



Shetland Islands Council

We are pleased to attach details of 12 grant awards made from 01 April – 30 April 2009. The value of the grants approved is £32,556. For more information on these grant aid schemes, please contact the Economic Development Unit on tel. 744940.

SHETLAND AGRICULTURAL BUSINESS SCHEME (SABS)		
Organisation	Purpose of Grant	Amount Granted
Brian T Hunter	Bull Improvement Scheme	£1,603
George R Williamson	Bull Improvement Scheme	£1,300

2 Shetland Agricultural Business Scheme Grants were awarded for a total of £2,903

AGRICULTURE GENERAL ASSISTANCE			
Organisation	Purpose of Grant	Project Cost	Amount
Pure Shetland Lamb Ltd	Grant towards the cost of preparing a business plan	£1,790	£895

1 Agricultural General Assistance Grant was awarded for a total of £895 towards project cost of £1,790

MARKETING DEVELOPMENT PROGRAMME GRANTS			
Organisation	Purpose of Grant	Project Cost	Amount Granted
Baker Tilly UK Audit LLP	Attendance at Fisheries 2009 Exhibition in Glasgow – Stand cost and travel	£1,255	£627
Kirsti Cumming	Attending exhibition in Inverness	£527	£263
Outdoor 4 Kids	Build Company Website	£1,378	£689
Shetland Cheese Ltd	Grant towards the cost of the hire of specialist food development consultant; attendance at Nantwich Cheese Show; and business cards	£2,883	£1,441

4 Marketing Development Programme Grants were awarded for a total of £3,020 towards total project cost of £6,043

DISCRETIONARY DELEGATED SCHEME

Organisation	Purpose of Grant	Project Cost	Amount Granted
Fetlar Developments Limited	Development Worker post	£40,000	£13,000
Phatsheep	To set up a workshop for the photography and textile design aspect of the business and to set up a gallery and shop to sell own products and local and National (where appropriate) products	£6,190	£3,095
Scottish Pelagic Sustainability Group Ltd	Towards the cost associated with the ASH fisheries assessment	£27,575	£3,000
Train Shetland	Shell Technologies Enterprise Programme 2009	£22,230	£3,980

4 Discretionary Delegated Scheme Grants were awarded for a total of £23,075 towards project cost of £95,995

DISCRETIONARY DELEGATED SCHEME – EFF Match Funding Grants

Organisation	Purpose of Grant	Project	Amount
Olnafirth Sea Farms Ltd	Grant towards the cost of purchasing mussel farm equipment	£53,261	£2,663

1 EFF Match Funding Grant was awarded for a total of £2,663.00 towards project cost of £53,261



REPORT

To: Development Committee

11 June 2009

From: Head of Economic Development

**DV055-F
Public Activity Report
April and May 2009**

1.0 Introduction

1.1 This activity report is being presented to Development Committee as a means of communicating with Members the current project and potential business activities being led by the staff in Economic Development.

Following a request at the Development Committee on 22 January 2009 (Min Ref 16/09), the Activity Report has been divided into two separate reports – one for public viewing which contains general information which can be considered in public, and one for non-public viewing which will contain sensitive information. This is the public version.

1.2 The report gives updates in the following areas:

- Ongoing project work
- Government initiatives
- February and March grant awards

2.0 Links to Corporate Priorities

2.1 The activities reported in this document aim to fulfil our 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 Ongoing Projects

3.1 Hamefarin 2010

The Hamefarin Committee have reserved a number of berths on the Northlink ferries for the Aberdeen- Lerwick sailings on 11-13 June 2010, and for the Lerwick-Aberdeen sailings on 27-29 June 2010. Northlink Ferries Ltd have kindly granted a 30% honorary islander discount to all passengers and cars travelling to Shetland for the Hamefarin.

Community Councils, local history groups and other community groups are working on programmes of events. Proposals currently put forward include trout fishing and golfing in Whalsay, a supper-dance in Unst, guided walks in the South Mainland, a Bobby Tulloch tribute concert in Yell and visits to landmarks, such as Sumburgh Head, Scalloway Castle and the Shetland Bus Memorial.

Accommodation enquiries are coming in already from potential hamefarers. John Leask & Son are acting as accommodation agents for the Hamefarin and will be dealing with all enquiries and bookings.

The Shetland Hamefarin 2010 website is currently being updated with news information and a new layout.

3.2 A Year of Islands Cultures

At their meeting on 23 April 2009 the Highlands and Islands Conveners agreed to proceed with A Year of Islands Cultures 2011. The project aims to be a Scottish celebration of its islands. It is planned to build on existing events and create new island cultural events and connections to strengthen the identity of islands within the nation of Scotland.

Following the decision at the Conveners Group the Steering Group met in Shetland on 19 May to discuss initial operational arrangements for the project. The preparation of an operational plan has been put out to tender.

3.3 Fetlar Working Group

The Fetlar Working Group met on 27 May 2009. Matters discussed included progress being made on the breakwater and berthing facility, the restoration of Brough Lodge and advertising the development worker's post.

3.4 Drydock/Shiplift

Suitable consultants to take forward the drydock study are being identified, and the short study brief is being developed into an appropriate tender document. Consultations with relevant SIC officials are taking place to take this process forward.

3.5 Johnsmaas Foy

Davie Gardner t/a Atlantic Edge Music was commissioned by the Council on behalf of the Johnsmaas Foy Committee as Foy Coordinator in April. This resource has greatly assisted in improving the organisational effort. A new Johnsmaas Foy website (at www.johnsmaasfoy.com) was launched on 20 May providing a much improved browsing experience for users allowing full access to the events taking place over the 10 days. Resources originally targeted for the Foy in 2010 and 2011 will be targeted towards the Hamefarin' Tall Ships Races respectively.

3.6 Flavour of Shetland

Since the last update two of the food providers who were to take up a presence at the event have withdrawn which leaves the prospect of a reduced capacity 'food village' – particularly for dishes featuring local meat produce. Efforts are currently being made to re-promote the opportunity to others.

3.7 Events Strategy

Following consultation with EventScotland and Shetland Arts, it has been decided that it will now be necessary to engage in professional, independent consultancy in this area with a view to producing a clearly researched body of work in order to guide future decision-making. This will require full and open consultation with the Shetland community at large regarding events of all kinds from smaller community events to larger, publicly-funded events. This process will provide a significant but highly valuable piece of work, as EventScotland have indicated that presentation of a clear events strategy for Shetland based on research will be beneficial in terms of attracting potential future funding from the organisation. The work undertaken to date will inform this process.

3.8 Shetland Flag Leaflet

The Marketing Service is leading development of an information leaflet based on the Shetland Flag. The leaflet will be authored by Dutch flag expert Jos Poels who provided consultancy services to the Council in 2006 in connection with providing an exact specification for the Shetland flag. The literature will concentrate on the history behind the flag and ultimately provide an interesting piece of literature which can be used for future promotional and information purposes. Shetland Flag Day on 21 June 2009 takes place with the Johnsmaas Foy.

3.9 Television and Film

The recce organised around the potential for the TV dramatisation of Ann Cleeves Shetland novel 'Raven Black' in April, organised and hosted by EDU staff, went exceptionally well. Feedback from production company Plain Vanilla has been highly positive and further developments are now awaited on this feature. It is known from experience that developments in this field can move very slowly. Staff are also in the early stages of dealing with a potential film which may be shot in Shetland in 2010 and also a confirmed foreign drama production which will recce in Shetland in June and shoot in the Autumn. The Shetland element of the Martin Clunes Islands documentary, in which staff dealt with programme researchers in 2008, was shown on ITV1 on 03 May. From a marketing perspective the Shetland feature, which concentrated mainly on Unst, was considered very beneficial as it clearly highlighted key aspects of Shetland's brand, namely attractive scenery, wildlife, culture, community safety, humour and general positivity.

3.10 NAFC Marine Centre Innovation Kitchen

EDU Marketing staff are working closely with the General Manager of Shetland Seafood Quality Control (SSQC) in addressing promotional issues relating to the kitchen and associated equipment and facilities at the Marine Centre. It is felt that improved promotion of the excellent facilities available will result in an increased uptake by both new and existing food production businesses.

3.11 Shetland Food and Drink Development Officer

It is intended to research the possibility of establishing a full-time Food and Drink Development Officer for Shetland given the current level of activity and obvious potential in this area. For example, this could initially be a dedicated two-year project post which could become involved in managing research, supporting food business project development, providing advice on funding, and supporting Shetland Food and Drink Group. It is possible that a post of this nature could attract funding from out-with Council budgets, for example LEADER and NHS. It is hoped to present further details on this to the Development Committee on 27 August.

3.12 Highlands and Islands Food Network Service

The Scottish Government Food Industry Unit is keen to re-introduce the Highlands and Islands Food Network service and has commissioned the Scottish Agricultural College to carry out a 'needs assessment' of local food and its development in the Highlands and Islands. The study will take place during June and July and will set out an action plan for local food development across the region, in which Scottish Government, local agencies and food groups can take part. The EDU have agreed to act as coordinator for evidence gathering and action planning in this area and will be contacted to support this shortly.

4.0 Government Initiatives

4.1 First Time Shareholders Scheme State Aid Update

The Chief Executive met with European Commission, UK and Scottish Government officials on 05 May 2009 to get resolution to the First Time Shareholder state aid complaint.

The commission officials committed to stating its final position by the end of May 2009. At the time of writing this report no further communication has been received from the commission.

4.2 LEADER Programme

To date the Local Action Group (LAG) has awarded £324,710.72 to 19 projects. An additional four potential projects were discussed at the last LAG meeting on 14 May (To date there have been 49 potential projects). Fifty percent of the 2007–2013 LEADER budget has now been committed. The LAG has also revised its business plan for the period in view of the smaller budget than was anticipated when the original business plan was prepared. In addition the LAG is in the process of adopting a constitution in line with other LAGs in Scotland.

4.3 Scottish Rural Development Plan – Rural Priorities

The next decision making round has been set for 11 August 2009. Budgets are likely to be tight for the agri environment projects and are getting tighter for other parts of the programme as well. This means that there will be more competition for funding across Scotland and the points target will be high. There is still no feedback on the review of the Rural Priorities announced late last year by the Minister for Rural Affairs and the Environment.

4.4 Changes to State Aid Reference Rate

The State Aid Reference rate is due to be reduced from 2.84% to 2.20% on 01 June 2009.

4.5 Business Gateway

This is the first time that the new enquiries part of the Activity Report has been prepared since the EDU started to operate the Business Gateway on 01 April 2009. The period covered is the 8 weeks until 22 May. During that time 43 clients were advised from the following business sectors:

Construction	5
Services	13
Tourism	6
Manufacturing	1
Textiles	4
Horticulture	1
Aquaculture	1
Agriculture	3
College	2
Creative Industries	1
Crafts	1
Fisheries	2
Renewables/Energy	1
IT	1
Training	1
Total	<hr/> 43

Of all the clients seen, 16 were interested in starting up a new business. Twenty-five have been referred to the information services available in the Business Gateway, 10 have been referred to Train Shetland to participate in a short training event and 16 are meeting (have met with) business advisers. Application forms have been issued to 10 clients and more information is being sought from 19 (as part of the Business Gateway process) before application forms are issued. Only two enquiries for financial assistance were ineligible. One case may be transferred to HIE as a potentially high growth business which can be supported under HIE's processes.

The Government has stipulated Business Premier Adviser as the counselling standard that must be held by practitioners working in the Business Gateway including Council staff. Training has been set up for EDU staff and all of the Business Advisers on the Council's list of advisers to ensure that the operation of the Business Gateway in Shetland is carried out to the highest standard. The cost of the training will be met over a period of two years from the funding allocated by the Government.

5.0 **Financial Implications**

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

6.0 Policy and Delegated Authority

6.1 This report has been prepared in relation to the Main Aim of the Economic Development Policy Statement 2007-2011, “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 Policy Statement was approved by the Development Committee on 24 April 2008 (01/08) and by the Council on 14 May 2008 (55/08).

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 the remit for which the overall objectives have been approved by the Council, in addition to appropriate budget provision, including:

- Economy
- Europe

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

6.3 In accordance with Section 11.0 of the Council’s Scheme of Delegations, management of the Shetland Development Trust, on behalf of the Council as sole Trustee, is delegated to the Development Committee.

7.0 Recommendations

7.1 It is recommended that the Committee note the contents of this report.

Our Ref: NG/JJ A09
Date: 04 June 2009

Report No: DV055-F

Appendix

Appendix 1 - Grant approvals for April 2009



REPORT

To: Development Committee

11 June 2009

From: Economic Development Officer

DV052-F Broadband Update

1.0 Introduction

- 1.1 This is a brief information report to update Members on progress regarding telecoms and broadband provision.

2.0 Links to Corporate Priorities

- 2.1 The activities reported in this document aim to fulfil our commitments in the Corporate Plan to deliver a sustainable economy and supports the aim contained in the Economic Development Policy Statement (2007-2011) to improve broadband services in Shetland.

3.0 Background

- 3.1 I presented a report to the Development Committee on 13 November 2008 regarding telecoms provision in Shetland [Min Ref 47/08]. I was requested at that meeting to present subsequent update reports every second cycle.

4.0 Updates

3.1 Vidlin and Fetlar Community Broadband Projects

- 3.1.1 The project to deploy wireless broadband networks in Vidlin and Fetlar is proceeding on schedule.
- 3.1.2 The free sign up period is now complete and the response from both communities has been very encouraging. In Fetlar 25 customers have signed up and in Vidlin 38 customers have signed up.

3.1.3 The network design is now almost complete and deployment of equipment will be taking place before the end of the month.

3.2 Digital Britain

3.2.1 I met with representatives from the Scottish Government recently to discuss broadband and the pending report from Lord Carter entitled 'Digital Britain'. As discussed in my last report to Committee, Lord Carter was tasked with setting out a plan for (amongst other things) broadband deployment across the UK.

3.2.2 The report aims to set out the Government's plan for future broadband requirements for the UK

3.2.3 The interim report, which was released in January, stated that the Government was planning to establish a Universal Sector Commitment (USC) for broadband of 2Mbps by 2012.

3.2.4 I made the point to the Scottish Government representative that 2Mbps is hardly an adequate service today never mind in 2012. The Scottish Government already have a scheme called "Broadband Reach" which is delivering broadband of this speed to homes and businesses in Scotland (via Satellite) anyway.

3.3 Network

3.3.1 There have been ongoing discussions with Cable & Wireless regarding backhaul links to the Scottish Mainland using the Faroese fibre optic cable (SHEFA). The discussions relate to proposals in report DV053.

3.3.2 There has been no progress with BT in relation to using the SHEFA cable. There have been reports that BT has erected new microwave links on Scousburgh Hill. It is unclear if these are additional links or replacement equipment.

3.4 Other

3.4.1 I have been invited to take part in the Scottish Government's think tank on the deployment of Next Generation Broadband in June. I will report back in my next update report.

5.0 Financial Implications

5.1 There are no financial implications arising from this report.

6.0 Policy and Delegated Authority

6.1 The subject of this report relates to Economic Development Policy Number 15 “Establish robust broadband services to businesses, organisations and homes in Shetland (Development Committee Minute Reference 01/08, SIC Minute Reference 55/08).

6.2 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

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

9.0 Conclusion

9.1 It is clear that Shetland can neither depend on the Scottish Government or BT to deliver faster broadband locally. We need to develop a strategic long-term plan to ensure that we have the telecoms infrastructure required for a healthy economy. I have made some proposals in report DV053 which follows this report.

10.0 Recommendations

10.1 I recommended that the Development Committee notes the content of this report.

Our Ref: MS/JJ RF/1038
Date: 11 June 2009

Report No: DV052-F



REPORT

To: Development Committee

11 June 2009

From: Principal Officer - Marketing

DV061-F
Shetlandmarketing.org

1.0 Introduction

- 1.1 The purpose of this report is to present an overview of a new website which has been developed by the EDU marketing service.
- 1.2 The website is being launched today following the Development Committee meeting via a short 10 minute demonstration in the Chamber by Marketing Officer Kevin Moreland.
- 1.3 The website provides improved access to solid advice about every aspect of marketing from market research and product development through to dealing with, and acting on, customer feedback. The target audience for the site is Shetland people, businesses and organisations.
- 1.4 The site also provides background information relating to the Shetland Brand and positive Shetland case-studies which highlight good marketing practice.
- 1.5 It is hoped that the information and links contained within the site will provide inspiration in order to help everyone involved in any kind of business or public activity positively to reinforce the islands' reputation.

2.0 Links to Council Priorities

- 2.1 The Council is committed to sustainable development; principal corporate priorities relevant to this report include Marketing Shetland, Skills Development, Economic Diversification and Strengthening Rural Communities.

- 2.2 The project links closely to the Shetland Marketing Strategy which was approved by the Executive Committee on 20 March 2007 [Min Ref 8/07], the EDU's Marketing Development Programme and the Business Gateway initiative.

3.0 Background – Aim and Objectives

- 3.1 The aim of the project is:

- To provide inspiration to those living and working in Shetland in order positively to reinforce the islands' reputation.

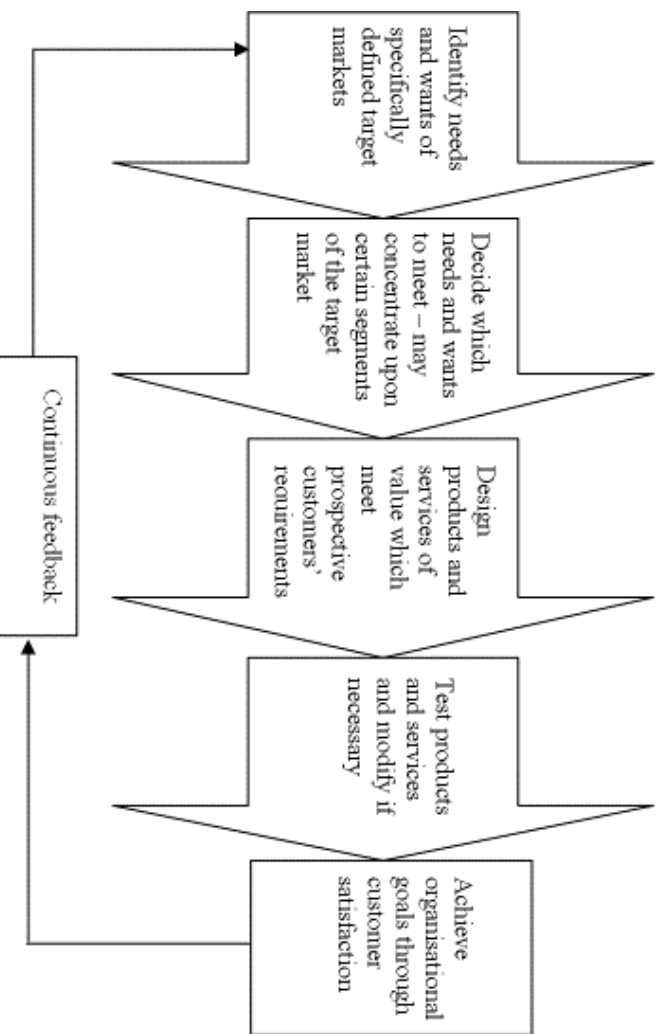
- 3.2 The objectives of the project are to:

- explain to specific local audiences and to the general public, why marketing Shetland and its products and services is important and how it is being pursued;
- explain the nature of the target market and why that particular market is vital to Shetland
- promote positive news about Shetland;
- highlight good exemplars;
- stimulate an ability and willingness to deliver high-quality products and services;
- stimulate and inspire local consumer interest in delivery of high-quality local products;
- encourage active participation in marketing Shetland.

4.0 Shetlandmarketing.org

- 4.1 The rationale behind the development of the website is to encourage good marketing practice. It is hoped to achieve this by highlighting good quality marketing support information along with background on the Shetland Brand and positive marketing case studies.
- 4.2 Whilst good marketing for Shetland must involve promoting Shetland (i.e. telling people about the place and what we have here), considerable emphasis must continue to be placed on marketing in its wider context.
- 4.3 Success in this involves encouraging Shetland businesses and organisations to understand our target customers better. Good marketing revolves around the customer and key to enhancing our reputation as a whole is the wide adoption of 'the Marketing Concept' as a central function. The Marketing Concept is outlined in Diagram 1 below.

Diagram 1 – The Marketing Concept



5.0 Financial Implications

- 5.1 Following launch of www.shetlandmarketing.org , a longer-term agreement will be reached with the site developer to provide ongoing site management work. This will include updating where required (images and text), general maintenance/ improvement and newsletter distribution. This arrangement has worked well on a joint working basis for the www.shetland.org website.

- 5.2 The development costs of the site, its promotion and ongoing maintenance and development have to date been covered by existing EDU marketing budgets. Future development, promotion and maintenance will continue to be addressed via existing budgets. There are no other additional direct financial implications arising from this report.

6.0 Policy and Delegated Authority

- 6.1 This report has been written based on the following Economic Development Policies (Development Committee Minute Reference 01/08, SIC Minute Reference 55/08):

- 24 - 'Improve Shetland's reputation as a place that offers products of excellent quality that meet the needs and aspirations of the consumers most likely to be interested in what Shetland has to offer [and] Services provided to a standard that consistently exceeds customer expectations';
- 25 - 'Enable individuals and businesses to develop and promote Shetland products and services with confidence and pride'.

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

7.0 Observations

7.1 The www.shetland.org site addresses audiences outwith Shetland and has had significant success in promoting the message of 'learn about, work and move' to Shetland to an external audience. The www.shetlandmarketing.org site is very much related to this site, however it will directly addresses an internal Shetland audience in order to highlight the requirements of good marketing practice with a view to improving overall quality and thus impacting positively on our brand over time.

7.2 Whilst much of the information contained within the site will be directly of interest to Shetland businesses, the site recognises that development of Shetland's brand is everyone's responsibility. The information on the site is therefore also highly relevant to public sector organisations, schools and the general public.

7.3 Following its launch the site will be used as a basis to roll out a wider information initiative on the Shetland Brand later this year.

8.0 Conclusion

8.1 Development of the www.shetlandmarketing.org website is as an action driven by the Marketing Strategy approved by the Council.

8.2 The site addresses marketing in its proper context and seeks to encourage improved understanding and adoption of good marketing practice in support of the Shetland Brand.

8.2 It is hoped the site will prove to be a significant and highly beneficial addition to the resources currently being used to promote good marketing practice in Shetland such as the Business Gateway.

8.3 There are clear linkages to the proposed activities of 'Promote Shetland' and management of this resource will be carried out with the aim of this initiative in mind.

9.0 Recommendation

9.1 I recommend that the Development Committee notes the progress made in developing the www.shetlandmarketing.org website as part of the overall marketing strategy for Shetland.

Our Ref: NHH/KLM/RF1234
Date: 04 June 2009

Report No: DV061-F



REPORT

To: Development Committee

11 June 2009

From: Services and Technologies Officer

DV057-F Renewable Energy Update Report – March 2009 to May 2009

1.0 Introduction

- 1.1 This renewable energy update report is being presented to Development Committee as a means of communicating with Members key activities being dealt with by the Economic Development Unit in the period March 2009 - May 2009.

2.0 Links to Corporate Priorities

- 2.1 The activities reported in this document aim to fulfil our 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 Renewable Energy Update

3.1 Marine Renewables Initiative

The NAFC Marine Centre have been commissioned to undertake a project called ' Shetland Marine Energy Development' on behalf of SIC and HIE Shetland. The project which will last 12 months aims to identify potential sites around Shetland for Marine Energy Development.

The project has secured funding from the Cradle to Cradle Islands, Interreg Northern Periphery Program for 50% of the £44,900 costs.

Once appointed the development officer will be identifying the best sites for harnessing marine renewable energy, examining all the related issues, such as the biodiversity, environmental designations, available infrastructure, grid availability and potential conflicts with other activities such as fishing, aquaculture and leisure pursuits. The approach is very much aligned with the recently developed marine spatial plan for Shetland, which has already been praised by companies interested in developing projects in the waters around Shetland.

The extent of marine renewable energy development around Shetland is very much linked to what grid capacity is available, without an interconnector to the UK national grid the opportunities for development will be very limited. It is important though, that if permission is granted for an interconnector via the Viking Energy project in 2014, we are ready for business in Shetland on the marine renewables front. As well as generating and exporting power, the potential economic benefits of a service sector to the marine renewables industry would be significant. Shetland harbours are ideally located to provide this service, particularly Scalloway, located nearest to the best wave resources to the west of Shetland.

The marine renewables sector is still very much in its infancy and technologies are still in the test phase but developers and generating companies are now looking at the potential sites for future projects. This is a good opportunity for the NAFC Marine Centre to get involved in this activity at the early stages of what could be in the future an important sector of the Shetland economy.

3.2

Small Scale Wind to Heat Projects

The Economic Development Unit has approved funding towards five wind to heat projects. Burra Public Hall, Bridge End Outdoor Centre, Muckle Roe Public Hall, Unst Church of Scotland and Aith Lifeboat Station.

All these facilities will benefit from reduced running costs, and the buildings being provided with affordable year round heating from a renewable source.

The SIC contribution to the projects was between 5% and 20% of project costs on the individual applications and totals £28,843 for five projects. This funding along with the applicants contribution levered in match funding totaling £225,856 from outside Shetland.

3.3 Renewable Energy Strategy

Over the last few months independent consultants Anderson Solutions have been drawing together a Shetland Renewable Energy Strategy document. They have conducted telephone and face to face interviews as well as workshops. They presented their first draft to the industry panel on Monday 25 May 2009. The draft was well received and is now out for comment to members of the industry panel. A final draft is expected to be ready for presentation in about 4 weeks. One of the main areas to discuss is the most effective means of implementing the strategy and the body to drive this. This will be discussed at the next panel meeting once feedback has been collated.

3.4 Foula Electricity Scheme

The Environmental Impact Study is nearing completion for the addition of wind power to the Foula Electricity Scheme. The EDU has approved £15,000 towards the EIA works which has been matched by funding from Community Energy Scotland. It is hoped that Phase 2 will be in the planning process within the next week or two. The Foula Electricity Trust are in the process of putting together a funding package for Phase 2.

The new scheme has been operating successfully for about six months with the hydro scheme dramatically reducing diesel usage. At this time of year the amount of water that can be extracted from the loch for hydro is now restricted due to red throated divers nesting, and the scheme is using more diesel power again. However, the longer days do mean the solar panels are at their most effective and do make a valuable contribution. The addition of wind turbines and increased battery storage will make a big difference at this time of year when the supply of hydro is low and the running costs increase due to the amount of diesel that is required. The wind turbines will also increase the amount of electricity available to consumers. The scheme has expressions of interest from three new customers on the island wanting to connect to the Foula grid, this is very encouraging and it is hoped these will be included in phase 2 of the replacement scheme.

4.0 **Financial Implications**

4.1 There are no financial implications arising from this report.

5.0 **Policy and Delegated Authority**

5.1 This report has been prepared in relation to the Main Aim of the Economic Development Policy Statement 2007-2011, "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 Policy Statement was approved by the Development Committee on 24 April 2008 (01/08) and by the Council on 14 May 2008 (55/08).

5.2

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

- Economy
- Europe

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

6.0 Recommendations

6.1 It is recommended that the Committee notes the contents of this report.

Our Ref: MH/JJ E11

Date: 27 May 2009

Report No: DV057-F



REPORT

To: **Development Committee**

11 June 2009

From: **European Officer**

REPORT NO: DV051-F UPDATE ON EUROPEAN ACTIVITIES

1.0 Introduction

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

2.0 Link to Corporate Priorities

- 2.1 Maintaining and enhancing links with European affairs is a key component of the aims to achieving a sustainable economy as identified within Shetland Islands Council's Corporate Plan 2008-2011.

3.0 Funding Streams

3.1 Highlands & Islands Convergence Programme 2007-2013

Members will be aware of two recent grant approvals to the Council:

- ERDF grant of £300,000 towards the cost of a berthing facility in Fetar.
- ERDF/ESF grants of £972,484 to Shetland Community Planning Partnership for 11 projects throughout Shetland to be carried out between now and the next 3 years or so. Some of these projects, however, are dependent on a ranking within the Council's Capital Programme in order to receive the required match funding.

Representatives from the Scottish Government Structural Funds Unit and Highlands & Islands Partnership Programme met representatives from the Council and other external public agencies in April to discuss potential projects which could come forward for ERDF/ESF assistance. The Council has at least one project application to bring forward for the next round which opens in June and is aware of a couple of others from other agencies in Shetland. The lack of funding available for infrastructure-type projects and lower grant rates within the programme has contributed to the lack of projects coming forward for assistance.

3.2 European Fisheries Fund (EFF) 2007-2013

Members will be aware that several Shetland projects were successfully awarded funding at the latest round of approvals during April, with almost half of the total £2.9 million EFF award for the H&I's region coming to Shetland-based projects.

There has been virtually no progress by the Scottish Government in launching Axis 4 of the EFF. The focus of Axis 4 is on sustainable development of fisheries communities and LEADER Local Action Groups will receive an allocation of funding following submission of a local development strategy appropriate to their area. At the time of writing this report, the Convener of Orkney Islands Council is to raise the issue with Richard Lochhead, Cabinet Secretary, at the H&I's Conveners meeting on 28 May highlighting the unacceptable delay in delivering this money to the community and the need for minimal bureaucracy given the small pot of funding (£1.2 million for H&I's region).

3.3 Interreg Programmes 2007-2013

As reported separately, Members will be aware that the Council has received several invitations to join Interreg projects in conjunction with European partners. Such requests to join projects arise from our contact with a variety of European networks.

4.0 **Conference of Peripheral Maritime Regions (CPMR) Activities**

4.1 Aquamarina Group

The Council has been participating in the CPMR's Aquamarina Group which is focussed on the development of an EU Maritime Policy. At the last meeting on 3 March in Brussels, Dr Lorraine Gray from the NAFC gave a presentation on the Shetland marine spatial plan as an example of an island approach to marine spatial planning.

The next meeting is on 18 June in Brussels and will focus on the Green Paper Review of the Common Fisheries Policy. The meeting will be jointly coordinated by the regions of Brittany and Shetland, in our role as secretariat for the CPMR Fisheries Intercom Group.

4.2 Fisheries Intercom Group

The CPMR Fisheries Intercom Group, chaired by Councillor Simpson, will meet in Brussels 8-9 June. The meeting on the 8th will prepare initial reactions to the CFP Green Paper in advance of a meeting with Mr Fotian Fotiadis, the European Commission's Director General for Fisheries and Maritime Affairs, on 9 June and the Aquamarina meeting on 18 June. The purpose of the meeting on 9 June with Mr Fotiadis is to forward the expectations of what a reformed CFP should deliver for peripheral maritime regions. There will also be an opportunity for each region present to raise any other issues which in our case will be the difficulties with the EU cod recovery plan.

4.3 Islands Commission General Assembly

The annual meeting of the Islands Commission took place in Stornoway from 6-8 May and was attended by Councillor Simpson and the European Officer. The focus of the Agenda was on territorial cohesion and the key messages endorsed by the island regions present were that there needs to be recognition and flexibility within EU policy for areas with permanent constraints, not only to address difficulties but also to allow regions to take advantage of unique circumstances; there needs to be recognition that policies cost more to implement in island areas; the abolition of the one-size-fits-all approach to policy; and EU citizens should benefit equally from access to goods, services, etc.

A reference was made to the vast sums of money guaranteed by EU Member States to help alleviate the financial crisis compared to the relatively small sums of money advanced to Shetland fishermen which the European Commission is seeking repayment of. This would seem to be a good example of state aid rules being flexible in some circumstances but not in others.

Other main highlights from the meeting:

- Alyn Smith MEP undertook, if re-elected, to establish an 'Article 158' inter-group within the European Parliament. Article 158 is a clause in the proposed Lisbon Treaty which stresses that certain categories of regions will require "particular attention", amongst which those which "suffer from severe and permanent natural or demographic handicaps". The islands are specifically mentioned in this context.
- The Western Isles representatives made strong representation for concrete and practical measures to help islands take advantage of their wind energy resource, for example a connection strategy.
- Councillor Simpson gave an update on the work of the Fisheries Intercom Group.

- The three island authorities of Shetland, Orkney, and Western Isles presented a resolution on agriculture which was adopted by the General Assembly. The resolution called on the European Commission to take into consideration the impact of any further restrictions in the hours permitted for the transportation of livestock and to allow appropriate flexibility for islands. Parallel to this, the resolution further highlighted that availability of slaughterhouses would help reduce some of the requirement of livestock transportation and called on the European Commission to amend state aid policy to allow greater public support for investment in slaughterhouses.

4.4

North Sea Commission General Assembly

The General Assembly meeting will take place in Holland from 25-26 June, hosted by Province Noord-Holland, preceded by a joint conference with the Interreg North Sea Programme. The theme of the this year's programme is sustainable innovation for the North Sea Region.

Councillor Cluness will stand for re-election as Vice-President. During this last year, Shetland was responsible for coordinating a response to the EU territorial cohesion on behalf of the NSC region.

Shetland is proposing to present a resolution on the difficulties with the revised EU cod recovery plan.

5.0 SHOAL

5.1 Scottish Government Inquiry into Future Fisheries Management

A Scottish Government Inquiry team will visit Shetland from 4-5 June and take evidence from SHOAL members as part of its inquiry to guide future fisheries policy in Scotland. The inquiry conclusions will also inform the Scottish Government's approach to discussions on future fisheries arrangements replacing the existing CFP in 2012.

5.2 EU Green Paper on Reform of the Common Fisheries Policy

On behalf of Shetland's fishing industry, SHOAL will make a contribution to this significant consultation.

6.0 Current and Future Policy Issues

6.1 Territorial Cohesion

Members are reminded that the Council submitted a response to the Commission consultation on territorial cohesion which closed in February. The concept of territorial cohesion aims to bring a territorial dimension to regional policy, suggesting that account should be taken of geographical barriers and inequalities to allow more balanced and sustainable development of the EU. Territorial cohesion is regarded as complementary to and reinforcing economic and social cohesion.

Following the public consultation, the Commission is expected to produce a summary of responses within the 6th Interim Cohesion Report due out in June. The Commission are very unlikely to put forward any proposals for the future of territorial cohesion, preferring to leave this to the new Commission due to be appointed in October. The discussion on territorial cohesion is taking place alongside the significant debate on the future of the EU budget so it is unlikely there will be any concrete proposals in the near future.

6.2 Scottish Fisheries Council Communities Sub-Group

Under the umbrella of the Scottish Fisheries Council, the Scottish Government have established a Communities Sub-Group which is chaired by Councillor Josie Simpson and comprises representation from stakeholders in the fishing industry with an interest in communities issues.

The remit of the group is to develop a framework of support for fishing communities with a focus on addressing the socio-economic issues facing fisheries areas. At the third meeting in May, the group agreed to establish a new entrants sub-group which will develop proposals to enhance and sustain new crew entrants and new young skippers across the Scottish catching sector.

6.3 Common Fisheries Policy

The European Commission has produced a Green Paper consultation document outlining its proposals for reforming the Common Fisheries Policy. The objective of these proposals is to make the CFP more efficient in ensuring the economic viability of the European fleets, conserving fish stocks, integrating it with the Maritime Policy and providing good quality food to consumers. The Commission's view is that European fisheries are currently characterised by overfishing, fleet over-capacity, heavy subsidies, low economic resilience and declining volumes of catches. The consultation runs until 31 December 2009.

The CFP has a major influence on Shetland's fishing industry and therefore any changes to it will be highly significant.

6.4 H&I's European Partnership (HIEP)

The Highlands & Islands European Partnership (HIEP) was formed in 1998 to pursue a joint approach to engagement with the EU. The partnership reports to the H&I's Conveners' Group and membership currently comprises the 7 H&I's Local Authorities, HIE and the UHI.

To ensure that the partnership remains fit for this purpose, an independent review of its operation and remit was undertaken. This has been driven by a number of factors, including the changing landscape of EU funding, the changing focus of partner organisations detailed in the Government Economic Strategy and Single Outcome Agreements, and the Scottish Government Action Plan on European Engagement.

Alongside this, there was a recognition that the partnership's priorities for engaging in Europe needed to be re-confirmed. A discussion on priorities will take place at the H&I's Conveners meeting on 28 May. The proposed priority areas are: rural and regional policy including post-2013 funding; support for infrastructure; support for energy; and employability. These are fairly consistent with the priority areas put forward from SLC (as reported in the Public Activity Report to Development Committee on 30 April 2009), based on our single Outcome Agreement and Economic Policy Statement.

7.0 **Financial Implications**

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

8.0 **Policy & Delegated Authority**

- 8.1 This report is relevant to three of the overall aims within the Economic Development Policy Statement 2007-2011 which was approved by the Development Committee on 24 April 2008 (01/08) and by the Council on 14 May 2008 (55/08). The relevant aims are: encourage enterprise and sustainable growth; expand knowledge and build skills; and improve access and extend opportunities.

- 8.2 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

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

9.0 Conclusion

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

10.0 Recommendation

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

Our Ref: SJS/R4/10/6

Date: 27 May 2009

Report No: DV051-F



REPORT

To: Development Committee

11 June 2009

From: Head of Economic Development

Report: DV064-F Review into Potential Public Subsidies of Catering Facilities Discussion Paper

1.0 Introduction

- 1.1 The purpose of this report is to update Members on the progress which has been made with the review of the subsidy of catering facilities.

2.0 Links to Corporate Priorities

- 2.1 This report links to the Council's Corporate Plan 2008-2011 which sets out a range of priorities to more effectively and efficiently organise the Council's business.

3.0 Background

- 3.1 Last year, MSP Tavish Scott wrote to the Council on behalf of certain constituents, who had raised concerns about the potential negative impact on the private sector from Council subsidised catering, and requested that the Council consider increased private sector involvement in the provision of these services. In response the Chief Executive of the Council agreed to undertake a policy review and instructed the Head of Economic Development to conduct the review.
- 3.2 At a meeting of the Charitable Trust on 26 March 2009 a similar issue was raised regarding funding of public sector café facilities and it was agreed that the Trust would work together with the Council's Services Committee and Development Committee to review policy.
- 3.3 The overall aim of the policy review is to:
 - Understand and apply the legal framework, particularly with regard to state aid and EU procurement compliance.

- Map the current provision
- Calculate the level of subsidy for each of the catering establishments providing services to the general public. If any.
- Understand the level of potential displacement from the private sector.
- Justify an appropriate level of subsidy, in support of the core service provision.
- Develop a transparent and justifiable policy framework for instances where it will be appropriate to provide a level of public subsidy to catering establishments.

3.4 The following establishments were contacted and have provided the information which forms the basis of this review:

- Clickimin Café and Loch Bar (Shetland Recreational Trust)
- Hay's Dock (operated by Shetland Amenity Trust)
- Blue Rock Café (operated by Islesburgh)
- Bonhoga Gallery Café (operated by Shetland Arts)
- Da Haaf Restaurant (operated by NAFC Marine Centre)
- External catering provided by COPE Ltd

4.0 Activity/Progress

4.1 The Financial Controller of the Shetland Development Trust, has worked with the establishments noted above to gain a detailed understanding of how each of the establishments are financed. The total combined figures for 2008/9 are tabulated in appendix 1 attached.

4.2 Total combined turnover of the establishments is £1.306m. None of the establishments are profit making although some are close to being so. The combined annual subsidy after taking account of all overheads is £429k.

4.3 The establishments together employ almost 50 Full Time Equivalent (FTE) people. The average wage rate of £7.87 is thought to be above the private sector rate.

4.4 In comparison the turnover for the whole of the private sector catering in Shetland is £2.688m, which includes pubs and clubs. It is however difficult to ascertain how much displacement there is of the private sector by the public sector operations.

- 4.5 In considering possible options another and important third sector which is financed by the Council is the provision of catering for schools and care homes, which costs £2.55m and employs 109 FTE people
- 4.6 Benchmarking – We asked other Scottish local authorities if they provided any kind of subsidy to catering facilities within leisure centres, art galleries, community centres, museums. Twelve local authorities responded including Orkney and Highland Councils. The larger authorities indicated that catering facilities were money generators. However amongst the smaller authorities there was very little if any subsidy or underwriting. Most of the authorities used franchising or arms length arrangements.
- 4.7 State aid advice – The Scottish Government State Aid Unit have been contacted and asked whether the existing financing arrangements are state aid compliant. The advice which the State Aid Unit has provided is that there is not deemed to be an aid so long as the catering service provided is intrinsically linked with the operation of the public facility which it serves. Further that if any of these catering services are contracted out that this must be tendered for on an open and competitive market.

5. Proposal

- 5.1 The financial and operational models of the six establishments in the review are all quite different as are the target markets. It is therefore not a straightforward task to set a policy across all of the establishments that provides effective use of Council funds, along with the best service outcomes.

- 5.2 Possible options include:

Removal of subsidy – in most if not all cases this would result in the catering facilities shutting down, with the resulting loss of jobs and loss of the service. The impact of this has to be considered for each case.

Reduction of subsidy – in most cases this would have a direct impact on service unless the reduction was achieved through efficiency savings.

Franchising out, or other private sector involvement – this option should be further evaluated, as it may provide a win/win for both the private sector, and also a reduction of public subsidy required.

Sharing of common services – for example provision of pre-cooked food or common staff service.

- 5.3 It is likely that the best solution will involve a mixture of these options, and will be different in each case, and will require further discussion with the organisations involved.

6.0 Financial Implications

- 6.1 There are no direct financial implications arising from this report.

7.0 Policy and Delegated Authority

- 7.1 The proposal that forms the basis of this report satisfies a number of policies, contained in the Economic Development Policy Statement 2007-2011 which was approved by Development Committee on 24 April 2008 (Min Ref 01/087 and by the Council on 14 May 2008 (Min Ref 55/08). This report has been prepared based on the following policies:

- 5. “Continue to develop Shetland as a tourist destination, through development of high quality products and services.”
- 27. “Enable individuals to achieve their full economic potential.”

- 7.2 In accordance with section 11 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 is covered by existing policy the Development Committee does have the delegated authority to make a decision.

- 7.3 The Council itself can make policy choices on how it procures food. However, for funded organisations, we can only influence through the grant aid/service level agreement payments.

8.0 Conclusions

- 8.1 The total annual subsidy of £429k is a significant amount of public funds and we need to be able to clearly demonstrate the need for each of these services and whether the public purse is getting best value for money. There would appear to be a significant opportunity to explore further the provision of at least some of the service by the private sector.

9.0 Recommendations

- 9.1 I recommend that the Development Committee consider the options contained in this report and give direction to the Head of Economic Development as to how to proceed.

Our Ref: NRJG/JJ
Date: 08 June 2009

Report No: DV064-F

Publicly Funded Catering Facilities
Trading Statements for Year Ended 31 March 2008/09, Adjusted to a "Private Sector" Basis

<u>Trading Income</u>	<u>£'000</u>	<u>£'000</u>	<u>%</u>
Food and Drink Sales	1,148.1		
Events	40.2		
Other Trading Income	118.0		
Donations			
Total	1,306.30	100.0	
<u>Direct Cost of Sales</u>			
Food and Drink	578.6		
Packaging Costs	5.8		
Other Direct Purchasing Costs	54.2		
Total	638.60		
	667.70	51.1	
<u>Overheads</u>	<u>£'000</u>		
Total Staffing Costs	861.4	65.9	
Rent and Rates	81.8	6.3	
Professional/Management Charge	15.3	1.2	
Heat and Light	22.0	1.7	
Cleaning Costs	12.9	1.0	
Training Costs	1.1	0.1	
Protective Clothing and First Aid	2.0	0.1	
Plant and Equipment Hire/Purchase	6.3	0.5	
Repairs and Maintenance	18.9	1.5	
Insurance Lease and Capital Costs	19.7	1.5	
Depreciation	33.2	2.5	
Advertising and Promotional	1.9	0.1	
Other Overheads	16.6	1.3	
Net Bank Interest and Charges	4.0	0.3	
Total	1,097.10	84.0	
<u>Trading Loss or Subsidy, Against Commercial Criteria</u>	-429.40	-32.9%	
Number of Full Time Equivalent Employees (FTEs)	49.5		
Average Wage rate per hour	£ 7.87		
Average Cost per FTE	17,395.00	1.3%	
Average Subsidy per FTE	8,671.00	0.7%	
NB percentages relate to turnover			



REPORT

To: Development Committee

11 June 2009

From: Principal Officer Marketing

DV060-F

Promote Shetland - Update

1.0 Introduction

1.1 This report updates the Committee on progress towards establishing the Promote Shetland service and provides the proposed development timescales for introducing it.

1.2 The report also asks the Committee to appoint a Council Member to become a member of the Promote Shetland Steering Group as agreed on 31 March 2009 the Tourism and Culture panel. The role, aim and objectives of Promote Shetland are outlined at Appendix 1.

2.0 Links with Corporate Plan

2.1 This report has strong links with Council Corporate Plan Policies to “Promote Shetland as a tourist destination” and “Further improve Shetland’s reputation as a place that offers excellent products and meets the needs of consumers”.

3.0 Background

3.1 On 18 February 2009, the Council took the decision to:

- a) Give delegated authority to the Head of Economic Development to “Establish a Shetland Destination Marketing mechanism in Shetland”, with the proviso that “Every effort would be made to ensure that the operation would be done by a third party contract rather than directly employed staff” and “Only if that was difficult to achieve would there be a fixed term contract of employment established to deliver the same role”.

- b) Approve spending of £463,392 for setting up and the first year operation of the DMO, which includes an estimated £100,000 for the purchase of marketing services from Visit Scotland [Min ref 21/09].

4.0 Promote Shetland Update

4.1 Steering Group

4.1.1 On 31 March 2009 the Tourism and Culture panel met to discuss Promote Shetland and agreed to the establishment of a Steering Group comprising the following:

- Head of Economic Development Unit;
- Chairman Shetland Islands Council Development Committee;
- Nominated Councillor with specific interest in marketing (to be confirmed at this meeting);
- Shetland Tourism Association;
- General Manager, Shetland Amenity Trust;
- Director, Shetland Arts;
- Other Industry representatives, as relevant to Promote Shetland's current marketing activity;
- General Manager, Shetland Charitable Trust;
- HIE Area Manager, Shetland;
- General Manager, Shetland Recreational Trust.

4.1.2 The Promote Shetland Steering Group met for the first time on 21 May and agreed to extend Shetland Tourism Association membership on the Group to 2 places. The role, aim and objectives of Promote Shetland are outlined at Appendix 1. The role of the Steering Group is at Appendix 2. An action minute from the Promote Shetland Steering Group of 27 May is attached for information at Appendix 3.

4.1.3 As previously advised, it is intended that membership of this group will evolve and change over time. When a sector is actively involved in developing or implementing a strategic destination-marketing project, in line with Promote Shetland's aims and objectives, a representative from the sector will be nominated to join the group.

4.2 Service Contract for Promote Shetland

4.2.1 Staff are working closely with Legal and Administration on taking this forward. It has been necessary for some investigation as to the specific nature of the work being undertaken in connection with EU procurement regulations and to subsequently consider the best way in which this can be progressed.

4.2.2 A call for parties interested in providing the co-ordination and management of Promote Shetland as a service contract was advertised in The Shetland Times of 29 May and 05 June. A copy of this advertisement is at Appendix 4. Should difficulties be encountered in addressing the service provision via this method, the option of direct employment will be addressed [Min ref 21/09]. A decision was taken in the first instance to restrict advertisement at the initial stage to The Shetland Times.

4.2.3 The event timeframe, which is attached at Appendix 5, highlights the steps taken since the Council meeting on 18 February to introduce the Promote Shetland service.

4.3 Interim Progress

4.3.1 The following progress has been made on projects directly-related to Promote Shetland:

4.3.2 Welcome Ashore – A contract has been agreed with Lerwick Port Authority to provide a 'meet and greet' service for visiting cruise ships. The main objective of the initiative is to provide a warm, friendly and consistent welcome to cruise passengers visiting Lerwick, consequently building Shetland's reputation for handling cruise ships and encouraging repeat visits by Cruise Lines. This is aimed at passengers on a brief visit and enhances the appreciation of what Shetland has to offer. The 'onboard' element of this ensures that even those passengers choosing to remain onboard the ship will be better informed of their visit to Shetland.

4.3.3 Rural Information Network - The network of 12 rural information points is in place and operating at the same level of service as it has done in previous years. The contract with each service provider is with Shetland Islands Council instead of VisitScotland. Information points have been fully restocked and payment arrangements have been agreed. Discussion is ongoing with Shetland Amenity Trust and the heritage sector about how to better integrate visitor information with the Shetland heritage network.

4.3.4 Sumburgh Airport – An arrangement has been agreed for a one-year contract between Highlands and Islands Airports Limited (HIAL) and VisitScotland to provide a joint airport and visitor information service at Sumburgh Airport. The Council has agreed to match-fund this service along with HIAL to provide a fully-funded, effective service.

4.3.5 Digital Information Work – A proposal has been received from North Atlantic Media Services for digital services currently provided to VisitScotland. This includes services relating to development and management of the 60 North FM, 60 North TV and the VisitShetland image database. This proposal is currently being reviewed.

4.3.6 Office Premises – An outline agreement has been reached with Shetland Amenity Trust over premises for Promote Shetland in relation to directly employed Council staff. This, however, will require to be re-addressed if the Promote Shetland service is provided as a third party contracted service.

4.3.7 Interim Staffing – The Director of Visitor Engagement at VisitScotland confirmed to the Council on 8 April that it would not be possible for a secondment of any staff based in Lerwick to the Council for the purposes of Promote Shetland.

4.3.8 Identity – Tenders for providing an identity to Promote Shetland in order to effectively identify it as an organisation on a consistent basis are in-hand awaiting final decision.

4.3.9 Information Provision – Background and progress information has been provided online on Promote Shetland at www.shetland.gov.uk/promoteshetland. Regular contact has been maintained with the secretaries of Shetland Tourism Association and Shetland Heritage Association over developments.

4.4 Operational Arrangements and VisitScotland

4.4.1 As part of its remit to promote all aspects of Shetland to its target markets, Promote Shetland will be responsible for coordinating the provision of visitor marketing and local information services.

4.4.2 The Council is still attempting to identify a list of the core services that VisitScotland is committed to provide in Shetland as part of its national remit for promoting all regions of Scotland. A copy of the latest correspondence relating to this (dated 27 May 2009) is attached at Appendix 6. At the time of writing this report, a response had still not been received.

4.4.3 This baseline information is essential and continued lack of clarity in this area is highly frustrating: it hampers progress and affects efficient planning. The information, when eventually provided, will be used along with a “menu of opportunity” (essentially a shopping list of services offered by VisitScotland to each local authority) to avoid unnecessary duplication and ensure that Shetland continues to benefit from, and add value to, any relevant opportunities to market Shetland, as part of Scotland.

4.4.4 VisitScotland staff met with EDU staff on 18 May and presented a list of potential services which can be provided to Shetland. The Promote Shetland Steering Group suggested that Shetland Islands Council should not contract with VisitScotland for interim services until the situation regarding provision of baseline data is resolved.

5.0 Financial Implications

- 5.1 On 18 February 2009, the Council took the decision to approve spending of £463,392 for setting up and the first year operation of the DMO, which includes an estimated £100,000 for the purchase of marketing services from Visit Scotland [Min ref 21/09].

6.0 Policy and Delegated Authority

- 6.1 This report has been written based on the following Economic Development Policies (Development Committee Minute Reference 01/08, SIC Minute Reference 55/08):

- 6 – ‘Continue to promote Shetland as a high quality visitor destination’;
- 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 what Shetland has to offer; and, services provided to a standard that consistently exceeds customer expectations’;
- 25 – ‘Enable individuals and businesses to develop and promote Shetland products and services with confidence and pride’.

- 6.2 Attendance at meetings as a nominated or appointed representative is deemed an approved duty in terms of Section 3.2 of the Council’s Scheme of Members’ Approved Duties. It is Council practice that voting, if necessary, shall be conducted by secret ballot using first-past-the-post principles.

7.0 Observations

7.1 It has been noted that the VisitScotland Tourism Information Centre at Market Cross was closed on Saturday 23 May. This coincided with the visit of the cruise ship 'Expedition' which visited Lerwick that day with 91 passengers. The Tourism Information Centre was also closed on Monday 01 June at 12.30pm for the remainder of that day.

7.2 Whilst VisitScotland have confirmed that these closures are due to internal staffing issues. The situation is very worrying given closures of this nature have been virtually non-existent over the past 6 years. These types of closures can inflict serious damage to Shetland's reputation for provision of information services, particularly at this time of year.

7.3 Efforts have been made to ascertain specific reasons for these closures through close contact with local VisitScotland staff. Once more the request has been made for information relating to the baseline service level for this function which, when in-hand, can be used to decide on the enhancements which are required to ensure a provision of a high quality visitor information service.

8.0 Conclusion

8.1 While considerable progress has been made in developing the Promote Shetland service, Members should note that progression of a service contract has been, at times, time consuming due to the unique nature of the subject matter.

8.2 The Council recognises the importance of keeping the industry up-to-date with developments and Promote Shetland is now a regular item on industry panel agendas. Additionally Shetland Tourism Association now has two places on the Promote Shetland Steering Group which allows improved flexibility in attending meetings in order to keep its members up-to-date as developments progress.

8.3 It should also be noted that in this period of change, visitors to Shetland should be completely unaware of any internal issues relating to management of tourism services in Shetland. Thus failings to deliver direct services, such as advice and information will impact badly on Shetland's reputation.

8.4 During this period of change the onus will be on all with an interest in promoting Shetland in a positive light to contribute to our success. Ultimately the success or failure of Shetland taking place marketing into its own hands will not be dependent on a particular organisation.

8.5 From a marketing perspective, the continued development of high quality Shetland products and services that meet and exceed customers' expectations along with the direct and indirect contribution of all those involved in building an excellent reputation for Shetland to all its target markets is essential to achievement of our marketing ambitions for a successful Shetland.

9.0 Recommendation

9.1 I recommend that the Development Committee:

- (a) note the contents of this information report, and;
- (b) appoint a Council Member to become a member of the Promote Shetland Steering Group.

Our Ref: NHH/KLM/RF1245

Report No: DV060-F

Date: 03 June 2009

Promote Shetland

Role, Aim and Objectives

Role

- To support the collaboration between all those involved in building a strong place brand and reputation for Shetland, particularly for quality, distinctiveness, authenticity and integrity.
- The vehicle through which Shetland's reputation as a destination (for tourists, visitors, those returning permanently and new residents) can be measured, managed and influenced by a partnership between tourism, culture, government, business and community stakeholders working together around a single visionary destination marketing strategy.

Aim

To promote and improve the well being of Shetland Islands, and the well being of the persons within the Shetland Islands, through the ongoing development and implementation of a Promote Shetland Marketing Strategy, which is directed towards increasing sustainable economic activity within the Shetland Islands.

Objectives

- Develop and implement the Promote Shetland Marketing Strategy
- Contribute to the development and implementation of the Shetland Events and Festivals Strategy.
- Seek maximum benefit for the promotion of Shetland through the development of close partnership working with VisitScotland and EventsScotland, as appropriate.
- Through promotional work, contribute to improving people's awareness of Shetland's reputation for quality, distinctiveness and integrity to encourage trade, talent, inward investment and tourism.
- Undertake work to promote Shetland to potential new residents as an exceptional place to live, work and study.
- Undertaking work to promote Shetland to its target market as an outstanding visitor destination
- Ensure the provision of, and promote, high quality local marketing and visitor information services
- Contribute to removing or reducing constraints to trade between Shetland and its markets with particular emphasis on the use of, the internet, other new media and e business

Promote Shetland

- Contribute to improving communication and work with the public sector, NGO's, trade associations and other relevant agencies to improve positive working relationships and avoid duplication of promotional effort
- Act as an ambassador for Shetland and support other Shetland ambassadors in line with the Promote Shetland's Marketing Strategy and the Shetland Events and Festivals Strategy
- Provide a public relations and media communications function with external support as required
- Manage service level agreements with all third parties engaged in fulfilling relevant service level agreements with Shetland Islands Council
- Capture and use marketing intelligence to encourage more repeat and referral business through better customer satisfaction and targeted niche marketing
- Contribute to strategic partnerships that are involved in strategic opportunities for improving Shetland's reputation to its target markets.
- Any other activity deemed necessary in the pursuance of Promoting Shetland's aim, above.

Promote Shetland

Promote Shetland

Role of Steering Group

It is proposed that the Promote Shetland will have a Steering Group in place, the role of which will be initially to provide support and guidance in the establishment phase for Promote Shetland.

The Group will provide political and operational guidance but will not be involved in decisions relating to specific contractual arrangements. Executive activity will be undertaken by staff at Shetland Islands Council Economic Development Unit.

When Promote Shetland is established, the activities of the Steering Group will be guided by the aim of Promote Shetland i.e.:

To promote and improve the well being of Shetland Islands, and the well being of the persons within the Shetland Islands, through the ongoing development and implementation of a Promote Shetland Marketing Strategy, which is directed towards increasing sustainable economic activity within the Shetland Islands.

The aim of the Steering group will be to link the activities of Promote Shetland into the broader activities and strategic priorities of the Local Authority, Community Planning Board and other agencies in Shetland including Shetland Amenity Trust, Shetland Arts and Shetland Charitable Trust.

The composition of the current proposed Promote Shetland Steering Group, as decided at the Shetland Islands Council Tourism and Culture panel on 31 March 2009, is:

- Head of Economic Development Unit
- Chairman Shetland Islands Council Development Committee
- Nominated Councillor with specific interest in marketing
- General Manager, Shetland Amenity Trust
- Director, Shetland Arts
- Other Industry representatives, as relevant to Promote Shetland's current marketing activity
- General Manager, Shetland Charitable Trust
- HIE Area Manager, Shetland
- General Manager, Shetland Recreational Trust
- Representative from Shetland Tourism Association

In general, Steering Group members need to:

- act in good faith
- act with care, diligence and skill
- have regard for the interests of others
- declare conflicts of interest

Useful qualities in members of the group are:

- Strong commitment and vision as to what Promote Shetland can achieve
- Willingness to understand the issues relating to Promote Shetland;
- Willingness to take into account the needs and ideas of stakeholders and others in providing guidance
- Ability and willingness to act as an active ambassador for marketing Shetland

Each Steering Group member shall act honestly and in good faith and in the best interests of Promote Shetland and the beneficiaries thereof.

Each Steering Group Member shall attend regularly the meetings of the Steering Group.

Steering Group Members must act and take decisions in the best interest of Promote Shetland and present and future beneficiaries.

Steering Group Members are expected to following the Principles of Public Life (as expressed by the Nolan Committee). These are:

SELFLESSNESS – Decisions taken in terms of the public interest.

INTEGRITY – Trustees are not placed under financial obligation to outside organisations.

HONESTY – Any private interests relating to public duties will be declared.

OBJECTIVITY – Choices are made on merit.

ACCOUNTABILITY – Trustees are accountable to the beneficiaries, and should submit to scrutiny.

OPENNESS/TRANSPARENCY – Decisions and actions should be as open as possible.

We recommend that the Steering Group meet a minimum of 6 times per year.

For all meetings an agenda will be distributed to members at least one week before the meeting. Minutes will be prepared up and distributed to all members of the group, including those who were unable to attend. The minute will be available to the public.

If a member is unable to attend they should offer another representative rather than just send an apology. The representative should, if at all possible, be well briefed in Promote Shetland activities.

Items on the agenda will be clearly defined. Topics discussed could relate to a variety of subjects which are pertinent to the activities of Promote Shetland.

Promote Shetland

Steering Group Meeting

1st Meeting. Date: 27 May 2009 at 2.15pm

Venue: Board Room, Solarhus, North Ness, Lerwick

Present:

Neil Grant
Gwilym Gibbons
Jimmy Moncrieff
Ann Black
Steve Henry
Josie Simpson
Gregor Manson

Also Present:

Neil Henderson (Shetland Islands Council Economic Development Unit)
Colin Black (Shetland Islands Council Legal and Administration)

Apologies:

James Johnson

Action Notes

1. Formal election of Chair and Vice Chair to be carried out at the next meeting when Shetland Islands Council member choice will be known (ALL).
2. The second Council member representative to the steering group will be elected at the Development Committee meeting on 11 June 2009 (NG).
3. Neil Grant to continue as interim Chair until 18th June (ALL).
4. Steering Group Chair to write to VisitScotland Head Office in Edinburgh for the purpose of inviting a VisitScotland representative onto the Promote Shetland Steering Group (NG).
5. Shetland Tourism Association to be granted an additional place on the Steering Group to allow attendance flexibility (STA) (SH).
6. Promote Shetland resources – adverts calling for parties interested in taking on the services coordination contract will be placed locally 29th May and 5th June (NH).

7. Promote Shetland resource - The target date for a coordinating contract to be in place is 1 Sept 2009 (NH).
8. Neil Henderson will be on paternity leave from 8th June until 6th July. During this time Kevin Moreland (01595 744 937 or kevin.moreland@shetland.gov.uk) will progress the Promote Shetland initiative and deal with enquiries). (NH)
9. Formal sign-off of the Service Level Agreement with Visit Scotland – SLA is to be finalised. This is only to be completed once the Council receives satisfactory base-line data relating to services offered (NG)
10. Council representative to attend Shetland Tourism Association (STA) meetings for time being to foster good communication in development phase of Promote Shetland. Next STA meeting on 4 June 2009 to be attended by Neil Grant (NG)
11. Draft monthly Steering Group meetings schedule to be presented at next meeting. (NH)
12. Date of next meeting - **Thursday 18 June at 14.00 at Lystina House.**

Can you help Promote Shetland?



If you or your organisation could provide the services that Promote Shetland will offer, Shetland Islands Council would like to hear from you.

Promote Shetland is a new agency that will help to create a secure and prosperous future for our community. It will work to build a stronger reputation for Shetland and all that our islands have to offer.

Shetland has some great assets: a superb environment; a fascinating heritage; a stimulating cultural scene; good facilities and services; and a wide range of fresh food produced in clean surroundings. These things attract visitors and tempt people to move here.

As a community, we must make the most of those advantages. The job of Promote Shetland is to help us do that, working with the Council and with businesses, local trusts and other local organisations.

The successful service provider will act as a coordinator to:

- Help build Shetland's reputation among our target markets;
- Undertake promotional work with the aim of encouraging trade, talent, inward investment and tourism. This will include assisting with events that help promote the islands and supporting those who act as ambassadors for Shetland;
- Contribute to the plans and strategies that guide the Council and other agencies in marketing and events work;
- Provide a public relations and media service, with external support when necessary;
- Manage any contracts with third parties engaged to assist with Promote Shetland's work.

Applicants who wish to be considered must apply in writing to the Head of Legal and Administration, Shetland Islands Council, 4 Market Street, Lerwick, Shetland, ZE1 0JN (Attn: Contract Compliance Manager – Mr C Black – Tel: 01595 744595; Fax: 01595 744585; e-mail: contract.admin@shetland.gov.uk) by no later than Friday 12 June 2009.

The Council will evaluate responses to a pre-qualification questionnaire to identify those applicants who meet the minimum standards in connection with technical and financial capacity to be invited to tender.

Contact for additional service information:



Neil Grant
Head of Economic Development
Shetland Islands Council
Economic Development Unit
Solarhus
North Ness
Lerwick
ZE1 0LZ
Tel: 01595 744940
e-mail: neil.r.j.grant@shetland.gov.uk

SHETLAND
PRIDE OF PLACE





Head of Economic Development: Neil Grant
Chief Executive: Morgan H. Goodlad

Andy Steven
Islands Manager
Visit Scotland
Market Cross
Lerwick
Shetland
ZE1 0LU

Economic Development Unit
Solarhus
3 North Ness Business Park
Lerwick
Shetland
ZE1 0LZ
Telephone: 01595 744940
Fax: 01595 744961
development@shetland.gov.uk
www.shetland.gov.uk

If calling please ask for:

Direct Dial: 01595 744

Your Ref:
Our Ref: NG/KLM/RF020

Date: 27 May 2009

Dear Andy,

Tourist Information Centre (TIC), Lerwick

Further to our meeting last week I thank you for your efforts to help tie down a service level agreement/ Memorandum of Agreement between Visit Scotland and Shetland Islands Council for the current year. I am in agreement with most of the details of the draft schedule which you provided after the meeting. However, and as recognised in the draft schedule I am still waiting for an answer to the question which I and others from the Council have asked on repeated occasions since the beginning of this year, what level of service will Visit Scotland provide in the Lerwick TIC if the Council do not make a financial contribution to the TIC service. It is only when I know this that we can negotiate what further level of TIC service the Council is willing to fund.

It is disappointing that we are now so far into the new season with this issue unresolved especially given the time and effort we have expended and the various meetings we have had to address this issue: 26 January 2009 attended by Liz Buchanan and yourself from Visit Scotland, and by Linda Coutts and myself from Shetland Islands Council, and Dr Jonathan Wills from Shetland Tourism Association, and again on 23 March 2009 attended by Liz Buchanan and yourself from Visit Scotland, and by Linda Coutts and myself from Shetland Islands council, and various email correspondence (e-mail from Linda Coutts sent on 16 March 2009 attached).

Can you please confirm that in the meantime and until we resolve this situation the level of service provided by the Lerwick Tourist Information Centre will remain at the level provided last year under our previous service level agreement.

Yours sincerely

Head of Economic Development

cc Steven Henry, Chairman, Shetland Tourism Association

Grant Neil@Development

From: Coutts Linda@Development
Sent: 16 March 2009 11:36
To: 'Andy Steven'; 'Liz Buchanan'
Cc: Grant Neil@Development

Andy / Liz

Is there any feedback you can give me on the services VisitScotland will be providing in Shetland next year and the opportunities for Shetland to add value to those services. via the Council's service level agreement with VisitScotland.

I was hoping for feedback in response to our last meeting when I got back from annual leave

With only a couple of weeks to go before the end of the financial year I have committed to report to the tourism and culture panel by the end of this week and had intended to include draft details of the Shetland's service level agreement with VisitScotland in that report.

If this is not possible, would you be able to describe the process by which you would like to engage with Shetland on this issue and the timescales involved so I can update the industry panel.

We are keen to prevent any deterioration of service, or duplication of effort, in the coming year and would like to progress this matter as soon as possible.

Regards

Linda

Promote Shetland**Event Timeframe**

Date	Action
18 February	Council agree funding and executive power to EDU to contract service to manage and coordinate Promote Shetland
31 March	Tourism and Culture Panel agree form and members of Promote Shetland Steering Group
March – May	Service contract requirement meetings with Council Legal and Administration Department
18 April	Council presents Promote Shetland overview and update to Shetland Tourism Association
28/29 May	Press release and advertisement to attract initial locally-based interest in service contract
12 June	Closing date for registration of interest
29 May – 26 June	Supply of service/tender information and assessment questionnaire
26 June	Closing date for return of assessment questionnaire
29 June – 10 July	Assessment of questionnaires received and either (a) produce short-list for invitation to tender for Promote Shetland service or (b) consider options if insufficient interest: more extensive advertising or option of direct employment
w/c 13 July	Send out Invitation to Tender documentation
05 August	Closing date for return of Invitation to Tender documentation
06 August – 14 August	Consideration of returned Invitation to Tender documentation
w/c 17 August	Award service contract for Promote Shetland
01 September	Commencement of Promote Shetland service contract



REPORT

To: Development Committee

11 June 2009

From: Area Economic Development / Tourism Officer

Report No: DV054-F Tourism Financial Assistance Scheme

1.0 Introduction

- 1.1 This report puts forward proposals for a revised Tourism Financial Assistance Scheme (the Scheme).

2.0 Links to Corporate Priorities

- 2.1 The proposal in this report has strong links with Council Corporate Plan Policies to “Promote Shetland as a tourist destination” and “Further improve Shetland’s reputation as a place that offers excellent products and meets the needs of consumers”.

3.0 Background

- 3.1 The recent downturn in the global economy has impacted on all areas of consumer behaviour and tourism is no exception. Recent research by VisitScotland suggests that tourism to Scotland is tending to mirror the current economic climate. UK travellers are adapting to the slump by spending less on holidays overall but on the plus side they are also looking closer to home than in previous years. International visitors to Scotland are also in decline, with fewer visitors from the US but an increase in the number of visitors from the eurozone taking advantage of a weak pound.

- 3.2 Locally the 2008 figures for passenger movements at the two exit points Sumburgh Airport and Northlink Ferries suggest a decrease in visitors to Shetland since 2006 of 3,572 (6%) from 59,924 to 56,352. Within this figure there has also been a shift in the ratio of holiday to business visitors with an estimated 30% decrease in holiday visitors/ individuals visiting friends and relatives (VFR) and a similar 30% increase in the number of business visitors. However one of the local factors in explaining the reduction in holiday/VFR numbers is that in 2006 the survey included 4,689 passengers on the Norrona ferry which no longer calls in Shetland.

3.3 Tourism remains an important sector in Shetland's aspirations to diversify and grow the economy and historically has attracted public sector grants for targeted commercial development. The current Council Tourism Financial Tourism Assistance Scheme, which offers 20% funding of up to £20,000 for eligible projects, has been reviewed to take into consideration a changing business environment and revised local priorities.

3.4 Historically Highlands and Islands Enterprise (HIE), formerly Shetland Enterprise Limited regularly match funded Council grants to maximise the funding available to new and developing local tourism businesses. However recent changes to the Scottish Government's Economic Development Strategy has resulted in a major change in HIE's role and responsibilities. This will have a significant impact on the availability of grant funding to all industry sectors including tourism.

3.5 In summary, HIE is focusing on supporting high growth businesses and sectors which have the potential to achieve the greatest impact for the regional economy and to work with partners to deliver "transformational projects", which could have significant economic impact beyond local markets. In Shetland's fragile areas (ie Outer Isles, Northmaine, and the North Isles) the new minimum grant threshold for capital projects from HIE is £5,000. In all other areas the new minimum grant threshold is £25,000. There is no minimum threshold for revenue projects but in practise this means that the vast majority of smaller projects, previously supported by HIE in Shetland will be ineligible for grant funding.

3.6 The Council is also committed to delivering increased sustainable economic growth by supporting nationally significant strategic projects. However it also remains equally committed to projects, both large and small scale, that have the potential to broaden Shetland's commercial base at a Shetland specific and local community level.

3.7 The Shetland Tourism Plan adopted by the Council on 13 September 2006 [Min Ref 133/06] has an ambition that "Shetland will become a year round destination offering a high quality product and experience" and has set priorities for developing the tourism sector which include "supporting quality improvements to meet the requirements of future customers", and "Encouraging operators to offer a wider range of services".

3.8 The Scheme has also been considered with reference to a study carried out by Steve Westbrook in December 2007 that considered Shetland's Visitor Requirements for the 21st Century. In particular the study highlighted that:

3.8.1 Hotels and other accommodation businesses that would benefit from improving the quality of their accommodation or other aspects of their service should be encouraged to make these improvements.

3.8.2 An increase in the number of 4 star establishments (or high quality 3 star property where the natural constraints of a property preclude 4 star status) would help to attract those visitors who might currently be dissuaded from visiting Shetland (or returning) because of the relative lack of accommodation of this standards compared to other Scottish islands.

3.8.3 Initiatives aimed at promoting improved catering and the use of local produce should be encouraged. Experience from Orkney and elsewhere suggests that quality food with a strong local component, would help to give Shetland a good reputation amongst potential visitors.

3.8.4 In general any additional accommodation provision should be tailored to develop new tourist markets, which the establishments would attract – through their own marketing, joint marketing or packages. This would help to bring critical mass in Shetland's tourism sector without the risk of saturation.

3.8.5 Patterns of demand tend to be localised within Shetland although accommodation demand within 30 minutes of Lerwick is particularly strong.

3.8.6 Over the next few years major contracts e.g. Mareel, Lerwick High School, and construction work at Sullom Voe will bring in large numbers of construction workers, and put pressure on accommodation normally available for tourists. As far as possible workers accommodated in hotels and large guesthouses should be kept separate from tourists.

3.8.7 About half of self-catering operators take winter lets rather than staying open for the visitor markets. Some self-catering accommodation (especially in Northmavine) can be booked for a year.

3.8.8 Lengthening the season is the accommodation sector's highest priority. Product development linked to targeted marketing will give people reasons to visit Shetland and giving them a quality experience will promote recommendations and repeat visits. Heritage related development offers particular scope to grow Shetland's tourism market.

4.0 Proposal

4.1 It is proposed that the Council revises its Tourism Financial Assistance Scheme (TFAS) to take into consideration a changing local business environment and to better match local priorities for developing the tourism sector. Details of the Scheme are shown in Appendix 1 attached to this report.

4.2 The Tourism Financial Assistance Scheme would continue to be a delegated Scheme, ie the Head of Economic Development or his nominee has the delegated authority to operate the Scheme in accordance with the guidelines detailed in Appendix 1. If any business or project requires a sum in excess of the Head of Economic Development authority, or the project does not meet the criteria but may still be considered worthy of support, it can be brought forward to this Committee for consideration.

4.3 The most significant difference between the old and new Scheme is that the level of grant and the maximum amount of grant available would rise from 20% up to £20,000 to 30% up to £45,000.

4.4 This is still lower than the levels that have been available in the past when both HIE and the Council regularly match funded the same projects. However, in an environment where public funding is under considerable pressure it is considered to be the level of incentive required to offset the inherent disadvantage of smaller profit margins for the majority of Shetland tourism businesses and encourage targeted tourism development and diversity particularly in less favoured areas.

4.5 Grant assistance would continue to support the significant upgrading of all categories of existing accommodation and the provision of restaurant, café, craft, souvenir and other retail premises for tourists in all locations outside Lerwick. In addition it has been targeted to encourage the provision of new commercially viable tourism related activities and services tailored to meet specific visitor markets.

4.6 In general new build self-catering accommodation would not be eligible for funding except where it could be demonstrated that it was part of a wider product development initiative and catering for a new and additional visitor market or no suitable alternative accommodation was available within a reasonable distance (e.g. outer islands). This is because, when appraising the business case for this type of proposal, it is usually being considered as part of a longer-term property investment rather than as a tourism initiative in its own right and therefore public funding is not a primary factor in deciding whether an applicant goes ahead with the project.

5. Financial Implications

5.1 The sum of £100,000 has been budgeted for under the Reserve Fund heading RRD1620 2402 Tourism Financial Assistance Scheme in the Economic Development Unit's budget for 2009-2010. This is a 50% increase on the budget approved under the same heading for the previous financial year.

6. Policy and Delegated Authority

6.1 This report has been prepared under Economic Development Policy number 5 "Continue to develop Shetland as a tourist destination

through development of high quality products and services “ which was approved by the Development Committee on 24 April 2008 (Min Ref 01/08) and by the Council on 14 May 2008 (Min Ref 55/08).

- 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 and Europe.

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

7.0 Observations

- 7.1 With regards state aid the Scheme would be eligible under block exemptions for local authorities, which are negotiated at national level. The current Block exemption covers aid to small and medium enterprises (SME's). An SME is defined as an enterprise with less than 250 employees and an annual turnover of less than 50 million euros.

- 7.2 The aid that can be awarded under Block exemption includes 30% grants for investment in tangible and intangible assets relating to the setting up of a new establishment, extension of an existing establishment, and fundamental change in the product or production of an existing establishment. Routine replacement is not covered.

- 7.3 The aid is awarded per project and not per recipient under the Block Exemption Scheme.

8.0 Conclusion

- 8.1 Tourism remains an important sector in Shetland with aspirations to diversify and grow the economy

- 8.2 Inevitably the changes to HIE's funding strategy will result in increased pressure on Council funding as a whole and with reference to this report tourism related projects in particular.

- 8.3 The Tourism Financial Assistance Scheme, as described in this report, is intended to offer timely grant assistance to targeted commercial tourism developments, within Council policy, and an incentive for the provision of tourism services and quality improvements in less favoured areas.

- 8.4 Larger infrastructure projects or new commercial tourism initiatives that do not fall within the scope of the TFAS will be considered on their merit and presented to Council for consideration.

9.0 Recommendation

- 9.1 I recommend that the Development Committee approve the revisions to the Tourism Financial Assistance Scheme in line with the guidelines specified in Appendix 1 to this report.

Our Ref: LC/JJ TFAS
Date: 25 May 2009

Report No: DV054-F

TOURISM FINANCIAL ASSISTANCE SCHEME

GENERAL

The Scheme will operate through the provision of up to 30% grant funding up to a maximum of £45,000.

All applicants will be required to fill out the Council's Corporate Application for Funding Form.

CONDITIONS

1. Financial assistance is available towards:-

- (a) The significant permanent improvement of and upgrading and equipping of facilities for visitors in existing accommodation and establishments. This includes establishments seeking to achieve a higher classification or grading award under the VisitScotland Star Grading Scheme.
- (b) The extension of existing accommodation establishments in order to provide significantly upgraded facilities and / or additional accommodation for tourists. This includes establishments seeking to achieve a higher grading under the VisitScotland Star Grading Scheme.
- (c) The provision of premises in order to provide quality new serviced accommodation for receiving visitors. This will include the construction and equipping of new premises or the alteration, improvement and upgrading of existing buildings in order to provide this accommodation.

***NOTE** Applications for assistance towards new bed and breakfast/guest house facilities will only be considered if there are to be a minimum of 3 letting bedrooms with en suite facilities. Applications for upgrading existing bed and breakfast/guest house facilities will be accepted. However, if such applications refer to the provision of additional bedrooms, grant assistance will only be available if the work results in a minimum of three letting bedrooms with en suite facilities.

- (d) The construction, renovation, alteration and equipping of premises to form restaurant, cafe and coffee shop facilities for tourists.
 - (e) The construction, renovation, alteration and equipping of premises to form craft, souvenir and other retail premises for tourists.
 - (f) The provision of new high quality venues, activities and services tailored to meet specific tourism markets, particularly where they encourage visitors to experience Shetland's unique selling features such its natural, built and cultural heritage, products or produce.
2. In respect of Conditions 1(a) to 1(c) assistance is available to all types of accommodation (except temporary buildings) in all locations outside Lerwick. The accommodation must be in a building and/or in a location, which the Council considers suitable for tourist use.

3. Grant is paid at the rate of 30% of the actual eligible expenditure, subject to a maximum payment of £45,000.
4. For all applications under Conditions 1(d)-(f), applicants will be required to demonstrate that the project/business will be operated on a commercial basis and that it will be financially viable. Assistance will not be available to any business/project, which, in the opinion of the Economic Development Unit, will jeopardise the viability of any existing business.
5. VisitScotland may be consulted where appropriate on applications under the Scheme. Applicants are advised to discuss their projects informally with VisitScotland in advance of submitting an application.
6. All applicants must contribute a minimum of 25% of the eligible costs of the project from their own resources. (This can include a bank loan or Shetland Trust loan).
7. Before any assistance is actually paid applicants must produce adequate evidence that the balance of the cost of the project has been raised, e.g. letters of offer from other agencies, and/or letter from bank.
- 9 Where appropriate, applicants must produce valid planning permission and a valid building warrant.
10. Grant will be paid out on actual eligible expenditure as shown by original invoices satisfactorily receipted.
11. All applicants must produce evidence of their right to occupy the building/site for at least 5 years and that they have permission of any lender holding a mortgage on the property.
12. Applicants must obtain the necessary consents, authorisations or licenses from the Council's Infrastructure Services Department or produce evidence that these are not required.
13. Normal repair and maintenance of buildings, facilities and equipment will not be eligible for assistance. The Council's decision on what constitutes repairs/maintenance and what constitutes improvements or upgrading will be final.
14. Bar facilities or facilities used primarily by local people, e.g. an entertainment area, will not be eligible for assistance.
15. Assistance will be confined to one project per firm per Council financial year. Applicants will be eligible to apply for assistance on a further project provided that it falls within a subsequent financial year.
16. All successful applicants must operate their business within Shetland for a period of at least 5 years from receipt of assistance.
17. Applicants will operate any grant-aided equipment within Shetland for a period of at least 5 years from the date of receipt of grant.

18. Accommodation and other facilities must be made available to bona fide tourists and be operated on a full-time basis at least during the tourist season 1 May to 30 September inclusive..
19. Any financial assistance awarded must be claimed within ONE YEAR of it being offered. If, by that date, an extension has not been requested and given, the offer of grant lapses. If grant is still sought at that time, a fresh application would be required.
20. Grant assistance for building work may be paid out in stages but final payment will be withheld until any necessary certificates of approval are produced e.g. completion certificate, fire certificate.
21. All successful applicants must make their premises available for inspection by Council representatives at all reasonable times.
22. Applicants MUST NOT commit themselves to any expenditure on a project which is subject to an application for financial assistance before receiving the Council's decision on the application. Any expenditure so committed will not be eligible for assistance.
23. All grants will be subject to the availability of finance and all assistance is discretionary.
24. All applicants will maintain and operate their premises, machinery and equipment in such a way as to conform, to the satisfaction of the Council, with relevant Food, Health and Safety at Work and other trading legislation.
25. Applicants will supply independently prepared annual accounts of their business to the Council within 9 months of the end of the financial year for each of the 5 years following receipt of grant. The Council may however require the applicant to supply professionally audited accounts.
26. If the property is sold, transferred or otherwise disposed of within the 5 year period, the new owner must accept the grant conditions for the remaining period, failing which the grant will be repayable in full at the date of sale or transfer.
27. The Council reserves the right to find out the amount of arrears of debt, if any, owed to the Council by applicants for assistance granted until such time as arrears have been cleared or satisfactory arrangements have been made to clear the arrears.
28. Should any of the foregoing conditions be broken, Shetland Islands Council may, at its sole discretion, require repayment of all or part of any grant paid, and may also disqualify applicants from receiving any other grant and loan in terms of the Schemes operated by the Council.

APPENDIX 1 - LIMITATIONS TO GRANT ASSISTANCE

The policies listed below make transparent the circumstances under which the Council will not consider approving requests for assistance. These policies recognise that there are times when the wider public interest is not being served by approving assistance. It should be noted that applicants that are refused assistance might request that their case is presented to the Development Committee for a decision.

- 1** Assistance will only be approved when an application meets the Council's economic development policies.
- 2** Funding shall not be approved on any spending committed by an applicant for assistance before a decision is taken on that application by the Council.
- 3** Assistance shall not be approved to rescue businesses that are failing or have failed unless there is a demonstrable prospect of future viability.
- 4** Grant assistance is not available for the purchase of businesses or buildings. This is because such approvals can interfere with the market and may lead to an unfair advantage being given to an applicant.
- 5** In general, assistance is not available for projects/businesses that are in direct competition with existing businesses serving the Shetland market. Such assistance is likely to lead to unfair competition. However, in circumstances when specific assistance Schemes exist for that type of business or when the applicant business is operating in a remote area/outer island, grant assistance may be considered after careful examination of the project details.
- 6** Assistance is only available for commercial ventures and initiatives. This policy does not apply to projects that may not be commercial in themselves but which aim to serve commercial sectors. Community inspired infrastructure projects fall into this latter category.
- 7** Projects have to demonstrate viability and need for assistance. However, need for assistance is not a criterion when incentive Schemes are drawn up to encourage specific types of project.

Economic Development Unit
Shetland Islands Council
June 2009



REPORT

To: Development Committee

11 June 2009

From: Economic Development Officer

DV053-F Telecommunications

1.0 Introduction

- 1.1 The purpose of this report is to present the case for providing funding for a research project to improve telecommunications in Shetland.

2.0 Links to Corporate Priorities

- 2.1 The activities reported in this document aim to fulfil our commitments in the Corporate Plan to deliver a sustainable economy and supports the aim contained in the Economic Development Policy Statement (2007-2011) to improve broadband services in Shetland.

3.0 Background

- 3.1 Over the last few years, Shetland Islands Council has attempted to influence telecoms companies to provide better, faster and more reliable broadband to Shetland's homes and businesses.
- 3.2 We were successful in facilitating the Faroese fibre optic cable (SHEFA) in 2007. The cable is now fully operational and providing the Faroe Islands with their primary connection to the outside world.
- 3.3 Since 2007 there has been an expectation that our local telecoms networks would connect to the Faroese cable (SHEFA). In 2008 BT decided that it would be prudent to lease capacity on the cable so that when needed, it could connect and utilise the capacity. However, recent (albeit unsubstantiated) reports suggest that BT seem to have decided to continue with the microwave link option for the foreseeable future

3.4 THUS (now owned by Cable & Wireless) have a network in Shetland, which supplies broadband to the public sector (Pathfinder). In many cases this network provides broadband to areas where BT cannot supply. The network is largely wireless and extends to all publically owned buildings. The network connects centrally to a Point of Presence (PoP) in Lerwick and then onwards via microwave link to the mainland.

3.5 In late 2008 the Council facilitated a meeting of BT, THUS and Faroese Telecom to establish each organisations' plans for telecoms in Shetland. The aim of the meeting was to build working relationships between the organisations and hopefully improve broadband coverage for Shetland as a whole. It became clear very early in the meeting that BT have little or no plans to improve their network until such time as they introduce their upgrade called 21st Century Network (21-CN). BT have a fibre optic cable which connects Lerwick and Sandwick but have no intention of connecting it to the SHEFA cable until such time as they roll-out 21-CN in Shetland.

3.6 At that time BT's published implementation date for 21-CN in Shetland was 2012. This was later revised and there is currently no planned date for implementation.

3.7 Through the Pathfinder project and the Vidlin/Fetar Community Broadband Projects we are building up a good working relationship with Cable & Wireless (C&W). Capacity on C&W microwave links are nearing capacity and they would be very keen to use the SHEFA cable. C&W does not currently have capacity to link from their network to the SHEFA cable.

3.8 After reviewing the network situation as a whole, the logical way forward is to investigate installing a new fibre link from the SHEFA cable to a Point of Presence (PoP) in Lerwick. This would open up many new opportunities and reduce the dependence on BT. It would create competition and allow operators to develop new services in Shetland.

4.0 Proposal

4.1 The key to developing new telecoms based business and improving broadband access in Shetland is allowing operators to use the available telecoms infrastructure. At the moment, BT is the only operator that has the capacity to connect to the SHEFA cable. They are unwilling at this time to connect to the SHEFA cable.

4.2 It is proposed that the Council instigate a research project to investigate the possibility of investing in a new fibre optic cable which would connect the SHEFA cable to a PoP in Lerwick

- 4.3 The lack of available infrastructure connecting the SHEFA cable to Lerwick is a critical element in future development of telecoms networks in Shetland.
- 4.4 It is proposed that the research project will have two key elements –
- An investigation into resolving the backhaul problem (link to mainland), provide a business case for investment and provide a detailed vision on how telecommunications should develop in Shetland.
 - The second element would be a technical (desk based) survey establishing viable options for connecting the SHEFA cable to a Pop in Lerwick.
- 4.5 The first of the two research projects will be procured through the usual tendering process.
- 4.6 I propose that the second of the two projects be completed by Faroese Telecom (FT). Faroese Telecom have completed similar studies in and around Shetland in recent times and are likely to be able to complete the research at considerably less cost than other consultants.

5.0 Financial Implications

- 5.1 The total cost of the research project is likely to be in the region of £60,000. It is proposed that this amount be allocated to the project but every effort will be made to deliver the project as cost effectively as possible.

The costs are estimated as follows:-

Business case research	£30,000
Desk based route survey	<u>£30,000</u>
Estimated total cost	£60,000

The project (if approved) will source money from Broadband Services Consultants budget (RRD1550 1760). There is currently £60,000 available in this budget.

6.0 Policy and Delegated Authority

- 6.1 This report has been prepared under Economic Development Policy number 15, “Establish robust broadband services to businesses, organisations and homes in Shetland” which was approved by the Development Committee on 24 April 2008 (01/08) and by the Council on 14 May 2008 (55/08).

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

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 Observations

7.1 New business models need to be examined for delivering telecoms networks that can operate independently to the major telecoms companies. The value of new networks needs to be ascertained in a business sense but also as a value to the community (social value). Large telecoms companies will only invest if they can show a return on their investment in a few years. Identifying a business model that shows a return over a longer period of time, offset by the value to our community, would be a more logical way forward.

7.2 BT are under no obligation to improve broadband services in Shetland. They are unlikely to invest in infrastructure in Shetland if return on their investment can be better somewhere else.

8.0 Conclusions

8.1 Shetland, like many areas across the UK, is not being adequately served by the big telecoms companies.

8.2 I think we are at a stage now where we will have to take the initiative on the provision of telecoms in Shetland. Without some lateral thinking, investment and putting together an overall strategy we are going to be continually left behind the rest of the UK. Other Councils and even some social enterprises are developing business models for telecoms networks

9.0 Recommendations

9.1 It is recommended that the Committee approve funding of up to £60,000 for a research project to establish the economic viability of new telecoms infrastructure as outlined in section 4.4 of this report.



REPORT

To: Development Committee

11 June 2009

From: Project Manager

**Report No: DV056-F
Seafood Development Project
Successful And Sustainable – A Strategy For Shetland Seafood**

1.0 Introduction

- 1.1 This report is presented to the Development Committee to brief Members on the progress of the Shetland Seafood Development Project and to present an updated seafood strategy, which is recommended for adoption as Council policy.

2.0 Link to Corporate Priorities

- 2.1 The report helps to achieve the Sustainable Economy Action Area of the Corporate Plan by linking economic activity to market needs and by encouraging enterprise and sustainable economic growth. The project also aims to fulfill the commercial lending pledges contained in the Economic Development Policy Statement (2007-2011).

3.0 Background

- 3.1 The seafood industry is the cornerstone of the social and economic structure of Shetland. The industry supports almost a quarter of all jobs throughout the islands and collectively seafood businesses in Shetland had an estimated output of around £226 million in 2006. However, the industry's contribution is more than just economic, the development and growth of the industry over centuries has played a leading role in the development of Shetland's culture and identity.
- 3.2 Today the Shetland seafood industry exists in a rapidly changing environment. Recent challenges faced by salmon and whitefish producers in Shetland are evidence of the influence that global market trends and national or international decisions now have on our peripheral

economy. To continue to succeed we must recognise that the seafood industry in Shetland is part of a massive and rapidly developing global industry. We must rise to meet the challenges and take advantage of the opportunities that the global marketplace creates.

- 3.3 Shetland is synonymous with seafood and the islands should be widely recognised as a source of high quality seafood. Enhancing our own and our visitors' appreciation and recognition of our seafood products, adding value to the product before it leaves Shetland and by retaining an identity with the product after it leaves our shores, can gain competitive advantage.

4.0 Proposal

- 4.1 The Shetland Seafood Development Project was established in October 2004. The partners of the Project are NAFC Marine Centre, Seafood Shetland, Shetland Aquaculture, HIE, Shetland Fish Producers Organisation, Shetland Shellfish Management Organisation and Shetland Islands Council.

- 4.2 The first milestone for the Project was reached in November 2005 with the publishing of results from research into the analysis of the catching, aquaculture and processing sectors of the Shetland seafood industry which was based on interviews with Shetland seafood customers and UK customers. The summary of the research findings is available at <http://www.shetland.gov.uk/council/documents/SSIRKeyFindings.pdf>

- 4.3 To date the Project has enabled representatives from the entire Shetland seafood industry – catching, aquaculture and processing – to work towards a common good in all sectors.

- 4.4 The seafood strategy and first action plan was launched at the NAFC Marine Centre in September 2007 and the attached document is an updated strategy document which is recommended for adoption as Council policy.

- 4.5 In recent months the Project partners have worked together towards a common goal that can build on the success of the seafood industry. The partners and wider Shetland community want a successful and sustainable seafood industry to continue to thrive and grow in communities throughout Shetland.

- 4.6 The partners have been working together to develop new projects and have brought together their ambitions in the revised Strategy document. An Action Plan is being developed to be a working document, which will identify specific projects, and will set out how the ambitions will be achieved. Crucial to the success of the Successful & Sustainable Strategy is the willingness of businesses to engage with the partners on developing projects to achieve positive outcomes.

5.0 Financial Implications

5.1 At present the main way to grant fund Shetland projects is by way of the European Fisheries Fund (EFF). For these projects the Council can provide member state contribution of up to 20% in support of applications from businesses to EFF. When the Scottish Government is prepared to engage with any EFF related project then the Council's member state contribution can be lowered to 5%. For projects with a collaborative benefit to Shetland, the Council will consider the full member state contribution of 20%. All such projects will be assessed against the strategy. Any loan funding applications will also be prioritised against the strategy.

5.2 Loan and grant funding will come from the existing approved economic development budgets and will be approved in line with the Council's Discretionary Delegated Scheme. External sources of funding will be accessed as far as possible.

6.0 Policy and Delegated Authority

6.1 This report has been prepared in accordance with the all three fisheries related economic development policies 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 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

6.3 However, the approval of a new scheme requires a decision of the Council.

7.0 Observations

7.1 The partners of the project have worked hard to overcome many obstacles to produce a working strategy, which will be review regularly to provide flexibility in an ever-changing environment.

7.2 The strategy provides a framework for any future support from the SLC by providing direction to officers when considering funding applications.

8.0 Recommendations

- 8.1 It is recommended that the Development Committee recommends that the Council adopts the attached Strategy as Council policy.

Our Ref: SMK/RF1078/0357

Date: 04 June 2009

Report No: DV056-F

SUCCESSFUL AND SUSTAINABLE

A STRATEGY FOR

SHETLAND SEAFOOD

2009 - 2013

PRODUCED BY THE PARTNERS OF THE
SHETLAND SEAFOOD DEVELOPMENT PROJECT:



Incorporating Shetland Fish Processors and Shellfish Growers

INTRODUCTION

The seafood industry is the cornerstone of the social and economic structure of Shetland. The industry supports almost a quarter of all jobs throughout the islands and in 2006 the combined fisheries output was worth £226m¹, the highest value sector in Shetland's economy. However, the industry's contribution is more than just economic, the development and growth of the industry over centuries has played a leading role in the development of the Shetland culture and identity.

Today the Shetland seafood industry exists in a rapidly changing environment. Recent challenges faced by salmon and whitefish producers in Shetland are evidence of the influence that global market trends and national or international decisions now have on our peripheral economy. To continue to succeed we must recognise that the seafood industry in Shetland is part of a massive and rapidly developing global industry. We must rise to meet the challenges and take advantage of the opportunities that the global marketplace creates.

To achieve a competitive advantage we must enhance our own and our visitors' appreciation and recognition of our seafood products, add value to the product before it leaves Shetland and retain an identity with the product after it leaves our shores. This demands continuous learning about the needs and demands of the market place to ensure appropriate product and market development.

We, the partners in the Shetland Seafood Development Project (SSDP), believe that by working together towards a common goal we can build on the success of the seafood industry. We want a Successful and Sustainable seafood industry to continue to thrive and grow in communities throughout Shetland.

In order to achieve the goals set out in this Strategy an annual Action Plan will be prepared to identify collaborative projects which have been selected as priorities and which will result in benefit across all seafood industry sectors.

In addition the Strategy will provide a framework for the Development agencies to consider initiatives from individuals and businesses. Crucial to the success of the Successful and Sustainable Strategy is the willingness of individuals and businesses to engage with the partners on developing projects to achieve positive outcomes. We will also seek the support of stakeholders outside of Shetland that can help us to achieve our ambitions.

This document contains our ambitions for a healthy future for the seafood industry and for Shetland. We hope you'll agree with the partners' vision of a **Successful and Sustainable** seafood industry in Shetland.

The partners of the Shetland Seafood Development Project:



¹ Shetland in Statistics 2008

OUR VISION

Our vision is a Successful and Sustainable seafood industry that supports the social and economic wellbeing of our community for generations to come.

To achieve our vision we must:

- maximise the sustainable economic return to our community from our caught and farmed seafood, and
- protect the valuable resources, upon which our industry depends, from over-exploitation.

OUR OBJECTIVE

In all the activities of the Shetland Seafood Development Project there is one overarching objective which is to **Increase the Value of Shetland Seafood**.

In this Strategy we set out a range of ambitions and priorities that will help us to achieve our objective.

THE SEAFOOD INDUSTRY IN SHETLAND

The seafood industry in Shetland has continuously evolved and developed to meet new demands and explore new opportunities. From a burgeoning herring fishery and a growing whitefish fishery in the pre-war years, a diverse and technologically advanced catching sector has developed that incorporates a mixed whitefish fishery, shellfish vessels, and pelagic vessels; and since the early days of aquaculture in the 1970s a valuable finfish and shellfish aquaculture sector has grown to be a familiar activity in the voes around Shetland. Processing activity in the islands varies in both scale and nature from small microprocessors catering for a niche market to large, highly efficient factories.

The wide range of activity creates a complex industry characterised by diversity. There is a wide range of species being landed or farmed in the islands using a variety of production methods. Producers and processors vary significantly in size and nature, and support services available in the islands range from education and research services to net mending and specialist engineering.

The seafood industry in Shetland can be segmented as follows:

Fish Catching

Shetland is the second only to Peterhead in terms of the volume and value of fish landed in Scotland, as depicted in Figures 1 & 2 below.

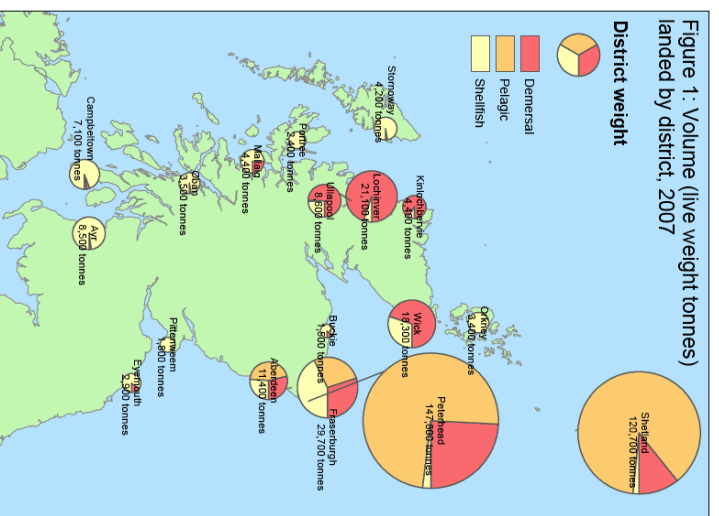


Figure 1: Volume (live weight tonnes) landed by district, 2007

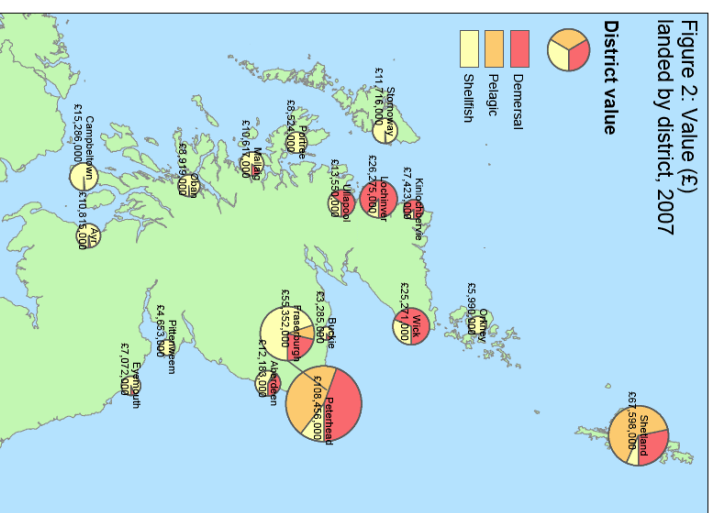


Figure 2: Value (£) landed by district, 2007

Source: Scottish Sea Fisheries Statistics 2007 produced by the Scottish Government

There was a total of 369,500¹ tonnes of fish landed in Scotland in 2007, over 32% of this volume was in Shetland, by vessels from Shetland and elsewhere.

¹ Scottish Sea Fisheries Statistics 2007 produced by the Scottish Government

Fish Processing

In 2007 there were 23 businesses¹ involved in fish processing covering whitefish, pelagic, salmon, shellfish, fishmeal and smoking.

Aquaculture - Shellfish

Production of shellfish species cultivated in Shetland waters in 2007 was dominated by mussels, with a small production of pacific oyster. The Shetland mussel tonnage of 2,605² represents over 54% of all Scotland's production. There were 105² businesses involved in shellfish cultivation in Shetland.

Aquaculture – Finfish

In 2007 finfish farming is made up Atlantic salmon, halibut, cod, rainbow trout and sea trout. However, the majority of production was Atlantic salmon with over 30% of Scotland's tonnage coming from Shetland³.

EMPLOYMENT

Seafood production and processing in Shetland provides over 1,000 full-time equivalent (FTE) jobs (Figure 3). This represents over 11.4% of all jobs in Shetland⁴.

The primary production of seafood, either fishing or farming, supports 825 jobs in Shetland and creates vital employment in Shetland's peripheral and more vulnerable communities. A further 425 jobs exist in on-shore processing facilities.

Figure 3: Employment in the seafood industry, 2007

	Full- time/ regular	Part- time/ Partial	Total	FTE*
Primary production				
- Fish catching	352	174	526	410
- Finfish aquaculture	182	25	207	190
- Shellfish aquaculture	47	45	92	62
Total employment in primary production			825	662
Employment in fish processing	325	100	425	358
Total employment			1,250	1,020

Source: Shetland in Statistics 2008,
Employment in fish processing from Seafood Shetland

* Estimated full-time equivalent jobs

¹ Shetland in Statistics 2008

² Scottish Shellfish Farm Production Survey 2007 produced by the FRS Marine Laboratory

³ Shetland Aquaculture and Scottish Fish Farms Annual Production Survey 2007 produced by the FRS Marine Laboratory

⁴ Shetland in Statistics 2008 states that the total employment in Shetland in 2007 was 8,949 FTE's

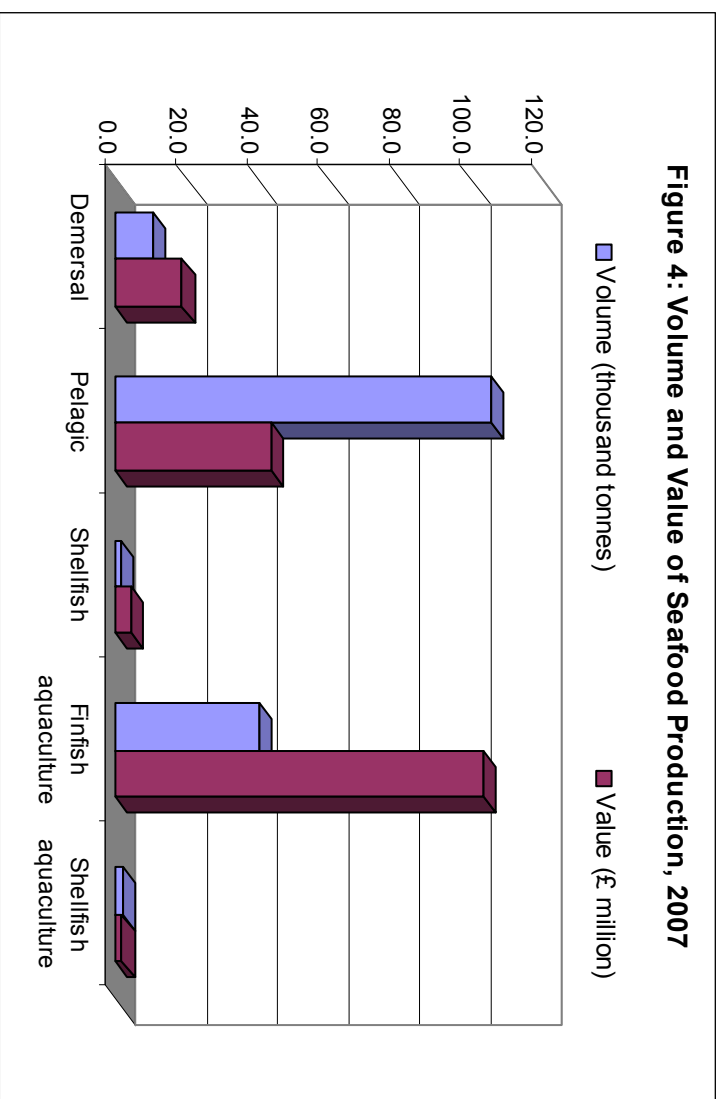
The industry also supports employment throughout Shetland in a wide range of on-shore support services and businesses that create an impressive and unparalleled cluster of knowledge and skills. These organisations include hatcheries, a marine college, specialist electronic and mechanical engineering firms, managing agents, harbour facilities, fish markets, net suppliers, seafood quality and safety services, marine surveyors, and more.

Overall, the seafood industry supports an estimated 2,564 full-time equivalent jobs in Shetland, which accounts for almost 28.6% of all jobs in the islands¹.

VOLUME AND VALUE

In 2007, Shetland produced over 162,000 tonnes of landed and harvested seafood. Pelagic landings represented the vast majority of this with just under 105,000 tonnes and finfish aquaculture was the next most significant in terms of volume at 40,795 tonnes (Figure 4).

The sales value of the 162,000 tonnes of seafood landed and harvested in Shetland was over £174 million. The majority of the value, £104 million, was from the sales of finfish aquaculture products, principally salmon.



Source: Demersal and Pelagic Data from the Marine Directorate, Aquaculture Data from Scottish Shellfish Farm Production Survey 2007 produced by FRS Marine Laboratory (landings by all vessels in Shetland), Finfish Data from Shetland Aquaculture and Scottish Fish Farms Annual Production Survey 2007 produced by FRS Marine Laboratory

In addition to the wide range of producers who are catching or farming seafood, the islands are also home to an impressive range of on-shore processing facilities with an estimated turnover of £137m. As a result of processors adding value to the product the total output of the seafood industry in 2006 was £226 million².

¹ Type II Employment Multipliers have been applied to direct employment in fish catching (1,933), fish processing (2,851) and aquaculture (2,981). Source: Shetland Regional Accounts 2003, University of Aberdeen Business School and A B Associates, January 2006.

² Shetland in Statistics 2008.

BUILDING ON OUR STRENGTHS

We recognise that opportunities exist for continued development of our seafood industry and we must build on our existing strengths:

- Shetland's location at the heart of rich fishing grounds and ideal growing conditions for aquaculture;
- a long tradition of being involved in the seafood industry, with a knowledgeable and experienced workforce;
- a strong commitment to quality improvement and an assessment culture across all sectors; and
- our history of, and continued, strong partnership working for the benefit of the industry as a whole.

The intention of the Strategy is not to start afresh but to build on what businesses and the partners of the Shetland Seafood Development Project are already achieving.

ACHIEVING OUR VISION

Our aims are to maximise the sustainable economic return to our community and protect the valuable resources.

We recognise that there are limits to the extent to which the volume of seafood produced in Shetland can grow therefore to achieve our vision we must also seek to obtain a higher economic and social return from the resources we can already access.

Business Initiatives:

Each individual business in Shetland will have its own opportunities and its own approach to competing and achieving sales. It is intended that this Strategy will act as guidance for targeting assistance to prioritised projects.

Collective Actions:

There are some challenges that can be more effectively addressed and some of the opportunities more effectively targeted if they are approached in a cooperative way. One of the purposes of this Strategy is to identify the activities that are best addressed by working together and that will assist the seafood industry to achieve growth.

DRIVERS OF SUCCESS

The opportunities and challenges for the Shetland industry have been translated into five key drivers of success that will maximise the positive benefits to the Shetland seafood industry.

The drivers of success create a framework within which the partners in the Shetland Seafood Development Project will operate. Under each driver a number of priorities are identified that are designed to provide the partners with greater focus and direction. Actions will be supported that:

- 1 Enable the industry to be sustainable and competitive**
- 2 Undertake product improvement**
- 3 Target higher value and new markets**
- 4 Improve working practices**
- 5 Develop skills and career opportunities**

PRIORITIES

1: Enable the industry to be sustainable and competitive

The priorities within this driver are:

a. Sustainable and appropriate management of seafood resources

Knowledge of the impact of the industry on the marine environment is improving all the time and Shetland must continue to take opportunities to improve management techniques and to inform local, national and international debate and decision-making. Key areas for development include environmental improvements; fish health and welfare; by products and waste management; and improving environmental responsibility.

b. Business development

In order to develop viable businesses assistance will be available to targeted towards commercially viable projects which contain elements of: innovation; market driven business expansion; diversification of product, process or market; fishing fleet improvements; new technologies or new production methods.

In order for Shetland's seafood producing companies to achieve greater success there is a need for a range of successful on-shore support services, e.g. marine engineering and port facilities, etc. Investment in these areas, and other fisheries infrastructure, will provide collective benefit to the whole seafood industry.

c. Promote best practice

Sharing information on best practice and providing evidence of the benefits achieved will create incentives to increasingly pursue higher standards in all areas of seafood development. Where best practice schemes already exist, businesses should be encouraged to participate i.e. Responsible Fishing Scheme, Code of Good Practice for Scottish Finfish Aquaculture, etc.

d. Research and development

Research and development activities that are appropriate and beneficial to the Shetland seafood industry are crucial to both improve knowledge in the seafood industry and build and retain competitive advantage. To be supported, research and development activities must be fully scoped and demonstrate benefits to the industry.

2: Undertake product improvement

To increase the economic benefit to Shetland, from the seafood farmed in its waters or landed at its harbours, it is important to increase the value the customer is prepared to pay per kilo of product that leaves Shetland. Product improvement be achieved by ensuring products can meet customers expectations in terms of product choice, quality and traceability.

a. Greater added-value

There is a desire to retain more financial value from the seafood landed or farmed in the Islands. This can be achieved by encouraging more value-added processing, i.e. secondary processing, and branded products which will build on the reputation of seafood from Shetland. This will reduce the proportion of seafood that leaves as primary product and in turn will generate employment, investment and ultimately improved prosperity in Shetland.

b. Quality

In a highly competitive global market place improvements in product consistency and reliability through improved quality control and monitoring can enhance a product's attractiveness. Quality improvements should be encouraged at all stages in a product life cycle e.g. new catching methods; vessel improvements; better handling of farmed species; hygiene and food safety upgrades; improving the conditions in which products are harvested, landed, processed, stored and auctioned.

c. Traceability

Consumers increasingly require to know where their seafood comes from. This creates opportunities to improve value of products where the seafood industry can provide such information and ensure accredited provenance. Collaborative efforts that achieve this will be encouraged.

3: Target higher value and new markets

Improving the appeal of product from Shetland will have only limited benefit if there is not a corresponding attempt to target higher value and new markets that are prepared to pay for improved product. Therefore the priorities under this driver are:

a. Knowledge of the market

It is recognised that access to relevant market information can be difficult to obtain. Opportunities exist to support businesses or collaborating groups of businesses to undertake market research to explore and identify new sales options.

Ways in which seafood consumption can be increased in Shetland should also be explored i.e. education initiatives and encouraging public procurement.

b. Access between producers and high value markets

Effective and efficient transportation is crucial to a peripheral community such as Shetland. All development activities must consider how the producer is going to reach the customer. The ability to meet potential customers and transport product to them is a major factor for all businesses in Shetland and should remain on the political spectrum.

4: Improve working practices

Many of the priorities listed in the Strategy are interlinked. For example, it will be difficult to achieve the vision if the working practices within businesses do not evolve alongside the other development opportunities discussed. The priorities within this driver are:

a. Efficient and effective operational techniques

Research and investment into new techniques can be targeted to secure improvements to operational efficiency and energy use within the industry that can help to mitigate the high costs of production in Shetland. This can lead to improved productivity and therefore profitability.

b. Modernisation of equipment and facilities

Investment is crucial to the growth and development of an industry. In a global market place remaining competitive requires being up-to-date. For example, technological advancements, non-statutory health and hygiene improvement, increasing environmental responsibilities etc. require ongoing investment in equipment and facilities.

5: Develop skills and career opportunities

The ambitions set out in this Strategy cannot be achieved without skilled input from the people who work in the industry. The priorities are to target:

a. Routes into the industry for young people

For the long-term sustainability of the industry it is essential that young people continue to enter the industry. Barriers that hinder young people from entering the industry must be recognised and efforts made to remove them.

b. Personal and workforce development

Shetland needs to keep and expand a trained, flexible and multi-skilled workforce to meet the increasing demands of the global marketplace. Particular areas where skills development is required include quality control, productivity, traceability, environmental management and technical competence.

c. Business management skills

The existing range of management skills within a company will largely determine its scope, nature and future. A narrow range of management skills is likely to limit how much the business can grow. Skills such as business strategy, business law, human resource management, financial management, negotiation skills, contract management and sales and marketing techniques are important to secure sustainable growth.

DELIVERING THE STRATEGY

The Shetland Seafood Development Project is a partnership between several public and industry membership organisations in Shetland include:

- NAFC Marine Centre
- Seafood Shetland
- Shetland Aquaculture
- HIE
- Shetland Fish Producers Organisation
- Shetland Islands Council
- Shetland Shellfish Management Organisation

The partners are responsible for identifying and promoting both business initiatives and collective actions with an aim to achieving the vision of the strategy.

Business Initiatives:

The partners will be responsible for the delivery of business initiatives by identifying and providing the resources required to achieve actions in line with existing and future European, National and local policies.

Collective Actions:

The annual Action Plan will play an important role in delivering and providing a focus on the collective actions to be delivered by the Strategy. In addition to identifying a lead partner for each action the partners will consult and seek support from key stakeholders including the Scottish Government, Seafood Industry Authority, Seafood Scotland and many others to achieve the identified actions.

The collective actions identified in the action plan will be driven forward through SSDP and will be prioritised against the ambitions of the Strategy and resource availability. The appraisal criteria for prioritisation are set out in the Action Plan.



REPORT

To: Development Committee

11 June 2009

From: Head of Economic Development

**Report No: DV062-F
Mareel, Cinema & Music Venue
Sounding Board Feedback Report #4.**

1.0 Introduction

- 1.1 The purpose of this report is to update Members on progress and costs on the Mareel project.

2.0 Links to Corporate Priorities

- 2.1 This report links to the Council's Corporate Plan 2008-2011 which sets out a range of priorities to more effectively and efficiently organise the Council's business.

3.0 Background

- 3.1 In October 2008, Development Committee agreed to the formation of a Sounding Board to monitor the Mareel project (Minute ref 44/08).
- 3.2 The membership of the board is:
 - Development Committee Chairperson, Joseph Simpson
 - Development Committee Vice Chairperson, Alastair Cooper
 - Development Committee Member, Frank Robertson
 - Head of Economic Development, Neil Grant
 - Capital Programme Service Manager, Mike Finnie
 - Executive Director of Education and Social Care, Hazel Sutherland

3.3 The remit of the Board is:

- “to monitor the activity and spend on the Mareel project”
- “to consult on behalf of the Committee and Council regarding grant conditions to be applied...”
- “to 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.”

3.4 The Sounding Board also reports to Services Committee each cycle.

3.5 The Sounding Board last met on 28 May 2009.

4.0 Activity/Progress

4.1 The following is provided as an update on the Mareel project provided by the Sounding Board.

4.2.1 Funding

Shetland Arts have secured £12.112m of funding for the project as detailed below:

Confirmed Funding	£000s	Expenditure
Shetland Islands Council	5,190	1,410
Scottish Arts Council Capital Lottery Fund	2,120	0
HIE	965	0
Shetland Islands Council	965	0
European Structural Funds	2,822	0
Gannochy Trust	50	0
	12,112	1,410

4.2.2 Project Management

Site preparatory work is now underway and it is planned that the foundation and piling work will commence in July. The planned completion date for Mareel is December 2010.

5.0 Proposal

5.1 I propose that the Committee notes the work being done by the Sounding Board

6.0 Financial Implications

- 6.1 The Council has already approved this spend from the Capital Programme and Economic Development Unit. There are no financial implications arising from the terms of this report.

7.0 Policy and Delegated Authority

- 7.1 The proposal that forms the basis of this report satisfies a number of policies, contained in the Economic Development Policy Statement 2007-2011 which was approved by Development Committee on 24 April 2008 (Min Ref 01/087 and by the Council on 14 May 2008 (Min Ref 55/08). This report has been prepared based on the following policies:

- 5. “Continue to develop Shetland as a tourist destination, through development of high quality products and services.”
- 16. “Support growth of businesses in the creative industries sector.”
- 27. “Enable individuals to achieve their full economic potential.”

- 7.2 In accordance with section 11 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

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

- 7.4 In accordance with Section 11 of the Council's Scheme of Delegation, management of the Shetland Development Trust, on behalf of the Council as sole Trustee, is delegated to the Development Committee.

8.0 Conclusions

- 8.1 The Sounding Board will continue to engage with the project team and report back to the Committee each cycle.

9.0 Recommendations

- 9.1 I recommend that the Committee notes the content of this report.

Our Ref: NRJG/JJ RF/1221

Date: 04 June 2009

Report No: DV062-F