provided:

- 41 separate music entertainment sessions;
- 10 food and drink outlets;
- 17 craft stalls;
- Shetland story telling sessions;
- Children's activities.

4.5.2 Final estimated income from the entertainment tent bar hire and stallholders should amount to £7,000.

4.5.3 For the second year running, FOS, proved attractive to the BBC with agreement reached for Radio Scotland's Tom Morton show to be broadcast live from the entertainment tent (Friday 20 June). The event structure and staging suits an outside broadcast of this nature well. The show provided excellent publicity for Shetland with a number of positive interviews held during the programme and local artistes and FOS vendors interviewed. Radio Scotland's listening figures for the second quarter indicate that, on average, BBC Radio Scotland reaches around 824,000 people - almost one in five of the population (19%).

- 4.5.4 Despite claims of the event being a “fiasco” by a section of the local media, the Chief Inspector of the Shetland Area Command Team of Northern Constabulary confirmed to the EDU that the event was “well run and.....a credit to the organisers”.
- 4.5.5 Although the weather was poor and numbers attending were reduced, some vendors reported increases in sales during the event.
- 4.5.6 In order to tie in with the overall Hanseatic theme of the Johnmas Foy an Edinburgh-based German food outlet ‘The Wee Hut’ was invited to take part in the food market area.
- 4.5.7 The overall site layout proved to be more appealing to vendors and visitors to the site providing a good flow and additional space to move around in.
- 4.5.8 As mentioned, weather during the event was exceptionally poor. Indeed, it was some of the poorest weather experienced during the summer. This appears to have been the main cause of disappointing sales from Flavour of Shetland vendors this year, with fewer visitors prepared to browse in poor weather conditions.
- 4.6 A full research report compiled by the Research Assistant is at Appendix 2 and this provides a full overview of the 2008 event based on vendor interviews.

## **5.0 Proposed Dates for Flavour of Shetland 2009, 2010, 2011**

- 5.1 The following options are presented for approval and involve FOS being closely associated with other major events taking place in Shetland in 2010 and 2011, namely the Hamefarin’ and the Tall Ships Race.
- 5.2 Presenting the event in this way is considered the best way to realise best value on the monies invested in the event since the aim of FOS ‘to strengthen Shetland’s reputation as a high quality destination’ can be realised in the most positive way.
- 5.3 It is not possible to confirm venues for 2010 and 2011 at this point, however a specific venue is suggested for 2009.



#### 5.4 2009

- 5.4.1 It is proposed that FOS is held to coincide with the visit of the Bergen to Lerwick annual yacht race which takes part during the Johnsmas Foy. Dates for this are 25<sup>th</sup>-28<sup>th</sup> June and it is suggested that LPA is approached regarding permission to locate this on Victoria Pier.

#### 5.5 2010

- 5.5.1 It is proposed that FOS is held to coincide with the Shetland Hamefarin' which takes place in June 2010. Specifically it is recommended that the dates of Thursday 17 – Sunday 20 June are selected for this which would make it a central part of the overall two-week programme.

- 5.5.2 At this stage it is not possible to confirm a venue, however a location in Lerwick would be preferred for this event. It is suggested that LPA is approached regarding permission to locate this on Victoria Pier. Council Economic Development Unit staff are currently coordinating the overall Hamefarin' event.

#### 5.6 2011

- 5.6.1 It is proposed that FOS is targeted towards the visit of the Tall Ships Race to Lerwick in 2011.

- 5.6.2 The ships from the race are due to visit Lerwick between Thursday 21 – Sunday 24 July 2011 and it is therefore suggested that FOS resources are targeted to this event in an appropriate waterside location in agreement with the Tall Ships Race Lerwick 2011 organisers.

### **6.0 Financial Implications**

- 6.1 The final estimated operational costs for FOS 2008 are £74,045. This figure does not include recharges.
- 6.2 FOS has an established budget RRD5039 which would continue to be used for other FOS events in the future, subject to funding being available.
- 6.3 The budget estimate process for 2009/2010 is now underway and, should approval be given in principle to FOS taking place, this budget would be used to cover the relevant costs of any event held.
- 6.4 The details of specific funding requirements will be made as part of the overall formal budget estimate process for each year in question and therefore will be subject to final Council agreement.

## **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]):
- Improving and maintaining the quality of goods, services and “visitor products” that add value to the economy.
  - Encouraging an active partnership approach to develop and enhance the marketing of Shetland and its produce.
  - Strengthen Shetland’s image as a distinctive holiday destination.
- 7.2 In accordance with Section 11 of the Council’s Scheme of Delegation, the Development Committee has delegated authority to make decisions on all matters within its remit. As the subject of this report is covered by existing policy the Development Committee does have delegated authority to make a decision.

## **8.0 Observations**

- 8.1 The importance of high quality marquee infrastructure, as hired from specialist equipment providers ‘Field and Lawn’, was highlighted by the fact that, despite the poor weather, a programme of activities was able to be run without disruption.

## **9.0 Conclusions**

- 9.1 The aim of Flavour of Shetland is to create a focused summer festival which showcases Shetland and its culture, music and produce. The event does generate some immediate benefits but, principally, the aim is to focus on long-term economic benefits through raising the profile of Shetland.
- 9.2 The results of the research undertaken show to date that this event has been a success in terms of promoting Shetland and fostering pride and confidence. It is not possible to accurately measure its long-term benefits. However, surveys to date do indicate the likelihood of long-term impact through general event satisfaction.
- 9.3 Despite a noticeable reduction in numbers visiting and with a reduced budget, a successful event was delivered in 2008 which tied in well with the overall Johnsmas Foy celebrations.

## **9.0 Recommendations**

9.1 It is recommended that the Executive Committee

- (a) Notes the feedback from FOS 2008 and;
- (b) Approves the proposal to hold FOS in 2009, 2010 and 2011 as highlighted at paragraph 5.

Date: 25 September 2008  
Our Ref: NHH/JJ RF/1173

Report No: DV046-F





**Aim:**

- *To strengthen Shetland's reputation as a high quality destination*

**Goals:**

- *To provide a quality-focussed annual event which appeals to visitors and Shetlanders*
- *Foster positive associations with Shetland products;*
- *Celebrate Shetland's unique heritage and culture*

**Objectives:**

- *Provide a showcase for food, drink and art and craft businesses;*
- *Provide a showcase for Shetland culture and music;*
- *Provide a forum to promote use of local produce*

**Resources:**

- *Utilise the very best quality, local produce, music and craft manufacturers*

**Control:**

- *Assess, monitor and act on all feedback received to continually improve the event*





## **REPORT**

**To: Development Committee**

**02 October 2008**

**From: Senior Adviser  
Economic Development Unit**

**Report No: DV053-F  
THE JOHNSMAS FOY 2008**

### **1.0 Introduction**

- 1.1 This report reviews the Johnsmas Foy 2008. It follows the decision made three years ago<sup>1</sup> that the Council should support the Johnsmas Foy on an annual basis and, in partnership with other agencies, should allocate appropriate resources in order to enable it to be properly organised and promoted.

### **2.0 Link to Council Priorities**

- 2.1 The holding of an annual Johnsmas Foy may be expected to contribute significantly to the following Council marketing pledge as set out in the Corporate Plan:
- “Develop, support and improve events, in and beyond Shetland, that build Shetland’s reputation and reinforce confidence in the community, including particularly the Johnsmas Foy . . .”
- 2.2 The Johnsmas Foy fits very well with the Shetland Cultural Strategy<sup>2</sup>. For example, Aim 3.2 aims to ‘exploit the potential of cultural activity to contribute to the economic regeneration of Shetland and promote widespread usage of and participation in these activities’. This section of the Strategy refers to the need to ‘support environmental, economic and social regeneration led by cultural and creative enterprises’ (3.2.1); ‘encourage the Shetland population and visitors to the islands to value and participate in the diverse range of cultural facilities throughout the islands’ (3.2.2); and ‘place cultural factors at the heart of the marketing and promotion of Shetland’ (3.2.3).

---

<sup>1</sup> Shetland Islands Council, 14 September 2005, Min. Ref. 149/05

<sup>2</sup> Now in course of revision.

### **3.0 Background**

3.1 A report was presented to the Council meeting on 30 March 2005 that proposed the idea of a festival to be held annually in June and to be called The Johnsmas Foy. The rationale presented then for such an event is set out in Appendix 1. The aims were to:

- Continue the tradition of a midsummer event, by then already well established
- Continue to stimulate activity, not only in Lerwick but also right across Shetland.
- Offer a showcase for Shetland, its culture and its produce.
- Contribute to economic development, both directly through an expansion of tourist activity and indirectly through supporting many other forms of enterprise through development of a reputation for excellent products and service (the crux of any successful brand) and through building community confidence.

3.2 At the heart of the Johnsmas Foy is the sea and the maritime heritage that flows from it but there are many possibilities for annual themes. In 2006 it was 'a celebration of sail'; in 2007 it was 'fishing heritage' and in 2008 it was 'Hanseatic Shetland'. A proposed list of future themes was considered by the Executive Committee in 2006 and it is again appended. Members will note that the 2009 event is proposed to have a Viking theme. Whatever the theme, there needs to be strong support in terms of music, the arts and food.

3.3 The Steering Group consists of the relevant Council officials (including staff from Economic Development and Community Development) and representatives of the principal supporting organisations, namely Shetland Arts, Shetland Amenity Trust, VisitShetland, the Lerwick Boating Club and Lerwick Port Authority. Councillor Rick Nickerson, Spokesperson for Culture and Recreation, represents the Development Committee on the Steering Group.

### **4.0 Review of 2008**

4.1 The 2008 Johnsmas Foy began on Thursday 19 June and ended on Sunday 29 June. The published programme contained well over 100 events. These fell into two broad groups. The first group consisted of events designed specifically to mark the Hanseatic connection and these included:

- Poetry and prose readings and a workshop for local writers given in Lerwick and Baltasound by Sujata Bhatt and Michael Augustin, both of whom are internationally-known poets based in Bremen; Sujata Bhatt was one of the judges for the 2008 TS Eliot Prize. They also joined local writers in a workshop organised by Shetland Arts. Sujata Bhatt and Michael Augustin also spent a morning in Anderson High School, where they worked with English and German classes of various ages, and worked with a young writers' group at Brae High School.



- Music by Wolfgang Rieck, a Lübeck-based singer-songwriter who specialises in songs in the old Low German language, or *plattdeutsche*, the language spoken by the Hanseatic traders who used to visit Shetland.
- Jazz from the Ed Kröger Quintet, which is based in Bremen but which features musicians from Berlin, Paris and New York. The Quintet played on the same bill as Chris Stout's Run North in Lerwick, offered a Sunday lunchtime jazz concert in the museum and offered a Saturday afternoon workshop for local jazz musicians, including several members of Shetland Youth Jazz and some older players.
- An exhibition in the Shetland Museum and Archives dealing with the Hanseatic period
- Talks on the German Hanseatic connection given in Baltasound and Lerwick by Dr Mark Gardiner, a specialist in the period based at the University of Belfast who has subsequently been excavating a Hanseatic Bød at Gunnister Voe, Northmavine
- Talks on the Norwegian Hanseatic trade given in Whalsay and Lerwick by Prof. Knut Helle, the leading Norwegian medieval historian.
- A visit by a choir from Bergen, Shantykorset Cape Horn, which performed in Unst, Lerwick and Whalsay
- The presence on Victoria Pier of a German chef, now based in Edinburgh, who was able to offer traditional Hanseatic specialities alongside more conventional German fare
- The offering by at least one Lerwick restaurant of Hanseatic dishes as part of the menu.

4.2 I would wish the Committee to be aware that the creation of such a full programme of events relating to the Hanseatic period depended to a substantial extent on the contributions of two people, namely Brian Smith, Shetland Archivist and Michael Augustin, with whom Brian put us in touch. I am very grateful to both of them for all their help.

4.3 The Foy also included a number of other events, some of them independently organised, which, in various ways, celebrated Shetland's culture and heritage. These events included

- Concerts by Chris Stout's Run North in Fair Isle, Lerwick and Mid Yell
- Concerts by Bodega in Lerwick and Fetlar
- Appearances by Danish folk group, Faerd, in Fair Isle and Lerwick; with support from the Education Service, Faerd also spent two days working with children in Shetland schools.
- The Fetlar Foy
- Shetland Flag Day
- A challenge football match between Shetland and Deveronvale
- The Shetland Summer Rugby Sevens
- The Shetland Half-Marathon
- Trips on the Swan and the Dim Riv
- The Bergen Races and the 1000-mile double-handed race

- The *Flavour of Shetland* event on Victoria Pier featuring music, craft and food stalls, story-telling and children's activities
  - A service in Whalsay for fishermen and other seafarers lost at sea
  - A drama, *Whaar We Ir*, intended to capture life in Shetland today
  - An exhibition of paintings in the Shetland Museum and Archives
  - An art and sculpture exhibition in Yell
  - The Lerwick Summer Carnival
- 4.4 One of the functions of the Johnsmas Foy is to raise awareness of what Shetland has to offer through exposure in the national and indeed international media. As in 2007, BBC Radio Scotland's *The Tom Morton Show* was transmitted live from Victoria Pier. There was also a programme on Radio Bremen (which we understand may have been syndicated to other stations on the German national network) about Shetland and the Foy. It featured a discussion about Shetland, the Hanseatic period and Shetland culture and heritage between the programme's presenter and Michael Augustin. It also featured Laureen Johnson reading a Shetland poem in dialect. There has also been interest from the German press, with *National-Zeitung* carrying a piece which featured the Böd at Symbister and information about the Johnsmas Foy. The Foy is also now listed as one of Shetland's attractions in two leading guidebook series, Rough Guide and Lonely Planet.
- 4.5 The interest shown from Germany suggests that there is scope to develop some material of specific interest to German audiences. We had hoped, in fact, to develop a 'Hanseatic trail' for the Foy, including a bilingual leaflet in the same format as other local tourist leaflets, but this was a casualty of a lack of organisational time. I still believe that this is well worth doing and that there are other opportunities, too. For example, I visited the Kirk at Lund, in Unst, where two Hanseatic merchants are buried, and the White Wife in Yell, with Michael Augustin, Sujata Bhatt and Wolfgang Rieck; they were clearly moved by these experiences, but there is nothing on or near the Lund site to explain the significance of the now badly-eroded gravestones. A plaque in English and German (which should be discreet, as befits the setting) would be of value at that location. We also visited the White Wife in Yell and, when the information panel there is replaced, it would be appropriate to provide the text in German as well as English.
- 4.6 Our overall impression is that the Johnsmas Foy 2008 made further progress towards the aims set out in paragraph 3.1 above. We are in no doubt that it is well on the way to becoming a substantial event that will make a correspondingly greater impact as the years go by. The Steering Group will be meeting shortly in order to proceed with arrangements for 2009.
- 4.7 The funds available for staging the 2008 Johnsmas Foy amounted to £50,000, with a further £5,000 allocated to the Shetland Flag Day. Taking into account invoices yet to be presented, the actual net cost of the Johnsmas Foy is expected to be £48,023 and the cost of the Flag Day to be £5,109, giving an overall saving of £1,868. These costs do not include recharges for staff time. Total income from all events (included in the net figures above) was £5,082.

- 4.8 In looking at these figures, it's important to bear in mind that the Johnsmas Foy includes a substantial educational element and no charge was made for any of the talks and readings, the writers' workshop, the jazz workshop and some of the musical performances. We were also determined to ensure that events were staged across Shetland and we were particularly pleased at the response to the events in Fair Isle.
- 4.9 Outside the published programme, we were also able to arrange for Sujata Bhatt, Michael Augustin and Wolfgang Rieck to spend time with several classes or young writers' groups at the Anderson High School and Brae High School. The Danish Group Faerd also worked with music classes in a number of schools, a contribution to the cost of which was made by the Education Service.
- 4.10 Overall, the events were well attended and income from ticketed events was within £238 of expectations; some events sold out and others performed better than anticipated. On the other hand, two concerts on the final night appear to have been somewhat affected by competition from the Euro 2008 Cup Final. The various talks and readings were popular and the writing and jazz workshops attracted good numbers.

## **5.0 Lessons Learned**

- 5.1 We were generally very pleased with the way the Johnsmas Foy went in 2008. The Steering Group will be considering lessons learned very shortly, as it begins to plan the 2009 event, and I do not want to pre-empt those discussions. However, some topics undoubtedly require debate.
- 5.2 A principal aim of the Johnsmas Foy is to improve and extend Shetland's reputation, in other words to make Shetland better-known as a place that is worth visiting, either at the time of the Foy or otherwise, and as a place that is associated with interesting, high-quality products, services and experiences. As confidence in the event grows, it becomes easier to use it to achieve these results, but promoting the Foy and gaining the high-quality coverage that it deserves is a task in itself, and not one that can be tackled in spare moments, as has been the case to date. I had originally hoped to prepare a more detailed business plan, incorporating a marketing plan, for presentation to today's meeting, but constraints on time mean that I am recommending that the Steering Group take these forward.
- 5.3 In connection with the marketing of the Foy, two other issues arise.
- 5.4 Firstly, although we are confident that the Foy is well-supported, we do not have the sort of detailed information about audiences and their reactions, tastes and preferences that would help us to fine-tune the event and convince external funding bodies that they should sponsor it. We have discussed this with EventScotland, which assists a wide

range of events, and they are anxious that we carry out some appropriate market research, partly because it would help them decide on future applications for assistance to the Foy. They suggested that we apply to them for assistance to meet the cost of such research and they have offered a grant of £4,000, subject to the Council matching this sum. We are due to meet with an EventScotland representative shortly to discuss the terms of the offer, but I am concerned that it may mean reducing the amount spent on other areas of the Foy by £4,000. There may be other ways of tackling this issue and we shall try to identify the route that is most beneficial.

- 5.5 Secondly, we are aware that the website, [www.johnsmasfoy.com](http://www.johnsmasfoy.com), is now three years old and is in need of revision. It is not as attractive as it could be and, in a separate study we undertook recently, it was not ranked well in terms of its usability. In particular, there are significant problems with the programme pages, which have been very slow to load. Since the internet is a vital part of Shetland's marketing effort, we should make sure that those sites over which the Council has control are of good quality. We had hoped that EventScotland would assist with this but it does not appear that they will do so. We shall explore other ways of funding the revision of the site, which is likely to cost in the region of £5,000.
- 5.6 We had hoped to attract external funding for the 2008 event in order to improve the range and quality of what was on offer. As it happened, we were fortunate in being able to secure a good range of events, but that was largely because of the exceptional help we received from a number of people, particularly Brian Smith, Michael Augustin and Davy Gardner. There was simply not time to pursue external funding in the way that we had hoped, although we did receive one encouraging response that will hopefully be helpful in 2009. In principle, though, there is no reason why the Johnsmas Foy should not attract investment in the same way as, say, the St Magnus Festival in Orkney, which receives funding from well over twenty external organisations including the Scottish Arts Council, the Arts Lottery, Event Scotland, HIE, the BBC, several private firms and more than a dozen trusts and foundations. I would want to invite the Steering Group to discuss how we might make some progress in that direction and I believe it would also be helpful to look at the St Magnus Festival's arrangements in more detail to see what lessons we can learn. As a foundation for attracting funding, it is important to be able to present potential funding bodies with a concise business plan and EventShetland has already asked that one be prepared. I have prepared a draft, which is attached as Appendix 5, in the full knowledge that it requires further work. I shall ask the Steering Group to consider it before putting together a final version.
- 5.7 The question of who should play a part in organising the Johnsmas Foy is important. There are good reasons why the Council should be involved to some degree, because the justifications for the Foy are largely to do with economic development and community well-being. However, because the Foy is a midsummer celebration of the best of

Shetland, it has a number of strands including music, visual arts, drama, cultural heritage, natural heritage, the sea and sport. Given such a (necessarily) wide remit, there is a need to establish which organisations are best placed to lead the development and management of particular strands of the event. This is partly about expertise and partly about partnership; and, linked to these, there is the related question of limited resources within the Council's Marketing Service, which simply does not have the capacity to undertake all the work associated with the organisation of the Foy on its own. If the Foy is to develop successfully, the resources for managing it will need to be identified, either within the Council or by drawing on the resources of the organising partners. In the case of the Foy, this will be a topic for discussion at the Steering Group.

5.8 However, these considerations don't only arise in relation to the Johnsmas Foy. The Council and other public bodies in Shetland, including the Trusts, NHS Shetland and VisitShetland, are involved in one way or another in developing, managing, promoting or grant-aiding a wide range of events. Sometimes, we (or they) may be asked to participate in, or support, events outside Shetland, too, such as Celtic Connections or food events; the most recent suggestion that we know of is that we should participate in a Scandinavian event in Denmark. We clearly do not have the resources of time or money to participate in every event. Some events will be more likely than others to assist in Shetland's economic and cultural development. It follows that, given limited resources, judgements need to be made about which events to support, to what extent they should be supported and where responsibility for events (or categories of events) should lie. All of this, of course, needs to take account of what we're trying to achieve through events. We are very much aware of the need for better co-ordination in this area of work and there is a need for a clearer strategy that would help everyone make these judgements.

5.9 I have recently been involved in the review of the Shetland Cultural Strategy that is now under way and I have suggested that an Events Strategy, which would provide a firmer foundation for decisions about publicly-funded events, should be prepared as soon as possible. We are aware that such strategies have proved valuable in other areas. This report recommends that the Development Committee should endorse that proposal and that work should proceed as soon as possible.

## **6.0 Proposals for 2009**

6.1 The dates for the 2009 event have been set and the event will be featured in next year's VisitShetland publicity material. They are Thursday 18 to Sunday 28 June.

6.2 The theme is 'The Viking World' and Shetland's place in it, a topic that clearly presents a wide range of opportunities.

6.3 A draft budget is provided in the next section of this report.

## 7.0 Financial Implications

- 7.1 As explained at paragraph 4.7 above, the budget for the 2008 Johnsmas Foy was £50,000, to which was added the sum of £5,000 to cover the costs of the Shetland Flag Day. In passing, it should be noted that the principal element of Flag Day expenditure, accounting for almost half the cost, was the staging of the football challenge match between Shetland and Deveronvale. The actual net cost of the 2008 Johnsmas Foy is expected to be £48,023 and the cost of the Flag Day to be £5,109, giving an overall saving of £1,868. These costs do not include recharges for staff time. Total income from all events (included in the net figures above) was £5,082.
- 7.2 Overall, we spent somewhat less on publicity and promotion than in previous years (though we actually undertook more publicity activity, including a new 'Daily Information' poster) and more on events.
- 7.3 A proposed budget for the Johnsmas Foy 2009 is set out below. It is suggested that the allowance that has been made in the past for Shetland Flag Day be merged with the Johnsmas Foy budget but the overall figure proposed is the same as for these two events in 2008. The budget below takes account only of the direct Council contribution to the Foy; it ignores overheads including staff time and possible contributions from commercial sponsors or other agencies. It does not include any expenditure on market research or business planning (in relation to which we'll need to consider Event Scotland's offer of support) nor does it include the cost of website improvements, for which funding will need to be identified.

	£
Events	31,000
Publicity	12,000
Event co-ordination	7,000
Miscellaneous	2,000
Contingency	3,000
Total	55,000

- 7.4 The proposed source of this funding is the Johnsmas Foy budget for which the codes are RRD5038: 1050, 1200, 1222, 1360, 1505 and 1760. This is subject to this funding being approved in the 2009/10 budget setting process".

## 8.0 Policy and Delegated Authority

- 8.1 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]):

- Improving and maintaining the quality of goods, services and “visitor products” that add value to the economy.
- Encouraging an active partnership approach to develop and enhance the marketing of Shetland and its produce.
- Strengthen Shetland’s image as a distinctive holiday destination.

8.2 In accordance with Section 11 of the Councils Scheme of Delegation, the Development Committee has delegated authority to make decisions on all matters within its remit. The established Steering Group should continue to advise on the content and organisation of the event.

## **9.0 Conclusions**

- 9.1 The 2008 Johnsmas Foy had a Hanseatic theme and appears to have been well received by audiences. It was accomplished within budget. It is now an established event in the Shetland calendar and has the potential to bring substantial benefit to Shetland through the enhancement of reputation and the strengthening of local confidence. Some work is required in relation to market research and the improvement of the website and it is hoped that assistance for these will be obtained from EventScotland. For 2009, it is intended that the Johnsmas Foy will have as its theme ‘The Viking World’ and will run from Thursday 18 June to Sunday 28 June.
- 9.2 However, we are increasingly aware of organisational issues that arise not only in relation to the Johnsmas Foy but to other publicly-supported events in Shetland. In order to tackle these, a broader approach to the development and management of events is recommended.

## **10.0 Recommendation**

- 10.1 I recommend that the Development Committee:
- a) Notes the success of the Johnsmas Foy in June 2008;
  - b) Notes the potential, referred to in paragraph 4.3, for minor enhancement to visitor sites that are of interest to German audiences, and authorises me to pursue appropriate solutions with the appropriate organisations;
  - c) Notes the themes currently envisaged for future years, set out in Appendix 2;
  - d) Approves the arrangements for the management and funding of this event set out in this report, subject to funding being available

- e) Authorises the Interim Head of Economic Development, or his nominee, in consultation with the Steering Group, to prepare a business and marketing plan for submission to EventScotland and otherwise to proceed with arrangements for the 2009 Johnsmas Foy;
- f) Endorses the proposal for an Events Strategy set out in paragraphs 5.8 and 5.9 of this report and recommends that one be prepared at the earliest opportunity;
- g) Notes the remit for the Steering Group, set out in Appendix 3, which was approved in 2007.
- h) Notes the draft Business Plan and notes, too, that it will require discussion at the Steering Group and further amendment before it is used for fundraising purposes.

Our Ref: AH/ JJ RF/1110  
Date: 25 September 2008

Report Number: DV053-F



**THE JOHNSMAS FOY: RATIONALE**

- Midsummer in Shetland is a very special time, with both local people and visitors enjoying the 'simmer dim' which of course provides more light and more scope for leisure activities than is available at any other location in the UK
  - There have been various midsummer events and carnivals in the past, but – much appreciated though they have been – these have been of a somewhat sporadic nature, with limited co-ordination and continuity
  - Johnsmas has very strong historic associations with both the annual Dutch herring season and the Haaf fishing, which of course are at the core of Shetland's heritage
  - Today, Shetland's culture and economy remains closely linked to the sea and it seems entirely appropriate that that connection should be properly recognised and celebrated
  - A midsummer festival on such a strong historical and contemporary theme can strongly reinforce efforts to sustain Shetland's society and economy. It can do so in a number of ways, but especially through:
    - The preservation of tradition and the development of pride in our heritage, our contemporary values and the things that make Shetland more special and more unique than we sometimes acknowledge
    - The enhancement of our confidence and reputation in all the aspects in which we excel, or might hope to do so, both within the community and in the eyes of those furth of Shetland
    - The raising of the standards of service and the quality and range of our products
  - There is already a major maritime event at midsummer, namely the Bergen-Shetland Races, and other significant events also tend to occur at that time, for example the North Sea Triangle Race and the Round Britain and Ireland Race.
-

**Possible Themes for the Johnsmas Foy**

Year	Main Theme	Possible Sub-Themes	Possible National Theme
2007	Fishing Heritage		The Netherlands Sweden
2008	The Hanseatic League	Books and the sea	Germany Poland Other countries with Hanseatic trade links
2009	The Viking World	Viking expansion and settlement	Norway and Sweden
2010	Far from home	Hamefarin' Emigration The Merchant Navy Pictures and postcards	New Zealand South Africa Canada United States
2011	Crime and the sea	Smuggling Piracy Film and the sea	Denmark
2012	Sport and the sea	Yachting Rowing Sea Angling Sea poetry	England
2013	The science of the sea	Fishing today Weather and climate Science fiction	France
2014	Conflict at Sea	The Shetland Bus The Press Gang	Norway Netherlands Germany Spain
2015	Celtic Roots	Pictish culture Celtic connections today	Scotland, Ireland, France
2016	The World Beneath the Waves	Life in the sea Forces that shape the earth Marine Archaeology/Shipwrecks	Iceland Faroe
2017	Explorers and hunters	The voyage of the Diana (150 <sup>th</sup> anniversary of her return) Whaling	Greenland Canada Antarctica

**JOHNSMAS FOY STEERING GROUP**

**1. REMIT**

To advise and assist the Council's Lead Officer for Economic Development (or his nominee) and the Project Responsible Officer on all matters relating to the organisation of the annual Johnsmas Foy.

**2. MEMBERSHIP**

1 Councillor  
Appropriate Council officials  
Representatives of Shetland Arts Trust, Shetland Amenity Trust and VisitShetland  
Representatives of other organisations, co-opted as necessary

**3. AUTHORITY AND REPORTING**

The Group is purely advisory and has no executive powers. Any proposals arising from the work of the group that depart from Council policy or from the delegated authority of the Lead Officer must be referred by report from the Lead Officer to the Executive Committee for decision.

**4. ADMINISTRATION**

Administration will be provided by the Economic Development Unit.

**5. GENERAL**

The Steering Group will meet as often as necessary.

# DRAFT

**The Johnsmas Foy**  
**18-28 June 2009**

## **Business Plan**

*Prepared on:*  
24 September 2008

Version 1

*Prepared by:*  
Shetland Islands Council  
Economic Development Unit  
6 North Ness Business Park  
Lerwick  
ZE1 0LZ

T: 01595 744 924  
E: [alastair.hamilton@sic.shetland.gov.uk](mailto:alastair.hamilton@sic.shetland.gov.uk)  
F: 01595 744 961

## **SUMMARY**

### **1. THE JOHNSMAS FOY: AIMS AND OBJECTIVES**

- 1.1 The Concept of the Johnsmas Foy
- 1.2 Aims and Objectives
- 1.3 Programme

### **2. EVENT ORGANISATION**

- 2.1 History & Background
- 2.2 Management
- 2.3 The Johnsmas Foy Steering Group
- 2.4 Outside Consultants & Professional Advisers

### **3. MANAGEMENT & ORGANISATIONAL STRUCTURE**

- 3.1 Management Team

### **4. MARKETING PLAN**

- 4.1 Marketing Strategy

### **5. FINANCIAL PLAN**

## SUMMARY

The rationale for the Johnsmas Foy is that midsummer is a very special time in Shetland, thanks particularly to the long hours of daylight, and that it is an appropriate time to celebrate Shetland culture and heritage, taking each year a different historical or cultural theme. Johnsmas has particular associations with Shetland's fishing heritage; today, Shetland usually welcomes vessels from several nations involved in at least one annual yachting event.

The aims of the Johnsmas Foy are to:

- Continue the tradition of a midsummer event
- Continue to stimulate activity, not only in Lerwick but also right across Shetland.
- Offer a showcase for Shetland, its culture and its produce.
- Contribute to economic development, both directly through an expansion of tourist activity and indirectly through supporting many other forms of enterprise through development of a reputation for excellent products and service (the crux of any successful brand) and through building community confidence

A range of detailed objectives has been developed for the 2009 event. A programme will be developed that will feature events broadly connected with the theme, including music, talks, exhibitions, walks, sport, community festivals and sailing events.

The Johnsmas Foy was established – or re-established, since its origins lie in the Dutch herring period - in 2005. It is co-ordinated by the Marketing Service of the Council's Economic Development Unit, which has substantial experience of organising a wide range of events.

The Foy is managed with the assistance of a Steering Group involving representatives of organisations having an interest in the Foy. Some external assistance is required to undertake particular tasks such as website development and event production.

The Foy can help the marketing of Shetland in three main ways. It can attract favourable national publicity, helping to secure Shetland's reputation. It can help build confidence among local individuals and businesses. It can also help to attract visitors to Shetland. However, although the event is expected to appeal strongly to Shetland's target market, its strength lies in the fact that it is primarily a local event, much of which is usually organised by individuals or community groups.

The net Council expenditure on the 2009 Johnsmas Foy is expected to be £55,000, excluding overheads such as staff costs but including income generated from ticket sales. It is hoped that further funding will be secured from other sources.

## **1. THE JOHNSMAS FOY: AIMS & OBJECTIVES**

### **1.1 The Concept of the Johnsmas Foy**

The rationale for the Johnsmas Foy is as follows:

- Midsummer in Shetland is a very special time, with both local people and visitors enjoying the 'simmer dim', which of course provides more light and more scope for leisure activities than is available at any other location in the UK.
- Various midsummer events and carnivals have been organised in the past, but – much appreciated though they were – these have been of a somewhat sporadic nature, with limited co-ordination and continuity.
- Johnsmas has very strong historic associations with both the annual Dutch herring season and the Haaf fishing, which of course are at the core of Shetland's heritage.
- Today, Shetland's culture and economy remains closely linked to the sea and it seems entirely appropriate that that connection should be properly recognised and celebrated.
- A midsummer festival on such a strong historical and contemporary theme can strongly reinforce efforts to sustain Shetland's society and economy. It can do so in a number of ways, but especially through:
  - The preservation of tradition and the development of pride in our heritage, our contemporary values and the things that make Shetland more special and more unique than we sometimes acknowledge.
  - The enhancement of our confidence and reputation in all the aspects in which we excel, or might hope to do so, both within the community and in the eyes of those furth of Shetland.
  - The raising of the standards of service and the quality and range of our products.
- There is already a major maritime event at midsummer, namely the Bergen-Shetland Races, and other significant events also tend to occur at that time, for example the North Sea Triangle Race and the Round Britain and Ireland Race.

## 1.2 Aims and Objectives

The aims of the Johnsmas Foy follow from the rationale. They are to:

- Continue the tradition of a midsummer event.
- Continue to stimulate activity, not only in Lerwick but also right across Shetland.
- Offer a showcase for Shetland, its culture and its produce.
- Contribute to economic development, both directly through an expansion of tourist activity and indirectly through supporting many other forms of enterprise through development of a reputation for excellent products and service (the crux of any successful brand) and through building community confidence

The objectives for 2009 are to:

- Present a festival that illuminates and celebrates Shetland's place in the Viking world.
- Attract performers from a number of countries or regions with strong Viking connections.
- Ensure that events take place in at least six communities throughout Shetland.
- Involve at least six Shetland schools in educational events appropriate to the theme.
- Offer at least two talks relevant to the theme.
- Create at least one commissioned work in music, drama, literature or visual art.
- Stage at least one significant sporting event.
- Achieve positive coverage in at least four UK national daily or Sunday newspapers from the following: *Daily Telegraph, Guardian, Herald, Independent, Observer, Scotland on Sunday, Scotsman, Sunday Times, Times*.
- Achieve positive radio or television coverage on at least two national BBC or independent services.
- Achieve satisfactory coverage in all local media.
- Secure participation from at least five eating establishments.
- Revise the Johnsmas Foy website in order to make it more attractive and easier to use.



- Attract at least £5,000 in external sponsorship or grant assistance.
- Achieve at least £5,000 in income from ticket sales.
- Ensure that Steering Group meetings take place at least monthly.

### **1.3 Programme**

The programme is being developed and no events have as yet been programmed. Future revisions of the Business Plan will include events as they are announced. However, it is intended that the published programme will include a variety of events that will, overall, reflect the theme of the 2009 Foy.

- Musical events, including a number of concerts in various venues throughout Shetland;
- Talks and workshops;
- The Shetland Races;
- Historical, cultural or arts exhibitions;
- Guided walks;
- Sporting events;
- Community events, including perhaps local Foys in particular districts.

Subject to Council approval, it is expected that the 'Flavour of Shetland' event will be staged, as usual, in connection with the yacht races.

## **2. EVENT ORGANISATION**

### **2.1 History & Background**

The Johnsmas Foy was originally an initiative by the Council's Planning Service, which had been involved for some years in various regeneration projects throughout Shetland and which saw events as a valuable tool in regeneration. On 30 March 2005, the Council approved the proposal by the then Head of Planning to hold an annual Johnsmas Foy. Since 2006, the Johnsmas Foy has been co-ordinated by the Council's Economic Development Unit.

### **2.2 Management**

In managing the Johnsmas Foy, staff of the Council's Economic Development Unit take advice from the Johnsmas Foy Steering Group established by Shetland Islands Council.

Shetland Islands Council is the local authority for Shetland and was established by the Local Government (Scotland) Act 1973. As well as Planning and Economic Development, it provides a wide range of services, for example Community Development, Education, Environmental Health, Finance, Ports, Roads, Social Work, Transport, Trading Standards and Waste.

The work of the Economic Development Unit is in line with the current economic development strategy, Shetland 2012. The aim of the strategy is to:

*‘...maintain and enhance prosperity in Shetland by enabling businesses, communities and individuals to attain their full economic potential’.*

The Johnsmas Foy will be supported, managed and coordinated by Shetland Islands Council’s Economic Development Unit. The Unit’s Marketing Service has staff with extensive experience of events management.

The Marketing Service aims to ensure that Shetland’s reputation is enhanced and that the community and its entrepreneurs are confident as they approach the marketplace. This entails encouraging the best possible understanding of consumer needs, helping to ensure that products are as good as they can be and taking steps to enhance and expand Shetland’s reputation wherever there is a sound foundation for doing so.

The development of the Johnsmas Foy is a priority in the Action Plan and has the full backing of Shetland Islands Council.

It is expected that, as the Johnsmas Foy matures, there will be opportunities to attract various forms of support in cash or in kind. It is also hoped that other organisations will take on the programming and management of appropriate sectors of the Foy, with the Council retaining a co-ordinating role.

### **2.3 The Johnsmas Foy Steering Group**

The Johnsmas Foy Steering Group exists to consider and advise on the proposals for each year’s event. It is also intended to reflect a partnership between the organisations involved in the Johnsmas Foy.

Its present membership includes, in alphabetical order:

- Lerwick Boating Club
- Lerwick Port Authority
- Shetland Amenity Trust
- Shetland Arts
- Shetland Islands Council departments, including representatives from Community Services and Economic Development
- VisitShetland

Councillor Rick Nickerson, who is Council Spokesperson for Culture and Recreation, chairs the Group, which meets regularly.

## **2.4 Outside Consultants & Professional Advisers**

In the past, specific technical expertise has been bought in where appropriate. This has included services such as visual branding, website creation and production of musical events. Consultants that have been used in the past have included:

- Shaw Marketing and Design – identity creation, website and promotion, including programme production
- Atlantic Edge Music Services – event production

These consultants, or consultants with equivalent expertise, are likely to be used again in 2009.

Given the benefits that appear to have stemmed from the use of a public relations consultants in connection with the Shetland Food Festival, with particular reference to the national media, consideration may be given to a similar appointment in connection with the Johnsmas Foy.

## **3 MANAGEMENT AND ORGANISATIONAL STRUCTURE**

### **3.1 Management Team**

Within the Council, the following individuals have either management or operational responsibility for the Johnsmas Foy 2009. Collectively, the team are very experienced in event organisation:

- Neil Henderson: Principal Officer – Marketing (Shetland Islands Council)
- Nicola Halcrow: Events Coordinator (Shetland Islands Council)
- Kevin Moreland: Marketing Officer (Shetland Islands Council)
- Neil Grant: Head of Economic Development (Shetland Islands Council)
- Alastair Hamilton: Senior Adviser (Shetland Islands Council)

Previous events organised include:

- North Atlantic Conference 2003
- Johnsmas Foy 2005-2009
- Flavour of Shetland 2005-2008
- Shetland Training Awards 2005 – 2007
- Shetland Food Festival 2009
- Shetland presence at events including:
  - Celtic Connections (Glasgow) 2008
  - Offshore Europe (Aberdeen)
  - Round Britain and Ireland Race Launch (Plymouth)
  - London Boat Show 2006, 2007 (London)

- Fishing Exhibition (Glasgow)
- Cannes Film Festival 2007
- Guild of Food Writers Annual Lecture Dinner 2007 (London)

## **4 MARKETING PLAN**

### **4.1 Marketing Strategy**

The Johnsmas Foy has potential to assist with the marketing of Shetland in three main ways:

- It can attract favourable national publicity, thus helping to establish Shetland's reputation as a place that is creative, vibrant and associated with events and products of high quality.
- It can help create confidence among individuals and the Shetland community as a whole, encouraging local talent to emerge and flourish alongside internationally-known performers.
- It can attract visitors to Shetland who will, it is hoped, pass on favourable recommendations to others.

The Johnsmas Foy is, first and foremost, a celebration of all the things that are best about Shetland in which local people can take pride. Although it may attract visitors, it is not an event created especially for them and therein lies its strength. Market research undertaken as part of the Shetland brand project in 2003 found the target consumer for Shetland to be the 'successful idealist'. It is known that this group particularly values high quality, authenticity and integrity. A festival that is essentially a local celebration is likely to appeal to those who value those qualities, either as visitors or remotely, as potential buyers of Shetland products.

The choice of dates for the Foy, which include Johnsmas (24 June) and the longest day (21 June) reflects a wish to mark a time that is, by common consent, very special in Shetland. Shetland is Britain's farthest north community and enjoys the longest days of any part of the country. The time of year is known locally as the 'simmer dim', because of the remarkable twilight – in effect, an unfinished sunset – that characterises this time of year. The event is outside both the Scottish and other UK school holidays, so there is potential for local schools to be involved.

In promotional terms, the intentions are to attract people (local or visiting) to the events and to achieve satisfactory, positive coverage in high-quality media relevant to the target market.

As in the past, the local media are likely to take a strong interest in the Johnsmas Foy and events will be advertised or notified (as appropriate) via The Shetland Times, The Shetland News, SIBC and BBC Radio Shetland.

For an external audience, the Johnsmas Foy will be advertised in the VisitShetland tourist brochure and contact will be made with a wide range of external media, particularly those likely to be relevant to the target market. This may involve engaging an external public relations agency.

The website [www.johnsmasfoy.com](http://www.johnsmasfoy.com) carries information about the Foy. It is hoped, subject to funding being available, that a redesign of the site to make it more attractive and user-friendly will be undertaken for 2009.

## 5 FINANCIAL PLAN

A proposed budget for the Johnsmas Foy 2009 is set out below. It is a net budget and assumes that a minimum of £5,000 will be generated by income from admissions to events. These figures are indicative and it may be necessary to adjust the amounts spent under particular headings as the programme develops.

	£
Events	31,000
Publicity	12,000
Event co-ordination	7,000
Miscellaneous	2,000
Contingency	3,000
Total	55,000

The budget above takes account only of the direct Council contribution to the Foy; it ignores overheads including staff time and possible contributions from commercial sponsors or other agencies. It does not include any expenditure on market research or business planning (which may be assisted by EventScotland) nor does it include the cost of website improvements, for which funding will need to be identified.





# **REPORT**

**To: Development Committee**

**2 October 2008**

**From: Project Manager**

**DV045-F  
Shetland Islands Council Standard Conditions for Financial Assistance –  
Loans and Hire Purchase**

## **1.0 Introduction**

- 1.1 This report seeks Council approval of the attached Deed of Conditions (appendix 1), template Loan Agreement (appendix 2), Hire Purchase Conditions (appendix 3) and template Hire Purchase Agreement (appendix 4). If adopted, these documents will govern future lending approvals by Shetland Islands Council for economic development purposes.

## **2.0 Links to Corporate Priorities**

- 2.1 The policy proposed in this report aims to fulfil our commitments in the Corporate Plan to deliver a sustainable economy and supports the commercial lending pledges contained in the Economic Development Policy Statement (2007-2011).

## **3.0 Background**

### **3.1 Deed of Conditions and Loan Agreements**

- 3.1.1 The Deed of Conditions is a list of general conditions which apply to all loans awarded to sole traders, companies, partnerships and limited liability partnerships. The Deed is provided to borrowers when Loan Agreements are issued. Some conditions must be satisfied before a loan can be released (pre-conditions) and others must be complied with throughout the term of the loan.

- 3.1.2 In addition to the conditions in the Deed, most Loan Agreements also include additional conditions which are more specific to the business or project. Each Loan Agreement has a schedule incorporated which details the terms which apply to the loan.
- 3.1.3 Not all conditions in the Deed apply in every case and are only enforced where appropriate e.g. many of the conditions are specific to fishing vessels.

### 3.2 Hire Purchase Conditions and Agreements

- 3.2.1 Hire Purchase (HP) is a funding mechanism used to assist individuals and businesses to purchase specific named assets i.e. boats, knitting machinery, agricultural machinery etc. These agreements allow ownership to remain with the Council until the asset is paid for in full. HP is suited to businesses which can fund the deposit on an asset and repay remainder of the cost, with interest, over a period of time. At the end of the agreement the asset is transferred to the hirer for a nominal sum.
- 3.2.2 The HP Deed of Conditions contains the standard conditions relating to HP investments. As with the Deed for loans, the HP Deed is sent out with the HP Agreement and contains both pre-conditions and other conditions which must be complied with for the period of the agreement.

### 3.3 General Background

- 3.3.1 In recent years all lending activity to individuals and businesses has been carried out through the Shetland Development Trust (SDT). This includes commercial loan/HP investments in businesses which can demonstrate both viability and economic benefit to Shetland.
- 3.3.2 On 19 March 2008 the Council took a decision to establish a Development Committee comprising all 22 elected Members to deal with matters related to economic development. It was further agreed that the activities and undertakings of the SDT would transfer to the Council [Min Ref: 50/08]. This arrangement was agreed by the SDT at its meeting on 14 May 2008 and formalised in the Fifth Supplemental Deed of the SDT.
- 3.3.3 To enable the Council to lend directly, there is a need for conditions to be adopted. The current SDT conditions for HP and loans have been reviewed by Legal Services and are deemed to be suitable for the Council with a few minor amendments.



## **4.0 Proposal**

- 4.1 It is proposed that the Council adopts the Deed of Conditions, template Loan Agreement, HP Deed of Conditions and template HP agreement.
- 4.2 All documentation would come into affect when the activities and undertakings of the SDT transfer to the Council. This is anticipated to be in the next few months.
- 4.3 It is further proposed that the following guidelines are set for HP applications:
- Minimum deposit of 25% for new assets
  - Minimum deposit of 40% for second hand assets
  - The applicant shall not be the current owner of the asset(s) i.e. no sale and leaseback agreements
  - Minimum hire period of 2 years
  - Maximum hire period of 5 years

## **5.0 Financial Implications**

- 5.1 There are no financial implications associated with this report.

## **6.0 Policy and Delegated Authority**

- 6.1 This report has been prepared with regard to the commercial lending pledges contained in the Council's Economic Development Policy Statement. The Policy Statement was approved by the Development Committee on 24 April 2008 (01/08) and by the Council on 14 May 2008 (55/08). Lending Conditions are not specifically mentioned in the document but are required to enable commercial investment to be made.
- 6.2 In accordance with Section 11.0 of the Council's Scheme of Delegations, the Development Committee has delegated Authority to implement decisions within its remit for which the overall objectives have been approved by the Council, in addition to appropriate budget provision, including:

Economic Strategy  
Europe

As the subject of this report in effect involves the approval of a new operational policy and is not covered by any specific existing policy, the Development Committee does not have delegated authority to make a decision. Instead, the Committee has to make a recommendation to Council.

## **7.0 Recommendations**

7.1 I recommend that the Development Committee recommend to the Council that:

7.1.1 the following documents are adopted for lending to businesses and individuals for economic development purposes:

- Deed of Conditions (appendix 1)
- Template Loan Agreement (appendix 2)
- Hire Purchase Deed of Conditions (appendix 3)
- Template Hire Purchase Agreement (appendix 4), and,

7.1.2 the guidelines for Hire Purchase applications as outlined in section 4.3 are adopted.

Our Ref: WMG/0350/0238  
Date: 15 September 2008

Report No: DV045-F

**SHETLAND ISLANDS COUNCIL**

**Deed of Conditions**

Brian Crawford Hill  
Acting Divisional Manager - Legal  
Shetland Islands Council  
Legal & Administration  
4 Market Street  
LERWICK  
Shetland  
ZE1 0JN

## CONTENTS PAGE

1	Availability of the Loan .....	2
2	Ascertainment of Sums Due .....	2
3	Sums to be Paid in Full, Without Deductions etc .....	2
4	Early Repayment .....	2
5	Application of Sums Received by Council .....	2
6	Undertakings by the Borrower .....	3
7	Further Conditions of the Loan .....	3
8	Fishing Vessels .....	5
9	Aquaculture Industry .....	12
10	Companies .....	12
11	Limited Liability Partnerships .....	14
12	Partnerships .....	15
13	Warranties .....	16
14	Continuing Warranty .....	17
15	Indemnity .....	17
16	Events of Default .....	17
17	The Council's Powers .....	19
18	Waivers .....	20
19	Costs and Expenses .....	21
20	Notices .....	21
21	Further Assurance .....	21
22	Acceptance of Provisions as Fair and Reasonable .....	21
23	Agreement Personal to the Borrower .....	22
24	Proper Law and Jurisdiction .....	22
25	Headings .....	22
26	Continuing Validity .....	23
27	Interpretation .....	23
28	Registration .....	24

## **1 Availability of the Loan**

The obligation of the Council shall be to advance the Loan in such sum or sums, on such dates and upon such terms and conditions as the Council shall think fit.

## **2 Ascertainment of Sums Due**

The amount of outstanding indebtedness due by the Borrower to the Council under or by virtue of the Agreement (whether in respect of principal, interest, expenses or otherwise) shall be sufficiently ascertained by a certificate under the hand of the Council and such certificate shall, except in the case of manifest error, be conclusive and final and binding on the Borrower for every purpose.

## **3 Sums to be Paid in Full, Without Deductions etc**

All payments by the Borrower to the Council under or by virtue of the Agreement shall be made without compensation or set-off and, without prejudice to the generality of the foregoing, shall be made free and clear of and without deduction for or on account of any present or future taxes (including, but not limited to, Value Added Tax) or other charges of whatever nature or any other matter or thing whatsoever, unless the Borrower is required by law to make such deduction, in which event, payment under or by virtue of the Agreement shall be increased by such amount as may be necessary so that the net amount after such deduction shall equal the amount to which the Council would have been entitled under or by virtue of the Agreement had no such deduction been required by law (except to the extent that the Council are otherwise able directly to recover the same).

## **4 Early Repayment**

The Borrower shall be entitled to make early repayment of the Loan (or any part thereof) without additional payment or charge. In the event of such early repayment of part only, the Borrower shall continue to repay the Loan in accordance with the provisions of the Agreement except that the number of repayments and/or the amount of the last repayment (whichever shall be appropriate in the sole discretion of the Council) shall be adjusted accordingly. Any amount repaid may not be redrawn by the Borrower.

## **5 Application of Sums Received by the Council**

The Council shall be entitled, at their option, to apply in whole or in part sums received from the Borrower towards satisfaction of any outstanding indebtedness of the Borrower to the Council whether under or by virtue of the Agreement or otherwise.

## **6 Undertakings by the Borrower**

The Borrower undertakes that, so long as the Council are under any obligation to advance the Loan and/or any monies remain owing to the Council by the Borrower, the Borrower shall not without the prior approval in writing of the Council:-

- 6.1 allow any debt owing to remain unpaid (except in the ordinary course of business); or
- 6.2 grant or create or permit to be created any mortgage, charge, security, lien, hypothec or the like, whether fixed or floating, or allow the same to arise by operation of law or otherwise; or
- 6.3 incur or contract to incur any indebtedness, including further advances under any existing mortgage, charge, security or the like, whether fixed or floating, save for:-
  - 6.3.1 the Agreement; and
  - 6.3.2 indebtedness in respect of a trade creditors on normal credit terms; or
- 6.4 alter the character of or sell or otherwise discontinue the whole or any part of the Borrower's business; or
- 6.5 allow any tax, assessment and other governmental charges on or against the Borrower to remain unpaid to the extent that the same are being contested in good faith by appropriate proceedings and adequate reserves have been set aside for payment.

## **7 Further Conditions of the Loan**

So long as the Council are under any obligation to advance the Loan and/or any monies remain owing to the Council by the Borrower:-

- 7.1 the Council shall be entitled to receive such information as they may require in regard to or in connection with any matter relating to the Borrower's business, including employees of the Borrower, and the Borrower shall, if requested, supply the Council with such information and, without prejudice to the generality of the foregoing, with a copy of every balance sheet, trading and profit and loss accounts and other accounts of or relating to the Borrower's business;
- 7.2 the Borrower's business shall be carried on in a proper, efficient and economical manner and full, true and otherwise proper financial records and books of account shall be kept to the satisfaction of the Council and in accordance with generally accepted accounting principles in Scotland and such records and books of account and all records in respect of the Borrower's business shall at all reasonable times be open to the inspection of the Council through such other person or persons as they may from time to time appoint for such purpose;
- 7.3 the Borrower will submit to the Council within nine months of the end of each financial year either:-

- 7.3.1 a copy of the professionally audited annual accounts of the business for that financial year; or
- 7.3.2 in the event of the Borrower being exempt from audit in terms of the Small Companies (Amendment) (Accounts and Reports) Regulations 2008, the unaudited annual accounts which the Borrower submitted to Companies House in respect of that financial year;
- 7.4 the Borrower shall effect and maintain full insurances to the satisfaction of the Council and shall ensure that the Council's interest shall be noted on all policies of insurances, which policies shall contain a requirement for the Council to be notified of any payment thereunder and to exhibit to the Council, as and when requested by the Council, such evidence as the Council may require that such insurances are in full force and effect;
- 7.5 the Borrower will operate his business within Shetland;
- 7.6 where appropriate, the Borrower will operate the loan assisted equipment;
- 7.7 the Borrower will maintain and operate his premises and/or machinery and equipment in such a way as to conform, to the satisfaction of the Council, with relevant legislation such as Department of Transport legislation, Health and Safety legislation and Food and Trading Legislation;
- 7.8 the Borrower will make his premises and/or machinery and equipment available for inspection by representatives of the Council at all reasonable times;
- 7.9 where appropriate, the Borrower will provide evidence of his right to occupy the site of the loan assisted development for a period of the loan;
- 7.10 the Borrower shall provide evidence of and maintain at all times in full force and effect all governmental and other consents (if any) required by law for the operation of his business and/or machinery and equipment or the validity, enforceability or legality of the Security Documents;
- 7.11 the Borrower shall immediately advise the Council in writing of the occurrence or the likely occurrence of any of the events of default referred to in sub-clause (b) of Condition 16 hereof;
- 7.12 the Borrower shall immediately advise the Council of the execution of any diligence against him;
- 7.13 the Borrower will provide a signed undertaking, in terms satisfactory to the Council confirming that in the event of the Total Project Cost exceeding the figure specified in the Agreement, no further monies will be sought from the Council or Shetland Islands Council or any funding body over which Shetland Islands Council or Shetland Islands Council Charitable Trust has a controlling interest;
- 7.14 (for tourism accommodation) the Borrower will ensure that accommodation and other facilities are made available to *bona fide* tourists at least during the tourist season May to September in any given year during the period of the loan;

- 7.15 (for fish factories and fish farms) the Borrower will ensure that its premises and all its equipment meet the required standards specified by Shetland Seafood Quality Control to enable it to use the SSQC mark.

## **8 Fishing Vessels**

Where the Loan is to be advanced in connection with the use and operations of a fishing vessel then so long as the Council are under any obligation to advance the Loan and/or any monies remain owing to the Council by the Borrower:-

- 8.1 the Borrower will provide a copy of any commercial loan agreement for the purchase/construction of the vessel;
- 8.2 (for second hand vessels) the Borrower will provide an independent valuation and survey of the vessel which is satisfactory to the Council;
- 8.3 (for second hand vessels) the Borrower will provide a copy of the Bill of Sale (or equivalent) naming the Borrower as owner of the vessel;
- 8.4 (for new vessels) the Borrower will provide a copy of the executed building contract for the vessel;
- 8.5 the Borrower will provide an undertaking to provide a copy of the Certificate of Registry within 30 days of the registration of the vessel and procure that the vessel is registered under the British flag at the Port of Lerwick as a Scottish sea fishing boat, or such other Port as the Council approve, and not to do or suffer to be done anything whereby such registration may be forfeited or imperilled, and not without the previous written consent of the Council, to change the name of the vessel;
- 8.6 the Borrower will provide evidence satisfactory to the Council that the vessel has sufficient historic fishing performance (quota) with which to ensure the viable operation of the vessel;
- 8.7 the Borrower will provide evidence satisfactory to the Council that the vessel is suitable for commercial fishing in the Shetland area;
- 8.8 the Borrower will provide evidence satisfactory to the Council that he holds appropriate Certificates of Competency;
- 8.9 the Borrower will provide evidence satisfactory to the Council that he holds a full pressure stock licence;
- 8.10 the Borrower must be a fully subscribed member of the Shetland Fish Producers Organisation where the vessel is equal to or over 10m in length;
- 8.11 the Borrower must hold Category A Licences in respect of the vessel where the vessel is under 10m in length;



- 8.12 the Borrower must hold Shetland Permits in respect of the vessel as issued by The Shetland Shellfish Management Organisation Limited where the vessel is used for shellfish catching;
- 8.13 the Borrower will fish full time with the vessel from Shetland and will retain ownership of the vessel;
- 8.14 the Borrower will comply in full with the terms of The Scottish Code of Best Practice for the Finfish Industry;
- 8.15 the Borrower will make the vessel available for inspection by representatives of the Council at all reasonable times and afford all proper facilities for such inspection;
- 8.16 the Borrower will ensure that the vessel and all her equipment meet the required standards specified by Shetland Seafood Quality Control to enable him to use the SSQC mark;
- 8.17 the Borrower will keep the vessel in a good and seaworthy state of repair to the satisfaction of the Council, so as to maintain her UK Fishing Vessel Safety Certificate issued by the UK Department of Transport (or equivalent) and so as to comply with the provisions of the Sea Fishing Boats (Scotland) Act 1886; the Merchant Shipping Acts 1894 to 1988 inclusive and all other regulations and requirements (statutory or otherwise) from time to time applicable to vessels registered in such manner at the Port of Lerwick or such other Port as the Council may approve and to procure that all repairs to or replacement of any damaged, worn or lost parts of equipment be effected in such manner (both as regards workmanship and quality of materials) as not to diminish the value of the vessel at the time when the repair is made.
- 8.18 the Borrower will at his own expense effect and maintain or procure to be effected and maintained a policy or policies of insurance (including hull and machinery) or, if applicable, certificate or certificates of entry in a protection and indemnity defence and war risks association or associations to the satisfaction of the Council in the name of the Borrower cover the vessel against:-

(Firstly) marine risks (including excess risks);

(Secondly) war risks;

(Thirdly) protection and indemnity risks;

(Fourthly) mortgagees' interest insurance in favour of the Council;

(Fifthly) any other thing which the Council shall reasonably determine, (hereinafter together referred to as "the Policy").

The Policy shall:

- 8.18.1 insure the vessel on an agreed value basis which shall (unless the Council agrees to the contrary) at all times be whichever is the greater of:

- 8.18.1.1 120% of the outstanding indebtedness of the Borrower to the Council; or

- 8.18.1.2 The full market value of the vessel;
- 8.18.2 carry a Loss Payable and Notice of Cancellation Clause in favour of the Council in such form as the Council may require, and on the assignation of the Policy to the Council a Notice of Assignment in such terms as the Council may require;
- 8.18.3 be with such insurance companies, underwriters or war risks or protection and indemnity associations or the like and be effected through such brokers as the Council may from time to time approve;
- 8.18.4 be in a form approved by the Council;
- 8.18.5 provide that it may not be permitted to lapse or be materially modified without the prior written consent of the Council or be cancelled without fourteen (14) days prior written notice to the Borrower and the Council.
- 8.19 the Borrower shall:
  - 8.19.1 produce the Policy (or evidence of its existence) to the Council, shall pay the initial and other premiums as required by the terms of the Policy and shall, if so requested, promptly produce to the Council the receipts (or other evidence of payment) for such initial and other premiums. In the case of renewals of the Policy the Borrower shall produce to the Council evidence of each renewal at least fourteen (14) days before the expiry of the Policy, shall pay the renewal and other premiums as required by the terms of the Policy and shall promptly produce to the Council, if so requested, the receipts (or other evidence of payment) for such renewal and other premiums;
  - 8.19.2 procure that the Council and their insurance advisers are given such information as to the Policy as the Council may reasonably require;
- 8.20 in the event of:
  - 8.20.1 a Total Loss of the vessel the proceeds of the Policy shall be payable without deduction or deductions to the Council;
  - 8.20.2 the occurrence of any loss other than the Total Loss, monies in respect of such loss receivable by the Borrower shall be paid to the Council (except insofar as any Loss Payable Clause shall permit the payment of any claim of less than Fifty Thousand Pounds or the equivalent thereof to the Borrower or to its order) and the Council:-
    - 8.20.2.1 if the Borrower is not in default hereunder:
      - 8.20.2.1.1 shall themselves pay monies received from the insurers (or consent that the insurers pay directly) for repairs, salvage or other charges or liabilities; or

- 8.20.2.1.2 shall reimburse the Borrower for any damage which the Borrower shall first have fully repaired or for any expenditure actually incurred with the Council's approval in order to secure complete discharge of the liability insured against, up to the full extent of the amount which the Council shall have received from the insurers; or
- 8.20.2.2 if the Borrower is in default hereunder, shall be entitled to retain such insurance monies from the insurers and shall apply the same in accordance with the provisions of Condition 8.40 hereof;
- 8.20.3 the Borrower (notwithstanding the foregoing) receiving any insurance monies before having made good the loss or restoring the damage and discharging the liability in respect of which the monies are paid the Borrower shall immediately pay such monies to the Council or as the Council shall in writing direct;
- 8.21 the Borrower shall do all things and provide all documents, evidence and information necessary to enable the Council to collect or recover any monies to become due in respect of the Policy and for such purpose the Borrower shall permit the Council if necessary to sue in the name of the Borrower;
- 8.22 the Borrower shall arrange to supply such guarantees as may from time to time be required by any protection and indemnity or war risk association;
- 8.23 at any time from time to time, the Council shall be entitled at the Borrower's expense to obtain from insurance brokers or other consultants appointed by the Council a written opinion as to the quality and/or adequacy of the Policy. Without prejudice to any other remedy available to them under the Security Documents, if the Council are not satisfied that the Policy provides the Council with good and adequate security, the Council may require the Borrower to amend the Policy, and/or to place further and additional insurances and entries. Such amendments and/or additions shall be effected within fifteen (15 days) of receipt by the Borrower of written notice from the Council.
- 8.24 the Borrower will submit the vessel regularly to such periodical or other surveys as may be required for classification or UK Department of Transport (or equivalent) purposes and, if so required, supply the Council with copies of all survey reports and class or other certificates issued in this respect.
- 8.25 the Borrower will not employ the vessel, or suffer her employment:
- 8.25.1 otherwise than in conformity with the terms of the Policy (including any warranties expressed or implied therein) without first obtaining the consent to such employment of the insurers and complying with such requirements as to the extra premium or otherwise as the insurers may prescribe;

- 8.25.2 in any trade or business or in any fishing ground which is forbidden by Scottish or English Law, or the law of any country to which the vessel may sail, or which is in any manner otherwise illicit;
- 8.25.3 in carrying illicit or prohibited goods, or in any manner whatsoever which may render her liable to condemnation in a Prize Court or to destruction, seizure or confiscation;
- 8.25.4 (in the event of hostilities in any part of the world, whether war be declared or not) in carrying any contraband goods, nor to enter or trade in any zone which is declared a war zone by the vessel's war risks insurers unless the Borrower has effected, at his own expense, such special insurance cover as the Council may require;
- 8.25.5 on demise charter for any period;
- 8.26 the Borrower will perform fully any and all charterparties which are or may be entered into with respect to the vessel;
- 8.27 the Borrower will promptly furnish the Council, when so required by them in writing, with all such information regarding the vessel, her employment, position and engagement, particulars of all catches and of all towages and salvages and copies of her accounts and of all charters and other contracts for her employment or otherwise howsoever concerning her and all such material information as shall be or ought to be supplied to the insurers of the vessel;
- 8.28 the Borrower will notify the Council forthwith, of:-
  - 8.28.1 any accident to the vessel involving repairs, the cost of which will, or is likely to, exceed Fifty Thousand Pounds;
  - 8.28.2 all charters and other contracts for the employment of the vessel which may be entered into by the Borrower;
  - 8.28.3 any requirement or recommendation made by the insurer, the UK Department of Transport (or equivalent) or classification society, or by any competent authority, which is not complied with within any time limit imposed by such insurer, government body or classification society or authority;
- 8.29 the Borrower will promptly pay all tolls, dues and other outgoings whatsoever in respect of the vessel, and if requested by the Council to furnish satisfactory evidence that the wages and allotments, and the insurance and pension contributions in respect of the Master and crew, are being regularly paid and that the Master has no claim for disbursements other than those incurred by him in the ordinary course of trading on the voyage then in progress;
- 8.30 the Borrower will not put the vessel into the possession of any person for the purpose of work being done upon her in an amount exceeding or likely to exceed Two Hundred Thousand Pounds unless either the cost of such work is fully recoverable under the insurances or such person has

first given to the Council in terms satisfactory to them a written undertaking not to exercise any lien on the vessel, the insurances, the fishing licences or the earnings for the cost of such work or otherwise;

- 8.31 the Borrower will at the request and cost of the Council from time to time, have the vessel valued (with or without inspection and on the basis of an arms' length sale for prompt delivery, between a willing seller and a willing buyer, charter-free) by a shipbroker practising in the United Kingdom and customarily dealing with fishing vessels of a type and trade similar to the vessel nominated or approved by the Council and promptly to deliver the valuation certificate to the Council.
- 8.32 the Borrower will use his best endeavours to maintain at all times in full force and effect the fishing licences and to comply with all conditions attaching thereto an on or prior to their expiry, will procure their renewal;
- 8.33 the Borrower will not transfer or otherwise alienate the benefits of the fishing licences without the prior written consent of the Council;
- 8.34 the Borrower will promptly notify the Council of any supplement, replacement or variation of the fishing licences;
- 8.35 the following events shall constitute specified events of default for the purposes of Condition 14 hereof:-
  - 8.35.1 the vessel becomes or is likely to become a total loss; or
  - 8.35.2 any earnings of the vessel are paid otherwise than as agreed from time to time with the Council; or
  - 8.35.3 the Borrower ceases to be in lawful possession of all valid and subsisting fishing licences in respect of the vessel; or
  - 8.35.4 it becomes impossible or unlawful for the Borrower to own or operate the vessel.
- 8.36 Upon the Council becoming entitled to enforce the Security Documents in terms of Condition 16 hereof then the Council shall be entitled, as and when they see fit and without prejudice to the generality of Condition 16:-
  - 8.36.1 to take possession of the vessel;
  - 8.36.2 to require that all policies, contracts and other records relating to the insurances and entries (including details of and correspondence concerning outstanding claims) be forthwith delivered to such brokers as the Council may nominate;
  - 8.36.3 to collect, recover, compromise and give a good discharge for all claims then outstanding or thereafter arising under the insurances or entries or any of them, and to take over or institute (if necessary using the name of the Borrower) all such

proceedings in connection with such claims as the Council in their absolute discretion think fit and to permit the brokers through whom collection or recovery is effected to charge the usual brokerage;

- 8.37 to discharge, compound, release or compromise claims against the Borrower in respect of the vessel which have given rise to any charge or lien on the vessel or which are or may be enforceable by proceedings against the vessel;
- 8.38 to sell the vessel and with or without benefit of any charterparty, by public auction or private contract, at home or abroad, and upon such terms as the Council in their absolute discretion may determine, with power to postpone any such sale and without being answerable for any loss occasioned by such sale or resulting from its postponement;
- 8.39 to manage, insure, maintain and repair the vessel and to employ or lay up the vessel in such manner and for such period as the Council in their absolute discretion deem expedient, the Council being entitled to do all acts and things incidental or conducive to this end and, in particular, to enter into such arrangements respecting the vessel, her insurance, management, maintenance, repair, classification and employment in all respects as if the Council were the owners of the vessel, and without being responsible for any loss thereby incurred;
- 8.40 to recover from the Borrower on demand all expenses, payments and disbursements incurred by the Council in or about or incidental to the exercise by them of any of the powers aforesaid, together with interest (as well after as before any judgement) at the Default Rate as specified in the Agreement.

Provided always that upon any sale of the vessel or any share therein by the Council pursuant to Condition 8.37 above, (a) the purchaser shall not be bound to see or enquire whether the power of sale of the Council has arisen in the manner provided by these Conditions, the sale being deemed within the power of the Council and the receipt of the Council for the purchase money shall effectively discharge the purchaser who shall not be otherwise concerned or in any way answerable for the sale; and (b) the Borrower shall be required to transfer the fishing licences and the benefit of the same to the purchaser of the vessel and any monies received by the Borrower in respect of such transfer shall be paid to the Council and dealt with by them in accordance with the provisions of Condition 8.40 hereof;

- 8.41 All monies received by the Council in respect of:-
  - 8.41.1 sale of the vessel or any share in the vessel;
  - 8.41.2 recovery under the insurances;
  - 8.41.3 Requisition Compensation;
  - 8.41.4 Earnings; and

8.41.5 transfer of the fishing licences;

shall be held by them upon trust:

FIRSTLY: to pay or make good all costs, expenses and liabilities whatsoever incurred by them in or about or incidental to the said sale, or the recovery of such insurance or compensation money;

SECONDLY: in or towards discharge of the outstanding indebtedness of the Borrower to the Council;

THIRDLY: in payment of the balance to or to the order of the Borrower or other person entitled.

## **9 Aquaculture Industry**

Where the Loan is to be advanced in connection with the trading of the Borrower in the aquaculture industry then so long as the Council are under any obligation to advance the Loan and/or any monies remain owing to the Council by the Borrower:-

- 9.1 The Borrower must provide the Council with certified true copies of all works licences (the "Works Licences") or planning permission granted in terms of the Town and Country Planning (Scotland) Act 1997, as amended, ("the Planning Permission"), whichever is appropriate, issued in respect of its trading in the aquaculture industry;
- 9.2 The Borrower undertakes to maintain the Works Licences or planning permission and comply fully with their terms throughout the term of the Loan;
- 9.3 The Borrower must provide the Council with a signed undertaking that it shall not transfer the Works Licences to any party without the consent in writing of the Council during the term of the Loan;
- 9.4 The Borrower authorises the Council to use the information held by it as the body empowered to issue Works Licences and planning permission for any reasonable purpose in connection with this loan agreement.

## **10 Companies**

Where a company is included in the expression "the Borrower":-

- 10.1 the Borrower shall deliver to the Council prior to the date of advance of the Loan certified true copies of:-
  - 10.1.1 the resolution of the Board of Directors of the Borrower, approving the acceptance of the Loan and the granting of the Security Documents;
  - 10.1.2 the certificate of incorporation of the Borrower and any certificate of incorporation on change of name of the Borrower; and

- 10.1.3 the current Memorandum and Articles of Association of the Borrower being true, complete and accurate in all respects, which Memorandum and Articles of Association shall require to be in terms acceptable to the Council and the resolution of the members of the Borrower adopting such Memorandum of Articles;
- 10.2 the Borrower shall not without the prior approval in writing of the Council, which approval shall not be unreasonably withheld:
  - 10.2.1 alter the Memorandum and/or Articles of Association of the Company;
  - 10.2.2 form or acquire any subsidiary;
  - 10.2.3 redeem any share or loan capital of the Company; or
  - 10.2.4 create or issue any share or loan capital of the Company;
- 10.3 on the transfer of shares in the Company, save for a transfer which alters the controlling interest in the company in which case Condition 6.4 shall apply, the Borrower shall notify the Council of such transfer within thirty days of the date of execution thereof;
- 10.4 the Borrower warrants that the Company has complied in all respects with the provisions of the Companies Acts 1985, 1989 and 2006;
- 10.5 notwithstanding that the Council may register the Security Documents in the Company's Register of Charges the Borrower shall so register the Security Documents and in all respects comply with the provisions of the Companies Act 1985 to 1989 in respect of the registration of charges; and
- 10.6 the following events shall constitute specified events of default for the purposes of Condition 16 hereof:
  - 10.6.1 the Company shall fail to register the Security Documents in the Company's Register of Charges.
  - 10.6.2 the Company is unable or admits inability to pay its debts generally as they fall due, in terms of section 122 of the Insolvency Act 1986, suspends making payments on any of its debts (or announces an intention to do so) or a moratorium is declared in respect of any of its indebtedness;
  - 10.6.3 the Company, by reason of actual or anticipated financial difficulties, commences negotiations with one or more of its creditors with a view to rescheduling any of its indebtedness;
  - 10.6.4 any corporate action, legal proceedings or other procedure or step (other than vexatious or frivolous steps) is taken in relation to:



- 10.6.4.1 the suspension of payments, a moratorium of any indebtedness, winding-up, dissolution, administration or reorganisation (by way of voluntary arrangement, scheme of arrangement or otherwise) of the Company other than for the purpose of reconstruction on terms previously agreed by the Council;
- 10.6.4.2 a composition, assignment or arrangement with any creditor of the Company;
- 10.6.4.3 the appointment of a liquidator, receiver, administrator (including, without limitation, the issuing of a notice to appoint an administrator or a notice of intention to appoint an administrator by any third party), administrative receiver, compulsory manager or other similar officer in respect of the Company or any of its respective assets;
- 10.6.4.4 enforcement of any Security over any asset of the Company; or
- 10.6.4.5 or any analogous procedure or step is taken in any jurisdiction.
- 10.6.5 any liquidator, judicial custodian, compulsory manager, receiver, administrative receiver, administrator (including, without limitation, an administrator appointed out of court) or the like is appointed in respect of the Company or any of its respective assets;
- 10.6.6 the directors of the Company request the appointment of a liquidator, judicial custodian, compulsory manager, receiver, administrative receiver, administrator (including, without limitation, an administrator appointed out of court) or the like; or
- 10.6.7 any other steps are taken to enforce any Security over any asset of the Company;

## **11 Limited Liability Partnerships**

Where a Limited Liability Partnership (hereinafter referred to as an “LLP”) is included in the expression “the Borrower”:-

- 11.1 the Borrower shall deliver to the Council prior to the date of advance of the Loan certified true copies of:-
  - 11.1.1 the Certificate of Incorporation of the LLP together with any Certificates of Incorporation on Change of Name;
  - 11.1.2 the Limited Liability Partnership Agreement (as amended where applicable) in respect of the LLP which agreement shall require to be in terms acceptable to the Council;
  - 11.1.3 the minutes of the meeting of the Designated Members of the LLP approving the acceptance of the Loan and the granting of the Security Documents.

- 11.2 the Borrower shall not without the prior approval in writing of the Council, which approval shall not be unreasonably withheld:-
- 11.2.1 alter the Limited Liability Partnership Agreement;
  - 11.2.2 form or acquire any subsidiary;
  - 11.2.3 redeem any Capital of the Limited Liability Partnership; or
  - 11.2.4 appoint any new members.
- 11.3 on the transfer of a Member's Shares in the Capital of the LLP, save for a transfer which alters the controlling interest in the LLP in which case Condition 6.4 shall apply. The Borrower shall notify the Council of such transfer within thirty days of the date of execution of the instrument of transfer;
- 11.4 the Borrower warrants that the LLP has complied in all respects with the Limited Liability Partnership Act 2000 (the "LLPA 2000");
- 11.5 notwithstanding that the Council may register the Security Documents with Companies House, the Borrower shall so register the Security Documents and in all respects comply with the provisions of the LLPA 2000 in respect of the registration of charges; and
- 11.6 the Terms of Condition 10.6 shall apply.

## **12 Partnerships**

Where partners are included in the expression "the Borrower":-

- 12.1 the Borrower shall deliver to the Council a copy of the Partnership Agreement, which Partnership Agreement shall require to be in terms acceptable to the Council;
- 12.2 the Borrower shall not without the prior approval in writing of the Council, which approval shall not be unreasonably withheld, alter the Partnership Agreement;
- 12.3 such partners shall continue to be the sole partners of and participants in the partnership business and no other person shall, without the prior approval in writing of the Council, be assumed as a partner and in the event that the Council grant such approval the parties shall enter into addenda to the Security documents at the expense of the Borrower;
- 12.4 all obligations and liabilities incumbent on the Borrower as partners, as trustees and as individuals under and by virtue of the Agreement shall be joint and several and shall be binding on their respective successors, heirs, executors and personal representatives whomsoever and the Council shall not be bound to discuss them in their order; and

- 12.5 the conditions, warranties, indemnities, obligations and the like to be performed or observed by the Borrower shall not in any way be affected or impaired by a change in the constitution or composition of the partnership.

### **13 Warranties**

The Borrower warrants to the Council that, as at the date of his execution of the Agreement:-

- 13.1 all provisions of the Agreement relating to the Borrower are true and accurate in all respects and all information given by or on behalf of the Borrower to the Council in the course of negotiations or discussions in respect of the Loan was and remains true and accurate and there is no fact, matter or circumstances known to the Borrower which has not been disclosed to the Council which makes any such information untrue or inaccurate or misleading or the disclosure of which might affect or have affected the willingness of the Council to authorise the making of an offer of loan and/or to advance the loan;
- 13.2 the Borrower is not involved or engaged in any litigation, arbitration, proceeding or the like before any court, tribunal or person or the like nor is any such litigation, arbitration, proceeding or the like likely or threatened against the Borrower;
- 13.3 the Borrower is not in default under any agreement or arrangement to which the Borrower is a party or by which the Borrower is bound, being a default which has had or might have an adverse effect on the business or assets of the Borrower (other than as may have been disclosed in writing to the Council);
- 13.4 the Borrower is not insolvent, bankrupt nor has a judicial factor, receiver, administrators, administrative receiver or Liquidator or other similar officer been appointed to any of the property or assets of the Borrower nor has the Borrower made any arrangement or composition with or for the benefit of creditors or granted a trust deed on behalf of his creditors;
- 13.5 no event has occurred or is continuing which would constitute an event or default referred to in Condition 14 hereof (whether or not subject to notice, effluxion of time or other conditions);
- 13.6 all accounts of the Borrower, if any, produced to the Council have been prepared in accordance with all applicable statutes, regulations, requirements and the like and in accordance with good accounting practice and all financial projections, forecasts or the like relating to the Borrower's business which have been produced to the Council have been prepared in accordance with good accounting practice and, to the best of the knowledge and belief of the Borrower are full, proper and professionally audited;
- 13.7 the Borrower has duly and correctly in all respects made all returns which ought to have been made by or in respect of the Borrower for any taxation, national insurance, customs and/or excise duty or social security purposes and all such returns are up to date, correct and on a proper basis and none of such returns is the subject to any dispute with the appropriate authority;

- 13.8 except as disclosed, the making and performance of any of the Security Documents by the Borrower is within the powers of the Borrower and have been duly authorised by all necessary actions and approvals, do not and will not conflict with any provisions of or contravene any law, regulation or contractual restriction which binds or may bind the Borrower;
- 13.9 any and all licences and consents which may be necessary for the validity, legality or enforceability of the Security documents have, insofar as they are within the Borrower's control, been obtained by the Borrower and are in every respect in full force and effect, and true copies of all such licences and consents have been delivered to the Council;
- 13.10 there are no agreements or arrangements nor any applicable law or regulation binding on the Borrower which may adversely affect or conflict with the Security Documents or the security they create or are intended to create;
- 13.11 the Security Documents will (subject to registration or the giving of notice where appropriate) create in favour of the Council valid and enforceable security interests, with the required priority, in the assets and revenues intended to be covered;
- 13.12 where appropriate, the vessel is tight, staunch, strong and well and sufficiently tackled, apparelled, furnished and equipped and seaworthy and fit for service.

#### **14 Continuing Warranty**

The Borrower warrants to the Council that so long as the Council are obliged to advance the Loan or any monies remain owing to the Council the facts and matters referred to in Condition 11 hereof shall at all times and in all respects remain true and accurate and every provision of Condition 11 hereof shall continue so to apply and to remain in full force and effect.

#### **15 Indemnity**

The Borrower agrees forthwith on demand to indemnify and keep indemnified the Council from and against any loss or damage whatsoever that the Council may suffer or incur as a result of a breach of the warranties contained in Condition 13 or Condition 14 hereof and the foregoing indemnity shall continue in full force and effect notwithstanding any time or other indulgence which may be given by the Council to the Borrower or any other obligant and shall continue in full force and effect notwithstanding any judgement in favour of the Council.

#### **16 Events of Default**

- 16.1 Notwithstanding any agreement to the contrary whether contained in the Agreement or otherwise, upon the occurrence of any of the events specified in Condition 16.2 hereof, which events shall be promptly notified to the Council by the Borrower, the Council shall, at their sole discretion and without prior notice or warning to the Borrower, be entitled to treat the Borrower as being in breach of the Agreement (and the Borrower shall then be held so to be in breach) and thereupon the Loan and any other monies for which the Borrower may be indebted to the Council shall immediately

become due and payable in full together with interest thereon until the date of full and final discharge of the outstanding indebtedness and the Security Documents shall immediately become enforceable and the Council shall be entitled as and when they see fit to put into force and to exercise all the rights and remedies available to the Council in respect of such breach.

16.2 The specified events referred to in Condition 14.1 are as follows:-

- 16.2.1 the Borrower shall have failed to make payment, under the Agreement or otherwise, of any sum (whether in respect of principal, interest or otherwise) on the due date for payment; or
- 16.2.2 the Borrower shall stop or threaten to stop payment of his debts or shall cease or threaten to cease to carry on his business or any substantial part thereof; or
- 16.2.3 the Borrower shall be in breach of any warranty referred to in Condition 13 or Condition 14 hereof; or
- 16.2.4 the Borrower shall have breached in any way any provision of the Agreement or the Security Documents and in the case of a breach capable of remedy (which the Council in their absolute discretion shall determine) such breach is not remedied within ten (10) days of a written demand by the Council; or
- 16.2.5 any loan whether by the Council or any other person to the Borrower shall have become repayable or enforceable prior to its due date of repayment or enforceability; or
- 16.2.6 any grant whether by the Council or any other person to the Borrower shall have become repayable for any reason whatsoever; or
- 16.2.7 the Borrower shall be charged for payment of any sum and shall not make payment thereof within seven days or before the expiry of the *induciae* (whichever is the earlier); or
- 16.2.8 any inhibition, adjudication, arrestment, lien, charge, distress, diligence, execution, sequestration or other process shall be used or levied, placed or enforced upon or against the Borrower or any property or assets (including any vessel or her Earnings) of the Borrower and shall not have been withdrawn, removed or discharged within seven days from the date of being so levied, placed or enforced; or
- 16.2.9 the Borrower shall commit an act of bankruptcy or become insolvent or shall make an arrangement or composition with or for the benefit of his creditors or grant a trust deed on behalf of his creditors; or

- 16.2.10 any encumbrancer shall take possession or a judicial factor shall be appointed or an appointment of similar effect shall be made in respect of the whole or any part of the property or assets of the Borrower; or
  - 16.2.11 the Borrower shall die or become insane or incapable of handling his affairs; or
  - 16.2.12 it becomes impossible or unlawful:
    - 16.2.12.1 for the Borrower to fulfil any of the obligations on his part contained in the Agreement or the Security Documents; or
    - 16.2.12.2 for the Council to exercise the rights or any of them vested in them under the Agreement or the Security Documents or otherwise.
  - 16.2.13 Any other event occurs which gives reasonable grounds in the opinion of the Council for the belief that the Borrower may not (or may be unable to) perform his obligations under the Agreement or the Security Documents or which would have and adverse effect upon the Agreement or the Security Documents.
- 16.3 In the event of the Council exercising any right to demand repayment or early repayment of the Loan or any part thereof, the Council shall, without prejudice to any claim, right of action or remedy available to the Council in that respect, be entitled to require the Borrower from time to time on demand to perform or perform further (as the case may be) all or any of the obligations and others incumbent on the Borrower hereunder or by virtue hereof which, as at the date of the exercise of such right to demand repayment, shall not have been fully performed to the satisfaction of the Council.
- 16.4 A certificate under the hand of the Council certifying that an event of default has occurred shall be conclusive evidence to that effect.
- 16.5 The Borrower shall at the request of the Council from time to time promptly furnish the Council with a certificate signed by the Borrower confirming that the Borrower is at the date of such certificate in compliance with his obligations under the Agreement and the Security Documents and that no event of default nor any event which, with the giving of notice and/or lapse of time, would constitute an event of default has occurred, or if any has occurred, none is continuing.

## **17 The Council's Powers**

- 17.1 The Council shall without prejudice to their other rights and powers in terms of these Conditions, be entitled (but not bound) at any time and as often as may be necessary to take any such action as they may in their discretion think fit for the purpose of protecting the security created by the Security Documents and each and every expense or liability so incurred by the Council shall be repayable to them by the Borrower on demand together with interest (as well after as before any judgement) at the Default Rate as specified in the Agreement.

17.2 Without prejudice to the foregoing:

- 17.2.1 if the Borrower fails to comply with the provisions of Condition 7.4 the Council shall at the cost of the Borrower, be at liberty to effect, and thereafter maintain, all such insurances as in their discretion they may think fit and/or to treat such failure within Condition 14 hereof;
  - 17.2.2 if the Borrower fails to comply with the provisions of Condition 8.17 the Council shall, at the cost of the Borrower, be at liberty to effect, and thereafter maintain, all such insurances and entries upon or relating to the vessel as in their discretion they may think fit and at any time whilst such failure is continuing to require the vessel to remain in port (or as the case may be to proceed to and remain in a reasonably convenient port designated by the Council) until such provisions are fully complied with and/or to treat such failure within Condition 16 hereof;
  - 17.2.3 if the Borrower fails to comply with the provisions of Condition 8.23 the Council shall at the cost of the Borrower be at liberty to arrange for the carrying out of such surveys as they deem expedient or necessary and/or to treat such failure within Condition 16 hereof;
  - 17.2.4 the Borrower hereby agrees to indemnify and hold harmless the Council against each and every expense, cost or liability incurred by the Council in connection with this Condition 17 and to pay the same to the Council on demand together with interest (as well after as before any judgement) at the Default Rate as specified in the Agreement.
- 17.3 The Council shall be entitled at any time, and as often as may be expedient, to delegate all or any of the powers and discretions vested in them by these Conditions or the Security Documents or any of them in such manner, upon such terms, and to such persons, as the Council in their absolute discretion may think fit.
- 17.4 The Council shall be entitled to hold the Security Documents as continuing security for the payment of all outstanding indebtedness which may at any time and from time to time be or become due and payable by the Borrower to the Council whether under or by virtue of the Agreement or otherwise.

**18 Waivers**

- 18.1 No failure or delay by the Council to exercise any right, power or privilege shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights, powers or privileges expressly provided in the Agreement and the Security Documents are cumulative and not exclusive of any of the rights and remedies which the Council would otherwise have.
- 18.2 Any obligation or liability to the Council under the Agreement may in whole or in part be released, compounded or compromised or time or indulgence may be given by the Council in their absolute

discretion as regards the Borrowers under such obligation or liability without in any way prejudicing or affecting any right, power or privilege of the Council.

## **19 Costs and Expenses**

The Borrower shall be responsible for the whole costs of the Council, all investigation, negotiation and legal expenses of any kind whatsoever, stamp duties, registration dues and any other charges, in connection with the Borrower's application for financial assistance, in connection with the preparation, completion and registration of the Security Documents and the subsequent implementation or enforcement or intended or attempted implementation or enforcement of the terms of the Agreement or of the Security Documents or any discharge or assignation thereof or of any other document relative or incidental thereto. If the Council and the Borrower so agree in writing, the whole or any part of such costs shall comprise part of the Loan. The Borrower shall pay interest to the Council (after as well as before any judgement) at the Default Rate as specified in the Agreement upon any amount due to the Council under this Condition from the date on which the relevant expenditure, loss, liability, expense or tax is incurred or is due until the date of payment by the Borrower.

## **20 Notices**

Any notice, request, demand or other communication to be served under or in connection with the Agreement or the Security documents shall be sufficiently served, notwithstanding that the same may be returned, if it is sent by recorded delivery letter in the English language and addressed (a) in the case of the Council, to any person and to such address as may be nominated by the Council, and failing such nomination, to the Council's Legal Adviser and (b) in the case of the Borrower, to the Borrower at his address shown in the Agreement or to such other address as may have been notified at least seven days in advance in writing to the Council. Any such notice, request, demand or other communication posted as aforesaid shall be deemed to be received 48 hours after the time of posting. In proving service it shall be sufficient to show that the envelope containing such notice, request, demand or other communication was properly addressed, stamped and posted.

## **21 Further Assurance**

The Borrower hereby further undertakes at his own expense upon demand and at no cost to the Council to execute, sign, perfect, do and (if required) register every such further assurance, document, act or thing as in the opinion of the Council may be necessary or desirable for the purpose of more effectively securing the outstanding indebtedness of the Borrower to the Council.

## **22 Acceptance of Provisions as Fair and Reasonable**

The Borrower accepts the provisions of the Agreement as fair and reasonable for inclusion in a financial contract of that kind.



## **23 Agreement Personal to the Borrower**

The Borrower shall not be entitled to assign or transfer either absolutely or in security or otherwise part with or deal in any way whatever with his rights, liabilities, obligations or others conferred and/or imposed under or by virtue of the Agreement but the rights, liabilities, obligations or others conferred and/or imposed under or by virtue of the Agreement on the Council shall be freely transferable by the Council to any central bank or monetary or regulatory authority having jurisdiction over the Council or to any other bank or financial institution whatsoever.

## **24 Proper Law and Jurisdiction**

The construction, validity and performance of the Agreement and the Security Documents shall be governed by Scots Law and the Council and the Borrower agree to submit to the non-exclusive jurisdiction of the Scottish Courts and/or the courts of any place where any asset of the Borrower is situated. The Borrower and the Council agree that any writ or legal process issued in Scotland may be served in the case of the Council on their Legal Adviser and in the case of the Borrower on the Borrower at the address shown in the Agreement.

If the Council decide that any legal proceedings should be undertaken in any jurisdiction other than in Scotland where there are assets of the Borrower then the Borrower covenants and undertakes to instruct lawyers in that jurisdiction to accept service of legal process and copies of such process shall be sent to the address shown in the Agreement.

Final judgement against the Borrower in any action or proceedings brought by the Council in any jurisdiction in relation to any such dispute may be enforced in that or any other jurisdiction by any means lawfully available as if (where such is not the case) it were a judgement given in that jurisdiction.

If for the purposes of obtaining judgement in any court in any country it becomes necessary to convert into any other currency ("the judgement currency") an amount due in Pounds Sterling under the Security Documents, then the conversion shall be made at the rate of exchange prevailing on the business day before the day on which the judgement is given, following which, if there is a change in the rate of exchange prevailing between the business day before the day on which judgement is given and the date of payment of the amount due, then the Borrower will pay on demand such additional amounts (if any) as are necessary to ensure that the amount paid in the judgement currency will be sufficient to satisfy, when converted at the rate of exchange prevailing on the date of payment, any outstanding indebtedness and the Borrower shall pay the amount converted as described in this Condition.

## **25 Headings**

The Headings are for convenience of reference only and do not form part of the Agreement and shall not affect its validity or construction.

## **26 Continuing Validity**

If any one or more of the provisions of this Deed or of the Security Documents should at any time for any reason be declared invalid, void or otherwise inoperative by a court of competent jurisdiction, such declaration or decisions shall not affect the validity or any other provision or provisions in this Deed or the Security Documents or the validity of this Deed or the Security Documents as a whole. In particular, but without prejudice to the generality of the foregoing, the Default Rate shall, where necessary, be deemed to be limited to rate not exceeding the legal rate of interest on loans, advances and credits of a similar class and nature to the credit for the time being enforceable in Scotland.

## **27 Interpretation**

27.1 In these Conditions, unless the context otherwise requires:-

- 27.1.1 a reference to any statute or statutory provision shall include a reference to any statute or statutory provision which amends, extends, consolidates or replaces the same or which has been amended, extended, consolidated or replaced by the same and to any order, regulation or instrument or other subordinate legislation made under the statute in question;
- 27.1.2 a reference to any tax shall include a reference to any tax amending, extending or replacing the same;
- 27.1.3 a reference to any gender shall include a reference to all other genders;
- 27.1.4 a reference to the singular shall include a reference to the plural and vice versa; and
- 27.1.5 where there are two or more persons included in the expression "the Borrower" every obligation, liability and undertaking shall be joint and several;
- 27.1.6 all documents referred to include the same as varied from time to time;
- 27.1.7 reference to the Council in Conditions 7 to 12 (inclusive) shall be deemed to be a reference to the Council's Legal Adviser.
- 27.1.8 reference to the Council in Conditions 7 to 16 (inclusive) shall be deemed to be a reference to the Council's Legal Adviser and
- 27.1.9 reference to the Council in Conditions 2 and 4 shall be deemed to be a reference to the Council's Financial Adviser.

27.2 In these Conditions, unless the context otherwise requires, all terms shall have the meanings given to them in the Agreement provided however that:-

- 27.2.1 “Security Documents” means every document from time to time executed by the Borrower to secure his obligations to the Council under the Agreement;
- 27.2.2 “excess risks” means the proportion of claims not recoverable in respect of general average and salvage, or under the ordinary running down clause, as a result of the value at which a vessel is assessed for the purpose of such claims exceeding her insured value;
- 27.2.3 “protection and indemnity risks” means the usual risks covered by a protection and indemnity association approved by the Council, including the proportion not otherwise recoverable in case of collision under the ordinary running-down clause;
- 27.2.4 “war risks” includes the risk of mines and all risks excluded from the standard form of United Kingdom marine policy by the free of capture and seizure clause;
- 27.2.5 “total loss” means (a) actual, constructive, comprised or arranged total loss of the vessel; (b) requisition for title or other compulsory acquisition of the vessel, otherwise than by requisition for hire; (c) capture, seizure, detention or confiscation of the vessel, by any government, or by any persons acting or purporting to act on behalf of any government, unless the vessel is released within one (1) month thereafter;
- 27.3 In the event of any inconsistency between these Conditions and (a) the Agreement, the Agreement shall prevail and (b) the Security Documents, the Security Documents shall prevail.

## **28 Registration**

And we consent to registration hereof for preservation and execution.

**THIS DOCUMENT IS TO BE READ IN CONJUNCTION WITH THE SPECIAL CONDITIONS AND ANY OTHER CONDITIONS CONTAINED IN THE AGREEMENT. THESE CONDITIONS SHALL APPLY TO ALL LOANS MADE BY THE COUNCIL EXCEPT AS SPECIFICALLY AMENDED BY THE SPECIAL CONDITIONS OR OTHERWISE VARIED IN WRITING BY THE COUNCIL.**



**Acting Legal Adviser: Brian C Hill**

Legal and Administration  
**Executive Services Department**  
4 Market Street  
Lerwick  
Shetland ZE1 0JN

Name & Address

Telephone: 01595 744550  
Fax: 01595 744585  
[legal@sic.shetland.gov.uk](mailto:legal@sic.shetland.gov.uk)  
[www.shetland.gov.uk](http://www.shetland.gov.uk)

If calling please ask for  
**Susan Brunton**  
Direct Dial: 01595 744087

Your Ref: -

Our Ref: Ref

Date: date

Dear Sirs

On behalf of, and as instructed by, Shetland Islands Council, established under the **Local Government etc. (Scotland) Act 1994** and having their principal offices at the Town Hall, Lerwick, Shetland, ZE1 0HB (hereinafter referred to as "the Council"), I hereby offer to lend to the Borrower as specified in the Schedule annexed and signed as relative hereto (hereinafter referred to as "the Schedule") the Loan, as specified in the Schedule and that on the following terms and conditions, namely:-

1. Purpose of the Loan

The loan is for the purpose specified in the Schedule and for no other purpose whatsoever. In the event of the Loan being used for any other purpose the Loan shall become immediately repayable to the Council with applicable interest thereon.

2. Advance of the Loan

Subject to other provisions of this Offer, the Loan will be advanced by the Trustees to the Borrower within two years of receipt of a valid acceptance of this Offer and in terms of the Schedule. The Borrower undertakes to accept the advance of the loan within the said two-year period.

3. Interest

Interest will be charged at a rate which, after deduction of all taxes, etc, leaves payable to the Council the BASIC INTEREST RATE as specified in the Schedule.

DEFAULT INTEREST shall be charged on all overdue sums, at a fixed rate of 20% per annum.

4. Period of the Loan

The Loan shall be made for the LOAN PERIOD as specified in the Schedule which shall commence on the day the Loan, or any part of it, is advanced.

5. Repayment of the Loan

The Loan shall be repaid by the Borrower in full with Basic Interest and capitalised interest, if appropriate, by monthly instalments by Direct Debit of combined capital and interest, as specified in the Schedule; these sums are net of tax. The Direct Debit mandate must be accepted by the Borrower's bank prior to the release of the loan.

6. Security

The Council shall not be under any obligation to advance the Loan until they are satisfied that:-

- (i) The Borrower has the power to grant the COUNCIL'S SECURITY as specified in the Schedule.
- (ii) The holder of other Securities have consented to this Loan and to the Council's security.
- (iii) The holders of other Securities have provided certificates that they do not intend to call up their Securities in the near future.
- (iv) The Borrower has granted in favour of the Council the Council's Security as specified in the Schedule, and exhibited clear Searches, where appropriate, in the Property, Personal and Charges Registers, which Searches shall be continued at the Borrower's expense, to disclose the appropriate Securities and in the case of the Charges Register and Companies File shall be brought down to a date twenty two days after the recording of the Security documents therein.
- (v) The RANKING ARRANGEMENTS as specified in the Schedule have been formalised in a Ranking Agreement, if required, by the Council.

7. Project Completion

The Borrower shall complete the project by the PROJECT COMPLETION DATE as specified in the Schedule if applicable.

8. Conditions

In the event of any of the conditions of this offer, including the PRECONDITIONS and OTHER CONDITIONS as specified in the Schedule, and the conditions as specified in the Deed of Conditions, being breached, the Council reserve the right to call up the outstanding balance of the Loan with the appropriate interest thereon.

9. Schedule

The Schedule annexed and signed as relative hereto forms part of this Offer.

10. Deed of Conditions

This Offer of Loan shall be regulated mutatis mutandis by the Deed of Conditions by the Council dated                      and registered in the Books of Council and Session on

11. Registration for Preservation and Execution

The Council and the Borrower consent to the registration for preservation and execution of this Offer, Schedule and the acceptance hereof in the Books of Council and Session.

12. Time for Acceptance

This Offer shall, unless a formal acceptance is received by the Council within twenty eight days from the date hereof, be held as withdrawn.

The Borrower hereby acknowledges receipt of a copy of this Offer, Schedule and Deed of Conditions.

Yours faithfully

Acting Divisional Manager - Legal

..... WITNESS  
..... FULL NAME  
..... OCCUPATION  
..... ADDRESS  
.....  
.....

NOTE: This offer and any acceptance thereof constitutes a legally binding document. You are strongly advised to obtain your own independent legal advice before accepting.

I/We, \*1 (Company/Firm/Partnership/Individual) designated in the foregoing Offer, hereby accept the foregoing Offer dated \*2 and that on the terms and conditions as stated therein.

..... (Signature) ..... WITNESS  
..... (Date) ..... FULL NAME  
..... OCCUPATION  
..... ADDRESS



.....

.....

..... (Signature) ..... WITNESS

..... (Date) ..... FULL NAME

..... OCCUPATION

..... ADDRESS

.....

.....



**SHETLAND ISLANDS COUNCIL  
Deed of Conditions**

**Hire Purchase**

Brian Crawford Hill  
Acting Divisional Manager – Legal  
Shetland Islands Council  
Legal & Administration  
4 Market Street  
LERWICK  
Shetland  
ZE1 0JN

## CONTENTS PAGE

1	Definitions and Interpretation .....	3
2	Hire Payments .....	5
3	Delivery and acceptance of Equipment .....	5
4	Equipment to remain Owner's Property .....	6
5	Affixing of Equipment to land or buildings .....	7
6	Maintenance and use of Equipment .....	8
7	The Premises .....	9
8	Licence duties, fees, etc. ....	9
9	Warranties by Hirer .....	9
10	Insurance .....	10
11	Loss or destruction of, or damage to, Equipment .....	12
12	Exclusion of conditions, warranties, etc .....	13
13	Owner not liable for defects .....	13
14	Indemnity .....	14
15	Transfer of ownership to Hirer .....	14
16	Termination of Agreement by Hirer .....	16
17	Termination of Agreement by Owner or automatically on stated events .....	16
18	Interest .....	20
19	Waivers; Remedies cumulative .....	20
20	Protection of Interest .....	20
21	Cost and expenses .....	21
22	Statement or Certificate by Owner .....	21
23	Appropriation of Payments .....	21
24	Time .....	21
25	Further documentation .....	21
26	Assignment of Agreement .....	22
27	Notices .....	22
28	Headings .....	22
29	Invalidity of any provision .....	22
30	Proper Law, etc .....	22

## 1 Definitions and Interpretation

1.1 In these Conditions and in the Agreement the following words and expressions shall, unless the context otherwise requires, have the following meanings:-

1.1.1 “**Accelerated Payment Rebate**” shall mean a sum of money equal to:

$$\frac{a(a+1)}{b(b+1)} \times c$$

where a = the total number of Hire Payments not yet due at the date of termination of the hiring of the Equipment and the Agreement under Clause 16 or 17 hereof;

where b = the total number of Hire Payments payable under the Agreement;  
and

where c = the total charge for credit specified in the Agreement;

1.1.2 “**Agreement**” shall mean any Equipment Hire-Purchase Agreement in which these Conditions are incorporated in whole or in part and whether with or without variation or modification, and of which they form part;

1.1.3 “**Certificate of Hireworthiness**” shall mean a certificate addressed to the Owner under the hand of an independent and suitably qualified person, appointed by the Hirer and having the prior written approval of the Owner, certifying, in terms satisfactory to the Owner, that the Equipment is according to specification, properly installed, in good working order and condition, capable of being safely operated for, and fit for, the purpose for which the Equipment is being hired;

1.1.4 “**Equipment**” shall mean the equipment specified in the Agreement together with all replacements and renewals thereof or of the component parts thereof and all extras, additions, spare parts and accessories forming part thereof or used in connection therewith;

1.1.5 “**Event of Default**” shall mean any of the events specified in Clause 17 hereof or an event which, with the giving of notice or lapse of time, could become an Event of Default;

1.1.6 “**Hire Payments**” shall mean the hire payments specified in the Agreement;

- 1.1.7      “**Hire Period**” shall mean the hire period specified in the Agreement;
- 1.1.8      “**Hirer**” shall mean the hirer described in the Agreement, together with legal representatives and permitted successors and assignees, and if two or more persons constitute the Hirer obligations and conditions expressed to be performed or observed by the Hirer shall be held to bind such persons jointly and severally;
- 1.1.9      “**Month**” shall mean calendar month;
- 1.1.10     “**Owner**” shall mean Shetland Islands Council, established under the Local Government etc. (Scotland) Act 1994, and having their principal offices at the Town Hall, Lerwick, Shetland and their successors and assignees whomsoever;
- 1.1.11     “**Premises**” shall mean the premises specified in the Agreement as the address where the Equipment is to be installed and used.
- 1.2      In these Conditions and in the Agreement, unless the context otherwise requires:
- 1.2.1      a reference to the singular shall include a reference to the plural and vice versa;
- 1.2.2      a reference to any gender shall include a reference to all other genders;
- 1.2.3      a reference to any tax shall include a reference to any tax amending, extending or replacing the same;
- 1.2.4      a reference to any statute or statutory provision shall include a reference to any statute or statutory provision which amends, extends, consolidates or replaces the same or which has been amended, extended, consolidated or replaced by the same and to any order, regulation or instrument or other subordinate legislation made under the statute in question;
- 1.2.5      a reference to the Agreement shall include a reference to these conditions; and
- 1.2.6      a reference to any person or words importing a person shall include a reference to any person, individual, firm, company, corporation, government, state, agency of a state or local authority, or any association or partnership (whether or not having separate legal personality) of two or more of the foregoing.

## **2 Hire Payments**

- 2.1 The Hirer shall pay to the Owner the Hire Payments in respect of the Equipment on the dates specified in the Agreement.
- 2.2 All the Hire Payments or other payments payable to the Owner under the Agreement shall be made by the Hirer without any compensation, deduction, counterclaim or set-off and without prejudice to the generality of the foregoing, shall be made free and clear of, and without deduction for or on account of, any present or future taxes (including, but not limited to, Value Added Tax) or other charges of whatever nature or any other matter or thing whatsoever, unless the Hirer is required by law to make such deduction, in which event payment hereunder or by virtue hereof shall be increased by such amount as may be necessary so that the net amount after such deduction shall equal the amount to which the Owner would have been entitled hereunder or by virtue hereof had no such deduction been required by law. The Hirer shall not be entitled to withhold any Hire Payments or other payments payable to the Owner under the Agreement for any reason whatever. Payments made by post shall be at risk of the Hirer.

## **3 Delivery and acceptance of Equipment**

- 3.1 The Hirer shall take delivery of the Equipment on behalf of the Owner and shall be responsible for the cost, if any, of collecting the Equipment, wherever the Equipment may be, and of transporting it to the Premises.
- 3.2 In the event that the Owner has acquired the Equipment from the Hirer and the Equipment is in the possession of the Hirer at the commencement of the Hire Period the date of delivery of the Equipment shall be deemed to be the date of execution of the Agreement by the Hirer.
- 3.3 The Hirer shall ensure that the Equipment is transported and properly installed by suitably qualified persons.
- 3.4 If prior delivery of a Certificate of Hireworthiness by the Hirer to the Owner is not required under the Conditions Precedent set out in the Agreement the Hirer shall, within twenty-one days of the Equipment being delivered to the Premises and (where relevant) installed therein, deliver to the Owner a Certificate of Hireworthiness.
- 3.5 The Certificate of Hireworthiness shall be final and binding on the Hirer for every purpose and the Hirer shall be deemed to have satisfied himself that the Equipment is according to specification, properly installed, in good working order and condition and is capable of being safely operated for, and is fit for, the purpose for which the Equipment is being hired.

#### **4 Equipment to remain Owner's property**

- 4.1 Unless and until the Hirer's option, under Clause 15 hereof, to become owner of the Equipment is exercised, the Equipment shall remain the property of the Owner and nothing in the Agreement shall confer or be deemed to confer on the Hirer during the Hire Period any right, title or interest in the Equipment apart from the right to use the same upon the terms, and subject to the conditions, contained in the Agreement.
- 4.2 The Hirer shall not sell, lend, let, sub-let, assign, deliver, charge or otherwise deal with, part with possession or control of, or dispose of the Equipment or any part thereof, or any interest therein nor create, nor allow to be created, nor allow to remain in force, any fixed or floating charge, pledge, trust, lien, hypothec, right of compensation, or other security or encumbrance whatsoever on, over or affecting the Equipment or any part thereof, or any interest therein, and in the event of any breach of this clause the Hirer shall immediately remedy same, failing which the Owner shall be entitled, but not bound, to do so and in that event the Hirer shall repay forthwith to the Owner all costs and expenses incurred by the Owner in remedying the said breach.
- 4.3 The Hirer shall not permit the Equipment to be seized, arrested, poinded or taken under any diligence, execution or other legal process.
- 4.4 The Hirer shall affix to the Equipment in a conspicuous position a plate made of metal or some similar substance and of a design, size and nature having the Owner's prior approval stating clearly the following:-
- "This equipment is owned by Shetland Islands Council. No charges, liens, hypothecs or others can be created over it."
- and the Hirer shall not cause or permit the same to be removed, obscured or defaced.
- 4.5 To the extent that the Hirer may at any time be held to be the owner of the Equipment prior to the exercise by the Hirer of its option under Clause 15 hereof, the Hirer shall hold and be deemed to hold the Equipment as trustee for the Owner.

#### **5 Affixing of Equipment to land or buildings**

- 5.1 The Hirer shall not, without the previous consent in writing of the Owner, affix the Equipment to any land or buildings so as to cause it to become a fixture thereon.
- 5.2 As between the Owner and the Hirer and their respective successors in the title the Equipment shall, during the Hire Period, remain moveable property and shall continue in the ownership of the Owner notwithstanding that the same may at any time have been affixed to land or buildings.



- 5.3 The Hirer shall ensure that in so far as the Equipment is affixed to any land or buildings such Equipment shall be capable of being removed without material injury to the said land or buildings and that all such steps shall be taken as are necessary to prevent title to the Equipment passing to the owner of the said land or buildings during the Hire Period. The Hirer shall be responsible for any damage caused to any land or buildings by the affixing of the Equipment thereto or the removal of the Equipment therefrom (whether such affixing or removal be affected by the Owner, Hirer or otherwise) and shall indemnify the Owner against any claim made in respect of all such damage (including damage caused by the negligence of the Owner, its servants or agents).
- 5.4 The Hirer shall not sell, feu, excamb, mortgage, charge, let, sub-let, or otherwise dispose of, deal with or part with possession of, any land or buildings, or any part thereof, on or in which the Equipment is kept without giving the Owner at least six weeks' prior notice in writing and in any event the Hirer shall procure that any third party with whom or in whose favour such feu, excambion, mortgage, charge, lease, sub-lease or other disposition, dealing or parting with possession, as the case may be, is made or granted gives, in such form as the Owner may require (i) a formal renunciation of any claim, right, title or interest, present or future, which they might have in or to the Equipment under such feu, excambion, mortgage or otherwise as the case may be, and (ii) the Owner repossessing the Equipment at any time (whether or not the same or any part thereof shall have become affixed to the said land or buildings) and for that purpose entering upon such land or buildings and severing any Equipment affixed thereto. The Hirer shall supply to the Owner on request a copy of any deed, draft deed, instrument or other writing relating to any proposed or completed sale, feu, excambion, mortgage, charge, lease, sub-lease or other disposal of, dealing with or parting with possession of, the said land or buildings, or any part thereof, by the Hirer. If the Hirer becomes aware of any conveyance, transfer, assignation or burdening, or any proposed conveyance, transfer, assignation or burdening of any third party's right, title or interest in or to the said land or buildings, or any part thereof, the Hirer shall forthwith notify the Owner of the same.

## **6 Maintenance and use of Equipment**

- 6.1 The Hirer shall, at his own cost and expense, maintain the Equipment in good and substantial repair and condition (ordinary wear and tear resulting from proper use thereof alone excepted) and shall promptly replace all missing, damaged or broken parts with parts of at least equal quality and value. The Hirer shall employ qualified experts to repair or make good any damage to the Equipment whether or not caused by the Hirer's own act or default and shall punctually pay for all servicing and repairs and other work done to the Equipment and for replacement parts and accessories thereof. In the event of default by the Hirer under this sub-clause the Owner shall be at liberty, and shall have permitted by the Hirer, to take possession of the Equipment for the purpose of having

repairs carried out and to make any payments on which the Hirer has defaulted and to recover the cost thereof from the Hirer on demand.

- 6.2 The Hirer shall use the Equipment in a proper and skilful manner and shall not permit it to be used or handled other than by persons properly trained, or to be overloaded, or to be used for any purpose other than for which the Equipment is designed or suitable.
- 6.3 The Hirer shall obtain, or procure the obtaining of, all the necessary licences, certificates, permits, authorisations and others required for the operation of, or in connection with, the Equipment and shall maintain the same in full force throughout the Hire Period, and the Hirer shall furnish the Owner with copies if so required, and shall not do, neglect to do or permit to be done, any act whereby the Equipment or its use would contravene any statute, rule, regulation or bye-law or any such licence, certificate, permit, authorisation and others for the time being in force pertaining to the possession, use, maintenance or safety of the Equipment.
- 6.4 The Hirer shall not, without the prior written consent of the Owner (which consent may be given conditionally), make any alteration or modification to the Equipment.
- 6.5 The Hirer shall take all necessary steps to ensure that the Equipment is safe and without risk to health when properly used, and, in particular (but without prejudice to the generality of the foregoing), shall (subject to clause 6.4) at his own expense add to or instal with the Equipment any safety or other equipment required by any applicable law or regulation to be so added or installed, shall check with the manufacturer or supplier of the Equipment that it has been thoroughly tested and shall ensure that there is available in connection with the use of the Equipment adequate information to ensure that when used the Equipment is safe and without risk to health.
- 6.6 The Hirer shall give the Owner all information concerning the condition, use and operation of the Equipment which the Owner may require from time to time and shall permit, or procure permission for, the Owner, the Owner's agents, employees or other persons designated by the Owner, at all reasonable times to inspect and to observe its use and operation and for this purpose to enter upon or into any land or buildings.

## **7 The Premises**

- 7.1 The Hirer shall not, without the prior written consent of the Owner, remove the Equipment from the Premises. The Hirer shall be responsible for all the costs of any such removal and subsequent installation.
- 7.2 The Hirer warrants that the Premises are suitable for the use and/or storage of the Equipment.

## **8      Licence duties, fees, etc.**

The Hirer shall be liable for and shall punctually pay all licence duties, fees, registration charges, expenses, outgoings, levies, rates and taxes in respect of the Equipment, including its use and possession, or in respect of the Premises (including mortgage payments) and whether exigible from the Owner or the Hirer of the Equipment. When so required the Hirer shall forthwith produce to the Owner receipts for any such payments. In the event of the Hirer failing to make any of the payments referred to in this Clause on the due date the Owner shall be entitled, but not bound, to make such payments and shall be entitled to recover the same from the Hirer on demand together with the amount of any expenses, losses or other charges incurred by the Owner in connection with such payments.

## **9      Warranties by Hirer**

9.1      The Hirer warrants to the Owner that as at the date of execution of the Agreement:-

- 9.1.1      All information given by or on behalf of the Hirer to the Owner in the course of negotiations or discussions in respect of the hiring of the Equipment was and remains true and accurate and there is no fact, matter or circumstance known to the Hirer which has not been disclosed in writing to the Owner which makes any such information untrue or inaccurate or misleading or the disclosure of which might affect or have affected the willingness of the Owner to enter into the Agreement;
- 9.1.2      Except as disclosed in writing to the Owner, the Hirer is not involved in any litigation, arbitration or proceeding before any court, tribunal or person nor is any such litigation, arbitration or proceeding threatened against the Hirer;
- 9.1.3      The Hirer is not in default under any agreement to which the Hirer is a party or by which the Hirer is bound, being a default which has had or might have a materially adverse effect on the undertaking, property or assets of the Hirer;
- 9.1.4      No event has occurred or is continuing which would constitute an Event of Default (whether or not subject to notice, effluxion of time or other condition);
- 9.1.5      The Hirer has disclosed to the Owner true and accurate details of all monies borrowed by the Hirer, details of the Hirer's indebtedness to third parties arising other than in the normal course of business, details of all securities, fixed or floating, over the whole or any part of the undertaking, property and assets of the Hirer and details of all guarantees given by the Hirer;

- 9.1.6 The Hirer has disclosed to the Owner true and accurate details regarding the ownership and occupation of the Premises and all leases, sub-leases, licences, standard securities, mortgages, charges, options and other burdens affecting the same;
- 9.1.7 The Hirer is taking the Equipment on hire in the course of a business;
- 9.1.8 The Agreement is not a regulated agreement under the Consumer Credit Act 1974 or an agreement to which the Hire-Purchase (Scotland) Act 1965, or any legislation of intent or effect similar thereto applies and any sale of the Equipment by the Hirer to the Owner prior to the hiring of the Equipment under the Agreement was not a transaction outwith the Sale of Goods Act 1979 by virtue of Section 62(4) thereof.
- 9.2 The Hirer shall on demand indemnify and keep indemnified the Owner from and against any loss or damage whatsoever that the Owner may suffer or incur as a result of a breach of any of the foregoing warranties and the foregoing indemnity shall continue in full force and effect notwithstanding any time or other indulgence which may be given by the Owner to the Hirer or any other obligant and shall continue in full force and effect notwithstanding any judgment in favour of the Owner.

## **10 Insurance**

- 10.1 The Hirer shall at his own expense, immediately after the execution of the Agreement, insure the Equipment and keep the same insured throughout the Hire Period against loss or damage by accident, fire, theft and other risks which are usually covered by insurance in the type of business for which the Equipment is for the time being used or which are required to be covered by law, the Equipment to be insured in a sum agreed with the Owner, being not less than the full replacement value thereof, with an insurance company to be approved in advance by the Owner. Such insurance shall be under a comprehensive policy or policies of insurance, free from restriction or excess. The policy or policies shall be in the joint names of the Owner and Hirer unless the Owner shall otherwise require, shall bear an endorsement recording that the Equipment is the property of the Owner and shall state that no payment is to be made to the Hirer under the policy or policies until the Owner's interest has been discharged in full. The Hirer shall deliver or produce on demand the said policy or policies and shall duly and punctually pay all premiums and other monies necessary for effecting and keeping in force such insurance and when so required shall forthwith produce to the Owner receipts for all such payments.

- 10.2 The Hirer shall not use or allow the Equipment to be used for any purpose not permitted by the terms and conditions of the said policy or policies of insurance or whereby the same may be avoided.
- 10.3 All monies payable under the said policy or policies of insurance in respect of loss or destruction of, or damage to, the Equipment shall be paid by the Insurers to the Owner and the Hirer hereby irrevocably appoints the Owner the agent of the Hirer for the purpose of receiving all monies payable under the said policy or policies and giving a discharge therefor, but if nevertheless such monies shall be paid to the Hirer the same shall be held by the Hirer in trust for the Owner under clause 10.7 of this clause.
- 10.4 Subject to there being no Event of Default, all monies payable under the said policy or policies of insurance in respect of loss or destruction or, damage to, the Equipment shall, at the option of the Owner, be applied:-
- 10.4.1 towards reimbursement of the Hirer for the cost of repair of the Equipment, in which event the Hirer shall complete the repairs to the satisfaction of the Owner; or
- 10.4.2 so far as possible, in replacing the Equipment with equipment of a type and quality, and in a state of repair and a condition, similar to that of the Equipment immediately prior to the said loss, destruction or damage, in which event the replacement equipment shall be held by the Hirer under the terms and conditions of the Agreement; or
- 10.4.3 towards the payment of the remaining Hire Payments (including any in arrear) in the inverse order of their respective due dates, together with any interest due thereon under Clause 18 hereof, each such Hire Payment being discounted by such amount as the Owner may, in its absolute discretion, permit.

Any surplus remaining after the application of the said monies as aforesaid shall be retainable by the Owner for its own benefit.

- 10.5 The provisions of this Clause 10 shall not prejudice any liability of the Hirer to the Owner under any other provisions of the Agreement and in particular (but without prejudice to the generality of the foregoing), if the amount received by the Owner under the said policy or policies of insurance shall be less than the sum which would have been payable to the Owner had the damage or loss giving rise to the payment constituted an Event of Default the Hirer shall on demand pay to the Owner the amount of the deficiency.

10.6 In the event of failure by the Hirer to make the payments referred to in clause 10.1 hereof the Owner shall be entitled, but shall not be bound, to make such payments and to recover the same from the Hirer on demand.

10.7 The Hirer hereby declares that it holds and will hold the sum of One Pound (£1) and all monies received by the Hirer under the said policy or policies of insurance and the right to receive such monies in trust for the Owner as the absolute property of the Owner and the Owner shall be entitled to appoint a new trustee or new trustees of the trust fund along with the Hirer as trustee aforesaid or in place of the Hirer as if the Hirer desired to be discharged or in place of any trustee or trustees appointed under this power as if he or they were dead.

## **11 Loss or destruction of, or damage to, Equipment**

11.1 The Hirer shall immediately notify the Owner in writing of any loss, theft or destruction of, or damage to, the Equipment or any part thereof.

11.2 The Hirer shall bear the entire risk of loss or destruction of, or damage to, the Equipment from any and every cause whatsoever other than ordinary wear and tear resulting from reasonable and proper use thereof and shall, unless otherwise required by the Owner, restore the same or replace the same with equipment of a type and quality, and in a state of repair and condition, similar to that of the Equipment immediately prior to such loss, destruction or damage. In the event of the insurance monies recovered in respect of any such loss, destruction or damage being applied under clause 10.4.3 in full satisfaction of the remaining Hire Payments and any interest due thereon the hiring hereunder shall be terminated (but without prejudice to any claim, right of action or remedy available to the Owner in respect of such termination) but save as aforesaid notwithstanding any loss, destruction or damage, the Agreement shall continue in full force and effect.

11.3 The Owner shall use its best endeavours to extend to the Hirer the benefit of any condition, warranty, statement or representation which may have been given or made to the Owner by the manufacturer or vendor of the Equipment or otherwise implied in favour of the Owner, but such benefit shall only be so extended if and so long as the Hirer is not in default under the Agreement and on terms that the Hirer indemnifies the Owner against all costs, claims, damages and expenses incurred in connection with the enforcement thereof, or the making of any claim thereunder.

## **12 Exclusion of conditions, warranties, etc.**

12.1 It is expressly agreed that no condition, warranty or representation of any kind (other than a condition implied under Section 8 of the Supply of Goods (Implied Terms) Act 1973) has been, or is given or made by the Owner, or the Owner's servants or agents with

respect to, or in respect of, the Equipment and all conditions, warranties or representations, express or implied, statutory or otherwise, as to the state, quality, description, fitness for any purpose or otherwise, of the Equipment are expressly excluded. The Hirer shall not be entitled to any rebate of Hire Payments in respect of any period during which the Equipment is unserviceable, lost, destroyed, out of order, unusable or not in the possession of the Hirer and the Owner shall not be liable to provide the Hirer with any replacement equipment or parts.

- 12.2 No dealer, supplier, manufacturer or insurance agent, nor any person in the employment of a dealer, supplier, manufacturer or insurance agent, is or shall be deemed to be the agent of the Owner for any purpose or authorised to bind the Owner in any way, and the Owner has and shall have no liability for, and shall not be bound by, any statement, representation, undertaking or promise made by any such person, or any employee of such person, to the Hirer.

### **13 Owner not liable for defects**

- 13.1 Subject to clause 13.2 hereof, the Owner shall not be liable to the Hirer, whether in contract, quasi-contract, delict, quasi-delict, by statute or in any other way whatsoever, for any liability, claim, loss (including loss of business or other consequential loss), damage, injury or expense of any kind or nature and howsoever caused (including any liability, claim, loss, damage or expense caused by the negligence of the Owner, its servants or agents) arising out of or in connection with the Equipment or any part thereof, its manufacture, selection, delivery or possession, any delay in the delivery thereof, any inadequacy thereof for any purpose, any deficiency or defect therein, whether such defect be latent or apparent on examination, the use or performance thereof, any repairs, servicing or otherwise thereto or any delay in providing or failure to provide the same or any interruption or loss of service or use thereof.
- 13.2 The Owner does not exclude liability to the Hirer for (i) death or personal injury cause by the negligence of the Owner, its servants or agents while acting in the course of their employment by the Owner and (ii) breach by the Owner of any condition implied by Section 8 of the Supply of Goods (Implied Terms) Act 1973).

### **14 Indemnity**

The Hirer shall indemnify and hold the Owner and the Owner's servants and agents harmless from and against all claims made or actions brought against the Owner, its servants or agents by or on behalf of any person whomsoever (including the Hirer), whether in contract, quasi-contract, delict, quasi-delict, by statute or in any other way whatsoever, in respect of any loss, damage or injury whatsoever arising out of or in connection with the Equipment, its ownership, manufacture, selection, delivery,

possession, use, performance or transportation (including any loss, damage or injury caused by the negligence of the Owner, its servants or agents).

## **15 Transfer of ownership to Hirer**

15.1 If the Hirer shall have paid punctually all Hire Payments and other sums payable by the Hirer under the Agreement and shall have duly performed and observed all the terms and conditions of the Agreement, whether express or implied, to the satisfaction of the Owner, the Hirer shall have the option (which the Hirer is not obliged to exercise) at any time on or after payment of the final Hire Payment but not later than expiry of the Hire Period to purchase the Equipment for one pound; unless and until the Hirer exercises this option the Hirer shall have no right of property in the Equipment. Provided that the Hirer shall be at liberty to accelerate payments under the Agreement and in the event of the Hirer paying before the due date such sum or sums as may be necessary to vest the ownership of the Equipment in the Hirer pursuant to this Clause the Hirer shall be granted such rebate for early payment as the Owner may, in its absolute discretion, allow.

15.2 If the Hirer does not exercise the option conferred under clause 15.1 above, upon the expiration of the Hire Period the Hirer shall become a mere custodian of the Equipment. As custodian aforesaid the Hirer shall (i) take all proper care of the Equipment, (ii) comply with all requirements of law relating to the Equipment and its possession, (iii) be responsible for all outgoings payable in respect of the Equipment and (iv) hold the same available for delivery or re-possession as aftermentioned. At any time within forty days after expiration of the Hire Period without the said option having been exercised the Owner shall be entitled:-

15.2.1 to require the Hirer to deliver up, at the Hirer's own risk and expense, the Equipment to the Owner, together with all certificates, licences and other documents relating to the Equipment, in a condition consistent with the due performance of the Hirer's obligations hereunder and at such place in the United Kingdom as the Owner shall direct; or

15.2.2 without notice to retake possession of the Equipment, and for that purpose the Owner or the Owner's employees or agents may enter upon any land or buildings on or in which the Equipment is or is believed by the Owner or the Owner's employees or agents to be situated and if the Equipment or any part thereof is affixed to such land or buildings the Owner shall be entitled to sever the same therefrom and to remove the Equipment or part thereof so severed and the Hirer shall be responsible for all damage caused to the land or buildings by such removal.



15.3 If the Owner does not, during the period of forty days referred to in clause 15.2 above, specify an address for delivering up the Equipment or retake possession in terms of the said clause:-

15.3.1 the Hirer shall be entitled at any time thereafter to dispose of the Equipment, at the Hirer's own risk and expense, in such lawful manner (other than redelivery to the Owner) as the Hirer may think fit provided that the Owner shall be entitled, on giving not less than fourteen days notice to the Hirer at any time prior to disposal of the Equipment by the Hirer, to retake possession of the Equipment and for that purpose the Owner or the Owner's employees or agents may enter upon any land or buildings on or in which the Equipment is or is believed by the Owner or the Owner's employees or agents to be situated and remove the Equipment from such land or buildings, notwithstanding that the Equipment may be or become affixed thereto. In disposing of the Equipment the Hirer shall not be, or be deemed to be, the agent of the Owner for any purpose (other than conferring a good title to the Equipment on any third party) or authorised to bind the Owner in any way and the Owner shall have no liability for, and shall not be bound by, any statement, representation, undertaking or promise made by the Hirer or any employee of the Hirer. If the Hirer disposes of the Equipment to any third party, such disposal shall be on terms that all warranties and conditions on the part of the Owner as to quality, condition, performance or fitness which might otherwise arise in respect of the Equipment by implication of law, statutory or otherwise, and which may lawfully be excluded, are excluded. For the avoidance of doubt, the expiration of the Hire Period shall not remove or restrict the effect of, or prevent reliance upon, Clause 13 or 14 of these Conditions, which shall remain in full force and effect; and

15.3.2 the Hirer shall be responsible for all outgoings payable in respect of the Equipment and if any such outgoings are paid by the Owner the Hirer shall repay the same to the Owner on demand.

## **16 Termination of Agreement by Hirer**

16.1 The Hirer may, on giving not less than three months' prior notice to the Owner, terminate the hiring of the Equipment and the Agreement at any time after the penultimate Hire Payment falls due but before the final Hire Payment becomes payable by delivering up, at the Hirer's own risk and expense (including the cost of insurance), the Equipment in good order, repair and mechanical condition to the Owner, together with all certificates, licences and other documents relating to the Equipment, to such address as the Owner may specify free of advertising and all insignia other than the Owner's or manufacturer's.

- 16.2 If the hiring of the Equipment and the Agreement is terminated under clause 16.1 of this Clause, without prejudice to any other liability of the Hirer to the Owner, the Hirer shall pay immediately to the Owner, (i) all Hire Payments then due, with interest, (ii) the final Hire Payment, (iii) if need be, a sum sufficient to put the Equipment into good repair and working condition (whether or not such repairs shall be carried out), and (iv) all other sums which the Hirer may have become liable to pay at the time of such termination.
- 16.3 If the Owner does not, during the three-month period specified in clause 16.1 specify an address to which the Equipment is to be delivered, (i) clause 15.3 shall apply as if the reference therein to a period of twenty-eight days was a reference to the said three-month period and the reference to expiration of the Hire Period was a reference to termination of the hiring of the Equipment and the Agreement under clause 16.1, and (iii) the Hirer shall be reimbursed for any payment made to the Owner under item (iii) of clause 16.2.

## **17 Termination of Agreement by Owner or automatically on stated events**

- 17.1 Upon the occurrence of any of the events hereinafter specified the Owner may forthwith by written notice terminate the hiring of the Equipment and the Agreement-
- 17.1.1 the Hirer fails for whatever reason to pay any Hire Payments or other sum due hereunder in full on its due date and such Hire Payment or other sum remains unpaid for more than seven days;
  - 17.1.2 the Hirer fails to observe or to perform any of the terms or conditions of the Agreement, whether express or implied, or of any other agreement between the parties or between the Owner and any subsidiary company of the Hirer;
  - 17.1.3 any person who, either before or during the Hire Period, gave any such undertaking as is mentioned in clause 5.4, fails to observe or to perform any such undertaking;
  - 17.1.4 any of the warranties given by the Hirer in the Agreement, whether express or implied, prove to be incorrect;
  - 17.1.5 the Hirer suspends or threatens to suspend payment of the Hirer's debts, or suspends, or threatens to suspend a substantial part of the present business operations the Hirer is conducting directly or indirectly;
  - 17.1.6 the Agreement becomes or is, in the opinion of the Owner, likely to become, a regulated consumer credit agreement within Section 8 of the Consumer Credit Act 1974 or becomes or is, in the opinion of the Owner, likely to become

regulated by any legislation of intent or effect similar to the Consumer Credit Act 1974;

- 17.1.7 a security-holder or encumbrancer takes, or threatens to take, possession of the Equipment or any property of the Hirer;
  - 17.1.8 any form of diligence, execution or other legal process is threatened, commenced or levied by anyone whomsoever which affects the Equipment or any property of the Hirer;
  - 17.1.9 the Hirer abandons the Equipment;
  - 17.1.10 the Hirer (being an incorporated body including an industrial and provident society) is unable to pay its debts within the meaning of Section 123 of the Insolvency Act 1986;
  - 17.1.11 any judgment against the Hirer remains unsatisfied for more than fourteen days;
  - 17.1.12 the Hirer (being an individual) dies;
  - 17.1.13 the Hirer does or causes or permits or suffers to be done any act or thing which, in the opinion of the Owner, prejudices or may or tends to prejudice the Owner's rights, title or interest in the Equipment or any remedy which under the general law or statute or the Agreement the Owner may have against the Equipment.
- 17.2 If the Hirer (being an individual) become notour bankrupt or is sequestrated or signs a trust deed on behalf of, or calls any meeting of, or makes any arrangement or composition with, his creditors or if (being a partnership) the partnership is dissolved or if (being an incorporated body including an industrial and provident society) an order is made or an effective resolution passed for the winding up of the Hirer or any guarantor of the Agreement (otherwise than for the purposes of reconstruction or amalgamation the terms of which have been previously approved in writing by the Owner) or a receiver, administrative receiver, judicial factor or similar office is appointed of all or part of the assets of the Hirer then the hiring of the Equipment and the Agreement shall automatically, immediately and without notice, terminate.
- 17.3 If the hiring of the Equipment and the Agreement are terminated under clauses 17.1 or 17.2:
- 17.3.1 the Equipment shall no longer be in the Hirer's possession with the Owner's consent;

17.3.2 the Owner may, without notice, retake possession of the Equipment, together with all certificates, licences, registration or other documents relating to the Equipment, and for that purpose shall be entitled to enter upon any land or buildings where the Equipment may be situated or believed to be situated and take such steps (including the use of lawful force) as it may consider prudent or necessary for that purpose. If the Equipment or any part thereof is affixed to any land or buildings the Owner shall be entitled to sever the same therefrom and to remove the Equipment or part thereof so severed and the Hirer shall be responsible for all damage caused to the land or buildings by such removal;

17.3.3 without prejudice to any other liability of the Hirer to the Owner, the Hirer shall pay immediately to the Owner (in addition to any Hire Payments actually in arrear), by way of agreed compensation for the Owner's loss of profit, an amount equal to (i) the total of all Hire Payments which are not yet due less the Accelerated Payment Rebate, and (ii) all other monies which may at that time be payable to the Owner under the Agreement and all charges and expenses whatsoever which the Owner may have incurred or may incur or for which the Owner is or may become liable in exercise of its powers whether under the general law or under this or any other Clause of the Agreement in regaining or attempting to regain possession of the Equipment. The Hirer's liability for such amount shall be deemed to have arisen immediately before and not after termination of the hiring and the Agreement. After, but not before, payment in full of such amount the Owner shall account to the Hirer for:-

17.3.3.1 the net proceeds (if any) after deducting all costs, commission, expenses, taxes and other charges incurred by the Owner, arising from the sale of the Equipment (including any sums reasonably expended by the Owner in putting the Equipment in good order and repair for the purpose of such sale); or

17.3.3.2 the present rental value (if any) as determined by the Owner, after deducting all costs, commission, expenses, taxes and other charges incurred by the Owner, arising from the re-letting of the Equipment (including any sums reasonably expended by the Owner in putting the Equipment into good order and repair for the purpose of such re-letting); or

17.3.3.3 if the Equipment is not sold or re-let as aforesaid within six months after termination of the hiring and the Agreement, its

value, after deducting all costs, expenses, taxes and other charges incurred by the Owner, as determined by a dealer in such Equipment appointed by the Owner, on the basis of a sale to dealers in such Equipment.

- 17.3.4 without prejudice to the Owner's power to re-possess the Equipment under clause 17.3.2 the Hirer shall, if so required by the Owner and at the Hirer's expense (including the cost of insurance), deliver up the Equipment serviced and maintained and in good order, repair and mechanical condition to the Owner to such address as the Owner may direct, free of advertising and all insignia other than the Owner's or manufacturer's or, if not so required, shall hold the Equipment available for collection by the Owner or the Owner's agents;
  - 17.3.5 any unexpired portion of any licence or other duty or insurance or other premium paid in respect of the Equipment shall, no matter by whom paid, be or become the absolute property of the Owner with full power to the Owner to collect and ingather such unexpired portions;
  - 17.3.6 the Owner shall be entitled (without prejudice to its rights under the Agreement) on giving twenty-four hours notice to the Hirer to terminate any other hire-purchase or hiring agreement entered into between the Owner and the Hirer and may exercise its powers under such other agreement, irrespective of the date when entered into, as if the Owner had the right to terminate such agreement by reason of a breach by the Hirer of the terms thereof;
  - 17.3.7 in the event of the hiring of the Equipment and the Agreement being terminated under clause 17.1.6 hereof the Owner shall be entitled, but shall not be bound, to require the Hirer to enter into a new hire-purchase agreement in respect of the Equipment expiring on the date on which the Agreement would have expired if it had not been terminated as aforesaid, with such variations in the terms and conditions of the Agreement as are necessary to ensure that the new hire-purchase agreement is not a regulated consumer credit agreement within Section 8 of the Consumer Credit Act 1974 or regulated by any legislation of similar intent or effect, but, save as aforesaid, upon the same terms and conditions as contained in the Agreement.
- 17.4 The Owner's rights under this Clause are without prejudice always to any other claim, right of action or remedy available to the Owner in respect of the termination of the hiring of the Equipment and the Agreement.

## **18 Interest**

Any money due or payable to the Owner under the Agreement shall bear interest (as well before as after any judgment) at the rate of 20% *per annum* from the date occurring 14 days after the date when such money is due, expended or incurred until payment in full.

## **19 Waivers; Remedies cumulative**

19.1 No failure to exercise and no delay in exercising by the Owner of any right, remedy, power or privilege arising under or by virtue of the Agreement shall operate as a waiver thereof, nor shall any single, defective or partial exercise thereof preclude any other or further exercise of that or any other right, remedy, power or privilege. The rights and remedies herein expressly conferred on the Owner are cumulative and not exclusive of any rights or remedies provided by law.

19.2 No releasing, compounding or compromising of any obligation or liability to the Owner under the Agreement and no relaxation, forbearance, delay or granting of time or other indulgence by the Owner to the Hirer shall affect, restrict or prejudice the rights, powers and privileges of the Owner or the obligations of the Hirer under the Agreement, nor shall any waiver of any breach of the Agreement by the Owner operate as a waiver of any subsequent or any continuing breach thereof.

## **20 Protection of Interests**

The Owner, shall, without prejudice to any right, power or privilege which it may have under the general law or statute or the Agreement, be entitled at all times to take such steps as it may think fit for the purpose of establishing, maintaining and protecting its rights, title or interest in the Equipment. The Hirer irrevocable appoints the Owner as the Hirer's attorney and agent to take such steps as aforesaid in the Hirer's name or on the Hirer's behalf. The Hirer shall indemnify the Owner against all or any costs, claims, damages and expenses incurred by the Owner in connection with the taking of such steps.

## **21 Costs and expenses**

The Hirer shall be responsible for the whole costs and expenses of the Owner in connection with, or incidental to any implementation or enforcement or intended or attempted implementation or enforcement of the provisions of the Agreement, including all legal and other professional expenses, or of any certificate, statement or the like referred to herein and for the whole costs and expenses in connection with or incidental to the Certificate of Hireworthiness.

## **22 Statement or Certificate by Owner**

A statement or certificate by any officer of the Owner as to the amount of any money (including interest) or other liabilities due or payable to the Owner under the Agreement shall be final, conclusive and binding on the Hirer.

## **23 Appropriation of Payments**

If at any time during the Hire Period there shall be any hire-purchase agreements or other agreements in existence between the Owner and Hirer, whether in similar terms to the Agreement or otherwise, which are not regulated agreements (as defined in Section 189 of the Consumer Credit Act 1974) then provided always that the provisions of legislation from time to time in force do not apply thereto and invalidate this Clause, all such agreements shall be construed as forming one transaction so that any sums paid to the Owner under the Agreement or any other such agreements may be appropriated by the Owner in full or part satisfaction of any sums due to the Owner by the Hirer under any such other agreements or under the Agreement, and notwithstanding that the Hirer may have purported to appropriate such sums in some other way.

## **24 Time**

Time shall be of the essence in the performance of the Hirer's obligations under the Agreement.

## **25 Further documentation**

The Hirer agrees to do or execute any such further undertakings and documents, and to obtain any such indemnity or guarantee in respect of the Hirer's obligations under the Agreement, as may be required by law or as the Owner may consider necessary or desirable to establish, maintain and protect the Owner's rights or interests under the Agreement and generally to carry out the intent of the Agreement.

## **26 Assignment of Agreement**

The Hirer shall not assign, transfer or grant a security over or purport to assign, transfer or grant a security over the Agreement or the Hirer's rights thereunder without the prior written consent of the Owner.

## **27 Notices**

Any notice, request, demand or other communication to be given, made or delivered under the Agreement shall be in writing and shall be sufficiently given if sent by recorded delivery post, addressed (a) in the case of the Owner, to such person and to such address as may be nominated by the Owner, and failing such nomination, to Shetland

Islands Council, 6 North Ness Business Park, Lerwick, Shetland, ZE1 0LZ and (b) in the case of the Hirer, at the address of the Hirer stated in the Agreement or at the Hirer's existing or last-known business or private address. Any such notice, request, demand or other communication posted to the hirer as aforesaid shall be conclusively deemed to have been received by the Hirer within forty-eight hours after the time of posting. If two or more persons constitute the Hirer any notice, agreement or otherwise given to or by any one or more shall bind all of them. In proving service it shall be sufficient to show that such notice, request, demand or other communication was sent by recorded delivery post, properly addressed and stamped.

**28 Headings**

The headings do not form part of these Conditions and shall not affect the validity or performance of the Agreement.

**29 Invalidity of any provision**

If any of the provisions of the Agreement become invalid, illegal or unenforceable in any respect under any law, the validity, legality and enforceability of the remaining provisions shall not be in any way effected or impaired.

**30 Proper Law, etc.**

The construction, validity and performance of the Agreement shall be governed in all respects by the Law of Scotland, and the parties to the Agreement submit to the non-exclusive jurisdiction of the Scottish Courts.



## **Registration**

The Hirer consents to registration of the Agreement and of any certificate, statement or the like given or made thereunder or in connection therewith (including any statement or certificate referred to in Clause 22 hereof) for preservation and execution.



**SHETLAND ISLANDS COUNCIL**

**Equipment Hire Purchase Agreement  
(Regulated by the Consumer Credit Act 1974)**

Number: HP

N.B. This Agreement does not become binding on Shetland Islands Council until signed on its behalf and unless and until the Conditions Precedent set out below have been fulfilled.

An Agreement made between **SHETLAND ISLANDS COUNCIL** and having its principal offices at the Town Hall, Lerwick, Shetland ("the Owner") and the Hirer described below ("the Hirer") whereby it is agreed that, subject to compliance with the Conditions Precedent, the Owner shall let and the Hirer shall hire the Equipment specified below ("the Equipment") on the terms and conditions of this Agreement, being those set out below and the Equipment Hire Purchase Conditions of Shetland Islands Council dated which shall apply to this Agreement and shall have effect as if the same were fully contained herein subject to any variations to the said Equipment Hire Purchase Conditions set out in the Schedule annexed and executed as relative hereto. In the event of any conflict between the terms and conditions set out herein and those set out in the Schedule annexed and executed as relative thereto the terms and conditions set out herein shall prevail.

=====

**The Owner**

SHETLAND ISLANDS COUNCIL, established under the Local Government etc. (Scotland ) Act 1994 and having their principal offices at the Town Hall, Lerwick, Shetland.

ADDRESS: 6 North Ness Business Park  
Lerwick  
Shetland  
ZE1 0LZ

TEL NO. 01595 74 4969

=====

**The Hirer**

NAME:

ADDRESS:

TEL NO.

INSURANCE CO.  
OR BROKER:

ADDRESS:

=====

=====

**Owner's Bank**

ADDRESS FOR PAYMENTS                      Bank of Scotland  
    117 Commercial Street  
    Lerwick, Shetland

SORTING CODE:                                      80-08-82

ACCOUNT NO.                                      (Account no to be inserted)

=====

**The Equipment**

Description and Make	Serial/ Registration No.	Cash Price (excl. VAT)
=====		

Address where the Equipment is to be installed and used ("the Premises"):

=====

**Hire Period and Hire Payment**

- i)      The Hire Period                                      Months
- Commencing date
- ii)      The Hire Payments shall be a deposit, payable on signature hereof, and a number of consecutive monthly payments, each to be made on the same date each month. Details are as follows:-
- |  |          |
|--|----------|
| Amount of deposit                                | £        |
| Number of consecutive monthly payments           | (      ) |
| Amount of each monthly payment                   | £        |
| Day of each month on which payment is to be made |          |
| Date of first monthly payment                    |          |

iii)	The total purchase price is made up as follows:-	£
	Cost of Equipment	0
	V.A.T.	0
	Total Purchase Price	<u>£0000</u>
iv)	Total Charge for credit:-	
	Total interest	0
	Total Charge for credit	<u>£00000</u>
v)	Total amount payable	<u>£00000</u>

### Conditions Precedent

The Owner's obligations under this Agreement shall be conditional upon:-

- (1) (i) the receipt by the Owner or the Owner's Solicitors of a deed by each of the persons specified in paragraph (ii) below, in form and substance satisfactory to the Owner, waiving any claim such persons might otherwise have had to or in respect of the Equipment and permitting the Owner to repossess the Equipment at any time;
- (ii) the persons referred to in paragraph (i) above are:-
  - (a) the heritable proprietor of the Premises and, if the Premises are sub-let to the Hirer, the Hirer's landlord and any other intermediate landlord; and
  - (b) any person holding any mortgage, charge, security or the like over the Premises;
- (2) if the Hirer is a body corporate, receipt by the Owner or Owner's Solicitors of a Certificate of Hire worthiness (as defined in Clause 1(1)(b) of the Equipment Hire Purchase Conditions of Shetland Islands Council) following on an inspection of the Equipment carried out by the person under whose hand the Certificate is given not more than two days prior to the date of this Agreement.

Clauses 12 and 13 of the Equipment Hire Purchase Conditions of Shetland Islands Council provide as follows:-

"12. **Exclusion of conditions, warranties, etc.**

- (1) It is expressly agreed that no conditions, warranty or representation of any kind (other than a condition implied under Section 8 of the Supply of Goods (Implied Terms) Act 1973) has been, or is given or made by the Owners, or the Owner's servants or agents with respect to, or in respect of, the Equipment and all conditions, warranties or representations, express or implied, statutory or otherwise, as to the state, quality, description fitness for any purpose or otherwise, of the Equipment are expressly excluded. The Hirer shall not be entitled to any rebate of Hire Payments in respect of any period during which the Equipment is unserviceable, lost, destroyed, out of order, unusable or not in the possession of the Hirer and the Owner shall not be liable to provide the Hirer with any replacement equipment or parts.
- (2) No dealer, supplier, manufacturer or insurance agent nor any person in the employment of a dealer, supplier, manufacturer or insurance agent, is or shall be deemed to be the agent of the Owner for any purpose, or authorised to bind the Owner in any way, and the Owner has and shall have no liability for, and shall not be bound by, any statement,

representation, undertaking or promise made by any such person, or any employee of such person, to the Hirer.

13. **Owner not liable for defects**

- (1) Subject to sub-clause (2) hereof, the Owner shall not be liable to the Hirer, whether in contract, quasi-contract, delict, quasi-delict, by statute or in any other way whatsoever, for any liability, claim, loss (including loss of business or other consequential loss), damage, injury or expense of any kind or nature and howsoever caused (including any liability, claim, loss, damage or expense whatsoever caused by the negligence of the Owner, its servants or agents) arising out of or in connection with the Equipment or any part thereof, its manufacture, selection, delivery or possession, any delay in delivery thereof, any inadequacy thereof for any purpose, any deficiency or defect therein, whether such defect be latent or apparent on examination, the use or performance thereof, any repairs, servicing or otherwise thereto or any delay in providing or failure to provide the same or any interruption or loss of service or use thereof.
- (2) The Owner does not exclude liability to the Hirer for (i) death or personal injury caused by the negligence of the owner, its servants or agents while acting in the course of their employment by the owner and (ii) breach by the Owner of any condition implied by Section 8 of the Supply of Goods (Implied Terms) Act 1973."

### **Signature of Parties**

IN SIGNING THIS AGREEMENT, THE HIRER ACKNOWLEDGES AND CONFIRMS THAT:-

- (1) The Equipment was selected by the Hirer, and in doing so the Hirer did not rely on the Owner's skill and judgement.
- (2) The Hirer has read Clauses 12 and 13 of the Equipment Hire Purchase Conditions of Shetland Islands Council which are set out on pages 3 and 4 hereof and which exclude liability on the part of the Owner, and agrees that having regard to the nature of the Owner's and Hirer's respective businesses and to the Hirer's specialised knowledge, the incorporation in the contract of the exclusions contained in Clauses 12 and 13 is fair and reasonable.
- (3) The details in this Agreement are accurate.
- (4) The Hirer has received a copy of the Equipment Hire Purchase Conditions of Shetland Islands Council and has had a reasonable opportunity to read the same and to consult a professional adviser. NOTE: IF THE HIRER IS IN ANY DOUBT AS TO THE HIRER'S RIGHT AND OBLIGATIONS UNDER THIS AGREEMENT THE HIRER SHOULD CONSULT A SOLICITOR BEFORE SIGNING THIS AGREEMENT.
- (5) The Hirer has power to enter into this Agreement.

### **IMPORTANT YOU SHOULD READ THIS CAREFULLY**

#### **YOUR RIGHTS**

The Consumer Credit Act 1974 covers this agreement and lays down certain requirements for your protection which must be satisfied when the agreement is made. If they are not, the Creditor cannot enforce the agreement against you without a court order.

The Act also gives you a number of rights. You have a right to settle this agreement at any time by giving notice in writing and paying off all amounts payable under the agreement (which may be reduced by a rebate).

If you would like to know more about the protection and remedies provided under the Act, you should contact either your local Trading Standards Department or your nearest Citizens' Advice Bureau.

## TERMINATION

You have a right to end this Agreement. If you wish to do so, you should write to the person authorised to receive your payments. The Creditor will then be entitled to the return of the goods and to half the total amount payable under this Agreement, that is, £ . If you have already paid at least this amount plus any overdue instalments, you will not have to pay any more, provided you have taken reasonable care of the goods.

## REPOSSESSION

If you fail to keep to your side of this Agreement but you have paid at least one-third of the total amount payable under this Agreement, that is £ , the Creditor may not take back the goods against your wishes unless he gets a court order. (In Scotland he may need to get a court order at any time.) If he does take them without your consent or a court order, you have the right to get back all the money you have paid under the agreement.

***This is a Hire-Purchase Agreement regulated by the Consumer Credit Act 1974. Sign it only if you want to be legally bound by its terms.***

**Signature(s) of Debtor(s)** .....

.....

**Date of Signature(s)** .....

***The goods will not become your property until you have made all the payments. You must not sell them before then.***

**Signature for and on behalf of Shetland Islands Council**

.....

**on the ..... day of .....**

**Signature of Witness** .....

**Full Name of Witness** .....

**Address** .....







## **REPORT**

**To:** Development Committee

02 October 2008

**From:** Economic Development /Tourism Officer

### **REPORT NO: DV048-F HERITAGE TOURISM INVESTMENT PROGRAMME**

#### **1.0 Introduction**

- 1.1 The purpose of this report is to propose the adoption of a revised Heritage Tourism Investment Programme 2008-2011 (HTIP), which defines the principles and priorities for developing heritage sites in Shetland for the next 3 years and proposes a number of actions that will contribute to meeting these objectives.
- 1.2 While this programme seeks to better coordinate investment in heritage projects, it does not identify any particular source of funds capable of providing full public sector support. Decisions on funding still, therefore, have to be taken by existing funding bodies in the context of their existing and future funding commitments.

#### **2.0 Links to Corporate Priorities**

- 2.1 Adopting a coordinated programme of activities to develop Shetland's heritage tourism product will directly support Corporate Plan aims to "Promote Shetland as a tourism destination" and "Celebrate, promote and invest in the islands' distinctive creativity, diverse culture, heritage and environment".

### 3.0 Background

- 3.1 Tourism is a developing industry in Shetland and heritage is a key part of the Shetland tourism product. The Shetland Visitor Survey 2005/06 highlights the fact that 77% of Shetland's visitors come to Shetland to experience its natural and cultural heritage, whether that be Shetland's wildlife, history, archaeology or landscapes.
- 3.2 Shetland's rich natural and cultural heritage is one of Shetland's greatest assets; not just for attracting visitors and promoting Shetland and its products, but also for affording residents a strong sense of local identity and excellent quality of life, encouraging physical regeneration, and attracting people to live and work in Shetland.
- 3.3 This is clearly reflected in the wide range and diversity of organisations involved in developing, promoting and funding local heritage including commercial tour operators and service providers, community museums, history groups, trusts and agencies, Council, Heritage Lottery and the European Structural Funds.
- 3.4 Unique in Scotland, Shetland also has the Shetland Charitable Trust, which, with money generated from the oil industry, grant aids the delivery of a range of local services, including core funding Shetland Amenity Trust. This has enabled Shetland Amenity Trust, Shetland's heritage champion, to gain 25 years of experience managing heritage and culture projects including the flagship new Shetland Museum and Archives.
- 3.5 Heritage development projects can vary dramatically in scale and cost. Modest schemes may involve only small "one off" capital costs, for example for the erection of an interpretive board at a historic site. At the other end of the spectrum, the new Shetland Museum and Archives cost in the region of £11m to construct, and requires around £1.1 million per annum from Shetland Islands Council to operate, though of course its functions are wider than heritage. Whatever their scale, tourism heritage projects tend to require local investment and very often Council investment, at some level.
- 3.6 Heritage related activities can be generated for a number of social, economic or environmental reasons so it can be difficult to keep track of all the projects under development at any given time, how projects are being funded and to what level.
- 3.7 With this in mind, but with particular reference to the value of heritage sites from an economic development and tourism perspective, "A Heritage Plan for Shetland" was commissioned and subsequently approved by the Council on 18 December 2006 [Minute Ref 184/06] with the recommendation that:

“A programme of activity for the Heritage Plan should be proposed by the Economic Development Unit for adoption by the Executive Committee which defines: the principles and priorities for developing heritage sites in Shetland and establishes a baseline from the results of the 2005/06 visitor survey from which future progress can be measured”.

This was duly done and Shetland’s first Heritage Tourism Investment Programme 2007- 2012 was subsequently adopted by the Councils Executive Committee on 4 July 7 2007 [Min Ref 75/07]. The revisions proposed in this report reflect the activity and development during the last year.

## **4.0 Proposal**

- 4.1 The purpose of this report is to propose: the adoption of a revised Heritage Tourism Investment Programme 2008-2011 (attached as Appendix 1) which defines: the principles for developing sustainable heritage sites; identifies key objectives for developing a strong heritage tourism product in Shetland; and proposes a number of actions which will contribute to meeting these objectives.
- 4.2 It is intended that, following approval of this report, work will continue assessing projects for which assistance is sought. Where proposals cannot be approved by officers under delegated authority, they will be the subject of reports to the Council.
- 4.3 The principles and priorities for developing heritage and inclusion in the programme have been drawn up with reference to existing strategies. It is recognised that these principles will need to be refined from time to time and it is also important to stress that the Council will seek external advice or comment on specialist matters where necessary. The information provided about individual projects has been drawn from consultation with local funding agencies. The actions have been identified in consultation with local organisations involved in developing heritage tourism related activity. As lead agent for heritage activity in Shetland many, but not all, of the projects are being either initiated or supported by Shetland Amenity Trust.
- 4.4 The programme is intended to provide an overview of heritage tourism related activity throughout Shetland and enable Councillors and officers to weigh up the economic and other benefits that can be derived from each project against the cost implications to the Council. It enables realistic targets to be set with timescales for delivery but remains a working document so that new initiatives can be incorporated in the programme as they come forward. It is worth noting that heritage tourism projects will often be funded in partnership with other agencies and that Council investment can lever in substantial sums from other bodies. It is also worth noting that the Shetland Charitable Trust has a policy in place not to grant aid any new capital projects due to funding constraints.

- 4.5 Council budgets are under continuous review. The mechanisms and levels to which heritage will be supported within the Council's aspirations for developing the Shetland economy will be a key factor in deciding which projects will attract Council support. The Heritage Tourism Investment Programme helps guide this process.

## 5.0 Financial Implications

- 5.1 Coordinating a united approach to developing and presenting Shetland's heritage has no direct financial implications in itself. However most of the projects identified in the course of this exercise would have financial consequences and in some cases involve significant capital and possibly revenue funding in the longer term.
- 5.2 The proposed creation of a world-class visitor centre at the Old Scatness Broch, for example, will require significant capital investment, although the intention is that it will require little or no annual subsidy.
- 5.3 In the meantime, Shetland Development Trust (SDT) funding of £148,340 was approved by the Development Committee to complete the interpretation of the archaeological finds and open the site to visitors during 2008/09. The Development Committee was also asked to approve a further two years funding to enable the site to continue to operate as a visitor attraction and for detailed plans, for a year round visitor centre, to be drawn up for future funding consideration. However it was agreed that no additional funding for the Old Scatness Broch project would be considered until Shetland Amenity Trust presented to Council "A three year strategic business plan on the costings of all its projects including those that are aspirational" [Ref Dev. Com. 24 April 2008, Min ref 03/08].
- 5.4 With this in mind SAT is currently finalising a three year Corporate Plan and Revised Business Plan for Old Scatness Broch, which will be presented to the Development Committee in November 2008.
- 5.5 It is important to note that the programme is intended to better inform the Council's, and other local funders', budgetary planning process: but inclusion of a project in it **does not** in itself guarantee Council or other local funding. Any project included in the programme that needs local investment would still require approval by funders through their normal channels.
- 5.6 At a time when the Shetland Charitable Trust, has a policy in place not to grant aid any new capital projects, the requests for local investment in heritage related developments will inevitably fall on the Council.
- 5.7 Any assistance approved under the expanded Economic Development Unit service (formerly the Economic Development Unit and Shetland Development Trust) is likely to be coded to the Heritage Tourism Budget where a sum of £2.23 million can be identified for heritage tourism spending over the next 3 years. A total of £1,648,340 of this funding

was committed by Shetland Development Trust to the Sumburgh Head [Ref SDT 18 February 2008, Min ref 03/08] and Old Scatness Broch projects prior to the transfer of the Shetland Development Trust, leaving an estimated £581,660 for other projects identified within the Programme, subject to further Council approval. However in the report to the Development Committee [Ref Dev Com 05 June 2008, Min ref 13/08] Members were asked to note that some of the transferred funds would remain unspent at 31 March 2009 and that the balance of those must continue to be recognised as ring fenced against existing SDT approved commitments at the date of transfer. Release of these funds beyond 31 March 2009 would continue under the SIC budgetary process.

## **6.0 Policy**

- 6.1 This report has been prepared under Economic Development Policy number 5: “Continue to develop Shetland as a high quality destination through development of high quality products and services”, number 6 “Continue to promote Shetland as a high quality visitor destination, number 7 “Support people involved in products and services for the tourism sector, number 24 “Improve Shetland’s reputation as a place that offers products of excellent quality that meet the needs and aspirations of the consumer most likely to be interested in” and number 26 “Support community enterprises engaged in economic activities” which were approved by the Development Committee on 24 April 2008 (01/08) and by the Council on 14 May 2008 (55/08).
- 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”. The Shetland Tourism Investment Programme is closely linked to the product and promotion parts of the strategy including: “Investigate the development of heritage sites as niche tourism products”, “Support Shetland endeavours to become a European Geopark” and “Better market Shetland’s unique selling points including historic and natural heritage”.
- 6.3 In accordance with section 11.0 of the Council’s scheme of delegation, the Development Committee has delegated authority to implement decisions on all matters within its remit for which the overall objectives have been approved by the Council, in addition to appropriate budget provision, including economic strategy and Europe. As the subject of this report is covered by existing policy the Development Committee does have delegated authority to make a decision.

## **7.0 Conclusion**

- 7.1 Shetland’s natural and cultural heritage is one of Shetland’s greatest assets for attracting visitors. Investing in and promoting a strong Shetland culture and heritage brand will maximise Shetland’s chances of competing in an increasingly competitive global tourism market.

- 7.2 Adopting a coordinated and inclusive approach to developing Shetland's heritage assets will build a sense of pride and confidence in the heritage sector and strengthen the sense of community ownership of our heritage and culture. It will enhance Shetland's portfolio of visitor attractions, provide employment and contribute towards the local economy.
- 8.3 Providing an overview of Shetland's developing heritage tourism sector, in an environment where local funding options are limited in the short term, will enable funding bodies to prioritise individual projects in the context of their existing and future funding commitments.

## **9.0 Recommendations**

- 9.1 It is recommended that the Development Committee adopts the revised Heritage Tourism Investment Programme 2008- 2011 (attached as Appendix 1) which defines: the principles and priorities for developing heritage sites in Shetland and proposes a number of actions that will contribute to meeting these objectives. All funding outlined in this appendix will be subject to further Council approval unless approval has already been indicated.

Our Ref: LC/JJ  
Date: 25 September 2008

Report No: DV048-F

# **HERITAGE TOURISM INVESTMENT PROGRAMME 2008-2011**

Shetland Islands Council  
Economic Development Unit  
[Revised October 2008](#)

## CONTENTS

	Page
1 Introduction .....	1
2 Goal.....	2
3 Assumptions.....	2
4 Principles.....	3
5 Implementation .....	4
6 Baseline.....	5
7 Monitoring and Evaluation .....	5
8 Feedback.....	6
9 Actions.....	7
Appendix 1 – Consultees.....	19
Appendix 2 – Baseline data from the 2006 Visitor Survey.....	20



# 1 INTRODUCTION

Shetland Islands Council approved a Heritage Plan for Shetland on 18 December 2006 (written by Steve Westbrook in partnership with Sandy Anderson) with the recommendation that the SIC Economic Development Unit should:

“Propose a programme of activity relating to the Heritage Plan which defines the principles and priorities for developing heritage sites in Shetland and establishes a baseline from the results of the 2005/06 visitor survey from which future progress can be measured”

Shetland's first Heritage Tourism Investment Programme 2007- 2012 was subsequently adopted by the Councils Executive Committee on 4 July 2007 [Min Ref 75/07]. The revisions proposed in this updated version of the HTP reflect the activities and aspirations of Shetland's heritage community to the present date.

In the context of this programme, *heritage* refers primarily to manned and unmanned archaeological, historic and natural heritage sites, museums and interpretive centres as a distinct tourism product. In particular the programme does not include Shetland's creative industries eg visual arts, crafts, textiles, film, music and literature etc which are being developed as an economic sector and tourism sub product in their own right.

However, it is important to note that activities included in the Shetland Heritage Tourism Investment Programme (HTIP) will have strong links to other resources important for tourism, such as music and recreation. The Programme will also contribute to Shetland's wider aims for developing culture and heritage, such as improving quality of life, physical regeneration, and attracting people to live and work in Shetland.

The HTIP is not an exhaustive list of all heritage related activity. Many organisations, local and national, statutory and otherwise, are involved in heritage development. The Programme's prime purpose is to set out the projects that appear likely to require local funding. Thus, in order better to inform the Council's, and other local funders' budgetary planning process, it does include:

- A programme of heritage tourism related activities that will require public agency support, including Council investment, within the next twelve months: if they are to go ahead, with costings provided where they are available, and:
- Projects or initiatives that are eligible for inclusion in the plan (see principles below) and are likely to require public agency support and local investment within the next 3 years.

All local organisations involved in developing heritage tourism related activity have been encouraged to submit details of projects large or small that they are considering in the next 3 years. As lead agent for heritage related activity in Shetland, many but not all of these projects are being either initiated or supported by Shetland Amenity Trust

Shetland Amenity Trust was formed in 1983. It is concerned with the conservation and enhancement of Shetland's heritage, with particular emphasis on the built environment, archaeology, the natural environment, recycling and placename research

Local agencies involved in supporting and funding heritage tourism-related projects, have also been consulted on the principles and priorities for developing heritage and inclusion in the programme. (Ref Appendix 1 Consultees)

## **2 GOAL**

The overall goal of the Heritage Tourism Investment Programme is:

To maximise the potential of manned and unmanned archaeological, historic and natural heritage sites, museums and interpretive centres throughout Shetland to strengthen Shetland's distinctive identity and contribute to sustainable tourism through local investment.

## **3 ASSUMPTIONS**

It is expected that this goal will most likely be achieved by adopting a coordinated and inclusive approach to developing Shetland's heritage assets.

The programme assumes that:

- Shetland's heritage is fundamental to the islands' identity and culture.
- Tourism is a developing industry in Shetland and heritage is its principal asset.
- Shetland's heritage is a major economic asset in a wider sense, since it is a tool for strengthening the islands' reputation for distinctiveness and high quality among those who may wish to buy our products, move here or invest here.
- Shetland's heritage has the potential for substantial further development.
- Local funding options particularly for large-scale developments are limited in the short term.
- Public investment in heritage is one of the keys to building private sector confidence and willingness to invest.
- As well as producing economic benefits, developing Shetland's unique heritage assets will result in visible benefits for local residents, building confidence, and in the provision of educational opportunities.

## 4 PRINCIPLES

New project ideas at the pipeline or feasibility stage will only be included in the investment plan when it can be demonstrated that they are credible and sustainable from a social, environmental and economic perspective.

For this reason all projects and initiatives included in the Heritage Tourism Investment Programme will accord with the key principles of:

1. Value for money
2. Long term viability
3. Minimum environmental impact
4. Best practice in conservation and heritage management
5. Community support
6. High quality and good service
7. Links to wider strategic objectives

It is suggested that these terms are interpreted as follows:

Value for money	In relation to the outlay, the project will make a significant contribution to heritage tourism through (a) attracting more visitors to a particular part of Shetland or to Shetland as a whole (b) widening the range of attractions on offer (c) contributing to the preservation or enhancement of a valuable aspect of heritage (d) offering employment (e) improving wet-weather facilities or (f) contributing to a longer tourist season. Developments will demonstrate better value for money if they use local funding to attract funding from external agencies.
Long term viability	In general, projects should convincingly demonstrate that they will need no subsidy for operating costs. However, some projects may justify subsidy because they contribute to wider objectives (for example, education, marketing and promotion or the retention of population in remote areas).
Minimum environmental impact	Projects will be assessed against a range of criteria including: physical development in harmony with the landscape; accessibility by public transport; zero or minimal CO <sup>2</sup> emissions.
Best practice in conservation and heritage management	Projects must demonstrate that in their design, execution and management they take account of good practice in conservation of the built and natural environment. Projects must also demonstrate a high standard of site and visitor management, including interpretation.
Community support	Project promoters will be expected to show that there has been consultation with the local community, and that the local community is broadly in support of the project

High quality and good service	In design, execution and management, the project must demonstrate that satisfactory skill will be exercised, for example through the employment of adequate professional advice and the use of long-lasting materials. There should be a convincing aspiration to exceed visitor expectations in regard to the quality of the project and the customer service offered.
Links to wider strategic objectives	The project should demonstrate that it helps to fulfil the goals of public policy, for example the Council's Corporate Plan, Structure Plan, Cultural Strategy, or comparable documents prepared by other agencies such as HIE Shetland, VisitScotland, Scottish Natural Heritage, Historic Scotland, Shetland Amenity Trust.

## 5 IMPLEMENTATION

Coordinating the implementation and updating of the Tourism Heritage Investment Plan requires regular consultation with the heritage and tourism sector and close cooperation between local funding and support agencies eg Shetland Amenity Trust, VisitShetland, Highlands and Islands Enterprise, Shetland Islands Council – Infrastructure and Community Development, Scottish Natural Heritage and Historic Scotland

No additional funding or resources are required to carry out this task as representatives from these organisations are in regular informal contact with each other and already meet to progress strategic heritage projects identified within the programme.

However to facilitate and formalise the process the Economic Development Unit will:

- Keep the assessment principles suggested above under review, seeking guidance from other relevant organisations and Council Services.
- Arrange a meeting with local funding and support organisations, at least once a year, to review investment priorities within the plan, as strategies and circumstances change and to discuss collaborative or linked projects.
- Revise HTIP in regular consultation with the heritage sector. Feedback on heritage tourism related development projects is requested, in writing, from all stakeholders at least once a year.
- Make specialist staff time available to give advice, identifying potential sources of funding and advising on the completion of applications.
- Support new initiatives as they come forward and incorporating them into the plan as appropriate.

## 6 BASELINE

The following baseline data is intended to help clarify heritage tourism market opportunities and establish a starting point from which future performance can be measured.

Based on data from the 2005/06 Shetland Visitor Survey it is estimated that 77% of Shetland's visitors come to Shetland to experience its natural and cultural heritage, be that wildlife, history, archaeology or landscapes. Approximately 104, 000 visitors came to Shetland in 2005/2006 generating direct income from accommodation and goods and services purchased while in Shetland of approximately £16.5m.

### **Extract from Shetland Visitor Survey 2005/06**

<b>Travellers to Shetland</b>		<b>%</b>
Holiday	24,744	24
Business	22,099	21
Visiting friends and relatives	13,081	13
Cruise passengers and crew	43,035	41
Yacht travellers	1,292	1
<b>Total</b>	<b>104,241</b>	<b>100</b>

<b>Direct Spend of Visitors (£m)</b>		<b>%</b>
Holiday	7.3	44
Business	5.4	33
Visiting friends and relatives	2.6	16
Cruise passengers and crew	1.0	6
Yacht travellers	0.2	1
<b>Total</b>	<b>16.5</b>	<b>100</b>

The cost of carrying out full visitor surveys is very high so they are only commissioned every 5-6 years. However the Councils Economic Development Unit has commissioned a smaller-scale survey at the airport and ferry terminal during 2008 to monitor changes in the key indicators (ie visitor numbers by type and when they came). This will allow inferences to be drawn about trends in tourism and will extend the useful life of the full survey. This data will be available for inclusion in the 2009 revision of the Heritage Tourism Investment Programme and will also appear in Shetland in Statistics.

Information on the number of visitors to key heritage visitor attractions has been monitored for a number of years. For the purposes of the HITP the baseline has been taken from 2007 when the new Shetland Museum and Archives opened.

<b>Visitor Attractions in Shetland (Free)</b>	<b>2007</b>
Shetland Museum & Archives	55,142
RSPB Sumburgh Head Reserve	29,000
Hoswick Visitor Centre	8,587
Tangwick Haa Museum	4,719
Croft House Museum	4,214
Old Haa	3,123
Muness Castle	3,113
Hermaness Visitor Centre	1,129
Burland Croft Trail	1,700
Bod of Gremista	902
<b>Visitor Attractions in Shetland (Paid )</b>	<b>2007</b>
Jarlshof	12,216
Old Scatness Broch	4,660
Unst Heritage Centre	3,692
Unst Boat Haven	3,366
Quendale Water Mill	3,500
Islesburgh Summer Exhibition	n/a
Island of Noss	1,273
Up-Helly-Aa Exhibition	n/a
Fetlar Interpretive Centre	1,092
Hanseatic Booth, Whalsay	159

Source: VisitScotland and individual attractions

To improve the baseline figures available for measuring the impact of tourism activity with regards the provision of visitor accommodation the Council also commissioned a 12-month occupancy survey of accommodation in Shetland by type and four-month period. It is currently being repeated in 2008 so that comparisons can be made in the 2009 revision of the Heritage Tourism Investment Programme. The first year's figures below will appear in the next edition of Shetland in Statistics.

### **Shetland Accommodation Occupancy 2007 (%)**

	<b>Jan -Apr</b>	<b>May-Aug</b>	<b>Sept-Dec</b>
Hotels	30	44	29
Guest Houses & B&Bs	18	43	19
Self-Catering	31	67	34
Hostels	8	33	6
Caravan & Campsites	1	38	3

Source: Shetland Occupancy Survey 2007, AB Associates Ltd.

\*Occupancy levels in Hotels, Guest Houses & B&Bs and Hostels are calculated from bed spaces occupied; Self-Catering and Caravan & Campsite figures are calculated through unit and pitch occupancy.

Information on employment in the tourism sector, broken down into sub sector and full and part time has also been generated for 2007 as part of the Councils employment survey, which is carried out every 3 years.

### **Tourism Employment 2007**

	<b>Full Time</b>	<b>Part Time</b>
Accommodation: Hotels	155	122
B&Bs & Guest Houses	29	41
Self-Catering	0	30
Catering	140	228
Transportation	183	81
Communications & Supplier Services*	32	17
Visitor Attractions & Services	90	52
<b>Total</b>	<b>629</b>	<b>571</b>

\*Travel agents, tour operators, etc.

Source: Economic Development Unit, SIC

## **7 MONITORING AND EVALUATION**

The Economic Development Unit will:

- Coordinate the collation of the research described above on an annual basis to provide more detailed information on changes in the value and importance of the heritage / tourism sector to the local economy.
- Set targets and key outputs which are directly related to activities identified in the Heritage Tourism Programme Plan in the Council's Economic Development Policy Statement against which performance can be evaluated.

<b>Policy</b>	<b>Pledges</b>	<b>Outputs 2007-11</b>
No 5: Continue to develop Shetland as a tourist destination, through development of high quality products and services	Encourage 4 Country Museums or Visitor Attractions to be open during the shoulder season as 'wet weather' attractions"	2 new jobs
	Encourage 6 heritage related capital improvement projects	20 new jobs
No 6 Continue to promote Shetland as a high-quality visitor destination.	Ensure that VisitScotland continues to market Shetland in line with Shetlands aspirations for developing the tourism sector	Direct Output 4m Increase visitor occupancy rates by 10%
No 7 Support people involved in products and services for the tourism sector.	Run an interactive local cultural/heritage event to encourage best practice	

## **8 FEEDBACK**

---

The Economic Development Unit will:

- Ensure that detailed information is readily available on the value of the heritage / tourism sector to the local economy by publishing summary details of the relevant research in Shetland in Statistics.

The Heritage Tourism Investment Programme is effectively a working document into which projects and initiatives can be added or removed and timescales changed on an ongoing basis. However:

- At least once a year the Economic Development Unit will circulate a revised and dated HTIP to all contributing local agencies and copies will be available on request at all other times.



## 9 ACTIONS

### PRODUCT

**Objective 1** Flag up well developed Infrastructure projects across the tourism heritage sector in order that they can be assessed and prioritised for local funding within a strategic and Shetland wide context

Lead Body	Project Description	Timescale 1-5 Years	Total Cost e =estimate	Funding Status
SAT	<p><b>Sumburgh Head/ Restoration and Development</b> Restore the A-Listed Sumburgh Lighthouse buildings to provide a visitor centre, self-catering accommodation, and offices.</p> <p>Working towards Heritage Lottery Funding Stage 2 approval (i.e. detailed design and costings). Architects appointed, tendering for display/design people, working on securing remainder of funding package.</p> <p>Application must be submitted by end February 2009 for release of stage 2 funding. Planning consent to be submitted. Estimated timescale for Stage 2 2009 – 2011</p>	1-3	£3,900,000	<p>£1.5million approved by SDT.</p> <p>£3.3 million has been secured in total.</p>
SAT	<p><b>Old Scatness</b> Create a world heritage class visitor centre at the Old Scatness Broch. Protect a complex ancient site and present it to visitors in an innovative and exciting way.</p> <p>Options appraisal complete for long-term development of site.</p> <p>SCT funding of £381,000 has been committed in 3 annual tranches between 2008-2011 (ie £148,000, £150,000 and £83,000) to complete the interpretation of the archaeological finds, enable the site to continue to operate as a visitor attraction and develop detailed plans for a year round visitor centre.</p>	<p>1-5</p> <p>1-3</p>	<p>£7,000,000e</p> <p>£381,00</p>	<p>£148,340</p> <p>Approved by SDT</p>

SBFS	<b>Scalloway Museum</b> Conversion of old factory building into new Scalloway Museum.  Planning permission and building warrant approved, Business Plan prepared. Investing in Communities Lottery Fund application for approximately £500,000 submitted, and first stage application to Scottish Regional Develop Programme Depending on the outcomes of these applications local funding will be sought to meet any shortfall.	1-3	£1,000,000	External funding applications submitted
STWMT / SAT	<b>Shetland Textile Working Museum, Voe House Waas</b> Rebuild and restore historic house to accommodate the Shetland textile working museum  The intention is for SAT to restore and own the building and that STWMT will pay SAT a nominal rent and be responsible for fitting out the building and providing the textile museum service to visitors.  Planning permission and listed building consent approved, Awaiting building warrant and finalising project details.	2-5	£500,000e	£28,500 attracted from SDT surplus  Other funding still to be identified
<b>Lead Body</b>	<b>Project Description</b>	<b>Timescale 1-5 Years</b>	<b>Total Cost e =estimate</b>	<b>Funding Status</b>
FIBOT	<b>Fair Isle Bird Observatory</b> New build Bird Observatory providing serviced accommodation, facilities and visitor services  SCT funding of £1,150,000 has been committed in 3 annual tranches between 2008-2011 (ie £384,000, £381,000 and £385,000)  Currently tendering for contractors. Applied for Lottery, HIE, SRDP and ERDF funding and have an online fund raising appeal, which was launched at the British Bird Fair in August 2008	1-3	£3,950,000	£1.150,000  Approved by SDT

BT	<b>Belmont House</b> Restoration of Georgian House (1775) in Unst to provide high quality visitor accommodation and services.  Phase 2 funding for Internal finishes, fittings and fixtures secured.  Phase 3 to restore the ground of the House to be carried out using voluntary labour. Trustees are aware that Council will not consider any additional funding requirement.	1	£1.180,000	£507,000 Phase 2 funding secured  £100,000 approved by SDT
SAT	<b>Viking Unst</b> Detailed archaeological excavation, site surveys and interpretation including the construction of a Viking longhouse.  1 year left of current project funding. Advertising for Project Officer for final year.  Option appraisal for phase 2 to be carried out		£1,000,000  1-3	Current project fully funded  Option appraisal for phase 2
SAT	<b>Bressay Lighthouse</b> Complete works at the Bressay lighthouse by creating a Camping Bod and exhibition/ workshop facility.  Work currently in progress	2-5	£40,000e	
SSDC	<b>Secure and Preserve Sandsayre Pier</b> Feasibility and design works fully funded. Statutory consents and long term lease in place. Capital funding required.	1-2	£800,000e	Applying to external funders
BHG	<b>Burnt Mound Rescue Project</b> Burnt Mound excavation at Creuster Bressay and accurate reconstruction of the core structures on a new site adjacent to the Bressay Heritage Centre. The excavation and reconstruction were completed during summer 2008 but the current project also includes a number of visitor open days and programme of experimentation and interpretation which will continue until Sept 09	1	£90,351	Current project fully funded  £10,296 approved by EDU

**Objective 2** Strengthen And Develop the Role of Community Museums and Interpretive Centres

Lead Body	Project Description	Timescale 1-5 Years	Total Cost e =estimate	Funding Status
EDU / VS	<p><b>Develop the manned Visitor Information Point Network</b></p> <p>In addition to their core role Visitor information points, which are based in existing visitor facilities provide an orientation function, stock geographic and thematic leaflets on Shetland and promote heritage sites, activities and events in their area. Council currently investigating the potential for enhancing local visitor services.</p> <p>The newly refurbished Cabin in Laxo added to the network.</p> <p>Visit Scotland's management of the network currently under review</p>	1		Funding included in service level agreement with VisitScotland
SFHS	<p><b>Upgrade Shetland family History Society premises and equipment at Hillhead, Lerwick</b></p> <p>SFHS provides a drop in service to all those interested n Shetland family history.</p> <p>With an increasing number of tourists using their premises some significant upgrading and refurbishment of the building and equipment is required.</p> <p>Members currently carrying out remedial work to building and drawing up a project proposal for improving storage, upgrading computers, software, fixtures and furniture</p> <p>The aim is to complete the work before the Shetland Hamefarin 2010</p>	1-2	Currently researching costs	

**Objective 3    Develop, enhance and support the concept of a heritage hub network of sites, facilities and services throughout Shetland**

Lead Body	Project Description	Timescale 1-5 Years	Total Cost e =estimate	Funding Status
SAT	<b>Secure the return of St Ninian's Isle treasure to Shetland, for display in the new Shetland Museum and Archives</b> Treasure on loan from the National Museum of Scotland 04 July 2008 - 05 October 2008	1	No cost implications envisaged at this stage	
SAT	<b>Develop Trail Leaflets</b> £25,000 funding in place to develop and print 10,000 copies of 8 themed trail leaflets eg geology, archaeology, Shetland at war etc. Trail leaflets under development. Geology leaflet well advanced	1-5	£5,000e per annum	EDU Marketing Rolling programme with thematic geographic leaflets.
SAT	<b>Revise and reprint Shetland's suite of thematic and geographic leaflets under the culture and heritage brand</b> Rolling funding programme supplying free high quality information leaflets to visitor outlets throughout Shetland. Re branding complete and leaflets in production ready to order 1st batch of re branded reprints as part of rolling programme.	Ongoing	£15,000e per annum	Proposed EDU Marketing Rolling programme

Lead Body	Project Description	Timescale 1-5 Years	Total Cost e =estimate	Funding Status
SAT	<p><b>Deliver interpretive panels at heritage sites throughout Shetland</b> 50+ panels using the Shetland culture and heritage branding fully funded and currently being installed throughout Shetland.</p> <p>Almost complete - last seven panels at design stage. Project to be completed by Dec 2008</p>			No current requirement for local investment

**Objective 4** Progress Shetland's application to become a member of the European Geopark Network (EGN)) as a distinct but integral part of Shetlands strategy for Heritage Development

Lead Body	Project Description	Timescale 1-5 Years	Total Cost e =estimate	Funding Status
SAT/ SGWG	<p><b>3 year funded action plan for developing and promoting Shetland's world class geological heritage</b></p> <p>Revised application to become a member of the European Geopark Network submitted, Geological walls at Mavis Grind and Fetlar completed. Geology exhibits installed at Braewick and Stenness, and geology specific panels erected at Funzie, Mavis Grind and Back Sands, Ollaberry. Several SAT Interpretive panels developed to include information on Geology. Restoration at Hagdale Mill with explanatory panels completed.</p> <p>EDU funding approved in 3 annual tranches between 2008-2010 (ie £39,277, £37,866, £38,513) for Geopark Officer and marketing and conference participation, as a contribution to the wider 3 year action plan for developing and promoting Shetland geology (ie trails exhibits, interpretation, education and reference materials)</p>	1-3	£260,156	£110,656 approved by EDU

**Objective 5** Improve access and amenities at strategic unmanned heritage sites

Lead Body	Project Description	Timescale 1-5 Years	Total Cost =estimate	Funding Status
SIC Infra-structure	<p><b>An estimated two access/visitor management projects linked to Shetland's core path plan and sites identified in ISLA panels and trail leaflets, per year</b></p> <p>47 access improvements completed 2007-2008 including works at St Ninian's Stennes, Stones of Stofast, Grind of da Navir, Burn of Linlett, Culswick Broch, Fethaland and Mavis Grind.</p> <p>Aim to have Shetland's Core Path Plan adopted in December 2008 after which all routes must be improved and signposted within two years. Access budgets have been significantly reduced over the last two years so any funding allocated for 2009-2010 will have to go into the core path network improvements</p>	<p>1</p> <p>1-2</p>	<p>£148,598 (07-08)</p> <p>£47,000 (08-09)</p>	<p>Budget currently unknown for 2009/10</p>
SAT	<p><b>Shetland Amenity Trust Ranger Service</b></p> <p>The SAT Ranger Service, which employs two Ranger's has been operating with project funding since 2002. The role of the Rangers has developed and changed over the over the last five years to match local demand eg public access, enhancing the visitor experience, education and interpretation etc</p> <p>One year funding secured from SNH and SAT to maintain the service until March 2009. Future role and funding options under review. SAT's strategic plan includes the long term funding of the Ranger Service.</p>	<p>1</p>	<p>£55,000 secured</p> <p>£55,000 pa required to maintain service</p>	<p>Funding options under review</p>

## **PROMOTION**

**Objective 1** Develop reinforce and apply a strong brand identity for Shetland's Heritage Sector

<b>Lead Body</b>	<b>Project Description</b>	<b>Timescale 1-5 Years</b>	<b>Total Cost e =estimate</b>	<b>Funding Status</b>
EDU	<p><b>Service level agreement with VisitScotland</b> Marketing and promotion included in the SLA should continue to reflect the fact that 77% of Shetland's visitors come to Shetland to experience its natural and cultural heritage,</p> <p>Changes to the management structure of VisitScotland has resulted in the Council instructing EDU to research the potential for setting up of a Destination Management Organisation in Shetland:</p>	Ongoing	SLA subject to annual review	£330,000 approved by EDU for 2008-2009
SAT	<p><b>Launch rebranded Shetland Heritage Portal and Shetland Museum and Archives website with the particular aim of attracting web browsers to choose Shetland for their holiday and enabling visitors to plan their trip in advance around visits to heritage sites</b></p> <p>Websites are developed. The Museum website will be the first to go live.</p>	1		Funding in place to re-brand and launch websites
SAT/ VS	<p><b>Promote community museums and local heritage organisation + associated businesses (tour operators and guides, accommodation etc- by linking them to the Shetland Heritage Portal links and VisitShetland etc</b></p> <p>Map under development for display in the Museum Foyer promoting key heritage sites throughout Shetland. Leaflets and promotional material for heritage sties to be sited close by.</p>	Ongoing  1	No funding required	



Lead Body	Project Description	Timescale 1-5 Years	Total Cost e =estimate	Funding Status
SAT,	<p><b>Roll out the Shetland Culture and Heritage Brand to Community Museums and other local heritage organisation</b></p> <p>Information on the heritage brand, what it means to the heritage community and how it can be applied etc included in the Unkens Newsletter.</p> <p>New external signage developed for East House in Burra, Quendale Mill and the Hanseatic Booth in Whalsay</p> <p>Museum Display case highlighting community museum collections installed in the Sumburgh Airport passenger lounge, (i.e. Unst Boat Haven, Unst Heritage Centre, Fetlar Interpretive Centre, the Old Haa Museum, Tangwick Haa Museum, the George Waterston Memorial Centre in Fair Isle as well as the Shetland Museum and Archive</p>	Ongoing 1-3	No additional funding required	Considered on a project by project basis
SHA	<p><b>Raise awareness of individual products and service provided by members of SHA to all potential customers through joint working.</b></p> <p>Prepare a Marketing Strategy for Shetland Heritage Association ie to define the role of SHA with regards marketing effort (ie fit with Shetland and Culture Brand, Museum and Archives, and individual members own marketing activities.</p>	1	Advice and mentoring from HIE Marketing Advisor and EDU Marketing service	No additional funding required

SIC	<p><b>Seek approval from the Scottish Executive to use the Shetland Culture and Heritage Brand logo on road signs throughout Shetland; promoting Shetland's natural and cultural heritage sites as an integrated Heritage Trail</b></p> <p>Still to be progressed. The development of Heritage trail leaflets and access improvements completed during the year has contributed to strengthening Shetland's case</p>	1	No immediate cost	
Shetland Forwards	<p><b>Foster and promote the use of written and spoken Shetland dialect as a valued and essential element of Shetlands distinctive heritage and culture.</b></p> <p>Development of a website for the promotion of the Shetland dialect</p>	1	£6000e	Application submitted to "Awards for all"

## **NETWORKING AND COORDINATION**

**Objective 1** Forum for discussion, encourage and facilitate exchange of good practice between operators of Shetland heritage facilities

Lead Body	Project Description	Timescale 1-5 Years	Total Cost e =estimate	Funding Status
SAT / SHA	<p><b>Pilot post season heritage seminar aimed at all those involved in local heritage related activity</b></p> <p>Forum for discussion, networking, encourage and facilitate exchange of good practice, workshops, presentations.</p> <p>Event proposed for 8 November 2008</p>	1	£2,000e	

**Objective 2** Plan and arrange training courses for directors employees and volunteers for heritage centres where possible in local areas

Lead Body	Project Description	Timescale 1-5 Years	Total Cost e =estimate	Funding Status
SAT / SHA	<p>Use word of mouth, SHA, HIE, SAT Unkens newsletter and heritage seminar to identify training needs along with specific research if required</p>	Ongoing	No immediate costs identified	

**Objective 3** Encourage joint applications by heritage organisations or community groups with heritage projects for collaborative or linked projects

Lead Body	Project Description	Timescale 1-5 Years	Total Cost e =estimate	Funding Status
SAT	<b>Review Shetland Interpretive Plan</b>  Cross agency strategy for interpreting Shetlands heritage (last updated in 2003)	1-2	£10,000e	
SAT	Develop E-mailing lists for types of subjects	1	No funding required	
EDU /	<b>Support economic development, accommodation provision and associated activities</b>  Refine Council's tourism financial assistance scheme to better reflect Shetland priorities for developing Shetlands Heritage/Tourism Product and in light of changes to other funding sources e.g. HIE	1	Option appraisal	
EDU	<b>Pilot a small grant scheme that contributes to community museums and interpretive centres developing high quality local heritage related products, activities and services and provide an incentive for them to stay open to visitors for longer in the season</b>  Pilot project currently being developed as part of Councils wider support for heritage and tourism development	1	£30,000  Option appraisal	

## **PIPELINE PROJECTS AT FEASIBILITY STAGE**

### **Old Haa;**

Upgrade to Old Haa roof required, possibly to stone slabs.

### **Shetland Heritage Association Coordinator**

Appoint an SHA coordinator to develop and manage joint projects on behalf of its members

### **Whalsay History Group:**

Further restoration and use of buildings at Midden Court Complex

**Shetland Amenity Trust:** Restore B listed building at Hamars Unst to add to a visitor cluster in Haroldswick and provide self-catering heritage accommodation.

### **Brough Lodge Trust**

Restoration of Brough Lodge ie historic house, garden, tower and chapel in Fetlar

### **Skerries**

Community buy-out of Grunay Isle, Skerries and the restoration of Lighthouse building for visitors

### **Skeld Waterfront Development Trust**

To provide a range of facilities adjacent to marina and caravan site including a museum and café.

### **Tingwall Agricultural Museum Steering Group**

Museum in Tingwall to display artefacts relating to local agriculture, including the Tingwall Agricultural Museum collection.

### **Clickimin Broch**

Improve access, provide parking, onsite interpretation and visitor centre

### **Girlsta Transport and Industrial Heritage Centre**

Establish a home for Shetlands classic car, motorcycle and transport collection at the hatchery Girlsta. And tell focus on industrial heritage

Such as the lime kiln and old mill

### **Shetland Aviation Museum at Tingwall**

Consultation with other local groups in progress

### **Shetland Heritage Association**

Upgrade all members archive material (stories oral history music and video etc to a digital format) label clearly identify and display for use

Local Organisations Involved In Developing Heritage Tourism Related Activity

Shetland Amenity Trust, RSPB, Shetland Heritage Association, Unst Heritage Trust, Unst Boat Haven, The Belmont Trust, Unst History Group, Fetlar Museum Trust, Yell History Group, Old Haa Trust, Tangwick Hall & Northmavine History Group, Hillswick and Eshaness Area Regeneration and Development Group, Shetland Textile Working Museum, West Mainland History Group, Waas History Group, Skeld Waterfront Trust, Papa Stour History Group, Lunnasting History Group, Whalsay History Group, Hanseatic Booth, Tingwall, Whiteness and Weisdale History Group, Nesting History Group, Sandsting History Group, Scalloway History Group, Shetland Bus Friendly Society, Burra History Group, Burland Croft Trail, Shetland Family History Society, Bressay History Group, Cunningsburgh History Group, Sandwick History Group, Sandwick Social and Economic Development Company, South Mainland History Group, Foula Heritage, Fair isle History Group, George Waterson Memorial Centre, Shetland Guild of Spinners Weavers and Dyers, Shetland Folk Society, Shetland Forwards, Shetland Story Telling Society, The Swan Trust, Skerries Community Council, Fair isle Bird Observatory, Quendale Mill and Visitor Centre, Hoswick Visitor Centre, The Cabin Museum, Shetland Field Studies Group, Sandness Crofting and Community Association , Initiative at the edge - North Isles, Northmavine Development Company Limited, Yell Crafts, SCFWAG, Waas Community Development Group, Unst Archaeology Group, Sandness History Group, Tingwall Agricultural Museum Steering Group, Isle burgh Exhibition Group.

Local Agencies Involved In Supporting Heritage Tourism Related Activity

Shetland Amenity Trust  
Shetland Heritage Association  
VisitShetland  
Highlands and Islands Enterprise  
Shetland Islands Council – Infrastructure, Community Learning and Development and Economic Development Unit  
Scottish Natural Heritage



## **REPORT**

To: Development Committee

02 October 2008

From: Head of Business Development

### **DV052-F Fetlar Berthing Facility**

#### **1.0 Introduction**

- 1.1 This report has been written to allow the Development Committee to consider, and if so minded, approve funding for a berthing facility in Fetlar to be constructed along with the proposed new breakwater. It follows on from the debate on the depopulation of Fetlar at the Development Committee on 21 August 2008. The report also recommends the approval of funds from the Development Committee's budget to enable work needed to complete designs for the project and achieve the consents to develop the Fetlar berthing facility with the breakwater.
- 1.2 This report allows an application for ERDF funding to proceed at this stage, should it be required at some point. This is in anticipation of Council reviewing and revising its capital programme priorities in the near future

#### **2.0 Links to Corporate Priorities**

- 2.1 Section 1 of the Corporate Plan 2008 – 2011 contains a number of targets and policies that are relevant to the construction of a small craft facility in Fetlar. In particular Section 1 states:
  - We will place more effort on stimulating demand for living in the remoter areas of Shetland by ensuring that the ratio of jobs to people and housing is the same as in more central areas.
  - We will ensure that equal opportunities exist for all.
  - We will increase the population of Shetland to 25,000 by 2025.

Under the Sustainable Economy Action Area it is a stated aim to “engage with agencies and community based groups to identify projects that help to retain active rural populations”.

### **3.0 Background**

- 3.1 The campaign to have a pier built in Fetlar has been in existence since the 1950's. Fetlar is the only inhabited island in the British Isles that does not have proper sheltered access to the sea. Once a thriving fishing community, Fetlar came to depend on agriculture for its main economic activity during the 20<sup>th</sup> century. The lack of sheltered berthing or anchorage meant that the people of Fetlar were unable to benefit from the rich fishing grounds around the island when larger motorised vessels were used for the fishing. This deprivation has been a major factor in the speed of the island's depopulation relative to other remote islands in Shetland.
- 3.2 The Economic Development Unit researched the case for a berthing facility in Fetlar in 2003. A later version of that work dating from April 2005 is attached as Appendix 1. The conclusions are still as relevant today as they were three years ago.
- 3.3 In December 2007 the Capital Project Review Team recommended the inclusion of the Fetlar breakwater with berthing facility onto the Council's Capital Programme and the Council subsequently agreed this. The project is based on the need for better shelter for the Fetlar ferry along with a berthing facility, and the drawing for this work is shown in appendix 2. Zetrans is the sponsor for this project. The cost of the project is estimated to be £2.97 Million with £2.07 Million to be allocated from the Capital Programme when the project reaches a development stage in the Programme. The remaining £900,000 required to complete the £1.2 Million berthing facility part of the project is to be sought from other funding outside of the Capital Programme.
- 3.4 On 21 August 2008 this Committee agreed that the Council should seriously consider the provision of a breakwater for Fetlar (Min. Ref. 28/08). The Committee also instructed the Economic Development Unit to identify funding for the development of a pier as part of the larger breakwater project.
- 3.5 An application for ERDF funding relating to 25% of the cost of the berthing facility, £300,000, has been given stage 1 approval. Work is now underway to submit the more detailed stage 2 ERDF bid, which needs to be lodged by 10 October 2008.
- 3.6 The provision of a breakwater and berthing facility is currently placed at No 33 in the list of SIC capital projects awaiting funding (Min ref 18/08). Further, the Council has recently agreed to a revised process for the prioritisation of capital projects (SIC Sept 08, Min ref pending). Thus, there is currently no authorisation from SIC to progress this project and incur expenditure against the capital programme.



- 3.7 The Capital Programming report submitted to SIC (Min ref 18/08), clearly advised SIC that there was insufficient funding to maintain existing assets and progress projects already started by Council. Therefore, adding additional new projects would compound that problem, if the Council's funding / sustainability strategy was to be maintained.
- 3.8 If the Fetlar breakwater / berthing facility is to progress in the timeframe set out in this report, it will have to be given priority over all other council projects awaiting funding. This means that SIC will have to recognise and accept that all other projects currently placed between No1 & 32 in the list of projects awaiting funding, may have to be delayed in such circumstances. These relative positions may be subjected to revision in any event, as explained in 3.6 above.
- 3.9 SIC has already decided that each board / committee / council (in the case of executive services) will decide its own priorities for SIC to consider. Infrastructure Committee has still to make that decision relating to the Fetlar breakwater and the residual cost of a berthing facility. Thus, any recommendation from the Development Committee will be subject to further consideration and possible amendment by Infrastructure Committee and full Council. It is entirely possible and likely that Infrastructure Committee and full Council will cast a different set of SIC priorities. This may or may not include the Fetlar breakwater and berthing facility as its top priority.
- 3.10 The berthing facility cannot be delivered for the costs outlined in this report, unless the work is done at the same time as the breakwater project.
- 3.11 The timetable set out in 5.0 below cannot be achieved unless design work is completed by Dec 08. The design work cannot be completed without authorisation of the Council to proceed.
- 3.12 The Council could decide to conclude the design work and authorise construction at a later date if it so wishes.
- 3.13 Acceptance of proposals within this report would provisionally allow an ERDF proposal to proceed at this stage, leaving Infrastructure Committee and Council to decide its priorities at a later stage.

#### **4.0 Proposal**

- 4.1 Subject to available funding in 2009/10, it is proposed that the Committee approves a sum of £600,000 to part fund the construction of a small craft berthing facility in Fetlar as part of the proposed ferry service breakwater.
- 4.2 The small craft berthing project is being proposed as a community facility rather than for any specific commercial fisheries use. Indeed it is likely that the main commercial use of the facility will be for tourism initially. It is possible to say this because there is a real prospect of a Fetlar based wildlife touring company using the facility.

- 4.3 It is further proposed that a sum of up to £25,000 of the Development Committee's budget is applied to enable the necessary design work for the project to be complete and to apply for all consents to develop. These funds will be required in this financial year.

## **5.0 Project Timetable**

- 5.1 Subject to a decision of Infrastructure Committee and Council to amend current capital programme priorities, the optimum timetable for the project that would meet the ERDF conditions of grant is:

- Approval of Stage 1 ERDF application for small craft facility - 17 September 2008
- Approval of Reserve Fund money for small craft facility – 02 October 2008
- Submission of Stage 2 ERDF application for small craft facility – 10 October 2008
- Completion of engineering survey and development consents – 31 December 2008
- Shetland Islands Council decision to proceed with breakwater in 2009/10 – January/February 2009
- Decision on ERDF funding announcement – 29 February 2009
- Project tendering- Spring 2009
- Contractor on site – Summer 2009

- 5.2 This timetable is clearly only achievable if all the component decisions are favourable and are on time. The key decision is for the Council to enable the breakwater to proceed in 2009/10 on the Capital Programme. This decision is due in the early part of 2009.

## **6.0 Financial Implications**

- 6.1 The estimated cost for all the works including a breakwater and small craft facility is £2.97 Million, as follows: -

Breakwater -	£1.77 Million
Small Craft Facility -	£1.2 Million

Once the engineering survey is completed it may be possible to redesign the breakwater at a cost of just over £1.5 Million.

- 6.2 This report envisages that the expenditure for the project will be made from the funding sources listed below:-

Breakwater - £1.77 Million from the Council's Capital Programme

Small Craft Facility - £600,000 from the Reserve Fund (this report)  
£300,000 from ERDF  
£300,000 from the Council's Capital Programme

- 6.3 The sum of £25,000 required to complete the design of the breakwater and small craft berthing facility will be sourced from Economic Infrastructure budget RRD1530 2402. Funds are available in this budget to do the work in this financial year.

## **7.0 Policy and Delegated Authority**

- 7.1 This report has been prepared under a combination of Economic Development Policy number 5 "Continue to develop Shetland as a tourist destination through development of high quality products and services" and the Main Aim of the Economic Development Policy Statement "to improve the quality of life of Shetland residents by promoting an environment in which traditional industries can thrive and innovate alongside newer emerging industries. " The Economic Development Policy Statement was approved by the Development Committee on 24 April 2008 (01/08) and by the Council on 14 May 2008 (55/08).

- 7.2 In accordance with Section 11 of the Council's Scheme of Delegation, the Development Committee has delegated authority to implement decisions within its remit for which the overall objectives have been approved by the Council, in addition to appropriate budget provision, including:

Economic Strategy  
Europe

- 7.3 As the subject of the report is covered by existing policy the Development Committee does have delegated authority to make a decision.
- 7.4 A decision of full Council is required for changes to the capital programme

## **8.0 Observation**

- 8.1 A letter from the Fetlar Community Council to the Council's Chief Executive, dated 8 August 2008, to emphasise the need for a breakwater and berthing facility in Fetlar, is shown in appendix 3.

## **9.0 Conclusion**

- 9.1 One of the best remedies for communities that are facing a downturn is to build up the confidence of the residents. The best single way to do this in Fetlar is to construct the breakwater and berthing facility that offers the prospect of safe access to the sea. By achieving this important milestone in Fetlar's history the Council will enable Fetlar people to begin using the sea to earn part of their living.
- 9.2 Approval of proposals would allow an ERDF bid to proceed and be in place should Infrastructure Committee and Council decide to proceed at a later date in the near future.
- 9.3 A decision not to approve these proposals would mean ERDF funding was not available should Infrastructure Committee and Council decide to proceed at a later date in the near future.
- 9.4 An amendment to the prioritisation and the existing capital programme would be required to facilitate progress within the timescale set out in 5.0.

## **10.0 Recommendation**

- 10.1 It is recommended that the Development Committee approve sums of:
- a) £600,000 to part fund the construction of the small craft facility that is part of the proposed Fetlar breakwater project, subject to funds being available, and subject to this project receiving high enough priority by members on the Capital Programme.
  - b) £25,000 to complete design work in 2008/09 for the small craft facility and the breakwater including the applications for development consents.

Our Ref: DI/KLM  
Date: 25 September 2008

Report No: DV052-F

# The case for a berthing facility in Fetlar

Report prepared by:  
Economic Development Unit  
Shetland Islands Council

April 2005

## The case for a berthing facility in Fetlar

### 1 Introduction

- 1.1 The Economic Development Unit was asked to prepare this report by the Capital Projects Unit. The content draws on a similar report prepared for the Capital Projects Unit by the Economic Development Unit in October 2003.
- 1.2 The purpose of this report is to establish whether there is a socio-economic case for a pier facility in Fetlar.

### 2 Background

- 2.1 Fetlar is the only inhabited island in Shetland that is not served by a berthing facility for boats other than the ferry. This has a significant and detrimental impact on island life. Inadequate access to the sea has prevented residents from exploiting the leisure and economic opportunities offered to all other islands.
- 2.2 The photographs in Appendix 1 show the pier facilities that currently exist in Fetlar, Skerries and Fair Isle. The construction currently available for community use in Fetlar (picture 1, appendix 1) is too small to be suitable for berthing, can only be used in the summer, and is considered by the community to be in a dangerous condition with large cracks in the structure. The three photographs in appendix 1 clearly show an imbalance in the facilities available in the islands.
- 2.3 The island of Fetlar is ten times larger than Skerries and four times larger than Fair Isle, and in 1931 it had twice the population of these other isles. However, while Fetlar still has the largest population of the three, since 1931 the population has fallen by 61% which is much more dramatic than in Skerries and Fair Isle, which have fallen by 31% and 36% respectively (Table 1). The substantial difference in fortunes between Fetlar and the other two islands may well be directly linked to the inability of Fetlar to access the available economic opportunities provided by the sea, which has led to excessive population decline.

**Table 1: Population data**

	Resident population		Change in population (nos)	Change in population (%)
	1931	2001		
Fetlar	217	86	-131	-60%
Skerries	110	76	-34	-31%
Fair Isle	108	69	-39	-36%

- 2.4 The existence of a berthing facility in Fetlar would allow access to greater economic opportunities. For example, the facilities in Skerries support 3 shellfish boats and 3 whitefish boats, while the facilities in Fair Isle welcomes around 100 yachts and cruise ships each year. A berthing facility in Fetlar could serve both the seafood and tourism industries. These are seen to be two realistic areas for economic development and therefore regeneration in Fetlar, and have the potential to generate significant income for the island.
- 2.5 A substantial reversal of the population decline in Fetlar is optimistic. However, the creation of a berthing facility that will allow access to the resources provided by the sea will remove a significant barrier for Fetlar. Access to the sea will help to halt depopulation and decline, and should ideally begin to reverse it.
- 2.6 The situation appears relatively straightforward, Fetlar is an island community that does not have a pier. On the basis of realistic and significant economic and social benefits this report goes on to recommend the construction of a pier and necessary protective infrastructure in Fetlar.
- 2.7 The remainder of the report provides more detail on the current situation and potential impacts of a new berthing facility. Section 4 sets out the social benefits of establishing a pier in Fetlar, and section 5 will deal with economic benefits. Subsequent sections will detail with economic impact and an outline of the infrastructure that is believed necessary to achieve the impacts.

### **3 Stakeholder and Client Consultation**

- 3.1 To inform this report research was undertaken with:
- Residents of Fetlar
  - Organisations outwith Fetlar that may have an interest in a new development
  - Relevant Council officials.

## **4 Social Benefits**

- 4.1 Social benefits are more difficult to measure than economic benefits but they are still important and must be recognised. The most important outcome from positive social impacts is their contribution to community sustainability. The findings of the research make it clear that many people are excluded from using the sea as a leisure resource due to the lack of an adequate pier. Some residents who do not own a boat would consider purchasing one for leisure purposes, or at least a share in one, if there were better facilities in Fetlar.
- 4.2 The creation of a sheltered haven for small craft would create a number of social and leisure benefits for Fetlar. These include:
- Allowing a greater number of people access to the sea by making it substantially easier to own and use a small vessel
  - Broadening the type of water-based leisure opportunities available in Fetlar
  - Improving safety for boat owners and users
  - Giving the community a strong connection and interaction with its surrounding environment.
- 4.3 An increase in the quality of and access to leisure activities will improve the quality of life for residents, create additional activity and increase community confidence. An investment such as this in Fetlar's future will improve the sustainability of the community.

## **5 Economic Benefits**

- 5.1 In 2004, the North Isles; Yell, Fetlar and Unst were awarded Initiative at the Edge (IatE) status by the Scottish Executive and the National Steering Group for the initiative. This designates a geographic area which is deemed to be particularly disadvantaged by peripherality, low population density and limited resources, and the scheme seeks to stimulate economic and community development in the designated IatE areas. While no specific regeneration activities have yet been identified through this programme it is likely that the lack of pier facilities in Fetlar will constrain the range of opportunities open to the island in comparison with its neighbours Unst and Yell.
- 5.2 It is anticipated that the creation of a fit-for-purpose pier in Fetlar could provide opportunities for job and wealth creation and diversification within the limited economy of Fetlar. Economic benefits could arise in three areas: tourism, aquaculture and fisheries.



## **Tourism**

- 5.3 Fetlar is already a popular visitor destination in Shetland. Fetlar attracts more visitors than all the outlying isles except Yell and Unst, with 6% of all visitors to Shetland visiting Fetlar. The construction of a new pier facility could bring tourism-related economic benefits in two ways:
- By improving the quality of a trip to Fetlar for visitors already in the island
  - By encouraging new visitors to travel to Fetlar for a day trip or overnight stay.
- 5.4 Visitors already in Fetlar could have the quality of their experience improved through access to sea-based leisure activities, for example viewing the coastline and wildlife from the sea or sea-angling trips.
- 5.5 An idea put forward by the Fetlar community is for a sea-angling tour to be offered on the isle in the summer months. This should be a viable option, as Fetlar has a reputation for having good sea-angling grounds. This could lead to the creation of up to two part-time seasonal jobs on the isle.
- 5.6 The additional economic benefit from enhancing the experience of visitors already in Fetlar is likely to arise through encouraging them to extend their stay, to make a return trip to Fetlar at another time and/or to recommend it as a holiday destination to other potential visitors. The overall impact of which is increased visitor spend in Fetlar, which would have positive direct and indirect income multiplier benefits for the community.
- 5.7 With a fit-for-purpose landing and berthing facility in Fetlar the island could potentially benefit from new visitors that otherwise would be unable to land on the island. These visitors could arrive at the new berthing facility in one of three ways:
- Via Shetland sea-based tour companies incorporating Fetlar into their programme of tours or events
  - On vessels from overseas, including small cruise ships, that may call at Fetlar during a trip to Shetland
  - On Shetland-based vessels that may make short trips to Fetlar.
- 5.8 Figures received from SIC Ports and Harbours show that in 2003, 46 yachts berthed at the Baltasound pier, and 43 yachts berthed there in 2004. A conservative estimate is that 20 yachts would visit Fetlar in the first year of operation and given its popularity as a visitor destination it seems reasonable to expect this to rise as awareness of the facility increases.
- 5.9 An increase in the number of visitors would most likely bring increased spending in the local shop and increased visitors to the Fetlar Intrepretive Centre, bringing additional economic benefit to the

community. One example of activity already mentioned by the community would be the possibility of hosting small events, like coffee afternoons, in the community hall.

- 5.10 Fetlar's popularity as a tourist destination is due to its population of rare breeding birds, including the Red-necked Phalarope; its rare serpentine heath and outstanding natural beauty. With a significant tourism base to build on it is reasonable to expect that by diversifying and enhancing the existing tourism infrastructure visitor numbers, both tourists and Shetland visitors, will increase.

### **Aquaculture**

- 5.11 There would be economic benefits to the existing aquaculture industry in and around Fetlar if there were suitable landing facilities on the island. Fetlar is regarded as having some of the best fishing and aquaculture sites in Shetland, but has no way to exploit these.
- 5.12 At the moment there is a smolt unit in Fetlar owned by an Unst-based company that employs three Fetlar residents. There are problems that occur for the business as a result of difficulties associated with transport to and from Fetlar. The smolt operation sustains high costs for the transportation of net, equipment and labour in and out of Fetlar due to time wasted because of the infrequency of the ferry timetable and the difficulties gaining access to the ferry with large vehicles in the summer months when traffic on the route is high. The loss is not only in wage costs but through the opportunity costs of the lost labour time.
- 5.13 The difficulties encountered in transporting employees and equipment to Fetlar means that the business loses 6 man-hours per week during general operations. During the business' peak time (i.e. grading and vaccination, which occurs four times per year) the business loses 14 hours per man per week, with these operations often taking three weeks in total. This has an effect on the overall productivity of the business, and may impact on the future sustainability of the sites in Fetlar.
- 5.14 Inadequate access has hampered the potential growth of the business in Fetlar. For example, plans were drawn up for the business to establish a self-contained hatchery in the isle, but these plans were abandoned because the limitations of the ferry service and lack of usable pier infrastructure made the venture impractical, in terms of getting supplies, equipment and manpower to the hatchery. In this example, three potential jobs were lost to the isle, and this option would become viable for the business if a pier were available.

- 5.15 The business has expressed considerable interest in using any facility that would allow the transportation of equipment to and from the smolt unit using their own boats, and it is possible that the business would go ahead with a hatchery development in Fetlar if a facility were provided, leading to the creation of three jobs on the isle.
- 5.16 The economic benefits to the aquaculture industry would primarily be accrued by one company. The benefits through improved access would be cost savings, improved business viability and likely business growth.
- 5.17 An additional benefit that may be possible is that improving the infrastructure available to the aquaculture industry may encourage the possibility of new developments in and around Fetlar. Aquaculture has previously been attempted by Fetlar residents, but the lack of infrastructure made this impossible.

### **Fisheries**

- 5.18 There is strong evidence that creating appropriate facilities will open up opportunities to create employment and diversify the economy. There are approximately 100 small shellfish boats licensed to operate in Shetland, each of them employing one person, and 26 larger shellfish dredgers that have crews of up to two to three people. Whilst licenses are limited it is reasonable to assume that this type of activity is a realistic possibility for Fetlar residents. Research for the 1999 Fetlar Economic Profile found that there were two expressions of interest in developing in-shore fishing/shellfish enterprises if a pier is built.

### **Other economic benefits**

- 5.19 If the pier was located at Hamar's Ness it would be a significant distance from the shop, interpretive centre and general population, it would be necessary for a minibus or taxi service to be provided for visitors using the small pier. This service has proven to be a success during large social events such as the Fetlar Foy, and a pier would necessitate this role being taken on as a part-time job. There is already a taxi available for hire in Fetlar. A harbourmaster would also be needed to collect dues and log berthings, leading to the creation of another part-time job.
- 5.20 Based on the construction of the Voe Pier, it is estimated that there will be 10-15 FTE jobs created over the period of a year to work on the construction of the pier and breakwater. It is unlikely that all of these workers could be sourced locally, therefore incoming workers requiring bed and board will provide additional direct economic benefit to the community.

## **6 Economic Impacts**

### **Direct**

- 6.1 There are two types of economic impact, the first is direct economic impact created by the project itself. Direct impact is generated by the construction of the berthing facility. Without knowing the scale of the development it is not possible to accurately estimate the value of these impacts. However, they include spend in local businesses, the most obvious of which is the shop and bed and breakfast accommodation. There is also the potential that local residents could be employed in some way to support the construction.
- 6.2 Another direct impact is the employment of a harbour master.

### **Indirect**

- 6.3 Direct impacts are significant but they are short-term. The most important economic impacts for the island come from indirect economic impacts. These are the type of impacts discussed in this report and are generated by activity that the berthing facility enables to happen. Because there is no alternative facility in Fetlar any impact achieved is 100% additional as it is highly unlikely it could be achieved in any other way.
- 6.4 The activity used in the economic impact calculation is not intended as a development plan identifying what opportunities should be pursued in Fetlar. The calculation simply uses examples of realistic development activity based on discussions with the community and makes assumptions based on experience elsewhere on the impact of a new facility.
- 6.5 The likely annual value of indirect economic impacts is estimated as £110,000 (Table 2). This figure is based on a number of developments that have already been proposed by the community and there is enthusiasm within Fetlar and at least one business that operates in Fetlar for exploiting the opportunities. The calculations are also only based on what projects are likely to happen in the first five years. It is expected that impact will improve over time as early activity creates knock-on activity. However, it should be recognised that the calculation is based on activity that Shetland Islands Council can have little influence over, therefore each development opportunity has had an estimated probability associated to it. This has reduced the likely impact to a more conservative figure of £59,500. Appendix 2 provides details of the calculations that resulted in both these figures.

<b>Table 2: Development activity impacts</b>		
<b>Type of impact</b>	<b>Total Impact</b>	<b>Total Impact with probabilities applied</b>
Tourism: Visitor numbers and length of stay	19,620	11,772
Tourism: Yacht visitors	1,340	1,072
Seafood: Productivity improvements	48,400	38,720
Seafood: Fisheries	40,000	8,000
<b>Total impact</b>	<b>109,360</b>	<b>59,564</b>

- 6.6 The expectation is that the estimate of economic impact is at the low end of what is achievable. The figures do not include direct economic impact through construction or the employment of a harbour master, neither do they include impact from the potential expansion of the existing aquaculture industry which has already been acknowledged as a realistic possibility if a suitable berthing facility became available in Fetlar. Therefore this economic impact estimate is likely to be low.

### **Income multiplier**

- 6.7 Any spend occurring in Fetlar as a result of development activity will also have wider effects on the economy. The income multiplier refers to the fact that an increase in the income of a business will usually lead either to an increase in employment or an increase in incomes for those already employed. A proportion of this income will be re-spent in the local economy.
- 6.8 An Input-Output Table for Shetland was prepared in 1999 by the Fraser of Allender Institute which provided income multipliers for the tourism, aquaculture and fisheries industries (Table 3). When these multipliers are applied to the income outlined above the **total expected economic impact of development activity resulting from the construction of a berthing facility is £112,800 per annum.**

<b>Table 3: Income multipliers</b>			
<b>Type of impact</b>	<b>Probable impact</b>	<b>Multiplier</b>	<b>Economic impact</b>
Tourism: Visitor numbers and length of stay	11,772	1.7	20,000
Tourism: Yacht visitors	1,072	1.7	1,800
Seafood: Productivity improvements	38,720	2.03	78,600
Seafood: Fisheries	8,000	1.55	12,400
Total economic impact			112,800

## **7 Reference to Corporate and Service Plans**

- 7.1 This project comes under the remit of a number of priorities and actions detailed in Shetland Islands Council's Corporate Plan 2004-2008:
- Strengthening Rural Communities
  - Economic Diversification
  - Internal Transport

## **8 Specification requirements**

- 8.1 To maximise the positive impact of social and economic benefits it is essential that any future construction is designed with the achievement of these impacts in mind.
- 8.2 In the previous report two locations were considered: Houbie and Hamar's Ness, neither location offers a natural shelter for a pier. Regardless of the location selected the findings of the research suggest the following minimum design requirements:
- A year-round sheltered berthing and mooring facility
  - Provision of a breakwater
  - A slipway for local boats
  - A minimum water depth of 2.5 metres
  - Berthage that would accommodate, at a very minimum, two vessels with a length of 12 metres, and that is at a height appropriate for small boat access
  - Access to fresh water
  - A surface wide enough for a commercial vehicle.

- 8.3 Maximising the potential impact of the development would include adding showers nearby for visiting yachts as this facility would significantly add to the island's attractiveness for overnight stays.
- 8.4 While this report has no intention of providing detailed design specifications it is considered possible that the concept could vary from a slipway with a berthing face as in Symbister to a full quayside. The project design should also consider allowing space for a community marina development that could provide additional berthage for non-marina owners.
- 8.5 If Hamar's Ness is selected as the location for a new berthing facility, the project should consider how the sloping pier at Houbie could be strengthened at the same time. Houbie is at the natural heart of the community and during good weather in the summer it may still be used by small local boats. This may mean undertaking the capital project alongside a community driven project. Regardless of how it is undertaken it would seem to be a mistake to miss the opportunity to improve this facility while significant works are being undertaken in the island. The community understands that the current owners are willing to hand it over to any organisation that will repair and maintain it, for example a community pier trust.

## **9 Conclusions**

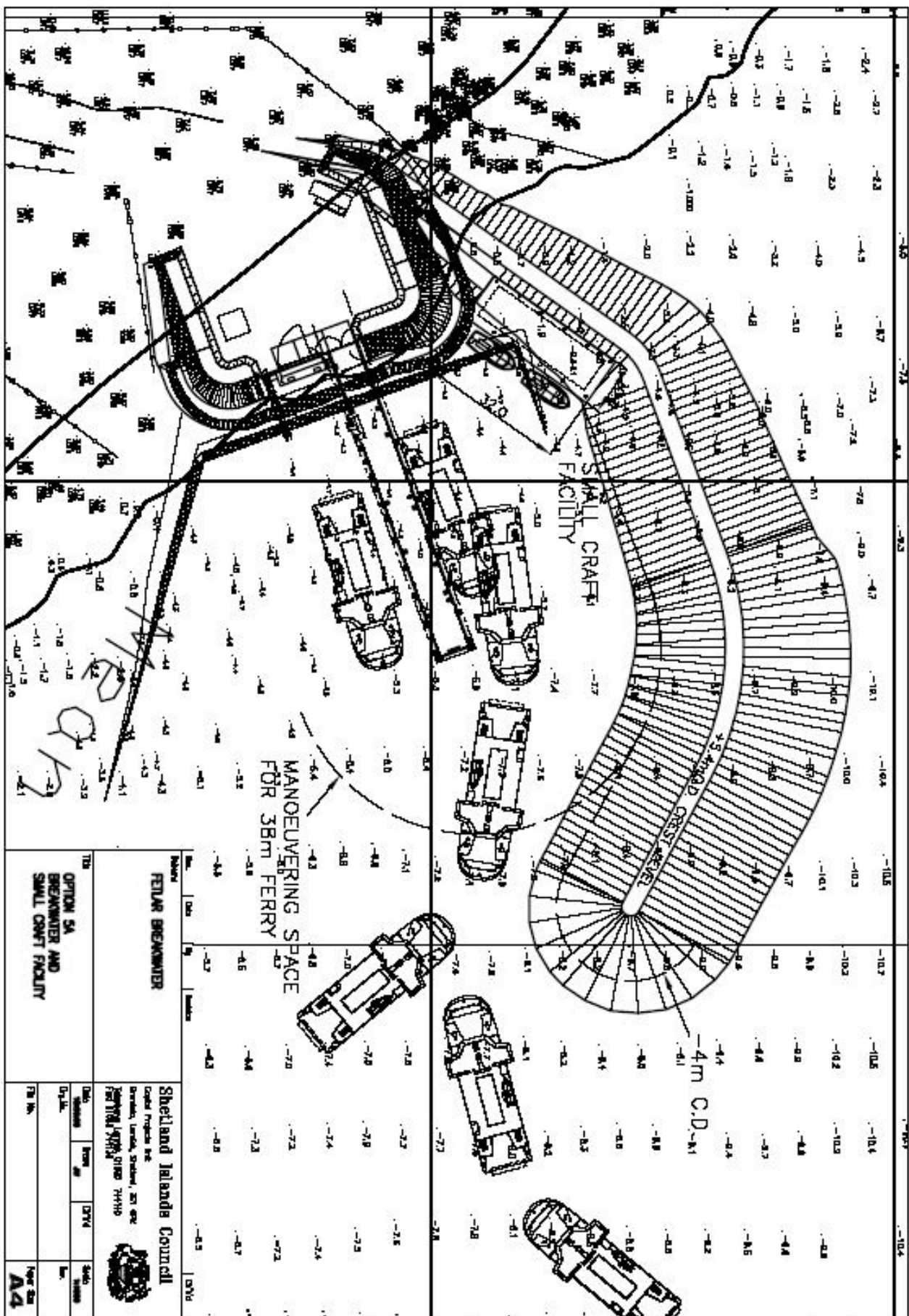
- 9.1 The lack of adequate pier infrastructure in Fetlar has constrained the community and the economy, and has exacerbated the effects of out-migration and lack of resources.
- 9.2 The existing sloping pier and slipway at Houbie are in poor condition and are of very little use to Fetlar residents. There are potentially significant benefits to Fetlar from the construction of a berthing facility that can be used all year. The opportunities include:
- Improving the quality of life of the residents
  - Diversifying and expanding the tourism industry
  - Improving the viability of aquaculture activities based in Fetlar
  - Diversifying the economy through introducing fisheries to the island.
- 9.3 The facility itself will not bring the benefits to Fetlar. Rather, the community and local industry, who have shown enthusiasm and imagination when it comes to new developments, must take advantage of new opportunities before any benefit will be achieved.

## **10 Recommendations**

- 10.1 Fetlar is an island community that is not served by a pier. This severely constrains development on the island. This report recommends that the CPMT consider the provision of the necessary infrastructure as set out in Section 8 to create a year round berthing facility in Fetlar.



## Appendix 2





# **Fetlar Community Council**

**Chairman: Mr James Rendall**  
**4 Stakkafletts**  
**Fetlar**  
**Shetland**  
**ZE2 9DJ**  
**Telephone: 01957 733220**

**Clerk: Martha Devine**  
**Midbrake,**  
**Cullivoe**  
**Shetland**  
**ZE2 9DD**  
**Telephone: 01957 744218**  
**E-Mail: [fetlarcc@yahoo.co.uk](mailto:fetlarcc@yahoo.co.uk)**

Chief Executive's Office  
Town Hall  
Lerwick  
ZE1 OHB

08 Aug 2008

## **For the attention of Morgan Goodlad, Chief Executive**

### **CAPITAL PROGRAMME FUNDING FETLAR BREAKWATER & BERTHING FACILITY**

Dear Mr Goodlad

Fetlar Community Council was very pleased to learn the Breakwater & Pier Project has been included in the Capital Programme list. I am writing on behalf of the Community Council to reiterate the importance of this project to the Fetlar Community and its future.

The Community is currently working very hard to find ways of regenerating and repopulating the island. The recently formed Fetlar Development Group is working to create a long-term sustainable economy for Fetlar. The Community is aware that the breakwater alone will not solve Fetlar's problems but it will go a very long way towards breaking the vicious circle that currently exists; where many development projects are unviable and relocation to the Isle is unattractive or unfeasible for new residents, due to the restricted and at times, unreliable service.

I highlight below, a few examples of economic and socioeconomic benefits that a breakwater and berthing facility could bring to the Fetlar Community:

- The new and award winning, Shetland Nature Tours has aspirations to be based on Fetlar running on and off-shore tours. A berthing facility and a streamlined timetable would make this possible. This successful business has real potential to become an employment opportunity and a spring-board for other business ventures on the Isle.
- The development of facilities such the café, which the Development Group has been running successfully this summer, could expand. It could serve locally sourced produce; seafood from a Fetlar fishing boat, vegetables from Fetlar polytunnels and local meat from local supplier. It would have a more viable business plan if it could tap into the thousands of cruise ship visitors that Shetland receives each year. A berthing facility would allow a fishing boat to work from Fetlar and cruise ships or touring yachts to land and support all associated employment that a venture such as this could sustain.
- With the potential for occasional direct runs to Lerwick or North Mainland, tourism developments like the new and highly successful North Isles Earl boat trip in 2007 and 2008 and the North Isles Shetland Nature Tour in 2008, it would be feasible to stop at Fetlar and support any new enterprise.

- Increased visitor numbers and cruise ship visits would provide more business for the recently introduced taxi service – providing additional employment opportunities.
- With the Fetlar ferry berthing at Fetlar, an early service could be offered so that residents have the option to commute to Mainland Shetland and Lerwick. In the past year, several recent incomers have left the Island as commuting to Mainland proved to be unfeasible. Even a new resident with a good business plan would need to earn money elsewhere whilst the business became established. Feedback from potential new residents, resulting from last year's BBC One Show campaign, highlighted this as a major issue.
- If a fishing boat was able to berth it could support up to four families living on Fetlar. At least two current resident families could benefit from this.
- A Fetlar-based ferry would provide long-term jobs for a Fetlar based crew.
- Many of the above would benefit additionally from a more reliable service that a breakwater would provide during inclement weather.

In addition to the above, a Fetlar based ferry could run a timetable which suits the needs of the Community – better serving residents and tourist and in turn make Fetlar more attractive to new families. I highlight below, a number of ways that current lifestyle issue could be effected:

- Fetlar transport could integrate fully with SIC's bus/ferry services to Lerwick, removing the current restricted access to health care and social opportunities that non-drivers and the elderly currently experience and help reduce carbon emissions to meet greening targets.
- Access to services such as dentist, doctor, hospital, education, childcare and other youth facilities eg Unst Summer Playscheme, shopping, links to mainland Scotland, fuel, social or leisure facilities could be provided without lengthy waiting times between sailings.
- Tradesmen need not have the lengthy waiting times to get on and off the Isle so the cost of their services could be reduced and the likelihood of getting them to coming across at all, increased.
- Children attending secondary school in Lerwick would not have a 2½ hour wait at Gutcher to catch the ferry home.
- Links with Fetlar Primary School and Baltasound Junior High School could be maintained, bringing great benefits to the Fetlar children of facilities and social interaction with Unst children
- The service would ensure that sufficient time is allowed for drivers to travel across Yell at a sensible and safe speed.
- Considerable under-capacity at peak times and reduced tourist numbers at the weekend could be overcome as the service need not be shared with Unst.
- Direct runs to Lerwick for bulk cargo delivery would be possible.

Should the current STAG process result in a fixed link to Unst, it will be essential that Fetlar is self-serviced.

Fetlar Community Council urges you to consider the Breakwater and Pier project as being of a higher priority than it is currently placed. Fetlar Community believes this work is vital in order for Shetland Island Council is to meet its 2001 – 2016 Transport Plan commitment; to deliver an integrated transport system that meets the needs of the Shetland people.

Removal of the constraints from a shared service between Unst and Fetlar will benefit both Communities – a requirement described in the Shetland Transport Strategy as, relatively urgent.

As I said at the beginning, the Fetlar Community is working very hard to overcome many of its depopulation issues. If the Community could see some progress with funding for the pier and breakwater, it would strengthen the current injection of energy for economic development projects within the Isle. Fetlar Community Council feels strongly that it will help to secure the regeneration of Fetlar as one of Shetland's thriving Communities.





## **MEMO**

---

**To:** Chief Executive  
Head of Finance Services  
Head of Legal and Administrative Services  
Acting Divisional Manager Legal Services

**From:** Interim Head of Economic  
Development

If calling please ask for  
**Neil Grant**  
Direct Dial: 74 4968

**Medium:** E-mail  
**Your Ref:**  
**Our Ref:** NG/JJ RF/1221

**Date:** 23 September 2008

**COMMITTEE:** Development Committee – 02 October 2008

**SUBJECT:** Mareel Cinema and Music Hall  
Project Monitoring – Scheme of Delegation

**REPORT NO.:** DV054-d1

**COMMENTS PLEASE BY:** 23 September 2008

**CLEARANCE DATE:** 23 September 2008

I enclose a draft report for presentation to the above meeting, subject to the comments of the above addressees.

This report does not contain exempt information.

Interim Head of Economic Development

Enc





**Mareel – Cinema & Music Venue  
Remit for Project Sounding Board**

1. The Development Committee agree to delegate authority to a Sounding Board comprising the following members and officers, to manage the allocation of up to £965,000 of Grant funding to Shetland Arts for the purpose of building and equipping the proposed Mareel Cinema and Music Venue (Development Committee, 21 August 2008, Min Ref 33/08).
  - Development Committee Chairman, Joseph Simpson.
  - Development Committee Vice Chairperson, Alastair Cooper
  - Development Committee Member, Frank Robertson.
  - Interim Head of Economic Development, Neil Grant
  - Capital Programme Service Manager, Mike Finnie
2. The Sounding Board will be consulted on behalf of the Committee and the Council regarding grant conditions to be applied with Shetland Arts and other funders.
3. The Sounding Board will have a representative on the Mareel Project Management Committee, who will attend the project meetings.
4. Only the Budget Responsible Officer for the Council Capital Programme and Committee will have authority to release funding as specified in the grant conditions.
5. The Sounding Board will provide a progress report on the Mareel project to each cycle of the Development Committee and Council. The content of the report will be appropriate for the report to be taken in public.

Interim Head of Economic Development  
Economic Development Unit  
26 September 2008