



REPORT

To: Development Committee

27 August 2009

From: Head of Economic Development

DV081-F
Public Activity Report
June and July 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

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

Enquiries regarding accommodation bookings through www.shetlandhamefarin.com are steadily increasing, with over 50 having been received since the end of June.

SIC Economic Development Unit has been assisting Shetland Museum and Archives (SMAA) with submissions and enquiries since SMAA issued a request for items and artefacts from first-generation emigrants to form part of the Hamefarin exhibit.

Events during the Hamefarin are taking shape, with Shetland Folk Festival Society and Shetland Fiddle and Accordion Club having been contracted to organise key musical events during the Hamefarin.

The Hamefarin website is soon to undergo a major revamp to provide a better service to visitors as the event draws closer.

3.2 A Year of Islands Cultures

The draft operational plan has been prepared and will be considered by the Steering Group (the six councils) on 31 August in Stornoway. This meeting will include a number of other potential partners including the Scottish Government, Event Scotland, HIE and VisitScotland. Assuming that the plan is acceptable to the Steering Group, all the Councils and funding agencies will have to consider approving part of the funding required to deliver the project. A report on the project will be prepared for the Development Committee on 01 October. The subject will also be discussed at the Cultural Strategy meeting on 26 August, at which time Shetland's effort for 2011 will be discussed in more detail. From a tourism perspective the project will seek to encourage more visitors in the shoulder seasons.

3.3 Fetlar Working Group

The Fetlar Working Group should have met on 26 August by which time a full-time development worker should have been appointed by Fetlar Development Limited.

3.4 Pure Shetland Lamb

With reference to minute 64/09, and the debate around the issue of outstanding creditors, we have inserted a pre-condition into the letter of offer.

The pre-condition requires that all valid claims by livestock creditors against MG Smith (Snr and Jnr), made known by the end of August 2009, will be paid in full before any money is advanced.

We have appointed W Wiseman of Cedum LLP to act as arbiter in this regard, whose decision will be final, in establishing the validity of eligible claims submitted within the timescale. The timeframe for submission has not yet expired but there are currently 63 claims, totalling approximately £40,000.

No monies will be advanced to Pure Shetland Lamb until we have resolved this issue, and all the other pre-conditions have been satisfied.

3.5 Round Britain and Ireland Race

The official launch of Shetland's sponsorship for the 2010 Round Britain and Ireland Race will take place in the Royal and Western Yacht club in Plymouth on 23 September 2009. A strong media presence from yachting journalists is expected and the event will be used to promote Shetland's harbours and marinas to the yachting public. The launch coincides with the completion of Shetland Marinas Association's new website.

3.6 Public Funded Eateries

All of the catering establishments which come within the review into publicly funded subsidy levels have been visited since the last Development Committee meeting on 17 July.

They have been advised to consider and present their strategies, which can demonstrate achievement of sustainable breakeven operation by 31 March 2012, under commercial rules.

The strategies must be presented to the review team by the end of August 2009, and a report will be submitted to the next Development Committee on October 1.

3.7 Accommodation Review

SIC Economic Development Unit recently undertook a review of upcoming large-scale capital projects to determine the potential effects of large numbers of incoming construction workers on the accommodation sector in Shetland. While firm conclusions have not been reached regarding the effects on the sector, given the lack of definitive information on activity and the strategies of individual firms during construction phases, this issue was discussed at the Executive in August and it was agreed that the issue should remain under continuing review.

3.8 Sumburgh Airport Improvement Project

Artwork is now being finalised for the seating and baggage reclaim area which completes the work scheduled under the current contract with Tay Cad. Other opportunities will be investigated as part of the follow-up work on this project which has significantly enhanced the ambience of the airport.

3.9 Shetland Food Festival

Work continues to pull together the schedule for the festival which will be held between 2-11 October. The main activity will be focussed on the first weekend of the event at Clickimin Centre. The Festival was promoted along with the Shetland Food Directory at the 'Foodies at the Festival' event in Edinburgh held on 21-23 June.

3.10 Festival and Events Strategy

Over 30 responses have been received for the recently advertised Festival and Events strategy which has been highlighted on the Scottish Arts Council website. Shetland hosts a wide range of events and festivals which attract international visitors and media coverage, to smaller events which are local or regional but are of significance to the local community and attract local interest. These are developed, coordinated, managed and funded in a number of different ways. Given the current emphasis placed on events by the Scottish Government via EventScotland, it is important that this area is researched in order to highlight areas of opportunity and this project forms the basis for the work for creating a clear strategy in this area. A draft strategy will be highlighted to Members at a future Development Committee meeting.

3.11 BBC Radio 4 Food Programme

The EDU have been working closely with the Producer of BBC 4's Food Programme in connection with a recording material for a future show which will celebrate 'Shetland Teas'. This is concept which has proven of great interest to the Production Team of the programme and EDU Marketing staff have researched a suitable schedule of interviewees and have hosted presenter Simon Parkes over the weekend of 14-17 August in order to assist in capturing the relevant interviews. Ultimately, this will generate a very important piece of radio for Shetland, the listeners of which are in-line with the target market for Shetland.

3.12 Audit of Inshore Fishing Fleet

It is proposed to carry out an audit of the inshore fishing fleet to measure the current practices against best practice for the landing and storage of product. The aim of the audit is to gain a better understanding of any infrastructure requirements so that products procured by the inshore fishery sector can remain of the highest quality. Ultimately better infrastructure will lead to a higher price for products. It is hoped European funding can be accessed to assist with securing any infrastructure highlighted as a requirement. The audit will be put out to tender in September once the best practice guidelines are complete. This fits in with the work of SSMO to achieve MSC accreditation for this sector.

3.13 Food and Drink Development Officer

It is felt that there would be much merit in the introduction of a dedicated contracted position to work towards achievement of the aim of the Shetland Food and Drink Strategy, namely 'To create a sustainable, innovative and quality-driven food and drink industry in Shetland'. Following on from development of the strategy, and subsequent action plan, it has been clear to EDU staff that there are many opportunities for development in this area which would benefit greatly from a clear and focussed resource being directed towards them. The intention is for the main thrust of this role to be directed from an economic development perspective as it's aim will be to address the potential development opportunities identified through the Shetland Food and Drink Strategy work. The publication in June 2009 of The Scottish Government's 'Recipe for Success – Scotland's National Food and Drink Policy' document however is noted. This document outlines the responsibilities for local authorities in areas such as supporting the growth of the food and drink industry in Scotland, making the public sector an exemplar for sustainable food procurement and ensuring there is more understanding about food which is eaten. It will thus be a key reference document in investigating introduction of a food development role in Shetland and this may mean that a such a post would be more suited to a remit much wider than that relating to a direct economic development perspective (e.g. it may require to address specific health/nutrition, education and sustainability issues). It is thus possible that investigation may suggest that an expanded role will require to be introduced with input from other departments of the Council and outside bodies such as NHS Shetland. A detailed report on this will be presented to a future Committee, however at this stage, in outline, it is expected that the post would be a 2 year appointment and incorporate lead coordination for the Shetland Food Festival; work to bring together closer links between producers and local eateries; actively progress new product developments with businesses; assist in coordination of initiatives such as 'meet the buyer events'; link with Promote Shetland over promotional opportunities for the Shetland Food and Drink industry and acting as secretariat for Shetland Food and Drink Group.

3.14 Promote Shetland

Following on from the Council decision to appoint a Promote Shetland service via a service contract, EDU staff have been working closely with staff from the Council's Legal and Administration Service in progressing the necessary stages to realise appointment of a high quality candidate to coordinate and manage this highly significant service. Placement of a Public Notice outlining the requirements of the Promote Shetland Service in May attracted a great deal of interest which in turn resulted in the submission of 7 pre-qualification questionnaires. Three service providers from this were then shortlisted and invited to submit a formal tender. Three of these were subsequently submitted in August and followed by individual

presentation and interview sessions. The start date for the successful candidate is 1 September.

4.0 Government Initiatives

4.1 First Time Shareholders Scheme State Aid Update

There has still not been a response from the European Commission regarding the 74 first time shareholders who received grants from the Council. The Chief Executive has requested a meeting with Scottish Government officials in Edinburgh on 2nd September. The Head of Economic Development and Rodger Murray of Brodies will also attend.

4.2 LEADER Programme

To date the Local Action Group (LAG) has awarded £408,829 to 22 projects. So far there has only been one award under Convergence Funding, which is a more restrictive programme, so the £650,000 LEADER budget is rapidly reaching its conclusion. It is now a priority to identify suitable projects to benefit from the £1.49 million Convergence budget. In all 52 potential projects have been considered for support by the LAG.

4.3 Scottish Rural Development Plan – Rural Priorities

At the time of writing the Regional Proposal Assessment Committee (RPAC) meeting on 11 August had still to take place. 16 out of the 43 North Isles cases were from Shetland and of these 10 were agri environment projects. The review of Rural Priorities has not thrown up any significant changes that would enable more successful applications under the agri environment part of the programme. For the August round the points total for agri environment projects had been set at 14. Most Shetland agri environment projects can only achieve 10 or 12 points so the outlook for obtaining assistance at the same level as for ESA or Rural Stewardship appears to be bleak. Gillian Tucker, the civil servant, in charge of the programme will address the Agricultural Panel on 26 August to discuss some of the continuing constraints in the programme.

4.4 Business Gateway

The period covered in this report is from 22 May 2009 until 31 July 2009. This was a generally quiet period for new enquiries, which is not unusual in the summer months. During this 10 week period 24 new enquiries were received and advised from the following sectors:

Services – 10
Tourism – 4
Textiles – 1
Aquaculture – 2
Agriculture – 2
College – 1

Creative Industries – 1
Fisheries – 1
Leisure – 1
Catering – 1

Of all the clients seen, 19 were interested in starting a new business. 15 have been referred to the national information services available in the Business Gateway, 13 have been referred to Train Shetland to participate in a short training course and 15 are meeting or have met with business advisers. Application forms have been issued to 6 clients. 7 clients are considering their next steps before deciding on which Business Gateway service to use. Only one enquiry was ineligible for the financial assistance they were seeking.

EDU staff and the Business Gateway advisers have all started the Business Premier Adviser course, which lasts until September 2010. The Premier Adviser qualification is the national standard for anyone working in the Business Gateway. During the period of the course EDU staff will have to set one day per week aside to complete assignments and other course work. This will have an impact on the other work that staff are engaged in.

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: 19 August 2009

Report No: DV081-F



Fisheries-Related Developments and SHOAL Activities

27th August 2009

This report summarises some recent and ongoing events and ‘issues’ relevant to Shetland’s fishing industry, and outlines how SHOAL is responding to these.

Scottish Government Public Inquiry: ‘Future of Fisheries Management’

This inquiry, being carried out by an independent panel on behalf of the Scottish Government is currently under way. The inquiry team issued an initial request for comments on the future of fisheries management in Scotland in March, to which SHOAL submitted a response.

The inquiry team then made an evidence-gathering visit to Shetland in early June. During that visit Cllr. Josie Simpson, Cllr. Gussie Angus and Dr Ian Napier were invited to give oral evidence to the panel on behalf of SHOAL. SHOAL also submitted a written position paper to the panel, and written responses to a list of questions that the panel had issued.

During its visit the panel also took evidence from the Shetland Fishermen’s Association, the Shetland Fish Producer’s Organisation, LHD Ltd., and the NAFC Marine Centre.

No feedback has been received from the panel since their visit, although they are expected to report before the end of the year.

Consultation on Fishing Opportunities for 2010

The European Commission carried out a consultation from May to July on its proposals for Fishing Opportunities in 2010. This covered the Commission's proposed general 'strategy' for how quotas, fishing effort, etc., for 2010 should be decided.

SHOAL has submitted a response to this consultation highlighting a number of general concerns about the Commission's proposals, including: their use of simplistic, misleading and sensationalist statistics; and their use of broad generalisations and simplistic assertions (e.g. about overcapacity in the European fishing fleet). SHOAL also stressed the need for European fisheries policy to focus on achieving viable and sustainable fishing communities rather than, as proposed, concentrating only on achieving sustainable fish stocks, and expressed concern about the lack of scientific information on important fish stocks.

ICES Advice

The International Council for the Exploration of the Seas (ICES) published its annual advice on the state of European fish stocks in late June. For the main stocks of importance to the Shetland fishing fleet the advice was mixed. Although a significant increase is recommended in North Sea cod quota (+17%), cuts are recommended in quotas for haddock (-15%), whiting (-61%), and herring (-4%). No change is recommended in the monkfish quota.

This advice, together with possible updates in October (which will include advice for mackerel), will inform the European Commission's proposals for quota levels, etc., that will be considered at the annual end-of-year fisheries negotiations in December.

Invitations

SHOAL has issued invitations to visit Shetland to discuss the issues facing the Shetland fishing industry to the Scottish Fisheries Minister (Richard Lochhead), the

UK Fisheries Minister (Huw Irranca-Davies), the Scottish Government's new Head of Sea Fisheries (David Brew), and the new Chairman of Seafish (Charles Howeson).

Those who have replied have not yet made any firm commitment to visit Shetland in the immediate future.

Conservation Credits II

The Conservation Credits II (CC2) scheme has been implemented largely as originally proposed earlier in the year. CC2 is the scheme by which the Scottish Government intends to implement the 25% reduction in cod mortality required by the Cod Recovery Plan. In general it has not proven practical for local fishing vessels to take up any of the 'buy-back' options nominally available under the scheme to offset some of the reduction in days that vessels can spend fishing under the scheme.

An economic analysis has been carried out by NAFC for the Shetland Fishermen's Association, comparing the incomes and costs of local whitefish fishing vessels during the first half of 2009 with the same period of 2008. Specific findings of this analysis include:

- ◆ An average 11% decrease in overall gross income (attributable in most cases to reduced fishing opportunities).
- ◆ An 86% increase in expenditure on renting quota.
- ◆ A 233% (2.3 fold) increase in expenditure on renting days.
- ◆ A 15% reduction in 'net' income (gross income minus expenditure on quota and/or days).

Reductions in gross incomes by individual vessels have been up to 29%, with more than a quarter (29%) of the vessels for which data were available seeing their gross income reduced by more than 25%.

These reduced incomes are having a severe negative impact on the viability of a significant proportion of vessels in the Shetland whitefish fleet and are a matter of grave concern to SHOAL.

A more detailed analysis of the impacts of the scheme is provided in Appendix 2.

Reform of the Common Fisheries Policy

As reported previously, the European Commission is engaged in a public consultation on proposals for the reform of the European Common Fisheries Policy (CFP). Key issues that the Commission wishes to address in the reform of the CFP include: a deep-rooted problem of fleet overcapacity; imprecise policy objectives; a decision-making system that encourages a short-term focus; a framework that does not give sufficient responsibility to the industry; and poor compliance, and a lack of political will to ensure compliance.

To address the problem of over-capacity the Commission appears to be inclined towards the wider adoption of market mechanisms, such as transferable fishing rights (e.g. ITQs – individual transferable quotas), as a more efficient and cheaper way of reducing overcapacity. It suggests that such systems can include safeguards to avoid excessive concentration of ownership or adverse effects on smaller-scale fisheries and coastal communities.

It also suggests:

- ◆ that the basic objective of the CFP should be ‘ecological sustainability’, to provide a basis for the economic and social future of European fisheries.
- ◆ that more detailed management responsibility could be delegated either to the Commission, or to Member States (subject to Community standards and control).
- ◆ that the fishing industry should be given more responsibilities and rights to involve them more closely in the implementation of the CFP.

The current consultation runs until the end of December 2009. SHOAL intends to submit a detailed response to the Commission’s proposals, and in view of their importance to Shetland’s fishing industry proposes that the SIC should consider submitting its own response to the consultation.

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The Economic Impact of the Conservation Credits II Scheme on the Shetland Whitefish Fleet

27th July 2009

Summary

An analysis has been carried out of relevant data from the first half of 2009 (January to June) and from the same period of 2008 to assess the impacts of the Conservation Credits II scheme on the Shetland whitefish fleet.

Overall, it is clear that the scheme is having a substantial and serious impact on the fleet. Specific findings include:

- ♦ **An average 11% decrease in overall gross income (attributable in most cases to reduced fishing opportunities).**
- ♦ **An 86% increase in expenditure on renting quota.**
- ♦ **A 233% (2.3 fold) increase in expenditure on renting days.**
- ♦ **A 15% reduction in 'net' income (gross income minus expenditure on quota and/or days).**
- ♦ **Most of the losses of income are not a result of reductions in market prices.**

Introduction

In order to assess the effects that the Conservation Credits II scheme has had on the Shetland whitefish fleet, an analysis has been carried out of economic data for this fleet during the first half of 2009 (January to June) compared to the same period in 2008. This analysis is based on data supplied by LHD Ltd., with additional data from Shetland Seafood Auctions Ltd.

This analysis follows a preliminary analysis that was carried out in March 2009 to predict how the allocation of fishing effort proposed under the Conservation Credits II scheme might affect the earnings of vessels in the Shetland whitefish fleet. That analysis concluded that overall, under the proposed basic allocation of days, the fleet was likely to lose about 9% of its gross income in 2009 (compared to 2008).

Change in Gross Earnings

The total gross earnings for fishing vessels during the first six months of 2009 (January to June) were compared to those during the same period in 2008. Data were available for 17 of the top 20 grossing vessels in the fleet. (The remaining three vessels were not fishing during all or part of the first half of 2008).

The total gross income of these 17 vessels during the first half of 2009 was £7.6 million, compared to £8.5 million in 2008, a reduction of 11%. This is close to the 9% loss predicted by the preliminary analysis carried out in March. On an individual level, 15 of the 17 vessels grossed less during the first half of 2009, than in the same period of 2008 (Figure 1).

The average reduction in gross income was 13%, but for individual vessels the reductions ranged from 1% to 29%. Almost half of the vessels (47%) experienced a reduction in gross income of more than 10%, and almost one third (29%) a reduction of more than 25%.

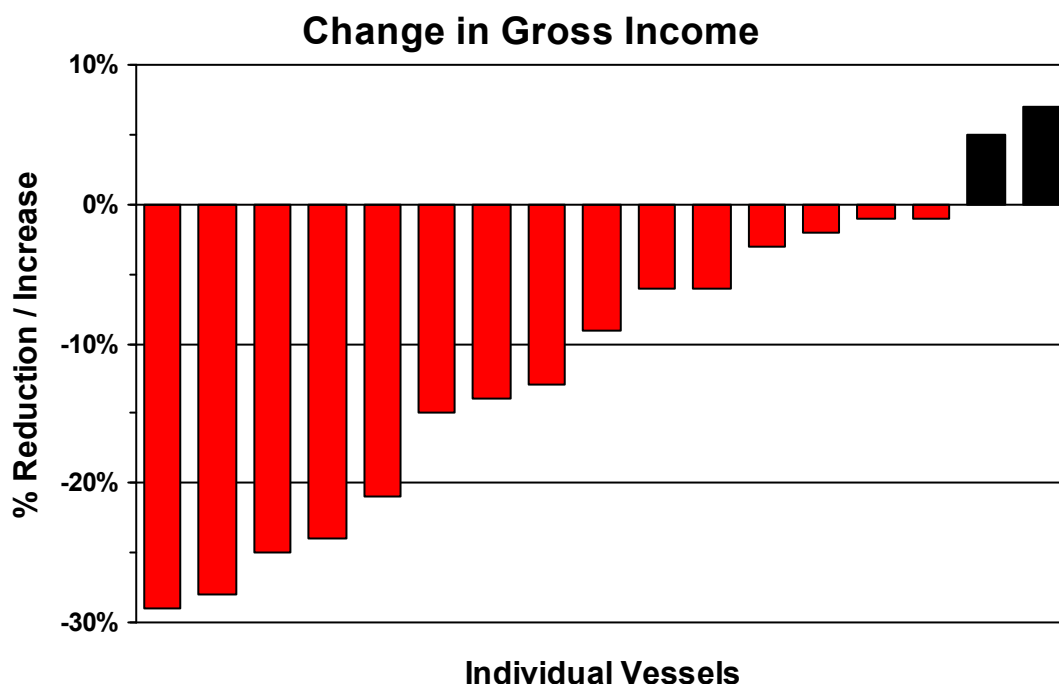


Figure 1 Percentage increases or decreases in gross earnings by 17 of the top 20 grossing Shetland whitefish vessels from January to June 2008 to January to June 2009.

These figures almost certainly underestimate the true extent of the loss of income experienced by many Shetland whitefish vessels as they take no account of extra expenditure on renting additional quota and/or days at sea. This is discussed in more detail below.

Gross income may be affected by market prices as well as by available fishing opportunities. However, the average price of whitefish landed in Lerwick during the first half of 2009 was only about 2% less than in the same period of 2008 (information from Lerwick Port Authority). Together with other available information (see below) this suggests that for many boats in the Shetland whitefish fleet the reduction in gross income is largely attributable to reduced fishing opportunities, rather than to lower market prices.

Detailed Analysis - Fleet Sectors

To provide a more detailed picture of the impact of the Conservation Credits II scheme on different sectors of the Shetland whitefish fleet, a sample of individual vessels was selected for more detailed analysis. Nine vessels were chosen, representing four distinct segments of the Shetland fleet:

- ◆ Large twin-rig trawlers (25 - 26 m) - 2 vessels
- ◆ Large single-rig trawlers (25 - 26 m) - 2 vessels
- ◆ Medium single-rig trawlers (23 - 24 m) - 3 vessels
- ◆ Medium seine netters (22 - 23 m) - 2 vessels

To allow for comparisons to be drawn, vessels were chosen that had fished steadily, without significant breaks, during the periods from January to June in both 2008 and 2009.

Hours Fished

All three categories of trawler experienced a reduction in the number of hours they were able to fish during the first half of 2009, compared to the same period in 2008 (Figure 2). The magnitude of this reduction ranged from 7% for medium-sized single-trawlers to 28% for large single-trawlers. Seine netters managed an increase in the number of hours fished because the kW-hours effort management system better suits their typical pattern of operation (although substantial doubt remains about how kW-hours are being converted to kW-days). Overall, however, there was a 12% reduction in the number of hours fished by all the vessels.

Gross Income

All segments of the fleet experienced a reduction in gross income (Figure 2). For medium-sized single-trawlers this was limited to 4%, but the other three segments experienced losses of between 14% and 17%. Overall, gross earnings by all four sectors were down by 12%. This is in close agreement with the 11% loss calculated for 17 of the top-20 earning vessels in the fleet (see above), and the 9% loss predicted earlier in the year.

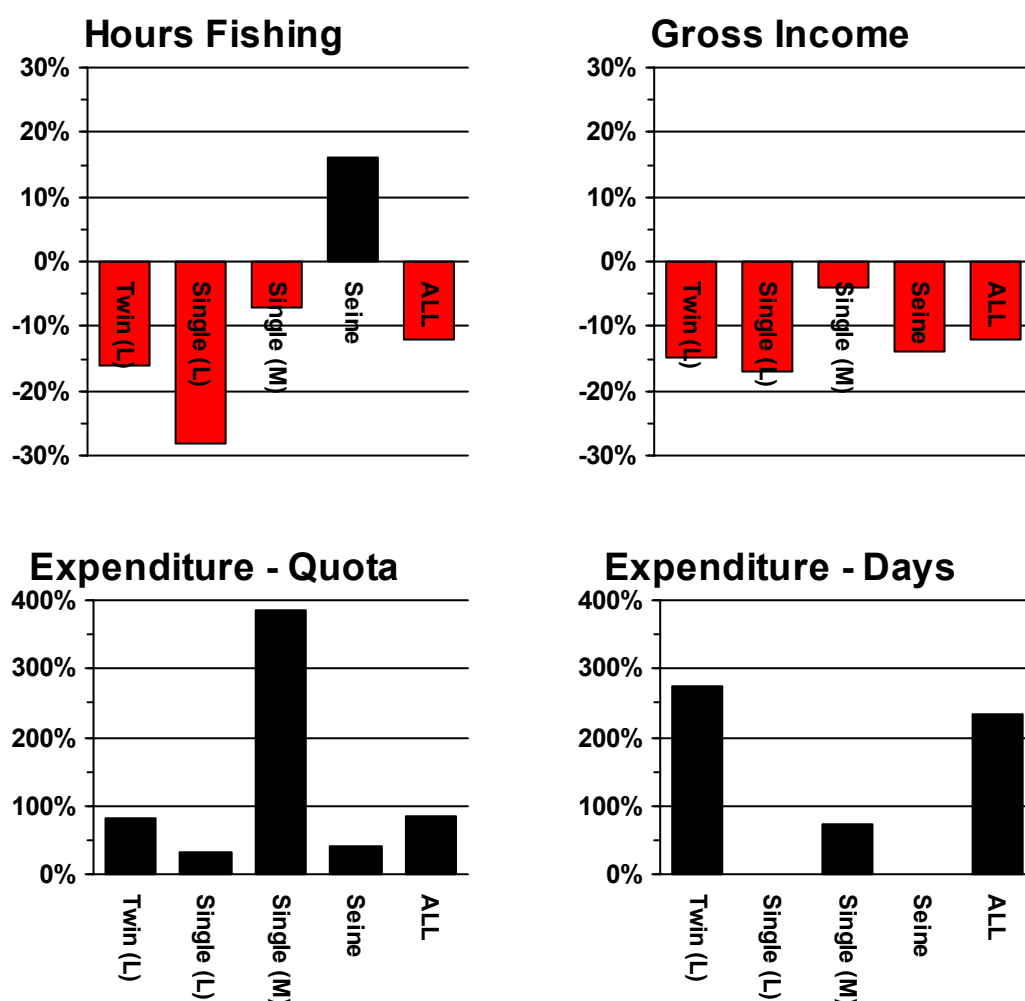


Figure 2 Percentage increases or decreases from January to June 2008 to January to June 2009 in average hours fished, average gross income, and average expenditures on renting quota and days by four segments of the Shetland whitefish fleet and by all four segments combined.

Increased Costs

The reductions in gross income have been exacerbated by substantial increases in expenditure to rent additional quota and/or days. For the medium-sized single trawlers expenditure on renting quota in the first half of 2009 was almost four times (384%) higher than in the same period of 2008. For the other segments of the fleet it was between 32% and 82% higher (Figure 2). Overall, for all four segments of the fleet, expenditure on renting additional quota during the first half of 2009 was almost double that in 2008 (an increase of 86%). There was also a substantial increase in

Ian R. Napier (NAFC Marine Centre) – 27th July 2009

expenditure on renting days (from 73% to 273%), although only two segments of the fleet have had to do this so far (Figure 2). On average expenditure by these two segments increased by 233%.

When the additional expenditure on renting additional quota and days are taken into account (Figure 3) the overall 'net' income of the fleet during the first half of 2009 was 15% less than during the same period in 2008. Again the medium-sized single trawlers experienced the smallest reduction in 'net' income (6%), but for the other three segments the reduction was between 15% and 20%.

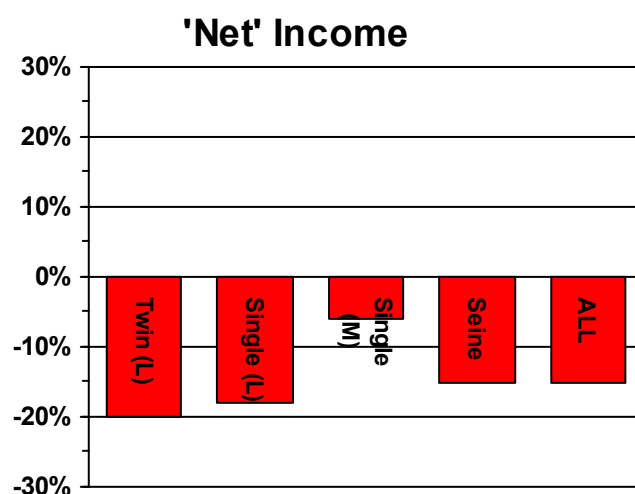


Figure 3 Percentage increases or decreases from January to June 2008 to January to June 2009 in average 'net' income (gross income minus costs of renting of renting quota and/or days) for four segments of the Shetland whitefish fleet and for all four segments combined. (Note that this takes no account of other costs and expenditure so is not true net income.)

Landings by Species

Landings of individual species (Figure 4) show a mixed pattern but were substantially lower for most species and most fleet segments during the first half of 2009 than in the same period of 2008. Reductions were typically from more than 10% to more than 30%. The six species for which data are shown (haddock, whiting, cod, saithe, monks and megrims) account for about 90% (by value) of all landings by the Shetland whitefish fleet.

Although there were increases in the landed weights of some species, these tended to be of lower-value species such as saithe and whiting, while landings of higher-value species such as monks and megrims were lower for most fleet segments.

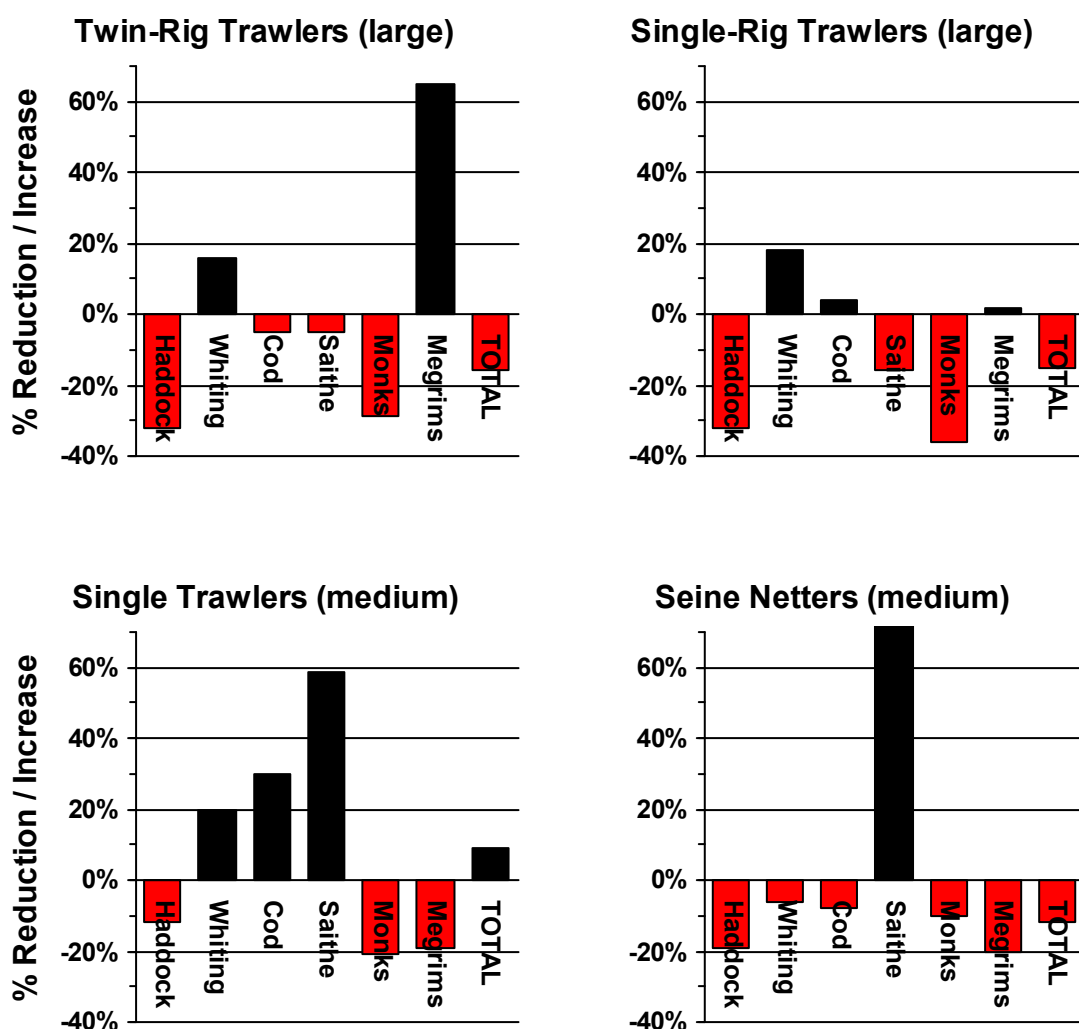


Figure 4 Percentage increases or decreases from January to June 2008 to January to June 2009 in average landings (weight) of top 6 species, and total landings of those six species, by four segments of the Shetland whitefish fleet.

The reduction in landings of monkfish is particularly noteworthy as this species is a very important element of the catches of many Shetland whitefish vessels (accounting for 31% of the value of all whitefish landings by Shetland vessels in 2007), and because monkfish catches have been impacted by reduced fishing

opportunities in 2009. Overall, monkfish landings during the first half of 2009 were 28% less than in the same period of 2008. For individual fleet segments the reduction in monkfish landings ranged up to 29% (twin-rig trawlers) and 36% (large single-rig trawlers).

The Effect of Changes in Market Prices

It has been suggested that the reduction in gross incomes experienced by Shetland (and other Scottish) whitefish vessels in the first half of 2009 is partly or wholly attributable to a reduction in market prices, rather than to a reduction in fishing opportunities. It is true that the market prices of some species, especially cod, have declined significantly over this period. However, the gross income of individual fishing vessels is determined by the composition of their landings (relative proportions of different species) and by the market prices of all the species they land.

As has been mentioned, the average price of whitefish landed in Lerwick during the first half of 2009 was only about 2% less than in the same period of 2008, suggesting that for many boats in the Shetland whitefish fleet lower market prices is not the main cause of the reductions in their gross incomes.

To investigate the extent to which the reduction in the gross incomes of Shetland whitefish vessels can be attributed to reductions in market prices, three further analyses were carried out:

- ◆ the average gross income per hour fished was calculated (a reduction in gross income per hour would indicate that reduced market prices were responsible for the reductions in gross income).
- ◆ average market prices for whitefish landed in Shetland between January and June 2009 and the same period of 2008 were compared and the results applied to the catches of the individual vessels whose gross incomes were analysed above.
- ◆ average market prices for January to June 2009 were applied to the landings during January to June 2008 of the sample of Shetland whitefish vessels analysed above.

Gross Income per Hour Fished

With the exception of the seine netters all segments of the fleet showed the same, or a higher, gross income per hour fished (Figure 5), indicating that reduced market prices were not responsible for the reduced gross incomes. Overall, the average gross income per hour for the fleet was only 1% lower during the first half of 2009, compared to 2008. For the three trawler segments it was up by 6% on average.

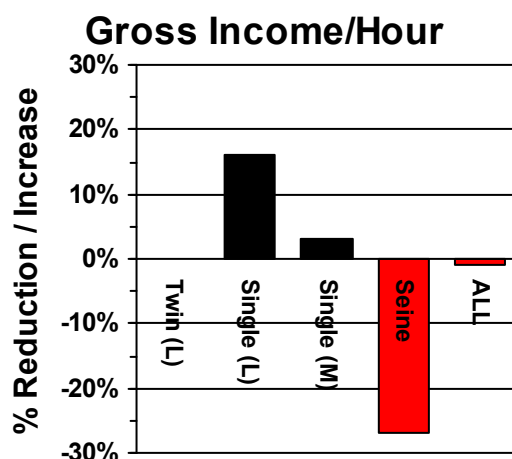


Figure 5 Percentage increases or decreases from January to June 2008 to January to June 2009 in average gross income per hour fished by four segments of the Shetland whitefish fleet and by all four segments combined.

It is believed that the seine netters have been affected by lower market prices for species such as cod and whiting, which account for a higher proportion of their catches. The trawlers, in contrast, have a greater level of dependence on higher-value species such as monks, whose market prices increased during the first half of 2009 (see below).

Comparison of Market Prices

There was substantial variation in the changes in average market prices for different whitefish species between January to June 2008 and 2009 (Figure 6). While the prices of some species, most notably cod and lemon sole were markedly down, the prices of others, such as monks, saithe and pollack (lythe), were up. The price of haddock was almost unchanged.

Overall, the average value of all whitefish sold through Shetland fish markets declined by only 2% between January and June 2008 and the same period of 2009. For the top 5 species by value (monks, haddock, cod, whiting and megrim) the decline in average value was close to zero (<0.1%).

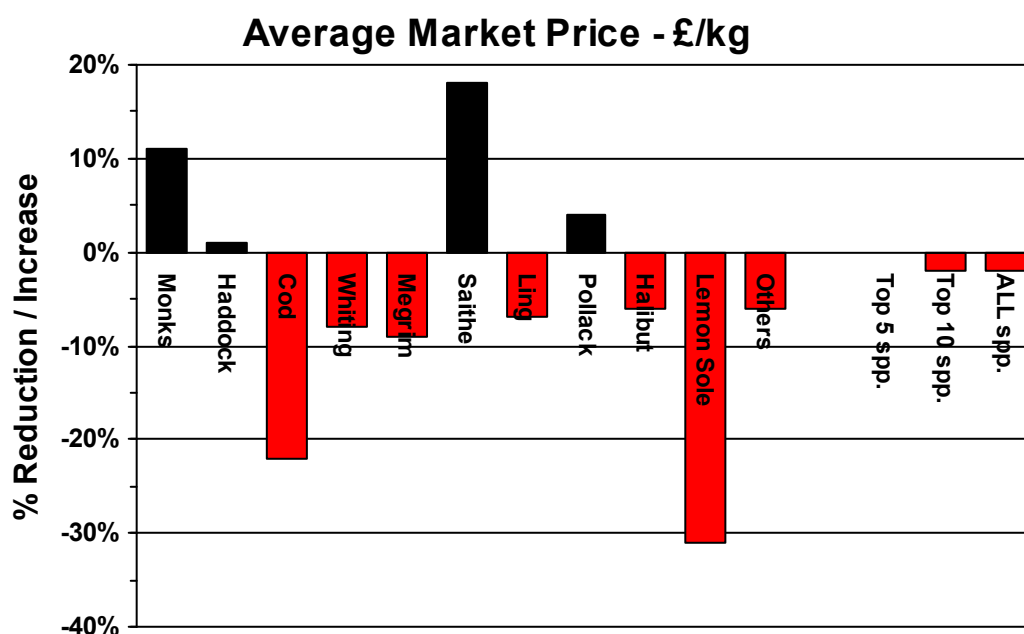


Figure 6 Percentage increases or decreases from January to June 2008 to January to June 2009 in average market prices (£/kg) for whitefish sold through Shetland fish markets. Top 5 and top 10 species are by total value of sales from January to June 2008. Data from Shetland Seafood Auctions Ltd.

2008 Landings at 2009 Prices

Applying the average values of whitefish during January to June 2009 to the actual landings by selected Shetland whitefish vessels (see above) during January to June 2008 suggested that if the size and composition of their landings had remained unchanged over this period there would have been little overall change in their gross incomes (Figure 7).

The overall reduction in gross income for all vessels would have been about zero (<0.4%), while for individual fleet segments it would have ranged from an increase of about 4% for the large twin-rig trawlers, to a reduction of about 7% for the seine

netters. The reductions in gross incomes for the single trawlers (large and medium) would have been 1% or less. Again these trends reflect the differences in catch composition between the fleet sectors, as discussed above, with the trawlers benefiting from higher prices for monks, for example.

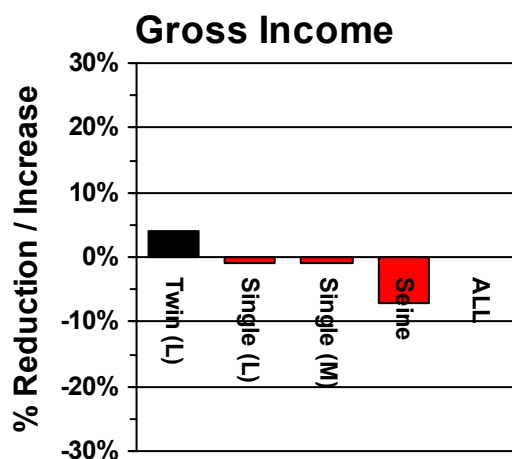


Figure 7 Percentage increases or decreases from January to June 2008 to January to June 2009 in average gross income when 2009 prices were applied to 2008 landings.

Effect of Market Prices - Discussion

The results of these analyses all indicate that, with the possible exception of seine netters, changes in market prices have had only a minimal effect on the gross incomes of Shetland whitefish vessels between the first halves of 2008 and 2009.

‘Buy-Back’ Options

Although in theory the Conservation Credits II scheme provided opportunities for Scottish fishing vessels to ‘buy back’ additional days by adopting various cod conservation measures, in practice it has proven impractical for Shetland whitefish vessels to take advantage of these options.

The principal obstacles to the adoption of buy back options by Shetland whitefish vessels have been the lack of information on the effects on catches of ‘cod-

avoidance' trawls in Shetland whitefish fisheries (along with evidence that these nets release significant quantities of species such as monks), and the concentration of 'amber' cod avoidance areas in the areas fished by Shetland whitefish vessels.

Discussion

This analysis indicates that the Conservation Credits II scheme has had a significant economic impact on vessels in the Shetland whitefish fleet. The reduction in the number of days that vessels are allowed to spend fishing, together with reductions in quotas (or failure to increase quotas) for key species, has resulted in reduced incomes and greater costs.

For most segments of the fleet these reductions in income can be largely attributed to reduced fishing opportunities under the Conservation Credits II scheme. With the possible exception of seine netters changes in market prices have had only a minimal effect on the incomes of Shetland whitefish vessels.

These impacts appear to have been greatest on the larger trawlers in the fleet, both twin-rig and single-rig. These vessels require a substantial amount of time at sea to catch the relatively high-value monks that make up an important component of their catches.

Shetland whitefish vessels have generally found it impractical to take advantage of the 'buy back' options nominally available under the Conservation Credits II scheme, and have been unable to take advantage of the increased quota for cod in 2009.

These impacts pose a serious and immediate threat to the economic viability of at least some vessels in the Shetland whitefish fleet, vessels that the fleet and the wider Shetland fishing industry cannot afford to lose.



REPORT

To: Development Committee

27 August 2009

From: European Officer/Dr Ian Napier, NAFC Marine Centre, on behalf of SHOAL

REPORT NO: DV073-F
FISHERIES RELATED DEVELOPMENTS AND SHOAL ACTIVITIES

1.0 Introduction

- 1.1 The purpose of this report is to keep Members informed of events and issues relevant to Shetland's fishing industry and how SHOAL is responding to these. Attached at Appendix 1 is a summary report prepared by Dr Ian Napier of the NAFC Marine Centre on behalf of SHOAL. Dr Napier has also prepared a detailed analysis of the impact of the Conservation Credits II Scheme on the Shetland whitefish fleet and this is attached at Appendix 2 for information.

2.0 Link to Corporate Priorities

- 2.1 This report is relevant to Shetland Islands Council's Corporate Plan 2008-2011 Priority Action for a Sustainable Economy through supporting traditional industries, such as fisheries. It also supports the Priority Action for a Sustainable Environment.

3.0 Background

- 3.1 Shetland Oceans Alliance (SHOAL) is a partnership between Shetland Islands Council and the Shetland fishing industry to promote the sustainable long-term future of the industry. Given the importance of fisheries to the Shetland economy, SHOAL plays an important role in lobbying and making representation at national and European level.

4.0 Financial Implications

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

5.0 Policy & Delegated Authority

- 5.1 This report is relevant to the main aim of the Economic Development Policy Statement 2007-2011 which is to "...improve the quality of life of Shetland residents by promoting an environment in which traditional industries can thrive and innovate...". Fisheries is an identified policy area for action. 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 its remit for which the overall objectives have been approved by the Council, in addition to appropriate budget provision including:
- Economic Strategy
 - Europe
- 5.3 As this is an information report, there is no requirement for a decision to be made.

6.0 Conclusion

- 6.1 This report and accompanying Appendices summarise recent and current fisheries issues which SHOAL has engaged with. Of particular concern is the negative impact the Conservation Credit II Scheme is having on the viability of the Shetland whitefish fleet.

7.0 Recommendation

- 7.1 Members are asked to note this report and the Appendices attached.

Our Ref: SJS/R4/10/6 & R4/35
Date: 30 July 2009

Report No: DV073-F

EDU MANAGEMENT INFORMATION 2009/10 - PERIOD 03

1st April 2009 to 30th Jun 2009

<u>Revenue Expenditure by Service</u>	Annual Budget	Year to Date Budget	Year to Date Actual	Year to Date Variance (Adverse)/Favourable
	£	£	£	£
Economic Development Unit (total)	941,895	234,851	187,751	47,100
Administration	438,816	109,428	70,138	39,290
Head of Business Development	503,079	125,423	117,613	7,810

<u>Revenue Expenditure by Subjective</u>	Annual Budget	Year to Date Budget	Year to Date Actual	Year to Date Variance (Adverse)/Favourable
	£	£	£	£
Employee Costs (sub total)	840,842	209,709	165,070	44,639
Basic Pay	617,121	154,281	115,525	38,756
Overtime	0	0	1,764	-1,764
Other Employee Costs	223,721	55,428	47,781	7,647
Operating Costs (sub total)	198,032	49,387	23,093	26,294
Travel & Subsistence	89,530	22,383	9,933	12,450
Property Costs	1,983	475	1,844	-1,369
Other Operating Costs	106,519	26,529	11,316	15,213

Transfer Payments (sub total)	0	0	0	0
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Income (sub total)	-96,979	-24,245	-413	-23,833
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TOTAL	941,895	234,851	187,751	47,100
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EDU RMA 2009/10 - COST CENTRE DETAIL - PERIOD 3	1st April 2009 to 30th June 2009
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<u>Description</u>		Annual Budget	Year to Date Budget	Year to Date Actual	Year to Date Variance (Adverse)/Favourable
		£	£	£	£
Business Development Staff & Mgt		503,079	125,423	117,613	7,810
SRD1000	Head of Business Development	247,498	61,732	54,484	7,248
SRD1010	Business Technical Support	150,729	37,575	35,212	2,363
SRD1020	Marketing Support	104,852	26,116	27,917	-1,801
EDU Administration		438,816	109,428	70,138	39,290
SRD0000	EDU Mgt & Administration	430,316	107,303	70,138	37,165
SRD0001	EDU Recruitment Expenses	8,500	2,125	0	2,125
TOTAL Economic Development Unit		941,895	234,851	187,751	47,100

EDU MANAGEMENT INFORMATION 2009/10 - PERIOD 03

1st April 2009 to 30th Jun 2009

Revenue Expenditure by Service

	Annual Budget	Year to Date Budget	Year to Date Actual	Year to Date Variance (Adverse)/Favourable £
	£	£	£	£
Economic Development Unit (total)	10,042,869	2,511,475	845,792	1,665,683
Business Development	5,739,019	1,435,512	932,732	502,780
Fisheries	4,303,850	1,075,963	-86,940	1,162,903

Revenue Expenditure by Subjective

	Annual Budget	Year to Date Budget	Year to Date Actual	Year to Date Variance (Adverse)/Favourable £
	£	£	£	£
Employee Costs (sub total)	0	0	0	0
Basic Pay	0	0	0	0
Overtime	0	0	0	0
Other Employee Costs	0	0	0	0
Operating Costs (sub total)	772,147	193,794	141,319	52,475
Travel & Subsistence	22,000	5,500	9,119	-3,619
Property Costs	75,372	19,600	4,743	14,857
Other Operating Costs	674,775	168,694	127,457	41,237
Transfer Payments (sub total)	9,274,722	2,318,681	846,784	1,471,897
Income (sub total)	-4,000	-1,000	-142,310	141,310
TOTAL	10,042,869	2,511,475	845,792	1,665,683

EDU RMA 2009/10 - COST CENTRE DETAIL - PERIOD 3

1st April 2009 to 30th June 2009

Description	Annual Budget	Year to Date Budget	Year to Date Actual	Year to Date Variance (Adverse)/Favourable
	£	£	£	£
Economic Development				
RRD1104 SCFWAG Advisors	25,000	6,250	0	6,250
RRD1105 Pony Breeders Scheme	1,000	250	0	250
RRD1129 Livestock Health Scheme	135,000	33,750	0	33,750
RRD1133 Agriculture General Assistance	375,000	93,750	35,026	58,724
RRD1136 Agriculture Contractors Scheme	30,000	7,500	0	7,500
RRD1137 Shetland Rural Dev Scheme	100,000	25,000	2,410	22,590
RRD1138 Shet Agric Business Scheme	100,000	25,000	8,756	16,244
RRD1150 Agricultural Loans	100,000	25,000	0	25,000
RRD1500 Other Research	100,000	25,000	22,066	2,934
RRD1502 Publications	2,000	500	0	500
RRD1520 Other General Assistance	163,970	40,992	43,415	-2,423
RRD1523 Rural Shop Improvement	60,000	15,000	-496	15,496
RRD1526 Rnew Energy Proj	180,000	45,000	0	45,000
RRD1528 Foula Electricity	125,000	31,250	0	31,250
RRD1530 Economic Infrastructure Projec	390,000	97,500	0	97,500
RRD1540 New Manufacturing-New Service	200,000	50,000	0	50,000
RRD1541 Food & Drink Projects	150,000	37,500	45,000	-7,500
RRD1545 Textiles	200,000	50,000	0	50,000
RRD1550 Broadband Services	60,000	15,000	13	14,988
RRD1551 Pop Set up Highspeed data link	100,000	25,000	0	25,000
RRD1552 Mareel	322,000	80,500	0	80,500
RRD1553 Creative Industry Development	50,000	12,500	929	11,571
RRD1560 Community Enterprise Schemes	50,000	12,500	0	12,500
RRD1561 Retain Active Rural Population	40,000	10,000	0	10,000
RRD1562 Engage with Learning Centres	70,000	17,500	0	17,500
RRD1564 Childcare	100,000	25,000	0	25,000
RRD1620 Tourism Financial Assistance	100,000	25,000	8,172	16,828
RRD1621 Tourism Infrastructure	300,000	75,000	0	75,000
RRD1630 Tourism General	80,000	20,000	7,330	12,670
RRD1631 Heritage Tourism	831,000	207,750	672,875	-465,125
RRD1632 Quality Imps Fr Visitor Accom	100,000	25,000	0	25,000
RRD1800 Leader	28,372	7,093	7,536	-443
RRD1810 Business Gateway	137,157	34,289	25,342	8,947
RRD1900 Sullom Voe Port Study	100,000	25,000	0	25,000
RRD1910 Decommissioning Projects	75,000	18,750	0	18,750
RRD5005 MDP	98,000	24,500	9,524	14,976
RRD5031 Shetland Promotional Costs	267,910	67,735	15,793	51,942
RRD5038 Johnsmas Foy	57,000	14,250	7,278	6,972
RRD5039 Flavour of Shetland	69,580	17,395	20,528	-3,133
RRD5041 Food Festival	30,000	7,500	0	7,500
RRD5042 Tall Ships	86,030	21,508	120	21,388
RRD6010 Investment Management	150,000	37,500	1,115	36,385
RRD2104 S.H.O.A.L.	2,500	625	211	414
RRD2120 Fisheries General Assistance	100,000	25,000	16,569	8,431
RRD2121 North Atlantic Fisheries Coll	2,341,350	585,338	0	585,338
RRD2200 Quota/Licence Purchase	500,000	125,000	0	125,000
RRD2201 Mentoring Programme	10,000	2,500	0	2,500
RRD2203 Fisheries&Aquaculture Lending	1,200,000	300,000	0	300,000
RRD2204 European Fisheries Match Fundi	150,000	37,500	0	37,500
RSD8000 Shetland Fish Products	0	0	-103,719	103,719
TOTAL ECONOMIC DEVELOPMENT UNIT	10,042,869	2,511,475	845,792	1,665,683



REPORT

To: Development Committee

27 August 2009

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

Report No: F-027-F

**Economic Development Unit Revenue Management Accounts
Support Ledger and Reserve Fund
For the Period 1 April 2009 to 30 June 2009**

1. Introduction

- 1.1 The purpose of this report is to advise Members of the financial position on the Economic Development Unit's Support Ledger and Reserve Fund revenue management accounts (RMA) for the first three months of 2009/10.

2. Links to Corporate Priorities

- 2.1 This report links to the Council's corporate priorities, defined in its Corporate Plan, specifically in relation to reviewing financial performance relative to the Council's financial policies.

3. Background

- 3.1 The revenue management accounts are presented to the Executive on a monthly basis to monitor the Council's overall financial position.
- 3.2 This monitoring report to Members covers the period 1 April 2009 to 30 June 2009. Only controllable items of expenditure are included, on the basis that recharges for central services and financing costs and financing income are excluded, as these are not controllable in terms of spending decisions. The financial data in this report include employee costs, property costs, transport, grants and other running costs, and income comprises of fees and charges, grants and rents.
- 3.3 For information, all appendices show the Annual Budget, Year to Date Budget, Actual and Variance. It is the Year to Date variances, which are referred to within this report. An estimation of when spending will occur or income is to be received is made on each budget and a spend profile is set which determines the Year to Date Budget. The Year to Date Variance shows how actual activity has varied from the planned budget.

4. Financial position on the Support Ledger

- 4.1 Appendix 1 shows the objective and subjective position for the Economic Development Unit support services. For the first 3 months there is an underspend of £47,100 (20%). This is wholly due to an estimated credit accrual for single status back pay. The costs of back pay is only due to be paid in the next few accounting periods. The accrual ensures that the cost is included in the 2008/09 accounts as it relates to that financial year.
- 4.2 For more detailed information, Appendix 4 shows the Support Ledger by cost centre.

5. Financial Position on the Reserve Fund

- 5.1 Appendix 3 shows the objective and subjective position on the Reserve Fund for Economic Development. This shows an underspend for the first 3 months of £1,665,683. This variance is due mainly to budget profiling errors as it is difficult to determine when assistance will be offered and accepted for a range of projects. Officers are monitoring the position and will attempt to re-profile any projects where it is more certain the timing of events or identify real underspends.
- 5.2 For more detailed information, Appendix 2 shows the Reserve Fund by cost centre.

6. Financial Implications

- 6.1 The Support Ledger for the first 3 months is £47,100 under the year to date budget and the Reserve Fund is £1,665,683 under the year to date budget.
- 6.2 It is difficult at this stage to determine what the Economic Development Unit's financial outturn will be due to the need to re-profile budgets.

7. Policy & Delegated Authority

- 7.1 The Development Committee has delegated authority to act on all matters within its remit for which the Council has approved the overall objectives and budget, in accordance with Section 11 of the Council's Scheme of Delegations.

8. Recommendation

- 8.1 I recommend that the Development Committee note the report.

Shetland Agricultural Strategy

Vision for Strategy

To promote and enhance a diverse, competitive and sustainable agricultural industry in Shetland.

Objectives of the Strategy

- To improve the performance and sustainability of the agricultural industry through industry led and cooperative development
- To improve communication within industry and between industry, the community, and public sector services in order to build positive working relationships and develop improved services.
- To provide quantifiable targets against which the industry's performance and public investment can be measured.
- To ensure that trade associations avoid duplication of effort and work positively in cooperation with one another to foster a spirit of cooperation among producers and other bodies engaged in agriculture.
- To generate belief and confidence in the agricultural industry
- To reduce reliance on public sector intervention
- To inform Shetland's Agricultural Panel, Economic Development Committee, and local industry bodies.
- To provide a focus for influencing local and national policy as appropriate.
- To recognise the role agriculture plays in the local economy and the public goods it delivers, including but not exclusively environmental outcomes.
- To inform the Community Planning process.

Methodology

It is expected that all relevant stakeholders will be consulted in the course of creating the strategy. In the past, a criticism of previous engagements with the agricultural industry has been that the consultee-base has been too narrow, and hence feedback has been restricted to those “who speak loudest”. Therefore, preference will be given to the Consultant who can demonstrate an inclusive and far-reaching consultation methodology to engage with relevant stakeholders.

Appointment Procedure

A Consultant to undertake this important piece of work will be appointed following the correct and proper Council procedures for procurement of services.

Timescale

There is considerable pressure from both industry and the Council to produce a fresh Agricultural Strategy. It would therefore be expected that work would commence as soon as possible after this scope has been noted at the Development Committee on 27 August 2009.



REPORT

To: Development Committee

27 August 2009

From: Agricultural Development Officer

DV089-F
Scope for a new Shetland Agricultural Strategy

1.0 Introduction

- 1.1 This report introduces the draft Scope to be used in the process of creating a new Shetland Agricultural Strategy.
- 1.2 The Scope was requested by the Development Committee on 30 April 2009, and has been written in consultation with the Agricultural Panel. This report seeks the approval of the Development Committee for the Scope, and the that delegated authority be granted to the Head of Economic Development to appoint a consultant in the earliest instance to expedite the process of creating the new Shetland Agricultural Strategy.

2.0 Links to the Corporate Plan

- 2.1 The Corporate Plan contains policies to encourage sustainable economic development. Specifically, the policies for agriculture all relate closely to the content of this report.

3.0 Background

- 3.1 The existing Shetland Agricultural Strategy, published in 2003, is overdue for an update – there have been fundamental changes in the industry as a whole, the legalities of how public sector agencies may support industry practitioners, and consumer and retailer demands and requirements.
- 3.2 The industry recognised the need for a fresh Agricultural Strategy in late 2007, and a subgroup of industry representatives from the Agricultural Panel were tasked to work on drafting a new Strategy. An independent and industry-respected facilitator (Graham Fraser from the Scottish Agricultural College) was provided to assist the subgroup in their work. Ultimately this exercise proved unsuccessful, and the subgroup reported back to the Agricultural Panel on 5 December 2008 that there was no need to produce

a new Strategy document, as they felt that the existing one was broadly still accurate; and that the Council should find new ways to give the industry additional funding over and above what was currently provided within the parameters of State aid legislation.

- 3.3 In the course of debating significant capital investment into the industry's core infrastructure (abattoirs) at the Development Committee of 30 April 2009, the subject of the need for a new Shetland Agricultural Strategy was again raised [Min. Ref: 40/09]. It was decided that a Scope for a new Shetland Agricultural Strategy should be presented to the Development Committee on 27 August 2009.
- 3.4 A Scope was drafted by the Agricultural Development Officer, and presented in the first instance to the Agricultural Panel on 24 June 2009. A revised draft, taking on board comments made at the Agricultural Panel, was circulated to all Agricultural Panel members for further comment on 29 June 2009. With no further feedback forthcoming, the final draft of the Scope for a new Shetland Agricultural Strategy is attached to this report (Appendix 1).
- 3.5 Learning from the experience of the last Shetland Agricultural Strategy, it is clear that any such document written by Council staff does not engender industry buy-in; and industry representatives have in the recent past been unable to agree on the need for or contents of a new strategy.
- 3.6 Assuming therefore that one accepts the need for an updated strategy, it makes sense to utilise an independent third party to facilitate the process and develop a strategy with the input and cooperation of all relevant stakeholders. The Scope attached as Appendix 1 provides the basis upon which the Economic Development Unit could tender for a suitable consultant to undertake the necessary work.

4 Financial Implications

- 4.1 An indicative budget for a consultant to undertake the process of creating a new Shetland Agricultural Strategy is £15,000. This will come out of existing approved budget Agricultural General Assistance (RRD 1133 2402), within the Economic Development Unit.

5 Policy and Delegated Authority

- 5.1 This report has been prepared based on Economic Development Policy number 8 which states "Shift the emphasis of the agricultural industry in Shetland to a market led economy which is less reliant on EU and UK subsidy payments". 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 its remit for which the overall objectives have been approved by the Council, in addition to appropriate budget provision, including:

6 Conclusions

- 6.1 At various points in the past 18 months industry representatives, the Economic Development Unit, and the Development Committee alike have all agreed that it would be a timely juncture at which to draft a new Shetland Agricultural Strategy.
- 6.2 Attached to this report is a draft Scope for a new Shetland Agricultural Strategy, created by the Agricultural Development Officer in consultation with the Agricultural Panel. If approved, this Scope would form the basis upon which a suitable Consultant could be identified and commissioned to undertake the work.
- 6.3 The proposed timescale for this process would allow a month to commission a suitable consultant, and thereafter 3 months for that consultant to undertake the work. It is anticipated that a draft Shetland Agricultural Strategy could be presented to the Development Committee for approval in early 2010.

7.0 Recommendation

- 7.1 I recommend that the Committee note the contents of this report, and;
- a) approve the draft Scope for a new Shetland Agricultural Strategy (Appendix 1), and;
 - b) grant delegated authority to the Head of Economic Development to appoint a consultant to expedite the process of creating the new Shetland Agricultural Strategy.

Our Ref: JD/KLM
19 August 2009

Report No: DV089-F

Shetland Islands Council**Interest Rate Policy for Economic Development Commercial Investments**

When looking at an appropriate interest rate for an investment, and for setting dividend rates for equity investments, the following three steps should be followed:

- establish the base rate
- calculate the margin to be applied
- check that interest rate is aligned to that which would be provided by a UK Bank under similar terms

All applications for loan, HP and equity funding are considered on a case by case basis.

1. Base Reference Rate

With effect from 1 July 2008, the Commission adopted a new way of calculating the base rate for each member state. The rate is calculated using 1-year inter bank offered rate (IBOR). The base rate will be calculated each year and based on the 1-year IBOR for September, October and November. The resultant base rate will apply from 1 January. The base rate will be updated if the average rate over the previous 3 months deviates more than 15% from the base rate in force. The current base rate is 2.20% (as of 1 July 2009).

When preparing a report on an investment, report writers must check the reference rate applicable at that time. This can be found on the Commission website:

http://ec.europa.eu/comm/competition/state_aid/legislation/reference_rates.html

2. Additional Margin Calculation

To calculate the margin to be added to the base rate, the collateral offered as security by the borrower and their credit rating should be taken into account.

The following table illustrates the additional percentage to be added to the base rate. Please note that this is measured in basis points where 100 basis points equal 1%. The basic principle is that the higher the risk, the higher the interest rate.

Table 1

Rating Category	Loan Margins in Basis Points		
	Collateralisation		
	High	Normal	Low
Strong (AAA-A)	60	75	100
Good (BBB)	75	100	220
Satisfactory (BB)	100	220	400
Weak (B)	220	400	650
Bad/ Financial difficulties (CCC and Below	400	650	1000

The interest rate for a company with Normal collateral and a satisfactory rating would therefore be 2.20% plus 220 basis points (2.2%) equalling 4.4%. All interest rate margins proposed will be between 0.6% and 10% above the base rate.

There is no restriction on opting for midway point i.e. for a loan to a company with a satisfactory rating and a normal to low collateral rating, a margin of 3.3% may be recommended (i.e. interest rate of 5.5%).

2.1 Collateral

Normal collateral is what financial institutions, such as Commercial Banks, would require as security for a loan.

The level of collateral can be measured as the Loss Given Default (LGD). This is the expected loss (in percentage) of the debt outstanding, taking into account amounts from collateral and the bankruptcy assets. High collateralisation implies a LGD below or equal to 30%, Normal collateralisation an LGD between 31% and 59% and low collateralisation an LGD above or equal to 60%. In practical terms a loan of £100,000 with an expected recovery of £80,000 would have a 'high' collateral rating of 20% LGD.

It is proposed that the following factors be used to assess collateralisation based on the asset value at the time of business failure (being the worst case outcome for a business):

- The type of assets and future saleability.
- The type of security e.g. floating charge, standard security, marine mortgage, personal guarantee etc.
- The value of assets on which security is held should be compared against the borrowed amount.
- Depreciation of the assets over the period of the loan.
- Ranking arrangements with other creditors.
- Any contractual arrangement the borrower has entered into or legal reason which would prevent the sale of assets. i.e. animal welfare legislation, ownership dispute.
- Future national and local policy which may influence the value of assets.
- Cost of realising the debt i.e. cost of administration/receivership, payments to preferential creditors, prescribed part etc. The cost of realising debt should be deducted from the asset value.

When evaluating applications for loan Council staff should keep detailed notes on how collateralisation has been graded for each case. It may be necessary to seek specialist advice on asset values if this information is not accessible elsewhere.

2.2 Credit Rating

The majority of SIC borrowers are unlikely to have a formal credit rating and in recognition of this the Commission has indicated that alternative ratings, such as those used by banks, are acceptable.

The Council does not have a risk assessment system such as that operated by commercial banks, however, the following risk assessment factors can be used for evaluation:

- Financial Viability. To facilitate analysis of risk, 3 years annual accounts and 3 years forward projections along with a business plan will be analysed. For “new start” companies with no historical accounting information, 3 years projections will be assessed along with business plans. For all companies, details of the assumptions underpinning the financial projections are required.
- Technical aspects will be considered (i.e. factory capacities, access to appropriate facilities to carry out business, valid consents, compliance with legislation).
- Proof of ability to trade within the borrowing levels in place or proposed.
- Ability to meet repayments of loan capital and interest will be checked.
- Liabilities to other secured creditors will be considered.
- Management abilities and track record.
- Appropriate insurances in place.
- Support from shareholders and external funders.
- Assessment of the market the business is trading in.
- Assessment of competitors/benchmarking.
- Assessment of political and legal factors which may affect the ability of the company to trade.
- Identification of subsidiary or parent companies and understanding their relationships to the applicant business.

Once all factors have been assessed an opinion will be reached on the technical and financial viability of the applicant organisation and a ‘rating’ in line with the table 1 applied. This opinion must be justified and detailed in the case file.

If, following assessment, the applicant company is considered to be in financial difficulty, Commission regulations on rescue and restructuring aid should be followed.

3. Commercial Bank Rates

Whilst the basis of the Council policy is European Commission guidelines on remaining state aid compliant, Bank lending rates should also be taken into account. Provided it can be demonstrated that the interest rate charged on an investment is in line with other commercial lending rates on similar conditions, the loan does not constitute state aid.

Any interest rate calculated from the process outlined in section 2.1 and 2.2 should be compared to commercial banking rates at that time. UK Banks generally lend between 1% and 4% above the Bank of England base rate, depending on risk. If the Council wish to lend at a rate below the Commission based method this is acceptable provided there is evidence that other commercial lenders would provide at an interest rate equivalent to the Council proposed rate under similar terms. If a lower rate is proposed, the justification for this must be documented in the report and case file.



REPORT

To: Development Committee

27 August 2009

From: Economic Development Unit - Project Manager

**DV071-F
Interest Rate Policy
Proposed Amendment to Default Rate of Interest**

1.0 Introduction

- 1.1 This report proposes changes to the interest rate charged on economic development investments which are in default.

2.0 Links to Corporate Priorities

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

3.0 Background

- 3.1 The SIC interest rate policy was last reviewed in August 2008 [and approved by Development Committee and Council. (Min Ref: 30/08 and 113/08). The practice of setting interest rates for investments is based on a risk assessment process which is carried out on a case by case basis. The policy is attached as appendix 1.
- 3.2 Each new investment presented to the Development Committee for consideration (and Shetland Development Trust prior to 31 March 2009) includes a recommendation on the basic interest rate of return. In addition, each investment carries a default interest rate applied to payments not received on their due date. The default rate acts as a deterrent to non-payment and is also applied to cover the costs associated with late payment. Whilst the basic interest rate varies depending on the risk associated with a particular investment, the default rate has always been fixed at 20% per annum.

- 3.3 The 20% rate was first established in 1996 when commercial lending rates were much higher than they are today. The rate may therefore be regarded as high in today's economic climate.
- 3.4 Legal advice has been received from Brodies Solicitors which indicates that if the default rate is not justifiable, it may not be enforceable. There is therefore a risk that continuing the 20% rate would leave the SIC and SDT open to challenge from borrowers. It is therefore a prudent time to review the default rate.
- 3.5 The most recent European Commission guidelines on interest rates advocate a risk based assessment for setting all interest rates. As the existing SIC policy for setting standard rates is based on these guidelines, it follows that the default rate calculation should also follow this approach.
- 3.6 In order to remain State Aid compliant, public lending should be in line with other commercial lending rates i.e. Bank interest rates. Banking regulation indicates that it is permissible to charge a default rate if repayment is not made on a due date. However, if the default rate is excessively high, it would be set aside as an extortionate credit transaction under the Insolvency Act 1986. Shetland Islands Council has a duty to act reasonably and should have a default rate which reflects what would be considered usual in lending transactions.
- 3.7 It is Banking industry practice to charge a default rate which is, on average, 3-5% above the standard lending rate.

4.0 Proposal

- 4.1 It is proposed that the set rate of 20% should no longer be used and that the default rate applied to all SIC investments for economic development purposes be 4% per annum above the standard interest rate. As risk is built into the standard rate calculation, the revised default rate will also reflect investment risk.
- 4.2 It is further proposed that the new policy be applied retrospectively to all Shetland Development Trust (SDT) investments with a current default rate of 20%. If agreed, all borrowers will receive a letter proposing this variation to terms. It is likely that all borrowers will accept this change given that it will mean a reduction in the default rate in all cases.

5.0 Financial Implications

- 5.1 If the recommendations of this report are agreed, potential future income from the application of default interest rates will be reduced. Due to the questionable enforcement of the existing 20% rate, it could be argued that there are minimal financial implications.

6.0 Policy and Delegated Authority

6.1 This report has been prepared with regard to the commercial lending pledges contained in the Council's Economic Development Policy Statement. The Policy Statement was approved by the Development Committee on 24 April 2008 (01/08) and by the Council on 14 May 2008 (55/08). The interest rate policy is not specifically mentioned in the document but is required to enable commercial investment to be made.

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

Economic Strategy
Europe

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

7.0 Conclusion

7.1 This report proposes a default interest rate policy to apply to all future lending proposals and existing SDT investments. The suggested rate reflects current commercial lending practice and is in line with EC regulation. It will also cover the administration cost of dealing with bad debt situations and the loss of income from late payment.

8.0 Recommendations

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

8.1.1 Default interest rates applied to all SIC investments for economic development purposes be set at 4% per annum above the standard interest rate.

8.1.2 The new policy be applied retrospectively to all SDT investments with a current default rate of 20%.

Our Ref: WMG/RF1247
Date: 16 July 2009

Report No: DV071-F

SUSTAINABLE TRANSPORT DEMONSTRATION - PROJECT PLAN August 2009

INTRODUCTION

A number of studies were carried out by PURE Energy Centre (2008) for SIC and ZetTrans. The purpose of these studies was to provide the information necessary for public bodies to decide what and how to develop a sustainable transport solution for Shetland. It was agreed that a Shetland based demonstration project should be developed to monitor and evaluate the environmental impact and operating capabilities of a set of vehicles fuelled by different green energy sources. This project is focused on a few geographic communities in Shetland, but looks towards the development of a second stage of rollout across Shetland's communities.

The project will have a number of benefits for Shetland:

- Reducing our carbon footprint: generating "green energy" and reducing transportation of fuel to Shetland;
- Reducing the emission of other harmful greenhouse gases and pollutants;
- Potential method of halting rising household fuel bills;
- Security of supply of fuel; and
- Research and development opportunities.

The project will provide research on providing an alternative 'green' source of fuel for the islands, and how this could potentially be rolled out to the wider community.

This plan sets out the scope of the project.

BACKGROUND

The UK Government has signed up with Europe to a target that 20% of the EU's consumption comes from renewable sources by 2020. The European Commission has proposed that the UK's contribution to this should be to increase the share of renewables in the energy mix from 1.5% in 2006 to 15% by 2020. The UK energy strategy proposed that in the transport sector new compulsory emissions targets for new cars should be introduced.

The EU's draft Renewable Energy Directive includes a binding target for all Member States to source 10% of their transport energy consumption from renewable sources by 2020. Biofuels is the main source at present for transport; however the biggest impact will be achieved by developing vehicles powered through the electricity grid or from hydrogen using renewable energy to make the electricity or hydrogen.

Over the next few years motor manufacturers have committed to developing electric and hydrogen-powered vehicles. The Government is keen to promote all options open for future technological development (including electric and hydrogen) and is interested in examining now how the development of electric vehicles and an appropriate charging infrastructure could be accelerated in the UK. John Swinney has also announced a target of creating 16,000 "green jobs" as a means of helping beat the current economic downturn.

Partners in Shetland have therefore seen the opportunity to develop a demonstration project involving renewable energy and transport that will have the potential to create jobs, innovation, research and infrastructure, as well as generating significant environmental benefits.

STRATEGIC CONTEXT

The economic development agencies in Shetland have identified renewable energy as one of the key priority areas for policy direction.

(A) Energy is highlighted as a priority sector within the Government Economic Strategy (GES). In terms of the HIE objectives and priorities, the strategy would aim to meet the GES strategic objectives of wealthier & fairer, smarter, safer & stronger, and particularly greener. The strategy would aim to deliver the priorities of 'supportive business environment', 'infrastructure, development and place' and 'equity'.

(B) Shetland's Community Planning Partnership's Priority Area for the 'Greener' Position statement for 2009-10 is 'To develop a cross-agency approach to using less carbon and using energy better.'

(C) The Shetland Islands Council corporate plan contains a number of policies that relate to the subjects discussed in this report, specifically:

Sustainable Economy: Renewable Energy

- Seek to support the case for establishing a fixed interconnector to the UK mainland by 2012
- Seek to provide support in developing Viking Energy's proposals to the submission of the Electricity Act application.
- Support 2 renewable energy projects in the marine environment and 4 in the terrestrial environment.
- Consolidate the PURE hydrogen project in Unst and the integration of low-energy technology in local building standards for business projects.

Sustainable Environment & Transport: sustainable use of resources

- Reduce CO2 emissions from Council buildings and Council energy use by 6% by 2011.
- Progress a wind turbine project to seek to turn wind power into electricity, heat and hydrogen.

Sustainable Society: Deprivation and Social Exclusion

- Reduce the number of households experiencing fuel poverty by targeting grant assistance, education and advice to those people most likely to be living in fuel poverty and campaigning for the control of fuel costs for those on lowest income.

Sustainable Organisation: Living Within Our Means

- Ensure that services do not overspend their annual revenue budgets

The Single Outcome Agreement for Shetland has a key indicator related to renewable energy: 50% of electricity generated in Scotland to come from renewable sources by 2020 (interim target of 31% by 2011).

(D) ZetTrans is Shetland's Regional Transport Partnership. The Regional Transport Strategy (RTS) for Shetland includes the following:

Principle 8: Environmental Responsibility – ZetTrans will ensure that its actions demonstrate its commitment to contributing to the local and global environmental challenges both now and in the future.

Environmental Objectives

ENV 1 Reduce carbon dioxide and greenhouse gas emissions, and the consumption of non-renewable resources arising from transport, travel and infrastructure in control of ZetTrans, SIC and its partners.

ENV 2 Encourage and facilitate reductions in carbon dioxide and greenhouse gas emissions, and the consumption of non-renewable resources arising from transport.

(E) The sustainable transport trial is a good fit with objective 1 of the recently completed Renewable Energy and Action Plan for Shetland Renewable Energy Strategy for Shetland. Specifically:

Objective One: Develop economic and effective solutions which significantly reduce the volume of non-renewable fossil fuels required to power Shetland.

Activities

- Investigate renewable transport fuel options for road transport and sea based vessels within Shetland. Within this review(s), establish the fuel price increase necessary in order to make the next best option economic. [A related project is already underway investigating road transport fuel options]
- Identify the local applications where hydrogen technology would provide a competitive option in comparison to alternative energy sources and support an innovative pilot project.
- Undertake an analysis of fossil fuel based energy use across Shetland and identify opportunities for reduction or replacement with renewable alternatives and the conditions required for success (such as fossil fuel price increase).
- Undertake a technical study of wind (and other renewable) penetration on existing Shetland electricity system. Incorporate a review of the possible use of deferrable electric heating demand and electric vehicle charging to improve control of electricity system.

AIMS & OBJECTIVES

The aim of the project is to compare and contrast a number of different transport energy sources in the context of Shetland.

The main objectives of the project are to:

- A. Set up a variety of green energy transport demonstration sub-projects within communities in Shetland.
- B. Monitor the outputs of these sub-projects including the benefits and drawbacks.
- C. Review the potential to expand the successful sub-projects to other areas of Shetland, and, if feasible, plan for this expansion.
- D. Market the results of the project to the Shetland community and beyond.

PROJECT DESCRIPTION

The project will involve the following:

1. A number of vehicles powered from different energy sources operating within different communities in Shetland as demonstration sub-projects.
2. Mapping the necessary fuelling stations for a 'green energy highway' within Shetland.
3. Building capacity in the community in converting vehicles and maintaining them.
4. Monitoring the performance of the vehicles throughout the duration.
5. An agency, business or community group will project manage each of the demonstration sub-projects for the duration.
6. The Shetland Renewable Energy Forum will be contracting a person to deliver the Shetland Renewable Energy Strategy. In addition this person will undertake project management for this project, including any overall project funding opportunities and the necessary monitoring, evaluation and reporting.

There are a number of different energy sources and combinations which will be tested in different areas of Shetland. The allocation of sub-projects has been based on:

- community/agency need for transport;
- skills expertise;
- existing renewable energy production; and
- funding opportunities.

Table 1 provides a summary of the key information for each of the projects. Detailed information for each is provided in Appendix 1.

Table 1: Summary of Key Information from Six Sub-Projects

Variables to be Tested	Sub-Project A	Sub-Project B	Sub-Project C	Sub-Project D	Sub-Project E
Location	Unst	Fair Isle	Fetlar	Lerwick	Northmavine
Vehicle	Hydrogen Powered, with Hydrogen produced using renewable energy	Electric Powered by Renewables	Electric Powered by Renewables with grid support.	Electric Powered by Grid Mains Electricity	Dual Fuel / or electric (powered by renewables)
Need and Vehicle types	Minibus	Minibus	Minibus	SIC Fleet Vehicles (mail van, DLO van with localised mileage)	Minibus
Lead body	Unst Partnership & Powerdown	Community Powerdown/FIEC	Fetlar Development Limited	SIC Energy and Transport	Northmavine Community Development Company
Infrastructure	Location of power points, garages with trained staff on conversion etc.	Location of power point likely to be shop and generator house.	Location of power point and storage unit for vehicle	Location of power points, garages with trained staff on conversion etc.	Location of power points and storage unit for vehicle
Project management	Unst Partnership & Powerdown	Community Powerdown & FIEC	Fetlar Development Limited	SIC Energy and Transport	Northmavine Community Development Company

In addition to this strategic mapping of refuelling stations will be undertaken by SIC Planning – Shetland's Energy Highway. At this time the highway is being developed under the following principles:

- Key Employers
- Key Nodal Points
- Close to sites with potential for renewable energy development.

It is essential that, throughout the life of this project, the strategic GIS mapping impacts upon and is influenced by developments through enhanced learning from the sub-projects to develop transport interchanges at key points around Shetland. If a basic framework of energy points from existing petrol, diesel, LPG & Hydrogen and new electric recharge points are established, travel radiuses need to be established for the test vehicles to ensure that the different vehicles are not confined to the geographical test area and home/base recharge points.

Multi-modal transport hubs need to be the next step in facilitating energy points at new large developments, ferry and bus terminals such as the newly developed Bixter Interchange with bus, cycling and parking provision.

MONITORING AND EVALUATION FRAMEWORK

Each of the sub-projects will use this framework to monitor the effectiveness of each form of green energy transport. It is essential that a common and rigorous approach is taken, in order to provide robust conclusions and enable Shetland to make informed choices about future energy for transport provision.

- Baseline – existing energy requirements in project area.
- Generation – Recording of type of generation and overall performance.
- Refuelling point - Electrical charging data / Hydrogen data / timeline.
- Vehicle performance - miles per kW/hr miles per nm3 hydrogen.
- Vehicle activity record – Journey type and service record / energy offset data.

The effective monitoring and evaluation of this programme will require the establishment where possible of a baseline prior to implementation and recording and collation of data throughout the life of the project.

Where appropriate and available existing operator information would be recorded to ensure start up and outcome values where possible.

All energy inputs whether renewable or fossil fuel based will be recorded through established metering systems. All vehicle recharge points will incorporate meters to record overall consumption with additional data capture functions such as individual vehicle and time identifiers as options.

In the case of hydrogen vehicles accurate records of consumption and energy input required for generation will be factored in.

The vehicle operators will be responsible for maintaining daily service records of all vehicle activities to be collated by each project lead organisation responsible.

REPORTING MECHANISMS

As well as reporting progress and results to meet funding requirements, this project will also report to the following groups/mechanisms, to ensure it continues to meet Shetland's strategic context, as set out above:

- Community Planning Delivery Group, through the 'Greener' Position Statement
- ZetTrans
- The Shetland Renewable Energy Strategy Transport Group, which in turn reports to the Shetland Renewable Energy Forum.

NEXT STEPS

1. Develop detailed costings and gather quotes
2. Discuss Project Plan with external funding providers, such as LEADER and Cenex to gauge level of support
3. Apply for grants and local funding sources and appoint project manager
4. Tender aspects that are required
5. Start project
6. Ongoing monitoring
7. Project evaluation at completion date
8. Decide phase II

PROJECT COSTS AND FUNDING OPPORTUNITIES

The overall budget for the project is approximately £882,000. Much of this will be obtained from external funding organisations, such as those listed below. However, there will also need to be some funding commitment from project partners.

- The Climate Challenge Fund is www.infoscotland.com/climatechallengefund
- The Low Carbon Vehicles Strategy - 6th August deadline
<http://www.innovateuk.org/assets/pdf/LowCarbonVehiclesCompFlyerJune09.pdf>
- SIC, Economic Development Unit and Capital Programme
- HIE
- CES / CARES (Community Energy Scotland / Scottish Community and Renewable Energy Scheme).
- Cenex (Low Carbon Infrastructure Grant Programme).
- LEADER
- C2CI Project
- Government's vision to promote ultra low carbon transport over the next five years: central to the strategy is an initiative to help put electric cars into the reach of ordinary motorists by providing help worth £2,000 to £5,000 towards buying the first electric and plug in hybrid cars when they hit the showrooms from 2011 onwards.

An assumption is made such that ongoing operational and maintenance costs will be funded by existing resources required to fund transport.

Table 2 provides a detailed project breakdown and potential funding opportunities¹:

¹ These figures are still at the development stage, but are able to provide an indication of the scope of the project and potential for external funding.

	Unst	Fair Isle	Fetlar	Lerwick	North-mavine	Target Funding/Support
Renewable Energy Generation	n/a	n/a	100,000		100,000	CES-CARES (80%), EDU (20%)
Hydrogen production	150,000					HIE (25%), EDU (25%) C2CI/PURE(50%)
Re-fueling Point.		5,000	5,000		10,000	cenex(50%)/CARES 50% or HIE (25%), EDU (25%)
Re-fueling Point H2	50,000					cenex (50%), HIE (25%), EDU (25%)
Re-fueling Points SIC Lerwick				30,000		cenex (50%), SIC Capital (50%)
Vehicle Electric		60,000	60,000			CCF(75%), Leader(25%)
Vehicle Electric (SIC Lerwick)				120,000		CCF(25%), Leader(25%) ,SIC Captital(50%)
Vehicle Petrol or Diesel Electric Hybrid					70,000	CCF(75%), Leader(25%)
Vehicle Hydrogen ICE	98000					CCF(35%), Leader (35%),HIE(15%), EDU(15%)
Vehicle FC Electric Hybrid						CCF, Leader
Monitoring & Evaluation Equipment		2,000	2,000	2,000	2,000	CES-CARES/cenex or SIC capital , cenex
Training	5,000	2,000	2,000	5,000	2,000	EDU (32.5%), HIE (32.5%),Leader(35%)
TOTAL	£303,000	£69,000	£169,000	£157,000	£184,000	£882,000

FUNDING SOURCE						
CES/CARES	0	3,500	83,500	0	86,000	£173,000
EDU	66,325	650	20,650		20,650	£108,275
SIC Capital				78,500		£78,500
cenex	25,000	3,500	3,500		6,000	£38,000
HIE	66,325	650	650		650	£68,275
CCF	34,300	45,000	45,000	39,250	52,500	£216,050
Leader	36,050	15,700	15,700	39,250	18,200	£124,900
PURE/C2CI	75,000					£75,000
TOTAL	£303,000	£69,000	£169,000	£157,000	£184,000	£882,000

An additional £10,000 is estimated to be required to cover the overall project management costs, as detailed above. This funding is covered as part of the costs for the delivery of the Shetland Renewable Energy Strategy.

MANAGEMENT OF THE PROJECT

The project will be managed by ZetTrans in partnership with HIE, EDU, Charitable Trust and SIC.

A group will be set up including the following organisations for the monitoring and overall management of the project:

Service Manager, Transport Support and Planning	ZetTrans/SIC Transport
Maurice Henderson	SIC, Economic Development Unit
William Spence	SIC, Waste to Energy Plant
John Simpson	SIC, Energy Unit
Jon Molloy	SIC, Planning Service
Katrina Wiseman	HIE
Ann Black	Shetland Charitable Trust
Patrick Ross Smith	Community Energy Scotland

APPENDIX A: SUB-PROJECTS

This Appendix provides detailed information on each of the six sub-projects. A summary of this information is provided in Table 1 of the Project Plan.

Sub-Project A – Hydrogen Powered Vehicles in Unst

Project Lead

Katrina Wiseman and Maurice Henderson

Key Objectives

- A demonstration project in Unst with the aim of proving the everyday suitability of hydrogen for transportation purposes
- To promote the use of hydrogen vehicles in Shetland
- To assess how cost effective this method of sustainable transport is
- To ensure established fuelling stations are available as appropriate
- To build the capacity of the community to deliver and maintain this technology

Project Description

This project is designed to demonstrate the practical usage of hydrogen community vehicles in a remote area of Shetland, and to assess the potential for further application throughout the islands.

Developments of technologies of fuel cells and hydrogen stations are nearing commercialisation. For earlier implementation of these new technologies in Shetland, a demonstration project of hydrogen infrastructures that will not produce carbon dioxide and other toxic emission gases is necessary. This will be compared to demonstrations of other forms of sustainable transportation including electric, hybrid and dual fuel vehicles.

The project will include:

- A vehicle;
- A garage facility trained in maintenance;
- Energy generation/fuelling facilities;
- A host community organisation to monitor the outcomes.

A host community organisation (potentially Unst Partnership) will be the funding applicant, will monitor the outcomes of the project as part of the overall project evaluation. The organisation will also operate the minibus, and participate in the overall project team.

SIC as lead partner in all the demonstrations will apply to run a funding scheme that will be administered to the host organisation for the demonstration.

Identified Need

Transport has been identified as a priority area in the draft Shetland Renewable Energy Strategy.

The rationale for pursuing renewable energy as a route to future community sustainability is centred on the quality of our natural resource; the need diversify our economy; and our community's high dependence on, and vulnerability to, non-renewable fossil fuel.

Renewable energy offers us a rare opportunity to diversify and develop our economy and importantly because it is 'renewable' it offers our community a sustainable economic opportunity.

The development of renewable energy activity in Shetland will provide more than just the economic opportunities of new business activity and employment, and the associated spin-off benefits. Renewable energy development, if appropriately targeted, offers significant additional value because of its potential to reduce the threat to our community from rising oil and gas prices.

Renewable energy also offers the added benefit of reducing carbon emissions and contributing positively to climate change.

Unst has the development of PURE and already have a car powered by hydrogen that has been generated by renewable sources. This could be built on further to demonstrate its application within the community, and the skills and experience already exist in the island to make it work.

Economic Benefit, including Skills Development

The main benefits will include:

- Creation of a part time job to run and monitor the project;
- Spin out benefits for PURE re technology;
- Increase community capacity through managing the project;
- Promotion of a priority sector in the island of Unst;
- Skills development in the maintenance and operation of a hydrogen powered vehicle.

Deliverability

The project is deliverable if external funding can be sourced, and a host organisation will agree to run the project on behalf of the group.



Sub-Project B – Electric Powered Vehicle in Fair Isle

Project Lead

David Brackenbury, Robert Mitchell, Patrick Ross Smith

Key Objectives

- A demonstration project in Fair Isle with the aim of proving the transport on the island
- To promote the use of electric vehicles in Shetland
- To assess how cost effective this method of sustainable transport is
- To ensure established fuelling stations are available as appropriate
- To build the capacity of the community to deliver and maintain this technology

Project Description

Fair Isle has established renewable energy generation, this project will demonstrate how local transport needs can be addressed through the adoption of existing off grid generation for transport. This project is designed to demonstrate the practical usage of electric community vehicles in a remote island off the Shetland mainland, and to assess the potential for further application throughout the islands.

The charging point and vehicle storage point could be located at a point which in the future could also be used to house a battery and inverter system which will allow the island to have 24hour power.

The project will include:

- A small community minibus; 8 seater
- Charging point for vehicle
- Monitoring equipment to monitor the project
- Storage for vehicle and charging point

Community Powerdown will be the funding applicant working closely with FIEC and will monitor the outcomes of the project. The monitored outcomes will be used to evaluate the overall project. The organisation will also operate the small minibus, and participate in the overall project team.

SIC as lead partner in all the demonstrations will apply to run a funding scheme that will be administered to the host organisation for the demonstration.

Identified Need

Transport has been identified as a priority area in the draft Shetland Renewable Energy Strategy.

The rationale for pursuing renewable energy as a route to future community sustainability is centred on the quality of our natural resource; the need to diversify our economy; and our community's high dependence on, and vulnerability to, non-renewable fossil fuel.

Renewable energy offers us a rare opportunity to diversify and develop our economy and importantly because it is 'renewable' it offers our community a sustainable economic opportunity.

The development of renewable energy activity in Shetland will provide more than just the economic opportunities of new business activity and employment, and the associated spin-off benefits. Renewable energy development, if appropriately

targeted, offers significant additional value because of its potential to reduce the threat to our community from rising oil and gas prices.

Renewable energy also offers the added benefit of reducing carbon emissions and contributing positively to climate change.

Fair Isle Electricity Company (FIEC) own and operate a wind-diesel system on Fair Isle. FIEC also have plans to develop the system further to allow 24hour power on the island. Part of this plan is to install battery storage and inverters.

Economic Benefit, including Skills Development

The main benefits will include:

- Transport on the island to and from Airport and Cruise ships
- Creation of a part time job to run and monitor the project;
- Increase community capacity through managing the project;
- Skills development in the maintenance and operation of an electric powered vehicle.
- The electric vehicle could also act as an additional store of electricity as well as for transport.

Deliverability

The project is deliverable provided that outside funding can be secured and a community group within Fair Isle are willing to take on the project.

Sub-Project C – Electric Powered Vehicle in Fetlar

Project Lead

Fetlar Developments Ltd/Robert Thomson and Patrick Ross Smith

Key Objectives

- To demonstrate an electric vehicle powered by a small wind turbine;
- To promote the use of electric vehicles in a rural island environment;
- To assist in meeting Fetlar's environmental and carbon reduction targets
- To explore extended use of electric vehicles and the establishment of a network of power points in Fetlar.

Project Description

This project is designed to introduce an electric vehicle into Fetlar, initially replacing the post van and the dial-a-ride/school transport with a single electric minibus. The project will also explore the further introduction of other electric vehicles such as small electric cars and farm/off road vehicles.

A single grid connected turbine would be installed in a strategic location with a single point for charging, located within a building which could double as a garage facility. The project would also investigate the development of a small network of charging points on the island. The capacity of the turbine would allow for the addition of a limited number of additional electric vehicles to be supplied by renewable energy.

Project-wide monitoring and evaluation would be put in place.

Identified Need

Fetlar Development Plan, which was developed from community consultation, established a need for a low carbon transport solution as part of the islands move towards a more sustainable future. Following the withdrawal of the postbus two diesel powered vehicles (the postvan and "dial a ride" vehicle) are now duplicating a number of services which were originally provided by one.

The idea to use a single electric vehicle to replace these two vehicles was put forward and considered by the community as part of a consultation day as a sustainable option for transport and mail delivery on the island, particularly as there is no diesel supply on the island and the current vehicles have to travel to a nearby island to refuel.

This project will form part of an overall strategy to reduce the island's energy use and carbon emissions. Government and SIC policies all require significant percentage reductions in carbon emissions from transport provision to assist in meeting targets for the future.

Economic Benefit, including Skills Development

The benefit to Fetlar of promoting the use of electric cars can provide a number of economic benefits:

- Potential for increased local transport provision;
- Opportunity to lever in external funding;
- Skills development;
- increase confidence in wider community, of electric vehicles, with possible spin-off industries locally;
- Income from operating of vehicle from Royal Mail, ZetTrans and School Transport; and

- Potential Green Tourism benefits, especially as part of wider project.

Deliverability

Very deliverable if external funding can be sourced and agreement on support can be reached with the vehicle supplier.

Sub-Project D – Electric Vehicles (Mains Powered) in Lerwick

Project Lead

John Simpson and Transport Strategy Officer

Key Objectives

- To demonstrate an electric vehicle powered by mains electricity;
- To promote the use of electric vehicles in an urban environment;
- To promote the environmental objectives of the Council; and
- To establish a network of power points in Lerwick.

Project Description

This project is designed to introduce some electric vehicles into the Council's fleet of vehicles. With an increasing pressure on the Council's resources, it is important that a proactive approach is taken to reducing the Council's fuel costs. Electric vehicles are potentially one way to achieve this.

There are a number of options for vehicles that could be replaced:

- the Council's mail delivery van (similar journey length each day; a lot of stopping and starting; relatively high mileage) – small van;
- Building Services works van, as an example – medium size van.

This project must not make vehicles redundant. So if they are still usable, they must be moved to elsewhere in the Council.

The Council would purchase these vehicles, bringing in any external funding available, and install a number of charging points in strategic locations. These charging points would be available for use by vehicles to be tested as part of rural demonstrations within a wider overall project.

Project-wide monitoring and evaluation would be put in place.

Identified Need

The Council's commitment to Sustainable Development and Carbon Management Strategy (draft).

Possible reduction in Council revenue spend.

ZetTrans has received a number of enquiries from Lerwick-based offices as to whether it is exploring the use of electric vehicles within Lerwick. At the current time maintenance has to be undertaken in London on a six-month basis.

The possible office development at North Ness is limited in terms of car-parking space, and therefore this may be an opportunity to promote the use of electric pool cars at an office location.

Economic Benefit, including Skills Development


The following are potential economic benefits to the Council and Lerwick of promoting the use of electric cars:

- reduced revenue spend
- opportunity to lever in external funding
- on the job skills development for the Fleet Management Unit and possibly the private sector;

- increase confidence in wider community, of electric vehicles, with possible spin-off industries locally;
- possible Green Tourism benefits.

Deliverability

Very deliverable if some external funding can be sourced, and the Council is committed to this project.



Sub-Project E – Hybrid Powered Vehicle in Northmavine

Project Partnership

The Northmavine Community Development Company will lead the project with co-operation from the Shetland Islands Council.

Key Objectives

- A community scale project in Northmavine demonstrating the practical use of sustainable transport, including:
 - The suitability of hybrid vehicles for Shetlands climate, geography and service demands.
 - The capability of remote charging points to deliver 'fuel' from renewable sources as required by service vehicles.
- Demonstrating how the reduced operating costs can be transferred to increased services, and how these in turn divert passenger-miles from cars.

Project Design

This project is designed to be a practical demonstration of how a sustainable transport system can be delivered on a community wide scale.

Key features of the trial include:

- A scalable approach starting from one vehicle and one charge point to operate on an operating route.
- As the project progresses more vehicles and charging points will be added in a synergetic way to achieve a comprehensive sustainable infrastructure.

Phase One – Sullom (and surrounding area) Feeder Service

At the moment the Sullom area suffers from the worst scheduled transport service in Northmavine, although the Hillswick service runs past the end of the roads connecting Gunnister, Ennisfirth, Nibon, Mangaster and Sullom.

Currently there is no scheduled service following this route.

A renewable fuel vehicle would be charged at the Sullom Hall and feed people in and out of the side roads to the Hillswick service bus.

The existing turbine at the Sullom Hall could be replaced by a larger one, if necessary and fitted with the necessary battery storage to make it suitable for vehicle charging.

When not in use for this purpose the vehicle will be used for other community uses such as shopper trips to the Ollaberry and Hillswick shops and post offices.

Identified Need

The Sullom area has population of approximately 119 people and 65 cars. Approximately 69% of the working population work outside Northmavine and therefore travel south along the Hillswick bus route at least as far as Brae.

If successful an efficient bus service would encourage more of these people to use public transport.

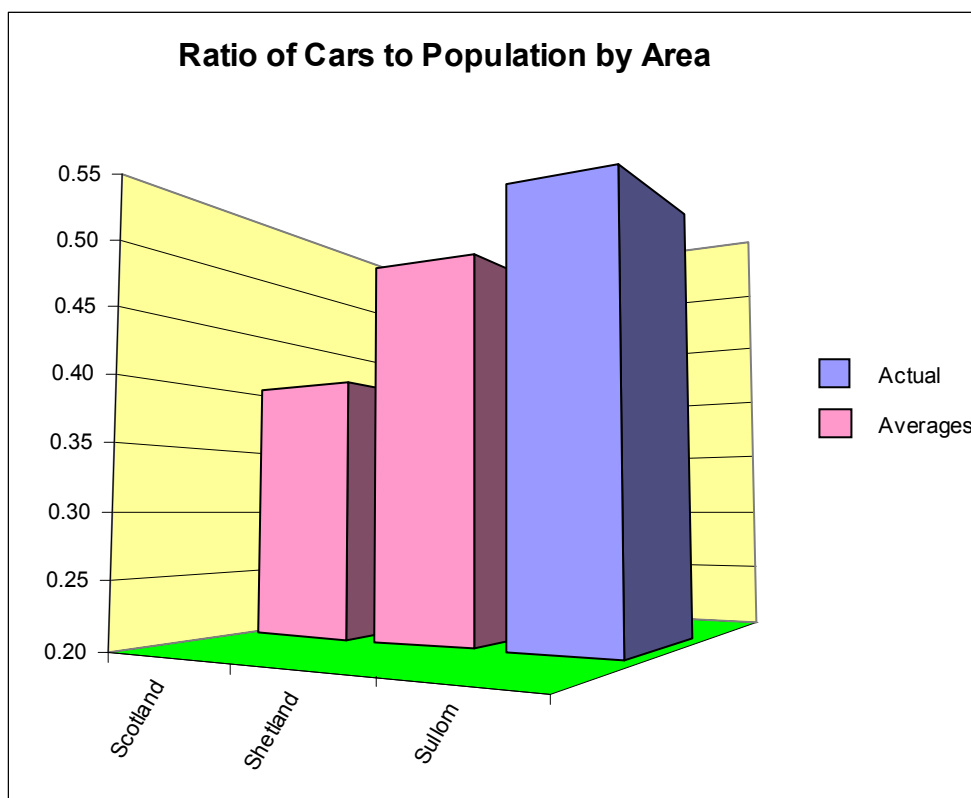


Figure 1: Car Usage in Sullom compared to Shetland and Scotland averages. Source 2001 Census



REPORT

To: Development Committee

27 August 2009

From: Head of Economic Development

Report No: DV080-F
SUSTAINABLE TRANSPORT DEMONSTRATION PROJECT

1.0 Introduction

- 1.1 This report is provided to inform Members of the intention to pursue local and national funding sources in order to undertake a demonstration project able to compare the operational efficiency and environmental impact of different green energy sources in the context of Shetland.
- 1.2 The project team would like to receive feedback on the project from the Development Committee, before proceeding.

2.0 Link with Corporate Priorities

- 2.1 This project delivers on the following Corporate Priorities:

Priority Areas:

We will be renowned for being a clean and green island, decreasing our CO₂ by 30% by 2020.

Sustainable Economy: Renewable Energy

- Seek to support the case for establishing a fixed interconnector to the UK mainland by 2012
- Seek to provide support in developing Viking Energy's proposals to the submission of the Electricity Act application.
- Support 2 renewable energy projects in the marine environment and 4 in the terrestrial environment.
- Consolidate the PURE hydrogen project in Unst and the integration of low-energy technology in local building standards for business projects.

Sustainable Environment & Transport: sustainable use of resources

- Reduce CO₂ emissions from Council buildings and Council energy use by 6% by 2011.

- Progress a wind turbine project to seek to turn wind power into electricity, heat and hydrogen.

Sustainable Society: Deprivation and Social Exclusion

- Reduce the number of households experiencing fuel poverty by targeting grant assistance, education and advice to those people most likely to be living in fuel poverty and campaigning for the control of fuel costs for those on lowest income.

Sustainable Organisation: Living Within Our Means

- Ensure that services do not overspend their annual revenue budgets

3.0 Background

- 3.1 The project team have been working together for the last few months to investigate the way in which Shetland's transport energy needs can be met in the future.
- 3.2 The project team consists of representatives from Shetland Islands Council (Energy Unit, Planning Service, Environmental Services, Transport Service, Economic Development Unit), ZetTrans, Highlands and Islands Enterprise, the Charitable Trust and Community Energy Scotland.
- 3.3 The project team agree that the first stage project should be one capable of comparing and contrasting different green energy sources, focused on a few geographic communities in Shetland, capable of providing sufficient operational, financial and environmental information to inform future provision across Shetland.
- 3.4 There are a number of key drivers for undertaking this work at the current time:
 - There are a large number of external funding opportunities available to assist with this work, and this project is an opportunity for Shetland to be advanced in applying for funding and implementing a project;
 - The project is able to deliver on a number of key European, national and local targets, such as carbon emissions, and the emissions of other harmful greenhouse gases and pollutants;
 - The project is able to deliver on key elements of the recently completed Renewable Energy and Action Plan for Shetland Renewable Energy Strategy for Shetland; and
 - To ensure Shetland is being proactive in looking for alternative fuel sources, to assist in securing Shetland's financial sustainability and fuel security, both for agencies and individual households. The aim being in the longer term to reduce fuel poverty in Shetland.

4.0 The Sustainable Transport Demonstration Project

- 4.1 The Project Plan is provided for information at Appendix 1. It consists of a common aim, set of objectives, monitoring and evaluation framework, and five delivery sub-projects.
- 4.2 The aim of the project is to compare and contrast a number of different transport energy sources in the context of Shetland. And the main objectives of the project are to:
 - 4.2.1 Set up a variety of green energy transport demonstration sub-projects within communities in Shetland.
 - 4.2.2 Monitor the outputs of these sub-projects including the benefits and drawbacks.
 - 4.2.3 Review the potential to expand the successful sub-projects to other areas of Shetland, and, if feasible, plan for this expansion.
 - 4.2.4 Market the results of the project to the Shetland community and beyond.
- 4.3 The project has been developed based on:
 - identified need for transport (i.e. existing or developing transport provision, so that operational costs are covered within existing resources);
 - funding opportunities; and
 - building on skills expertise and community capacity.
- 4.4 As much as possible, the project pulls together projects that were already being discussed and developed, into a series of sub-projects with a common aim, set of objectives and monitoring and evaluation framework. The advantage of this is that the project is needs-led; ensures the sub-projects can capitalise on funding opportunities rather than competing against each other; and a comprehensive set of comparable data can be gathered to inform future developments.
- 4.5 The sub-projects are summarised below, with more detail provided in Table 1 and Appendix A of Appendix 1:
 - A) Hydrogen powered vehicle in Unst, powered using hydrogen generated using renewable energy (wind);
 - B) Electric-powered vehicle in Fair Isle, powered using energy generated from renewable source – existing source (wind);
 - C) Electric-powered vehicle in Fetlar, powered using energy generated from renewable source – new development (wind);

- D) Electric-powered vehicles in Lerwick, powered using mains electricity;
- E) Dual-fuel powered vehicle (electric and diesel) in Northmavine, powered using existing sources (renewable and diesel).
- 4.6 The sub-projects will each be led and managed by a different community or organisation. It is proposed that a project manager will oversee the whole project. This person will be contracted by the Shetland Renewable Energy Forum, this role being part of their duties in the delivery of the renewable energy strategy. They will report to the Project Team (who will become the Shetland Renewable Energy Strategy Transport Group, if approved in report DV079), who, in turn will report to partner organisations, the Community Planning Delivery Group, and the Shetland Renewable Energy Forum.
- 4.7 Each of the sub-projects will use a common framework to monitor the effectiveness of each form of green energy transport. It is essential that a common and rigorous approach is taken, in order to provide robust conclusions and enable Shetland to make informed choices about future energy for transport provision.
- 4.8 This will include:
- Baseline – existing energy requirements in project area.
 - Generation – Recording of type of generation and overall performance.
 - Refuelling point - Electrical charging data / Hydrogen data / timeline.
 - Vehicle performance - miles per kW/hr miles per nm3 hydrogen.
 - Vehicle activity record – Journey type and service record / energy offset data.
- More detail is available in Appendix 1.
- 4.9 In addition to the sub-projects the SIC Planning Service will undertake strategic mapping of refuelling stations to develop in parallel with the sub-projects and the findings. At this time the highway is being developed under the following principles:
- Key Employers
 - Key Nodal Points
 - Close to sites with potential for renewable energy development.

5.0 Financial Implications

- 5.1 There are no financial implications arising from this report. However, funding will be required for the project to progress. Appendix 1 sets out a number of potential sources in table 2. However, this funding will be sought independently of this report. It is probable that a funding request

will come back to this Committee should this project proceed and the funding required is above the level delegated to the EDU.

6.0 Policy and Delegated Authority

6.1 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:

- 17. "Continue the development of the Viking Energy community wind farm project."
- 18. "Support research and development projects in renewable energy across the isles, in homes, businesses and community organisations."
- 19. "Investigate establishment of manufacturing processes in the renewable energy sector in Shetland."

6.2 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

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

7.0 Conclusions

7.1 This project shall be the initial action of the subgroup dealing with transport under the renewable energy strategy. The project brings together a number of bodies in the public and private sectors as well as community groups. The project also has scope for developing skills and opportunities for R&D in Shetland. This is a first stage of looking at alternatives to fossil fuels for transport and their practical use in Shetland. The results of the project will help steer future planning of transport systems in Shetland.

8.0 Recommendation

8.1 I recommend that the Members of the Development Committee discuss and note the content of this report, recognising the opportunities and benefits to Shetland, at this time. Agencies and communities will pursue external funding opportunities, following this meeting.

Our Ref: MH/JJ
Date: 19 August 2009

Report Number: DV080-F



REPORT

To: **Development Committee**

27 August 2009

From: **Head of Business Development**

DV088-F
IMPACT: Indigenous Music Promotion
Advancing Cultural Tourism.
ERDF Atlantic Arc Project

1.0 Introduction

- 1.1 Shetland Islands Council, through the Economic Development Unit (EDU), together with Shetland Arts Development Agency (SADA) and HIE Shetland (HIE) have an opportunity to become partners in a project called “Indigenous Music Promotion Advancing Cultural Tourism” (IMPACT). An application will be submitted for European funding by the project leader, Wales Arts International, to the ERDF Atlantic Arc Programme. If the application is approved this will allow access to 65% European match funding. The project is made up of five partners along the Atlantic Seaboard regions of Europe. The aim is to help stimulate the music economy, generate economic growth through tourism, and create greater cultural capital through increased awareness, improve skills, cross cultural connections and exchange.
- 1.2 The project requires each partner region to commit £138,192 over the three year duration of the project. This would allow match funding of £256,643 to be levered into each partner region from the ERDF Atlantic Areas Programme. The Shetland commitment of £138,192 is shared between the three Shetland partners. This report requires the approval of the Shetland Islands Council’s Development Committee for the EDU to commit £69,096 as its financial contribution to the project.
- 1.3 Wales Arts International approached SADA, inviting them to become partners in the IMPACT project. It was felt that a joint approach from the Council’s EDU and SADA would strengthen the bid considering the strong Economic Development perspective of this project. The timescale for applications means that a decision to commit to the

project today would allow the bid to meet the next round of EU funding for April 2010.

- 1.4 The Atlantic Arc Programme is a maritime focused programme linking regions on the Atlantic coast in five Member States: the UK, Ireland, France, Spain and Portugal. The IMPACT project fits well under a number of the programmes' priorities and objectives. If successful in its application to The Atlantic Arc Programme, the IMPACT project shall run from 2010 to 2013. The Council's contribution of £69,096 shall be spread over this time frame and with matched funding from the EU and partners shall give a total budget of £394,834.
- 1.5 This report seeks the approval of the Council to commit £69,096 to the IMPACT project.

2.0 Links to Corporate Action Areas

- 2.1 The corporate plan contains a number of policies that relate to the subjects discussed in this report, specifically:

Sustainable Economy: Traditional Industries – Tourism

- Develop 4 new commercial attractions for visitors.
- Devise and implement 4 tourism projects that drive up quality standards.
- Promote Shetland as a tourist destination.
- Support people involved in products for the tourism sector.

New and Emerging Industries - Creative Industries

- Devise and implement a Creative Industries Strategy that recognises the contribution which the creative sector can make not only to Shetland's economy but to the quality of life in the islands.
- Support growth of businesses in the 'Creative Industries' Sector

Marketing

- Develop, support and improve events, in and beyond Shetland, that build Shetland's reputation and reinforce confidence in the community, including particularly the Johnsmas Foy, and organize 'Shetland Hamefaring 2010' and 'Tall Ships 2011' as high quality, successful events.

Culture Recreation and Community Development:

- Increase the percentage of the local population taking part in cultural activities

- 2.2 The project has a very good fit with the Themes, Aims and Methods of Shetland's Cultural Strategy 2009- 2013, Specifically:

Themes

4. Culture and the Economy

Ensure that the connections between culture and economic development are explored and that investment in cultural assets and creative activities pursued as a means to increasing prosperity. Shetland has a chance to exploit its unique place in a connected digital world that makes us more accessible than ever before.

Aim

- 4.1 Recognise the contribution made by cultural heritage and activity to sustainable economic development and support appropriate projects.

Methods

- 4.1.1 Support development based on cultural heritage, cultural activity and creative enterprise that is appropriate in environmental, economic and social terms.
- 4.1.2 Place cultural assets at the heart of the marketing and promotion of Shetland and support activity by Shetland talent outwith the islands where doing so will help advance these aims.
- 4.1.3 Consider opportunities for the more effective marketing, in and beyond Shetland if, of products related to Shetland culture.

Aim

- 4.2 Recognise that the principal foundations for developing tourism are Shetland's rich and diverse cultural life and outstanding built and natural heritage.

Methods

- 4.2.2 Promote, by the most effective means, the diversity and quality of available cultural and heritage assets, facilities and activities.

Aim

- 4.3 Promote Shetland's cultural life and activities in order to contribute to the retention and growth of the population of the islands, especially in fragile areas and outlying communities.

Methods

- 4.3.1 Support in culture to provide facilities, activities and employment opportunities which attract individuals and organisations to locate in Shetland.

- 4.3.2 Recognise that, in attracting people to live in Shetland, the cultural heritage and the presence of a vibrant creative community are both vital.
- 4.3.3 Recognise the important role in building confidence and strengthening the reputation of events such as Up Helly Aa, the Shetland Folk Festival, the Johnsmas Foy, Fiddle Frenzy, the Shetland Food Festival the Fiddle and Accordion Festival, Wordplay and Screen Play.

2. Creativity and Heritage

Celebrate and promote the islands' creativity, multinational culture, distinctive heritage, dialect and environment, and develop and promote them within Shetland and to the wider world and recognise the collaboration and partnership in and out with Shetland.

Aim

- 1.1 Support the contribution of cultural life to the vitality and economic prosperity of Shetland

Methods

- 1.1.1 Promote cultural initiatives in order to build community confidence and increase the sustainability of communities throughout Shetland
- 1.1.2 Improve access to, and participation in, a diverse range of cultural activities for all residents and visitors, especially those in outlying communities or at risk of social exclusion.

Aim

- 2.1 Celebrate and build on the diversity and excellence of artistic and creative activity that is characteristic of Shetland

Methods

- 2.1.5 Develop, promote and support Shetland talent out with Shetland
- 2.1.6 Promote cultural exchange between Shetland and other places recognising both our traditional links and the potential of new ones.
- 2.5 Encourage and promote Creative Industries

3.0 Background

- 3.1 Music is one of the key art forms that informs and expresses a region's culture and identity. It is a vital tool in communicating culture to visitors. Shetland has a strong heritage and indigenous culture of music, which has lead to today's vibrant local music scene. Visitors are often inspired to make a visit to a place based on a region or culture's music and other cultural attributes. It can be a struggle for places to provide their cultural gems – often small, un-commercialised but authentic and meaningful groups and individuals – with a suitable and effective shop window that will help stimulate tourism and create

economic growth within the sector. This project aims to help address these issues.

3.2 The other groups involved in the IMPACT project include some very interesting partners with a range of experiences in promoting cultural tourism:

- 3.2.1 Wales – Wales Arts International (Lead partner of project) The organisation is a partnership between the British Council and the Arts Council of Wales. It has a remit to strengthen cultural tourism and grow the indigenous music scene in Wales by creating partnership activity and stimulating links between them.
- 3.2.2 Cornwall – Eden Project, one of the South West of England's largest tourist attractions.
- 3.2.3 Ireland – Led by the Arts Council and Failte the Irish tourist development organisation
- 3.2.4 Portugal - Music Centre Venue, Porto
- 3.2.5 Brittany - Lorient Festival Interceltique is one of the largest Celtic music festivals running now for 39 years, it attracts 650,000 visitors over 10 days and 4500 Artists from around the Celtic world. This is in partnership with local government
- 3.2.6 There is the possibility of a partner from Asturias in Spain

3.3 **The aim of the IMPACT project**

- 3.3.1 To provide a route to international markets, and importantly helping to provide a sustainable platform for evolving dynamic cultural forms connected to the past, but possessing a contemporary expression of place.
- 3.3.2 The project aims to build communication links between visitors and Shetland's music scenes; between musicians and performers and their local tourism industry in order to stimulate increased activity and sector growth, and to support this growth with skills and infrastructure development in order to expand the sector and make it more profitable – both in terms of economic benefit and cultural awareness and export benefit.

3.4 **Three Key Aims of IMPACT:**

- 3.4.1 Supporting sector skills development in order to prepare gifted musicians and performers with the folk, traditional and indigenous music scene for greater exposure to a broader market, while retaining individuality and cultural and creative integrity.
- 3.4.2 Stimulate sector activity by bringing together local and regional tourism focussed businesses with their local musicians in the field; development of touring infrastructure and management routes; and increased and co-ordinated

marketing schemes to raise awareness of events within regions.

- 3.4.3 Stimulate demand from the cultural tourists by increasing mention and promotion of a nation's traditional, folk and indigenous music scene in marketing activity targeted towards key domestic and overseas markets. Also development of a web portal for cultural music tourism in association with a global tourism information brand.

3.5 Main Objectives of IMPACT

- 3.5.1 Use a joined up approach to stimulate activity in the indigenous music sector, create opportunities to enhance and promote Shetland events to an international market, and help establish the 'Mareel' venue as a recognised concert venue on the international touring circuit.
- 3.5.2 This could be achieved through providing opportunities for collaborations between local artistes and prominent performers from partner regions. Thus creating productions to be hosted during the key cultural festivals in Shetland and at the 'Mareel' venue. These productions and Shetland events could exchange with key cultural events in partner regions. There are the possibilities for spin offs in the broadcast of events, live recordings or filming of events for production of CDs or DVDs.
- 3.5.3 These objectives should meet the aims stated previously to help stimulate the music economy, generate economic growth through tourism, and create greater cultural capital through increased awareness, improve skills, cross cultural connections and exchange. With particular aim at increasing the interest in Shetland culture and an informed tourist market, increasing the number of visitors to Shetland and diversifying the local tourism market with an increase in cultural tourism.
- 3.5.4 The Shetland Islands Council and HIE Shetland funded a study "Creative Industries in Shetland Today – 2008" undertaken by consultants EKOS in 2008. This work was commissioned by The Shetland Creative Industries Unit to provide a benchmark of where the industry was at in Shetland and to identify opportunities for growth. The report identified a number of opportunities which the IMPACT project could assist in developing. For background information here are some of the key findings of the EKOS report that are relevant to the IMPACT project.
- 3.5.5 Shetland music had an international reputation on which it could capitalise.

- 3.5.6 EKOS recommended that Shetland play on its strengths and not seek to develop areas where it lacks capacity. Music along with cultural events and festivals, linked to tourism were and highlighted as priority areas having good potential for development.
- 3.5.7 Consideration should be given to a strategy for marketing Shetland's creative industries on an international stage. Together, Shetland's creative industries must offer a strong market proposition, harnessing the natural assets of the region and its rich heritage, updating it with the key creative strengths of the region in music, arts and textiles.
- 3.5.8 First, cultural tourism is an obvious opportunity, and there is work to be done to develop the regions' cultural tourism offering through an ambitious events programme targeted at attracting overseas visitors while also providing for the community. In particular, the island's strengths in music offer real potential here, both for events based tourism and for wider marketing of the region as a place to visit. Cultural provision can also augment the visitor experience for those coming to the islands for other reasons (e.g. for the natural environment) and with careful marketing and development can help encourage longer stays and increased spend in the local economy.

4.0 Financial Implications

- 4.1 The total contribution required from Shetland towards this project over the three years is £138,192. The breakdown of funding is shown in the table below.

Funding	£	%
Interreg Atlantic Arc	256,643	65
SIC	69,096	17.5
HIE	46,063	11.7
SADA	23,032	5.8
Total	394,834	100

- 4.2 The Council contribution towards the project is £69,096 to be committed over three years. This will come out of existing approved budget Other General Assistance RRD 1520 2402, within the Economic Development Unit and the money would lever in match funding of £302,506 from outside Shetland. This contribution is subject to budget approval in future years.

5.0 Policy and Delegated Authority

- 5.1 This report has been prepared under Economic Development Policy number 16, "Support growth of businesses in the creative industries sector" which 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 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

6.0 Conclusion

- 6.1 It is the aim of the Economic Development Unit to support new and emerging industries, such as the creative industries and also traditional industries such as tourism, in line with Council Policy. The funding secured by the IMPACT project will stimulate development in both these sectors and assist development of cultural tourism through enhanced activity in its indigenous music.
- 6.2 The project will promote Shetland by highlighting some of its key existing cultural events such as the Johnsmas Foy, Fiddle Frenzy, Shetland Folk Festival and the Fiddle and Accordion Festival in turn helping establish some of the newer cultural events. There is the added opportunity to raise the profile of Shetland culture on the back of special events such as the 'Tall Ships Race' and 'Year of Island Cultures', both in 2011.
- 6.3 The opening of the 'Mareel' venue fits in well with the timescale and it is an aim through IMPACT to help establish the venue on the international touring circuit assisted by its links to existing events in Shetland and events and projects in partner areas. Progress on the IMPACT project will be reported back to future meetings of the Development Committee.

7.0 Recommendations

- 7.1 I recommend that the Development committee note the contents of this report and approve £69,096 to be used as match funding for the IMPACT project, subject to future year's budget approval.

MH/KLM
27 August 2009

Report No: DV088-F



REPORT

To: Development Committee

27 August 2009

From: Head of Economic Development

Report No: DV079-F
Structure for Implementing Shetland Renewable Energy Strategy

1.0 Introduction

- 1.1 The purpose of this report is to present the Development Committee with a final draft of the Shetland Renewable Energy Strategy before it is released for public consultation. A potential management and monitoring structure is included in the report to help implement the strategy and also a proposal on how to resource this. Decisions are required on the strategic process and on the allocation of resources by EDU towards this project.

2.0 Links to Corporate Priorities

- 2.1 The subjects discussed in this report relate to a number of policies in the Council's Corporate Plan 2008-2011, specifically:

2.1.1 Priority Areas:

- We will be world renowned for being clean and green islands, decreasing our CO2 emissions by 30% by 2020.

2.1.2 Sustainable Economy: Renewable Energy

- Seek to support the case for establishing a fixed interconnector to the UK mainland by 2012.
- Support two renewable energy projects in the marine environment and four in the terrestrial environment.

- Consolidate the PURE hydrogen project in Unst and the integration of low-energy technology in the local building standards for local projects.

2.1.3 Sustainable Environment & Transport: Sustainable use of Resources

- Reduce CO2 emissions from Council buildings and Council energy use by 6% by 2011.
- Progress a wind turbine project to seek to turn wind power into electricity, heat and hydrogen.

2.1.4 Sustainable Society: Deprivation and Social Exclusion

- Reduce the number of households experiencing fuel poverty by targeting grant assistance, education and advice to those people most likely to be living in fuel poverty and campaigning for the control of fuel costs for those on lowest income.

2.1.5 Sustainable Organisation: Living Within our Means

- Ensure that services do not overspend their annual revenue budgets.

3.0 Background

- 3.1 In March 2008, The General Industry Panel met to discuss renewable energy development in Shetland. It was the request of the panel that a new renewable energy strategy should be developed for Shetland to supersede the one previously published by the Shetland Renewable Energy Forum. The strategy was to be drawn up for Shetland with ownership of the report to be for both public and private sectors in Shetland.
- 3.2 A draft of the Shetland Renewable Energy Strategy was discussed at a meeting of the General Industry Panel on 25 May 2009 and at this meeting it was felt a mechanism should be devised to help deliver the aims of the strategy. A possible structure was presented at a subsequent meeting of the Industry Panel on 07 July 2009. The approach was agreed as a way forward and the resources required to implement the strategy were discussed. This report presents the structure, which could drive the strategy forward, monitor and report on progress, and achieve the aims of the document. It also shows a breakdown of funding sought and recommends a decision to resource the project.

4.0 Possible Structure for implementing the Strategy, reporting and monitoring of progress

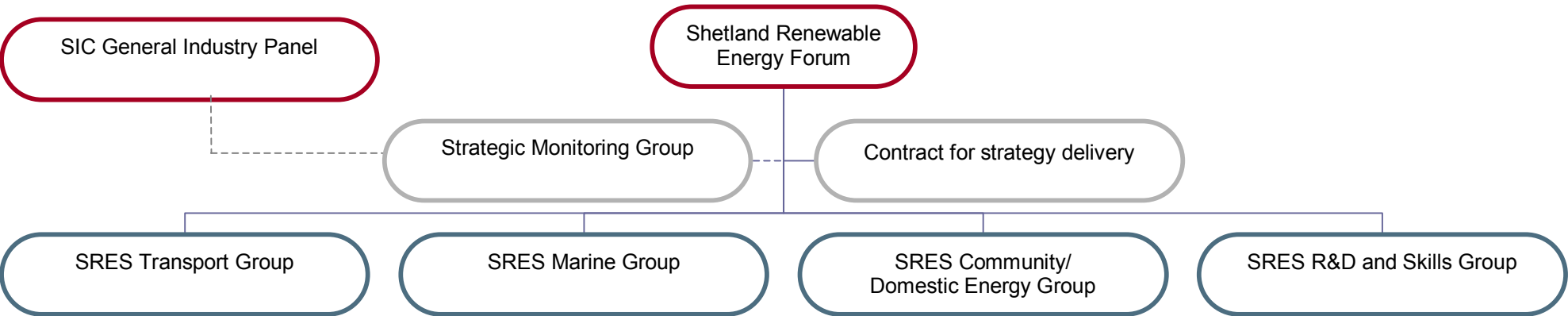
Shetland Renewable Energy Strategy (SRES) Delivery Model

SRES Group Descriptors

Group	Purpose	Membership
SIC General Industry Panel	Meet twice yearly and led by SIC. Panel will be updated on progress on SRES	Councillors Lead public sector officers Industry
Shetland Renewable Energy Forum (SREF)	The constituted Forum will be responsible for driving the strategy, communications, and coordinating and prioritising activity. SREF will also take on the following responsibilities: <ul style="list-style-type: none"> Ownership of SRES. Management of the contract for delivery of the strategy. Providing an industry view on SRES and the activities associated. 	Membership organisation with private, community and public sector represented. Led by SREF Chair SREF staff member in attendance for secretariat. Administration functions provided under contract.
Contract	SREF will put out to tender the contract for supporting the delivery of the strategy. The main roles in the contract will be: <ul style="list-style-type: none"> Promotion and marketing. Secretariat for all the groups involved in delivering the strategy. Coordination of all of the meetings. Monitoring work as requested by the strategic monitoring group. General administration for all of the groups including SREF Organising networking events. Undertaking consultation on SRES. Fundraising on behalf of groups for projects. Taking a lead on the delivery of some projects on behalf of the group as and when required. A mix of EU and public funding is expected to support this. Three-year contract.	Open tender for organisations or businesses to apply.
Strategic Monitoring Group	Responsible for monitoring the delivery of SRES. This group will also set up subsequent subgroups as and when required. This group will bring together the activities of all the subgroups in a monitoring report to the General Industry panel. Meet twice yearly and provide updates and recommendations to General Industry Panel.	SIC Economic Development HIE 3x reps from SREF SREF staff member in attendance for secretariat. Administration functions provided under contract. Lead by nominated chair

Transport	<p>Currently delivering a project with objectives to:</p> <p>A. Set up a variety of green energy transport demonstration sub-projects within communities in Shetland.</p> <p>B. Monitor the outputs of these sub-projects including the benefits and drawbacks.</p> <p>C. Review the potential to expand the successful sub-projects to other areas of Shetland, and, if feasible, plan for this expansion.</p> <p>D. Market the results of the project to the Shetland community and beyond.</p> <p>The group will take on delivery of projects related to transport within the strategy.</p>	<p>ZETRANS, SIC Infrastructure Services and Economic Development HIE</p> <p>Lead - ZETRANS</p> <p>SREF staff member in attendance for secretariat.</p>
Marine	<p>Currently working on developing marine renewable energy and the following: The project would have a number of benefits for Shetland:</p> <ul style="list-style-type: none"> ▪ Raise the profile of Shetland as a place to develop marine renewables ▪ Opportunities for attracting inward investment to Shetland ▪ Research and development opportunities ▪ Encourage the development of a new industry sector in Shetland ▪ Opportunities for service sector in marine renewables ▪ The supply of Shetland with green energy and potential for exporting power. <p>The group will take on delivery of projects related to marine RE within the strategy.</p>	<p>Shetland Charitable Trust, SIC, HIE, NAFC Marine Centre, Viking Energy</p> <p>SREF staff member in attendance for secretariat.</p> <p>Lead – Shetland Charitable Trust</p>
Community/ Domestic Energy	<p>To support policy and action on issues affecting micro and small scale renewable development, as well as considering issues affecting community-led schemes. The group will study both Electricity and Heat energy matters. The group will also take on delivery of projects related to community, domestic and heat energy within the strategy.</p>	<p>Community Energy Scotland, SIC, HIE</p> <p>SREF staff member in attendance for secretariat.</p> <p>Lead - CES</p>
R&D and Skills	<p>A new group will need to be set up with the remit to undertake tasks such as:</p> <ul style="list-style-type: none"> ▪ Develop multi agency approach to consider ongoing skills and career opportunities ▪ This will enable the appropriate development of occupational standards, qualifications and career maps ▪ Develop proposals to increase awareness among careers advisors ▪ Carry out work to review the R&D landscape <p>The group will take on delivery of projects related to skills and R&D within the strategy.</p>	<p>Shetland Islands Council, Skills Development Scotland, HI-Links, HIE</p> <p>Leads – Shetland College and NAFC Marine Centre</p>

SRES Delivery Model



5.0 Proposal

- 5.1 It is proposed that the Committee considers the draft Shetland Renewable Energy Strategy, attached as Appendix 1 to this report and the structure with resources required for delivering the strategy, detailed in this report.

6.0 Financial Implications

- 6.1 The proposed budget for the project over 3 years shall be £150k to be funded by EDU, HIE and LEADER funding. This gives the following breakdown of costs and funding for the 3 year duration of the project. LEADER convergence funding makes up 35% of the proposed package, and will be applied for if the project is acceptable to the Council. The majority of costs will be in the contract, the duties of which are detailed in table 4.0 above. The Development Committee element of this project will be financed over three financial years, 2009/10, 2010/11 and 2011/12 in equal portions of £16,250, from the budget RRD1526 2402 Renewable Energy Projects, subject to funding being available.

Funders	Cost	%
EDU	£48,750	32.5
HIE	£48,750	32.5
LEADER	£52,500	35.0
TOTAL	£150,000	100.0

7.0 Policy and Delegated Authority

- 7.1 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:
- 17. "Continue the development of the Viking Energy community wind farm project."
 - 18. "Support research and development projects in renewable energy across the isles, in homes, businesses and community organisations."
 - 19. "Investigate establishment of manufacturing processes in the renewable energy sector in Shetland."
- 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 the subject of this report is covered by existing policy the Development Committee does have delegated authority to make a decision.

8.0 Conclusions

- 8.1 A renewable energy strategy document for Shetland has been completed and a structure proposed for the implementation of the strategy.
- 8.2 The structure has been drawn up in the context of existing groups where possible, incorporating both the public and private sectors.
- 8.3 The draft strategy and structure has been presented to and approved by the General Industry Panel with a recommendation that a final decision is made by the Development Committee to approve the document and make a decision on providing resources to assist the implementation of the strategy.

9.0 Recommendations

- 9.1 I recommend that the Committee:
- a) approves the Shetland Renewable Energy Strategy attached as Appendix 1;
 - b) approves the structure for delivery of the Strategy as detailed in paragraph 4.0; and
 - c) approves funding of £48,750 to help implement the Strategy over a three-year period. Subject to future years' budget availability.

Our Ref: MH/JJ RF/1264
Date: 19 August 2009

Report No: DV079-F

Renewable Energy Development in Shetland: Strategy and Action Plan

18 August 2009

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1 Strategy

Introduction

Our goal is to use renewable energy to enhance the quality of life in Shetland for future generations. The partners in this strategy believe that the opportunities for renewable energy development in Shetland offer our community a rare opportunity to reduce our fragility and create a positive step-change in our economy. Furthermore, renewable energy development can secure significant community and environmental benefits in addition to the economic benefits which could be created.

Our vision, objectives and proposed actions have been shaped by those already active in renewable energy in Shetland and key public sector partners.

Rationale for Development

The rationale for pursuing renewable energy as a route to future community sustainability is centred on:

- the quality of our natural resource;
- the need to diversify our economy; and
- our community's high dependence on, and vulnerability to, non-renewable fossil fuel.

Shetland's peripheral location means that opportunities for economic diversification and growth are rare. However, our natural resources have repeatedly given our islands a competitive advantage and encouraged economic activity to locate here. Our location at the heart of rich fishing grounds means that the fishing industry has been a cornerstone of the Shetland economy, the oil and gas industry came along and transformed Shetland in the 1970s and aquaculture activity expanded in voes around Shetland in the 1980s. These industries are successful because of our natural environment.

However, our economy is fragile, there is a limited economic base and our key industries all operate in a global market place. We have been fortunate in recent years that as our industry sectors experience cycles of success and downturn, one sector's success has tended to compensate for another's downturn. However, our ability to balance our economy in this way is largely based on luck as our industries are influenced by global conditions and our community has little control over their economic well-being. The challenges we continually face are evidenced in the population decline we are experiencing.

Renewable energy offers us a rare opportunity to diversify and develop our economy and importantly because it is 'renewable' it offers our community a sustainable economic opportunity.

In addition, and unusually, the development of renewable energy activity in Shetland will provide us with more than just the economic opportunities of new business activity and employment, and the associated spin-off benefits. Development of renewable energy can also offer us substantial community and environmental benefits.

Renewable energy development, if appropriately targeted, offers significant additional value because of its potential to reduce the threat to our community from rising oil

and gas prices. Characteristics which make us vulnerable include our dependence on ferries and air travel for passengers and freight within and external to the islands; our dispersed population and therefore our dependence on cars; our high cost of living; and our need for relatively intensive heating in our climate, all combine, along with many other factors to make our community one of the most vulnerable to price rises for finite fossil fuels. This vulnerability is already visible in the high incidence of fuel poverty within our community which energy efficiency measures can also help to address.

Furthermore, renewable energy offers environmental benefits, in particular the reduction of carbon emissions and the positive contribution we can make to climate change, for which we all have a responsibility. As our natural environment, including our climate, is our economic strength we must do what we can to support it.

We believe that the development of renewable energy activity in Shetland offers a unique opportunity to achieve a mix of economic, community and environmental benefits that would be extremely difficult, if not impossible, to achieve as effectively through any other route. The extent of the benefits we could achieve, and the threat to our community of doing nothing, combine to form our rationale for pursuing development.

Working Together

This strategy reminds us that the development of renewable energy in Shetland, and all its potential benefits, is an opportunity not a certainty. Shetland offers many advantages through the quality of its resource, its infrastructure and the skills of its residents. But there are challenges and costs associated with pursuing the benefits we want to achieve. This is why we have created underpinning principles for the strategy and action plan which state that the development of renewable energy in Shetland should be undertaken with community support and with due consideration to the protection of our environment.

Our strategy explores the potential opportunities, the direction we wish to take and the barriers we may have to overcome if our vision is to be achieved. As partners in the future of renewable energy in Shetland we hope that you are inspired to investigate how renewable energy can improve the quality of life in your community so that we can work together to achieve our vision.

<Signatories from the Strategic Board>

Our Vision

Our overarching aim is:

‘to enhance the quality of life in Shetland for future generations by achieving the optimum value from the renewable resources we have available in and around the islands.’

This strategy provides guidance on how we intend to achieve sustainable benefits from harnessing our resources for renewable energy development.

Defining Success

Several recurring themes were raised throughout our discussions about what the development of renewable energy should achieve for Shetland in the long-term. As a result of these discussions we have summarised the characteristics of a future Shetland that, if realised, will indicate that we have achieved success from our development of renewable energy:

- Shetland’s quality of life is high, and is sustainable for future generations;
- Our vulnerability to the price of finite fossil fuels is low and we are substantially energy self-sufficient;
- Innovative and high quality jobs exist in, and in support of, renewable energy activity;
- Our peripheral communities are rejuvenated;
- Shetland’s reputation for good environmental stewardship is widely recognised; and
- The outstanding quality of our resource is contributing towards Scottish, UK and European targets for carbon reduction.

Defining Renewable Energy

It is important to clarify what we mean by ‘renewable energy’. Our definition of renewable energy is:

Renewable energy is energy generated from sources which are either naturally (e.g. wind, sun, tidal, biomass) or readily replenished (e.g. waste materials), and which therefore can be considered, on timescales of decades or more, to be sustainable.

For clarity our definition of renewable energy includes waste to energy schemes because waste can be expected to be available for some time and incineration of waste is considered to be a suitable environmental option for Shetland.

In Appendix A we have set out the range of renewable resources which could fall within this definition. The table within the Appendix also shows how these resources could be utilised in Shetland for energy generation, how the energy could be distributed and who the potential consumers could be.

The Renewable Energy Industry in Shetland

Before we establish what we need to do to achieve our vision we must first understand where we are starting from. In this section of the strategy we explore the renewable energy generation activity which already exists in Shetland. This is followed by consideration of the characteristics of Shetland which influence the scale and nature of the renewable energy activity which takes place.

Current Activity

Figures estimated for 2006 show that there is 14MW of renewable energy capacity in Shetland¹. However, there is a discrepancy in the figures available due to an error in the figures for the Lerwick District Heating Scheme, which means Shetland's current renewable energy capacity may be 10.3MW rather than 14MW. If this revised figure is correct then 61% of the total is represented by the Lerwick District Heating Scheme, which is powered by energy from waste, and 36% is represented by the Burradale wind farm. Burradale wind farm is the only renewable energy project in Shetland that generates electricity for the local electricity network. The electricity from Burradale is sold to Scottish and Southern Energy (SSE) and is estimated to provide on average 7-8% of Shetland's electricity needs (excluding Sullom Voe Terminal).

The remainder of the capacity (3%) is used largely for heating although in some small islands there are 'off-grid' schemes which provide electricity for the small resident populations. Examples of the type of projects include:

- community schemes which are largely wind based and are generating off-grid electricity;
- small solar projects;
- individual domestic property schemes which are either wind for heat or heat pump systems; and
- schemes in public buildings which are largely wind based systems for heating.

Our Strengths and Weaknesses

The discussions held regarding the development of this strategy revealed a wide range of strengths and weaknesses related to the development of renewable energy in Shetland. The characteristics which are considered to have the greatest influence over how successful we can be in achieving our vision are summarised below.

¹ Source: Shetland in Statistics 2008

Shetland's Strengths and Weaknesses in relation to Renewable Energy Development

Strengths	Weaknesses
<ul style="list-style-type: none"> • Outstanding renewable energy resources which can enhance the viability of projects • Strong desire to capture future benefits from renewable energy for the good of the community at large • Determination and skill of individuals already active in renewable energy in Shetland • Strong infrastructure which could support development, for example piers, roads and colleges • Access to public finance • Transferrable and high quality skills within the local economy, for example marine engineering. 	<ul style="list-style-type: none"> • The lack of an electricity distribution network into which renewable energy projects can connect • Limited local demand for additional generation • Strong competition for renewable energy investment from other locations • Shetland's natural environment is important and some areas would be sensitive and unsuitable for certain types of renewable energy schemes • A disproportionate vulnerability to fluctuations in the price of non-renewable fuel which reflects Shetland's remote location and dispersed population (which is actually a strength in relation to the attractiveness of renewable energy alternatives)

Building on our Strengths

Shetland demonstrates a number of strengths which support renewable energy development, some of which are hard for others to replicate. The quality of the resource in and around Shetland has been estimated at 10,500 gigawatt hours per annum (GWh/y). However, this level of resource is unlikely to be available in reality due to the unacceptable level of development which would be required to harness it. An estimate based on much more conservative levels of development suggests an available resource of 2,200 GWh/y².

The quality of the resource means that renewable energy offers the prospect of a new industry being created on Shetland that would generate jobs and strengthen skills among local people. It could also create diversification opportunities for existing firms operating in the marine and engineering sectors in addition to creating demand to which new firms could be formed to respond. If more renewable energy activity can be supported in the short-term, Shetland's image as a Renewable Energy location could strengthen and as a result we could build on the determination and skills of individuals already active in Shetland and attract further investment for hydrogen and marine technologies.

The quality of the resource means that there is scope for Shetland to become self-sufficient for electricity production. With a focus on green energy solutions, development of renewable energy could be coupled with links to the construction industry whereby future buildings on Shetland are built to a much higher energy conservation standard. This is believed to be critical - while Shetland's wind resource

² Renewable Energy Resource Assessment for Orkney and Shetland – Full Report and Management Briefing, Rev 2, July 2005, Aquatera Ltd. Commissioned by Orkney Enterprise and Shetland Enterprise

is an asset for generating heat, its ability to chill premises rapidly is also a liability. Reducing fuel poverty on the island must be a priority.

Furthermore, the community dividend from oil and gas activity has been substantial. This has the benefit of providing access to financial resources to support renewable energy development. Those involved in the development of this strategy believe that harnessing renewable energy will replace declining dividends from the oil and gas industry and benefit the community at large.

Overcoming our Weaknesses

Investments in Renewable Energy projects are generally long-term (20-25 years), and often involve relatively high levels of debt finance. Investors appraise projects according to their long-term return and may compare them to other (non renewable) investment paths. In the case of Shetland, the local electricity distribution network is currently at capacity (a development of less than 250 kW is believed to be possible). Without improvements to the capacity of the network the scale of potential new renewable energy projects will remain limited. Furthermore it is expected that constructing a case for expanding the local distribution system on the basis of existing and projected demand levels on the island would be challenging.

The lack of a link to the UK National Grid and limitations within the existing local network are significant infrastructure constraints. There will be opportunities to develop renewable energy projects 'off-grid' but the attractiveness of Shetland as a location for investment is diminished without a grid connection.

To overcome this constraint and create a step-change in the opportunities for renewable energy development in Shetland we either have to significantly increase demand for electricity within Shetland (avoiding energy inefficiency), perhaps by replacing other forms of fuel with electricity or replacing other forms of fuel with alternative clean energy technologies that do not require an improved electricity network; or find a way to export our product, just as we do in our main industries of oil and gas, fisheries and aquaculture.

Our Objectives for the Future

The underlying rationale for pursuing renewable energy in Shetland is that its development offers a rare opportunity to achieve a unique combination of economic, community and environmental benefits which improve the overall quality of life in Shetland.

By using this strategy as our guide, we will make sure that wherever possible our support for development ensures that we obtain the optimum economic, community and environmental benefits from our investment.

Based on our vision, we have developed objectives for renewable energy development in Shetland. These objectives, stated below, will be used to guide the prioritisation of renewable energy initiatives within the islands. The same objectives will also be used to gauge our success as we progress our action plan.

Our objectives are to:

- 1. Develop sustainable, economic and effective solutions which significantly reduce the volume of non-renewable fossil fuels required to power Shetland.**
- 2. Create employment, income and new skills in Shetland by stimulating new economic activity linked to the presence of renewable energy resources in the islands.**
- 3. Ensure there are direct benefits, in addition to employment, income and new skills, to the community from renewable energy development in Shetland.**
- 4. Enable peripheral communities to use renewable energy as a way to enhance the viability of their community and community facilities.**
- 5. Stimulate awareness of the importance of renewable energy and the need to reduce carbon emissions; and develop skills in energy efficiency and renewable energy alternatives.**

Principles of Development

However, we must achieve these objectives in the context of our vision for a high quality of life in Shetland. Therefore, we are setting the following principles which should be pursued in all of the activities we support:

- support or engagement from the community in our activities; and
- protection of the special qualities and characteristics of Shetland's natural and historic environment.

Our objectives, and the actions which could support Shetland to achieve success, are explored further in the remainder of this strategy and in the accompanying action plan.

Achieving Our Objectives

As stated, our overarching aim is to enhance the quality of life in Shetland for generations to come by achieving the optimum value from the renewable resources that are available in and around the islands.

Our community already has recent experience of pursuing community benefits from new industries in the islands. The lessons we have learned mean that we are well placed to secure optimum value from another new and emerging industry in our community.

Under each of our objectives, we set out the direction we want to go and the nature of activity we wish to target. The objective should remain robust and meaningful regardless of changing conditions. However, as we achieve success, as technology develops and our circumstances change, the priorities within each objective are flexible and can be adapted to changing conditions.

While the future of the electricity grid in Shetland is uncertain, this strategy and the associated action plan are based on the assumption that improvements to the local electricity network are feasible and that both private and public sector investment can be attracted to Shetland.

Objective One: Develop sustainable, economic and effective solutions which significantly reduce the volume of non-renewable fossil fuels required to power Shetland.

The long-term benefit of objective one will be an improvement in Shetland's energy security through a reduction in the islands dependence on, and hence vulnerability to non-renewable fossil fuels and fluctuating global prices.

There are two routes to achieving this objective and we will pursue both. The first is through improved energy efficiency which should lead to reduced consumption; and the second is by replacing non-renewable fossil fuels with renewable energy alternatives.

The Carbon Management Strategy (CMS) currently being developed by Shetland Islands Council will provide the detail on how the Council will reduce its consumption of non-renewable fossil fuels in line with this objective. It is hoped that success under CMS will encourage wider community engagement and wider adoption of successful solutions.

The priorities for Shetland under this objective are summarised below.

Energy Efficiency

The partners in the project will pro-actively encourage the adoption of energy efficient practices. There is a risk that this only leads to improved levels of comfort but its purpose is to reduce energy consumption in Shetland. This can be an important step in achieving our objective to reduce the volume of non-renewable fossil fuels consumed in Shetland.

One key area of activity will be to engage Shetland's public bodies and the construction industry in our objective and encourage energy efficient construction in new public buildings. By choosing to lead though example, and encouraging new skills and knowledge to develop within the construction industry in Shetland, we can promote the wider adoption of greater energy efficiency throughout Shetland.

Carbon Replacement

Perhaps the more ambitious priority area under Objective One is to replace the consumption of non-renewable fossil fuels with the consumption of energy from renewable resources.

Shetland uses a wide range of non-renewable fuels, both for onshore and offshore activities. Some of these applications will be more readily adapted to renewable sources of energy than others. For example, the gas oil used for heating households already has proven renewable energy alternatives, however, the renewable alternative to the diesel required to power our ferries and private and commercial vessels, is not so apparent. However, technology will continue to develop, particularly as the financial rationale for using fossil fuels diminishes as prices rise. This will continually force innovation and Shetland should be at the front in adopting new alternatives. The high degree of vulnerability within our community from rising fossil fuel prices, and the quality of our natural resource, means that renewable alternatives are likely to become viable in our community before they become viable elsewhere.

Our priority will be to encourage innovation, identify the options already available to Shetland and investigate how adoption of renewable energy alternatives can be stimulated.

Objective Two: Create employment, income and new skills in Shetland by stimulating new economic activity linked to the presence of renewable energy resources in the islands.

The long-term benefit of objective two will be diverse and successful local businesses and inward investment in Shetland which supports skilled employment locally.

The strategy process had identified three main routes by which we could achieve this objective. However, achieving success under this objective, more so than perhaps any of the other objectives, is likely to be closely linked to the development of the local grid and its connection to the national grid. Without key pieces of infrastructure it is expected to be difficult to attract new private investment in renewable energy to Shetland.

The three areas under which we propose to pursue development in order to achieve this objective are: new business investment in renewable energy generation; investment in renewable energy research and development activities; and new business investment which takes advantage of access to renewable energy.

Stimulate interest in renewable energy generation in Shetland

Preparatory work can be undertaken now to prepare Shetland for the opportunities that could be created by an interconnector. The interconnector proposed is being constructed to support one specific project. However, it is widely anticipated that there will be capacity for additional generation within Shetland. It is considered important that Shetland clearly states the nature of additional development that it may want to secure so that it can prioritise the different opportunities that could present themselves if the interconnector is constructed, and have the ability to sift out those that do not fit with long-term development plans. All of the objectives within this strategy should assist this task and future developments should be prioritised which provide the optimum value in terms of economy, community and environmental impacts. Any preparatory analysis of future opportunities may include specific consideration of Objective Four, enhancing the viability of peripheral communities.

Stimulate interest and pursue renewable energy R&D activity in Shetland

There is a strong belief that Shetland offers distinct advantages as a test location for prototypes and as an 'extreme conditions' test-site. The attraction of research and development activity to Shetland offers spin-off benefits through the location of knowledge based jobs within the islands. Shetland's ability to attract investment will be greater if there is a potential to connect a test project to the electricity network. However, there is expected to be some 'off-grid' opportunities and preparatory work can be undertaken now to prepare Shetland for the opportunities which could offer the greatest potential success.

Promote Shetland as a location for low cost or 'green' energy solutions for business

Industry in Shetland is often disadvantaged in comparison to other locations. This is directly linked to our peripherality, often because of the cost of transport, whether raw materials are being imported or products are being exported, and the restricted access to labour and markets. If Shetland can off-set this disadvantage through lower cost or green energy solutions there may be substantial benefits in promoting Shetland to businesses or industries that are energy intensive and may not be particularly dependent on high volumes of goods being transported. Actions under this objective could therefore target businesses which are not directly involved in renewable energy generation or development but may benefit significantly from access to renewable energy resources. Similar to the previous two priority areas under this objective, the opportunity to achieve this is expected to be enhanced by improved electricity grid access.

If one or more of these three priorities can be achieved it will also provide opportunities for substantial spin-off benefits in the local economy. When considering a proposed development it will be important to understand how its legacy could support wider business development and growth in ancillary businesses and services.

Objective Three: Ensure there are direct benefits, in addition to employment, income and new skills, to the community from renewable energy development in Shetland.

Objective two is focused on the direct generation of economic benefits. The focus of objective three is to ensure that the long-term aim of enhancing the quality of life is also pursued by activity which directly targets wider social benefits.

The strategy process made it very clear that the pursuit of renewable energy was desirable not only from an economic perspective but from a community perspective. This objective aims to ensure that every opportunity is taken to maximise additional community benefits from the development of the renewable energy industry in Shetland.

Areas of particular interest under this objective are initiatives that can be developed to:

- protect individuals and businesses in Shetland from future price rises for finite fossil fuels;
- provide a return on investment which can be invested in energy efficiency activities;
- provide a return on investment which can be invested in wider community services and facilities; and

- ensure that developers adopt sustainable development principles and that communities directly affected by development achieve direct economic or environmental benefits.

Objective Four: Enable peripheral communities to use renewable energy as a way to enhance the viability of the community and community facilities.

To the peripheral communities within Shetland, and indeed Shetland itself, the development of renewable energy technologies provides an opportunity to create long-term benefits by enhancing community sustainability.

Shetland is experiencing population decline, with projections for further decline in the next 20 years. In addition, within Shetland there is population out-migration from Shetland's more peripheral communities and population drift towards the main employment centre of Lerwick.

Renewable energy developments could offer new economic activity and opportunities to enhance community viability in areas where there are limited opportunities for economic diversification. Examples of the types of opportunities which might be prioritised under this objective include developments which:

- provide a direct financial return to community development trusts which could in turn be used to support community development activities;
- create employment opportunities in peripheral locations; and
- reduce the fragility of community facilities and services and rejuvenate them, as already experienced in some community halls.

Objective Five: Stimulate awareness of the importance of renewable energy and the need to reduce carbon emissions; and develop skills in energy efficiency and renewable energy alternatives.

The long-term benefit of objective five will be to create a community that is known for, and exports, its expertise; and where clean energy technology is embedded in everyday life, both at work and home.

Our ability to achieve any of our objectives is dependent on having people in Shetland who can deliver renewable energy projects. This requires awareness raising, knowledge transfer and skills development.

One of Shetland's many strengths is that there are already several companies actively engaged in new and innovative renewable energy projects. However, to progress our ambitions for improved energy efficiency and increased uptake of renewable energy alternatives, the enthusiasm of the individuals within these companies must be shared in the wider community.

There are a number of ways in which awareness raising and skills development can be achieved. Potential areas of focus include:

- demonstration projects which could be promoted to both Shetlanders and a wider audience;
- links between businesses and colleges;
- investment in skills development in colleges, although this will require a suitable local outlet for the skills of significant scale to warrant investment in new courses; and

- curriculum enhancements to develop renewable energy and carbon reduction knowledge.

Good Governance

To achieve our vision and our objectives for renewable energy development the strategic process and action plan will require robust governance. We must ensure that we not only pursue activities that fit with our objectives, but that we do so in view of our overarching aim about the quality of life in Shetland and the development principles which have been set for community involvement and good environmental stewardship.

The characteristics which will ensure good governance for our strategy and action plan are:

- we will create a strategic and operational structure which will take responsibility for the strategy and the prioritisation of activity through robust project appraisal mechanisms;
- we will ensure community involvement in the management of the strategy;
- we will ensure that our activities support and enhance our reputation for good environmental stewardship;
- we will ensure our activities fit with local plans and, where appropriate, with national strategies for renewable energy; and
- we will monitor progress against our objectives to assess whether our activities are supporting the desired change.

We describe how we will achieve each of these characteristics in more detail below.

Strategic and Operational Structure

It is proposed that two groups are formed to oversee and drive forward the effective implementation of the strategy:

- a Strategic Board; and
- a Management Group.

Strategic Board

A Strategic Board will be assembled to engage a relevant cross-section of representatives. The selection of these representatives will be designed to provide input from the Community, the Commercial Sectors, the Public Sector, national Government and the research community. The role of the Board will be to provide appropriate strategic direction for the implementation of the strategy over a period of up to five years.

The Board will meet twice per annum. At its first meeting, it will approve the action plan and associated milestones prepared by the Management Group and whether a weighting system should be applied to the objectives. This will be used to measure progress over the lifetime of the strategy. Furthermore it can identify when actual or proposed activity diverts from the initial plan and agreement can be sought from the Board on the rationale behind any diversion.

In essence the Board's role will be to provide direction and guidance.

Management Group

The Management Group is proposed to represent members of local organisations (both public and private) which have day-to-day responsibility for implementing elements of the action plan.

The representatives will be selected on the basis of their decision-making authority within their respective organisations. The group are expected to meet monthly to ensure effective implementation of the action plan. It is also proposed that this management group undertakes a prioritisation exercise to establish, in agreement with the Board, the first steps to be pursued.

In essence, the Group's role will be to sustain their organisations' commitment to implement the project and ensure that the necessary resources are made available for its effective implementation.

Community Involvement

Community engagement and ownership of the future direction of renewable energy in Shetland is a principle which underpins the implementation of this strategy and action plan. It is proposed that this will be achieved through two routes:

- community representation on the Strategic Board; and
- a transparent management process for the strategy which provides opportunities for feedback from community members.

Environmental Stewardship

As stated in our Principles of Development, we will ensure that renewable energy generation projects are developed in a sustainable way. It is important to protect the special qualities and characteristics of Shetland's natural environment, biodiversity, historic environment, landscapes and seascapes

It is essential that a renewable energy strategy of this kind, that could have significant implications for the environment, is tested on its potential environmental effects and its capacity to support sustainable development.

Sustainable Development

The aims for sustainable development in Scotland were set out in "Choosing our Future – Scotland's Sustainable Development Strategy"³. The main thrust of the strategy is enshrined in four key goals:

- the well being of Scotland's people;
- supporting thriving communities;
- Scotland's global contribution; and
- protecting Scotland's natural heritage and resources

³ Choosing our Future – Scotland's Sustainable Development Strategy", Scottish Executive (now Government), December 2005

The Scottish Government in 2007⁴ further developed these into five strategic objectives and it is important to ensure that our strategy and subsequent actions are in line with the sustainable development goals and the Scottish Government Strategic Objectives (Figure 1)

Figure 1: Scottish Government Strategic Objectives

1	Wealthier and Fairer – Enable businesses and people to increase their wealth and more people to share fairly in that wealth.
2	Healthier – Help people to sustain and improve their health, especially in disadvantaged communities, ensuring better, local and faster access to health care.
3	Safer and Stronger – Help local communities to flourish, becoming stronger, safer places to live, offering improved opportunities and a better quality of life.
4	Expand opportunities for Scots to succeed from nurture through to lifelong learning ensuring higher more widely shared achievements.
5	Improve Scotland's natural and built environment and the sustainable use and enjoyment of it.

Strategic Environmental Assessment

The Environmental Assessment (Scotland) Act 2005 is the statutory mechanism by which the requirements of the European Directive 2001/42/EC – “On the assessment of the effects of certain plans and programmes on the environment” (known as the Strategic Environmental Assessment or SEA Directive) are now delivered in Scotland. The purpose of the SEA Directive is twofold. Firstly it aims to provide for a high level of protection of the environment and secondly ensure that environmental considerations are taken into account in the preparation and adoption of plans. This should promote sustainable development as part of the planning process.

Although there is no legal requirement for undertaking a formal SEA of this Renewable Energy Strategy (since it is not a formal planning document produced by the Shetland Islands Council as supplementary planning guidance) it will nevertheless inform future economic planning in Shetland. The Strategy will have significant implications for the environment and so it is considered essential that the Strategy is screened against SEA objectives developed by the Council at the earliest opportunity to ensure that environment is considered in a more formal way throughout the strategy development process and the associated action plan.

A preliminary SEA appraisal of the strategic objectives of this plan is summarised in Appendix B.

Fit with Local Plans National Renewable Energy Strategies

SIC is in the process of developing its Interim Planning Policy for Windfarms which is due to go for consultation in Autumn 09 and which will apply to developments of up to 20MW capacity. Future developments will be required to conform to this policy when it is operational. For larger developments, the Scottish Government's SPP6 applies. The application of both policies will incorporate a broad areas search to identify the least constraints (in land use terms) for each proposal under consideration.

⁴ Principles and Priorities: The Government's Programme for Scotland

In parallel to both FPP6 and the Council's Interim Planning Policy for Windfarms, the Marine Spatial Plan governs the development of marine based resources.

We will also pursue our strategy in line with appropriate national renewable energy strategies. However, at this time we are awaiting publication of key strategic documents. Once these have been published we will review our strategy to ensure that we fit, where appropriate, with national ambitions. In summary the key strategies are expected to be:

Renewable Energy Strategy (UK, BERR/DECC)

Consulted on in 2008, formal publication expected 'this spring'.

The UK Government has already announced that part of the strategy will include a Renewable Heat Incentive from 2011, and a feed-in tariff for small generators (i.e. fixed price for electricity sold to the grid) from 2010.

Renewables Action Plan (Scotland)

The Scottish Government consultation on the Renewable Energy Framework closed in December 2008. Scotland's Renewables Action Plan is due for publication in Summer 2009. It is intended to be aligned with the UK Renewable Energy Strategy.

Heat and Energy Saving Strategy (UK, DECC)

Consultation on this strategy formally closed 8 May, extended to 15 May. A response to the consultation is likely in early autumn.

Energy Efficiency Action Plan (Scotland)

The Scottish Government intends to develop its Energy Efficiency Action Plan throughout 2009, with a view to publishing the plan by the end of the year.

Monitoring Progress

Our strategy makes clear that there are opportunities for transformational change as a result of renewable energy development but that there are also challenges to be overcome. When resources, both time and finance, are being invested in the strategy and action plan it is important to understand the degree of success achieved from our investment. Monitoring the success of different activities is crucial and this should be done at an individual project level. However, the following indicators should help to understand the changes occurring at a macro level in Shetland as a result of measures to support renewable energy and energy efficiency.

1. MW capacity of renewable energy activities in Shetland.
2. Total energy consumption per head of population.
3. Volume of imported fossil fuel per head of population.
4. Renewable electricity production as a fraction of total electricity consumption within Shetland.
5. Number of households in fuel poverty.

6. Population out-migration from peripheral communities.

For some of these indicators data is already available, but in general there is limited information upon which a valuable baseline analysis can be constructed. It will be an early ambition of the strategy board to establish what baseline data can be efficiently and effectively collected for Shetland and how often it can be updated.

By pursuing good governance in the management, implementation and monitoring of the strategy we will significantly enhance our likelihood of success.

2 Action Plan

Please turn over to see the proposed content of the action plan.

The action plan which follows has been created to support the strategy for renewable energy development in Shetland. The plan contains a wide range of potential actions which have been suggested by consultees or as a result of the analysis undertaken in the preparation of the strategy. These actions are not presented in any order of priority at this stage.

The plan also contains a framework to assist decision-makers to assess the expected impact of different actions. The framework specifies, under each of the five strategic objectives, the nature of the impacts that could be expected to assist Shetland achieve its strategic goals. Alongside this there is a scale which allows an assessment to allocate a 'score' to an action under each objective. It is proposed that the Strategic Board for the strategy agrees whether each objective should be given an equal weighting or whether one or more of the objectives demand a higher weighting than the others. The main benefit of using this framework is to improve understanding of the expected impacts of a project which will mean that decision-makers and project sponsors will be able to assess how well a proposed project meets the objectives of the strategy. This will help decision-makers to prioritise projects. Other benefits include it could influence project sponsors to alter the design of a project to better meet the ambitions for renewable energy development in Shetland; and it creates a transparent decision-making process which enables those not directly involved in decision-making to understand how projects are prioritised.

Following appraisal against the framework a list of prioritised actions should be created and each prioritised action should be considered against the underpinning Principles of Development regarding community involvement and environmental protection to ensure that these overarching goals are also addressed.

It is proposed that once the Management Team is formed that the Team jointly assesses each action against the framework. This will support the Team to buy-in to both the prioritised actions and the decision-making process. This prioritised action plan and the final version of the strategy could be presented to the first meeting of the Strategy Board.

The action plan which follows the appraisal framework is divided into the five strategic objectives to show which objective a proposed action targets. Each action is explored under a number of headings which include:

- a unique reference number which links the action to an objective;
- a description of the activity proposed;
- a description of the main benefits expected;
- potential risk perceived for the activity;
- potential project sponsors, which identifies who might be interested in getting involved in a particular activity. With the exception of SSE no other potential private sector sponsors are mentioned;
- a broad estimate of the potential cost of each activity (no specific scoping work has been done therefore actual costs could vary significantly);
- a column which specifies whether the action is expected to make a contribution to any of the other strategic objectives; and
- an initial appraisal of how important improved grid access is likely to be to the success of the proposed activity.

Framework to Appraise Potential Actions and their Expected Impacts against Objectives

Objective	Impact Appraisal Criteria by Objective	Potential Scale of Impact			
		-	✓	✓✓	✓✓✓
1	Extent to which activity could lead to innovative solutions to the challenges faced, a reduction in the volume of carbon emissions and/or a reduction in the volume of, and therefore dependency on, fuel imported into Shetland.	No net impact expected on carbon emissions or the volume of fuel imported. No new innovation is proposed.	Expected to lead to a small reduction in carbon emitted (<1%) and/or a small reduction in one type of fuel which is imported (<3%).	Expected to lead to noticeable reductions in carbon emissions (1% to 3%) and/or a noticeable reduction in one type of fuel which is imported (3% to 5%) and/or develops an innovative solution which could have practical applications.	Expected to lead to significant reductions carbon emissions (3%+) and/or a significant reduction in one type of fuel which is imported (5%+) and/or develops an innovative solution which could be widely adopted.
2	Extent to which activity will affect the economic development of Shetland as a whole. This could be linked to employment and new business activity in renewable energy activities or commercial activities which benefit from access to renewable energy.	Employment and business activity could displace current activity but no net impact is expected for Shetland as whole.	Expected to create a small number of jobs (<10) for a period of 5 years or more within energy industry or ancillary businesses and services. and/or Temporary construction employment is expected (<30 jobs, 30 FT year equivalents) which local firms benefit from.	Expected to create some jobs (10-20) for a period of 5 years or more within the energy industry or ancillary businesses and services. and/or Temporary construction employment is expected (30+ jobs, 30 FT year equivalents) which local firms can benefit from.	Expected to create a significant number of jobs (20+) for a period of 5 years or more within the energy industry or ancillary businesses and services. and/or a small number of new high quality jobs (5+) are created for a period of at least 2 years which bring new skills to Shetland.
3	Extent to which activity could lead to a reduction in fuel poverty and improve overall comfort and well-being within the community.	No net change in the levels of fuel poverty is expected and there is unlikely to be any improvement in the services available to the community.	There is expected to be little change in the levels of fuel poverty but there are some improvements in the sustainability of services available throughout Shetland.	There is expected to be a noticeable reduction in fuel poverty and/or there should be improvements in quality and range of services available throughout Shetland which improve overall health and well-being.	There is expected to be a substantial reduction in fuel poverty and/or there should be substantial and sustainable improvements in the services available throughout Shetland which improve overall health and well-being.
4	Extent to which activity could support the more fragile communities within Shetland to enhance their sustainability through renewable energy activities.	There is no impact expected on the more fragile communities within Shetland.	Renewable energy activities are expected to improve the sustainability of existing facilities and services in the more fragile communities around Shetland.	Additional wealth is expected to be generated in the more fragile communities around Shetland from renewable energy activities. This wealth supports local facilities and services and improves the overall quality of life for existing residents.	Additional wealth <u>and</u> local employment is expected to be created in the more fragile communities around Shetland from renewable energy activities. This attracts and/or retains population.
5	Extent to which activity is expected to create new skills or raise awareness that could lead to increased renewable energy activity and/or improved energy efficiency.	There is no impact expected on the skills or knowledge within Shetland. There is no promotion of renewable energy development.	A small number of individuals benefit from knowledge transfer.	New knowledge or skills is developed which supports sustainable change in energy efficiency practices. The project raises awareness within Shetland and elsewhere of the benefits of renewable energy activities.	Local businesses benefit from new skills which improves uptake of energy efficiency measures and renewable energy alternatives. The project promotes a powerful renewable energy image of Shetland.

Objective One: Develop sustainable, economic and effective solutions which significantly reduce the volume of non-renewable fossil fuels required to power Shetland.

Ref	Activity	Potential Benefits	Potential Risk	Potential Sponsors	Potential Cost	Other Objectives Met	Importance of Grid Improvement
1-1	Investigate renewable transport fuel options for road transport and sea based vessels within Shetland. Within this review(s), establish the fuel price increase necessary in order to make the next best option economic. [A related project is already underway investigating road transport fuel options]	Could reduce the use of finite fossil fuels in transport, retain money within the Shetland economy and achieve 'first-mover' image benefits. This project could also build on the hydrogen research already undertaken in Shetland.	Limited risk as it is an investigative review. The price of fuel in the intervening period is likely to influence the economics and the willingness to engage.	ZetTrans, SREF, HIE, SCT, SIC, Carbon Trust, SSE (for electric vehicles)	Less than £50,000 for initial investigation and scoping of a pilot project if justified. Pilot cost unknown but likely to be significant.	2,3,5	Low / Critical (Likely to be critical if only economic solution is electric)
1-2	Identify the local applications where hydrogen technology would provide a competitive option in comparison to alternative energy sources and support an innovative pilot project.	The project could be designed to maximise local benefit and create a test project which could demonstrate wider global applications. Will build on research activity and knowledge already in Shetland and create local demand for further research.	Other technologies may beat hydrogen to widespread adoption. Development costs may be prohibitive.	SREF, HIE, UHI, SIC, Carbon Trust	Less than £50,000 to scope the project. Pilot cost unknown but likely to be significant.	2,3,5	Low
1-3	Undertake an analysis of fossil fuel based energy use across Shetland and identify opportunities for reduction or replacement with renewable alternatives and the conditions required for success (such as fossil fuel price increase).	Enables Shetland to set realistic and relevant CO2 reduction targets and show contribution to National and EU emissions.	No risks identified.	SREF, HIE, SIC, UHI	Less than £50,000	5	Low / Critical (Likely to be critical if only economic solution is electric)
1-4	Undertake a technical study of wind (and other renewable) penetration on existing Shetland electricity system. Incorporate a review of the possible use of deferrable electric heating demand and electric vehicle charging to improve control of electricity system.	Could allow greater penetration of renewable energy on the existing electricity system.	SSE is not able to invest in such a study until the outcome of the Viking Energy project is clear. The required technical information may be unavailable from SSE for confidentiality reasons.	SREF, SSE, Carbon Trust	£30,000-£80,000	2,4	Low

Ref	Activity	Potential Benefits	Potential Risk	Potential Sponsors	Potential Cost	Other Objectives Met	Importance of Grid Improvement
1-5	Appraise the economic costs and benefits of providing large scale heat from wind (or other renewable) via a district heating system, versus direct electric heating by wind.	Will identify the best renewable heating option for Shetland which can then be compared against conventional options for heating in Shetland.	Limited risks as it is an investigative review	SREF, SCT, SIC	Less than £50,000	4	Low
1-6	Investigate and develop a pathway as to how Shetland, or communities within Shetland, could develop as a zero carbon community.	Identify whether it is feasible to pursue Shetland as a 'carbon-neutral' location. Provide assistance to communities to develop their own carbon neutral strategy.	No risks identified.	SREF, SIC, HIE, SG	Less than £50,000	3,4,5	? Depends on pathways available
1-7	Promote the measures pursued by the SIC Carbon Management Strategy to the wider public.	Learn lessons, adopt proven solutions for Shetland's climate.	No risks identified.	SIC	Less than £10,000	2,3,4,5	Low
1-8	Promote dialogue between developers and environmental agencies.	May give developers early advice and information regarding the potential impact of specific projects.	No risks identified.	Environmental Agencies, Developers and SRET	Effort required not finance. May result in cost savings.	5	Low

Objective Two: Create employment, income and new skills in Shetland by stimulating new economic activity linked to the presence of renewable energy resources in the islands.

Ref	Activity	Potential Benefits	Potential Risk	Potential Sponsors	Potential Cost	Other Objectives Met	Importance of Grid Improvement
2-1	Develop mechanisms to support research and development in Shetland and ensure R&D linkages to future renewable energy projects.	Builds on existing R&D activity and enhances opportunities to create linkages between firms, colleges and research institutions. Could lever in research funds from elsewhere and attract high value jobs.	The spend does not lead to new developments and that the research staff leave creating no legacy benefits. Fit with planning policy.	SREF, SIC, HIE, UHI, DECC, EU	Less than £250,000 locally. Aim to lever in £2 million.	1,4	Low / Critical (Likely to be critical for R&D focused on electricity generation)
2-2	Investigate potential for marine research and development (a scoping project has recently been funded).	Could extract further value from Shetland's high quality marine infrastructure and services. May help to identify technologies best suited to Shetland.	Findings may not identify a sufficiently unique strength to overcome other disadvantages of operating in Shetland, for example transport costs and in particular an insufficient electricity network.	HIE, SIC, EU, NAFC	Less than £50,000		High / Critical

Ref	Activity	Potential Benefits	Potential Risk	Potential Sponsors	Potential Cost	Other Objectives Met	Importance of Grid Improvement
2-3	Develop a renewable energy network of contacts throughout Europe and create a coherent promotional message for Shetland. Specifically target higher education institutions (could review success of Heriot Watt link to Orkney)	Use these contacts to understand the needs of developers and how and where Shetland may offer advantages or a unique selling point.	No risks identified.	SIC, HIE, SEGEC, SREF, UHI	Less than £10,000	5	Low (May be 'High' or 'Critical' for any follow-on activities)
2-4	Investigate potential for onshore wind test site for 'extreme conditions' testing.	Promote a coherent message about the strength of Shetland's resource. Could be attractive to manufacturers as tests would be completed more quickly in Shetland's operating environment; if close to a port transport difficulties could be reduced; and they could use 'Shetland rated' as an approval mark.	Would need to resolve grid connection issue but potential that it is technically possible to run it isolated from the grid as there may be advantages in testing controlled disturbances on a mock grid. May require significant investment and demand could be variable and inconsistent.	SIC, SSE, SREF, HIE	Less than £50,000 for investigation		High
2-5	Develop a legacy plan for large-scale renewable energy projects to ensure potential spin-off benefits are maximised	Identifies a coherent approach to pursuing spin-off benefits such as waste heat projects, test-sites, energy efficiency investment, micro-renewable investment, pilot project investment from community return on investment	No risks identified.	SIC, Developers, HIE	Effort required rather than finance. Legacy actions may require finance.		Critical
2-6	Develop a programme of support to assist local construction firms to visit demonstration projects and develop new skills which can be applied locally and will help them to bid for any renewable energy projects.	Increase the value of projects to the local community	Lack of local critical mass to respond Fit with local planning policy	SIC, HIE (NoSIG)	Less than £20,000		Low
2-7	Investigate economics of fertiliser production on Shetland using electricity from renewable production and use this to reduce the impact on the electricity system	To protect the agricultural industry from future oil price rises and the knock-on impact to the cost of fertiliser and to retain money in the local economy.	Economics of fertiliser production may strongly favour large centralised plants	Carbon Trust, SREF, Agricultural industry	Less than £50,000 for investigation	3,5	Low / Medium

Objective Three: Ensure there are direct benefits, in addition to employment, income and new skills, to the community from renewable energy development in Shetland.

	Activity	Potential Benefits	Potential Risk	Potential Sponsors	Potential Cost	Other Objectives Met	Importance of Grid Improvement
3-1	Investigate the economics of wind to heat for individual buildings with reference to the latest technology and current ROC mechanisms	Research could identify specific opportunities that are suited to Shetland, could create net income through ROC mechanism and could help to address fuel poverty.	No obvious risk	SIC, SCT, Carbon Trust	Less than £30,000 for investigation	1,2,4,5	Low
3-2	Evaluate success of existing wind to heat installations	Objective assessment showing benefits of wind to heat on Shetland	Availability of operating data	SIC	Less than £20,000	4,5	Low
3-3	Consider technical options for making use of waste heat from a HVDC converter station, should future large scale Renewable Energy projects be implemented	This may improve the economics of a district heating scheme, for example in Scalloway, or other agricultural or horticultural activities.	No obvious risk	SSE, Carbon Trust, SIC	Less than £50,000 for investigation	1	Critical
3-4	Encourage households affected by fuel poverty to take-up support to improve energy efficiency adoption. Consider providing top-up support if access to finance is a clear barrier. Consider investment as a legacy requirement of future large-scale Renewable Energy projects.	To improve comfort levels, reduce energy consumption and reduce fuel poverty.	The benefit may be taken as improved levels of comfort, with no reduction in consumption.	SCT, SIC, SSE, Energy Saving Trust	£2 million pilot	5	Low

Objective Four: Enable peripheral communities to use renewable energy as a way to enhance the viability of their community and community facilities.

	Activity	Potential Benefits	Potential Threats	Potential Sponsors	Potential Cost	Other Objectives Met	Importance of Grid Improvement
4-1	Create a transparent support programme which assists settlement based renewable energy developments.	To encourage communities to build their own development capacity and create sustainable benefits. If grid improvements are achieved this could generate a substantial income for a local development company.	Fit with planning policy	SIC, CES, HIE	Depends on how many community projects can be supported	1	Low / Critical (Will be 'Critical' for electricity generating projects)

	Activity	Potential Benefits	Potential Threats	Potential Sponsors	Potential Cost	Other Objectives Met	Importance of Grid Improvement
4-2	Support professional assistance to community projects including project management and planning advice.	To maximise the impact of community project implementation. To minimise the barriers encountered by groups putting forward projects.	No obvious risk	CES, SIC, HIE	Less than £50,000	1,3	Low
4-3	Engage in Scottish and UK energy policy making	Ensure that national policy takes into account the need of peripheral communities such as Shetland and the more fragile communities within Shetland	Other factors more influential	SIC, HIE, SREF, CES	Effort rather than cost	1,2,3,5	Low

Objective Five: Stimulate awareness of the importance of renewable energy and the need to reduce carbon emissions; and develop skills in energy efficiency and renewable energy alternatives.

	Activity	Potential Benefits	Potential Risk	Potential Sponsors	Potential Cost	Other Objectives Met	Importance of Grid Improvement
5-1	Encourage inclusion of Renewable Energy projects in the school curriculum locally to increase focus on energy efficiency, and carbon reduction.	Increased awareness, interest and ultimately cultural change.	Success will depend on capacity/willingness to introduce or expand subject within curriculum.	SREF, SIC, HIE (STEM)	Less than £10,000	-	Low
5-2	Evaluate the success of existing building-specific Renewable Energy schemes that are implemented	To inform future investment	None identified.	HHA, SIC			Low
5-3	Incentivise the use of the highest standards of energy efficiency in construction practices. Standards could be set and demonstrated in new public buildings and new Housing Association or Council Housing. Consider investment as a legacy requirement of future large-scale Renewable Energy projects.	Creation of new skills within construction industry. Reduction in risk of fuel poverty. Public sector sending a clear message to the community about the way forward.	The public sector may not be willing to invest in energy efficiency standards which exceed current requirements.	SIC, NHS, HHA, SREF	Dependent on scale and nature of new projects.	1,2,3	Low (unless investment is dependent on generation of additional community funds)
5-4	Identify expertise that could be developed through further or higher education courses or post-graduate research	Development of new skills and knowledge	New course development will be dependent on sufficient demand from industry	UHI, HIE, SDS	Less than £50,000	1,2,3,4	Low

Appendix A

Please see over for a table specifying options for the utilisation, distribution and use of renewable energy resources in Shetland.

Appendix A: Options for the Utilisation, Distribution and Use of Renewable Resources in Shetland

Resource	Technology	Form of Energy Consumed	Options for Distribution and Transmission	Potential Consumer
Wind	Wind turbines	<ul style="list-style-type: none"> Electricity 	<ul style="list-style-type: none"> Existing electricity network Subsea cable to the mainland 	<ul style="list-style-type: none"> Shetland based households, commercial and public buildings and transport Mainland customers
			<ul style="list-style-type: none"> Direct installation at buildings (micro-generation) 	<ul style="list-style-type: none"> Individual buildings, which may or may not also be connected to the existing electricity distribution system
		<ul style="list-style-type: none"> Heat 	<ul style="list-style-type: none"> District heating system (i.e. wind turbines directly providing electricity to heat water in the system) 	<ul style="list-style-type: none"> Individual buildings within range of district heating system
			<ul style="list-style-type: none"> Electric heating in buildings via the existing electricity network⁵ 	<ul style="list-style-type: none"> Shetland based households and commercial and public buildings
			<ul style="list-style-type: none"> Direct installation at buildings, for electric heating only (micro-generation) 	<ul style="list-style-type: none"> Individual buildings
		<ul style="list-style-type: none"> Hydrogen⁶ 	<ul style="list-style-type: none"> Storage medium for export to any destination 	<ul style="list-style-type: none"> Individual buildings Transport (road vehicles, ferries)
Offshore Wind, Wave and Tidal	Various technologies (all electricity generating)	<ul style="list-style-type: none"> Electricity 	<ul style="list-style-type: none"> Existing electricity network Subsea cable to the mainland 	<ul style="list-style-type: none"> Shetland based households, commercial and public buildings and transport Mainland customers
		<ul style="list-style-type: none"> Heat 	<ul style="list-style-type: none"> District heating system (i.e. directly providing electricity to heat water in the system) 	<ul style="list-style-type: none"> Individual buildings within range of district heating system
			<ul style="list-style-type: none"> Electric heating in buildings via the existing electricity network⁷ 	<ul style="list-style-type: none"> Shetland based households and commercial and public buildings
		<ul style="list-style-type: none"> Hydrogen 	<ul style="list-style-type: none"> Storage medium for export to any destination 	<ul style="list-style-type: none"> Individual buildings Transport (road vehicles, ferries)

⁵ Potential to provide lower cost heating, controlled by the provider to match the varying output of the wind turbines, which could potentially be sold cheaper than fuel oil. It is not clear which heating solution is most economic: investigation of this is included in the Action Plan. With an interconnector, there may be a complex optimisation which could result in installation of greater wind capacity than the interconnector capacity. It may be most economic to export all output wherever possible, and any output which cannot be exported due to interconnector capacity is used to provide electric heating on Shetland.

⁶ It is likely that the most beneficial application of hydrogen will be where there is no distribution network for electricity.

⁷ As for note 5.

Appendix A: Options for the Utilisation, Distribution and Use of Renewable Resources in Shetland (continued)

Resource	Technology	Form of Energy Consumed	Method of Distribution	Potential Consumer
Heat pumps	Ground source, air source, sea source	• Heat	• Direct installation in buildings (the electricity required to drive the heat pumps is supplied by the existing electricity network)	• Individual buildings
Biomass (e.g. peat ⁸ , wood, other energy crops)	Combustion	• Electricity	• Existing electricity network	• Shetland based households, commercial and public buildings and transport
		• Heat	• District heating system	• Individual buildings within range of district heating system
			• Fuel for sale	• Used as currently in individual houses (e.g. in the same way that peat and wood is used)
Waste (possibly combined with biomass)	Combustion / Bio-digestion	• Electricity	• Existing electricity network	• Shetland based households, commercial and public buildings and transport
		• Heat	• District heating system	• Individual buildings within range of district heating system
Solar	Solar thermal panels, passive solar design	• Electricity ⁹	• Direct installation on buildings, bus shelters etc	• All buildings, especially where only small amounts of electricity are required
	Photovoltaic devices	• Heat	• Direct installation or incorporation in buildings	• Shetland based households and commercial and public buildings

Notes:

This table categorises the major renewable energy technologies relevant to Shetland. There are many other potential technologies available, but these are considered to be further from commercial availability or of less relevance to Shetland. For example, hydro-electricity is a well-established technology with stable costs: it is excluded here as the hydro resource in Shetland is very small. There may be a small number of sites on Shetland where hydro could be justified, and exclusion from this table should not rule this or any other opportunities out.

⁸ Any major exploitation of peat would have to be closely controlled to ensure sustainability and avoid degradation of the remaining peatland.

⁹ Photovoltaic devices are likely to be the best economic option where only small amounts of electricity are required and there is no grid access.

Appendix B: SEA Appraisal

Introduction

This appendix reports the screening undertaken of the strategic objectives within the Renewable Energy Strategy for Shetland.

The methodology used was based on screening the strategic objectives against a set of SEA Objectives that had previously been developed for wider use by the Shetland Islands Council. The SEA Objectives were developed by the Council during a programme of workshops facilitated by Natural Capital which were part of a programme of SEA training provided to Council officers.

A screening system was developed and used based on the following scale of effects.

Table B-1: Assessment Key

✓✓	Clear strong positive effects
✓	Broadly supportive
0	Neutral or no discernible effect
✖	Likely negative effect
?✖	Uncertain possible negative effect
?✓	Uncertain possible positive effect

The screening is summarised in the following table which lists the policies and presents the findings of the screening in relation to each of the SEA Objectives.

To carry out the screening process, a set of questions based on key criteria that relate to the SEA Objectives was established to aid in the decision making process for assessing whether the policies would impact on the SEA Objective. The SEA Objectives used together with the supporting questions are summarised in the following table.

Table B-2: SEA Appraisal Framework

SEA Topic	SEA Objectives	SEA Questions
Biodiversity (Flora and Fauna)	1. To further the conservation of biodiversity	<ul style="list-style-type: none"> Does it impact on plants and animals? Does it conserve and protect biodiversity? Does it contribute to the aims of the Local Biodiversity Action Plan? Does it contribute to public awareness and understanding about biodiversity?
Population	2. To improve the quality of life for people and communities across Shetland	<ul style="list-style-type: none"> Does it contribute towards improving quality of life for people and communities across Shetland?
Human Health	3. To improve the quality of health in Shetland	<ul style="list-style-type: none"> Does it contribute towards improving the quality of health associated with the environment (Air quality, water quality, noise and vibration)? Does it contribute to the goal of creating active, healthy lifestyles for Shetland islanders? Does it contribute towards improving access to health and care services for all Shetland islanders?
Soil	4. To protect Shetland's soil resources and use them in a sustainable manner	<ul style="list-style-type: none"> Does it protect Shetland's soil resources? Does it encourage the use of them in a sustainable manner?
Water	5. To protect and enhance freshwater and marine water quality 6. To ensure that Shetland's water resources are used effectively and sustainably	<ul style="list-style-type: none"> Does it protect and enhance freshwater and marine water quality? Does it ensure that Shetland's water resources are used effectively and sustainably? Does it protect the integrity of the physical aspect of the water environment? Does it promote a sustainable drainage infrastructure?
Air	7. To protect Shetland's air quality	<ul style="list-style-type: none"> Does it pose any risks to air quality? Does it encourage activities that could contribute to lowering air quality?
Climatic Factors	8. To reduce greenhouse gas emissions in and to contribute to Scotland's 80% CO ₂ reduction target 9. To adapt to the predicted effects of climate change	<ul style="list-style-type: none"> Does it help in reducing greenhouse gas emissions? Does it take account of the predicted effects of climate change, and adapt appropriately? Is the risk or likelihood of flooding of any property, planned or existing, increased? Will it put other assets at risk from flooding? Will it ensure that people and property are protected from flooding?

Table B-2: SEA Appraisal Framework (continued)

SEA Topic	SEA Objectives	SEA Questions
Material Assets	10. To promote the sustainable use of Shetland's natural resources	<ul style="list-style-type: none"> Does the plan or programme encourage the sustainable use of natural resources? Will it lead to a reduction in the use of natural resources? Does it encourage the use of local or imported materials? Will it promote or enable greater use of recycling?
Cultural Heritage	11. To conserve and protect the historic environment 12. To conserve and promote the distinctive cultural heritage	<ul style="list-style-type: none"> Does it impact on the historic environment? Does it conserve and protect the historic environment? Does it help in raising public awareness and understanding of cultural heritage and how the public influence the continuing development of cultural heritage? Does it conserve and enhance cherished aspects of local cultural heritage? Does it contribute to local character, customs and traditions? Will it affect the setting of any listed buildings, historic sites or culturally important sites?
Landscape	13. To protect the special qualities and characteristics of Shetland's landscapes and seascapes 14. To improve those landscapes and seascapes that are degraded	<ul style="list-style-type: none"> Does it consider all landscape and seascape implications? Does it contribute to landscape and seascape protection? Does it enhance degraded landscapes and seascapes?

Table B-3: SEA Appraisal – Objective 1

Strategic Objectives for Renewable Energy Development in Shetland	Shetland Islands Council – SEA Objectives													
	1. To further the conservation of biodiversity	2. To improve the quality of life for people and communities across Shetland	3. To improve the quality of health in Shetland	4. To protect Shetland's soil resources and use them in a sustainable manner	5. To protect and enhance freshwater and marine water quality	6. To ensure that Shetland's water resources are used effectively and sustainably	7. To protect Shetland's air quality	8. To reduce greenhouse gas emissions in Shetland and to contribute to Scotland's 80% CO ₂ reduction target	9. To adapt to the predicted effects of climate change	10. To promote the sustainable use of Shetland's natural resources	11. To conserve and protect the historic environment	12. To conserve and promote the distinctive cultural heritage	13. To protect the special qualities and characteristics of Shetland's landscapes and seascapes	14. To improve those landscapes and seascapes that are degraded
Objective 1: Develop sustainable, economic and effective solutions which significantly reduce the volume of non-renewable fossil fuels required to power Shetland	?✓x	✓	✓	?✓x	?✓x	?✓	✓	✓✓	✓	✓	?✓x	?✓x	?✓x	?✓x
<p>This strategic objective is broadly supportive of SEA Objectives 2 and 3 that relate to improving the quality of life and health of people and communities across Shetland since it aims to develop economic and effective solutions for reducing fossil fuel use and promoting renewable resources (both which should impact positively on quality of life and health). Economic and effective solutions should generate economic benefits for Shetland that in turn should support improvements in quality of life for local communities. The objective has clear and strong positive effects on SEA Objective 8, to reduce greenhouse gas emissions, since its main thrust is to reduce the reliance of Shetland on fossil fuels for all of its power/energy requirements which are more or less the prime sources of CO₂ emissions. The objective is also broadly supportive of protecting Shetland's air quality since negative effects on air quality tend to be caused by burning fossil fuels – as fuel for cars, or oil for housing and businesses, or from remote power stations supplying the electricity (with associated sulphur and nitrous oxide emissions). For several of the SEA objectives there are uncertain effects that could be positive or negative (e.g. SEA Objectives 1, 4, 5, 6, 8, 11-14) depending on how the 'economic solutions' are realised. Any large-scale renewable energy development (e.g. onshore or offshore windfarms, wave or tidal) has the potential to impact on the environment depending on the location and the proximity of sensitive receptors. Mitigation is however available to make sure that significant effects on biodiversity, historic environment, cultural heritage, landscape and seascape are avoided and/or prevented and in certain circumstances can be compensated for. As long as the Strategy includes principles that would make sure that there was no risk of future developments being 'unsustainable' or creating negative residual effects then the uncertainty could be removed and the assumption would be that there would be no negative effects on the above SEA Objectives.</p>														

Table B-4: SEA Appraisal – Objective 2

Strategic Objectives for Renewable Energy Development in Shetland	Shetland Islands Council – SEA Objectives													
	1. To further the conservation of biodiversity	2. To improve the quality of life for people and communities across Shetland	3. To improve the quality of health in Shetland	4. To protect Shetland's soil resources and use them in a sustainable manner	5. To protect and enhance freshwater and marine water quality	6. To ensure that Shetland's water resources are used effectively and sustainably	7. To protect Shetland's air quality	8. To reduce greenhouse gas emissions in Shetland and to contribute to Scotland's 80% CO ₂ reduction target	9. To adapt to the predicted effects of climate change	10. To promote the sustainable use of Shetland's natural resources	11. To conserve and protect the historic environment	12. To conserve and promote the distinctive cultural heritage	13. To protect the special qualities and characteristics of Shetland's landscapes and seascapes	14. To improve those landscapes and seascapes that are degraded
Objective 2: Create employment, income and new skills in Shetland by stimulating new economic activity linked to the presence of renewable energy resources in the islands	?✓✗	✓✓	✓	?✓✗	?✓✗	?✓✗	?✓✗	?✓✗	?✓✗	?✓✗	?✓✗	?✓✗	?✓✗	?✓✗
<p>This strategic objective is supportive of SEA Objectives 2 and 3 that relate to improving the quality of life and health of people and communities across Shetland since it aims to create employment, income and new skills opportunities by stimulating new economic activity in the islands linked to the presence of renewable energy sources. Such activity should generate positive effects on the quality of life for Shetlanders with opportunities to build in community benefits, access opportunities, essential services etc which could all benefit health as well. For the rest of the SEA objectives there are uncertain effects that could be positive or negative depending on what kind of developments create employment opportunities and how the economic activity manifests itself. Renewable energy developments may encourage 'spin-off' related industrial developments but these too have the potential to impact on the environment depending on the location of this 'new economic activity' or development, and the proximity of sensitive receptors. Mitigation is however available to make sure that significant effects on biodiversity, historic environment, cultural heritage, landscape and seascape are avoided and/or prevented in any new business development. As long as the Strategy includes principles that would make sure that there was no risk of future developments being 'unsustainable' or creating negative residual effects then the uncertainty could be removed and the assumption would be that there would be no negative effects on the above SEA Objectives.</p>														

Table B-5: SEA Appraisal – Objective 3

Strategic Objectives for Renewable Energy Development in Shetland	Shetland Islands Council – SEA Objectives													
	1. To further the conservation of biodiversity	2. To improve the quality of life for people and communities across Shetland	3. To improve the quality of health in Shetland	4. To protect Shetland's soil resources and use them in a sustainable manner	5. To protect and enhance freshwater and marine water quality	6. To ensure that Shetland's water resources are used effectively and sustainably	7. To protect Shetland's air quality	8. To reduce greenhouse gas emissions in Shetland and to contribute to Scotland's 80% CO ₂ reduction target	9. To adapt to the predicted effects of climate change	10. To promote the sustainable use of Shetland's natural resources	11. To conserve and protect the historic environment	12. To conserve and promote the distinctive cultural heritage	13. To protect the special qualities and characteristics of Shetland's landscapes and seascapes	14. To improve those landscapes and seascapes that are degraded
Objective 3: Ensure there are direct benefits, in addition to employment, income and new skills, to the community from renewable energy generation in Shetland	0	✓✓	✓	0	0	0	✓	✓✓	✓	✓✓	0	0	0	0
<p>This strategic objective should be very supportive of SEA Objectives 2 and 3 that relate to improving the quality of life and health of people and communities across Shetland since it aims to ensure that there are other direct benefits to the community from renewable energy generation that aren't just related to employment, income and skills generation. Such benefits could relate to initiatives that would encourage more sustainable or active travel, improved access to essential services, reduced flood risks, regeneration of degraded environments, etc. This objective offers positive support to protecting air quality (SEA Objective 7). Because of its main thrust in promoting renewable energy generation in Shetland, it is strongly supportive of SEA Objectives 8 (reducing greenhouse gas emissions) and 10 (the promotion of the sustainable use of Shetland's natural resources). For the rest of the SEA Objectives the effect is considered to be neutral with no clearly discernible effect since the objective is concerned with ensuring that community benefits arise from renewable energy developments rather than with the physical nature of the development itself.</p>														

Table B-6: SEA Appraisal – Objective 4

Strategic Objectives for Renewable Energy Development in Shetland	Shetland Islands Council – SEA Objectives													
	1. To further the conservation of biodiversity	2. To improve the quality of life for people and communities across Shetland	3. To improve the quality of health in Shetland	4. To protect Shetland's soil resources and use them in a sustainable manner	5. To protect and enhance freshwater and marine water quality	6. To ensure that Shetland's water resources are used effectively and sustainably	7. To protect Shetland's air quality	8. To reduce greenhouse gas emissions in Shetland and to contribute to Scotland's 80% CO ₂ reduction target	9. To adapt to the predicted effects of climate change	10. To promote the sustainable use of Shetland's natural resources	11. To conserve and protect the historic environment	12. To conserve and promote the distinctive cultural heritage	13. To protect the special qualities and characteristics of Shetland's landscapes and seascapes	14. To improve those landscapes and seascapes that are degraded
Objective 4: Enable peripheral communities to use renewable energy as a way to enhance the viability of their community and community facilities	0	✓✓	✓✓	0	0	0	0	✓✓	✓	✓✓	0	0	0	0
<p>This strategic objective should be very supportive of SEA Objectives 2 and 3 that relate to improving the quality of life and health of people and communities across Shetland, since it aims to ensure that peripheral communities are able to use renewable energy as a way of enhancing the viability of their community and community facilities. The means of enhancing the viability of peripheral communities and their community facilities could relate to initiatives that would encourage more access by public transport, improved access to essential services, reduced flood risks, regeneration of degraded environments, etc. This objective is also strongly supportive of SEA Objectives 8 (reducing greenhouse gas emissions) and 10 (the promotion of the sustainable use of Shetlands natural resources).</p> <p>For the rest of the SEA Objectives the effect is considered to be neutral with no clearly discernible effect since the objective is more of a strategic one that aims to enable peripheral communities to take advantage of renewable energy that is generated rather than being about specific projects</p>														

Table B-7: SEA Appraisal – Objective 5

Strategic Objectives for Renewable Energy Development in Shetland	Shetland Islands Council – SEA Objectives													
	1. To further the conservation of biodiversity	2. To improve the quality of life for people and communities across Shetland	3. To improve the quality of health in Shetland	4. To protect Shetland's soil resources and use them in a sustainable manner	5. To protect and enhance freshwater and marine water quality	6. To ensure that Shetland's water resources are used effectively and sustainably	7. To protect Shetland's air quality	8. To reduce greenhouse gas emissions in Shetland and to contribute to Scotland's 80% CO ₂ reduction target	9. To adapt to the predicted effects of climate change	10. To promote the sustainable use of Shetland's natural resources	11. To conserve and protect the historic environment	12. To conserve and promote the distinctive cultural heritage	13. To protect the special qualities and characteristics of Shetland's landscapes and seascapes	14. To improve those landscapes and seascapes that are degraded
Objective 5: Stimulate awareness of the importance of renewable energy and the need to reduce carbon emissions; and develop skills in energy efficiency and renewable energy alternatives	0	✓✓	✓	0	0	0	✓	✓✓	✓	✓✓	0	0	0	0
<p>This strategic objective is strongly supportive of SEA Objective 2 that relates to improving the quality of life of people and communities across Shetland since it aims to develop a knowledge and skills base in energy efficiency and renewable energy alternatives that will benefit local communities. The benefits are likely to relate to improvements to home energy management and the support for micro-generation that will arise from this knowledge and skills development. Because of its main thrust in promoting energy efficiency, reducing carbon emissions and promoting renewable energy within the community, it is strongly supportive of SEA Objectives 8 (reducing greenhouse gas emissions) and 10 (the promotion of the sustainable use of Shetland's natural resources).</p> <p>For the rest of the SEA Objectives the effect is considered to be neutral with no clearly discernible effect since the objective is more strategic (knowledge and skills building) than practical (e.g. constructing a windfarm).</p>														

Environmental Implications

Positive Implications

In general terms the Strategy does not generate any negative environmental effects as long as the overarching environmental stewardship principle is applied. Several of the Strategic Objectives have strong positive effects on areas such as population, health and climatic factors. In other areas the effects are either broadly supportive (as with air) or neutral (as with biodiversity).

Overall, in environmental terms, the Strategy aims to:

- encourage the replacement of non-renewable fossil fuels as the prime source of energy by renewable energy;
- encourage more sustainable practices in the delivery of renewable energy projects;
- emphasise the importance of the protection of the natural and historic environment;
- recognise the importance the contribution of the sector can make to mitigating the effects of climate change (reducing carbon emissions) and making sure that there is adaptation to its effects in the future.

The objectives attempt to address:

Climatic Factors

Through:

- seeking to encourage the application of sustainable development principles (that will include addressing the use of fossil fuels, energy efficiency, the role of renewables and climate change issues) through the vision and objectives within the Strategy;
- supporting and influencing skills development and the sharing of good practice.

Use of Natural resources and Material Assets

Through:

- seeking to encourage the application of sustainable development principles (that will include making better and more efficient use of natural resources);
- supporting and influencing developers to adopt sustainable development principles;
- supporting and influencing skills development and the sharing of good practice.

Population and Health

Through:

- seeking to encourage the knock-on environmental and social benefits of renewable energy generation;
- encouraging developers to adopt sustainable development principles;
- supporting and influencing skills development and the sharing of good practice;

- ensuring that local people are involved in decision making where appropriate.

Air

Through:

- seeking to encourage the application of best practice principles in exploiting renewable energy options;
- encouraging developers to adopt sustainable development principles;
- supporting and influencing skills development and the sharing of good practice.

Soil

Through:

- seeking to encourage the application of best practice principles in exploiting renewable energy options;
- encouraging developers to adopt sustainable development principles;
- supporting and influencing skills development and the sharing of good practice.

Water

Through:

- seeking to encourage the application of best practice principles in exploiting renewable energy options;
- encouraging developers to adopt sustainable development principles;
- supporting and influencing skills development and the sharing of good practice.

Landscape, Biodiversity and Cultural Heritage

Through:

- seeking to encourage the application of sustainable development principles (that will include a recognition of the importance of biodiversity, landscape and cultural heritage and the implementation of measures such as assessing the landscape and ecological value of potential renewable energy sites, assessing archaeological remains and historic features and implementing measures for their preservation and recording, etc) through the environmental stewardship principles;
- seeking to encourage the application of best practice principles in exploiting renewable energy options;
- encouraging developers to adopt sustainable development principles;
- supporting and influencing skills development and the sharing of good practice.

Indirect Environmental Implications

Notwithstanding the above positive elements it is likely that there will be some environmental implications arising from any new renewable energy developments that ultimately will come on stream as a consequence of this Strategy. Some issues are almost inevitable, and would arise as a result of any new development and these include:

- emissions of greenhouse gases from energy use and traffic both during construction and operational activities;
- an increased burden on air quality from emissions generated by plant and equipment as well as traffic associated with any developments;
- an increased burden on water supply and water treatment relating to installations;
- additional waste generation arising from operational activities.

Other issues are highly dependent on the nature, scale and location of particular developments. It is not inconceivable that some future developments might have implications for biodiversity (for example damage to habitats, disturbance of species and loss or damage to particular flora and fauna), landscape and historic character (including visual impact, effects on landscape and historic features) and transport impacts (increasing numbers and therefore emissions and potential congestion problems).

Although SIC can influence developers to adopt sustainable development principles and best practice in avoiding and/or mitigating any of these effects it has no direct control over the operation of individual sites. It is assumed that some of the above implications would be picked up more specifically by controls exerted by other agencies such as Scottish Natural Heritage (SNH), Scottish Environment Protection Agency (SEPA), Historic Scotland and the Shetland Amenity Trust.



REPORT

To: Development Committee

27 August 2009

From: Economic Development Officer

DV092-F Telecommunications

1.0 Introduction

- 1.1 The purpose of this enabling report is to propose a new way forward for providing next generation telecommunications throughout 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 a world class 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, it would appear that BT 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 75 public owned buildings throughout Shetland. The network connects centrally to a Point of Presence (PoP) in Lerwick and then onwards via microwave link to the UK 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 BT (probably in response to media awareness following report DV053 - presented to Development Committee in June 2009) re-instated an implementation date for 21-CN. According to official BT statements, 21-CN implementation is due to take place in Shetland in 2011. There remains a considerable doubt to whether this proposed implementation date will be adhered to.
- 3.7 Throughout our protracted negotiations/discussions with BT it has become increasingly evident that the only way we are going to make any progress is to take a more focussed approach and take a lead role in providing telecommunications infrastructure in Shetland
- 3.8 The recent telecoms outage in Shetland caused by complete failure of the BT microwave link have highlighted BT's inability to provide a 'fit for service' network and the vulnerability and unsuitability of using such a microwave link as a primary connection for voice and data communications between Shetland and the rest of the world. The effects of this outage included the closure of Sumburgh Airport and caused difficulties for many businesses across Shetland (see appendix 1).

4.0 **Priority Areas**

- 4.1 There are a number of priority areas which must be addressed in order to achieve delivery of improved telecoms services in Shetland.
- 4.2 Fibre optic link from SHEFA cable to Lerwick – Undoubtedly the most critical element of improving the current situation is to build telecoms infrastructure between the Faroese cable and a Point of Presence in Lerwick. This will (for once and for all) provide us with backhaul options beyond those that BT are prepared to offer. It is fair to say that all other

telecom developments in Shetland are dependent on achieving this link. To this end, I presented a report to Development Committee in July of this year to establish the technical and financial argument for proceeding with this project.

- 4.3 Unbundle the exchanges - Unbundling, using the existing copper cables between the telephone exchange and business/domestic premises to provide non BT services, is commonplace throughout the UK and is financially viable in an exchange the size of Lerwick. It involves putting our own equipment into the exchange building. The obstacle at the moment is (yet again) the backhaul. In theory we could unbundle the Lerwick exchanges and offer ADSL2+ services which would probably increase domestic broadband speeds to between 12Mbps to 24Mbps for most users. At the moment the only exchange in Shetland which would be viable to unbundle on a purely financial basis would be Lerwick.
- 4.4 Fibre optic networks - A strategic policy of deploying fibre (or at least ducts) should be a priority. There will be opportunities to deploy fibre optic cable (or ducts) as part of other infrastructure improvements and new developments, new Council owned fibre links between Lerwick and the rural telephone exchanges will make unbundling technically viable in other areas.
- 4.5 Funding – Efforts to maximise external funding for telecoms projects needs to be prioritised. Many of these priorities will require substantial levels of investment which will require funding from sources such as the EU Structural Funds as well as Government assistance.
- 4.6 Networking – Communities all over the UK are facing similar difficulties to the ones we are facing. Opportunities through groups such as the Community Broadband Network exist for us to learn how other areas are solving telecoms problems. A group called INCA (Independent Networks Co-operative Association) have been formed to achieve a network of independent networks. Much could be gained by liaising with both of these organisations as well as many more.
- 4.7 Scottish Government – As well as seeking financial support from the Scottish Government, technical and political support will be critical in developing better telecommunications in Shetland.
- 4.8 Mobile phone network – Shetland's mobile phone coverage is at best variable. Much work could be done to alleviate this problem by working with the large mobile phone networks to assist them to provide a better service. Opportunities may also exist to provide an independent mobile phone network. The Council should consider building its own mobile masts and leasing these to the mobile companies rather than allowing the various mobile providers to build their own.
- 4.9 Community Broadband – There will undoubtedly be many areas in Shetland which will always be beyond the reach of fibre based

broadband networks. Developments such as the Vidlin and Fetlar Community Broadband projects should be rolled out to these hard to reach areas to ensure that all Shetland residents get better broadband connections.

- 4.10 Generate more IT dependant business in Shetland – Shetland could be the ideal environment for large scale IT developments. When we have robust backhaul connections other factors such as the climate, security and the possibility of green energy, make Shetland a very attractive place to develop server farms, disaster recovery units and data storage services.
- 4.11 Create jobs in the local telecoms/IT service industry – Opportunities for developing a locally based skilled workforce exist in Shetland. At the moment many of the larger telecoms companies either send their own workers to repair equipment or contract local firms on an ad-hoc basis. The development of a better telecoms industry in Shetland will create economies of scale, which would allow the local operatives the chance to develop a larger highly skilled workforce.
- 4.12 To develop these priority areas and expand the possibilities for economic development through improved telecommunications, dedicated staff will be required.

5.0 Proposal

- 5.1 It is proposed that Shetland Islands Council forms a telecommunications team to establish or formulate telecommunications infrastructure and services that meet the ever-growing need of Shetland homes and businesses.
- 5.2 The team's first task would be to constitute a legal entity (either a company or a charitable organisation) which would then take forward and manage telecoms projects on behalf of the Council.
- 5.3 In the early stages, it is envisaged that an officer from Economic Development and an officer from ICT will given the task of forming this new entity and then be seconded on a full-time basis to deliver the range of projects detailed in section 4 of this report. The Chief Executive should be given delegated authority to decide which individuals are chosen to form the team. The Head of Economic Development should oversee the day to day running of the new entity and should also be given delegated authority, in conjunction with the Head of Finance, to allocate a budget to the project to cover set up costs.
- 5.4 The project would be managed by a sub committee consisting of no fewer than 3 Councillors, advised by the Head of Economic Development and the Chief Executive. Once the entity is constituted the management sub committee would form at least part of the Board

of Directors or Trustees. Reports will be submitted to the Development Committee for consideration.

- 5.5 In order for the new entity to trade in the telecoms industry it must apply for and be granted a telecoms licence.
- 5.6 The fibre optic cable from the Faroese cable to Lerwick is an integral part of all development plans and the Council should proceed with the project as soon as possible. The overall cost of the project is estimated in the region of £1m. The funding package of this project should be considered high priority and every effort should be made to maximise the amount of external funding. If however no external funding is possible the Council should provisionally budget for proceeding with the project itself.
- 5.7 In order for the project to proceed, I propose that new budget codes be assigned within the Economic Development Unit's budgetary procedures.

6.0 Financial Implications

- 6.1 This is an enabling report to establish the best practice for setting up a new organisation.
- 6.2 In the initial stage, the staffing of the new team will be achieved from within existing staffing resources. There may be several additional costs associated with developing the project including professional fees and general office administration costs. These costs will be covered from existing Economic Development budgets and are not expected to exceed £100,000.
- 6.3 An indicative budget for delivering the capital projects outlined in this report would be in the region of £1.5m for the first year. This would include the cost of a fibre optic cable from Maywick or Sandwick to Lerwick. All such projects would be the subject of subsequent reports to Development Committee.

7.0 Policy and Delegated Authority

- 7.1 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).
- 7.2 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:

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

8.0 Observations

- 8.1 In order for Shetland to fully benefit from better telecoms, a Shetland based telecoms company is necessary.
- 8.2 As an outcome from the initial set up stage of the entity, it may well be the case that “Shetland Telecom” becomes a collaborative partnership between the SIC and one or more companies. The Council (or SCT) entering in to a partnership with the industry might be the most viable and effective solution.
- 8.3 As a result of recent discussions with Cable and Wireless, opportunities exist to provide services (such as repair and maintenance) to other telcos (telecommunications companies), such as Vodafone, O2, C&W etc, who operate in Shetland. At the moment there is no ‘one stop shop’ for these services. A Shetland based telco would be able to contract services from the smaller local operatives and create economies of scale. The ability of Shetland Telecom to go out and negotiate with the large telcos could create a number of good quality telecoms jobs in Shetland.
- 8.4 In order for this project to be fully developed Council assets and services will need to be utilised. Assistance, guidance and resources from a number of Council services such as Economic Development, Planning, ICT, Roads & Transport along with many more will be required.
- 8.5 Due to the scale of this project and the expected outcome, this project will have to be notified to the EU to establish state aid compliance. In recent times the EU seems to be looking favourably on public investment in telecoms projects in peripheral areas. Nonetheless this is a considerable size of a project and some of the aims may be restricted by legislation.

9.0 Conclusions

- 9.1 Shetland, like many areas across the UK, is not being adequately served by the established telecommunications companies.
- 9.2 The Council needs to take the initiative on the provision of telecoms in Shetland. Without some lateral thinking, investment, coordination and formation of an overall strategy Shetland will continue to be left behind the rest of the UK.

- 9.3 This enabling report will form a dedicated team tasked with the formation of “Shetland Telecom” and formulating the strategy to deliver the priority areas from this report.

10.0 Recommendations

- 10.1 It is recommended that the Committee:
- a) accepts the need to establish a telecommunications team and sub-committee to progress infrastructure and services in Shetland.
 - b) delegates authority to the Chief Executive working with the Head of Economic Development and the Head of Finance to resource and staff the telecommunications team; and
 - c) calls for detailed remits for the telecommunications team and the sub-committee to be brought to the Development Committee on 1 October 2009, at which time the 3 Members will be appointed to serve on the sub-committee.

Our Ref: MS/RF1083
Date: 19 August 2009

Report No: DV092-F

Briefing Note

Communications Outage 19/06/2009

The purpose of this briefing note is to outline the effects and consequences of the communications interruption which occurred on Friday 19 June 2009 when the link between Shetland and Orkney was lost due to a relay station in Sanday being struck by lightning.

The information contained in this briefing note is anecdotal and is based on phone interviews with various agencies and organisations.

Banks

No major problems were reported from banks, although the point was made that this was due to the duration of the outage not lasting a full working day. Basic communications were disrupted, and manual processing techniques had to be adopted by staff, leading to a backlog of work and cash processing being delayed.

Emergency Services

Coastguard

The loss of the microwave link meant that HM Coastguard lost communication from their network of VHF and MF aerals, as well as the 999 service, and thus communications were restricted for the duration of the outage.

Coastguard auxiliaries had to be mobilised to keep distress watches at Scousburgh and Saxa Vord, and operators at Sullom Voe and Orkney Harbour were required to keep listening watches.

The Coastguard had no internet services and the only communication with officers was by mobile phone. Due to the loss of the 999 link the operator had to relay calls to an ex-directory number.

The result of this was the mobilisation of manpower and restricted communications which had the potential to complicate any exercise or call-out response the Coastguard had to deal with during the outage.

Fire

Highlands and Islands Fire and Rescue Service based in Lerwick co-ordinated with the Police and with SIC Emergency Planning to establish that the 999 service was working.

The fire service lost the main paging network, but are supported by a backup system which was operational. The service had no outgoing telephone service and incoming calls were sporadic. The Vodafone network, which is used as a key backup network for the service, was not working; internal radio systems were working.

Briefing Note

Health Services

Shetland Health Board experienced problems with emergency communications, particularly pagers and Vodafone mobiles. Patient transfers to the mainland were affected due to the closure of Sumburgh Airport, and accessing specialist advice from the mainland was complicated due to landline communication outwith Shetland being interrupted.

The Health Board also had no direct contact with BT so were unable to ascertain the duration of the communication interruptions.

Communications between the ambulance service and Inverness were disrupted, as ambulances could receive but not transmit to Inverness.

Police

The police service experienced the same external communications problems as those above, with no fax or mobile phone communication and no internet.

The police co-ordinated with SIC Emergency Planning to ensure that emergency response protocols remained in place.

Post Office

The postal service described severe disruptions during the outage. The lack of a telecoms link meant that tracked items, specifically recorded and special delivery items, could not be processed on the day of receipt at the post office. Processing had to be done manually with information re-submitted the next day. This meant that items were delayed in reaching their destinations, which leaves Royal Mail vulnerable to customer claims for breaching the conditions of recorded and special delivery. This affected over 200 items of mail.

Due to the closure of Sumburgh Airport uncertainty was cast on the ability of Royal Mail to deliver mail bound for the UK mainland. Consequently, over 150kg (5-600 separate items) of mail was delayed by over 3 hours, which missed the deadline for arrival at the Aberdeen depot. This caused Royal Mail to be in breach of their legal delivery standards, specifically as regards first-class mail.

Post Office counters were affected as customers were unable to withdraw money or pay for transactions with credit or debit cards. Communications links with drivers were interrupted, and electronic systems for the delivery of tracked packages were suspended.

Retail

Retailer's organisations reported that the communications outage resulted in card readers for credit and debit cards being unable to function, so all sales had to be made with cash or cheque. Current shopping habits mean that many shoppers do not regularly carry chequebooks or large sums of cash,

Briefing Note

and are solely reliant for purchases on cards. This resulted in a great deal of inconvenience for shoppers, as most had to be directed to cash machines. Increased usage of the machines meant that some were quickly reported to be empty, and as a result lost sales were experienced by a number of shops.

Rural shops in particular experienced problems with sales, due to similar problems with electronic point-of-sale equipment being exacerbated by the distance from the nearest cash machine (or, indeed, between shops and homes if chequebooks needed to be retrieved). Further problems were caused by PayPoint machines also being affected meaning in-store cash machines were not operational.

Information technology use among Shetland businesses is high. Eighty-five percent of business in Shetland have access to the internet or e-mail, while 17% use electronic data interchange for the exchange of forms, such as invoices and orders. Fourteen percent have their own trading website. A communications interruption such as that experienced on 19 June represents a significant disruption to the trading and operation of Shetland businesses.

Transport

Sumburgh Airport lost all communications from landlines, Vodafone mobile network, fax and e-mail. Aeronautical Fixed Telecommunication Network (AFTN) services, through which weather and other information is co-ordinated, was also lost. The only voice communication made during the day from the airport was from a borrowed 02 phone, which could only contact other mobile telephones and not landlines. The situation was described as one of being completely 'cut off'.

Due to the communications problems experienced by Sumburgh Airport and the emergency services an emergency response could not be guaranteed. Therefore the decision was made to close the airport. The closure lasted from 1100 to 1630, during which 2 flights were cancelled, 2 flights diverted to Scatsta Airport and 4 flights suffered delays.

Scatsta Airport experienced fewer problems as communications links to Aberdeen could be replaced with a backup network of mobiles. Administrative services in the airport were affected with faxes and e-mails delayed, and the diversion of two inbound flights meant extra workload for ground staff.



REPORT

To: Development Committee

27 August 2009

From: Head of Business Development

**Report No: DV077- F
Shetland Business Growth Training Scheme**

1.0 Introduction

- 1.1 This report has been prepared to ask the Development Committee to part fund a short course training scheme aimed at improving skills in small and medium sized local businesses. The training scheme is thought necessary due to local demand for training, it should be part funded from the European Social Fund (ESF) and will run for a period of 3 years from January 2010.

2.0 Links to Corporate Plan

- 2.1 “Expand knowledge and build skills” is a stated aim of the Sustainable Economy section of the Corporate Plan. The project also compliments the Skills and Learning Strategy for Shetland.

3.0 Background

- 3.1 There is currently no public assistance for supporting the majority of small businesses to undertake training courses for their workers. Those businesses that are account managed by HIE do have access to support for training but this is only available to a relatively low number. Changes in emphasis by the Government has resulted in this situation, with Skills Development Scotland still in its infancy and without a funded training mechanism for small businesses.
- 3.2 Since the operation of the Business Gateway in Shetland came under the auspices of the Council in April this year, there have been a number of enquiries for support for training from local businesses. There is no measure in place to assist with this type of enquiry.

- 3.3 Following discussions on this gap in service provision with Highlands and Islands Partnership Programme, administrators of the ERDF and ESF Programmes in the Highlands & Islands area, a decision was taken to apply for a grant from the European Social Fund to establish a dedicated training scheme aimed at improving skill levels in Shetland businesses.

4.0 Proposal

- 4.1 The Shetland Business Growth Training Scheme is detailed in Appendix 1. An application for ESF funding was submitted on 21 August and a decision is expected in December. If approved, the scheme could be operational in early 2010. It is proposed that the Committee considers approving the Scheme and the funding required to help run it over a period of three years. In the event of the application for ESF grant being unsuccessful then the project would not be progressed.

5.0 Financial Implications

- 5.1 The estimated cost of training course assisted under the Scheme is £270,000, calculated from an average cost of £1,000 per trainee. Of this cost the applicant business will contribute £99,000 and the remainder will be split equally between the Council and ESF, £85,500 each.
- 5.2 Should the Committee decide to support the Scheme the funds required, up to £28,500 for each of the three calendar years 2010 through to 2012, subject to budgetary approval, would be sourced from RRD 15202402 General Assistance. A sum of no more than £10,000 would be required in the remainder of this financial year, as part of the 2010 calendar year.

6.0 Policy and Delegated Authority

- 6.1 This report has been prepared under Economic Development Policy number 27 "Enable individuals to achieve their full economic potential", 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 Conclusion

- 7.1 The Shetland Business Growth Training Scheme holds the prospect of raising the skills levels of 270 individuals working in around 50 Shetland businesses. Should this level of uptake occur then the positive impact on productivity and improved service would be significant and worth supporting.

8.0 Recommendation

- 8.1 I recommend that the Committee approves:
- a) the Shetland Business Growth Training Scheme, as detailed in Appendix 1; and
 - b) budgetary provision for the Scheme as specified in paragraph 5, subject to the availability of funding and a successful outcome of the bid for ESF funding.

Our Ref: DI/RF 1263
Date: 19 August 2009

Report No: DV077-F



Shetland Islands Council Economic Development Unit

Supplement for

Applications for Funding under Shetland Business Growth Training Scheme

Explanatory Notes and Additional Information

Overview of Project –

Applicant Name

Project Summary

Please complete the Council's Application for Funding - Corporate Form (Refer to the Guidelines and Help Notes) and Part B of this Supplement.

Shetland Business Growth Training Scheme 2010 –2012

Part A

1.0 Aim

- 1.1 The aim of the scheme is to increase competitiveness and encourage growth in Shetland SME's by increasing the skills of the workforce.

This will be done by targeting the following general and specific skills development:

- ICT and knowledge based activities
- Renewable energy
- New methods of working
- Multi-skilled activities
- Value adding activities
- Efficiency in business operations
- Managerial training

2.0 Eligibility

- 2.1 The scheme is open to all Small and Medium sized enterprises based in Shetland. Social enterprises that are engaged in commercial trading for profit may be eligible if they cannot be supported in the first instance by the Social Enterprise Academy.
- 2.2 All levels of the workforce are eligible including: managers, professional/technical, administration, skilled trade, operatives, sales/customer service and elementary skills.
- 2.3 Businesses can apply for assistance with **Specific Skills Development**, which is learning that will have a specific positive impact on the work of the business and is not transferable to other businesses, or **General Skills Development**, which is learning that strengthens the skills of the workers and is transferable to other businesses.
- 2.4 The scheme encourages businesses to undertake staff training in short courses of a maximum duration of 10 days over a period of one year. These courses can be provided in Shetland by established accredited trainers, or on the UK mainland by established accredited trainers. In addition the scheme provides for businesses in Shetland organising their own workplace training for skills development. All trainers must be qualified to the relevant industry standard applicable to the training.

2.5 Eligible costs include:

- Course Fees
- Travel, accommodation and subsistence
- Hiring of lecturers (for bespoke local courses)
- Lecturers travel and accommodation (for bespoke local courses)
- Hiring training rooms (for bespoke local courses)

3.0 Ineligible Training

3.1 Public services, agricultural and fisheries sectors. Public services should have training budgets. Agriculture and fisheries draw support under different European funding streams.

4.0 Assistance provided

4.1 Grant assistance of up to 75% of costs is available under the scheme for General Skills Development.

4.2 Grant assistance of up to 40% of costs is available under the scheme for Specific Skills Development.

4.2 The maximum grant per employee is £1,000 in any year.

4.3 Businesses can make one application per year.

4.4 The maximum grant available for any business per year is £5,000.

4.5 Grant will be paid upon receipt of evidence that staff have completed the course that grant has been awarded for.

5.0 Other Details

5.1 Businesses seeking assistance under this scheme must demonstrate how the training will have a meaningful benefit on their work, either in terms of increased sales, improved profit, improved service, or environmental benefits.

6.0 Priority Groups

- Individuals requiring skills development to meet the business needs of their employer.
- Managers requiring leadership development skills
- Women returners

Part B

7.0 Additional Information Required

7.1 Describe the short course that staff will undertake and any qualifications that are to be achieved:

.....

.....

.....

.....

.....

.....

7.2 Is the training Specific or General in nature (see section 2.3)?

.....

.....

.....

7.3 How will the training benefit a) the staff to be trained and b) your business?

a).....

.....

.....

b).....

.....

.....

.....

7.4 What types of skills is the training aiming to improve?

- Managerial ☐
Professional/Technical ☐
Administrative ☐
Skilled Trade ☐
Operative ☐
Sales/Customer Service ☐
Elementary Skills ☐

7.5 Who are the people that are to be trained?

Name	Male or Female	Age	Job	Ethnic Group (See Below)

Ethnic Groups
White (Scottish)
White (English)
White (Welsh)
White (Irish)
White (Other)
Black (Caribbean)
Black (African)
Black (Other)
Asian (Chinese)
Asian (Indian)
Asian (Pakistan)
Asian (Bangladesh)
Asian (Other)
Gypsy/Traveller
Mixed Background
Other Ethnic Background



REPORT

To: Development Committee

27 August 2009

**From: Head of Economic Development
Shetland Islands Council**

**Report No: DV087-F
Whalsay Fish Processors Limited – Proposal for Recruitment of Director**

1.0 Introduction

- 1.1 The purpose of this report is to ask Members to approve a proposal, for the mechanism and terms of recruitment for a Council nominated director to the board of Whalsay Fish Processors Ltd,

2.0 Links to Corporate Plan

- 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 aims to fulfill the fisheries pledges contained in the Economic Development Policy Statement (2007-2011).

3.0 Background

- 3.1 Members of the SIC Development Committee agreed at a special meeting on 17th July 2009 to make an investment of £725,000 into Whalsay Fish Processors Limited (the company). This would allow the company to invest in new equipment and provide working capital necessary to invest in new resources to allow the business to expand and develop (Min ref 67/09).
- 3.2 The appointment of a Council nominated Executive director was one of the pre-conditions of the loan approved in July. Satisfaction of the pre-conditions is now in progress, and the SDT Financial Controller expects to brief the Chairperson of the Development Committee and Head of Economic Development soon, regarding the release of funds. The timing of this appointment is therefore important, as the successful individual will require to protect the Council's interests,

and contribute to the strategic direction of the Company without delay.

- 3.3 The post will be a challenging one and whomsoever is appointed will ideally have a good grasp of financial and commercial business management. The director will be responsible for protecting the Council investment, however, as a director, he/ she will also have primary responsibility to act in the best interests of the Company.
- 3.4 The director will be tasked in an executive capacity, which needs to be agreed by the Council and the company board. This means that the person will have a specific managerial role within the company and consequently will be responsible to the board for delivery of this.
- 3.5 The appointment carries a proposed salary of £20,000, which will be paid by the Council. The salary is structured to attract a qualified and experienced person for an average 2 days per week, which is considered to be the minimum level of commitment required. Notwithstanding this, any suitable candidate will also need to have strong personal qualities in addition to professional skills.
- 3.6 The appointment of such a director, to clearly protect the Council's investment, satisfies State Aid regulations. We have satisfied ourselves that this is the case by seeking advice from the Scottish Government's State Aid Unit.

4.0 Proposal

- 4.1 The post will be for an Executive director and consequently will attract a fee of £20,000 per annum, based on an average of two days per week.
- 4.2 We will advertise for, and recruit a director, who best satisfies specific criteria. These will be based on the attached remit, and drawn up by the Head of Economic Development, in consultation with the Chairperson, Vice Chairperson and directors of SCAF.
- 4.3 The director will invoice the Council for fees on an agreed time cycle, subject to a "terms of engagement" letter to be drawn up on the basis of legal advice.

5.0 Financial Implications

- 5.1 The appointment carries a fee of £20,000 per annum, which will be paid from the Investment Management budget code RRD60101760 each year for two years, subject to future years' budget availability.

6.0 Policy and Delegated Authority

- 6.1 This report has been prepared with regard to the pledges contained in the Council's Economic Development Policy Statement. The Policy Statement 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]. The proposal is in line with the main aim:

“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”

In particular, Policy 2 is relevant:

‘Enhance Shetland’s reputation as a high quality producer of fish and fish products’

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

Economic Strategy
Europe

As the subject of this report concerns an investment covered by existing policy, the Development Committee does have delegated authority to make a decision.

7.0 Recommendation

- 7.1 Members are recommended to approve the attached remit contained in Appendix 1, and the salary of £20,000 per annum for a two-year post, subject to future years’ budget availability.
- 7.2 Members are recommended to grant delegated authority to the Head of Economic Development to prepare a detailed job specification and advertise for an appropriate person as soon as possible.
- 7.3 Members are further recommended to delegate authority to a panel, comprising the Chairperson, Vice Chairperson and Head of Economic Development, to interview and appoint the successful candidate.

NM/KLM/RF290
19 August 2009

Report No: DV087-F

Whalsay Fish Processors Ltd: remit for Council nominated Director

The primary objective is to create or to develop the existing environment to maximise profits and cash flows and protect the Council investment. The remit will include, but is not limited to the following areas:

1. Review /discuss/ establish a medium term strategy that will enable the company to return to profitability, thereafter providing the necessary drive and enthusiasm to ensure that key targets are achieved.

This will result in controlled growth of the company and a strengthening of the balance sheet.

2. Identify and evaluate the key dynamics of the company, which must include specifically, training, marketing, costing systems, pricing policy, current sales strategy, cash flow, future funding and any other areas which may prevent the company from achieving its goals or are deemed to be vital to the continuing success of the company and to ensure that profit is being maximised.
3. Review current management workloads evaluating their strengths and weaknesses and, in the light of agreed strategy, ensure that responsibilities are distributed so as to create a motivated team that has the ability and determination to deliver the objectives.
4. Foster, develop and help to build a strongly motivated team where each member has a major role to play.
5. Along with the rest of the board identify other realistic opportunities, taking due consideration of any training and funding requirements.
6. Review overhead levels in conjunction with the board .
7. Identify and review the key systems and procedures, measure their adequacy and make recommendations on improvements.
8. Assess the impact of systems in place on management reporting.
9. Review management and financial reporting and make recommendations on how these can be improved.
10. Work towards developing solutions to issues identified in all of the above.



REPORT

To: Development Committee

27 August 2009

From: Principal Officer Marketing

DV083-F

Appointment of Council Member to Promote Shetland Steering Group

1.0 Introduction

- 1.1 The report asks the Committee to appoint a Council Member to become a member of the Promote Shetland Steering Group as agreed on 31 March 2009 by the Tourism and Culture panel. The role, aim and objectives of Promote Shetland are outlined at Appendix 1 and role of the Steering Group at Appendix 2.
- 1.2 At the Development Committee meeting of 11 June Councillor Miller was nominated for representation in this role. However, following legal advice in respect of potential conflict of interest, Councillor Miller decided to relinquish this position following attendance at one Promote Shetland Steering Group meeting.

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].

3.2 On 31 March 2009 the Tourism and Culture panel met to discuss Promote Shetland and agreed to the establishment of a Steering Group with representative from the following:

- Head of Economic Development;
- Chairperson 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.

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.

3.3 As part of its remit to promote all aspects of Shetland to its target markets, Promote Shetland responsibilities will include coordinating visitor marketing and local information services.

4.0 Financial Implications

4.1 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].

5.0 Policy and Delegated Authority

5.1 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’.

5.2 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.

6.0 Conclusion

6.1 During the introductory phase of Promote Shetland, 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.

6.2 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.

7.0 Recommendation

7.1 I recommend that the Development Committee:

- (a) Appoint a Council Member to become a member of the Promote Shetland Steering Group.

Our Ref: NHH/KLM/RF1245
Date: 19 August 2009

Report No: DV083-F

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

Role of Steering Group

The role of the Promote Shetland Steering Group is 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.

Promote Shetland

The Steering Group should 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 attendance of a 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.

FEASIBILITY STUDY FOR PROJECT TING

FINAL REPORT

Prepared for	Prepared by
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MAY 2009

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PART 1

1. Background

1.1 Remit

This report has been prepared in response to a brief from Neil Henderson, Principal Marketing Officer, Economic Development Unit, Shetland Islands Council (SIC). The aim of the project is to investigate the feasibility of establishing a Shetland base in Edinburgh which could be bought or leased, and fulfil a number of functions including retail shop, information point, office, gallery and display space, and meeting spaces. The results of the study will provide sufficient evidence and data to enable the consideration of a 3 year pilot project to establish if it might be a worthwhile and practicable venture.

The purpose of the base would be:

- ⇒ To raise awareness of high-quality Shetland products, widen and strengthen their reputation and increase their value
- ⇒ To provide a base from which Shetland producers could launch or test market new products
- ⇒ To provide a space that would allow Shetland's culture to reach a discerning Central Scotland audience through changing displays of art or craft or possibly small-scale performances for perhaps 50-100 people
- ⇒ To provide facilities for Shetland public agencies or businesses which they could use to perform office work or hold meetings with clients.
- ⇒ To gather information about the market, for example by creating a database of those visiting the premises who wanted to be kept informed about Shetland and its products.

The study was to involve the following components:-

- Search for suitable examples of property in specific locations in Edinburgh and identification of at least two prospective areas
- Identification of all costs involved in purchase or lease options in two locations
- Identification of all potential income for possible premises
- Production of 3 year financial projections for leased and purchased options in two locations
- Analysis of longer term financial perspective of two options

1.2 Methodology

The first step in the project was to undertake background research on the Edinburgh area in order to identify suitable premises and assess shopping patterns in the city.

The client provided a list of functions the Centre should be able to perform. These are listed below as well as an indicative space allocation that should be available for each. Those figures in bold have been revised in light of the demand survey undertaken, those in brackets are the original specification.

Function	Space required
A retail shop that would sell a range of high-quality Shetland products and that would serve, in particular, as a base for test-marketing new products	400 sq ft (600-800 sq ft) at street level
A display area, closely associated with the retail area, aimed at promoting Shetland (a) as a visitor destination and (b) as a place to live in and invest in	75 sq ft (75-150 sq ft) at street level
A flexible gallery-type space that could be used for exhibitions, small-scale performances and product launches	400 sq ft (800-1,000 sq ft) at street level

A meeting room for up to ten people that would be available on a lease basis for any organisation, with priority booking for Shetland organisations	0 sq ft (150-200 sq ft) at basement or first floor
A small office suite, equipped with all necessary equipment, that would be available for Council staff, other public agency staff and private businesses on a daily or hourly basis in order to enable them to work efficiently when away from Shetland	1 office @100 sqft (2 offices, each 100 sq ft) at basement or first floor
Storage space for the shop and for any other needs, for example exhibition equipment that might more economically be stored on the mainland than in Shetland	250 sq ft (250-300 sq ft,) at street level
A kitchen capable of providing teas and coffees and acting as a base for caterers serving functions in the building	50 sq ft (150-200 sq ft) at street level
Toilet facilities	200 sq ft (200 sq ft) at street level
Total Floor Space	1475 sq ft (2,425 – 2,750 sq ft)

From the above it can be seen that based on the demand survey, the specification for the facility has been reduced by around 1000 sq ft to approximately 1500 sq ft.

Ideally all of this should be located on one floor though some uses could be on separate floors such as office space. The indicative sizes given above were revisited in the light of the types of property available and sizes appropriate for the purposes outlined. In addition larger properties were examined which might have the potential for partial sub-letting. Further details on the requirements of the space are shown below.

Retail Outlet

The retail shop would sell a range of Shetland produce, likely to include:

- Knitwear and other textile products such as shawls, scarves, accessories
- Soap
- Craft products selected for their high quality
- The work of Shetland artists
- Books and publications relating to Shetland, including the *Shetland Times* on day of publication
- Ambient food and drink (e.g. confectionery, beer, etc) and possibly ice-cream from a freezer
- If logistics allowed, chilled, pre-packed preserved foods (e.g. smoked salmon)

It was not thought practical to carry fresh foods such as fresh fish or lamb, but there could of course be information available about these, including details of local suppliers.

It was considered important to stress the emphasis on quality. The aim would be to create a high-quality, stylish offer. It is suggested this would be no place for 'tourist tat' or second-rate food or craft offers. The store manager would be given very clear guidance to that effect.

Tourism and Relocation Information

The tourist-related part of this area would provide a range of leaflets and brochures relating to holidays in Shetland, with video presentations. There would also be computer access to information about the islands, which users could browse at their leisure. Staff would be sufficiently knowledgeable and enthusiastic about Shetland attractions to offer good advice. There could also be systems in place for contact details to be passed to local tourist organisations for follow up.

Information would also be available aimed at encouraging people to consider moving to Shetland and building a business there. A range of relevant leaflets and an information pack would be available. It may also be possible to operate a database of local vacancies and property.

Gallery

The gallery space could be multi-functional. It would normally contain a succession of exhibitions by Shetland arts and crafts people. These would be wide-ranging in nature. Some might present painting or sculpture by members of the Veer North group; others might display such items as Shetland-made furniture or particularly ambitious or innovative textiles, as well as traditional knitwear, shawls etc. It could also be appropriate to feature exhibitions from areas with which Shetland has links, notably West Norway, Faroe and Tamil Nadu.

The gallery space would also lend itself to receptions, whether for public or private purposes. For example, the Council might want to promote some particular campaign and might use the space for a reception and presentation associated with it to which MSPs or other relevant people could be invited. A private business might wish to launch a new product and could rent the space for that purpose, inviting clients.

The gallery could contain small-scale performances, for example poetry, literary or musical events, typically by invitation. Some of these might be aimed at, or organised by, expatriate Shetlanders. Others would be aimed at specific audiences, perhaps to assist a young musician with his or her career.

Meeting Room

It was originally proposed that the meeting room could be bookable and could in principle be rented on an hourly or daily basis to anyone requiring such space. However, based on the demand survey, it was decided not to proceed with this area, as it was felt that any demand for meeting spaces could be met by other multi-purpose areas within the facility.

Office Suite

It was originally proposed to provide two fully-equipped offices that could be available for use by the sponsoring agencies, Shetland businesses and possibly others, on a rental basis. However based on the demand survey, this has been reduced to 1 office suite which would have more of a multi-purpose role e.g. for meetings. Office space might be used, for example, by a Councillor or council official wishing to make good use of time between meetings on the Mainland or by a Shetland business person requiring a city base for a few days while meeting a number of clients.

Storage Space

This may be needed as back-up for the retail shop and seating and exhibition equipment for the gallery but might also be used to hold exhibition equipment or other materials required on the Mainland.

Kitchen

It is not envisaged that a kitchen capable of a full catering service would be provided, but the kitchen should be usable by caterers who might be providing sandwiches, canapés and the like. It should be capable of storing modest quantities of cold food and warming pre-cooked food, providing ice and of course offering teas and coffees.

Location

Location is of paramount importance to a project of this scale. In order for the retail side of the venture to be successful there needs to be enough passing trade from the correct type of customer. Again the client provided a list of considerations to be taken into account, these are:

- ⇒ Relatively high footfall
- ⇒ Emphasis on ABC1 socio-economic groups
- ⇒ Concentrations of offers appealing to 'successful idealists'

- ⇒ Area stable or regenerating, not in decline, with potential for capital growth and rental income from other tenants if a larger property is purchased as an investment
- ⇒ Significant flows of tourists as well as local people
- ⇒ In Edinburgh, proximity to the Scottish Parliament
- ⇒ If leased, rental level affordable in terms of the cash flow predicted in the business plan.

Areas that have been suggested include: The Royal Mile, George Street and the streets linking George Street to Princes Street. AB Associates has considered a wide range of other locations for suitability and availability in discussion with the client. An options appraisal analysis has been undertaken.

The premises need to be located as centrally and accessible as possible, not only to assist in the success of the retail element, but also to ensure that the meeting and office space is available to as many clients as possible.

AB Associates held meetings with a number of property agents in Edinburgh for advice and assistance in locating a suitable commercial property and also made use of the numerous property websites available, and property centres.

At the same time a review of existing reports and data on retail outlets, pedestrian flows, and the property market in the city was undertaken. Planning issues were also investigated.

The outputs from this stage include:

- Option appraisal of 14 locations
- Review of Planning Issues and Property Market
- Initial Conclusions

The second stage of the project takes the results from stage 1 and feeds them into an outline business plan with financial projections for the project, based on perceived demand and other survey work undertaken. This stage also includes overall conclusions and recommendations for the project.

2. Review of Planning Issues and Property Market

2.1 Planning Issues

At the national level the basis of retail planning policy is contained in SPP8 (Scottish Planning Policy Guidance). It suggests that the focus of retail development should be on improving the town centre, enhancing accessibility, providing safe and attractive environments, but it also recognises the need to identify a network of centres and included is a new category called Commercial Centres that can be out of town centres, mixed retail/leisure developments, retail parks and factory outlet centres.

More recently an evaluation of policy and good practice methodologies has been undertaken by Hargest and Wallace and Donaldson for the Scottish Government and published in December 2007. This is likely to provide the basis of a new PAN (Planning Advice Note).

At a more local level the Edinburgh City Local Plan Written Statement was approved by the Council on 22 March 2007. With regard to office development it sees the city centre as the most appropriate location for major office development and a key regenerator. The Lothian Road/Morrison Street area has become a specific focus for new office development. This is continuing to expand westward to the Fountain Brewery site. Other sites in the city centre will be encouraged so long as the historic environment is fully respected and there is provision for other commercial uses on the ground floor. Also the regeneration of Leith Docks and Granton Waterfront is seen to provide other opportunities for high quality business centres.

The Edinburgh and Lothian Structure Plan 2015 identifies a network of major centres that should be sustained and enhanced to provide retail and other service needs of residents and visitors. It is also proposed to protect local centres that meet everyday needs of local communities.

A Retail Needs Study carried out in 2005 for the City Council (Earns Study¹) concluded that there was a need to modernise the shopping facilities in the city centre and that there was still unmet demand by retailers for outlets of suitable configuration and size in the city centre. Thus a target was set for 52,500 sq metres of additional net retail floor space. This could be met by the redevelopment of the St James Centre, further conversions in George Street and around St Andrew's Square, and more comprehensive redevelopment of Princes Street with units that extend back to Rose Street; all of which could give rise to an additional net floor space of 70,000 square metres. (see Appendix 1 for details on City Centre Core and Primary Retail Frontages)

It is interesting to note that there is no reference to the High Street/Grassmarket areas for shopping development though mixed use is to be encouraged there as well as throughout the Central Area. However it is recognised that many independent and specialist retailers are to be found in secondary locations throughout the city especially in the Old Town and fringes of the Central Area. Several streets have been designated as 'Speciality Shopping' streets. A full list is contained in Appendix 2 and includes some areas that are part of the option appraisal such as Cockburn St, Grassmarket, Victoria St, Cannongate, High St, and Jeffrey St.

The Earns study recognised the need for affordable space for smaller specialist niche retailers in the city centre; however there appears to be a problem persuading developer/ investors to accommodate tenants with more individual requirements. It is suggested there are opportunities to promote some of these individual zones e.g. Arts and Antiques on Dundas Street. Happening Cockburn St., Uptown Jeffrey St, or browsing and relaxing in Grassmarket/Victoria St. (Earns, p8)

The City Council is undertaking a programme of physical improvements that could affect the suitability of particular locations being investigated. These include St Andrew's Square, Grassmarket, and Castle Street. The works

¹ Edinburgh Area Retail Needs Study, Halcrows for Edinburgh City Council, 2005

involves pavement repair, landscaping, and street furniture. On a wider level the City is undertaking and promoting regeneration in a number of locations. Certain areas have been identified as having emerging redevelopment opportunities e.g. south of High Street opposite the Canongate proposals, as well as redeveloping Princes Street block by block within the context of an Action Plan, the St James Quarter, Quartermile (Lauriston Place), and Waterfront Regeneration Areas (see map in Appendix 3). These new developments could influence the choice of location for a Shetland centre and the availability of property.

2.2 Property Market

2.2.1 Situation at Time of Original Survey

The following is the perceived situation as at the time of the original survey, perceived changes in the property market in Edinburgh since that time are discussed later.

The evidence from the analysis of commercial property for sale and lease in Central Edinburgh and discussions with agents at the time of the original study suggested that the market remained buoyant and prices relatively high. In other words demand had been outstripping supply.

A Review of the Scottish Property Market by Ryden in October 2007 highlighted the fact that prime office rentals in Edinburgh had risen to £301 sq m or £30 sq ft and were still expected to go higher. It was also noted that the smaller quality open plan offices are still in demand and that there is evidence of landlords splitting premises to meet this demand. Ryden also highlighted some of the challenges for the retail sector especially from new shopping centres and the proposals for a new shopping area on the empty site between Morrison St and Dalry Rd which is due to start in 2008 and be complete in 2012. Prime retail rentals in Edinburgh were given as £220 sq ft. A recent example of an investment property in St Andrews Square sold for £8.87m or £3,630 sq m.

However it is suggested by some that this could change over the next year or two, particularly for **offices**. A recent report by Jones Lang LaSalle (JLL) predicts a drop in the growth of rents after reaching a high this year of £30 per sq foot and 5% growth. The reason for this is likely to be a combination of local and national circumstances. For example locally there are a number of new developments due for completion by 2009 e.g. Exchange Place in Fountainbridge, 94,000 sq ft close to Lothian Road, Quartermile, and corner of George IV Bridge and High St, that will provide much more supply and could result in prices coming down. In the medium term there are proposals for Carlton Gate and Haymarket. This is very different from a year ago when JLL were predicting further growth in prices due to strong demand, rising construction costs, and decreasing availability of prime space. Even as recently as January 2008 JLL were warning that there could be a shortage of prime space to meet the needs of inward investment. Any fall may still have to be tempered by these factors.

The same could apply to the **retail** property market as people have less to spend and the cost of basic goods and fuel continues to rise. In addition there are some new developments underway including refurbishment of Waverley Market/Princes Mall, and plans to redevelop St James Centre (with the possibility of doubling the retail floor space). The development of out of town shopping centres and retail parks are attracting fashion goods, footwear and sports goods (Earns, p18) that will also be taking the pressure off the central locations and could have a downward impact on property and rental prices.

Another noticeable trend is refurbishments and redevelopments to create more hotels and apartment hotels for the tourist sector that is predicted to continue growing e.g. Canongate redevelopment and a new apartment hotel opposite St Giles. A study for the City Council in 2007 identified a theoretical requirement for 4,000 new hotel rooms in Edinburgh by 2015 to meet predicted growth.

As a result of these trends there may be good opportunities in 2009 to purchase or lease properties at more reasonable prices than have been experienced over the last year.

Another factor that has to be considered is not just availability of property but the type of building and pattern of ownership. Much of the Central Area premises are owned in blocks by property companies and do not come on the market for sale and if they are available they are often sold privately. They are also often leased in sub blocks to maximise returns e.g. offices above separately from retail shop on ground floor. This structure could make it more difficult to find suitable properties especially in the George St/Princes St area, but also in other locations. Several of the agents will try to source properties for a client off the open market.

2.2.2 Perceived Current Situation

It would appear from available information that the commercial property market in Edinburgh, as in the rest of the country has slowed down. This is due to a combination of reduced credit availability, and a reluctance on the part of sellers to accept reduced prices (reports say drops of 40% are not uncommon). Therefore sales are in the main being sought only where sellers are being forced into the market (see following statements), and although property is changing hands at reduced prices, there still appears to be low numbers of properties publicly available for sale in the preferred identified areas of the city.

It would appear from anecdotal evidence, and a trawl of data on properties currently available for rental that other than where sublets of existing rental agreements are being sought, rental values have also fallen significantly (this will be discussed in greater detail later). There would also appear to be a number of suitable rental properties in preferred identified areas of the city currently available.

The following are illustrations of perceptions of the current situation within the commercial property market in Scotland and more particularly Edinburgh.

Investment in commercial property in Scotland in 2008 suffered a dramatic £2 billion slump. There were only about £850 million worth of deals done north of the Border in 2008, compared with nearly £2.9 billion in 2007. The two-thirds reduction in the value of deals underlines the effect that the credit crunch has had on the commercial property market.

According to Jones Lang LaSalle, the property firm that produced these figures, Scotland is in a worse position than the UK as a whole, which suffered a fall of 55% in 2008, to about £21 billion.

Deals ground to a halt as a result of both a collapse in lending, with banks such as HBOS unable to back buyers, and unwillingness on the part of sellers to allow prices to fall too far. Alasdair Humphery, Managing Director of the company in Scotland, said that average values in Scottish commercial property had fallen by about 40% but that this "correction" lagged behind those for the whole of the UK. Humphery told reporters: "It has taken until recently for pricing in Scotland to show some flex. Now we are seeing significant value changes and that is attracting buyers back in."

He refused to call it the bottom of the commercial property market, but said there were still deals being done. Lenders like Clydesdale Bank and Royal Bank of Scotland were still backing buyers, albeit with much higher loan to value ratios, he maintained. And he predicted that the market would start functioning "more normally towards the middle of next year".

Properties currently up for sale are likely to be forced sellers meeting demands of lenders or funds meeting redemption calls. Humphery continued: "We wouldn't advocate selling in this market unless you have good reasons to do so. For the experienced investor, this is a good time to be a buyer."

As an illustration of this two multimillion pound deals have been negotiated for the sale of two city-centre flagship buildings within the last month. This is being viewed as a vote of confidence in the Edinburgh property market however the circumstances of these sales and the prices achieved are not entirely positive.

One building, currently housing the Royal Bank of Scotland in St Andrew Square, and is being sold to a private investor for £16 million, and Thistle Property have nearly completed a deal for £9 million for the other. This will secure them ownership of the building that currently contains The Ivory Lounge bar and restaurant on George Street.

Both buildings had attracted interest from UK and international investors, suggesting that a level of competition is returning to the property market. However, it is believed that both investors managed to negotiate as much as 40% less than they would have paid last year. The success of these deals is likely to spark interest from other investors who are also hoping to close deals for below the expected rate, which may assist in the revival of the city's property market in the long term.

3. Option Appraisal of Potential Locations

An option appraisal was conducted which included 14 locations within central Edinburgh chosen in conjunction with the client. The locations were selected on the basis of some general knowledge of the existing character and type of shops and footfall density as well as reference to local plan documents. The locations are identified in Appendix 6.

These areas were then analysed in more detail and a weighted option appraisal process undertaken to assess the following factors:

<u>Factor</u>	<u>Weight</u>
Footfall	5
Price	4
Distance from Parliament	3
Type of Premises	3
Physical Appearance	2
Existing Retail Character	2
Availability	1
Access/Parking	1

Data was collected from existing reports, via the internet and property databases as well as from visits by team members to the areas (see Appendix 4 for a commentary on the locations). This resulted in the following ranked order for the areas. Full weighted and unweighted assessments are included in Appendix 5.

Table 3.1: Ranked Order for 14 Areas

Area	Rank
Royal Mile from Bridges to Jeffrey St	1
George St to Queens St	2
Grassmarket/Victoria St	3
Princes St to George St	4=
Upper end of Royal Mile	4=
Cockburn St	6
Top of Leith Walk	7=
Bridges/Nicolson St	7=
Bottom end of Royal Mile	9
Morningside/Churchill/Brunstfield	10
Leith/Victoria Quay	11
Shandwick Place/Stafford St	12=
Newington	12=
George IV St	12=

From the table above it can be seen that the top 3 ranked areas were the Royal Mile from the Bridges to Jeffrey St, George St to Queen St area and The Grassmarket/Victoria Street. Princes Street to George St and the Top End of the Royal Mile ranked 4th equal.

These results accord with the comments made by Edinburgh letting agents that the most likely areas to find property that might fit the outline specification by the client were: George Street and adjoining streets, and the Royal Mile/Old Town area. However size and purchase/lease options are likely to be issues in these areas, particularly size in the Royal Mile, and the fact that relatively few properties in these areas are available for purchase. The number and selection of properties available for lease may also be an issue.

An internet based property search was conducted for all 14 locations, at the time of the original survey and an analysis conducted. A summary of this analysis, which also fed into the option appraisal process, is detailed below. The full analysis is contained in Appendix 5.

Table 3.2: Analysis of Property Availability in the 14 Areas – At Survey

Area/Property	Number of Properties			Meet Specification		Av Price per sq ft	
	Sale	Lease	Total	Yes	Pos	Sale	Lease
Royal Mile from Bridges	0	1	1	0	0	184	38
George St to Queens St	1	14	15	7	6	ND	33
Grassmarket/Victoria St	0	4	4	0	1	ND	67
Princes St to George St	0	12	12	3	1	ND	40
Upper end of Royal Mile	0	0	0	0	0	ND	ND
Cockburn St	0	0	0	0	0	ND	ND
Top of Leith Walk	1	9	10	1	0	268	44
Bridges/Nicolson St	1	4	4	1	0	ND	24
Bottom end of Royal Mile	1	1	1	0	1	ND	ND
Morningside/Churchill/Bfield	2	2	3	0	0	231	18
Leith/Victoria Quay	3	9	10	2	2	132	10
Shandwick Place/Staff St	0	4	4	1	3	ND	16
Newington	3	6	7	1	2	225	11
George IV St	0	0	1	0	0	ND	ND
TOTAL	12	66	72	16	16		

ND= No Data

From the table above a total of 72 properties were identified, 12 for sale and 66 for lease (6 were advertised for sale or lease). This highlights the predominance of rental rather than sale within these areas. There is also a great deal of variation in the number of properties available by area, with the greatest number of both properties, and those of a suitable size being in the George Street to Queen Street area, which was one of the areas thought most likely by letting agents, and ranked 2nd in the overall option appraisal.

Another couple of points to note are, firstly that the large number of properties available for lease in the Princes Street to George Street area has been heavily influenced by the refurbishment of Princes Mall at Waverley. Eight of the twelve properties identified were in the Mall, and it is unlikely that this will be repeated once the Mall has been reoccupied. Secondly, the low level of

property available in the Royal Mile was also highlighted, with only two properties identified over the three areas comprising the Royal Mile. In addition only one of these properties could meet the clients specification, and this was at the bottom of the Royal Mile, which only ranked 9th in the overall option appraisal. While it should also be noted that this assessment only looks at one snapshot in time, when taken along with the comments of Edinburgh letting agents, it would appear that obtaining a property in the Royal Mile area, of the size requested by the client, may be difficult.

In terms of costings, the limited data available in relation to sale price, coupled with the low number of properties for sale, makes it quite difficult to give a representative overall average. This was also an issue highlighted by the letting agents. Condition and location, even within a Street, or the proportion of ground floor space available, are all issues that could have a bearing on price. However based on the data collected at this time, a purchase figure of £200 - £250 per sq ft would have been used for Part 2 of this report, and on the basis of a property in the size range requested at that time (2,500-3,000 sq ft) then the cost could be in the order of £500,000 to £750,000. In order to get this size it may be necessary to purchase a larger area part of which could then be let to a third party. **These figures have however been revised in light of both survey responses in terms of size requirements, and changes in the sale value of properties. This will be quantified later.**

In terms of rental the same issues apply, and again based on the data collected, a figure of £40 - £60 per sq ft would have been used for part 2 of this report. This also takes into consideration the higher rental figures per sq ft shown for the more central areas which scored well in the option appraisal. The minimum period for leases tends to be 10-15 years with 5 year rent reviews. On the basis of a property in the size range requested then the cost could have been in the order of £100,000 to £180,000 per annum. Again it may be necessary to lease a larger area part of which could be sub let. **Again these figures have however been revised in light of both survey responses in terms of size requirements, and changes in the rental value of properties. This will be quantified later.**

In terms of particular properties identified during visits to Edinburgh by team members at the time of the survey, the following three were felt worthy of specific mention.

1. A property was identified at 18 North Bridge. It is much smaller than the client's specification at 836 sqft of ground floor retail space, with a rental cost of £30,000 per year (£36/sq ft). However the advantage of this property is that it forms part of the Balmoral Hotel, which holds the prestigious address of 1 Princes Street. The shop formerly sold high quality Scottish goods. Being joined to the Balmoral, it would allow for meeting, functions, exhibitions, and other events to be catered for in the Hotel. This would also mean that these rooms would only be booked as required, and could result in a cost saving. The Balmoral is a high quality hotel which would be in keeping with the image the client wishes for the project. **This property is now let.**
2. "The Walk" is a pedestrianised street that connects St Andrew Square to the St James Centre. The street is also referred to as Multrees Walk and contains a selection of designer shops and luxury boutiques including Vidal Sassoon, Daks, Calvin Klein, Links of London, Anne Fontaine, Sole, Soto, the Pen Shop, Azendi, Proudfoot, Bagatt, Reiss, Emporio Armani and Louis Vuitton onto St Andrew Square. This again would fit with the client's image of the project. There are three units currently available in the Walk, one of which could meet the client's current specification. The other two have the potential to meet the specification with some adjustment. Rent per sq ft in this area is £40 - £50 and the unit sizes available vary from 2,500 sq ft to 6,500 sq ft. The plans to redevelop the St James Centre would put Multrees Walk on a key through route to Princes Street and Leith Walk. **These units no longer appeared to be available for rent, and one property which was identified as currently available would not be suitable for Ting.**

3. The refurbished Princes Mall may also provide an opportunity for a centrally located facility with a high footfall. Eight units within the Mall are currently advertised for let, two of which could meet the client's current specification. No annual rental data was available. It is unlikely that this level of unit availability will be repeated. **There are still units available in the Princes Mall, however the client did not feel that this was necessarily the best location for Ting.**

A reduced internet based property search was conducted for the main identified preferred areas of the city. A summary of this analysis is set out below.

Table 3.3: Analysis of Property Availability in Main Preferred Areas

Area/Property	Number of Properties	Av Price per Sq Ft Jan 09 All	Av Price per Sq Ft Jan 09 New Lease	Av Price per Sq Ft Survey	Av Price per Sq Ft Change All	Av Price per Sq Ft Change New Lease
Princes St to George St	3	50	26	40	+10	-14
George St to Queens St	6	30	17	33	-3	-16
Grassmarket/Victoria St	1	7	7	67	-60	-60
Royal Mile	2	17	17	ND	ND	ND
TOTAL	12	31	17			

ND= No Data

From the table above a total of 12 properties were identified, within the preferred areas. All were for rent and could meet the project specification, none were for sale. This highlights the continued predominance of rental rather than sale within these areas. Based on these figures it would appear that overall rentals have risen in the Princes St/George St area, fallen by around 10% between George St and Queen St, and dropped dramatically in the Grass Market area. However this is based on relatively limited data on a small number of properties. The other point to note here is that where properties were being offered for a new lease rather than a sub-let of an existing rental agreement averages per sq ft fell to £26 for Princes St/George

St and £17 for George St/Queen St (properties in other areas were offered for new leases), giving an overall average of £17 as opposed to £31 overall.

In terms of revising costings, the lack of data available in relation to sale price, coupled with the low number of properties for sale, makes it quite difficult to give a representative overall average. However based on the data which is available, a purchase figure of £160 - £200 per sq ft will be used for Part 2 of this report. This represents a reduction of 20% from the figures assumed at the time of the original survey, and is half the 40% drop which is currently estimated, making these fairly conservative given the current market. On the basis of a property in the size range now felt reasonable (1,500 - 2,000 sq ft) then the cost could be in the order of £240,000 to £400,000. In order to get this size it may be necessary to purchase a larger area part of which could then be let to a third party.

In terms of rental the same issues apply, and again based on the data collected, a figure of £25 - £40 per sq ft will be used for part 2 of this report. This represents a reduction of 33% from the figures assumed at the time of the original survey, and is well in excess of both average figures calculated, making these fairly conservative given the current market. On the basis of a property in the size range now felt reasonable (1,500 - 2,000 sq ft) then the cost could be in the order of £37,500 to £80,000. In order to get this size it may be necessary to purchase a larger area part of which could then be let to a third party. This also takes into consideration the higher rental figures per sq ft shown for the more central areas which scored well in the option appraisal. The minimum period for leases tends to be 10-15 years with 5 year rent reviews. Although given the current market, there may be more opportunity for negotiation on these points currently.

4. Initial Conclusions

On the basis of the evidence gathered so far, the best locations to focus on for a more detailed search in the short term to meet the needs identified, are likely to be:

1. George St to Queen St – especially towards the St Andrew's Square end and towards Queen St side of the area.
2. Grassmarket/Victoria St – though this depends on what is happening to one or two key properties currently on the market which could change the ambiance.

In the longer term it will be necessary to keep an eye on what is happening in the development proposals in the Cannongate area. Jeffrey St/St. Mary's St may be worth watching. Also the redevelopment of the St James Centre and the area between the Grassmarket and the Usher Hall may also be worth investigating in the future.

PART 2

1. Survey Results and Analysis of Demand

One of the requirements in the brief was to assess the demand for use of the space in Shetland Centre in Edinburgh from both the public and private sector in Shetland. The results from the survey is summarised here looking firstly at the public sector, secondly at the private sector and thirdly putting the two together to provide an overall analysis.

Information on the possible demand for space and usage from the Shetland Public Sector of a facility in Edinburgh was obtained through a questionnaire survey of SIC departments and the Shetland Health Board. This was done through a combination of email and phone surveys of an appropriate sample of individuals from various SIC departments and the Health Board to which we got a response from 13 departments out of 14 and the Health Board i.e. an 88% response rate.

To find out the possible demand for space from the Shetland Private Sector for meeting space and a place for product launches and sales, a phone survey of an appropriate sample of 40 private sector potential users and 2 Face-to-Face meetings were conducted to which we got a response from 22 organisations i.e. a 55% response rate.

A full list of those contacted and those who responded is in appendix 7.

1.1 Public Sector

The survey results for each of the questions in the questionnaire for public sector are as follows:

The 13 SIC departments plus the Health Board who responded were asked whether their organisation/dept make use of any retail space, an information point, an office, gallery and display space or a meeting spaces while on a business to Scotland.

Out of the 14 respondents:

- 9 or 64% of the respondents do not make use of any of the above facilities in Scotland.
- Five or 36% of the respondents make use of these facilities in Scotland including Edinburgh, and three also said that they do use meeting rooms on their business to various parts of Scotland, which include Edinburgh as well, while one also makes use of an office suite in Scotland.

The main reason for 9 or 64% of the respondents not choosing such a facility is as follows:

- Five or 50% of the respondents confirmed that all the meetings held in Scotland are arranged through Partner Agencies or are held in the premises of some other organisation. Therefore they would not need to use any alternative venue.
- Three or 30% of the respondents do not have a direct requirement for any of these facilities. They make use of video conferencing to save time and energy.
- One or 10% of the respondents expressed no view.

The respondents were asked whether their organisation/department would make use of the proposed Shetland facility while in Edinburgh.

Out of the 14 respondents:

- Four or 29%, who already make use of these facilities in Scotland including Edinburgh, would be interested in using the proposed Shetland facility in Edinburgh in the future.

- While one respondent who already makes use of these facilities in Scotland including Edinburgh, would not be interested in using the proposed Shetland facility in Edinburgh in the future
- Nine or 64% do not make use of any of these facilities in Scotland and would not be interested in making use of any of these proposed Shetland facility in Edinburgh in future.

The respondents who would like to make use of the proposed Shetland facility in Edinburgh were then asked which of the following facilities they would use or hire, how often, and would they be willing to pay for the usage.

Facility Type	Number of organisations	Frequency: Weekly/monthly/Two months/six months/yearly	Willing to Pay Yes/No
Retail Space	0		
Information/Display Space	1	6 months	Yes
Gallery	0		
Meeting Rooms	4	2 or 4 or 6 months	Yes, No
Office Suite	2	4 or 6 months	Yes
Storage Space	0		
Kitchen Facilities	0		

- One or 25% of the respondents are willing to make use of three facilities, i.e. information or display space, meeting rooms and office suite every 6 months and is willing to pay for it.
- One or 25% of the respondents are willing to make use of meetings rooms if the space is enough to accommodate 20 people, and an office suite, if it has a photocopying facility, every two months or yearly depending upon the demand. They are willing to pay for it if it is less expensive than hotel cost.

- One or 25% are willing to make use of meeting rooms and an office suite every four months and is willing to pay for it.
- One or 25% are willing to make use of meeting rooms every 6 months but is not ready to pay for such a service because most of their host organisations provide space with no cost.

Ten out of 13 SIC and the health board that remarked that their organisation/department would not make use of the proposed Shetland facility while in Edinburgh were asked the reason behind it.

- Six or 60% of the respondents cannot conceive of a circumstance where they would need these facilities in Edinburgh.
- Three or 30% of the respondents utilises the meeting facility by their host organisations at no cost.
- One or 10% would not like to make use of these facilities because of the cost factor. They are not in the position to pay for such a facility.

All the respondents were asked to name other facilities or services they would find useful in a Shetland base in Edinburgh. The following facilities were mentioned:

Facilities	No. Of respondents	Percentage of respondents
Business centre (access to internet, photocopying/ printing facility)	1	7%
Overnight accommodation with B&B facility (access to friends & relatives)	2	14%
All	1	7%
None	6	43%
No Response	4	29%

All respondents were asked what they think about the feasibility and desirability of a Shetland Base in Edinburgh.

- Out of 14 respondents, three or 21% are in favour of a Shetland Base in Edinburgh and are quite eager to use these facilities. Another suggestion was to have an Island shop with cost shared with Orkney and Western Islands.
- Two or 14% of the respondents are neutral towards such a venture. They would probably use it but it is not essential to have a Shetland Base in Edinburgh as various hotels provide all the above facilities at a reasonable cost.
- Four or 29% of the respondents are not in favour of such a venture because according to them it is an expensive waste of money.
- Five or 36% of the respondents expressed no view.

1.2 Private Sector

This section brings together the results from the questionnaires for the Private Sector. Their responses presented a very different picture from the public sector, and while there was a reluctance to commit to participate, the majority were in favour of establishing a Shetland Base in Central Edinburgh.

The main responses to the questions were as follows:-

The 22 private sector organisations who responded were asked whether their organisation or department make use of any retail space, an information point, an office, gallery and display space or a meeting space while on a business trip to Scotland.

Out of 22 respondents,

- Eight or 36% of the respondents do not make use of any of the above-mentioned facilities in Scotland.

- Thirteen or 59% of the respondents make use of these facilities in Scotland including Edinburgh.
- One or 5% percent of the respondents chose not to respond to the above question but expressed a strong view against the venture.

The more detailed results include:

- Six or 26% percent of the respondents make use of meeting rooms.
- Two or 9% percent of the respondents did make use of retail space.
- One or 5% percent of the respondents make use of retail space, display space and gallery while on a business to Scotland.
- One or 5% percent of the respondents make use of two facilities i.e. market research and office suite.
- Two or 9% percent of the respondents make use of only display space or office suite facility individually or respectively.
- One or 5% percent of the respondents who do make use of above-mentioned facilities choose not to mention the type of facility they use.

The main reasons given by the eight respondents (36%) who stated they did not use any of the facilities above were:

- Two or 25% of the respondents sell their products in trade fairs or use these facilities in their own premises in Scotland. Hence do not have the requirement for a separate venue.
- One or 13% respondents do not use any of these facilities at present but are very interested in such kind of venture in future.
- One or 13% of the respondents are very eager to promote their products outside Shetland but have certain concerns and issues.
- One or 13% of the respondents do not find any need of these facilities for their business.

- Three or 36% of the respondents choose not express their views on this particular issue.

The majority of the respondents (12 or 55%) were keen to participate and make use of the proposed Shetland facility in Edinburgh. Around 18% of the respondents were not sure of using these facilities in a Shetland Base in Edinburgh as they had certain concerns and issues. But there are another 27% of the respondents who would not make use of these facilities even in the future.

The 55% of the respondents who would like to make use of the proposed Shetland facility in Edinburgh were then asked which of the following facilities they would use or hire, how often, and would they be willing to pay for the usage.

Facility Type	No. of orgs willing to use facilities	Frequency Weekly/monthly/Two months/six months/yearly	Willing to Pay Yes/No
Retail Space	7	Weekly (3), Monthly (1) Don't know (2)	Yes (2) No (1) Possibly (1) Don't know (3)
Market Research	1	Monthly	Yes
Information/Display Space	6	Weekly (2), Monthly (1), Don't know (3)	Yes (1) No (1) Possibly (2) Don't know (2)
Gallery	6	Weekly (1), Monthly (1), Yearly (1) Don't know (3)	No(1), Yes(2), Possibly(2), Don't know(1)
Meeting Rooms	4	Monthly (1), Yearly 2, Possibly(1)	No (2), Don't know (2)
Office Suite	1	Don't know	Don't know
Storage Space	3	Weekly, Yearly, Don't know	Yes (1), Don't know (2)
Kitchen Facilities	Nil		
Teleconferencing	Nil		

The greatest demand is for retail space followed by display space and gallery with only about 50% suggesting that they might be willing to pay for the space.

Six or 27% of the respondents, who were reluctant to commit to themselves, as they were not in favour of such a venture, were asked their reasons why.

- Two or 33% of the respondents consider a Shetland Base to be a waste of taxpayers' money as such a venture will cost a lot of money.
- Two or 33% percent of the respondent felt that they don't require a base in Edinburgh.
- One or 17% of the respondents already had their office in Edinburgh so would not consider using another venue.
- One or 17% were not sure whether their products would be able to attract the market in Edinburgh because of the high competition. They consider selling or marketing their products in England or America to be more profitable.

In answer to the questions about the type, numbers and terms of the product to supply to the project, the most frequent responses were:-

Type of products	Amount	Terms
Shetland base cultural heritage, products, attractions and accommodation	x	x
bags, scarves, purses, corsages, cushions	10 items per month	Wholesale
Shetland chairs, candleholders	Permanent display	Commission base
From our wide range of Shetland Products, predominantly books and perhaps even the Shetland Times	Can negotiate on any product and supply as required	Commission base or Whole sale
Burra Bears, cards, postcards, entire range	Regular orders on monthly basis	Wholesale
Jewellery	As often as required	
Whole range of knitwear	x	x

The main responses to the question of providing retail base training in a high quality retail environment were as follows:-

The majority of the respondents (77%) chose not to comment about it while 18% consider it to be a waste of money and effort. There were still 5% who were not sure whether it would be worth it or not.

In order to analyse the possible demand for space and usage from Shetland Private Sector, the respondents were asked to comment on the feasibility, desirability and use of a Shetland base in Edinburgh.

The main responses to the questions were as follows:

- Six or 27% of the respondents are very interested in such kind of venture as they feel that there is a merit in the proposal for companies with direct marketing or retail needs who might use these facilities to promote their business. But there is a need to convince some local producers that there would be a demand for products outside islands.
- Two or 9% of the respondents are doubtful about the effectiveness of a Shetland presence in Edinburgh as they consider Glasgow and London to be more important places as far as market is concerned. They have their concerns regarding the multipurpose nature of project as well.
- Four or 18% of the respondents have a strong view against the venture. According to them the whole concept is a complete waste of money, time and effort as there are many available retail outlets in Edinburgh. Moreover, selling local products would be less profitable due to competition with foreign imports.
- The majority of the respondents i.e. 46% didn't express any view.

1.3 Summary

The results and the conclusions from the analysis of both the public and private sectors have been brought together in this section.

Some of the general observations that can be made include:

It would appear from the responses received that there is more demand for the venture from the private sector than the public sector.

59% of private sector respondents make use of the listed facilities in Scotland and 55% are keen to participate and make use of these facilities in an Edinburgh Shetland base. However, there was a less enthusiastic response from the public sector where only 29% of respondents are currently making use of these types of facilities and only 22% were interested in participation.

Figure 1.1 below provides a graphical representation of present use of the listed facilities in Scotland by the private sector as compared with the public sector, and shows higher private sector usage.

Figure 1.1: Current Usage of Facilities

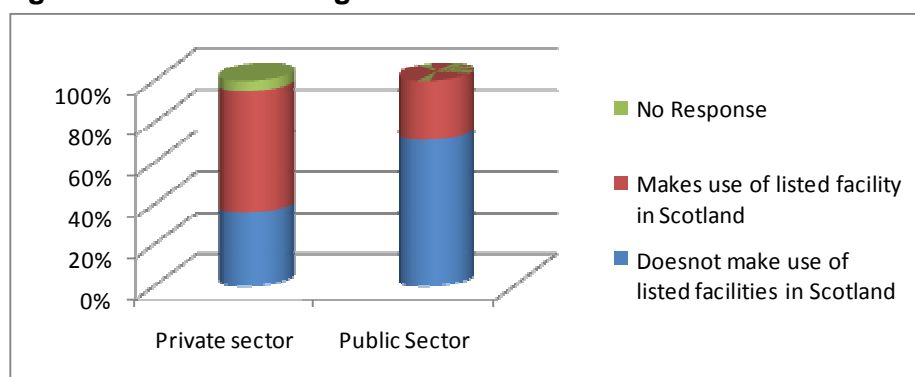
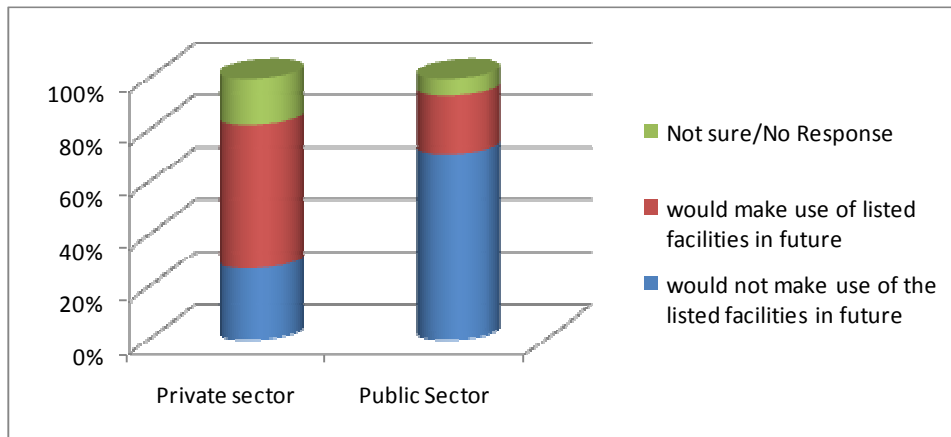


Figure 1.2 provides a graphical representation of demand for the listed facilities within the proposed Shetland base in Edinburgh by the private sector as compared with the public sector, and shows higher private sector interest.

Figure 1.2: Demand for Facilities at a Shetland Base in Edinburgh

The responses to the question regarding the use of facilities and willingness to pay differed between the private and public sectors. There appears to be more demand for meeting rooms and office suites from the public sector with most willing to pay for the service if it is less expensive than hotel costs unlike the private sector, which sees more priority for retail space, display space and the gallery.

The response to the question about the feasibility, desirability and use of a Shetland Base in Edinburgh was quite low.

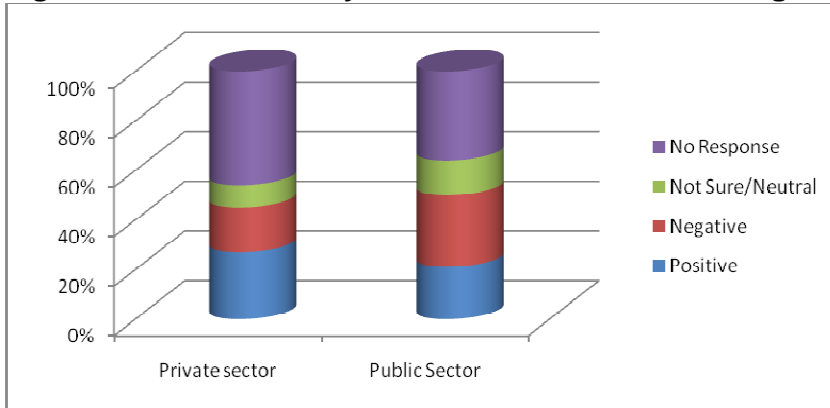
46% of the private and 36% of the public sector respondents did not provide an answer to this question.

27% of private sector respondents responded positively, 9% were unsure about the need for such a presence, and 18% were totally against the venture.

By comparison, the public sector had 21% who responded positively and 29% who were against the project. There was concern expressed by 14% about the feasibility of the venture.

Figure 1.3 illustrates the responses to the feasibility, desirability and use of a Shetland Base in Edinburgh from private and public sector.

Figure 1.3: Sustainability of Shetland Base in Edinburgh



Positive comments made in relation to a Shetland base included:

- “Having a retail centre is a great idea and might promote business and tourism”
- “The provision of suitable facilities for Shetland Base in Scotland’s capital would from time to time be of benefit”
- “Location and appearance would provide beneficial exposure”

Negative comments included:-

- “It isn’t essential by any means. The needs are met by existing hotel facilities and host offices”
- “On the surface, this sounds like an expensive waste of money”
- “Any kind of retail/office project in Edinburgh would be a complete waste of money and time as they are many available spaces in Edinburgh”

Some of the suggestions made included:-

- “It is better to go to specialist venues that have existing clientele e.g. Launch Shetland Music CD at music venues with regular customers”
- “It is better to get Shetland products into a high quality existing outlets”
- “Another option would be to have an Islands shop and to share the cost with for example Orkney and Western Isles.”
- “Such a venture would require some coordination to get a good variety of producers”

- “Utilisation of these facilities would depend on being at zero or minimal cost”

Despite some of the reservations expressed about the project the overall results of the survey would suggest that if all the listed facilities are available at a relatively low cost then it could bring more income to some local businesses through sales and more production.

2. Outline Business Plan

An Outline Business Plan covering the following aspects of the project is attached to this feasibility study.

- A. General Background
- B. Plans for Development of the Ting
- C. Analysis of Demand
- D. Marketing
- E. Management, Personnel and Staffing
- F. Financial Plan
- G. Legal Issues
- H. Performance Measuring and Monitoring

From this business plan it can be seen that the Ting will require ongoing deficit funding likely to be between £80,000 and £140,000 annually depending on the option adopted for ownership of the premises.

It is recommended that the outline business plan in appendix 8 for the Ting is read in conjunction with this report.

3. Conclusions and Recommendations

This study has provided the evidence and data to enable the production of a 3 year outline business plan for a pilot project to establish if the Ting project might be a worthwhile practicable venture. It has also helped to refine the concept in the process. The main conclusions and recommendations are summarised below.

3.1: Demand:

- ⇒ In terms of demand it would appear from the responses received that there is more demand from the private sector than the public sector.
- ⇒ 55% of private sector respondents are keen to participate, in the public sector only 22% were interested in participation.
- ⇒ However there appears to be more demand for meeting rooms and office suites from the public sector, unlike the private sector, which sees more priority for retail space, display space and the gallery.
- ⇒ Response to the question about the feasibility, desirability and use of a Ting was quite low. 46% of the private and 36% of the public sector respondents did not provide an answer to this question.
- ⇒ 27% of private sector respondents responded positively, 9% were unsure, and 18% were totally against the venture.
- ⇒ By comparison, within the public sector 21% responded positively and 29% were against the project. There was concern expressed by 14% about the feasibility of the venture.
- ⇒ Despite some of the reservations expressed about the project the overall results of the survey would suggest that if all the listed facilities were available at a relatively low cost then it could bring more income to some local businesses through sales and more production.

A revised specification for the project has been drawn up based on the results of the demand survey and further discussion with the client. The specification for the facility has been reduced by around 1000 sq ft to approximately 1500 sq ft, as set out below.

Function	Space required
A retail shop	400 sq ft
A display area	75 sq ft
A flexible gallery-type space	400 sq ft
A small office suite	100 sq ft
Storage space	250 sq ft
A kitchen	50 sq ft
Toilet facilities	200 sq ft
Total Floor Space	1475 sq ft

3.2: The Market

- ⇒ It would appear from available information that the commercial property market in Edinburgh, as in the rest of the country, has slowed down.
- ⇒ This is due to a combination of reduced credit availability, and reluctance on the part of sellers to accept reduced prices.
- ⇒ Therefore sales are in the main being sought only where sellers are being forced into the market, and although property is selling at reduced prices, there still appears to be low numbers available for sale.
- ⇒ It would appear from anecdotal evidence, and a trawl of data on properties currently available for rental that other than where sublets of existing rental agreements are being sought, rental values have also fallen significantly.

3.3: Property Availability and Price

- ⇒ In terms of location an option appraisal was conducted for 14 locations in central Edinburgh, which were ranked. The top 5 are set out below and it is suggested that 2&3 are the main areas to focus on in the short term. In the longer term there are some other areas that should be monitored.

Area	Rank
Royal Mile from Bridges to Jeffrey St	1
George St to Queens St	2
Grassmarket/Victoria St	3
Princes St to George St	4=
Upper end of Royal Mile	4=

- ⇒ This fits with the comments made by Edinburgh letting agents that the most likely areas to find property that might fit the outline specification.
- ⇒ In terms of premises costs, a purchase figure of £160 - £200 per sq ft was used. On the basis of a property in the size range 1,500 - 2,000 sq ft then the cost could be in the order of £240,000 to £400,000.
- ⇒ In terms of rental, a figure of £25 - £40 per sq ft was used. On the basis of a property in the size range 1,500 - 2,000 sq ft then the cost could be in the order of £37,500 to £80,000 p/a.
- ⇒ The minimum period for leases tends to be 10-15 years with 5 year rent reviews. Although given the current market, there may be more opportunity for negotiation on these points currently.

⇒

3.4: Management/Organisation

- ⇒ It is suggested that the Ting should be operated by a Board of Directors, supported by a Manager, administration and information/retail staff.
- ⇒ It has been assumed the Ting will normally operate between 9 a.m. and 5p.m. from Monday to Saturday.
- ⇒ As it is likely that the Ting will require ongoing funding, it is proposed that an overall management mechanism for the facility be examined in greater detail.
- ⇒ However it should be stressed that the Ting should maintain focussed business objectives, and aim to be as self-sufficient as possible in order that potential reliance on external funding can be minimised.
- ⇒ In order to achieve this objective it will be important to ensure that a variety of skills and experience are available within the board of

Directors, and particularly that a balance between those with public and private sector experience is secured and maintained.

3.5: Potential

- ⇒ In terms of marketing it is considered that there is potential for the Ting to increase sales for Shetland based businesses, visitor numbers to Shetland and inward migration to the islands, as well as redressing disadvantage to Shetland businesses and Organisations, caused by distance from market.
- ⇒ This has yet to be quantified and it is suggested that additional market research be undertaken in relation to this, which could then be used to further develop targets for the project.
- ⇒ It is suggested that a more detailed marketing plan for the facility be developed initially through the SIC Economic Development Unit, and then by the facility Manager.

3.6: Financial Projections

- ⇒ In terms of finance projections that have been developed, one assumes that premises are either fully purchased, and the other that it is leased.
- ⇒ It has further been assumed in all projections that all start up costs will be fully funded.
- ⇒ Full projections for the first 3 years of operation including pessimistic, realistic and optimistic scenarios have been developed, based on differing usage, sales and cost assumptions. In addition the P&L accounts in these projections have been shown for the whole Centre and split between retail and other facilities.
- ⇒ The overall balance of the profit and loss account for all these projections are set out below.

OVERALL	Year 1 £s	Year 2 £s	Year 3 £s
Pessimistic	-175841	-169363	-160092
Realistic	-129383	-118312	-106224
Optimistic	-82929	-67266	-52361
RETAIL ONLY	Year 1	Year 2	Year 3
Pessimistic	-57388	-47505	-42350
Realistic	-38544	-27864	-21080
Optimistic	-19701	-8224	188
NON-RETAIL	Year 1	Year 2	Year 3
Pessimistic	-118453	-121857	-117742
Realistic	-90840	-90448	-85144
Optimistic	-63229	-59042	-52549

- ⇒ From the table above it can be seen that based on the scenarios developed, it would appear that the Centre is likely to operate at a deficit. However the pessimistic and optimistic scenarios are based on projected figures at two differing extremes in terms of potential demand, and it is much more likely that the realistic scenario, which shows an annual deficit of £130,000 falling to £105,000 after 3 years, with the deficit for the retail element of the project falling from £40,000 to £20,000 per annum.
- ⇒ The other scenarios are however useful indicators as to how fluctuations in demand can impact in terms of overall financial performance, and it should be noted that the optimistic scenario shows a breakeven position for retailing within the Centre in year 3, with an overall deficit of £53,000.
- ⇒ It should further be noted that the retail supply and demand for the Centre is based on the survey undertaken, and a more in-depth analysis particularly in relation to supply may result in sales figures nearer to the optimistic scenario, however this could not be justified based on current information.

⇒ Based on the scenarios developed the following table identifies the possible public investment requirements for the facility during the 3 year pilot period

⇒

Purchase	Premises Purchase £s	Start-Up Costs £s	Year 1 Deficit Funding	Year 2 Deficit Funding	Year 3 Deficit Funding	Total £s
Pessimistic	400,000	30,000	205,000	170,000	160,000	965,000
Realistic	320,000	20,000	150,000	120,000	106,000	716,000
Optimistic	240,000	10,000	93,000	68,000	52,000	463,000
Lease	Premises Purchase £s	Start-Up Costs £s	Year 1 Deficit Funding	Year 2 Deficit Funding	Year 3 Deficit Funding	Total £s
Pessimistic	0	30,000	205,000	170,000	160,000	565,000
Realistic	0	20,000	150,000	120,000	106,000	396,000
Optimistic	0	10,000	93,000	68,000	52,000	223,000

⇒ From the table above it can be seen that based on the realistic scenarios developed, it would appear that the Centre will require between £396,000 (leased) or £716,000 (purchased) of public assistance during the pilot period.

⇒ However assuming an at least static property market under the purchase scenario, a fixed asset of at least £320,000 would exist.

⇒ It should be noted that these projections are based on the demand survey conducted for this project. It may well be possible to increase the income of the Ting, particularly in terms of retail sales, depending on location. However it is extremely unlikely that this will have a significant effect on the overall deficit funding required.

⇒ Overall performance measuring, monitoring systems and targets for the project have been developed, and it is suggested that these are examined in greater detail if it decided to proceed with the project.

3.7: Overall Conclusions and Action

From the evidence gathered on the market there are a number of possible properties available that meet the criteria. It is also clear that it is now a buyer's market as there have been significant falls in purchase prices and leases. As a result it could be a good time to make a long term investment in the Edinburgh commercial property market.

The survey of potential users provided some evidence of demand with strongest demand from the private sector. However due to the limited response from some bodies it is suggested that more work is needed to sell the idea. Also the changing circumstances in tourism suggest that role may need to be reassessed.

The viability and sustainability of the project does not appear to be high on any of the scenarios on the basis of the relatively cautious income assumptions made. As a result ongoing public funding would be required to maintain the facility. It is possible this could be justifiable if there was an overall benefit to Shetland in terms of sales, promotion, new businesses, new people and skills, more visitors attracted, and increased effectiveness of lobbying.

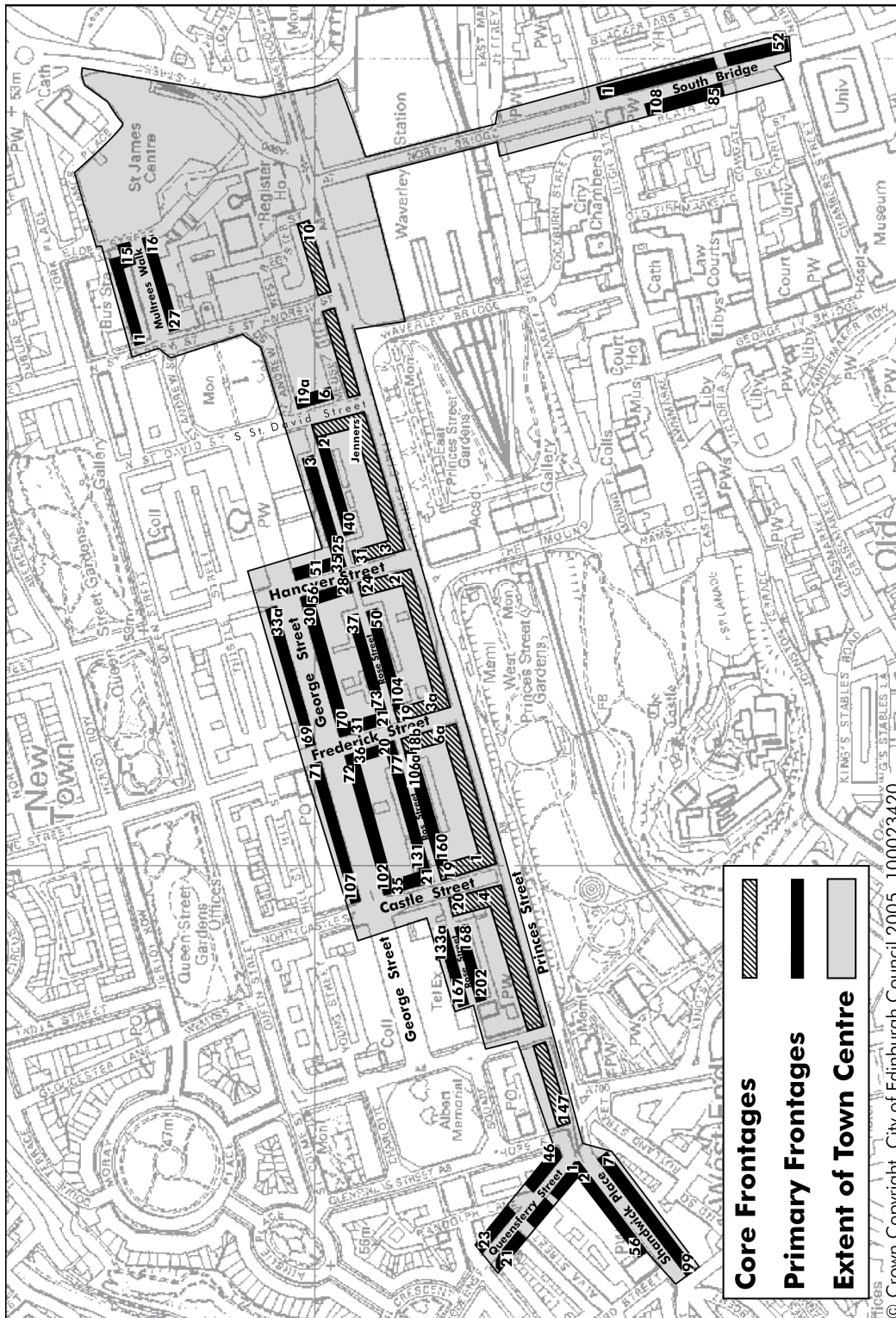
However if there is a need to improve the sustainability of the project it is suggested that the project focuses more on the retail side in order to improve the income potential. This could involve looking at sharing space with other compatible users such as Craft Scotland who are also looking for premises and expressed an interest in sharing premises with a Shetland facility, or some of the other island groups.

The general idea is still considered a sound one but it may be trying to achieve too many functions and objectives which compromises the ability to generate sufficient income. Thus it is suggested that the concept is modified and has a more limited focus, at least in the short term, and action is taken to :-

- Set up a management group to take the idea forward
- Identify and cost actual premises available in the two locations recommended.
- Market the idea to potential users, thus increasing demand and developing the marketing strategy
- Explore appropriate sharing arrangements to reduce overheads and maximise income
- Bring in retail expertise at an early stage and give the main priority to the retail element

APPENDICES

Appendix 1: Core and Primary Retail Frontages

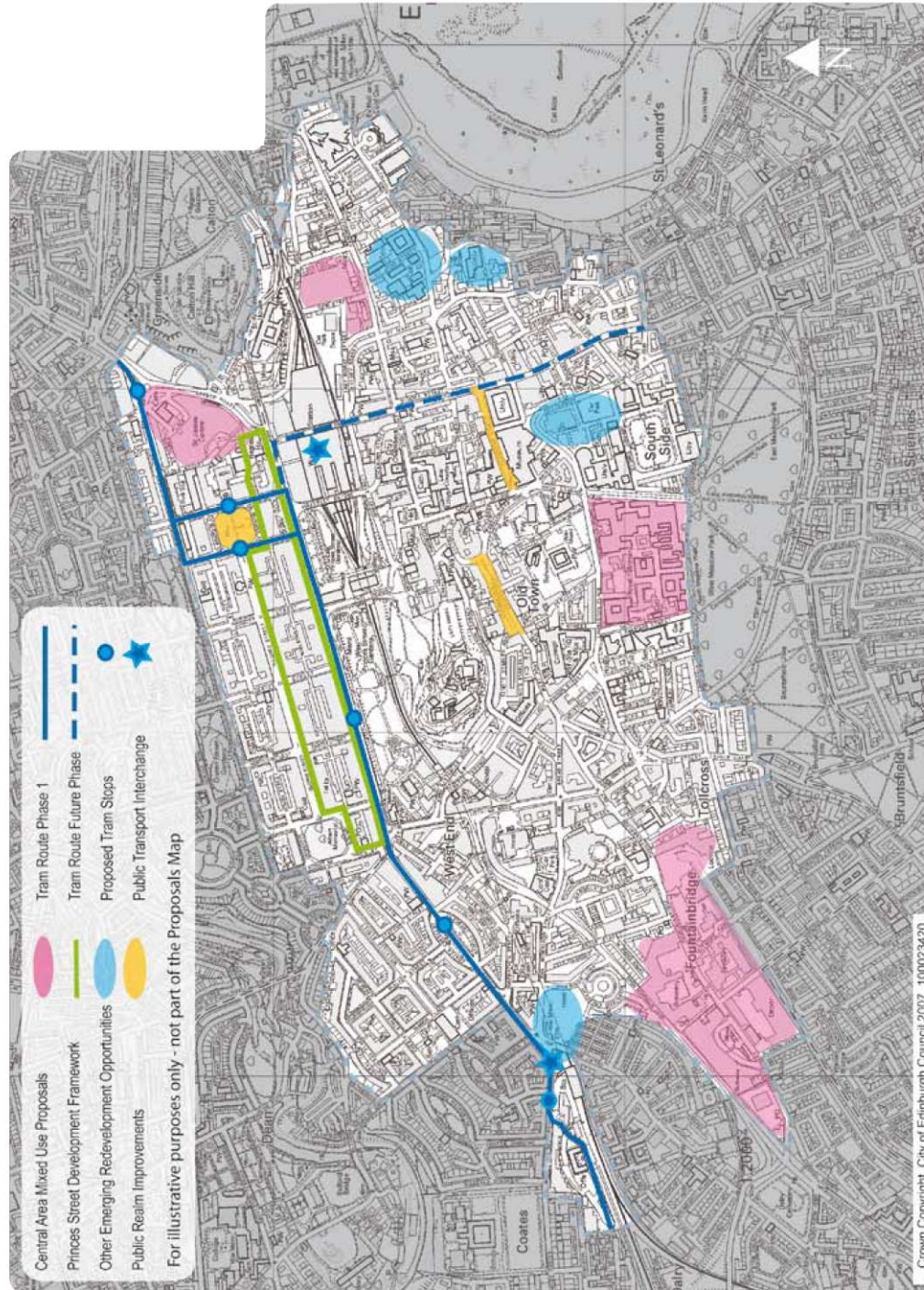


Appendix 2: Speciality Shopping Streets

Speciality Shopping Streets

(1) Cockburn Street	11 - 71 Cockburn Street	32 - 54 Cockburn Street
(2) Grassmarket	1 - 9 Grassmarket 8 - 98 Grassmarket 1 - 13 Cowgatehead	15 - 29 Grassmarket 65 - 89 Grassmarket
(3) High Street / Lawnmarket / Canongate	94 - 112 Canongate 154 - 172 Canongate 246 - 278 Canongate 1 - 137 High Street 124 - 180 High Street 351 - 381 High Street 322 - 346 Lawnmarket	97 - 145 Canongate 175 - 223 Canongate 259 - 299 Canongate 2 - 60 High Street 205 - 219 High Street 435 - 521 Lawnmarket
(4) Jeffery Street / St Marys Street	1 - 37 Jeffery Street 2 - 68 St Marys Street	2 - 16 Jeffery Street
(5) St Stephen Street	5 - 29 St Stephen Street 2 - 94 St Stephen Street	31 - 69 St Stephen Street
(6) Victoria Street/ West Bow	1 - 9 Victoria Street 80 - 118 West Bow	8 - 46 Victoria Street 87 - 105 West Bow
(7) William Street/ Stafford Street/ Alva Street	3 - 31 William Street 2 - 26 William Street 14 - 16 Stafford Street 34 - 36 Alva Street	33 - 51 William Street 28 - 38 William Street 11 - 15 Stafford Street

Appendix 3: Regeneration Areas



Appendix 4: Commentary on Locations Appraised

A visual survey was undertaken of several locations to look at the general condition of the area, property on the market and types of retail outlets.

The areas included were are follows :-

1. Leith/Victoria Quay
2. Top of Leith Walk
3. Princess St to George St
4. George St to Queens St
5. Shandwick Place/Stafford St
6. Newington
7. Bridges/Nicolson St
8. Grassmarket/Victoria St
9. George IV St
10. Upper end of Royal Mile from Bridges
11. Royal mile from Bridges to Jeffrey St/St Marys St
12. Bottom end of Royal Mile
13. Cockburn St
14. Morningside/Churchill/Bruntsfield

1. Leith/Victoria Quay

The Shore area at Leith and towards Victoria Quay has a number of small shops selling high value products as well as restaurants with a good reputation. It is located close to new office developments, particularly for the Scottish Executive. Access and parking is not so easy and it is not an area frequented by tourists, though some may go to the Ocean Terminal shopping complex to visit the Royal Yacht.

Parts of the area are still a bit run down though is improving therefore probably a good investment as likely to continue improving. Not much evidence of property on the market.

Overall not considered to have a high enough score to go on the short list due to distance from the centre and Parliament (though close to SE), very mixed retail character, and down at heel atmosphere in parts and low footfall.

2. Top of Leith Walk

At the top of Leith Walk are some new developments e.g. around Picardy Place roundabout such as Omni 1 and St James Centre (that is expected to undergo major redevelopment over the next few years). However just below that is the Playhouse Theatre and lots of

restaurants. Elm Row is set off Leith Walk with its own access and parking area that make it more attractive proposition. It is undergoing conservation/renovation and seems to contain roof to ground ownership units. Existing shops are of mixed character such as betting shop, pharmacy, PO, restaurants, Blacks, and Valvona which is a treasure trove of continental foods. It is not too far out the way for local foot traffic though not on a tourist route, but could be given a second consideration

3. Princess St to George St

This is the prime shopping area where the highest prices are to be found. The property here is very much in the hands of property companies and upper floors tend to be split off from ground floors except where there is a long standing occupier or owner such as the Northern Lighthouse Board on George St. It is clearly an area with high footfall and a range of high class shops, especially on George St. However because of price and low turnover of property, from evidence from the agents, it may not be feasible to pursue this area.

4. George St to Queens St

This area is contiguous to 3 but with lower costs and lower footfall, especially the Queens St end. However that said it is still a good central location with some attractive property and appropriate neighbours. There is evidence of quite a high property turnover (from density of agents boards), especially on eastern end of Queen St. Also whole properties from roof to floor appear to be available here with scope for showroom/retail on ground floor. There are also some classy shops such as Hand Made in England (Chalom.com, opposite the museum).

5. Shandwick Place/Stafford St

This area is at the west end of Princess St and includes the continuation which is Shandwick Place and street off that. Apart from Shandwick Place it is mainly offices though some small shops/restaurants on Stafford St and William St. It also seems a place for property agents. Shopping character of Shandwick Place is very mixed and footfall quite high, unlike the rest of the area. There is some property on the market, however the area does not score well in terms of location, footfall, and even appropriate neighbours.

6. Newington

Newington is a local shopping area for a fairly prosperous area with university links. Footfall appears quite significant but is likely to be largely local as not many outlets that would draw people from further

afield, certainly not visitors. Thus it is not considered suitable for a second consideration.

7. Bridges/Nicolson St

This is the area to the south of the High Street which is considered part of the main shopping area but it can be quickly dismissed due to the rag bag selection of shops that are largely downmarket.

8. Grassmarket/Victoria St

This area is off the top of the High St with Victoria St leading down from George IV St to the Grassmarket. There is a very eclectic mix of small shops and restaurants and is undergoing some upgrading. There could be some appropriate neighbours that would attract footfall e.g. Hawick Casmere (though may be moving Why?). Their premises could be a suitable proposition. This area is definitely worth a second look, although there is some evidence of pressures for change from retail.

9. George IV St

George IV St has undergone a complete transformation in recent years with the introduction of clubs and restaurants. It has lost its specialist shops and is now almost all taken over with food outlet and does not look worth considering.

10. Upper end of Royal Mile from Bridges

The Upper end of High St has a very high footfall especially from visitors with very much "touristic" shops that not so suitable, however there may be one or two corners worth considering such as at St Giles St.

11. Royal mile from Bridges to Jeffrey St/St Marys St

The middle section of the High St is possibly more promising from point of view of footfall, types of shops, prices, and proximity to Parliament. However properties tend to be smaller. There are outlets selling crafts, some quality, and galleries which could be reasonable neighbours.

12. Bottom end of Royal Mile

The lower end of the High St has noticeably a much lower footfall though still visitors present and one or two less well know attractions as well as the Parliament itself. It contains a few specialist shops. If proximity to the Parliament was the most important criteria then this area would be appropriate but a retail outlet would be less viable. The Scottish Craft centre that used to be here closed some time ago.

13. Cockburn St

Cockburn St runs from the High St down to the Waverley Station and contains a fairly unusual selection of shops selling an interesting range of goods. It has a reasonable footfall for locals and visitors and could be considered given its good central location.

14. Morningside/Churchill/Bruntsfield

These are prosperous out of centre shopping areas with many small specialist shops as well as local shops that have a wide catchment e.g. for cheese, fish, and fresh produce. If Shetland food produce was to feature strongly in the centre this would probably be quite a good location, otherwise not given its remoter location

Appendix 5: Full Option Appraisal Analysis

Option Appraisal Unweighted											
No	Area	DISTANCE FROM PARLIAMENT (3)	FOOTFALL (5)	PRICE (4)	TYPES OF PREMISES (3)	PHYSICAL APPEARANCE (2)	EXISTING RETAIL CHARACTER (2)	AVAILABILITY (1)	ACCESS/ PARKING (1)	TOTAL	RANK
11	Royal mile from Bridges	5	5	3	3	4	4	4	3	31	1
4	George St to Queens St	2	4	2	4	5	4	5	2	28	2
8	Grassmarket/ Victoria St	3	4	3	3	3	4	3	3	26	3
13	Cockburn St	4	3	3	3	3	3	3	3	25	4
3	Princes St to George St	3	5	1	4	5	3	2	1	24	5
10	Upper end of Royal Mile	4	5	2	2	4	3	3	1	24	5
2	Top of Leith Walk	2	3	4	3	3	3	2	3	23	7
12	Bottom end of Royal Mile	5	2	4	2	4	1	1	4	23	7
14	Morningside/Churchill/Bruntsfield	1	3	4	3	3	3	2	4	23	7
1	Leith /Victoria Quay	1	1	5	4	2	3	2	4	22	10
5	Shandwick Place / Stafford St	2	3	3	1	4	3	3	2	21	11
6	Newington	1	3	4	2	3	2	2	3	20	12
7	Bridges/Nicolson St	4	4	3	4	1	1	2	1	20	12
9	George IV ST	3	3	3	2	3	2	2	1	19	14

Option Appraisal Weighted											
No	Area	DISTANCE FROM PARLIAMENT (3)	FOOTFALL (5)	PRICE (4)	TYPES OF PREMISES (3)	PHYSICAL APPEARANCE (2)	EXISTING RETAIL CHARACTER (2)	AVAILABILITY (1)	ACCESS/ PARKING (1)	TOTAL	RANK
11	Royal mile from Bridges	15	25	12	9	8	8	4	3	84	1
4	George St to Queens St	6	20	8	12	10	8	5	2	71	2
8	Grassmarket/ Victoria St	9	20	12	9	6	8	3	3	70	3
3	Princes St to George St	9	25	4	12	10	6	2	1	69	4
10	Upper end of Royal Mile	12	25	8	6	8	6	3	1	69	4
13	Cockburn St	12	15	12	9	6	6	3	3	66	6
2	Top of Leith Walk	6	15	16	9	6	6	2	3	63	7
7	Bridges/Nicolson St	12	20	12	12	2	2	2	1	63	7
12	Bottom end of Royal Mile	15	10	16	6	8	2	1	4	62	9
14	Morningside/Churchill/Bruntsfield	3	15	16	9	6	6	2	4	61	10
1	Leith/Victoria Quay	3	5	20	12	4	6	2	4	56	11
5	Shandwick Place / Stafford St	6	15	12	3	8	6	3	2	55	12
6	Newington	3	15	16	6	6	4	2	3	55	12
9	George IV ST	9	15	12	6	6	4	2	1	55	12

Unweighted	Weighted
Royal mile from Bridges	Royal mile from Bridges
George St to Queens St	George St to Queens St
Grassmarket/ Victoria St	Grassmarket/ Victoria St
Cockburn St	Princes St to George St
Princes St to George St	Upper end of Royal Mile
Upper end of Royal Mile	Cockburn St
Top of Leith Walk	Top of Leith Walk
Bottom end of Royal Mile	Bridges/Nicolson St
Morn..side/Churchill/Br..field	Bottom end of Royal Mile
Leith /Victoria Quay	Morn..side/Churchill/Br..field
Shandwick Place / Stafford St	Leith /Victoria Quay
Newington	Shandwick Place / Stafford St
Bridges/Nicolson St	Newington
George IV ST	George IV ST

Appendix 7: List of Organisations and Individuals Surveyed

Demand for space from Public Sector – Survey of SIC Depts. and SHB		
No	Interviewee	Contact Name
Executive Service Department		
1	Finance	Graham Johnston
2	Housing & Capital Programmes	Chris Medley
3	Legal & Admin	Jan Riise
4	Organisational Development	John Smith
Education and Social Care Dept		
5	Children's Services	Stephen Morgan
6	Community Care	Christine Ferguson
7	Community Development	Neil Watt
8	Criminal Justice Service	Denise Morgan
9	Schools	Helen Budge
Infrastructure Services Dept		
10	Env & Building Services	Stephen Cooper
11	Planning	Ian McDiarmid
12	Roads	Ian Halcrow
13	Transport	Michael Craigie/Ken Deurden
14	Economic Development Unit	Neil Grant
15	Ports and Harbours Operations	Jim Dickson
Health Board		
16	Shetland Health Board	Sandra Laurenson

key	
	Depts. who responded
	Depts. Who didn't respond

Demand for space from Private Sector and Agencies		
No	Interviewee	Contact Name
1	Shetland Catch	Simon Leiper
2	Hjaltland Sea farms	Michael Stark
3	Shetland Smokehouse	Terry Curran
4	Blackwood's	Caroline Whitfield
5	COPE	
6	Jamieson's Knitwear	Garry Jamieson
7	Shetland Times Bookshop	Brian Johnston
8	Millgaet Media	Malcolm Younger
9	Brudolff Hotels	Robert Smith
10	Busta House	Joe Rocks
11	Northwards	Larry Leslie
12	Arch Henderson	Andy Sandison
13	ITS	Roland Hawkins
14	Peter Johnson Partnership	Peter Johnson
15	Sleeping Beauty	Lilac Miller
16	Joanna Hunter	Joanna Gair
17	Burra Bear	Wendy Inkster
18	Paparwark	Cecil Tait
19	Donna Smith	Donna Smith
20	Shetland Silvercraft/ jewellery	Kenneth Rae
21	Liam O Neill	Liam O Neill
22	Ruth Brownlee	Ruth Brownlee
23	Foords Chocolates	
24	Shetland Fudge	Gillian Ramsay
25	Valhalla Brewery	Sonny Priest
26	Walls Bakery	Charlie Hodge
27	Fiddlers Bid	Maurice Henderson
Agencies		
1	Shetland Arts Development Agency	Gwilym Gibbons
2	Shetland Charitable Trust	Jeff Goddard
3	Shetland Amenity Trust	Jimmy Moncrieff
4	Seafood Shetland	Ruth Henderson

5	Shetland Aquaculture	David Sandison
6	Shetland Crafts Association	Wendy Inkster
7	Shetland Food and Drink Group	Fiona Dally
8	Veer North	Peter Davis
9	Visit Shetland	Andy Steven
10	SEPA	Dave Okill
11	SNH	John Uttley
12	Crofters Commission	Jane Thomas
13	Scottish Crofting Foundation	Norman Leask
14	Shetland Retailers Association	Janet Davidge
15	SFA/SFPO	Brian Isbister /Hanson Black
key		
	Organisations who responded	
	Face to Face interviews	
	Organisations who didn't respond	

Appendix 8

OUTLINE BUSINESS PLAN FOR THE TING PROJECT

Prepared for:

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APPENDICES

1. Financial Projections

MISSION STATEMENT

The Mission Statement of the Ting Project is :-

“To establish and operate a Shetland base in Edinburgh which fulfils a number of functions including a retail shop, information point, office, gallery and display space.”

A. General Background

It was felt that many Shetland businesses and organisations are disadvantaged by distance, and a lack of available opportunity for contact with existing and potential customers, trading partners and similar groups and bodies. The Ting project has therefore been proposed as a means of redressing these disadvantages and providing opportunities for all businesses and organisations in the islands, through the provision of a communal facility in Edinburgh.

The main functions of the base will be:

- ⇒ To raise awareness of high-quality Shetland products, widen and strengthen their reputation and increase their value
- ⇒ To provide a base from which Shetland producers could launch or test market new products
- ⇒ To provide a space that would allow Shetland's culture to reach a discerning Central Scotland audience through changing displays of art or craft or possibly small-scale performances
- ⇒ To provide facilities for Shetland public agencies or businesses which they could use to perform office work or hold meetings with clients.

It is proposed that this be a pilot project for a period of 3 years, which is subject to an annual review in order to gauge its benefit to both individual businesses and organisations, and Shetland as a whole. Following this 3 year period a decision will be made on the suitability of making the base permanent, based on the outcome of the annual review process.

B. Plans for Development of the Ting

There are several issues in relation to the development of the Ting that require to be considered. These will dictate a number of aspects of the Ting mainly in relation to creating the correct balance of facilities and providing services which businesses and organisations require, situated in the most suitable location.

For this reason the following policy principles were set:-

- That the facility would be located in Edinburgh
- That the facilities and services provided would reflect those requested by potential users

With regard to the first point above one of the main issues to be addressed was where the Ting should be sited with Edinburgh. Within the feasibility study an option appraisal in relation to 14 potential locations within the City was undertaken, the results of which are detailed below.

Ranked Order for 14 Areas

Area	Rank
Royal Mile from Bridges to Jeffrey St	1
George St to Queens St	2
Grassmarket/Victoria St	3
Princes St to George St	4=
Upper end of Royal Mile	4=
Cockburn St	6
Top of Leith Walk	7=
Bridges/Nicolson St	7=
Bottom end of Royal Mile	9
Morningside/Churchill/Brunstfield	10
Leith/Victoria Quay	11
Shandwick Place/Stafford St	12=
Newington	12=
George IV St	12=

From the table above it can be seen that the top 3 ranked areas were the Royal Mile from the Bridges to Jeffrey St, George St to Queen St area and The Grassmarket/Victoria Street. Princes Street to George St and the Top End of the Royal Mile ranked 4th equal.

These results accord with the comments made by Edinburgh letting agents that the most likely areas to find property that might fit the outline specification by the client were: George Street and adjoining streets, and the Royal Mile/Old Town area. However size and purchase/lease options are likely to be issues in these areas, particularly size in the Royal Mile, and the fact that relatively few properties in these areas are available for purchase. The number and selection of properties available for lease may also be an issue.

On the basis of the evidence gathered therefore, the best locations to focus on for a more detailed search in the short term to meet the needs identified, are likely to be:

1. George St to Queen St – especially towards the St Andrew's Square end and towards Queen St side of the area.
2. Grassmarket/Victoria St – though this depends on what is happening to one or two key properties currently on the market which could change the ambiance.

In the longer term it will be necessary to keep an eye on what is happening in the development proposals in the Cannongate area. Jeffrey St/St. Mary's St may be worth watching. Also the redevelopment of the St James Centre and the area between the Grassmarket and the Usher Hall may also be worth investigating in the future.

In terms of the second point an initial specification for the facility was drawn up, and this was then revised based on a survey of potential users giving the following spec for the Ting.

Function	Space required
A retail shop selling a range of high-quality Shetland products and that would serve, in particular, as a base for test-marketing new products	400 sq ft at street level
A display area , closely associated with the retail area, aimed at promoting Shetland (a) as a visitor destination and (b) as a place to live in and invest in	75 sq ft at street level
A flexible gallery-type space that could be used for exhibitions, small-scale performances and product launches	400 sq ft at street level
A small office suite , equipped with all necessary equipment to provide admin support for the Ting, and could be made available for staff, from Shetland businesses and organisations to work efficiently when away from Shetland	100 sq ft at street, basement or first floor level
Storage space for the shop and for any other needs, for example exhibition equipment that might more economically be stored on the mainland than in Shetland	250 sq ft at street, basement or first floor level
A kitchen capable of providing teas and coffees and acting as a base for caterers serving functions in the building	50 sq ft at street, basement or first floor level
Toilet facilities	200 sq ft at street, basement or first floor level
Total Floor Space	1475 sq ft

From the above it can be seen that based on the demand survey, the specification for the facility totals approximately 1500 sq ft. Ideally all of this should be located on one floor though some uses could be on separate floors such as office space. In addition larger properties could be examined which might have the potential for partial sub-letting.

More detailed usage of the individual areas of the building is detailed below.

Retail Outlet

The retail shop will sell a range of Shetland produce, likely to include:

- Knitwear and other textile products such as shawls, scarves, accessories
- Soap
- Craft products selected for their high quality
- The work of Shetland artists
- Books and publications relating to Shetland, including the *Shetland Times* on day of publication
- Ambient food and drink (e.g. confectionery, beer, etc) and possibly ice-cream from a freezer
- If logistics allowed, chilled, pre-packed preserved foods (e.g. smoked salmon)

It was not thought practical to carry fresh foods such as fresh fish or lamb, but there could of course be information available about these, including details of local suppliers.

It is considered important to stress the emphasis on quality. The aim would be to create a high-quality, stylish offer. It is suggested this would be no place for 'tourist tat' or second-rate food or craft offers. The store manager would be given very clear guidance to that effect.

Tourism and Relocation Information

The tourist-related part of this area would provide a range of leaflets and brochures relating to holidays in Shetland, with video presentations. There would also be computer access to information about the islands, which users could browse at their leisure. Staff would be sufficiently knowledgeable and enthusiastic about Shetland attractions to offer good advice (information assistants could possibly be drawn from among the Shetland student population of the City and/or exiles). There could also be

systems in place for contact details to be passed to local tourist organisations for follow up.

Information would also be available aimed at encouraging people to consider moving to Shetland and building a business there. A range of relevant leaflets and an information pack would be available. It may also be possible to operate a database of local vacancies and property, as well as signposting to relevant agencies. This could be an increasingly important role for the Centre in coming years, in light of anticipated reducing labour supply and ongoing demand for workers.

Gallery

The gallery space will be multi-functional. It will normally contain a succession of exhibitions by Shetland arts and crafts people. These will be wide-ranging in nature. Some might present painting or sculpture by members of the Veer North group; others might display such items as Shetland-made furniture or particularly ambitious or innovative textiles, as well as traditional knitwear, shawls etc. It could also be appropriate to feature exhibitions from areas with which Shetland has links, notably West Norway, Faroe and Tamil Nadu.

The gallery space would also lend itself to receptions, whether for public or private purposes. For example, the Council might want to promote some particular campaign and might use the space for a reception and presentation associated with it to which MSPs or other relevant people could be invited. A private business might wish to launch a new product and could rent the space for that purpose, inviting clients.

The gallery could contain small-scale performances, for example poetry, literary or musical events, typically by invitation. Some of these might be aimed at, or organised by, expatriate Shetlanders. Others would be aimed at specific audiences, perhaps to assist a young musician with his or her career.

Office Suite

A fully-equipped office both for project admin and that could also be made available for use by the sponsoring agencies, Shetland businesses and possibly others, on a rental basis. This would also have more of a multi-purpose role e.g. for meetings. Office space might be used, for example, by a Councillor or council official wishing to make good use of time between meetings on the Mainland or by a Shetland business person requiring a city base for a few days while meeting a number of clients.

Storage Space

This will be needed as back-up for the retail shop and seating and exhibition equipment for the gallery but might also be used to hold exhibition equipment or other materials required on the Mainland.

Kitchen

It is not envisaged that a kitchen capable of a full catering service would be provided, but the kitchen should be usable by caterers who might be providing sandwiches, canapés and the like. It should be capable of storing modest quantities of cold food and warming pre-cooked food, providing ice and of course offering teas and coffees.

C. Analysis of Demand

One of the requirements of the feasibility study was to assess the demand for use of the space in the Ting from both the public and private sector in Shetland. The results from the survey are summarised below.

- It would appear from the responses received that there is more demand for the venture from the private sector than the public sector.
- 55% of private sector respondents are keen to participate and make use of these facilities in an Edinburgh Shetland base.
- There was a less enthusiastic response from the public sector where only 22% were interested in participation.
- The responses to the question regarding the use of facilities and willingness to pay differed between the private and public sectors.
- There appears to be more demand for meeting rooms and office suites from the public sector with most willing to pay for the service if it is less expensive than hotel costs unlike the private sector, which sees more priority for retail space, display space and the gallery.
- Response to the question about the feasibility, desirability and use of a Shetland Base in Edinburgh was quite low. 46% of the private and 36% of the public sector respondents did not provide an answer to this question.
- 27% of private sector respondents responded positively, 9% were unsure about the need for such a presence, and 18% were totally against the venture.
- By comparison, within the public sector 21% responded positively and 29% who were against the project. There was concern expressed by 14% about the feasibility of the venture.

Positive comments made in relation to a Shetland base included:

- “Having a retail centre is a great idea and might promote business and tourism”
- “The provision of suitable facilities for Shetland Base in Scotland's capital would from time to time be of benefit”
- “Location and appearance would provide beneficial exposure”

Negative comments included:-

- “It isn't essential by any means. The needs are met by existing hotel facilities and host offices”
- “On the surface, this sounds like an expensive waste of money”
- “Any kind of retail/office project in Edinburgh would be a complete waste of money and time as they are many available spaces in Edinburgh”

Some of the suggestions made included:-

- “It is better to go to specialist venues that have existing clientele e.g. Launch Shetland Music CD at music venues with regular customers”
- “It is better to get Shetland products into a high quality existing outlets”
- “Another option would be to have an Islands shop and to share the cost with for example Orkney and Western Isles.”
- “Such a venture would require some coordination to get a good variety of producers”
- “Utilisation of these facilities would depend on being at zero or minimal cost”

Despite some of the reservations expressed about the project the overall results of the survey would suggest that if all the listed facilities are available at a relatively low cost then it could bring more income to some local businesses through sales and more production.

Potential Usage

The respondents who indicated they would make use of the proposed Shetland facility in Edinburgh were asked which parts of the facility they would use or hire, how often, and would they be willing to pay for the usage.

(a) Public Sector

Facility Type	Number of Organisations	Frequency:	Willing to Pay
Information/Display Space	1	6 months	Yes
Meeting Rooms	4	2 or 4 or 6 months	Yes, No
Office Suite	2	4 or 6 months	Yes

- One respondent would make use of three facilities, i.e. information or display space, meeting rooms and office suite every 6 months and is willing to pay for it.
- One respondents would make use of meetings rooms if the space is enough to accommodate 20 people, and an office suite, if it has a photocopying facility, every two months or yearly depending upon the demand. They are willing to pay for it if it is less expensive than hotel cost.
- One respondent would make use of meeting rooms and an office suite every four months and is willing to pay for it.
- One respondent would make use of meeting rooms every 6 months but is not ready to pay for such a service because most of their host organisations provide space with no cost.

(b) Private Sector

Facility Type	Number of Organisations	Frequency:	Willing to Pay
Retail Space	7	Weekly (3), Monthly (1) Don't know (2)	Yes (2) No (1) Possibly (1) Don't know (3)
Market Research	1	Monthly	Yes
Information/Display Space	6	Weekly (2), Monthly (1), Don't know (3)	Yes (1) No (1) Possibly (2) Don't know (2)
Gallery	6	Weekly (1), Monthly (1), Yearly (1) Don't know (3)	No(1), Yes(2), Possibly(2), Don't know(1)
Meeting Rooms	4	Monthly (1), Yearly (2), Possibly(1)	No (2), Don't know (2)
Office Suite	1	Don't know	Don't know
Storage Space	3	Weekly, Yearly, Don't know	Yes (1), Don't know (2)

Retail respondents were asked about the type, numbers and terms of the products they could supply to the project, the most frequent responses were:-

Type of products	Amount	Terms
Shetland base cultural heritage, products, attractions and accommodation	x	x
Bags, scarves, purses, corsages, cushions	10/month	Wholesale
Shetland chairs, candleholders	Permanent display	Commission
Shetland Products, predominantly books and the Shetland Times	Can negotiate and supply as required	Commission or Whole sale
Burra Bears, cards, postcards, entire range	Regular orders on monthly basis	Wholesale
Jewellery	As often as required	
Whole range of knitwear	x	x

D. Marketing

It is considered that there is potential for the Ting to increase sales for Shetland based businesses, visitor numbers to Shetland and inward migration to the islands, as well as redressing disadvantage to Shetland businesses and Organisations, caused by distance from market. This has yet to be quantified and it is suggested that additional market research be undertaken in relation to this, which could then be used to further develop targets for the project.

The Ting will continue to develop its marketing strategy which will target the following groups:

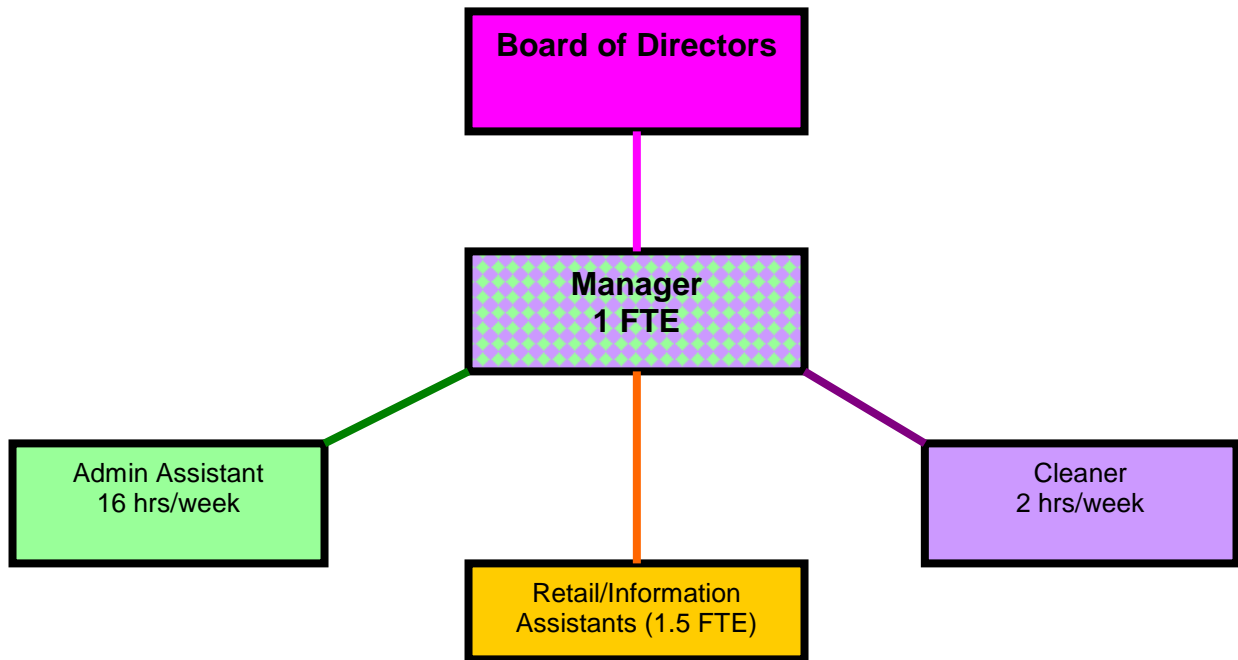
- Shetland Businesses
- Shetland Public and Private Sector Agencies
- Consumers in Edinburgh (both local and non-local)
- Potential Visitors to Shetland
- Potential Migrants

In order to do this the project will...

- Develop and promote a website for the facility;
- Develop and promote other promotional literature for the facility;
- Develop and promote the facility as a sales point for high quality Shetland products;
- Develop and promote a substantial information base focused on Shetland;
- Develop a strategy to act as Visitor Information Point focusing on Shetland;
- Foster links with private and public sector groups and organisations in the islands;

It is suggested that a more detailed marketing plan for the facility be developed initially through the SIC Economic Development Unit, and then by the facility Manager.

E. Management & Personnel



Job Title	Minimum Qualification/Experience Level	Pay Rate
Directors	It is felt that Ting should have focussed business objectives, and aim to be as self-sufficient as possible. In order to achieve this a variety of skills and experience are required within the board of Directors, particularly a balance of public and private sector experience.	£0
Manager	Preferably degree level with management and retail experience. Good knowledge of Shetland advantageous.	£25,000 - £30,000 annual
Admin Assistant	Preferably HND level with previous experience	£8-£10 hourly
Retail/ Information Assistant	Preferably min Higher level (or Shetland Student). Good knowledge of Shetland essential	£6-£8 hourly
Cleaner	Previous cleaning experience advantageous	£6-£7 hourly

Hours of Work

- The Ting will normally operate between 9 a.m. and 5p.m. from Monday to Saturday.
- The Manager will be expected to work 5 of these 6 days with a one hour lunch break, giving a 40 hour week.
- It is anticipated that 16 hours of admin support per week will be required. This can be offered on a flexi-time or set hours basis, depending on the candidate.
- At least 1 retail/information assistant will require to be on duty whilst the Ting is open, as this amounts to 6 working days and an assumption of 1.5 FTE's has been assumed, this gives scope for additional workers to be employed at busier times equivalent to an average of 1.5 days per week, however it is more likely that there will be greater demand during Summer months from visitors, and for retailing in the run up to Christmas. This should also allow for holiday cover.
- It is assumed that staff will undertake minor cleaning duties as they go, and that a cleaner will be employed to deep clean once a week, probably on Sunday when the Ting will normally be shut.

Overall Management of the Centre

As it is likely that the Ting will require ongoing funding, it is proposed that an overall management mechanism for the facility be examined in greater detail. However it should be stressed that the Ting should maintain focussed business objectives, and aim to be as self-sufficient as possible in order that potential reliance on external funding can be minimised. In order to achieve this objective it will be important to ensure that a variety of skills and experience are available within the board of Directors, and particularly that a balance between those with public and private sector experience is secured and maintained.

F. Financial Plan

Capital Cost

Projections have been developed, assuming that either the premises are fully purchased and rented back at a commercial rent, or that they are leased from an existing landlord. It has been assumed that the rental in each case will be identical. Three options have been developed with purchase cost assumptions as set out below.

	Purchase £s
Optimistic	240,000
Realistic	320,000
Pessimistic	400,000

Start Up Costs

These include initial legal, marketing and recruitment costs, wages prior to opening and initial equipment purchase, estimated as set out below.

Costs	Optimistic £s	Realistic £s	Pessimistic £s
Legal fees	1,000	1,500	2,000
Marketing	500	1,500	2,500
Recruitment	500	1,000	1,500
Wages	3,000	6,000	9,000
Computer and Office Equipment	2,500	5,000	7,500
Capital Equipment	2,500	5,000	7,500
Total	10,000	20,000	30,000

It has been assumed in all projections that these costs will be fully funded. Failure to obtain this funding will materially affect first year projections for the Centre, as start up costs have been incorporated into cash flow figures as fully funded.

Revenue costs

The figures below relate to year 1 assumptions, unless where otherwise indicated figures for years 2 and 3 have been adjusted at 5% to take account of inflation. All figures relate to annual payments however the following codes show payment frequency within the cash flow, M = Monthly, Q = Quarterly, A = Annually.

	Optimistic £s	Realistic £s	Pessimistic £s
Rent - M	37,500	58,750	80,000
Rates - M	7,000	8,000	9,000
Insurance - M	2,000	2,500	3,000
Wages - M	51,000	57,504	64,008
NI & Pension - M	10,200	11,501	12,802
Recruitment -A	250	500	750
Training - Q	500	1,000	1,500
Weekly Purchases - M	600	1,200	1,800
Materials and Equipment - M	600	1,200	1,800
Repairs & Renewals - A	500	1,000	1,500
Printing, Stationery & Postage - M	1,000	1,500	2,000
Light & Heat - Q	1,000	1,200	1,400
Telephone - Q	600	900	1,200
Marketing/Advertising - M	2,400	3,000	3,600
Travel & Subsistence & Taxis - M	2,400	3,000	3,600
Subscriptions - M	250	500	750
Parties & Promotions - Q	1,000	1,500	2,000
Registration and Licences - Q	1,000	1,500	2,000
Petty Cash Purchases - M	400	600	800
Bank Charges - M	300	360	420
Bank Interest – M*	0	0	0
Legal & Professional Fees - A	500	1,000	1,500
Bad Debts - A	0	250	500
Miscellaneous - M	400	600	800

* Assumes deficit will be fully funded therefore no interest

Income

Income has been based on usage assumptions and charges, it has been assumed that all retail sales are made on a commission basis, although it is unlikely this will occur in practice it allows for simplification of the projections. In addition it has been suggested that additional space within the facility could be sublet. However it has been assumed that any sublet rental income will equal any additional lease or capital purchase return therefore it has been omitted, again in order to simplify the projections. The figures

below relate to year 1 assumptions, and it has been assumed that sales will increase by 50% in year 2 and a further 25% in year 3, as the Centre becomes more established. Income figures for pessimistic and optimistic represent 25% variations from realistic. All figures relate to annual income however all income in the cash flow is detailed monthly.

Year 1	Optimistic £s	Realistic £s	Pessimistic £s
Retail (commission only Av 35%) – M - Variable	22,313	17,850	13,388
Gallery (commission only Av 33%) – M - Variable	5,256	4,205	3,154
Information/Display Space Permanent – M	3,315	2,652	1,989
Information/Display Space Occasional – M - Variable	5,250	4,200	3,150
Meeting Rooms – M - Variable	1,250	1,000	750
Office Suite – M - Variable	875	700	525
Miscellaneous - M	1,125	900	675

Projections

Full projections for the first 3 years of operation are attached in Appendix 1. Pessimistic, realistic and optimistic scenarios have been developed, based on differing usage, sales and cost assumptions. In addition the P&L accounts in these projections have been shown for the whole Centre and split between retail and other facilities.

Anticipated Deficit Levels Based on Scenarios

OVERALL	Year 1 £s	Year 2 £s	Year 3 £s
Pessimistic	-175841	-169363	-160092
Realistic	-129383	-118312	-106224
Optimistic	-82929	-67266	-52361
RETAIL ONLY	Year 1	Year 2	Year 3
Pessimistic	-57388	-47505	-42350
Realistic	-38544	-27864	-21080
Optimistic	-19701	-8224	188
NON-RETAIL	Year 1	Year 2	Year 3
Pessimistic	-118453	-121857	-117742
Realistic	-90840	-90448	-85144
Optimistic	-63229	-59042	-52549

From the table above it can be seen that based on the scenarios developed, it would appear that the Centre is likely to operate at a deficit. However the pessimistic and optimistic scenarios are based on projected figures at two differing extremes in terms of potential demand, and it is much more likely that the realistic scenario, which shows an annual deficit of £130,000 falling to £105,000 after 3 years, with the deficit for the retail element of the project falling from £40,000 to £20,000 per annum. The other scenarios are however useful indicators as to how fluctuations in demand can impact in terms of overall financial performance, and it should be noted that the optimistic scenario shows a breakeven position for retailing within the Centre in year 3, with an overall deficit of £53,000. It should further be noted that the retail supply and demand for the Centre is based on the survey undertaken, and a more in-depth analysis particularly in relation to supply may result in sales figures nearer to the optimistic scenario, however this could not be justified based on current information.

Based on these scenarios the following table details the possible public investment requirements for the facility during the 3 year pilot period

Anticipated Public Investment Levels

Purchase	Premises Purchase £s	Start-Up Costs £s	Year 1 Deficit Funding £s	Year 2 Deficit Funding £s	Year 3 Deficit Funding £s	Total £s
Pessimistic	400,000	30,000	205,000	170,000	160,000	965,000
Realistic	320,000	20,000	150,000	120,000	106,000	716,000
Optimistic	240,000	10,000	93,000	68,000	52,000	463,000
Lease	Premises Purchase	Start-Up Costs	Year 1 Deficit Funding	Year 2 Deficit Funding	Year 3 Deficit Funding	Total
Pessimistic	0	30,000	205,000	170,000	160,000	565,000
Realistic	0	20,000	150,000	120,000	106,000	396,000

Optimistic	0	10,000	93,000	68,000	52,000	223,000
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From the table above it can be seen that based on the realistic scenarios developed, it would appear that the Centre will require between £396,000 (leased) or £716,000 (purchased) of public assistance during the pilot period. However assuming an at least static property market under the purchase scenario, a fixed asset of at least £320,000 would exist.

G. Performance Measuring and Monitoring

Monitoring and Evaluation Plan

Day-to-day monitoring of the project will be the responsibility of the Manager. Who will in turn report to Directors on a quarterly basis. Progress will be monitored in line with the agreed outcomes of the project and there will be regular progress meetings between all interested parties and stakeholders.

Financial Performance:

- Overall Financial Performance: monitored and reported quarterly by the Manager to the Board of Directors.
- Revenue Services: part-time admin staff will be responsible for payroll, recording of income and expenditure, purchases, invoicing and collection of payments.
- Continuous Improvement: expenditure reviews and monitoring methods of service delivery will be undertaken on a regular basis, to reduce reliance on deficit funding,

Overall Performance Measurement:

- Regular monitoring by the Manager of outcomes to meet criteria of funders and Ting objectives.
- Directors and Manager committee to continue to monitor the performance of the Centre on an ongoing basis
- Training Programme to be developed by Manager – staff to be consulted when identifying training requirements;
- Environmental Services and Trading Standards Agency to carry out appropriate checks.
- Numbers of visitors to the centre to be monitored as well as purpose of visit e.g. retail purchase, gallery viewing, visitor or migration information.
- Website statistics will also be gathered and assessed
- Visitors' Book to be established and comments monitored, more in-depth survey of visitors may also be conducted randomly.

- Numbers of Shetland businesses and organisations accessing and/or making use of the facility to be monitored
- Improved income and other benefits for Shetland businesses and organisations both direct and indirect to be monitored and where possible quantified.

Strategic Objectives

The strategic objectives set for the target are...

- To raise awareness of high-quality Shetland products, widen and strengthen their reputation and increase their value
- To provide a base from which Shetland producers could launch or test market new products
- To provide a space that would allow Shetland's culture to reach a discerning Central Scotland audience through changing displays of art or craft or possibly small-scale performances
- To provide facilities for Shetland public agencies or businesses which they could use to perform office work or hold meetings with clients.
- To gather information about the market, for example by creating a database of those visiting the premises who wanted to be kept informed about Shetland and its products.

Targets

Initial action is required to secure the development of the Ting before undertaking further developments. The short term goals and targets for the project over the next 15 months are...

1. To seek out and appoint a Committee to take the project forward by October 2009.
2. To secure a commitment from public agencies to give consideration to funding the pilot phase of the project, by October 2009.
3. To seek out suitable premises for lease or purchase by January 2010.

4. To develop a detailed 3 year full business plan for the Centre (to be updated annually) by the end of March 2010.
5. To secure necessary start-up finance for the Centre by March 2010 including marketing and recruitment costs, wages prior to opening, and purchase any capital equipment required.
6. To secure a commitment from public agencies to fund the pilot phase of the project, by March 2010.
7. To appoint a Manager for the Centre in May 2010 to commence work in June, giving a 2 month lead-in to establish Centre policies and procedures, and management systems.
8. To appoint an Admin Officer for the Centre in June 2010 to commence work in July 2010, giving a 1 month lead-in to establish business management systems, and take bookings prior to opening.
9. To appoint all other staff by July 2010, to commence work in the week prior to the opening of the Centre for induction, familiarisation and setting up of systems and routines.
10. To develop a marketing plan for the Centre by July 2010
11. To formally open the Ting by August 2010.
12. To formulate Centre information packs and policy and procedure manuals by August 2010.
13. To set up and initiate financial control systems for the Centre by August 2010.
14. To set up business management and staff development procedures compatible with quality management systems by August 2010
15. To complete a personal training and development plan for all staff members by the end of August 2010

The broad goals and targets for the Centre over the following 3 years are as follows, more detailed targets will be set prior to August 2010.

1. To operate to the minimum deficit funding requirement in every year
2. To carry forward, develop and implement business development opportunities identified from August 2010 on.
3. To establish a website to publicise and provide information about the Ting by October 2010
4. To recruit and retain workers possessing the necessary skills and qualifications to develop the Ting from August 2010 on.
5. To implement a training programme to further develop these staff from August 2010 on.
6. To continue to provide a high quality, accessible, affordable and valuable service to Shetland businesses and organisations from August 2010 on.
7. To undertake options appraisal and feasibility work for development of the Centre by August 2011.

APPENDIX 1

Financial Projection



REPORT

To: Development Committee

27 August 2009

From: Principal Officer - Marketing

DV084-F

Project Ting – Feasibility for a Shetland base in Edinburgh

1.0 Introduction

- 1.1 The purpose of this report is to outline a feasibility study conducted into the potential for introduction of a Shetland base in Edinburgh which would provide a retail shop, information point, office, gallery/display space and meeting spaces.
- 1.2 Members are asked to discuss the issues surrounding the introduction of such a facility as detailed in the appending report with a view to guiding the Economic Development Unit as to its preferred course of action as regards further progression of the project.
- 1.3 The project is named 'Project Ting' in recognition of the Latin meaning of 'ting' as 'public thing or matter'. The usage of this is common throughout Shetland in place names such as Delting Gruting, Nesting but perhaps most notably in Tingwall where the former site of the national 'ting' of Shetland is located.

2.0 Links to 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 The feasibility project was listed as an action in the Marketing Strategy for Shetland 2008 – 2011 and was undertaken by AB Associates of Scalloway. The feasibility report and subsequent appendices are attached to this report.

4.0 Proposal

- 4.1 The proposal, which forms the basis of the investigation is that premises would be bought or leased in Edinburgh in order to provide a retail shop for 'Shetland' products and produce, an information point, office, gallery/display space and meeting spaces.
- 4.2 The rationale behind this is primarily to gain visibility and reputation in the marketplace and move to gain more frontline marketplace experience and exposure for Shetland. This, it is hoped, will have the benefits of increasing sales for Shetland based businesses, visitor numbers to Shetland and inward migration to the islands as well as redressing disadvantage caused by distance to market.
- 4.3 The choice of Edinburgh for this is partly guided by relative proximity but also by the possible use of some space by the Council (and possibly other public service agencies) in connection with parliamentary and other Edinburgh-based agency activities. Additionally there is a small expat community, including students who, potentially, with training, could make excellent, knowledgeable, part-time staff. In addition, many of the main qualities of the Edinburgh brand are complementary to the target market for Shetland - the "Successful Idealist". 'Successful Idealists' being found at the top end of international societies, generally older, affluent and place value on values, liking 'rarity' and admiring cultural values.
- 4.4 The study investigates in some detail the issues relating to demand for such a facility, the market for suitable property, management issues and potential.
- 4.5 In connection with these areas there are a number of positive and negative issues identified.
- 4.6 An outline business plan is provided as part of the study which aims to provide an illustration of the key areas of concern. This has been prepared with the guiding mission statement of:

"To establish and operate a Shetland base in Edinburgh which fulfils a number of functions including a retail shop, information point, office, gallery and display space".

5.0 Financial Implications

- 5.1 Clearly, should there be a desire to proceed to a more detailed planning scenario for such a facility, there will be significant financial implications for the Council to address in respect of asset purchase or rent as well as operational funding relating to management, staffing, development and promotion. Should there be a desire to investigate these further, they would be clearly researched and presented to Council as appropriate. Costs involved in this will be addressed by currently approved EDU budgets.
- 5.2 Annual deficit funding of between £80,000 and £140,000 is calculated as a requirement in the outline business plan completed during the study which is dependent on the option adopted for ownership of the premises.
- 5.3 A copy of the business plan was presented to Shetland Leasing and Property Limited for initial review on 07 July. Feedback on this is awaited.

6.0 Policy and Delegated Authority

- 6.1 This report has been prepared with regard to the main aim of the Council's Economic Development Policy Statement 2007-2011, which states "the main aim of the Council's economic development service is 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".
- 6.2 The Marketing Strategy for Shetland 2008 – 2011 was approved by Council on 20 March 2007 [Min Ref 8/07].
- 6.3 This report is also based on the following Economic Development Policies (Development Committee [Min Ref 01/08] and SIC [Min Ref 55/08]).
 - 23 – 'Facilitate new Food and Drink processing activities';
 - 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'.

6.4 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

7.0 Observations

7.1 Although initial contact with the Scottish Executive State Aids Unit indicated that such a project may be able to be accommodated within the State Aid rules, there would need to be further, detailed discussions to address these.

7.2 Should such a facility be realised in the future, it is highly likely that the Promote Shetland service would be heavily involved in either direct management, coordination and promotion of it.

8.0 Conclusion

8.1 The case for introduction of a base for Shetland in Edinburgh has provided a highly interesting area of study.

8.2 There is little doubt that realisation of such a facility would involve much work and evidence from the research does suggest that perhaps the initial scope presented when the project brief was initially established was too wide.

8.3 In order to best move the project forward with regards to addressing the opportunity and addressing viability and sustainability issues the attached report recommends that, a management group should be set up to:

- Identify and cost actual premises available in the two locations recommended;
- Present the idea to potential users, thus increasing demand and developing the marketing strategy;
- Explore appropriate sharing arrangements to reduce overheads and maximise income;
- Bring in retail expertise at an early stage and give the main priority to the retail element.

9.0 Recommendation

9.1 It is recommended that the Development Committee approves that:

- b) The Head of Economic Development is tasked to form a management group with the role of investigating further development of the project and presenting findings to a future Development Committee.

Our Ref: NHH/KLM/RF1193
Date: 19 August 2009

Report No: DV084-F

Project Ting Realistic	Cash Flow Year 1												
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	TOTAL
Receipts													
Retail (commission only Av 35%)	1,050.00	1,050.00	1,347.50	1,680.00	1,995.00	1,505.00	1,277.50	1,715.00	3,027.50	997.50	1,102.50	1,102.50	17,850.00
Gallery (commission only Av 33%)	334.00	334.00	334.00	400.00	500.00	267.00	267.00	334.00	834.00	167.00	167.00	267.00	4,205.00
Information/DisplaySpacPerm	221.00	221.00	221.00	221.00	221.00	221.00	221.00	221.00	221.00	221.00	221.00	221.00	2,652.00
Information/DisplaySpaceOcc	200.00	200.00	400.00	600.00	800.00	400.00	200.00	200.00	400.00	400.00	200.00	200.00	4,200.00
Meeting Rooms	150.00	100.00	150.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	100.00	150.00	1,000.00
Office Suite	75.00	50.00	25.00	50.00	25.00	50.00	25.00	50.00	25.00	25.00	50.00	250.00	700.00
Miscellaneous	75.00	75.00	75.00	75.00	75.00	75.00	75.00	75.00	75.00	75.00	75.00	75.00	900.00
Revenue Grant Income	10,000.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	10,000.00
Capital Additions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Capital Grant Income	10,000.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	10,000.00
Loan Income	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Bank Interest Received	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Investment Income	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Receipts	22,105.00	2,030.00	2,552.50	3,076.00	3,666.00	2,568.00	2,115.50	2,645.00	4,632.50	1,935.50	1,915.50	2,265.50	51,507.00
Expenditure													
Rent	4,896.00	4,896.00	4,896.00	4,896.00	4,896.00	4,896.00	4,896.00	4,896.00	4,896.00	4,896.00	4,895.00	4,895.00	58,750.00
Rates	667.00	667.00	667.00	667.00	667.00	667.00	667.00	667.00	667.00	667.00	667.00	667.00	8,004.00
Insurance	208.00	208.00	208.00	208.00	208.00	208.00	208.00	208.00	209.00	209.00	209.00	209.00	2,500.00
Wages	9,292.00	4,792.00	4,792.00	4,792.00	4,792.00	4,792.00	4,792.00	4,792.00	4,792.00	4,792.00	4,792.00	4,792.00	62,004.00
NI & PAYE	2,458.00	958.00	958.00	958.00	958.00	958.00	958.00	958.00	958.00	958.00	958.00	958.00	12,996.00
Recruitment	1,000.00	0.00	500.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,500.00
Training	0.00	0.00	250.00	0.00	0.00	250.00	0.00	0.00	250.00	0.00	0.00	250.00	1,000.00
Weekly Purchases	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	1,200.00
Materials and Equipment	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	1,200.00
Repairs & Renewals	0.00	0.00	500.00	0.00	0.00	0.00	0.00	0.00	500.00	0.00	0.00	0.00	1,000.00
Printing, Stationery & Postage	125.00	125.00	125.00	125.00	125.00	125.00	125.00	125.00	125.00	125.00	125.00	125.00	1,500.00
Light & Heat	0.00	0.00	300.00	0.00	0.00	300.00	0.00	0.00	300.00	0.00	0.00	300.00	1,200.00
Telephone	0.00	0.00	225.00	0.00	0.00	225.00	0.00	0.00	225.00	0.00	0.00	225.00	900.00
Marketing/Advertising	1,750.00	250.00	250.00	250.00	250.00	250.00	250.00	250.00	250.00	250.00	250.00	250.00	4,500.00
Travel & Subsistence & Taxis	250.00	250.00	250.00	250.00	250.00	250.00	250.00	250.00	250.00	250.00	250.00	250.00	3,000.00
Subscriptions	42.00	42.00	42.00	42.00	42.00	42.00	42.00	42.00	41.00	41.00	41.00	41.00	500.00
Parties & Promotions	375.00	0.00	0.00	375.00	0.00	0.00	375.00	0.00	0.00	375.00	0.00	0.00	1,500.00
Registration and Licences	375.00	0.00	0.00	375.00	0.00	0.00	375.00	0.00	0.00	375.00	0.00	0.00	1,500.00
Petty Cash Purchases	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	600.00
Bank Charges	30.00	30.00	30.00	30.00	30.00	30.00	30.00	30.00	30.00	30.00	30.00	30.00	360.00
Bank Interest	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Legal & Professional Fees	1,500.00	0.00	0.00	0.00	500.00	0.00	0.00	500.00	0.00	0.00	0.00	0.00	2,500.00
Bad Debts	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	250.00	250.00
Miscellaneous	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	600.00
Directors' Remuneration	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Loan Repayments Made	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Loan Interest Paid	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Drawings	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Purchases - Land & Buildings	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Purchases - Plant & Equipment	5,000.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5,000.00
Purchases - Fixture & Fittings	5,000.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5,000.00
Purchases - Motor Vehicles	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Loans Given	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
New Investments	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Corporation Tax Paid	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Expenditure	33,268.00	12,518.00	14,293.00	13,268.00	13,018.00	13,293.00	13,268.00	13,018.00	13,793.00	13,268.00	12,517.00	13,542.00	179,064.00
NET CASH FLOW	-11,163.00	-10,488.00	-11,740.50	-10,192.00	-9,352.00	-10,725.00	-11,152.50	-10,373.00	-9,160.50	-11,332.50	-10,601.50	-11,278.50	-127,557.00
Opening Balance	0.00	-11,163.00	-21,651.00	-33,391.50	-43,583.50	-52,935.50	-63,660.50	-74,813.00	-85,186.00	-94,346.50	-105,679.00	-116,280.50	
Closing Balance	-11,163.00	-21,651.00	-33,391.50	-43,583.50	-52,935.50	-63,660.50	-74,813.00	-85,186.00	-94,346.50	-105,679.00	-116,280.50	-127,557.00	

Project Ting Realistic	Cash Flow Year 2												
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	TOTAL
Receipts													
Retail (commission only Av 35%)	1,575.00	1,575.00	2,021.25	2,520.00	2,992.50	2,257.50	1,916.25	2,572.50	4,541.25	1,496.25	1,653.75	1,653.75	26,775.00
Gallery (commission only Av 33%)	501.00	501.00	501.00	600.00	750.00	400.50	400.50	501.00	1,251.00	250.50	250.50	400.50	6,307.50
Information/DisplaySpacPerm	331.50	331.50	331.50	331.50	331.50	331.50	331.50	331.50	331.50	331.50	331.50	331.50	3,978.00
Information/DisplaySpaceOcc	300.00	300.00	600.00	900.00	1,200.00	600.00	300.00	300.00	600.00	600.00	300.00	300.00	6,300.00
Meeting Rooms	225.00	150.00	225.00	75.00	75.00	75.00	75.00	75.00	75.00	75.00	150.00	225.00	1,500.00
Office Suite	112.50	75.00	37.50	75.00	37.50	75.00	37.50	75.00	37.50	37.50	75.00	375.00	1,050.00
Miscellaneous	112.50	112.50	112.50	112.50	112.50	112.50	112.50	112.50	112.50	112.50	112.50	112.50	1,350.00
Revenue Grant Income	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Capital Additions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Capital Grant Income	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Loan Income	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Bank Interest Received	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Investment Income	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Receipts	3,157.50	3,045.00	3,828.75	4,614.00	5,499.00	3,852.00	3,173.25	3,967.50	6,948.75	2,903.25	2,873.25	3,398.25	47,260.50
Expenditure													
Rent	4,896.00	4,896.00	4,896.00	4,896.00	4,896.00	4,896.00	4,896.00	4,896.00	4,896.00	4,896.00	4,895.00	4,895.00	58,750.00
Rates	700.35	700.35	700.35	700.35	700.35	700.35	700.35	700.35	700.35	700.35	700.35	700.35	8,404.20
Insurance	218.40	218.40	218.40	218.40	218.40	218.40	218.40	218.40	219.45	219.45	219.45	219.45	2,625.00
Wages	5,031.60	5,031.60	5,031.60	5,031.60	5,031.60	5,031.60	5,031.60	5,031.60	5,031.60	5,031.60	5,031.60	5,031.60	60,379.20
NI & PAYE	1,005.90	1,005.90	1,005.90	1,005.90	1,005.90	1,005.90	1,005.90	1,005.90	1,005.90	1,005.90	1,005.90	1,005.90	12,070.80
Recruitment	0.00	0.00	525.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	525.00
Training	0.00	0.00	262.50	0.00	0.00	262.50	0.00	0.00	262.50	0.00	0.00	262.50	1,050.00
Weekly Purchases	105.00	105.00	105.00	105.00	105.00	105.00	105.00	105.00	105.00	105.00	105.00	105.00	1,260.00
Materials and Equipment	105.00	105.00	105.00	105.00	105.00	105.00	105.00	105.00	105.00	105.00	105.00	105.00	1,260.00
Repairs & Renewals	0.00	0.00	525.00	0.00	0.00	0.00	0.00	0.00	525.00	0.00	0.00	0.00	1,050.00
Printing, Stationery & Postage	131.25	131.25	131.25	131.25	131.25	131.25	131.25	131.25	131.25	131.25	131.25	131.25	1,575.00
Light & Heat	0.00	0.00	315.00	0.00	0.00	315.00	0.00	0.00	315.00	0.00	0.00	315.00	1,260.00
Telephone	0.00	0.00	236.25	0.00	0.00	236.25	0.00	0.00	236.25	0.00	0.00	236.25	945.00
Marketing/Advertising	262.50	262.50	262.50	262.50	262.50	262.50	262.50	262.50	262.50	262.50	262.50	262.50	3,150.00
Travel & Subsistence & Taxis	262.50	262.50	262.50	262.50	262.50	262.50	262.50	262.50	262.50	262.50	262.50	262.50	3,150.00
Subscriptions	44.10	44.10	44.10	44.10	44.10	44.10	44.10	44.10	43.05	43.05	43.05	43.05	525.00
Parties & Promotions	393.75	0.00	0.00	393.75	0.00	0.00	393.75	0.00	0.00	393.75	0.00	0.00	1,575.00
Registration and Licences	393.75	0.00	0.00	393.75	0.00	0.00	393.75	0.00	0.00	393.75	0.00	0.00	1,575.00
Petty Cash Purchases	52.50	52.50	52.50	52.50	52.50	52.50	52.50	52.50	52.50	52.50	52.50	52.50	630.00
Bank Charges	31.50	31.50	31.50	31.50	31.50	31.50	31.50	31.50	31.50	31.50	31.50	31.50	378.00
Bank Interest	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Legal & Professional Fees	0.00	0.00	0.00	0.00	525.00	0.00	0.00	525.00	0.00	0.00	0.00	0.00	1,050.00
Bad Debts	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	262.50	262.50
Miscellaneous	52.50	52.50	52.50	52.50	52.50	52.50	52.50	52.50	52.50	52.50	52.50	52.50	630.00
Directors' Remuneration	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Loan Repayments Made	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Loan Interest Paid	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Drawings	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Purchases - Land & Buildings	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Purchases - Plant & Equipment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Purchases - Fixture & Fittings	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Purchases - Motor Vehicles	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Loans Given	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
New Investments	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Corporation Tax Paid	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Expenditure	13,686.60	12,899.10	14,762.85	13,686.60	13,424.10	13,712.85	13,686.60	13,424.10	14,237.85	13,686.60	12,898.10	13,974.35	164,079.70
NET CASH FLOW	-10,529.10	-9,854.10	-10,934.10	-9,072.60	-7,925.10	-9,860.85	-10,513.35	-9,456.60	-7,289.10	-10,783.35	-10,024.85	-10,576.10	-116,819.20
Opening Balance	-127,557.00	-138,086.10	-147,940.20	-158,874.30	-167,946.90	-175,872.00	-185,732.85	-196,246.20	-205,702.80	-212,991.90	-223,775.25	-233,800.10	
Closing Balance	-138,086.10	-147,940.20	-158,874.30	-167,946.90	-175,872.00	-185,732.85	-196,246.20	-205,702.80	-212,991.90	-223,775.25	-233,800.10	-244,376.20	

Project Ting	Cash Flow Year 3												
Realistic	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	TOTAL
Receipts													
Retail (commission only Av 35%)	1,968.75	1,968.75	2,526.56	3,150.00	3,740.63	2,821.88	2,395.31	3,215.63	5,676.56	1,870.31	2,067.19	2,067.19	33,468.75
Gallery (commission only Av 33%)	626.25	626.25	626.25	750.00	937.50	500.63	500.63	626.25	1,563.75	313.13	313.13	500.63	7,884.38
Information/DisplaySpacPerm	414.38	414.38	414.38	414.38	414.38	414.38	414.38	414.38	414.38	414.38	414.38	414.38	4,972.50
Information/DisplaySpaceOcc	375.00	375.00	750.00	1,125.00	1,500.00	750.00	375.00	375.00	750.00	750.00	375.00	375.00	7,875.00
Meeting Rooms	281.25	187.50	281.25	93.75	93.75	93.75	93.75	93.75	93.75	93.75	187.50	281.25	1,875.00
Office Suite	140.63	93.75	46.88	93.75	46.88	93.75	46.88	93.75	46.88	46.88	93.75	468.75	1,312.50
Miscellaneous	140.63	140.63	140.63	140.63	140.63	140.63	140.63	140.63	140.63	140.63	140.63	140.63	1,687.50
Revenue Grant Income	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Capital Additions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Capital Grant Income	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Loan Income	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Bank Interest Received	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Investment Income	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Receipts	3,946.88	3,806.25	4,785.94	5,767.50	6,873.75	4,815.00	3,966.56	4,959.38	8,685.94	3,629.06	3,591.56	4,247.81	59,075.63
Expenditure													
Rent	4,896.00	4,896.00	4,896.00	4,896.00	4,896.00	4,896.00	4,896.00	4,896.00	4,896.00	4,896.00	4,895.00	4,895.00	58,750.00
Rates	700.35	700.35	700.35	700.35	700.35	700.35	700.35	700.35	700.35	700.35	700.35	700.35	8,404.20
Insurance	218.40	218.40	218.40	218.40	218.40	218.40	218.40	218.40	219.45	219.45	219.45	219.45	2,625.00
Wages	5,031.60	5,031.60	5,031.60	5,031.60	5,031.60	5,031.60	5,031.60	5,031.60	5,031.60	5,031.60	5,031.60	5,031.60	60,379.20
NI & PAYE	1,005.90	1,005.90	1,005.90	1,005.90	1,005.90	1,005.90	1,005.90	1,005.90	1,005.90	1,005.90	1,005.90	1,005.90	12,070.80
Recruitment	0.00	0.00	525.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	525.00
Training	0.00	0.00	262.50	0.00	0.00	262.50	0.00	0.00	262.50	0.00	0.00	262.50	1,050.00
Weekly Purchases	105.00	105.00	105.00	105.00	105.00	105.00	105.00	105.00	105.00	105.00	105.00	105.00	1,260.00
Materials and Equipment	105.00	105.00	105.00	105.00	105.00	105.00	105.00	105.00	105.00	105.00	105.00	105.00	1,260.00
Repairs & Renewals	0.00	0.00	525.00	0.00	0.00	0.00	0.00	0.00	525.00	0.00	0.00	0.00	1,050.00
Printing, Stationery & Postage	131.25	131.25	131.25	131.25	131.25	131.25	131.25	131.25	131.25	131.25	131.25	131.25	1,575.00
Light & Heat	0.00	0.00	315.00	0.00	0.00	315.00	0.00	0.00	315.00	0.00	0.00	315.00	1,260.00
Telephone	0.00	0.00	236.25	0.00	0.00	236.25	0.00	0.00	236.25	0.00	0.00	236.25	945.00
Marketing/Advertising	262.50	262.50	262.50	262.50	262.50	262.50	262.50	262.50	262.50	262.50	262.50	262.50	3,150.00
Travel & Subsistence & Taxis	262.50	262.50	262.50	262.50	262.50	262.50	262.50	262.50	262.50	262.50	262.50	262.50	3,150.00
Subscriptions	44.10	44.10	44.10	44.10	44.10	44.10	44.10	44.10	43.05	43.05	43.05	43.05	525.00
Parties & Promotions	393.75	0.00	0.00	393.75	0.00	0.00	393.75	0.00	0.00	393.75	0.00	0.00	1,575.00
Registration and Licences	393.75	0.00	0.00	393.75	0.00	0.00	393.75	0.00	0.00	393.75	0.00	0.00	1,575.00
Petty Cash Purchases	52.50	52.50	52.50	52.50	52.50	52.50	52.50	52.50	52.50	52.50	52.50	52.50	630.00
Bank Charges	31.50	31.50	31.50	31.50	31.50	31.50	31.50	31.50	31.50	31.50	31.50	31.50	378.00
Bank Interest	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Legal & Professional Fees	0.00	0.00	0.00	0.00	525.00	0.00	0.00	525.00	0.00	0.00	0.00	0.00	1,050.00
Bad Debts	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	262.50	262.50
Miscellaneous	52.50	52.50	52.50	52.50	52.50	52.50	52.50	52.50	52.50	52.50	52.50	52.50	630.00
Directors' Remuneration	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Loan Repayments Made	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Loan Interest Paid	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Drawings	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Purchases - Land & Buildings	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Purchases - Plant & Equipment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Purchases - Fixture & Fittings	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Purchases - Motor Vehicles	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Loans Given	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
New Investments	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Corporation Tax Paid	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Expenditure	13,686.60	12,899.10	14,762.85	13,686.60	13,424.10	13,712.85	13,686.60	13,424.10	14,237.85	13,686.60	12,898.10	13,974.35	164,079.70
NET CASH FLOW	-9,739.73	-9,092.85	-9,976.91	-7,919.10	-6,550.35	-8,897.85	-9,720.04	-8,464.73	-5,551.91	-10,057.54	-9,306.54	-9,726.54	-105,004.08
Opening Balance	-244,376.20	-254,115.93	263,208.78	-273,185.69	-281,104.79	-287,655.14	-296,552.99	-306,273.03	-314,737.75	320,289.66	-330,347.20	-339,653.74	
Closing Balance	-254,115.93	-263,208.78	273,185.69	-281,104.79	-287,655.14	-296,552.99	-306,273.03	-314,737.75	-320,289.66	330,347.20	-339,653.74	-349,380.28	

Project Ting

Realistic

Profit & Loss Account

	All			Shop Only			Rest of Ting		
	Year 1	Year 2	Year 3	Year 1	Year 2	Year 3	Year 1	Year 2	Year 3
Retail (commission only Av 35%)	17850	26775	33469	17850	26775	33469	0	0	0
Gallery (commission only Av 33%)	4205	6308	7884	0	0	0	4205	6308	7884
Information/DisplaySpacPerm	2652	3978	4973	0	0	0	2652	3978	4973
Information/DisplaySpaceOcc	4200	6300	7875	0	0	0	4200	6300	7875
Meeting Rooms	1000	1500	1875	0	0	0	1000	1500	1875
Office Suite	700	1050	1313	0	0	0	700	1050	1313
Miscellaneous	900	1350	1688	0	0	0	900	1350	1688
Revenue Grant Income	<u>10000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>10000</u>	<u>0</u>	<u>0</u>
Gross Profit	41507	47261	59076	17850	26775	33469	23657	20486	25607

Operating Expenses

Rent & Mortgage Interest	58750	58750	58750	19388	19388	19388	39363	39363	39363
Rates	8004	8404	8404	2641	2773	2773	5363	5631	5631
Insurance	2500	2625	2625	825	866	866	1675	1759	1759
Wages	62004	60379	60379	20461	19925	19925	41543	40454	40454
NI & PAYE	12996	12071	12071	4289	3983	3983	8707	8087	8087
Recruitment	1500	525	525	495	173	173	1005	352	352
Training	1000	1050	1050	330	347	347	670	704	704
Weekly Purchases	1200	1260	1260	396	416	416	804	844	844
Materials and Equipment	1200	1260	1260	396	416	416	804	844	844
Repairs & Renewals	1000	1050	1050	330	347	347	670	704	704
Printing, Stationery & Postage	1500	1575	1575	495	520	520	1005	1055	1055
Light & Heat	1200	1260	1260	396	416	416	804	844	844
Telephone	900	945	945	297	312	312	603	633	633
Advertising	4500	3150	3150	1485	1040	1040	3015	2111	2111
Travel & Subsistence & Taxis	3000	3150	3150	990	1040	1040	2010	2111	2111
Subscriptions	500	525	525	165	173	173	335	352	352
Parties	1500	1575	1575	495	520	520	1005	1055	1055
Registration and Disclosure	1500	1575	1575	495	520	520	1005	1055	1055
Petty Cash Purchases	600	630	630	198	208	208	402	422	422
Bank Charges	360	378	378	119	125	125	241	253	253
Legal & Professional Fees	2500	1050	1050	825	347	347	1675	704	704
Bad Debts	250	263	263	83	87	87	168	176	176
Miscellaneous	600	630	630	198	208	208	402	422	422
Directors' Remuneration	0	0	0	0	0	0	0	0	0
	<u>169064</u>	<u>164080</u>	<u>164080</u>	<u>55791</u>	<u>54146</u>	<u>54146</u>	<u>113273</u>	<u>109933</u>	<u>109933</u>

Other Income

Investment Income	0	0	0	0	0	0	0	0	0
Bank Interest received	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0
<u>Other Expenditure</u>									
Depreciation	1826	1493	1220	603	493	403	1224	1000	818
Operating Profit	-129383	-118312	-106224	-38544	-27864	-21080	-90840	-90448	-85144
<u>Interest Expenditure</u>									
Bank Overdraft Interest	0	0	0	0	0	0	0	0	0
Loan Interest	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	0	0	0	0	0	0	0	0	0
Net Profit Before Taxation	-129383	-118312	-106224	-38544	-27864	-21080	-90840	-90448	-85144
Taxation	0	0	0	0	0	0	0	0	0
Profit after Taxation	-129383	-118312	-106224	-38544	-27864	-21080	-90840	-90448	-85144

Project Ting
Realistic
Balance Sheet

	Year 1	Year 2	Year 3
FIXED ASSETS			
Tangible			
Land & Buildings	0	0	0
Plant & Equipment	4087	3340	2730
Fixtures & Fittings	4087	3340	2730
Motor Vehicles	0	0	0
Investments	<u>0</u>	<u>0</u>	<u>0</u>
	8174	6681	5460
CURRENT ASSETS			
Trade Debtors	0	0	0
Income Accruals	0	0	0
Prepayments	0	0	0
Bank	<u>0</u>	<u>0</u>	<u>0</u>
	0	0	0
CREDITORS: Amounts due within 1 year			
Bank Overdraft	127557	244376	349380
Trade Creditors	0	0	0
Accruals	0	0	0
Loan	0	0	0
Taxation	<u>0</u>	<u>0</u>	<u>0</u>
	127557	244376	349380
NET CURRENT ASSETS	-127557	-244376	-349380
CREDITORS: Amounts due after 1 year			
Loan	0	0	0
NET ASSETS	-119383	-237696	-343920
CAPITAL & RESERVES			
Opening Capital	0	-119383	-237696
Capital Additions	0	0	0
Grant	10000	0	0
Reserves - Retained Profit for the Year	-129383	-118312	-106224
Less: Drawings	0	0	0
	-119383	-237696	-343920

Project Ting Pessimistic	Cash Flow Year 1												
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	TOTAL
Receipts													
Retail (commission only Av 35%)	787.50	787.50	1,010.63	1,260.00	1,496.25	1,128.75	958.13	1,286.25	2,270.63	748.13	826.88	826.88	13,387.50
Gallery (commission only Av 33%)	250.50	250.50	250.50	300.00	375.00	200.25	200.25	250.50	625.50	125.25	125.25	200.25	3,153.75
Information/DisplaySpacPerm	165.75	165.75	165.75	165.75	165.75	165.75	165.75	165.75	165.75	165.75	165.75	165.75	1,989.00
Information/DisplaySpaceOcc	150.00	150.00	300.00	450.00	600.00	300.00	150.00	150.00	300.00	300.00	150.00	150.00	3,150.00
Meeting Rooms	112.50	75.00	112.50	37.50	37.50	37.50	37.50	37.50	37.50	37.50	75.00	112.50	750.00
Office Suite	56.25	37.50	18.75	37.50	18.75	37.50	18.75	37.50	18.75	37.50	37.50	187.50	525.00
Miscellaneous	56.25	56.25	56.25	56.25	56.25	56.25	56.25	56.25	56.25	56.25	56.25	56.25	675.00
Revenue Grant Income	15,000.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	15,000.00
Capital Additions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Capital Grant Income	15,000.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	15,000.00
Loan Income	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Bank Interest Received	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Investment Income	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Receipts	31,578.75	1,522.50	1,914.38	2,307.00	2,749.50	1,926.00	1,586.63	1,983.75	3,474.38	1,451.63	1,436.63	1,699.13	53,630.25
Expenditure													
Rent	6,667.00	6,667.00	6,667.00	6,667.00	6,667.00	6,667.00	6,667.00	6,667.00	6,666.00	6,666.00	6,666.00	6,666.00	80,000.00
Rates	750.00	750.00	750.00	750.00	750.00	750.00	750.00	750.00	750.00	750.00	750.00	750.00	9,000.00
Insurance	250.00	250.00	250.00	250.00	250.00	250.00	250.00	250.00	250.00	250.00	250.00	250.00	3,000.00
Wages	12,084.00	5,334.00	5,334.00	5,334.00	5,334.00	5,334.00	5,334.00	5,334.00	5,334.00	5,334.00	5,334.00	5,334.00	70,758.00
NI & PAYE	3,316.83	1,067.00	1,067.00	1,067.00	1,067.00	1,067.00	1,067.00	1,067.00	1,067.00	1,067.00	1,067.00	1,067.00	15,053.83
Recruitment	1,500.00	0.00	750.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2,250.00
Training	0.00	0.00	375.00	0.00	0.00	375.00	0.00	0.00	375.00	0.00	0.00	375.00	1,500.00
Weekly Purchases	150.00	150.00	150.00	150.00	150.00	150.00	150.00	150.00	150.00	150.00	150.00	150.00	1,800.00
Materials and Equipment	150.00	150.00	150.00	150.00	150.00	150.00	150.00	150.00	150.00	150.00	150.00	150.00	1,800.00
Repairs & Renewals	0.00	0.00	750.00	0.00	0.00	0.00	0.00	0.00	750.00	0.00	0.00	0.00	1,500.00
Printing, Stationery & Postage	167.00	167.00	167.00	167.00	167.00	167.00	167.00	167.00	166.00	166.00	166.00	166.00	2,000.00
Light & Heat	0.00	0.00	350.00	0.00	0.00	350.00	0.00	0.00	350.00	0.00	0.00	350.00	1,400.00
Telephone	0.00	0.00	300.00	0.00	0.00	300.00	0.00	0.00	300.00	0.00	0.00	300.00	1,200.00
Marketing/Advertising	2,800.00	300.00	300.00	300.00	300.00	300.00	300.00	300.00	300.00	300.00	300.00	300.00	6,100.00
Travel & Subsistence & Taxis	300.00	300.00	300.00	300.00	300.00	300.00	300.00	300.00	300.00	300.00	300.00	300.00	3,600.00
Subscriptions	62.00	62.00	62.00	62.00	62.00	62.00	63.00	63.00	63.00	63.00	63.00	63.00	750.00
Parties & Promotions	500.00	0.00	0.00	500.00	0.00	0.00	500.00	0.00	0.00	500.00	0.00	0.00	2,000.00
Registration and Licences	500.00	0.00	0.00	500.00	0.00	0.00	500.00	0.00	0.00	500.00	0.00	0.00	2,000.00
Petty Cash Purchases	67.00	67.00	67.00	67.00	67.00	67.00	67.00	67.00	66.00	66.00	66.00	66.00	800.00
Bank Charges	35.00	35.00	35.00	35.00	35.00	35.00	35.00	35.00	35.00	35.00	35.00	35.00	420.00
Bank Interest	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Legal & Professional Fees	2,000.00	0.00	0.00	0.00	750.00	0.00	0.00	750.00	0.00	0.00	0.00	0.00	3,500.00
Bad Debts	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	500.00	500.00
Miscellaneous	67.00	67.00	67.00	67.00	67.00	67.00	67.00	67.00	66.00	66.00	66.00	66.00	800.00
Directors' Remuneration	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Loan Repayments Made	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Loan Interest Paid	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Drawings	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Purchases - Land & Buildings	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Purchases - Plant & Equipment	7,500.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	7,500.00
Purchases - Fixture & Fittings	7,500.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	7,500.00
Purchases - Motor Vehicles	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Loans Given	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
New Investments	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Corporation Tax Paid	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Expenditure	46,365.83	15,366.00	17,891.00	16,366.00	16,116.00	16,391.00	16,367.00	16,117.00	17,138.00	16,363.00	15,363.00	16,888.00	226,731.83
NET CASH FLOW	-14,787.08	-13,843.50	-15,976.63	-14,059.00	-13,366.50	-14,465.00	-14,780.38	-14,133.25	-13,663.63	-14,911.38	-13,926.38	-15,188.88	-173,101.58
Opening Balance	0.00	-14,787.08	-28,630.58	-44,607.21	-58,666.21	-72,032.71	-86,497.71	-101,278.08	-115,411.33	-129,074.96	-143,986.33	-157,912.71	
Closing Balance	-14,787.08	-28,630.58	-44,607.21	-58,666.21	-72,032.71	-86,497.71	-101,278.08	-115,411.33	-129,074.96	-143,986.33	-157,912.71	-173,101.58	

Project Ting Pessimistic	Cash Flow Year 2												
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	TOTAL
Receipts													
Retail (commission only Av 35%)	1,181.25	1,181.25	1,515.94	1,890.00	2,244.38	1,693.13	1,437.19	1,929.38	3,405.94	1,122.19	1,240.31	1,240.31	20,081.25
Gallery (commission only Av 33%)	375.75	375.75	375.75	450.00	562.50	300.38	300.38	375.75	938.25	187.88	187.88	300.38	4,730.63
Information/DisplaySpacPerm	248.63	248.63	248.63	248.63	248.63	248.63	248.63	248.63	248.63	248.63	248.63	248.63	2,983.50
Information/DisplaySpaceOcc	225.00	225.00	450.00	675.00	900.00	450.00	225.00	225.00	450.00	450.00	225.00	225.00	4,725.00
Meeting Rooms	168.75	112.50	168.75	56.25	56.25	56.25	56.25	56.25	56.25	56.25	112.50	168.75	1,125.00
Office Suite	84.38	56.25	28.13	56.25	28.13	56.25	28.13	56.25	28.13	28.13	56.25	281.25	787.50
Miscellaneous	84.38	84.38	84.38	84.38	84.38	84.38	84.38	84.38	84.38	84.38	84.38	84.38	1,012.50
Revenue Grant Income	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Capital Additions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Capital Grant Income	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Loan Income	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Bank Interest Received	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Investment Income	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Receipts	2,368.13	2,283.75	2,871.56	3,460.50	4,124.25	2,889.00	2,379.94	2,975.63	5,211.56	2,177.44	2,154.94	2,548.69	35,445.38
Expenditure													
Rent	6,667.00	6,667.00	6,667.00	6,667.00	6,667.00	6,667.00	6,667.00	6,667.00	6,666.00	6,666.00	6,666.00	6,666.00	80,000.00
Rates	787.50	787.50	787.50	787.50	787.50	787.50	787.50	787.50	787.50	787.50	787.50	787.50	9,450.00
Insurance	262.50	262.50	262.50	262.50	262.50	262.50	262.50	262.50	262.50	262.50	262.50	262.50	3,150.00
Wages	5,600.70	5,600.70	5,600.70	5,600.70	5,600.70	5,600.70	5,600.70	5,600.70	5,600.70	5,600.70	5,600.70	5,600.70	67,208.40
NI & PAYE	1,120.35	1,120.35	1,120.35	1,120.35	1,120.35	1,120.35	1,120.35	1,120.35	1,120.35	1,120.35	1,120.35	1,120.35	13,444.20
Recruitment	0.00	0.00	787.50	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	787.50
Training	0.00	0.00	393.75	0.00	0.00	393.75	0.00	0.00	393.75	0.00	0.00	393.75	1,575.00
Weekly Purchases	157.50	157.50	157.50	157.50	157.50	157.50	157.50	157.50	157.50	157.50	157.50	157.50	1,890.00
Materials and Equipment	157.50	157.50	157.50	157.50	157.50	157.50	157.50	157.50	157.50	157.50	157.50	157.50	1,890.00
Repairs & Renewals	0.00	0.00	787.50	0.00	0.00	0.00	0.00	0.00	787.50	0.00	0.00	0.00	1,575.00
Printing, Stationery & Postage	175.35	175.35	175.35	175.35	175.35	175.35	175.35	175.35	174.30	174.30	174.30	174.30	2,100.00
Light & Heat	0.00	0.00	367.50	0.00	0.00	367.50	0.00	0.00	367.50	0.00	0.00	367.50	1,470.00
Telephone	0.00	0.00	315.00	0.00	0.00	315.00	0.00	0.00	315.00	0.00	0.00	315.00	1,260.00
Marketing/Advertising	315.00	315.00	315.00	315.00	315.00	315.00	315.00	315.00	315.00	315.00	315.00	315.00	3,780.00
Travel & Subsistence & Taxis	315.00	315.00	315.00	315.00	315.00	315.00	315.00	315.00	315.00	315.00	315.00	315.00	3,780.00
Subscriptions	65.10	65.10	65.10	65.10	65.10	65.10	66.15	66.15	66.15	66.15	66.15	66.15	787.50
Parties & Promotions	525.00	0.00	0.00	525.00	0.00	0.00	525.00	0.00	0.00	525.00	0.00	0.00	2,100.00
Registration and Licences	525.00	0.00	0.00	525.00	0.00	0.00	525.00	0.00	0.00	525.00	0.00	0.00	2,100.00
Petty Cash Purchases	70.35	70.35	70.35	70.35	70.35	70.35	70.35	70.35	69.30	69.30	69.30	69.30	840.00
Bank Charges	36.75	36.75	36.75	36.75	36.75	36.75	36.75	36.75	36.75	36.75	36.75	36.75	441.00
Bank Interest	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Legal & Professional Fees	0.00	0.00	0.00	0.00	787.50	0.00	0.00	787.50	0.00	0.00	0.00	0.00	1,575.00
Bad Debts	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	525.00	525.00
Miscellaneous	70.35	70.35	70.35	70.35	70.35	70.35	70.35	70.35	69.30	69.30	69.30	69.30	840.00
Directors' Remuneration	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Loan Repayments Made	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Loan Interest Paid	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Drawings	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Purchases - Land & Buildings	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Purchases - Plant & Equipment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Purchases - Fixture & Fittings	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Purchases - Motor Vehicles	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Loans Given	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
New Investments	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Corporation Tax Paid	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Expenditure	16,850.95	15,800.95	18,452.20	16,850.95	16,588.45	16,877.20	16,852.00	16,589.50	17,661.60	16,847.85	15,797.85	17,399.10	202,568.60
NET CASH FLOW	-14,482.83	-13,517.20	-15,580.64	-13,390.45	-12,464.20	-13,988.20	-14,472.06	-13,613.88	-12,450.04	-14,670.41	-13,642.91	-14,850.41	167,123.23
Opening Balance	-173,101.58	-187,584.41	-201,101.61	-216,682.24	-230,072.69	-242,536.89	-256,525.09	-270,997.16	-284,611.03	-297,061.07	-311,731.48	-325,374.39	
Closing Balance	-187,584.41	-201,101.61	-216,682.24	-230,072.69	-242,536.89	-256,525.09	-270,997.16	-284,611.03	-297,061.07	-311,731.48	-325,374.39	-340,224.81	

Project Ting Pessimistic	Cash Flow Year 3												
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	TOTAL
Receipts													
Retail (commission only Av 35%)	1,476.56	1,476.56	1,894.92	2,362.50	2,805.47	2,116.41	1,796.48	2,411.72	4,257.42	1,402.73	1,550.39	1,550.39	25,101.56
Gallery (commission only Av 33%)	469.69	469.69	469.69	562.50	703.13	375.47	375.47	469.69	1,172.81	234.84	234.84	375.47	5,913.28
Information/DisplaySpacPerm	310.78	310.78	310.78	310.78	310.78	310.78	310.78	310.78	310.78	310.78	310.78	310.78	3,729.38
Information/DisplaySpaceOcc	281.25	281.25	562.50	843.75	1,125.00	562.50	281.25	281.25	562.50	562.50	281.25	281.25	5,906.25
Meeting Rooms	210.94	140.63	210.94	70.31	70.31	70.31	70.31	70.31	70.31	70.31	140.63	210.94	1,406.25
Office Suite	105.47	70.31	35.16	70.31	35.16	70.31	35.16	70.31	35.16	35.16	70.31	351.56	984.38
Miscellaneous	105.47	105.47	105.47	105.47	105.47	105.47	105.47	105.47	105.47	105.47	105.47	105.47	1,265.63
Revenue Grant Income	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Capital Additions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Capital Grant Income	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Loan Income	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Bank Interest Received	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Investment Income	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Receipts	2,960.16	2,854.69	3,589.45	4,325.63	5,155.31	3,611.25	2,974.92	3,719.53	6,514.45	2,721.80	2,693.67	3,185.86	44,306.72
Expenditure													
Rent	6,667.00	6,667.00	6,667.00	6,667.00	6,667.00	6,667.00	6,667.00	6,667.00	6,666.00	6,666.00	6,666.00	6,666.00	80,000.00
Rates	787.50	787.50	787.50	787.50	787.50	787.50	787.50	787.50	787.50	787.50	787.50	787.50	9,450.00
Insurance	262.50	262.50	262.50	262.50	262.50	262.50	262.50	262.50	262.50	262.50	262.50	262.50	3,150.00
Wages	5,600.70	5,600.70	5,600.70	5,600.70	5,600.70	5,600.70	5,600.70	5,600.70	5,600.70	5,600.70	5,600.70	5,600.70	67,208.40
NI & PAYE	1,120.35	1,120.35	1,120.35	1,120.35	1,120.35	1,120.35	1,120.35	1,120.35	1,120.35	1,120.35	1,120.35	1,120.35	13,444.20
Recruitment	0.00	0.00	787.50	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	787.50
Training	0.00	0.00	393.75	0.00	0.00	393.75	0.00	0.00	393.75	0.00	0.00	393.75	1,575.00
Weekly Purchases	157.50	157.50	157.50	157.50	157.50	157.50	157.50	157.50	157.50	157.50	157.50	157.50	1,890.00
Materials and Equipment	157.50	157.50	157.50	157.50	157.50	157.50	157.50	157.50	157.50	157.50	157.50	157.50	1,890.00
Repairs & Renewals	0.00	0.00	787.50	0.00	0.00	0.00	0.00	0.00	787.50	0.00	0.00	0.00	1,575.00
Printing, Stationery & Postage	175.35	175.35	175.35	175.35	175.35	175.35	175.35	175.35	174.30	174.30	174.30	174.30	2,100.00
Light & Heat	0.00	0.00	367.50	0.00	0.00	367.50	0.00	0.00	367.50	0.00	0.00	367.50	1,470.00
Telephone	0.00	0.00	315.00	0.00	0.00	315.00	0.00	0.00	315.00	0.00	0.00	315.00	1,260.00
Marketing/Advertising	315.00	315.00	315.00	315.00	315.00	315.00	315.00	315.00	315.00	315.00	315.00	315.00	3,780.00
Travel & Subsistence & Taxis	315.00	315.00	315.00	315.00	315.00	315.00	315.00	315.00	315.00	315.00	315.00	315.00	3,780.00
Subscriptions	65.10	65.10	65.10	65.10	65.10	65.10	66.15	66.15	66.15	66.15	66.15	66.15	787.50
Parties & Promotions	525.00	0.00	0.00	525.00	0.00	0.00	525.00	0.00	0.00	525.00	0.00	0.00	2,100.00
Registration and Licences	525.00	0.00	0.00	525.00	0.00	0.00	525.00	0.00	0.00	525.00	0.00	0.00	2,100.00
Petty Cash Purchases	70.35	70.35	70.35	70.35	70.35	70.35	70.35	70.35	69.30	69.30	69.30	69.30	840.00
Bank Charges	36.75	36.75	36.75	36.75	36.75	36.75	36.75	36.75	36.75	36.75	36.75	36.75	441.00
Bank Interest	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Legal & Professional Fees	0.00	0.00	0.00	0.00	787.50	0.00	0.00	787.50	0.00	0.00	0.00	0.00	1,575.00
Bad Debts	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	525.00	525.00
Miscellaneous	70.35	70.35	70.35	70.35	70.35	70.35	70.35	70.35	69.30	69.30	69.30	69.30	840.00
Directors' Remuneration	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Loan Repayments Made	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Loan Interest Paid	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Drawings	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Purchases - Land & Buildings	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Purchases - Plant & Equipment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Purchases - Fixture & Fittings	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Purchases - Motor Vehicles	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Loans Given	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
New Investments	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Corporation Tax Paid	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Expenditure	16,850.95	15,800.95	18,452.20	16,850.95	16,588.45	16,877.20	16,852.00	16,589.50	17,661.60	16,847.85	15,797.85	17,399.10	202,568.60
NET CASH FLOW	-13,890.79	-12,946.26	-14,862.75	-12,525.33	-11,433.14	-13,265.95	-13,877.08	-12,869.97	-11,147.15	-14,126.05	-13,104.18	-14,213.24	-158,261.88
Opening Balance	-340,224.81	-354,115.60	-367,061.86	-381,924.61	-394,449.93	-405,883.07	-419,149.02	-433,026.10	-445,896.07	-457,043.21	-471,169.27	-484,273.45	
Closing Balance	-354,115.60	-367,061.86	-381,924.61	-394,449.93	-405,883.07	-419,149.02	-433,026.10	-445,896.07	-457,043.21	-471,169.27	-484,273.45	-498,486.69	

Project Ting
Pessimistic

Profit & Loss Account

	Shop Only			Rest of Ting		
	Year 1	Year 2	Year 3	Year 1	Year 2	Year 3
Retail (commission only Av 35%)	13388	20081	25102	13388	20081	25102
Gallery (commission only Av 33%)	3154	4731	5913	0	0	0
Information/DisplaySpacPerm	1989	2984	3729	0	0	0
Information/DisplaySpaceOcc	3150	4725	5906	0	0	0
Meeting Rooms	750	1125	1406	0	0	0
Office Suite	525	788	984	0	0	0
Miscellaneous	675	1013	1266	0	0	0
Revenue Grant Income	<u>15000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Gross Profit	38630	35445	44307	13388	20081	25102

Operating Expenses

Rent & Mortgage Interest	80000	80000	80000	26400	26400	26400	53600	53600	53600
Rates	9000	9450	9450	2970	3119	3119	6030	6332	6332
Insurance	3000	3150	3150	990	1040	1040	2010	2111	2111
Wages	70758	67208	67208	23350	22179	22179	47408	45030	45030
NI & PAYE	15054	13444	13444	4968	4437	4437	10086	9008	9008
Recruitment	2250	788	788	743	260	260	1508	528	528
Training	1500	1575	1575	495	520	520	1005	1055	1055
Weekly Purchases	1800	1890	1890	594	624	624	1206	1266	1266
Materials and Equipment	1800	1890	1890	594	624	624	1206	1266	1266
Repairs & Renewals	1500	1575	1575	495	520	520	1005	1055	1055
Printing, Stationery & Postage	2000	2100	2100	660	693	693	1340	1407	1407
Light & Heat	1400	1470	1470	462	485	485	938	985	985
Telephone	1200	1260	1260	396	416	416	804	844	844
Advertising	6100	3780	3780	2013	1247	1247	4087	2533	2533
Travel & Subsistence & Taxis	3600	3780	3780	1188	1247	1247	2412	2533	2533
Subscriptions	750	788	788	248	260	260	503	528	528
Parties	2000	2100	2100	660	693	693	1340	1407	1407
Registration and Disclosure	2000	2100	2100	660	693	693	1340	1407	1407
Petty Cash Purchases	800	840	840	264	277	277	536	563	563
Bank Charges	420	441	441	139	146	146	281	295	295
Legal & Professional Fees	3500	1575	1575	1155	520	520	2345	1055	1055
Bad Debts	500	525	525	165	173	173	335	352	352
Miscellaneous	800	840	840	264	277	277	536	563	563
Directors' Remuneration	0	0	0	0	0	0	0	0	0
	<u>211732</u>	<u>202569</u>	<u>202569</u>	<u>69872</u>	<u>66848</u>	<u>66848</u>	<u>141860</u>	<u>135721</u>	<u>135721</u>

Other Income

Investment Income	0	0	0	0	0	0	0	0	0
Bank Interest received	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0
<u>Other Expenditure</u>									
Depreciation	2740	2239	1830	904	739	604	1836	1500	1226
Operating Profit	-175841	-169363	-160092	-57388	-47505	-42350	-118453	-121857	-117742
<u>Interest Expenditure</u>									
Bank Overdraft Interest	0	0	0	0	0	0	0	0	0
Loan Interest	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	0	0	0	0	0	0	0	0	0
Net Profit Before Taxation	-175841	-169363	-160092	-57388	-47505	-42350	-118453	-121857	-117742
Taxation	0	0	0	0	0	0	0	0	0
Profit after Taxation	-175841	-169363	-160092	-57388	-47505	-42350	-118453	-121857	-117742

Project Ting
Pessimistic
Balance Sheet

	Year 1	Year 2	Year 3
FIXED ASSETS			
Tangible			
Land & Buildings	0	0	0
Plant & Equipment	6130	5010	4095
Fixtures & Fittings	6130	5010	4095
Motor Vehicles	0	0	0
Investments	<u>0</u>	<u>0</u>	<u>0</u>
	12260	10021	8191
CURRENT ASSETS			
Trade Debtors	0	0	0
Income Accruals	0	0	0
Prepayments	0	0	0
Bank	<u>0</u>	<u>0</u>	<u>0</u>
	0	0	0
CREDITORS: Amounts due within 1 year			
Bank Overdraft	173102	340225	498487
Trade Creditors	0	0	0
Accruals	0	0	0
Loan	0	0	0
Taxation	<u>0</u>	<u>0</u>	<u>0</u>
	173102	340225	498487
NET CURRENT ASSETS	-173102	-340225	-498487
CREDITORS: Amounts due after 1 year			
Loan	0	0	0
NET ASSETS	-160841	-330204	-490296
CAPITAL & RESERVES			
Opening Capital	0	-160841	-330204
Capital Additions	0	0	0
Grant	15000	0	0
Reserves - Retained Profit for the Year	-175841	-169363	-160092
Less: Drawings	0	0	0
	-160841	-330204	-490296

Project Ting Optimistic	Cash Flow Year 1												
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	TOTAL
Receipts													
Retail (commission only Av 35%)	1,312.50	1,312.50	1,684.38	2,100.00	2,493.75	1,881.25	1,596.88	2,143.75	3,784.38	1,246.88	1,378.13	1,378.13	22,312.50
Gallery (commission only Av 33%)	417.50	417.50	417.50	500.00	625.00	333.75	333.75	417.50	1,042.50	208.75	208.75	333.75	5,256.25
Information/DisplaySpacPerm	276.25	276.25	276.25	276.25	276.25	276.25	276.25	276.25	276.25	276.25	276.25	276.25	3,315.00
Information/DisplaySpaceOcc	250.00	250.00	500.00	750.00	1,000.00	500.00	250.00	250.00	500.00	500.00	250.00	250.00	5,250.00
Meeting Rooms	187.50	125.00	187.50	62.50	62.50	62.50	62.50	62.50	62.50	62.50	125.00	187.50	1,250.00
Office Suite	93.75	62.50	31.25	62.50	31.25	62.50	31.25	62.50	31.25	31.25	62.50	312.50	875.00
Miscellaneous	93.75	93.75	93.75	93.75	93.75	93.75	93.75	93.75	93.75	93.75	93.75	93.75	1,125.00
Revenue Grant Income	5,000.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5,000.00
Capital Additions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Capital Grant Income	5,000.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5,000.00
Loan Income	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Bank Interest Received	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Investment Income	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Receipts	12,631.25	2,537.50	3,190.63	3,845.00	4,582.50	3,210.00	2,644.38	3,306.25	5,790.63	2,419.38	2,394.38	2,831.88	49,383.75
Expenditure													
Rent	3,125.00	3,125.00	3,125.00	3,125.00	3,125.00	3,125.00	3,125.00	3,125.00	3,125.00	3,125.00	3,125.00	3,125.00	37,500.00
Rates	583.00	583.00	583.00	583.00	583.00	583.00	583.00	583.00	584.00	584.00	584.00	584.00	7,000.00
Insurance	167.00	167.00	167.00	167.00	167.00	167.00	167.00	167.00	166.00	166.00	166.00	166.00	2,000.00
Wages	6,750.00	4,250.00	4,250.00	4,250.00	4,250.00	4,250.00	4,250.00	4,250.00	4,250.00	4,250.00	4,250.00	4,250.00	53,500.00
NI & PAYE	1,350.00	850.00	850.00	850.00	850.00	850.00	850.00	850.00	850.00	850.00	850.00	850.00	10,700.00
Recruitment	500.00	0.00	250.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	750.00
Training	0.00	0.00	125.00	0.00	0.00	125.00	0.00	0.00	125.00	0.00	0.00	125.00	500.00
Weekly Purchases	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	600.00
Materials and Equipment	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	600.00
Repairs & Renewals	0.00	0.00	250.00	0.00	0.00	0.00	0.00	0.00	250.00	0.00	0.00	0.00	500.00
Printing, Stationery & Postage	83.00	83.00	83.00	83.00	83.00	83.00	83.00	83.00	84.00	84.00	84.00	84.00	1,000.00
Light & Heat	0.00	0.00	250.00	0.00	0.00	250.00	0.00	0.00	250.00	0.00	0.00	250.00	1,000.00
Telephone	0.00	0.00	150.00	0.00	0.00	150.00	0.00	0.00	150.00	0.00	0.00	150.00	600.00
Marketing/Advertising	700.00	200.00	200.00	200.00	200.00	200.00	200.00	200.00	200.00	200.00	200.00	200.00	2,900.00
Travel & Subsistence & Taxis	200.00	200.00	200.00	200.00	200.00	200.00	200.00	200.00	200.00	200.00	200.00	200.00	2,400.00
Subscriptions	21.00	21.00	21.00	21.00	21.00	21.00	21.00	21.00	21.00	21.00	20.00	20.00	250.00
Parties & Promotions	250.00	0.00	0.00	250.00	0.00	0.00	250.00	0.00	0.00	250.00	0.00	0.00	1,000.00
Registration and Licences	250.00	0.00	0.00	250.00	0.00	0.00	250.00	0.00	0.00	250.00	0.00	0.00	1,000.00
Petty Cash Purchases	33.00	33.00	33.00	33.00	33.00	33.00	33.00	33.00	34.00	34.00	34.00	34.00	400.00
Bank Charges	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00	300.00
Bank Interest	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Legal & Professional Fees	1,000.00	0.00	0.00	0.00	250.00	0.00	0.00	250.00	0.00	0.00	0.00	0.00	1,500.00
Bad Debts	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Miscellaneous	33.00	33.00	33.00	33.00	33.00	33.00	33.00	33.00	34.00	34.00	34.00	34.00	400.00
Directors' Remuneration	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Loan Repayments Made	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Loan Interest Paid	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Drawings	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Purchases - Land & Buildings	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Purchases - Plant & Equipment	2,500.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2,500.00
Purchases - Fixture & Fittings	2,500.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2,500.00
Purchases - Motor Vehicles	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Loans Given	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
New Investments	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Corporation Tax Paid	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Expenditure	20,170.00	9,670.00	10,695.00	10,170.00	9,920.00	10,195.00	10,170.00	9,920.00	10,448.00	10,173.00	9,672.00	10,197.00	131,400.00
NET CASH FLOW	-7,538.75	-7,132.50	-7,504.38	-6,325.00	-5,337.50	-6,985.00	-7,525.63	-6,613.75	-4,657.38	-7,753.63	-7,277.63	-7,365.13	-82,016.25
Opening Balance	0.00	-7,538.75	-14,671.25	-22,175.63	-28,500.63	-33,838.13	-40,823.13	-48,348.75	-54,962.50	-59,619.88	-67,373.50	-74,651.13	
Closing Balance	-7,538.75	-14,671.25	-22,175.63	-28,500.63	-33,838.13	-40,823.13	-48,348.75	-54,962.50	-59,619.88	-67,373.50	-74,651.13	-82,016.25	

Project Ting Optimistic	Cash Flow Year 2												
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	TOTAL
Receipts													
Retail (commission only Av 35%)	1,968.75	1,968.75	2,526.56	3,150.00	3,740.63	2,821.88	2,395.31	3,215.63	5,676.56	1,870.31	2,067.19	2,067.19	33,468.75
Gallery (commission only Av 33%)	626.25	626.25	626.25	750.00	937.50	500.63	500.63	626.25	1,563.75	313.13	313.13	500.63	7,884.38
Information/DisplaySpacPerm	414.38	414.38	414.38	414.38	414.38	414.38	414.38	414.38	414.38	414.38	414.38	414.38	4,972.50
Information/DisplaySpaceOcc	375.00	375.00	750.00	1,125.00	1,500.00	750.00	375.00	375.00	750.00	750.00	375.00	375.00	7,875.00
Meeting Rooms	281.25	187.50	281.25	93.75	93.75	93.75	93.75	93.75	93.75	93.75	187.50	281.25	1,875.00
Office Suite	140.63	93.75	46.88	93.75	46.88	93.75	46.88	93.75	46.88	46.88	93.75	468.75	1,312.50
Miscellaneous	140.63	140.63	140.63	140.63	140.63	140.63	140.63	140.63	140.63	140.63	140.63	140.63	1,687.50
Revenue Grant Income	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Capital Additions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Capital Grant Income	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Loan Income	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Bank Interest Received	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Investment Income	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Receipts	3,946.88	3,806.25	4,785.94	5,767.50	6,873.75	4,815.00	3,966.56	4,959.38	8,685.94	3,629.06	3,591.56	4,247.81	59,075.63
Expenditure													
Rent	3,125.00	3,125.00	3,125.00	3,125.00	3,125.00	3,125.00	3,125.00	3,125.00	3,125.00	3,125.00	3,125.00	3,125.00	37,500.00
Rates	612.15	612.15	612.15	612.15	612.15	612.15	612.15	612.15	613.20	613.20	613.20	613.20	7,350.00
Insurance	175.35	175.35	175.35	175.35	175.35	175.35	175.35	175.35	174.30	174.30	174.30	174.30	2,100.00
Wages	4,462.50	4,462.50	4,462.50	4,462.50	4,462.50	4,462.50	4,462.50	4,462.50	4,462.50	4,462.50	4,462.50	4,462.50	53,550.00
NI & PAYE	892.50	892.50	892.50	892.50	892.50	892.50	892.50	892.50	892.50	892.50	892.50	892.50	10,710.00
Recruitment	0.00	0.00	262.50	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	262.50
Training	0.00	0.00	131.25	0.00	0.00	131.25	0.00	0.00	131.25	0.00	0.00	131.25	525.00
Weekly Purchases	52.50	52.50	52.50	52.50	52.50	52.50	52.50	52.50	52.50	52.50	52.50	52.50	630.00
Materials and Equipment	52.50	52.50	52.50	52.50	52.50	52.50	52.50	52.50	52.50	52.50	52.50	52.50	630.00
Repairs & Renewals	0.00	0.00	262.50	0.00	0.00	0.00	0.00	0.00	262.50	0.00	0.00	0.00	525.00
Printing, Stationery & Postage	87.15	87.15	87.15	87.15	87.15	87.15	87.15	87.15	88.20	88.20	88.20	88.20	1,050.00
Light & Heat	0.00	0.00	262.50	0.00	0.00	262.50	0.00	0.00	262.50	0.00	0.00	262.50	1,050.00
Telephone	0.00	0.00	157.50	0.00	0.00	157.50	0.00	0.00	157.50	0.00	0.00	157.50	630.00
Marketing/Advertising	210.00	210.00	210.00	210.00	210.00	210.00	210.00	210.00	210.00	210.00	210.00	210.00	2,520.00
Travel & Subsistence & Taxis	210.00	210.00	210.00	210.00	210.00	210.00	210.00	210.00	210.00	210.00	210.00	210.00	2,520.00
Subscriptions	22.05	22.05	22.05	22.05	22.05	22.05	22.05	22.05	22.05	22.05	21.00	21.00	262.50
Parties & Promotions	262.50	0.00	0.00	262.50	0.00	0.00	262.50	0.00	0.00	262.50	0.00	0.00	1,050.00
Registration and Licences	262.50	0.00	0.00	262.50	0.00	0.00	262.50	0.00	0.00	262.50	0.00	0.00	1,050.00
Petty Cash Purchases	34.65	34.65	34.65	34.65	34.65	34.65	34.65	34.65	35.70	35.70	35.70	35.70	420.00
Bank Charges	26.25	26.25	26.25	26.25	26.25	26.25	26.25	26.25	26.25	26.25	26.25	26.25	315.00
Bank Interest	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Legal & Professional Fees	0.00	0.00	0.00	0.00	262.50	0.00	0.00	262.50	0.00	0.00	0.00	0.00	525.00
Bad Debts	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Miscellaneous	34.65	34.65	34.65	34.65	34.65	34.65	34.65	34.65	35.70	35.70	35.70	35.70	420.00
Directors' Remuneration	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Loan Repayments Made	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Loan Interest Paid	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Drawings	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Purchases - Land & Buildings	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Purchases - Plant & Equipment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Purchases - Fixture & Fittings	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Purchases - Motor Vehicles	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Loans Given	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
New Investments	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Corporation Tax Paid	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Expenditure	10,522.25	9,997.25	11,073.50	10,522.25	10,259.75	10,548.50	10,522.25	10,259.75	10,814.15	10,525.40	9,999.35	10,550.60	125,595.00
NET CASH FLOW	-6,575.38	-6,191.00	-6,287.56	-4,754.75	-3,386.00	-5,733.50	-6,555.69	-5,300.38	-2,128.21	-6,896.34	-6,407.79	-6,302.79	-66,519.38
Opening Balance	-82,016.25	-88,591.63	-94,782.63	-101,070.19	-105,824.94	-109,210.94	-114,944.44	-121,500.13	-126,800.50	-128,928.71	-135,825.05	-142,232.84	
Closing Balance	-88,591.63	-94,782.63	-101,070.19	-105,824.94	-109,210.94	-114,944.44	-121,500.13	-126,800.50	-128,928.71	-135,825.05	-142,232.84	-148,535.63	

Project Ting Optimistic	Cash Flow Year 3												
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	TOTAL
Receipts													
Retail (commission only Av 35%)	2,460.94	2,460.94	3,158.20	3,937.50	4,675.78	3,527.34	2,994.14	4,019.53	7,095.70	2,337.89	2,583.98	2,583.98	41,835.94
Gallery (commission only Av 33%)	782.81	782.81	782.81	937.50	1,171.88	625.78	625.78	782.81	1,954.69	391.41	391.41	625.78	9,855.47
Information/DisplaySpacPerm	517.97	517.97	517.97	517.97	517.97	517.97	517.97	517.97	517.97	517.97	517.97	517.97	6,215.63
Information/DisplaySpaceOcc	468.75	468.75	937.50	1,406.25	1,875.00	937.50	468.75	468.75	937.50	937.50	468.75	468.75	9,843.75
Meeting Rooms	351.56	234.38	351.56	117.19	117.19	117.19	117.19	117.19	117.19	117.19	234.38	351.56	2,343.75
Office Suite	175.78	117.19	58.59	117.19	58.59	117.19	58.59	117.19	58.59	58.59	117.19	585.94	1,640.63
Miscellaneous	175.78	175.78	175.78	175.78	175.78	175.78	175.78	175.78	175.78	175.78	175.78	175.78	2,109.38
Revenue Grant Income	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Capital Additions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Capital Grant Income	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Loan Income	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Bank Interest Received	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Investment Income	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Receipts	4,933.59	4,757.81	5,982.42	7,209.38	8,592.19	6,018.75	4,958.20	6,199.22	10,857.42	4,536.33	4,489.45	5,309.77	73,844.53
Expenditure													
Rent	3,125.00	3,125.00	3,125.00	3,125.00	3,125.00	3,125.00	3,125.00	3,125.00	3,125.00	3,125.00	3,125.00	3,125.00	37,500.00
Rates	612.15	612.15	612.15	612.15	612.15	612.15	612.15	612.15	613.20	613.20	613.20	613.20	7,350.00
Insurance	175.35	175.35	175.35	175.35	175.35	175.35	175.35	175.35	174.30	174.30	174.30	174.30	2,100.00
Wages	4,462.50	4,462.50	4,462.50	4,462.50	4,462.50	4,462.50	4,462.50	4,462.50	4,462.50	4,462.50	4,462.50	4,462.50	53,550.00
NI & PAYE	892.50	892.50	892.50	892.50	892.50	892.50	892.50	892.50	892.50	892.50	892.50	892.50	10,710.00
Recruitment	0.00	0.00	262.50	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	262.50
Training	0.00	0.00	131.25	0.00	0.00	131.25	0.00	0.00	131.25	0.00	0.00	131.25	525.00
Weekly Purchases	52.50	52.50	52.50	52.50	52.50	52.50	52.50	52.50	52.50	52.50	52.50	52.50	630.00
Materials and Equipment	52.50	52.50	52.50	52.50	52.50	52.50	52.50	52.50	52.50	52.50	52.50	52.50	630.00
Repairs & Renewals	0.00	0.00	262.50	0.00	0.00	0.00	0.00	0.00	262.50	0.00	0.00	0.00	525.00
Printing, Stationery & Postage	87.15	87.15	87.15	87.15	87.15	87.15	87.15	87.15	88.20	88.20	88.20	88.20	1,050.00
Light & Heat	0.00	0.00	262.50	0.00	0.00	262.50	0.00	0.00	262.50	0.00	0.00	262.50	1,050.00
Telephone	0.00	0.00	157.50	0.00	0.00	157.50	0.00	0.00	157.50	0.00	0.00	157.50	630.00
Marketing/Advertising	210.00	210.00	210.00	210.00	210.00	210.00	210.00	210.00	210.00	210.00	210.00	210.00	2,520.00
Travel & Subsistence & Taxis	210.00	210.00	210.00	210.00	210.00	210.00	210.00	210.00	210.00	210.00	210.00	210.00	2,520.00
Subscriptions	22.05	22.05	22.05	22.05	22.05	22.05	22.05	22.05	22.05	22.05	21.00	21.00	262.50
Parties & Promotions	262.50	0.00	0.00	262.50	0.00	0.00	262.50	0.00	0.00	262.50	0.00	0.00	1,050.00
Registration and Licences	262.50	0.00	0.00	262.50	0.00	0.00	262.50	0.00	0.00	262.50	0.00	0.00	1,050.00
Petty Cash Purchases	34.65	34.65	34.65	34.65	34.65	34.65	34.65	34.65	35.70	35.70	35.70	35.70	420.00
Bank Charges	26.25	26.25	26.25	26.25	26.25	26.25	26.25	26.25	26.25	26.25	26.25	26.25	315.00
Bank Interest	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Legal & Professional Fees	0.00	0.00	0.00	0.00	262.50	0.00	0.00	262.50	0.00	0.00	0.00	0.00	525.00
Bad Debts	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Miscellaneous	34.65	34.65	34.65	34.65	34.65	34.65	34.65	34.65	35.70	35.70	35.70	35.70	420.00
Directors' Remuneration	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Loan Repayments Made	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Loan Interest Paid	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Drawings	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Purchases - Land & Buildings	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Purchases - Plant & Equipment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Purchases - Fixture & Fittings	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Purchases - Motor Vehicles	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Loans Given	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
New Investments	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Corporation Tax Paid	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Expenditure	10,522.25	9,997.25	11,073.50	10,522.25	10,259.75	10,548.50	10,522.25	10,259.75	10,814.15	10,525.40	9,999.35	10,550.60	125,595.00
NET CASH FLOW	-5,588.66	-5,239.44	-5,091.08	-3,312.88	-1,667.56	-4,529.75	-5,564.05	-4,060.53	43.27	-5,989.07	-5,509.90	-5,240.83	-51,750.47
Opening Balance	-148,535.63	-154,124.28	-159,363.72	-164,454.80	-167,767.67	-169,435.23	-173,964.98	-179,529.03	-183,589.56	-183,546.29	-189,535.36	-195,045.26	
Closing Balance	-154,124.28	-159,363.72	-164,454.80	-167,767.67	-169,435.23	-173,964.98	-179,529.03	-183,589.56	-183,546.29	-189,535.36	-195,045.26	-200,286.09	

Project Ting

Optimistic

Profit & Loss Account

	All			Shop Only			Rest of Ting		
	Year 1	Year 2	Year 3	Year 1	Year 2	Year 3	Year 1	Year 2	Year 3
Retail (commission only Av 35%)	22313	33469	41836	22313	33469	41836	0	0	0
Gallery (commission only Av 33%)	5256	7884	9855	0	0	0	5256	7884	9855
Information/DisplaySpacPerm	3315	4973	6216	0	0	0	3315	4973	6216
Information/DisplaySpaceOcc	5250	7875	9844	0	0	0	5250	7875	9844
Meeting Rooms	1250	1875	2344	0	0	0	1250	1875	2344
Office Suite	875	1313	1641	0	0	0	875	1313	1641
Miscellaneous	1125	1688	2109	0	0	0	1125	1688	2109
Revenue Grant Income	<u>5000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5000</u>	<u>0</u>	<u>0</u>
Gross Profit	44384	59076	73845	22313	33469	41836	22071	25607	32009

Operating Expenses

Rent & Mortgage Interest	37500	37500	37500	12375	12375	12375	25125	25125	25125
Rates	7000	7350	7350	2310	2426	2426	4690	4925	4925
Insurance	2000	2100	2100	660	693	693	1340	1407	1407
Wages	53500	53550	53550	17655	17672	17672	35845	35879	35879
NI & PAYE	10700	10710	10710	3531	3534	3534	7169	7176	7176
Recruitment	750	263	263	248	87	87	503	176	176
Training	500	525	525	165	173	173	335	352	352
Weekly Purchases	600	630	630	198	208	208	402	422	422
Materials and Equipment	600	630	630	198	208	208	402	422	422
Repairs & Renewals	500	525	525	165	173	173	335	352	352
Printing, Stationery & Postage	1000	1050	1050	330	347	347	670	704	704
Light & Heat	1000	1050	1050	330	347	347	670	704	704
Telephone	600	630	630	198	208	208	402	422	422
Advertising	2900	2520	2520	957	832	832	1943	1688	1688
Travel & Subsistence & Taxis	2400	2520	2520	792	832	832	1608	1688	1688
Subscriptions	250	263	263	83	87	87	168	176	176
Parties	1000	1050	1050	330	347	347	670	704	704
Registration and Disclosure	1000	1050	1050	330	347	347	670	704	704
Petty Cash Purchases	400	420	420	132	139	139	268	281	281
Bank Charges	300	315	315	99	104	104	201	211	211
Legal & Professional Fees	1500	525	525	495	173	173	1005	352	352
Bad Debts	0	0	0	0	0	0	0	0	0
Miscellaneous	400	420	420	132	139	139	268	281	281
Directors' Remuneration	0	0	0	0	0	0	0	0	0
	<u>126400</u>	<u>125595</u>	<u>125595</u>	<u>41712</u>	<u>41446</u>	<u>41446</u>	<u>84688</u>	<u>84149</u>	<u>84149</u>

Other Income

Investment Income	0	0	0	0	0	0	0	0	0
Bank Interest received	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0
<u>Other Expenditure</u>									
Depreciation	913	746	610	301	246	201	612	500	409
Operating Profit	-82929	-67266	-52361	-19701	-8224	188	-63229	-59042	-52549
<u>Interest Expenditure</u>									
Bank Overdraft Interest	0	0	0	0	0	0	0	0	0
Loan Interest	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	0	0	0	0	0	0	0	0	0
Net Profit Before Taxation	-82929	-67266	-52361	-19701	-8224	188	-63229	-59042	-52549
Taxation	0	0	0	0	0	0	0	0	0
Profit after Taxation	-82929	-67266	-52361	-19701	-8224	188	-63229	-59042	-52549

Project Ting
Optimistic
Balance Sheet

	Year 1	Year 2	Year 3
FIXED ASSETS			
Tangible			
Land & Buildings	0	0	0
Plant & Equipment	2043	1670	1365
Fixtures & Fittings	2043	1670	1365
Motor Vehicles	0	0	0
Investments	<u>0</u>	<u>0</u>	<u>0</u>
	4087	3340	2730
CURRENT ASSETS			
Trade Debtors	0	0	0
Income Accruals	0	0	0
Prepayments	0	0	0
Bank	<u>0</u>	<u>0</u>	<u>0</u>
	0	0	0
CREDITORS: Amounts due within 1 year			
Bank Overdraft	82016	148536	200286
Trade Creditors	0	0	0
Accruals	0	0	0
Loan	0	0	0
Taxation	<u>0</u>	<u>0</u>	<u>0</u>
	82016	148536	200286
NET CURRENT ASSETS	-82016	-148536	-200286
CREDITORS: Amounts due after 1 year			
Loan	0	0	0
NET ASSETS	-77929	-145195	-197556
CAPITAL & RESERVES			
Opening Capital	0	-77929	-145195
Capital Additions	0	0	0
Grant	5000	0	0
Reserves - Retained Profit for the Year	-82929	-67266	-52361
Less: Drawings	0	0	0
	-77929	-145195	-197556



REPORT

To: Development Committee

27 August 2009

From: Research Assistant

DV086-F
Vessel Maintenance Facility Study

1.0 Introduction

- 1.1 The purpose of this report is to present the case for funding a consultation exercise which will investigate the potential for establishing a drydock/shiplifting facility 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 investigate drydock/lifting for vessel maintenance in Shetland.

3.0 Background

- 3.1 In 2005 Shetland Development Trust sold the floating dock previously owned by Malakoff & W. Moore Ltd. to the Norwegian company Eide Marine Services A/S. Since the sale of the dock, originally brought to Shetland in 2001, there has been no drydock facility in Shetland able to accommodate larger vessels. The largest vessel in the SIC fleet which can be accommodated on the Malakoff slipway is the vehicle ferry *MV Hendra*. The current SIC vehicle ferry fleet alone has five vessels larger than that which have to be transported to facilities on the UK mainland for routine repair and maintenance.
- 3.2 on 22 January 2009 the Development Committee assented to a report (DV-003-F [Min Ref.:11/09]) seeking approval for Economic Development Unit to investigate the potential for maintenance facilities suitable for larger vessels to be established in Shetland, and specifically to engage specialist consultants to carry out a detailed

investigation. That report, plus appendices, presented the results of a study carried out by the EDU showing significant local interest, particularly in the private sector, in establishing such a facility in Shetland.

4.0 Proposal

- 4.1 Despite the demonstrable local interest in this project, there remain a great number of questions to be answered, including what type of facility would be most suitable for industry needs, in terms of size and available infrastructure, and where the most suitable location would be. In order to take this forward it is proposed that a specialist consultant should be engaged to work on the consultancy brief attached as Appendix I. It is expected that this tender would be issued in the financial year 2009/10 and the proposed budget for this is £40,000.

5.0 Financial Implications

- 5.1 The proposed budget for this consultation process is £40,000. This will be met out of budget RRD 1500 1760 (Other Research Ext Consultant). As this budget does not have sufficient funds for this project, funds will be vired from budget RRD 1500 2402 (Other Research Grant O/Oth Bod) to cover the shortfall.

6.0 Policy and Delegated Authority

- 6.1 This report has been prepared under Economic Development Policy number 20, "Investigate provision of a drydock/lift for vessel maintenance 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 Conclusions

- 7.1 From the research carried out for the previous report on this matter, there is a great deal of interest from the engineering sector in establishing a drydock/shiplift facility in Shetland. It is believed that this facility would boost the marine engineering sector and the Shetland

economy as a whole, allowing Shetland to compete as a location for vessel maintenance with the rest of North-Western Europe through a hugely advantageous location as a North Sea hub.

- 7.2 However, there remain a number of potential obstacles to the success of such a facility in Shetland, including lack of supporting infrastructure and business to provide professional expertise at the facility. The lack of certain professional disciplines in Shetland means that expertise may have to be flown in, increasing the attendant cost and time of work. This would greatly affect the reputation and efficient running of the facility.
- 7.3 In order to establish whether or not a vessel maintenance facility such as described can be a viable proposition in Shetland, a specialist investigation is required.

8.0 Recommendations

- 8.1 This report recommends:
- a) that the Committee approve a budget of £40,000 for the Head of Economic Development to engage suitable specialist advisors to work on the consultancy brief attached as Appendix I.
 - b) that the Committee approves the suggested virement as described in paragraph 5.1.

Our Ref: TC/KLM
Date: 19 August 2009

Report No: DV086-F

Drydock/Shiplifting Facilities in Shetland

Consultancy Brief

Prepared 09 July 2009 by:

**SIC Economic Development Unit
Solarhus
3 North Ness Business Park
Lerwick
Shetland ZE1 0LZ**

Tel: 01595 744 902

1. Introduction

1.1 Shetland

The administrative area of Shetland has a population of roughly 22,000 (General Register Office for Scotland) spread across 15 inhabited islands, with the main population centre of Lerwick home to roughly 7,000 inhabitants.

In demographic terms, Shetland's population does not have a large gender imbalance, with males outnumbering females only by 1% margin. In terms of age ranges, 16.5% of the population is aged 65 or over, compared to 24.6% aged 19 or under.

Employment in Shetland is dominated by public administration, which accounts for 29.2% of FTE employment. The next largest sectors in terms of employment are wholesale/retail (11.3%) and construction (9.5%). These figures are from a total FTE employment figure of 8,949 (which equates to 12,244 full- and part-time jobs).

The most recent economic survey conducted in Shetland found the overall value of the Shetland economy (based on combined output from all sectors) to be £706m. Of this, £226m can be attributed to combined fisheries operations, with Shetland Islands Council (£184.9m) and oil production operations (£70m) the next highest contributors.

1.2 About the Council

The client for this study brief will be Shetland Islands Council, which is the local authority responsible for the Shetland Islands area.

As part of SIC's Economic Policy Statement 2007-11, investigation into drydock/shiplifting facilities for vessel maintenance in Shetland was included as a main policy aim under New and Emerging Industries.

1.3 About the Requirement

Shetland has a large amount of maritime activity, including but not limited to internal and external transport, domestic and foreign fish catching, aquaculture, oil supply services, oil installation decommissioning and maritime safety.

Shetland Islands Council wishes to investigate the possibility of constructing drydock/shiplift facilities on the Shetland Islands. This investigation is to establish whether such a facility located in Shetland would be financially and operationally viable and would meet the needs,

in terms of cost, duration and quality of work carried out, of the various sectors requiring maintenance of large marine vessels.

2. The Requirement

2.1 Background

In 2005 Shetland Development Trust sold the floating dock previously owned by Malakoff & W. Moore Ltd. to the Norwegian company Eide Marine Services A/S. Since the sale of the dock, originally brought to Shetland in 2001, Shetland has had limited drydocking facilities for marine vessels. The drydock facility located in Lerwick and operated by Malakoff Ltd. can only take vessels up to the size of the *MV Hendra*, one of the SIC's fleet of vehicle ferries. In this fleet alone, the SIC has six vessels larger than this. For these and all other larger vessels, including tugs, fishing boats, workboats and oil supply vessels, drydocking in Shetland is not an option.

Due to the lack of facilities, vessels requiring drydocking and shiplift facilities must undertake long journeys to the UK mainland or continental Europe for essential maintenance. Favoured destinations include Peterhead, Fraserburgh and Aberdeen in Scotland, Hull in England and Skagen in Denmark. The factors in choosing these locations for public and private sector vessel owners include travel time, cost and quality of service and facilities available.

Travel to facilities outside Shetland involves a large cost to the vessel owners, both in terms of fuel and crew time and expenses. There are also operational issues to consider when drydocking vessels; lengthy travel time to and from facilities means increasing the time that a given vessel is out of service for maintenance. For the private sector this means that economic activity is affected, as the vessel is not fulfilling its primary purpose; for the public sector this means that essential services are affected. For example, the loss of a large vehicle ferry for an extended time means that the ferry has to be replaced, and generally the only option is to replace a large ferry with a smaller ferry. This has an effect on transport in and out of islands communities.

Large vessels travelling to UK and European facilities mean that engineering work is lost to Shetland. Potentially a facility in Shetland would lead to increased work for several industrial sectors. This work would be entirely additional to current economic activity.

2.2 Future

The results of the study will be used to inform the future direction of SIC policy in this area.

2.3 Scope

This consultancy brief is focused on fulfilling the policy described in Shetland Islands Council's Economic Policy Statement 2007-2011 Section C: New and Emerging Industries (General) – 20. Investigate provision of a drydock/lift for vessel maintenance in Shetland.

The scope of this brief is to investigate the economic and operational potential for establishing drydock/shiplift facilities in Shetland. The results of the study will inform the next stage of the process.

2.4 Detail

The study will be required to examine the financial and operational issues relevant to the proposal to site drydock/shiplift facilities in Shetland. The study will be required to address the following:

- Background to the requirement, i.e. the situation regarding marine vessel maintenance at the moment and the effect of this on the operations of private/public sector vessel owners in Shetland.
- Stakeholders – who will be the customers of this infrastructure and why will they use it?
- Demand – what is the likely demand for this facility, immediate and forecast for 5-10 years? Could the facility attract enough business to achieve viability as a commercial entity?
- Private Sector – what is their attitude to the current situation and what opportunities/threats do they envisage with a development of this kind?
- Public Sector – what is their attitude to the current situation and what opportunities/threats do they envisage with a development of this kind?
- It must be established what specific infrastructure will be needed to best suit the needs of the Shetland economy, and to make the facility most attractive to potential customers while remaining cost effective. Issues to be addressed include:
 - Specific options regarding infrastructure and layout
 - Cost of construction
 - Vessel types and sizes to be considered as potential business
 - Land required for construction of identified options
 - Supporting infrastructure, i.e. access roads, office buildings
 - Environmental considerations
 - Location - There are a number of locations in Shetland where such a facility could be sited, but it must be determined which of these is the most suitable

from a commercial point of view. Environmental and supply chain considerations must also be taken into account.

- Cost Model – what will be the funding required and what are the financial projections over 5-10 years taking into account capital investment, ongoing maintenance and revenue income?
- Supply Chain - in order for such a facility to successfully operate there must be a coherent and consistent supply chain of supporting business infrastructure. It must be identified whether or not the engineering and other marine sectors in Shetland have the capacity to serve this and, if not, what gaps need to be filled.
- Business Model – what is the best model for ownership of this network, what are the risks and benefits against each model eg SIC owned, supplier owned, 3rd party open access etc.?
- Management Structure - a clear and coherent management structure is essential for the successful operation of any facility of this type. It must be determined what is the most appropriate method of managing this facility, whether public or private, and it must be determined where the capacity for taking on such a management operation lies.
- Marketing Position – how will this facility attract business and how best can competitive supply be encouraged?
- State Aid – how could SIC provide investment under EU regulations?
- Other Scenarios – what will happen if this investment is not made?
- Recommendations and Suggested Next Steps

2.5 Deliverables

The deliverable required from this assignment is a study report which assesses the potential for a drydock/shiplift facility to be sited in Shetland and to provide high-quality vessel maintenance services. The study should assess whether or not Shetland can sustain such a facility in a way that would be financially beneficial to the various industrial sectors involved and to the local authority and the Shetland economy as a whole.

2.6 Timescales

Although there are no specific deadlines to be taken into account, SIC wishes to progress this work as early as possible. A draft timetable for the assignment should be provided

3. Structure and Format of Proposals

Proposals should follow the defined structure and not exceed the maximum number of pages indicated.

Section	Description
Section 1	<p>Introduction and Background (max 3 pages)</p> <p>This section should include an overview of your business / organisation in the context of our specific requirements for this contract.</p> <p>The section should also highlight the experience within your organisation of the issues affecting port infrastructure, vessel maintenance and the engineering sector and demonstrate a clear understanding of the requirement.</p>
Section 2	<p>Methodology (max 10 pages)</p> <p>This section should illustrate how you would manage and undertake this assignment taking into account the topics covered in the requirements section. Specifically:</p> <ul style="list-style-type: none">• Gathering information on the likely demand for this facility• Assessing the likely technical options and the ability of the supply chain to provide supporting services for such a facility• Determining the most appropriate business model, management structure and cost structure with reference to examples of drydock/shiplift facilities on the UK mainland and continental Europe• Working with stakeholders involved including the SIC, Lerwick Port Authority and relevant private sector businesses• Providing informed commentary on the likely implications of establishing a drydock/shiplift facility in Shetland <p>Your methodology should include all key tasks and the duration and resource required. Recognition should be made as appropriate of the additional information provided in Section 4 of this brief.</p>
Section 3	<p>Pricing Proposals (max 2 pages)</p> <p>Pricing should reflect the activities defined in your methodology.</p> <p>Each stage of the methodology should be costed and tasks itemised.</p> <p>The proposal should also indicate how many days work are assigned to this project and against each member of the proposed consultancy team.</p>

	<p>Pricing should include all charges, fees, day rates, and estimated resource requirements for each stage of the contract where applicable.</p> <p>An invoicing regime should be suggested.</p> <p>Any assumptions made should be clearly stated.</p>
Section 4	<p>Challenges (max 2 pages)</p> <p>Please describe the key challenges of the project that you will face and how you plan to manage these challenges to ensure that the project is delivered successfully.</p>
Section 5	<p>Project Team / Organisation (max 2 pages)</p> <p>Explain your proposed project team and organisation including any sub-contract arrangements that you will depend on to deliver the contract and explaining how you will manage relationships with other stakeholders (if any).</p> <p>Please identify the Project Manager and illustrate their role and activities and how they will interface with the other members of the proposed team and with our internal team.</p> <p>Please make clear the individual consultants experience and role in projects relating to port infrastructure and marine engineering.</p> <p>CVs should be provided to show the expertise, experience and roles that each team member will undertake.</p>
Section 7	<p>Experience (max 2 pages)</p> <p>This section should highlight the most relevant information to allow SIC to judge the suitability of the consultant to undertake this work. This may be through past projects, reports etc which are directly relevant to this project and the nature of the issues affecting Shetland.</p>
Section 8	<p>Timescales (max 2 pages)</p> <p>This section should provide a draft project plan indicating tasks and timescales, clearly showing key dates and deliverables. Any assumptions made should be clearly stated.</p>
Section 7	<p>Administrative (max 2 pages)</p> <p>This section should cover all additional administrative issues such as primary contact details, etc. which are not covered elsewhere.</p>

4. Additional Information

4.1 Proposal Format

The proposal should follow the format described in Section 3 and be provided in electronic format by <insert date and time> to the following contact:

Thomas Coutts

Tel: 01595 744 902

E-mail: Thomas.coutts@sic.shetland.gov.uk

4.2 Budget

Indicative budget for this work is approximately £40,000.

4.3 Tender Evaluation Criteria

Tenders will be considered on the most economically advantageous basis and will be evaluated solely on the information provided.

The following criteria and weighting will be applied:

Competence to deliver	25
Track record of proposed consultants	20
Knowledge of port infrastructure issues and engineering sector	20
Knowledge of issues affecting maritime and engineering sectors in Shetland	15
Value for money	20

4.4 Information to be supplied by SIC

The following information will be supplied to the successful consultant to aid with this assignment:

- Previous reports
- Research work carried out which relates to the issues outlined above

4.5 Terms and Conditions

This contract will be let under SIC standard Terms and Conditions a copy of which are available at XXXX. Confirmation should be made that these are acceptable or any points raised under Section 7 of the response.



REPORT

To: Development Committee

27 August 2009

From: Head of Economic Development

DV094-F **North Isles Childcare**

1.0 Introduction

- 1.1 This report concerns a request from North Isles Childcare Ltd for £30,000 of grant funding for the current financial year, also a request for year on year assistance as part of a project to build new child care facilities in the North Isles. The timing pre-emptes the introduction of a grant aid scheme that is being developed by the Economic Development Unit to help support the childcare sector in Shetland.

2.0 Link to Corporate Priorities

- 2.1 This report supports the Council's statement of intent expressed in the Corporate Plan to, "... improve the sustainability of childcare and pre-school provision" and for Economic Development to, "... enable individuals to achieve their full potential." The activities reported in this document also support the aims contained in the Economic Development Policy Statement (2007-2011).
- 2.2 In Shetland's Single Outcome Agreement, there is a commitment, under the "Smarter" objective to, "maintain and enhance the availability and range of childcare and pre-school provision."

3.0 Background

- 3.1 The Council adopted the Childcare Strategy at a meeting of the Services Committee on the 18 June 2009 (Min ref 63/09). The strategy and report refers to two new grant aid schemes that will be developed and supported by the Economic Development Unit of the Shetland Islands Council. The schemes, to be met within existing resources, are being developed and will be presented to Councillors in due course.

- 3.2 The Economic Development Unit, in line with the government's economic policy drive, aims to work towards sustainable economic growth. The economic strategy relies on affordable childcare to enable people to work, which is especially important in a tight labour market such as that experienced in Shetland. Furthermore, it is committed to supporting new business opportunities in the field of childcare.

4.0 Proposal

- 4.1 North Isles Childcare Ltd is a social enterprise, it is a company limited by a guarantee and registered charity, with the purpose of providing childcare in Yell and Unst and Fetlar.
- 4.2 The enterprise has approached the Council to provide £30,000 of shortfall funding for the current financial year. The enterprise claims that the financial shortfall has been brought about by Fairer Scotland reducing its grant allocation and requiring match funding from the Council.
- 4.3 Also, the enterprise is currently forming a bid for Lottery and Scottish Rural Development Programme funding to create two new fit for purpose childcare facilities in Yell and Unst, and has requested year on year revenue assistance from the Council, which requires to be confirmed as part of the bid. I understand that the enterprise require to make their draft submissions to these funds by 31 August.
- 4.4 Given the situation that North Isles Childcare finds itself in, I am requesting delegated authority to work with this social enterprise to establish a suitable and ultimately sustainable financial model for the business.

5.0 Financial Implications

- 5.1 If a decision is taken to provide the £30,000 of short term funding for this project, the grant will be funded from budget centre Childcare Grants (RRD 1564 2402).
- 5.2 Draft financial projections and explanatory notes have been supplied by North Isles Childcare and are attached in appendix 1 and 2.

6.0 Policy and Delegated Authority

- 6.1 The subject of this report relates to Economic Development Policy No 27 "Enable individuals to achieve their full economic potential" (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

7.0 Conclusions

7.1 North Isles Childcare has a short fall in funding for the current financial year which if not addressed will likely lead to the winding up of the enterprise. I therefore think that it should be a priority for the Council to address the funding shortfall for this year to provide stability.

7.2 The business model which North Isles Childcare presents for new facilities in Yell and Unst is very laudable in that it seeks to maximise external funding. However there are significant long-term revenue support funding requirements, which require a detailed assessment of the project. It is also important that the model fits within the Council support schemes being constructed. It is therefore unlikely that the Council could be in a position to make a firm commitment to funding arrangements for future years in time for the enterprise to make its external funding bids. The Council could however give indication of how it could support the project.

8.0 Recommendations

8.1 I recommend that the Development Committee:

8.1.1 provide the requested short-term assistance grant of £30,000.

8.1.2 instruct the Head of Economic Development to work with North Isles Childcare to construct a bid for external funding.

8.1.3 note that assistance schemes for "top up" grant for childminders, and guaranteed places are being constructed and will be reported to the Committee for decision in due course.

NRJG/KLM/
25 August 2009

DV094-F

Head of Service: Neil Grant
Chief Executive: David A. Clark

North isles Childcare Ltd

Business Development
Economic Development Unit
Solarhus
3 North Ness Business Park
Lerwick
Shetland
ZE1 OLZ

Telephone: 01595 744940
Fax: 01595 744961
development@shetland.gov.uk
www.shetland.gov.uk

If calling please ask for
Neil Grant
Direct Dial: 01595 744968

Your Ref:
Our Ref: NG/KLM

Date: D R A F T

Dear Sir

Reserve Fund Grant
North Isles Childcare Ltd

On behalf of Shetland Islands Council (hereinafter referred to as "the Council") I am pleased to offer North Isles Childcare Limited (hereinafter referred to as "the Company") a grant of £30,000 (Thirty Thousand Pounds), towards revenue costs for the company, subject to the following conditions: -

1. No payment will be made until the Company produces to the Council adequate evidence:-
 - a) That expenditure has been incurred. The Council requires valid original invoices that must either be receipted using the supplier's stamp or be attached to a letter from the supplier confirming payment. **(Hand written receipts that do not bear a supplier's stamp will not be accepted).**

Expenditure committed prior to the date of this letter will NOT be eligible for grant.

 - b) That all other requirements as detailed in this letter have been met.
2. The Company will operate within Shetland for a period of at least 10 years from the date of receipt of grant and will not remove its business or the equipment or other assets, which form the subject of the grant, outside Shetland.
3. The Company will keep all buildings, equipment and other assets, which are the subject of or which relate to the grant offered, fully insured against loss and damage by fire, storm, theft, impact and such other risks as are appropriate, and vehicles shall be comprehensively insured; and you will exhibit the policies and receipts for the premiums to the Council on request.

4. The Company will not transfer, sell or discontinue its business, nor dispose of the assets which form the subject of this grant; nor use the buildings, equipment or other assets which are the subject of this grant for any purpose other than the approved project.
5. The Company will maintain the equipment or other assets which are the subject of or relate to the grant offered, and keep them in good condition; and will permit any person authorised by the Council to inspect them on request.
6. The Company will keep proper books of accounts and will provide the Council with the statement of accounts, reports or other explanations as may be required by the Council.
7. The Company will supply on request any additional information the Council may require to monitor the conditions under which grant is made.
8. In the event of any breach of the foregoing conditions the Council may, at its sole discretion, require repayment of all or part of the grant, by the Company and may also disqualify the Company from receiving any other assistance in terms of the Schemes operated by the Council. If the property/equipment for which grant assistance was received is sold, transferred or otherwise disposed of within the ten years from receipt of grant, the new owner must accept the grant conditions for the remaining period, failing which the grant will be repayable by the Company in full, at the date of sale or transfer.
9. **Grant recipients must inform the Council of any changes in their circumstances affecting the grant conditions, in particular if the Company gives up the business for which grant assistance was given.**
10. Unless otherwise agreed in writing by the Council, these conditions shall endure under this offer for a period of 5 years from the date of the last payment of the grant.
11. The Council reserves the right to ascertain the amount of arrears of debt, if any, owed to the Council by applicants for assistance and to withhold payment of any assistance granted until such time as the arrears have been cleared or satisfactory arrangements have been made to clear such arrears.

If these conditions are acceptable please sign and date this letter and return it to me as soon as possible.

This offer is valid only until 30 April 2010. If, by that date, the grant has not been claimed and paid or if, by that date, an extension has not been requested and given this offer of grant lapses. If grant is still sought at that time, a fresh application would be required.

To claim your grant, please refer to the attached guidance notes on claiming financial assistance. Submissions with incomplete claim forms will not be processed.

A copy of this letter is enclosed for your retention.

The Council reserves the right to publicise the assistance to the Applicant and to include it in a public record of cases, both to demonstrate how its resources are used and to give examples of the types of development it is able to assist. The Applicant shall ensure that any publicity given to the Project contains an acknowledgement of the Council's funding support and shall display in a prominent place, any plaque, sticker or logo as the Council may require.

Yours faithfully

Head of Economic Development

Enc

I, being an authorised signatory of North Isles
Childcare Ltd, accept the offer of grant on the conditions specified in this letter.

Signed: Date:

Income

SIC Childrens Strategy

This is income sourced from Shetland Islands Council, who have a policy to support workforce development, which will cover percentage of the costs of staff training and development.

Service Level Agreement – Shetland Islands Councils agreement to fund 8 full time childcare places per island. Cost is based on providing 45 hours of childcare for 50 weeks per year at a cost of £3.30 per hour in year 10-11 and increasing at approx. 3% pa thereafter. In the event that the business meets or outperforms its targets the £12000 indicated as contingency would be fully refundable and any net income in excess of the budgeted figure would be split 50/50 between an additional refund to the SIC and a repairs and renewals fund for North Isles Childcare.

Income Yell - Based on current use and community surveys. These assumptions also take account of the more convenient location, security of service and additional opening times. Proposed charges are £3.30 per child per hour for year 2010-2011, with second and subsequent children in a family allowed a 50% discount.

Income Unst – Based on current use and community surveys. These assumptions also take account of the more convenient location, security of service and additional opening times. Proposed charges are £3.30 per child per hour for year 2010-2011, with second and subsequent children in a family allowed a 50% discount.

Expenditure (approx 3% pa has been allowed for inflation)

Wages Unst and Wages Yell

These are both based on identical set ups for both islands, however Unst is currently employing a skillseeker, who's training will last until February 2011. This cost is being fully met by Shetland Islands Council Childcare Strategy. Facilities will be manned 10 hours per day opening 0830 – 1730 + 1 hour for training, preparation and cleaning.

Two staff will be on duty at all time and an allowance has been made for a third member of staff for 3 hours per day.

For salary levels see wages assumptions in financials. Salaries assume all staff fully qualified. Lower salaries will apply to career grading, which applies to all posts.

An additional allowance of £1000 has been allowed in both August and September 2010 to allow for staff migration to new premises.

Equipment

Mainly disposable equipment and play materials, although some allowance has been made from Y2 for renewals and breakage replacements.

Food

An allowance has been relating to approx £25 per unit per week, to provide food for children's snacks.

Stationery & Postage

A modest allowance to cover general office stationery

Disclosures

While an initial pool of staff is built up there will be a higher than normal requirement to get staff disclosed. Ongoing we do expect some turnover of staff and there will be an ongoing need for these.

Heat and Light

Efforts are being made to reduce these costs by the use where possible of renewables. The Yell unit would be heated with waste heat from the leisure centre and would have provision included so it can be incorporated into the planned, renewables powered, community district heating scheme. In Unst heating will be provided using a ground source heat pump.

Cleaning supplies

A high standard of cleanliness is required in these units and an appropriate allowance has been made for cleaning materials.

Telephone and internet

Both units will require a telephone and broadband connection for admin purposes as well as for parent and emergency contacts and training.

Insurance

Based on received quotes received from MortenMichel, the companies current insurers for providing the level of cover required for this type of business.

Building maintainance

As the buildings will be new it is not envisaged that initially there would be any significant expenditure in this area. However an allowance has been made for preventative maintainence and minor items.

Professional fees

These include an allowance for bookkeeping, wages and annual accounts which are all provided by the companies accountants.

Care Commision

Annual registration fee

Training

Relates to the requirement for continuous professional development of staff

Bank charges

Assumes that free banking will be provided for at least the first year and that charges for future years are in line with current costs

Sundries

As title

Marketing

Costs as per marketing plan.

Companies House

Annual return fee

North Isles Childcare
Total projected income & expenditure inc project management costs for technical study

	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Totals
START BALANCE	18,834.57	28,823.78	28,315.54	23,441.41	19,624.98	13,726.03	3,726.08	26,771.08	21,988.08	15,441.08	25,708.08	20,525.08	
INCOME													
SIC grant request							£15,000.00			£15,000.00			£30,000.00
Projected fees - Unst					£1,000.00	£1,200.00	£1,000.00	£1,000.00	£600.00	£1,200.00	£1,200.00	£1,200.00	£8,400.00
Projected fees - Yell					£700.00	£1,200.00	£900.00	£1,400.00	£700.00	£1,400.00	£1,400.00	£1,400.00	£9,100.00
Actual fees - Unst	£1,656.25	£1,531.50	£1,201.50	£1,513.25									£5,902.50
Actual fees - Yell	£501.76	£897.26	£1,227.47	£675.00									£3,301.49
Fundraising			£11.00	£50.00	£11.00	£11.00	£11.00	£11.00	£11.00	£11.00	£11.00	£12.00	£150.00
FSF GRANT	£13,478.00						£13,478.00						£26,956.00
Donation		£5,404.27		£2.00									£5,406.27
SIC Childcare strategy				£1,251.30	£400.00	£400.00	£600.00	£400.00	£400.00	£600.00	£400.00	£400.00	£4,851.30
SIC - project Grant	£3,748.00				£3,748.00								£7,496.00
Dept of Health						£150.00							£150.00
Bank interest													£0.00
Income	£19,384.01	£7,833.03	£2,439.97	£3,491.55	£5,859.00	£2,961.00	£30,989.00	£2,811.00	£1,711.00	£18,211.00	£3,011.00	£3,012.00	£101,713.56
EXPENDITURE	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-09	Feb-09	Mar-09	
Wages & NI Unst	£3,636.71	£2,710.06	£3,052.58	£4,703.22	£4,050.00	£4,050.00	£4,050.00	£4,050.00	£4,050.00	£4,050.00	£4,050.00	£4,050.00	£46,502.57
Wages & NI Yell	£1,483.61	£1,604.18	£1,803.04	£1,226.97	£1,500.00	£2,500.00	£2,500.00	£2,500.00	£2,500.00	£2,500.00	£2,500.00	£2,500.00	£25,117.80
Equipment/goods	£160.61	£299.21	£0.00	£600.57	£250.00	£250.00	£250.00	£250.00	£250.00	£250.00	£250.00	£250.00	£3,060.39
Materials & consumables	£208.65	£110.01	£97.26	£145.66	£20.00	£20.00	£20.00	£20.00	£20.00	£20.00	£20.00	£20.79	£722.37
Foodstuffs					£180.00	£180.00	£180.00	£180.00	£180.00	£180.00	£180.00	£180.00	£1,440.00
Postage & Stationery	£121.88	£39.68	£46.24	£43.25	£40.00	£40.00	£40.00	£40.00	£40.00	£40.00	£40.00	£40.00	£571.05
Disclosures	£49.20	£0.00	£0.00	£49.20	£0.00	£25.00	£0.00	£0.00	£25.00	£0.00	£0.00	£25.80	£174.20
Heat and Light - Unst	£123.00	£123.00	£163.00	£163.00	£163.00	£163.00	£163.00	£163.00	£163.00	£163.00	£163.00	£163.00	£1,876.00
Heat and Light - Yell	£0.00	£0.00	£0.00	£0.00	£200.00	£50.00	£50.00	£50.00	£50.00	£50.00	£50.00	£50.00	£550.00
Hall/venue hire	£12.00	£0.00	£6.40	£0.00	£12.00	£0.00	£0.00	£0.00	£12.00	£0.00	£0.00	£14.00	£56.40
Cleaning Supplies	£62.29	£0.00	£9.53	£3.76	£50.00	£50.00	£50.00	£50.00	£50.00	£50.00	£50.00	£50.00	£475.58
Tel & Internet & Mobile	£0.00	£0.00	£154.92	£0.00	£0.00	£165.00	£0.00	£0.00	£165.00	£0.00	£0.00	£165.00	£649.92
Mobile & Broadband Yell	£0.00	£20.00	£20.00	£20.00	£20.00	£35.00	£35.00	£35.00	£35.00	£35.00	£35.00	£35.00	£325.00
Insurance - Yell & Unst											£600.00		£600.00
Rent - Unst	£150.00			£150.00			£150.00			£150.00			£600.00
Building maintenance	£7.50	£0.00	£57.50	£23.55		£400.00			£400.00			£400.00	£1,288.55
Wages service fee						£150.00							£150.00
Project management fees	£3,247.60	£3,254.50	£1,740.00	£0.00	£4,626.95	£4,626.95							£17,496.00
Book-keeping	£114.75	£180.63	£163.63	£153.80	£150.00	£200.00	£200.00	£200.00	£200.00	£200.00	£200.00	£200.00	£2,162.81
Legal & Accountancy fees					£460.00								£460.00
Transport costs													£0.00
Care commission	£17.00								£62.00				£79.00
Training							£200.00			£200.00			£400.00
Bank charges													£0.00
Sundries	£0.00	£0.00	£0.00	£25.00	£6.00	£6.00	£6.00	£6.00	£6.00	£6.00	£6.00	£6.00	£73.00
Marketing						£50.00	£50.00	£50.00	£50.00	£50.00	£50.00	£50.00	£350.00
Companies house					£30.00								£30.00
Expenditure	£9,394.80	£8,341.27	£7,314.10	£7,307.98	£11,757.95	£12,960.95	£7,944.00	£7,594.00	£8,258.00	£7,944.00	£8,194.00	£8,199.59	£105,210.64
Projected balance	£28,823.78	£28,315.54	£23,441.41	£19,624.98	£13,726.03	£3,726.08	£26,771.08	£21,988.08	£15,441.08	£25,708.08	£20,525.08	£15,337.49	
Cash flow	£9,989.21	£508.24	£4,874.13	£3,816.43	£5,898.95	£9,999.95	£23,045.00	£4,783.00	£6,547.00	£10,267.00	£5,183.00	£5,187.59	£3,497.08
Net profit													£1,098.65

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North Isles Childcare
Monthly from 1st April 2010

	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Totals
START BALANCE	15,337.49	16,450.13	14,799.25	15,631.89	16,634.53	16,109.81	16,205.09	16,300.37	17,150.65	16,733.93	17,754.21	18,629.49	
INCOME													
SIC Childcare Strategy	£600.00	£400.00	£400.00	£600.00	£400.00	£400.00	£600.00	£400.00	£400.00	£600.00	£400.00	£0.00	£5,200.00
Fees Unst	£1,600.00	£1,600.00	£1,600.00	£1,600.00	£1,000.00	£1,500.00	£1,200.00	£1,600.00	£800.00	£1,500.00	£1,600.00	£1,600.00	£17,200.00
Fundraising	£10.00	£10.00	£10.00	£50.00	£10.00	£10.00	£10.00	£10.00	£10.00	£10.00	£10.00	£10.00	£160.00
Fees Yell	£1,400.00	£1,400.00	£1,400.00	£800.00	£800.00	£1,450.00	£800.00	£1,450.00	£750.00	£1,350.00	£1,450.00	£1,450.00	£14,500.00
Refund Inland Revenue												£250.00	£250.00
Bank Interest(estimate)	£15.00	£15.00	£15.00	£15.00	£15.00	£15.00	£15.00	£15.00	£15.00	£15.00	£15.00	£15.00	£180.00
FSF GRANT													£0.00
SLA (8 places per island)	£9,900.00	£9,900.00	£9,900.00	£9,900.00	£9,900.00	£9,900.00	£9,900.00	£9,900.00	£9,900.00	£9,900.00	£9,900.00	£9,900.00	£118,800.00
Dept of health						£150.00							£150.00
Community Council													
TOTALS	£13,525.00	£13,325.00	£13,325.00	£12,965.00	£12,125.00	£13,425.00	£12,525.00	£13,375.00	£11,875.00	£13,375.00	£13,375.00	£13,225.00	£156,440.00
EXPENDITURE													
Wages & NI Unst	£5,197.36	£5,197.36	£5,197.36	£5,197.36	£5,197.36	£5,197.36	£5,197.36	£5,197.36	£5,197.36	£5,197.36	£5,197.36	£5,197.36	£62,368.32
Wages & NI Yell	£4,130.00	£4,130.00	£4,130.00	£4,130.00	£4,797.36	£5,797.36	£4,797.36	£4,797.36	£4,797.36	£4,797.36	£4,797.36	£4,797.36	£55,898.88
Expendable equipment	£130.00	£130.00	£130.00	£130.00	£130.00	£130.00	£130.00	£130.00	£130.00	£130.00	£130.00	£130.00	£1,560.00
Food	£200.00	£200.00	£200.00	£200.00	£200.00	£200.00	£200.00	£200.00	£200.00	£200.00	£200.00	£200.00	£2,400.00
Stationery & postage	£60.00	£60.00	£60.00	£60.00	£60.00	£60.00	£60.00	£60.00	£60.00	£60.00	£60.00	£60.00	£720.00
Disclosures	£25.00	£25.00	£25.00	£75.00	£25.00	£25.00	£25.00		£25.00		£25.00		£275.00
Heat and Light	£335.00	£335.00	£335.00	£335.00	£335.00	£335.00	£335.00	£335.00	£335.00	£335.00	£335.00	£335.00	£4,020.00
Cleaning Supplies	£50.00	£50.00	£50.00	£50.00	£50.00	£50.00	£50.00	£50.00	£50.00	£50.00	£50.00	£50.00	£600.00
Telephone & Internet		£320.00			£320.00			£320.00			£320.00		£1,280.00
Insurance		£2,593.52											£2,593.52
Building maintainence	£80.00	£80.00	£80.00	£80.00	£80.00	£80.00	£80.00	£80.00	£80.00	£80.00	£80.00	£80.00	£960.00
Professional fees	£250.00	£750.00	£250.00	£250.00	£250.00	£250.00	£250.00	£250.00	£250.00	£250.00	£250.00	£250.00	£3,500.00
transport													£0.00
Care commision									£62.00				£62.00
Training	£200.00			£200.00			£200.00			£200.00			£800.00
Bank charges	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00
Sundries	£5.00	£5.00	£5.00	£5.00	£5.00	£5.00	£5.00	£5.00	£5.00	£5.00	£5.00	£5.00	£60.00
Marketing	£600.00	£100.00	£1,000.00	£100.00	£200.00	£200.00	£100.00	£100.00	£100.00	£50.00	£50.00	£50.00	£2,650.00
companies house			£30.00										£30.00
Rent Unst	£150.00			£150.00									£300.00
Contingency	£1,000.00	£1,000.00	£1,000.00	£1,000.00	£1,000.00	£1,000.00	£1,000.00	£1,000.00	£1,000.00	£1,000.00	£1,000.00	£1,000.00	£12,000.00
TOTALS	£12,412.36	£14,975.88	£12,492.36	£11,962.36	£12,649.72	£13,329.72	£12,429.72	£12,524.72	£12,291.72	£12,354.72	£12,499.72	£12,154.72	£152,077.72
END BALANCE	£16,450.13	£14,799.25	£15,631.89	£16,634.53	£16,109.81	£16,205.09	£16,300.37	£17,150.65	£16,733.93	£17,754.21	£18,629.49	£19,699.77	£4,362.28
Cash Flow	£1,112.64	£1,650.88	£832.64	£1,002.64	£524.72	£95.28	£95.28	£850.28	£416.72	£1,020.28	£875.28	£1,070.28	£106,800.00

North Isles Childcare
Monthly from 1st April 2011

	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Totals
START BALANCE	19,699.77	21,020.31	18,823.85	20,114.39	20,824.93	20,815.47	22,301.01	22,821.55	23,837.09	23,543.63	24,789.17	25,879.71	
INCOME													
SIC Childcare Strategy	£206.00	£0.00	£0.00	£206.00	£0.00	£0.00	£206.00	£0.00	£0.00	£206.00	£0.00	£0.00	£824.00
Fees Unst	£1,650.00	£1,650.00	£1,650.00	£1,650.00	£1,200.00	£1,650.00	£1,400.00	£1,650.00	£850.00	£1,600.00	£1,650.00	£1,650.00	£18,250.00
Fundraising	£10.00	£10.00	£10.00	£50.00	£10.00	£10.00	£10.00	£10.00	£10.00	£10.00	£10.00	£10.00	£160.00
Fees Yell	£1,550.00	£1,550.00	£1,550.00	£900.00	£1,000.00	£1,550.00	£1,000.00	£1,550.00	£800.00	£1,500.00	£1,650.00	£1,650.00	£16,250.00
Refund Inland Revenue												£250.00	£250.00
Bank Interest(estimate)	£15.00	£15.00	£15.00	£15.00	£15.00	£15.00	£15.00	£15.00	£15.00	£15.00	£15.00	£15.00	£180.00
FSF GRANT													£0.00
SLA (8 places per island)	£10,200.00	£10,200.00	£10,200.00	£10,200.00	£10,200.00	£10,200.00	£10,200.00	£10,200.00	£10,200.00	£10,200.00	£10,200.00	£10,200.00	£122,400.00
Dept of Health						£165.00							£165.00
Community Council													
TOTALS	£13,631.00	£13,425.00	£13,425.00	£13,021.00	£12,425.00	£13,590.00	£12,831.00	£13,425.00	£11,875.00	£13,531.00	£13,525.00	£13,775.00	£158,479.00
EXPENDITURE													
Wages & NI Unst	£4,950.73	£4,950.73	£4,950.73	£4,950.73	£4,950.73	£4,950.73	£4,950.73	£4,950.73	£4,950.73	£4,950.73	£4,950.73	£4,950.73	£59,408.76
Wages & NI Yell	£4,950.73	£4,950.73	£4,950.73	£4,950.73	£4,950.73	£4,950.73	£4,950.73	£4,950.73	£4,950.73	£4,950.73	£4,950.73	£4,950.73	£59,408.76
Equipment	£135.00	£135.00	£135.00	£135.00	£135.00	£135.00	£135.00	£135.00	£135.00	£135.00	£135.00	£135.00	£1,620.00
Food	£206.00	£206.00	£206.00	£206.00	£206.00	£206.00	£206.00	£206.00	£206.00	£206.00	£206.00	£206.00	£2,472.00
Stationery & postage	£63.00	£63.00	£63.00	£63.00	£63.00	£63.00	£63.00	£63.00	£63.00	£63.00	£63.00	£63.00	£756.00
Disclosures	£25.00	£25.00	£25.00	£25.00	£25.00	£25.00	£25.00		£25.00		£25.00		£225.00
Heat and Light	£345.00	£345.00	£345.00	£345.00	£345.00	£345.00	£345.00	£345.00	£345.00	£345.00	£345.00	£345.00	£4,140.00
Cleaning Supplies	£51.50	£51.50	£51.50	£51.50	£51.50	£51.50	£51.50	£51.50	£51.50	£51.50	£51.50	£51.50	£618.00
Telephone & Internet		£330.00			£330.00			£330.00			£330.00		£1,320.00
Insurance		£2,672.00											£2,672.00
Building maintainence	£50.00	£50.00	£50.00	£50.00	£50.00	£50.00	£50.00	£50.00	£50.00	£50.00	£50.00	£50.00	£600.00
Professional fees	£257.50	£772.50	£257.50	£257.50	£257.50	£257.50	£257.50	£257.50	£257.50	£257.50	£257.50	£257.50	£3,605.00
transport													£0.00
Care commision									£64.00				£64.00
Training	£206.00			£206.00			£206.00			£206.00			£824.00
Bank charges	£15.00	£15.00	£15.00	£15.00	£15.00	£15.00	£15.00	£15.00	£15.00	£15.00	£15.00	£15.00	£180.00
Sundries	£5.00	£5.00	£5.00	£5.00	£5.00	£5.00	£5.00	£5.00	£5.00	£5.00	£5.00	£5.00	£60.00
Marketing	£50.00	£50.00	£50.00	£50.00	£50.00	£50.00	£50.00	£50.00	£50.00	£50.00	£50.00	£50.00	£600.00
companies house			£30.00										£30.00
Contingency	£1,000.00	£1,000.00	£1,000.00	£1,000.00	£1,000.00	£1,000.00	£1,000.00	£1,000.00	£1,000.00	£1,000.00	£1,000.00	£1,000.00	£12,000.00
TOTALS	£12,310.46	£15,621.46	£12,134.46	£12,310.46	£12,434.46	£12,104.46	£12,310.46	£12,409.46	£12,168.46	£12,285.46	£12,434.46	£12,079.46	£150,603.52
END BALANCE	£21,020.31	£18,823.85	£20,114.39	£20,824.93	£20,815.47	£22,301.01	£22,821.55	£23,837.09	£23,543.63	£24,789.17	£25,879.71	£27,575.25	£7,875.48
Cash Flow	1,320.54	-2,196.46	1,290.54	710.54	-9.46	1,485.54	520.54	1,015.54	-293.46	1,245.54	1,090.54	1,695.54	110,400.00

North Isles Childcare
Monthly from 1st April 2012

	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Totals
START BALANCE	27,575.25	29,157.39	27,147.53	28,749.67	29,671.81	30,013.95	31,826.09	32,508.23	33,825.37	33,741.51	35,198.65	36,540.79	
INCOME													
SIC Childcare Strategy	£212.00	£0.00	£0.00	£212.00	£0.00	£0.00	£212.00	£0.00	£0.00	£212.00	£0.00	£0.00	£848.00
Fees Unst	£1,700.00	£1,700.00	£1,700.00	£1,700.00	£1,300.00	£1,700.00	£1,500.00	£1,700.00	£900.00	£1,600.00	£1,700.00	£1,700.00	£18,900.00
Fundraising	£10.00	£10.00	£10.00	£50.00	£10.00	£10.00	£10.00	£10.00	£10.00	£10.00	£10.00	£10.00	£160.00
Fees Yell	£1,700.00	£1,700.00	£1,750.00	£1,000.00	£1,200.00	£1,750.00	£1,000.00	£1,750.00	£900.00	£1,650.00	£1,800.00	£1,800.00	£18,000.00
Refund Inland Revenue												£250.00	£250.00
Bank Interest(estimate)	£15.00	£15.00	£15.00	£15.00	£15.00	£15.00	£15.00	£15.00	£15.00	£15.00	£15.00	£15.00	£180.00
FSF GRANT													£0.00
SLA (8 places per island)	£10,500.00	£10,500.00	£10,500.00	£10,500.00	£10,500.00	£10,500.00	£10,500.00	£10,500.00	£10,500.00	£10,500.00	£10,500.00	£10,500.00	£126,000.00
Dept of Health						£180.00							£180.00
Community Council													
TOTALS	£14,137.00	£13,925.00	£13,975.00	£13,477.00	£13,025.00	£14,155.00	£13,237.00	£13,975.00	£12,325.00	£13,987.00	£14,025.00	£14,275.00	£164,518.00
EXPENDITURE													
Wages & NI Unst	£5,046.93	£5,046.93	£5,046.93	£5,046.93	£5,046.93	£5,046.93	£5,046.93	£5,046.93	£5,046.93	£5,046.93	£5,046.93	£5,046.93	£60,563.16
Wages & NI Yell	£5,046.93	£5,046.93	£5,046.93	£5,046.93	£5,046.93	£5,046.93	£5,046.93	£5,046.93	£5,046.93	£5,046.93	£5,046.93	£5,046.93	£60,563.16
Equipment	£130.00	£130.00	£130.00	£130.00	£130.00	£130.00	£130.00	£130.00	£130.00	£130.00	£130.00	£130.00	£1,560.00
Food	£215.00	£215.00	£215.00	£215.00	£215.00	£215.00	£215.00	£215.00	£215.00	£215.00	£215.00	£215.00	£2,580.00
Stationery & postage	£66.00	£66.00	£66.00	£66.00	£66.00	£66.00	£66.00	£66.00	£66.00	£66.00	£66.00	£66.00	£792.00
Disclosures	£25.00	£25.00	£25.00	£25.00	£25.00	£25.00	£25.00		£25.00		£25.00		£225.00
Heat and Light	£335.00	£335.00	£335.00	£335.00	£335.00	£335.00	£335.00	£335.00	£335.00	£335.00	£335.00	£335.00	£4,020.00
Cleaning Supplies	£50.00	£50.00	£50.00	£50.00	£50.00	£50.00	£50.00	£50.00	£50.00	£50.00	£50.00	£50.00	£600.00
Telephone & Internet		£340.00			£340.00			£340.00			£340.00		£1,360.00
Insurance		£2,752.00											£2,752.00
Building maintainence	£100.00	£100.00	£100.00	£100.00	£100.00	£100.00	£100.00	£100.00	£100.00	£100.00	£100.00	£100.00	£1,200.00
Professional fees	£250.00	£750.00	£250.00	£250.00	£250.00	£250.00	£250.00	£250.00	£250.00	£250.00	£250.00	£250.00	£3,500.00
transport													£0.00
Care commision									£66.00				£66.00
Training	£212.00			£212.00			£212.00			£212.00			
Bank charges	£18.00	£18.00	£18.00	£18.00	£18.00	£18.00	£18.00	£18.00	£18.00	£18.00	£18.00	£18.00	£216.00
Sundries	£5.00	£5.00	£5.00	£5.00	£5.00	£5.00	£5.00	£5.00	£5.00	£5.00	£5.00	£5.00	£60.00
Marketing	£55.00	£55.00	£55.00	£55.00	£55.00	£55.00	£55.00	£55.00	£55.00	£55.00	£55.00	£55.00	£660.00
companies house			£30.00										£30.00
Contingency	£1,000.00	£1,000.00	£1,000.00	£1,000.00	£1,000.00	£1,000.00	£1,000.00	£1,000.00	£1,000.00	£1,000.00	£1,000.00	£1,000.00	£12,000.00
TOTALS	£12,554.86	£15,934.86	£12,372.86	£12,554.86	£12,682.86	£12,342.86	£12,554.86	£12,657.86	£12,408.86	£12,529.86	£12,682.86	£12,317.86	£153,595.32
END BALANCE	£29,157.39	£27,147.53	£28,749.67	£29,671.81	£30,013.95	£31,826.09	£32,508.23	£33,825.37	£33,741.51	£35,198.65	£36,540.79	£38,497.93	£10,922.68
Cash Flow	£1,582.14	£2,009.86	£1,602.14	£922.14	£342.14	£1,812.14	£682.14	£1,317.14	£83.86	£1,457.14	£1,342.14	£1,957.14	£114,000.00

2009 - 2010	rate	hours	Weeks	hol weeks	total wks	Salary	hol cover	total	NI allowar	subject to	NI per annum	Salary inc NI
Manager	£9.00	37	52	3.6	55.6	17316	1198.8	18514.8	110	£226.63	£1,595.49	£20,110.29
Practitioner	£7.50	37	52	3.6	55.6	14430	999	15429	110	£170.53	£1,200.51	£16,629.51
Support worker	£6.75	37	52	3.6	55.6	12987	899.1	13886.1	110	£142.47	£1,003.02	£14,889.12
Support worker	£6.75	9	52	3.6	55.6	3159	218.7	3377.7	110	£0.00	£0.00	£3,377.70
Support worker	£6.75	0	52	3.6	55.6	0	0	0	110	£0.00	£0.00	£0.00
Per unit monthly												£55,006.63
												£4,583.89

2010 - 2011	rate	hours	Weeks	hol weeks	total wks	Salary	hol cover	total	NI allowar	subject to	NI per annum	Salary inc NI
Manager	£9.30	37	52	3.6	55.6	17893.2	1238.76	19132	110	£237.85	£1,674.49	£20,806.45
Practitioner	£8.00	37	52	3.6	55.6	15392	1065.6	16457.6	110	£189.23	£1,332.17	£17,789.77
Support worker	£7.00	37	52	3.6	55.6	13468	932.4	14400.4	110	£151.83	£1,068.85	£15,469.25
Support worker	£7.00	9	52	3.6	55.6	3276	226.8	3502.8	110	£0.00	£0.00	£3,502.80
Support worker	£7.00	0	52	3.6	55.6	0	0	0	110	£0.00	£0.00	£0.00
Per unit monthly												£57,568.27
												£4,797.36

2011 - 2012	rate	hours	Weeks	hol weeks	total wks	Salary	hol cover	total	NI allowar	subject to	NI per annum	Salary inc NI
Manager	£9.60	37	52	3.6	55.6	18470.4	1278.72	19749.1	110	£249.07	£1,753.49	£21,502.61
Practitioner	£8.25	37	52	3.6	55.6	15873	1098.9	16971.9	110	£198.58	£1,398.00	£18,369.90
Support worker	£7.20	37	52	3.6	55.6	13852.8	959.04	14811.8	110	£159.31	£1,121.52	£15,933.36
Support worker	£7.20	9	52	3.6	55.6	3369.6	233.28	3602.88	110	£0.00	£0.00	£3,602.88
Support worker	£7.20	0	52	3.6	55.6	0	0	0	110	£0.00	£0.00	£0.00
Per unit monthly												£59,408.75
												£4,950.73

2012 - 2013	rate	hours	Weeks	hol weeks	total wks	Salary	hol cover	total	NI allowar	subject to	NI per annum	Salary inc NI
Manager	£9.90	37	52	3.6	55.6	19047.6	1318.68	20366.3	110	£260.30	£1,832.48	£22,198.76
Practitioner	£8.50	37	52	3.6	55.6	16354	1132.2	17486.2	110	£207.93	£1,463.83	£18,950.03
Support worker	£7.40	37	52	3.6	55.6	14237.6	985.68	15223.3	110	£166.79	£1,174.18	£16,397.46
Support worker	£7.40	9	52	3.6	55.6	3463.2	239.76	3702.96	110	£0.00	£0.00	£3,702.96
Support worker	£7.40	0	52	3.6	55.6	0	0	0	110	£0.00	£0.00	£0.00
Per unit monthly												£61,249.22
												£5,104.10

All wage rates shown relate to fully qualified staff. Lower rates for career grading apply.



REPORT

To: Development Committee

27 August 2009

From: Head of Economic Development

REPORT NO: DV091-F
Shetland Abattoir Cooperative Limited

1.0 Introduction

- 1.1 This report concerns an application for grant assistance to allow Shetland Abattoir Cooperative Limited (SACL) to resume an active role in the provision of slaughtering services for the agricultural community in Shetland.
- 1.2 This report examines SACL's proposals, and their request for assistance to realise them.

2.0 Links 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 aims to fulfill the pledge to foster growth in direct income in the agriculture industry contained in the Economic Development Policy Statement (2007-2011).

3.0 Background

- 3.1 Since 2003, SACL have let the slaughterhouse at Laxfirth from SLAP, and in turn have sublet it to Shetland Livestock Marketing Group (SLMG). In the past year SLMG have entered into difficulty due to mounting bad debts in an environment of global financial crisis, and have been forced by circumstance to reappraise their business model. SLMG have concluded that to be viable in the future they must cease being involved in slaughtering, and focus instead on sales and marketing, and operating the Marts in Lerwick.

- 3.2 As a further consequence of the difficulties SLMG have found themselves in, they have been unable to meet their financial obligations to SACL, and in turn SACL have been placed in a position whereby they too satisfy the criteria of a company in difficulty.
- 3.3 SACL however continue to wish to provide a slaughtering service to the agricultural community, and indeed to improve upon the existing facilities available to them – their business plan details their plans to build a new small multi-species slaughterhouse, while retaining the use of the slaughterhouse at Laxfirth to help provide an extra slaughtering capacity for sheep at the busiest times of year.

4.0 Proposals

- 4.1 SACL propose in the first instance to buy a plot of land at Staneyhill from SLAP, and on this land to build a new small slaughterhouse capable of killing cattle, pigs and sheep.
- 4.2 Secondary to this, SACL propose purchasing the slaughterhouse at Laxfirth from SLAP, and retaining this facility to provide them with extra slaughtering capacity at peak periods.
- 4.3 As SACL are effectively starting from scratch with providing a slaughtering service (though it should be noted their board represents considerable knowledge and experience of the practicalities of slaughter provision) they require funding to cover the abattoir manager's wage and to provide security for the transitional period during which the new business finds its feet.
- 4.4 The total funding requirement is therefore as follows:

	Note: Prices include VAT
Land purchase of site at Staneyhill	£17,250
Construction of slaughter facility at Staneyhill	£376,625
Purchase of Laxfirth slaughterhouse	£12,500
Working capital (abattoir manager etc)	£31,150
Total	<u>£437,525</u>

Table 1 – SACL Funding Requirement

5.0 Financial Implications

- 5.1 If a decision is taken to provide funding for this project, the grant will be funded from the following budgets:

Economic Infrastructure projects (RRD 1530 2402)	£190,000
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Funds to be vired from other budgets as follows:

Agricultural Loans (RRD 1150 2700)	£100,000
New manufacturing development equity (RRD 1540 2700)	£100,000
Food & Drink development equity (RRD 15412701)	£47,525

All grant funding is to be provided in the current (2009/10) financial year.

- 5.2 SACL are applying for grant assistance to be delivered via the *de minimis* mechanism, and specifically the “Temporary framework for State aid measures to support access to finance in the current financial and economic crisis” (hereafter referred to as the “Temporary Framework”). The Temporary Framework was introduced by the European Commission in December 2008 in response to the deepening global economic crisis, and seeks through a number of measures to allow nation states in the European Union more flexibility in how they can apply state aid. One of these measures is designed to allow for an enhanced level of *de minimis* funding for companies in difficulty totalling 500,000EUR. Any grant assistance provided under this measure must be delivered to the company in question by 31 December 2010. At the current exchange rate, 500,000EUR equates to approximately £450,000.

- 5.3 A company in difficulty is defined by the EC for the purpose of the Temporary Framework as follows:

“An SME shall be considered to be an undertaking in difficulty if it fulfils the following conditions:

- (a) in the case of a limited liability company, where more than half of its registered capital has disappeared and more than one quarter of that capital has been lost over the preceding 12 months; or
- (b) in the case of a company where at least some members have unlimited liability for the debt of the company, where more than half of its capital as shown in the company accounts has disappeared and more than one quarter of that capital has been lost over the preceding 12 months; or
- (c) whatever the type of company concerned, where it fulfils the criteria under its domestic law for being the subject of collective insolvency proceedings.”

- 5.4 Under the terms of the Temporary Framework, a company in difficulty must also demonstrate that it entered into difficulty after 30 June 2008. A public granting agency (such as the Council) must be

satisfied that both of these tests (company in difficulty and the date at which it entered into difficulty) are compliant with the terms of the Temporary Framework.

- 5.5 In the case of SACL, Bon Accord Accountancy Ltd have provided a detailed review of the Company's financial position at 30 June 2008, and thereafter (see Appendix 2). Their analysis of SACL concludes that the Company was not in difficulty in the period preceding 30 June 2008, and that the Company had entered into difficulty as per the criteria provided by the EC by July 2009.
- 5.6 The SACL trading projections are summarised below. They show, if all underlying assumptions are achieved, that the trading result, (i.e. excluding revenue grants) improves from a deficit of £(435) for the five months to December 2009, to a surplus of £11,199 for 2012. The Abattoir cash flow for 2009 shows the need for significant overdraft funding from end of September 2009. According to the projections overdraft funding is required for three months, and peaks at £140,375 in November 2009. SACL directors have assured us that they will seek and secure bank funding for this. Any offer, if made, should be conditional on SACL securing an appropriate bank overdraft facility.

	<u>Aug-Dec</u> <u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
	£	£	£	£
Turnover	47,165	90,555	98,837	107,745
Gross profit	28,270	53,760	58,891	64,427
Operating surplus / (deficit)	(435)	(1,468)	5,663	11,199
Revenue grants	20,150	11,000	0	0
Trading surplus	19,715	9,532	5,663	11,199

In conclusion, since SACL only started experiencing difficulty after 1 July 2008, it has been demonstrated that it meets the EC criteria in relation to the definition of a company in difficulty as a result of the global economic crisis, and as such any *de minimis* grant provided to SACL under the Temporary Framework would be compliant with State aid legislation.

6.0 Policy and Delegated Authority

- 6.1 This report has been prepared under the main aim of the Council's 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 Delegation, the Development Committee has delegated authority to implement decisions within its remit for which the overall objectives have been approved by the Council.
- 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 Conclusions

- 7.1 The decision to resume active provision of a slaughtering service has in large part been forced upon SACL by the difficulties experienced by their sub-tenant at Laxfirth, SLMG, and SLMG's decision to cease to be involved in livestock slaughter.
- 7.2 However, SACL's proposals to become actively involved in slaughtering are credible and not over-ambitious. By building a new small multi-species facility to complement the existing sheep-only slaughterhouse at Laxfirth, SACL will improve the long-term sustainability of their business model. Their anticipated kill figures for sheep are logically based upon the figures killed at Laxfirth in previous years (5,500), and a modest starting point for cattle of 150 head. Their annual projections are for modest growth of 18% and 10% per annum for sheep and cattle respectively.
- 7.3 The implications of not providing this grant assistance are as follows – on the basis of their current stated financial status, SACL will be unlikely to be able to operate the existing slaughterhouse at Laxfirth. The organisation does not have the financial resources to build the proposed small multi-species facility at Staneyhill. The implications of this go beyond SACL itself, as SLMG are relying on SACL being successful in this grant application in order to realise their own sales and marketing aspirations. SLMG feel that without a suitable multi-species facility close at hand (i.e. not the other planned upgraded multi-species slaughterhouse at Boddam) they could not continue to offer meat sales and marketing services to their members. It is a matter of conjecture as to whether another entity would come forward to operate Laxfirth – whether another entity would come forward to build a new multispecies facility is easier to predict, as recent experience shows us that the agricultural industry as a whole is unwilling to provide the significant capital investment such a facility entails, instead hoping that a way will be found for the Council to circumvent the stringent State aid legislation that dictates the public intervention levels in such a facility.

8.0 Recommendations

- 8.1 I recommend that the Development Committee;
- i) note the attached SACL Business Plan (2009-2012), and;
 - ii) grant 100% of the requested assistance up to £437,525, subject in particular to SACL securing the necessary overdraft facilities detailed

in 5.6 above, and subject in general to the terms and conditions detailed in the draft letter of offer (Appendix 3).

- iii) Approve the virement of £100,000 from the Agricultural loans budget (RRD 1540 2700), £100,000 from the New Manufacturing Development Equity budget (RRD 1540 2700) and £45,275 from Food & Drink Development Equity (RRD 1541 2701).

Our Ref: NG/KLM/RF
Date: 19 August 2009

Report No: DV091-F

Shetland Abattoir Cooperative Ltd

Business Plan

2009-2012

Prepared for SACL	Prepared by A B Associates Ltd
Shetland Rural Centre	Kirk Business Centre
Staneyhill	Castle Road
Lerwick	Scalloway
Shetland ZE1 0NA	Shetland ZE1 0TF
	Tel: 01595 880852
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	Email: Andrew@abassociatesltd.com

August 2009

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Appendices:

1. Map of Site
2. Annual Accounts
3. QS Estimate for new facility
4. Cash Flows

1. Background

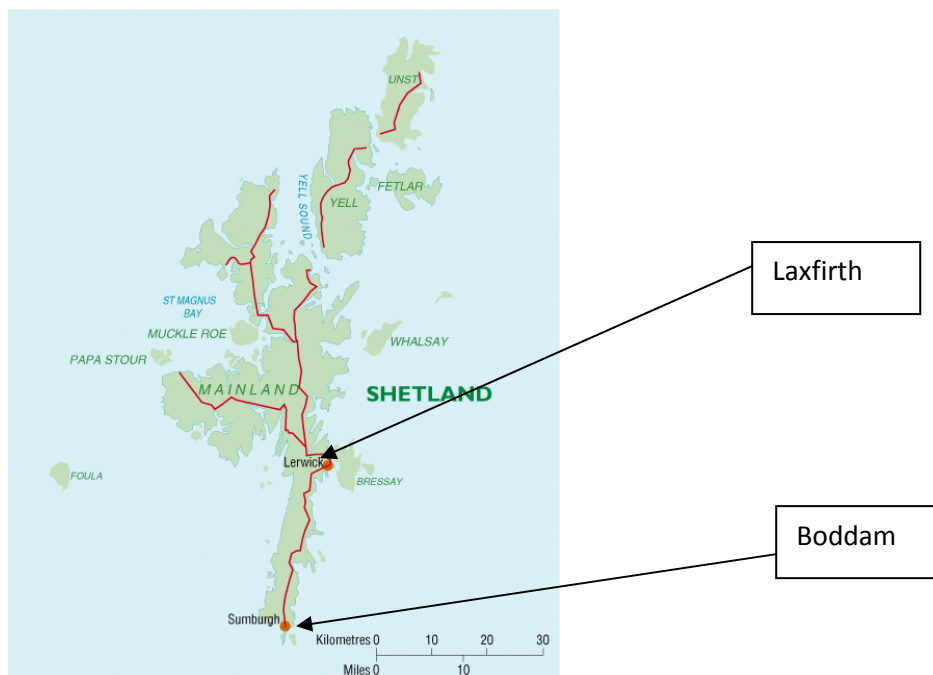
1.1 Introduction

This business plan has been drawn up by Shetland Abattoir Cooperative Ltd (SACL) to show the need for and viability of a new processing facility on the one hand and the need for capital funding on the other. It covers the period of development as well as initial operating years and is based on the capital cost estimates as well as running costs and income assumptions.

1.2 History and Location

Shetland Abattoir Cooperative Ltd (SACL) was formed in 1998 with around 300 members and, with the assistance of funding from the Shetland Islands Council (SIC) /Highlands and Islands Development Board, took over the abattoir at Laxfirth from the Leslies. SLAP purchased the premises and Laxfirth and currently leases them to SACL. At present the running of the service at Laxfirth has been contracted out to SLMG, but following recent difficulties at SLMG a decision has been made to bring the operation of the Laxfirth facility back within SACL.

The Laxfirth facility is one of the two remaining registered abattoirs in Shetland, the other being in Boddam in the south mainland of Shetland, which is operated by Pure Shetland Lamb Ltd. In 1971 there were a total of nine registered facilities. The map below shows the location of the Laxfirth and Boddam facilities.



Clearly the central location and accessibility of the Laxfirth facility is a major strength as it is well placed to serve all crofters in Shetland.

1.3 SWOTs

Throughout Europe it is increasingly difficult to operate a ‘sheep only’ slaughter plant profitably. Many such plants have ceased to trade in recent years simply because the number of ‘money making weeks’ during the year has been squeezed, as have the available financial margins. In an Island situation, particularly a very northerly located island such as Shetland, where the peak season is very short, these problems are even more acute”. (Cook, P & Whitely, H; 2005).

The above quote sums up the issues that the Laxfirth facility is currently facing. Without the ability to slaughter multi-species the operation will struggle to break even, as has been evidenced by SLMG’s recent difficulties. The declining stock numbers, the difficult finishing conditions for sheep, the distance to market and the location on the periphery of not only Europe but the UK, means that the facility is unable to achieve the economies of scale that would enable it to break even with sheep sales alone.

Table 1.1, SWOT Analysis

<u>Strengths</u> <ul style="list-style-type: none"> ✓ Doubled Throughput in five years ✓ Provides a “Home Kill” Service ✓ Helps obtain improved prices for producers ✓ Highly committed and experienced board ✓ Central location ✓ Good reputation 	<u>Weaknesses</u> <ul style="list-style-type: none"> ✗ Income not covering all operating costs ✗ Laxfirth facilities have limited chill and cutting space ✗ Unable to slaughter multi-species ✗ Distance from Market
<u>Opportunities</u> <ul style="list-style-type: none"> ✓ Move into multi-species production ✓ Increase sheep throughput ✓ Potential for more value added production ✓ Increased local food procurement requirements in public sector 	<u>Threats</u> <ul style="list-style-type: none"> ✗ Declining stock numbers ✗ Closure, if operation cannot break even ✗ Increasing regulation

The above analysis points to three solutions – increase sheep throughput or look to develop multi-species facilities, or both. The remainder of this plan will focus on strategy for the future.

2. Vision and Strategy

SACL are a cooperative organisation and exist to benefit the agricultural community of Shetland. The main route for doing this is by providing a high quality, cost effective service that enables the Shetland agricultural community to achieve sustainable returns from their operations. The organisation therefore has an important balancing act to play; it needs to on the one hand ensure service availability through operating the abattoir on a sustainable and viable footing, and on the other hand ensure that charges are not too high so as to ensure that all producers are in a position to pay.

At current levels of throughput and charging structure, the operation is not viable and sustainable. This leaves perhaps two options – significantly increase throughput or increase charges. The former is difficult to achieve due to declining stock numbers, while the latter may have a negative effect as it may result in crofters reverting back to killing animals on the croft. A third option of developing a multi-species facility must therefore be explored.

SACL has therefore set a number of targets:

- Ensure continuation of service provision, through achieving a sustainable business model.
- Increase sheep throughput by on average 18% per year
- Develop multi-species facilities to help achieve sustainability
- Minimise the need to increase slaughter charges.

3. Development Proposal

As outlined above, SACL plan to develop a multispecies operation in order to ensure long term sustainability for the organisation and confidence in the local agricultural community.

Several options for this development have been identified and progressed. The most cost effective method was identified at an existing building located at Blydoit, Scalloway which would have seen the whole operation move from Laxfirth to Scalloway. However, the refusal of planning permission for this development resulted in this option being removed.

In the absence of no other suitable premises, this left two options:

- extend and upgrade the existing Laxfirth facility
- build a new facility elsewhere (ideally located at the Staney Hill site in Lerwick, which is seen as the preferred location for future development of agriculture)

The first option has been looked at in detail and has been ruled out due to the lack of land, suitability and access to the site, and a prohibitive capital cost.

The second option of a new community facility at the Staney Hill is seen as the ideal scenario, however indicative costs for a new multi-species facility again come at a prohibitive cost of approaching £1m, and due to lack of available resources this is beyond the reach of SACL.

A third option is therefore being proposed, where a new facility will be constructed at the Staneyhill site in Lerwick which will allow the ability to slaughter cattle and sheep along with further processing space. The building will be constructed in such a way that at a future point in time it may be possible to extend the premises for further processing and relocate all operations from Laxfirth to the Staneyhill site. However this is a longer term aspiration and in the meantime sheep processing will continue from Laxfirth during peak periods. The total capital cost of this development has been estimated at £400,000.

It is proposed that this work will begin in Autumn 2009 and be operational by beginning of 2010.

4. Operations

The abattoir at Laxfirth has been issued with full approval by the Food Standards Agency (FSA) to slaughter sheep and goats only (ref. AFC1137). The facility is operated under full Veterinary and Meat Hygiene service supervision. The facility currently has a license to process 200 sheep per day.

The Laxfirth facility will offer two main services to customers as detailed below:

- **Slaughter and Collect Service (customer picks up meat)**

This has traditionally been used as a “home kill” alternative. It is estimated that there are around 20,000 lambs killed at home in Shetland. This service is a cost effective solution that meets a need for hygienic and good practice slaughtering.

- **Slaughter and Deliver Service (meat is delivered to end customer)**

This is often used by customers who are supplying meat to local butchers, shops and end consumers.

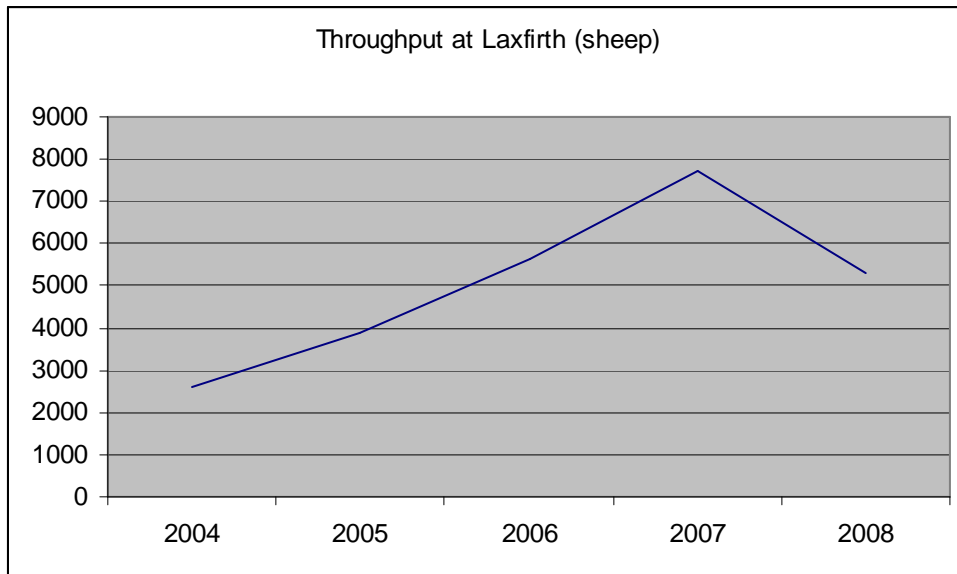
In addition the facility offers a number of additional services/cutting options. These are detailed below:

Table 4.1: Additional Services

	Organic Surcharge	£1.50
A	Clipping Charge	£2.50
B	Splitting Charge	£2.50
C	Crofters Cut (primal cut)	£4.50
D	B & R Shoulder	£6.75
E	B & R Sh & Legs Split	£7.00
F	B & R Sh & Legs	£7.45
G	Whole Lamb B & R	£8.00
H	Butchers Special	£9.00
I	Box, Bag, Stockinette, Weighed, etc	Various
J	Whole Sheep Minced	£8.00
K	Delivery starts at:	£5.50

The Laxfirth facility currently processes in the order of 5,000 sheep per annum on behalf of around 100 crofters and farmers in Shetland. The chart below shows the progress that the facility has made in increasing the throughput of the facility. In the past five years, the throughput has been more than doubled. This has been in the face of declining stock numbers (down 22% over the same period) (source Shetland in Statistics). The jump in 2007 was a result of a major order from Faroe.

Chart 4.1, Throughput at Laxfirth



SACL will seek a multi-species license for the new proposed facility at the Staneyhill, which will enable them to process cattle and pigs in addition to sheep.

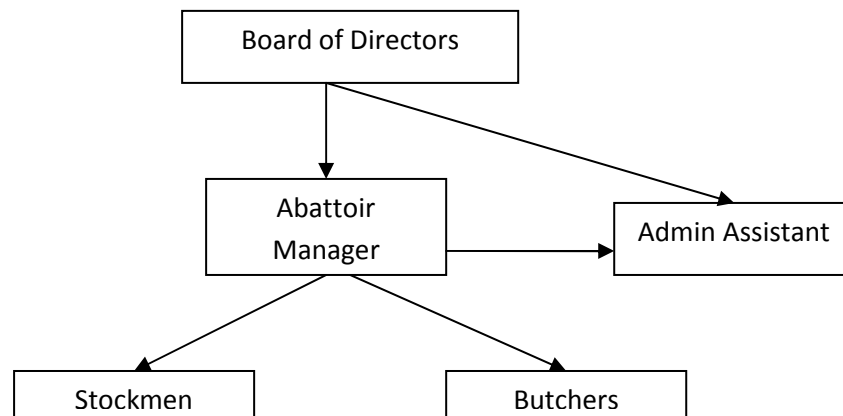
4.1 Personnel

The cooperative currently has 317 members and a board of directors as follows:

David Nicolson	Chairman
John Alex Cromarty	Vice Chairman
Bruce Jamieson	
Johnny Johnson	
John Abernethy	
Karl Simpson	

The day to day running of the Laxfirth abattoir has been overseen by manager Lorraine Manson since 2005 and in addition there are up to eight stockmen/butchers that are called upon to work at the abattoir depending on the level of throughput. A part time admin assistant will also be required to assist.

Chart 4.2, The new organisational structure of SACL:



5. The Market and Promotion

As outlined earlier the Laxfirth facility has been very successful in increasing throughput in the previous five years. The facility has had a very consistent and growing customer base during this period, at present there are 100 regular producers who use the facilities.

The cattle processing will be a new venture for SACL and it is recognised that there will be a need to promote the availability of the new facility. Much like the decline in the number of sheep slaughtered in Shetland over the past thirty years, the number of cattle slaughtered has fallen from above 450 in 1971 to under 100. There are however over 2,000 beef cattle in Shetland and it is also estimated that beef consumption in Shetland is 1,200 carcasses (Red Meat Processing & Marketing in the Highlands & Islands, 2002). This therefore clearly shows that there is a supply and also a demand for beef in Shetland, and that there is scope for a cattle service. It has been conservatively estimated that throughput of cattle will be 150 per annum in the first full year, growing 10% per annum over the next two years.

The success of SACL is to an extent determined by the demand that the producers and sellers of meat create. SACL will therefore be keen to establish links with all producers and will seek to communicate with their customers on a regular basis.

Where SACL can really influence throughput is on the "Home Kill" alternative that they provide. It is estimated that 20,000 sheep and around about 100-200 cattle are home killed in Shetland every year. SACL will be keen to minimise this practice through cost effective Slaughter and Collect services.

6. The Financial Projections

As already outlined the total development cost of the new facility is estimated to be £406,375, as outlined below (these prices include VAT):

Construction of Processing Facility at the Staneyhill	£376,625
Land Purchase of Site at Staneyhill	£17,250
Purchase of Laxfirth building and site	£12,500
Total	£406,375

In addition to this there is a requirement for working capital and bridge finance funding. The latter is required to cover the period between paying contractor and receiving grant. The cost of this bridge funding has been estimated based on a £200,000 bridging loan. SACL are still investigating the best value deal for this. From the projections done for the project this working capital and bridge financing is estimated to amount to £31,150 which will cover the manager's wage and provide security for the role in this important transition stage and the financing costs for the development period, **thus giving a total funding requirement of £437,525.**

SACL are not in a position to fund this development themselves and have a requirement for funding from external bodies. The projections contained below assume that the development detailed above goes ahead.

Projections have been produced for the next three years, as shown in table below. The key assumptions of which are as follows:

- Sheep throughput – growing 18% per annum from a base of 5,500 in 2009
- Cattle throughput – growing 10% per annum from a base of 150 in 2010
- Charges as follows:
 - Slaughter and Collect (sheep) £9.50
 - Slaughter and Deliver (sheep) £12.50
 - Additional Services (sheep) average of £2.50
 - Slaughter (Cattle) £88.00
- Estimates of overheads and costs have been based on an analysis of accounts from the previous three years operation at the Laxfirth facility, with projected increases to account for cattle processing.

More detailed Cash Flow projections are included in the Appendix. **Please note** when looking at the 2009 part year projections that these are inflated due to the fact that they are covering the traditional busy period of the abattoir operation.

Profit and Loss Projections

	Aug - Dec			
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Turnover				
Slaughter & Collect - sheep	£14,258	£16,293	£17,759	£19,357
Slaughter & Deliver - sheep	£24,246	£47,313	£51,571	£56,212
Slaughter - Cattle	£0	£13,200	£14,520	£15,840
Additional Services	£8,661	£13,750	£14,988	£16,336
Total Turnover	£47,165	£90,555	£98,837	£107,745
Cost of Sales				
Vet Services	£400	£1,000	£1,090	£1,188
Delivery	£1,050	£1,450	£1,450	£1,450
Levies on throughput	£3,257	£5,620	£6,130	£6,682
Ammunition	£850	£1,100	£1,100	£1,100
Waste Disposal	£3,465	£5,950	£6,490	£7,075
Gross Wages - Slaughtermen/Butcher	£9,874	£21,675	£23,686	£25,823
Total Cost of Sales	£18,895	£36,795	£39,946	£43,319
Gross Profit	£28,270	£53,760	£58,891	£64,427
Overheads				
Gross Wages - Abattoir Manager	£7,500	£19,400	£19,400	£19,400
Gross Wages - Office Staff	£2,900	£5,000	£5,000	£5,000
Insurance	£1,090	£2,760	£2,760	£2,760
Rent and Rates	£650	£500	£500	£500
Electricity	£5,750	£13,800	£13,800	£13,800
Fuel and Oil	£1,145	£2,415	£2,415	£2,415
Repairs, Servicing and Cleaning	£700	£1,400	£1,400	£1,400
Licenses	£44	£219	£219	£219
Vehicle Insurance	£376	£684	£684	£684
Misc. Motor Expenses	£200	£800	£800	£800
Advertising	£100	£150	£150	£150
Affiliation/Membership Fees	£500	£900	£900	£900
Telephone	£200	£400	£400	£400
Office Stationery	£100	£350	£350	£350
Accountancy and Legal/Professional Ser	£250	£750	£750	£750
Repairs and Renewals	£500	£1,500	£1,500	£1,500
Premises Expenses	£210	£560	£560	£560
Lab Services/Pest Control	£540	£740	£740	£740
Financing/Loan Interest	£5,150	£2,000	£0	£0
Clothing	£50	£150	£150	£150
Training	£750	£750	£750	£750
Total Overheads	£28,705	£55,228	£53,228	£53,228
Additional Income				
Revenue Grant	£20,150	£11,000	£0	£0
Surplus/Deficit	£19,715	£9,532	£5,663	£11,199

Appendix 1: Site Location

Appendix 2: Annual Accounts

Provided to SIC EDU dept as a separate document

Appendix 3: QS Estimate for New Facility

Budget Cost Estimate

Proposed Abbatoir

Complex at Ladies Drive, Lerwick

1st July, 2009

Substructure	£44,000
Superstructure	£210,000
Preliminaries	£26,000
Contingency	£7,500
Land Purchase	£15,000
Fees - Architect/Engineer/Quantity Surveyor/CDM Co-ord	£40,000
	<hr/>
	£342,500
VAT - 15%	<hr/>
	£51,375
TOTAL:	<hr/>
	£393,875
	<hr/>

Notes:

Estimate based on information included in e-mail dated 26th June
 Gross Internal Floor Area - 200m2
 Includes estimate for chill, slaughter rail and hanging system

No allowance for carparking or lairage

Ewen Balfour
 H James Nisbet AssocRICS MaPS
 Nordhus
 North Ness
 Lerwick
 01595-695950
ewen.balfour@btconnect.com

Appendix 4: Detailed Cash Flows

Abattoir 2009

	Aug	Sep	Oct	Nov	Dec	Total
Cash In						
Slaughter & Collect - sheep	£161	£323	£2,957	£5,914	£5,107	£14,462
Slaughter & Deliver - sheep	£2,520	£3,008	£3,902	£9,755	£6,016	£25,200
Slaughter - Cattle	£0	£0	£0	£0	£0	£0
Additional Services	£476	£598	£1,366	£3,072	£2,234	£7,745
Capital Grants	£0	£0	£0	£80,000	£150,000	£230,000
Revenue Grant	£3,150	£5,000	£4,000	£4,000	£4,000	£20,150
Total Cash In	£6,307	£8,928	£12,225	£102,740	£167,357	£297,557
Cash Out						
Vet Services	£0	£0	£230	£0	£230	£460
Delivery	£0	£230	£345	£345	£288	£1,208
Levies on throughput	£259	£591	£1,328	£966	£602	£3,745
Ammunition	£144	£0	£0	£144	£690	£978
Waste Disposal	£275	£628	£1,413	£1,027	£640	£3,984
Gross Wages - Abattoir Manager	£1,700	£1,700	£1,700	£1,700	£700	£7,500
Gross Wages - Office Staff	£400	£500	£700	£700	£600	£2,900
Gross Wages - Slaughtermen/Butcher	£682	£1,557	£3,502	£2,546	£1,587	£9,874
Insurance	£0	£600	£230	£230	£230	£1,290
Rent and Rates	£230	£230	£288	£0	£0	£748
Electricity	£0	£0	£3,967	£1,323	£1,323	£6,612
Fuel and Oil	£224	£288	£288	£288	£230	£1,317
Repairs, Servicing and Cleaning	£115	£230	£230	£230	£0	£805
Licenses	£0	£0	£0	£0	£51	£51
Vehicle Insurance	£44	£44	£44	£44	£200	£376
Misc. Motor Expenses	£0	£0	£230	£0	£0	£230
Advertising	£115	£0	£0	£0	£0	£115
Affiliation/Membership Fees	£0	£403	£0	£0	£173	£575
Telephone	£0	£115	£0	£0	£115	£230
Office Stationery	£23	£23	£23	£23	£23	£115
Accountancy and Legal/Professional Se	£0	£288	£0	£0	£0	£288
Repairs and Renewals	£0	£575	£0	£0	£0	£575
Premises Expenses	£0	£0	£173	£0	£69	£242
Lab Services/Pest Control	£69	£69	£69	£69	£345	£621
Financing/Loan Interest	£150	£2,000	£1,000	£1,000	£1,000	£5,150
Clothing	£58	£0	£0	£0	£0	£58
Training	£0	£0	£0	£0	£0	£0
VAT Payment	£0	£0	£192	£0	£0	£192
Land and Buildings	£0	£0	£80,000	£150,000	£60,000	£290,000
Total Cash Out	£4,487	£10,070	£95,950	£160,634	£69,094	£340,236
Cash In - Cash Out	£1,820	£-1,142	£-83,725	£-57,894	£98,262	£-42,679
Opening Cash Balance	£566	£2,386	£1,244	£-82,481	£-140,375	
Closing Cash Balance	£2,386	£1,244	£-82,481	£-140,375	£-42,113	

SACL Business Plan 2009-2012

Abattoir 2010

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Cash In													
Slaughter & Collect - sheep	£2,095	£164	£164	£164	£164	£328	£328	£328	£819	£2,076	£5,463	£4,916	£17,008
Slaughter & Deliver - sheep	£5,203	£3,019	£3,019	£3,019	£2,516	£2,947	£3,091	£3,306	£3,738	£5,175	£11,213	£7,044	£53,287
Slaughter - Cattle	£0	£1,012	£1,012	£1,012	£1,012	£1,012	£1,012	£1,012	£1,012	£1,012	£2,024	£3,036	£14,168
Additional Services	£1,392	£563	£563	£563	£475	£588	£613	£650	£838	£1,375	£3,200	£2,350	£13,167
Capital Grants	£60,000	£116,375	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£176,375
Revenue Grants	£4,000	£4,000	£3,000	£0	£0	£0	£0	£0	£0	£0	£0	£0	£11,000
Total Cash In	£72,690	£125,132	£7,757	£4,757	£4,167	£4,874	£5,043	£5,296	£6,406	£9,638	£21,899	£17,346	£285,005

Cash Out

Vet Services	£230	£0	£0	£230	£0	£0	£230	£0	£0	£230	£0	£230	£1,150
Delivery	£0	£0	£230	£0	£0	£230	£0	£0	£230	£345	£345	£288	£1,668
Levies on throughput	£278	£278	£278	£240	£289	£299	£316	£397	£629	£1,453	£1,120	£888	£6,463
Ammunition	£0	£144	£0	£0	£144	£0	£0	£144	£0	£0	£144	£690	£1,265
Waste Disposal	£293	£293	£293	£253	£305	£316	£334	£420	£667	£1,541	£1,185	£943	£6,843
Gross Wages - Abattoir Manager	£1,700	£1,700	£1,700	£1,700	£1,700	£1,700	£1,700	£1,700	£1,700	£1,700	£1,700	£700	£19,400
Gross Wages - Office Staff	£300	£300	£300	£300	£300	£300	£300	£400	£500	£700	£700	£600	£5,000
Gross Wages - Slaughtermen/Butcher	£1,041	£1,041	£1,041	£942	£1,070	£1,098	£1,141	£1,355	£1,968	£4,448	£3,879	£2,652	£21,675
Insurance	£230	£230	£230	£230	£230	£230	£230	£230	£230	£230	£230	£230	£2,760
Rent and Rates	£0	£0	£0	£575	£0	£0	£0	£0	£0	£0	£0	£0	£575
Electricity	£1,323	£1,323	£1,323	£1,323	£1,323	£1,323	£1,323	£1,323	£1,323	£1,323	£1,323	£1,323	£15,870
Fuel and Oil	£288	£224	£224	£224	£167	£167	£167	£224	£288	£288	£288	£230	£2,777
Repairs, Servicing and Cleaning	£115	£115	£115	£115	£115	£115	£115	£115	£230	£230	£230	£0	£1,610
Licenses	£0	£0	£0	£0	£201	£0	£0	£0	£0	£0	£0	£51	£252
Vehicle Insurance	£44	£44	£44	£44	£44	£44	£44	£44	£44	£44	£44	£200	£684
Misc. Motor Expenses	£0	£230	£0	£230	£0	£230	£0	£0	£0	£230	£0	£0	£920
Advertising	£0	£0	£58	£0	£0	£0	£0	£115	£0	£0	£0	£0	£173
Affiliation/Membership Fees	£460	£0	£0	£0	£0	£0	£0	£0	£403	£0	£0	£173	£1,035
Telephone	£0	£0	£115	£0	£0	£115	£0	£0	£115	£0	£0	£115	£460
Office Stationery	£23	£23	£23	£23	£23	£86	£23	£23	£23	£23	£23	£86	£403
Accountancy and Legal/Professional Se	£0	£0	£431	£0	£0	£144	£0	£0	£288	£0	£0	£0	£863
Repairs and Renewals	£575	£0	£0	£0	£575	£0	£0	£0	£575	£0	£0	£0	£1,725
Premises Expenses	£0	£345	£0	£0	£0	£58	£0	£0	£0	£173	£0	£69	£644
Lab Services/Pest Control	£35	£35	£35	£23	£23	£35	£46	£69	£69	£69	£69	£345	£851
Financing/Loan Interest	£1,000	£1,000	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£2,000
Clothing	£58	£0	£0	£0	£58	£0	£0	£58	£0	£0	£0	£0	£173
Training	£0	£0	£863	£0	£0	£0	£0	£0	£0	£0	£0	£0	£863
VAT Payment	£2,430	£0	£0	£249	£0	£0	£370	£0	£0	£1,070	£0	£0	£4,119
Land and Buildings	£116,375	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£116,375
Total Cash Out	£126,796	£7,324	£7,302	£6,701	£6,565	£6,489	£6,337	£6,615	£9,280	£14,095	£11,278	£9,811	£218,592

Cash In - Cash Out	-£54,106	£117,808	£455	-£1,943	-£2,398	-£1,615	-£1,294	-£1,319	-£2,873	-£4,457	£10,621	£7,535	£66,413
Opening Cash Balance	-£42,113	-£96,219	£21,589	£22,045	£20,101	£17,703	£16,088	£14,794	£13,475	£10,601	£6,144	£16,765	
Closing Cash Balance	-£96,219	£21,589	£22,045	£20,101	£17,703	£16,088	£14,794	£13,475	£10,601	£6,144	£16,765	£24,300	

SACL Business Plan 2009-2012

Abattoir 2011

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Cash In													
Slaughter & Collect - sheep	£3,824	£179	£179	£179	£179	£357	£357	£357	£893	£2,263	£5,954	£5,359	£20,079
Slaughter & Deliver - sheep	£6,325	£3,290	£3,290	£3,290	£2,742	£3,212	£3,369	£3,604	£4,074	£5,641	£12,222	£7,678	£58,737
Cattle - slaughter	£1,012	£1,113	£1,113	£1,113	£1,113	£1,113	£1,113	£1,113	£1,113	£1,113	£2,226	£3,340	£16,597
Additional Services	£1,975	£613	£613	£613	£518	£640	£668	£709	£913	£1,499	£3,488	£2,562	£14,810
Total Cash In	£13,136	£5,195	£5,195	£5,195	£4,552	£5,323	£5,507	£5,783	£6,993	£10,515	£23,890	£18,938	£110,222
Cash Out													
Vet Services	£251	£0	£0	£251	£0	£0	£251	£0	£0	£251	£0	£251	£1,254
Delivery	£0	£0	£230	£0	£0	£230	£0	£0	£230	£345	£345	£288	£1,668
Levies on throughput	£303	£303	£303	£262	£315	£327	£344	£433	£686	£1,584	£1,221	£969	£7,050
Ammunition	£0	£144	£0	£0	£144	£0	£0	£144	£0	£0	£144	£690	£1,265
Waste Disposal	£320	£320	£320	£276	£333	£345	£364	£458	£727	£1,680	£1,292	£1,028	£7,464
Gross Wages - Abattoir Manager	£1,700	£1,700	£1,700	£1,700	£1,700	£1,700	£1,700	£1,700	£1,700	£1,700	£1,700	£700	£19,400
Gross Wages - Office Staff	£300	£300	£300	£300	£300	£300	£300	£400	£500	£700	£700	£600	£5,000
Gross Wages - Slaughtermen/Butcher	£1,139	£1,139	£1,139	£1,030	£1,170	£1,201	£1,248	£1,481	£2,149	£4,856	£4,240	£2,894	£23,686
Insurance	£230	£230	£230	£230	£230	£230	£230	£230	£230	£230	£230	£230	£2,760
Rent and Rates	£0	£0	£0	£575	£0	£0	£0	£0	£0	£0	£0	£0	£575
Electricity	£1,323	£1,323	£1,323	£1,323	£1,323	£1,323	£1,323	£1,323	£1,323	£1,323	£1,323	£1,323	£15,870
Fuel and Oil	£288	£224	£224	£224	£167	£167	£167	£224	£288	£288	£288	£230	£2,777
Repairs, Servicing and Cleaning	£115	£115	£115	£115	£115	£115	£115	£115	£230	£230	£230	£0	£1,610
Licenses	£0	£0	£0	£0	£201	£0	£0	£0	£0	£0	£0	£51	£252
Vehicle Insurance	£44	£44	£44	£44	£44	£44	£44	£44	£44	£44	£44	£200	£684
Misc. Motor Expenses	£0	£230	£0	£230	£0	£230	£0	£0	£0	£230	£0	£0	£920
Advertising	£0	£0	£58	£0	£0	£0	£0	£115	£0	£0	£0	£0	£173
Affiliation/Membership Fees	£460	£0	£0	£0	£0	£0	£0	£0	£403	£0	£0	£173	£1,035
Telephone	£0	£0	£115	£0	£0	£115	£0	£0	£115	£0	£0	£115	£460
Office Stationery	£23	£23	£23	£23	£23	£86	£23	£23	£23	£23	£23	£86	£403
Accountancy and Legal/Professional Se	£0	£0	£431	£0	£0	£144	£0	£0	£288	£0	£0	£0	£863
Repairs and Renewals	£575	£0	£0	£0	£575	£0	£0	£0	£575	£0	£0	£0	£1,725
Premises Expenses	£0	£345	£0	£0	£0	£58	£0	£0	£0	£173	£0	£69	£644
Lab Services/Pest Control	£35	£35	£35	£23	£23	£35	£46	£69	£69	£69	£69	£345	£851
Financing/Loan Interest	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Clothing	£58	£0	£0	£0	£58	£0	£0	£58	£0	£0	£0	£0	£173
Training	£0	£0	£0	£0	£0	£0	£0	£863	£0	£0	£0	£0	£863
VAT Payment	£3,756	£0	£0	£491	£0	£0	£496	£0	£0	£1,143	£0	£0	£5,886
Total Cash Out	£10,918	£6,474	£6,589	£7,096	£6,719	£6,648	£6,650	£7,678	£9,578	£14,868	£11,848	£10,240	£105,307
Cash In - Cash Out	£2,218	£-1,279	£-1,394	£-1,901	£-2,168	£-1,325	£-1,143	£-1,895	£-2,585	£-4,352	£12,042	£8,697	£4,915
Opening Cash Balance	£24,300	£26,518	£25,239	£23,846	£21,945	£19,777	£18,452	£17,309	£15,414	£12,829	£8,476	£20,518	
Closing Cash Balance	£26,518	£25,239	£23,846	£21,945	£19,777	£18,452	£17,309	£15,414	£12,829	£8,476	£20,518	£29,215	

SACL Business Plan 2009-2012

Abattoir 2012

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Cash In													
Slaughter & Collect - sheep	£4,168	£195	£195	£195	£195	£389	£389	£389	£973	£2,466	£6,490	£5,841	£21,886
Slaughter & Deliver - sheep	£6,894	£3,587	£3,587	£3,587	£2,989	£3,501	£3,672	£3,928	£4,441	£6,148	£13,322	£8,369	£64,023
Slaughter - Cattle	£1,113	£1,214	£1,214	£1,214	£1,214	£1,214	£1,214	£1,214	£1,214	£1,214	£2,429	£3,643	£18,115
Additional Services	£2,153	£668	£668	£668	£564	£698	£728	£772	£995	£1,634	£3,802	£2,792	£16,143
Total Cash In	£14,328	£5,664	£5,664	£5,664	£4,962	£5,803	£6,003	£6,304	£7,623	£11,463	£26,042	£20,645	£120,166
Cash Out													
Vet Services	£273	£0	£0	£273	£0	£0	£273	£0	£0	£273	£0	£273	£1,366
Delivery	£0	£0	£230	£0	£0	£230	£0	£0	£230	£345	£345	£288	£1,668
Levies on throughput	£330	£330	£330	£285	£343	£356	£375	£472	£748	£1,727	£1,331	£1,056	£7,685
Ammunition	£0	£144	£0	£0	£144	£0	£0	£144	£0	£0	£144	£690	£1,265
Waste Disposal	£349	£349	£349	£301	£362	£376	£397	£499	£793	£1,832	£1,409	£1,121	£8,136
Gross Wages - Abattoir Manager	£1,700	£1,700	£1,700	£1,700	£1,700	£1,700	£1,700	£1,700	£1,700	£1,700	£1,700	£700	£19,400
Gross Wages - Office Staff	£300	£300	£300	£300	£300	£300	£300	£400	£500	£700	£700	£600	£5,000
Gross Wages - Slaughtermen/Butcher	£1,242	£1,242	£1,242	£1,123	£1,276	£1,310	£1,360	£1,614	£2,342	£5,294	£4,623	£3,155	£25,823
Insurance	£230	£230	£230	£230	£230	£230	£230	£230	£230	£230	£230	£230	£2,760
Rent and Rates	£0	£0	£0	£575	£0	£0	£0	£0	£0	£0	£0	£0	£575
Electricity	£1,323	£1,323	£1,323	£1,323	£1,323	£1,323	£1,323	£1,323	£1,323	£1,323	£1,323	£1,323	£15,870
Fuel and Oil	£288	£224	£224	£224	£167	£167	£167	£224	£288	£288	£288	£230	£2,777
Repairs, Servicing and Cleaning	£115	£115	£115	£115	£115	£115	£115	£115	£230	£230	£230	£0	£1,610
Licenses	£0	£0	£0	£0	£201	£0	£0	£0	£0	£0	£0	£51	£252
Vehicle Insurance	£44	£44	£44	£44	£44	£44	£44	£44	£44	£44	£44	£200	£684
Misc. Motor Expenses	£0	£230	£0	£230	£0	£230	£0	£0	£0	£230	£0	£0	£920
Advertising	£0	£0	£58	£0	£0	£0	£0	£115	£0	£0	£0	£0	£173
Affiliation/Membership Fees	£460	£0	£0	£0	£0	£0	£0	£0	£403	£0	£0	£173	£1,035
Telephone	£0	£0	£115	£0	£0	£115	£0	£0	£115	£0	£0	£115	£460
Office Stationery	£23	£23	£23	£23	£23	£86	£23	£23	£23	£23	£23	£86	£403
Accountancy and Legal/Professional Se	£0	£0	£431	£0	£0	£144	£0	£0	£288	£0	£0	£0	£863
Repairs and Renewals	£575	£0	£0	£0	£575	£0	£0	£0	£575	£0	£0	£0	£1,725
Premises Expenses	£0	£345	£0	£0	£0	£58	£0	£0	£0	£173	£0	£69	£644
Lab Services/Pest Control	£35	£35	£35	£23	£23	£35	£46	£69	£69	£69	£69	£345	£851
Financing/Loan Interest	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Clothing	£58	£0	£0	£0	£58	£0	£0	£58	£0	£0	£0	£0	£173
Training	£0	£0	£863	£0	£0	£0	£0	£0	£0	£0	£0	£0	£863
VAT Payment	£4,201	£0	£0	£515	£0	£0	£631	£0	£0	£1,454	£0	£0	£6,801
Total Cash Out	£11,544	£6,633	£7,611	£7,285	£6,883	£6,817	£6,984	£7,029	£9,899	£15,933	£12,458	£10,703	£109,780
Cash In - Cash Out	£2,784	£-969	£-1,947	£-1,621	£-1,921	£-1,014	£-981	£-725	£-2,276	£-4,471	£13,585	£9,941	£10,387
Opening Cash Balance	£29,215	£31,999	£31,030	£29,083	£27,463	£25,542	£24,528	£23,547	£22,822	£20,547	£16,076	£29,661	
Closing Cash Balance	£31,999	£31,030	£29,083	£27,463	£25,542	£24,528	£23,547	£22,822	£20,547	£16,076	£29,661	£39,602	

Head of Service: Neil Grant
Chief Executive: David Clark

Shetland Abattoir Cooperative Ltd
Shetland Rural Centre
Staneyhill
Lerwick
Shetland
ZE1 0NA

Economic Development Unit
Solarhus
3 North Ness Business Park
Lerwick
Shetland
ZE1 OLZ

Telephone: 01595 744940
Fax: 01595 744961
development@sic.shetland.gov.uk
www.shetland.gov.uk

If calling please ask for
Neil Grant
Direct Dial: 01595744968

Your Ref:
Our Ref:

Date: DRAFT

Dear Sir

Shetland Abattoir Cooperative Ltd

On behalf of Shetland Islands Council (hereinafter referred to as "the Council") I am pleased to offer Shetland Abattoir Cooperative Ltd (hereinafter referred to as "the Company") a grant of up to £437,525 (Four Hundred and Thirty Seven Thousand Five Hundred and Twenty Five Pounds) (not to exceed EUR500,000 (Five Hundred Thousand Euros) at the time of payment) towards the cost of the purchase of land for and construction of a new slaughterhouse at Staneyhill, Lerwick; the purchase of the existing slaughterhouse at Laxfirth; and working capital for the Company, subject to the following conditions: -

- 1 The grant has been approved on the basis of your expenditure and financing being as follows:-

Project Costs	£	Project Funding	
Land purchase of site at Staneyhill	17,250	Personal Cash	
Construction of slaughter facility at Staneyhill	376,625	SIC	£437,525, not exceeding EUR500,000
Purchase of Laxfirth slaughterhouse	12,500		
Working capital	31,150		
Total	<u>£437,525</u>		

2. No payment will be made until the Company produces to the Council adequate evidence that the following preconditions have been met:-
 - a) The purchase of the said slaughterhouse at Laxfirth by the Company has been concluded.
 - b) An overdraft facility adequate to cover the anticipated deficit identified in the Company's business plan cashflow has been secured.
 - c) Planning Permission for the new building at Staneyhill has been granted.
3. Thereafter, no payment will be made until the Company produces to the Council adequate evidence:-
 - a) That expenditure has been incurred. The Council requires valid original invoices that must either be receipted using the supplier's stamp or be attached to a letter from the supplier confirming payment. **(Hand written receipts that do not bear a supplier's stamp will not be accepted).**

Expenditure committed prior to the date of this letter will NOT be eligible for grant.
 - b) That the balance of the cost of the project has been raised in a manner satisfactory to the Council.
 - d) That all other requirements as detailed in this letter have been met.
4. A proportion of the grant (10%, or £43,752 (Forty Three Thousand Seven Hundred and Fifty Two Pounds) will be retained until the completion of the project, and will be payable once the new building warrant has been issued, and the requisite Food Standards Agency licence has been awarded to the new facility as a whole.
5. The Council shall be entitled to appoint one person, as selected by the Council in its sole discretion to be a director of the Company.
6. Meetings of the board of the company shall be held at least once every quarter.
7. The Company shall give advance reasonable notice of all meetings of the board to the Council and shall timeously furnish the Council with all papers relevant to such meetings.
8. All substantial contracts and transactions entered into the Company shall be determined and approved by the board.
9. The Company will operate within Shetland for a period of at least 10 years from the date of receipt of grant and will not remove its business or the equipment or other assets, which form the subject of the grant, outside Shetland.
10. The Company will keep all buildings, equipment and other assets, which are the subject of or which relate to the grant offered, fully insured against loss and damage by fire, storm, theft, impact and such other risks as are appropriate, and vehicles shall be

comprehensively insured; and you will exhibit the policies and receipts for the premiums to the Council on request.

11. The Company will not transfer, sell or discontinue its business, nor dispose of the assets which form the subject of this grant without prior approval from the Council; nor use the buildings, equipment or other assets which are the subject of this grant for any purpose other than the approved project. In the event of the Company selling any grant-funded items or buildings, a proportion of the grant commensurate to the number of months remaining in the 10 year period following the date of receipt of grant will be repayable to the Council.
12. The Company will maintain the equipment or other assets which are the subject of or relate to the grant offered, and keep them in good condition; and will permit any person authorised by the Council to inspect them on request.
13. The Company will keep proper books of accounts and will provide annually to the Council the statement of accounts, reports or other explanations as may be required by the Council. As a minimum the Company will supply the Council with audited annual accounts within 6 months of the year end, and monthly management accounts within one month of each month end.
14. The Company will supply on request any additional information the Council may require to monitor the conditions under which grant is made.
15. In the event of any breach of the foregoing conditions the Council may, at its sole discretion, require repayment of all or part of the grant, by the Company and may also disqualify the Company from receiving any other assistance in terms of the Schemes operated by the Council. If the property/equipment for which grant assistance was received is sold, transferred or otherwise disposed of within the ten years from receipt of grant, the new owner must accept the grant conditions for the remaining period, failing which the grant will be repayable by the Company in full, at the date of sale or transfer.
- 16. Grant recipients must inform the Council of any changes in their circumstances affecting the grant conditions, in particular if the Company gives up the business for which grant assistance was given.**
17. Unless otherwise agreed in writing by the Council, these conditions shall endure under this offer for a period of 10 years from the date of the last payment of the grant.
18. The Council reserves the right to ascertain the amount of arrears of debt, if any, owed to the Council by applicants for assistance and to withhold payment of any assistance granted until such time as the arrears have been cleared or satisfactory arrangements have been made to clear such arrears.

Under EC Temporary Framework for State aid - Scheme N43/2009 the assistance offered to you is *de minimis* aid. There is a ceiling of €500,000 (approximately £450,000) for all *de minimis* aid provided to any one firm over a 3-year period. Any *de minimis* aid awarded to you under this offer letter will be relevant if you wish to apply, or have applied, for any other *de minimis* aid. For the purposes of the *de minimis* regulation, you must retain this letter for 3 years from the date on this letter and produce it on any request by the UK public authorities or the European

Commission. (You may need to keep this letter for longer than three years for other purposes.)

If these conditions are acceptable please sign and date this letter and return it to me as soon as possible.

This offer is valid only until 30 December 2010. If, by that date, the grant has not been claimed and paid this offer of grant lapses.

To claim your grant, please refer to the attached guidance notes on claiming financial assistance. Submissions with incomplete claim forms will not be processed.

A copy of this letter is enclosed for your retention.

The Council reserves the right to publicise the assistance to the Company and to include it in a public record of cases, both to demonstrate how its resources are used and to give examples of the types of development it is able to assist. The Company shall ensure that any publicity given to the Project contains an acknowledgement of the Council's funding support and shall display in a prominent place, any plaque, sticker or logo as the Council may require.

Yours faithfully

Head of Economic Development

Enc

I, being an authorised signatory of Shetland Abattoir Cooperative Ltd, accept the offer of grant on the conditions specified in this letter.

Signed: Date:



Bon Accord Accountancy Limited

Mr David Nicolson
Shetland Abattoir Co-operative Ltd
Shetland Rural Centre
Staney Hill
Lerwick
Shetland
ZE1 0NA

Our Ref: SACL

If calling please ask for:
Martin Watt

martin@bonaccordaccountancy.co.uk

13 July 2009

Please respond to:

☒ **R&A House**
*Blackburn Business Park
Woodburn Road, Blackburn
Aberdeenshire AB21 0PS*

Tel: 01224 798200
Fax: 01224 791813

☐ **Nordhus**
*North Ness Business Park
Lerwick
Shetland
ZE1 0LZ*

Tel: 01595 692444
Fax: 01595 694202

Dear David

Shetland Abattoir Co-operative Limited

I refer to the recently prepared statutory financial statements in respect of the above named company for the year ended 31 December 2008 and the subsequent request for information from Shetland Islands Council seeking to establish whether or not the company is eligible for financial assistance under the de minimis measure for which assistance is currently being sought.

I am happy to offer the following responses in relation to the questions raised by Shetland Islands Council concerning the period ended 30 June 2008:

1. The company traded profitably in the year ended 31 December 2007 and continued to trade profitably in the 6 month period to 30 June 2008
2. Not applicable due to profitable trading
3. Not applicable
4. No
5. No
6. Yes
7. No
8. No
9. No
10. No
11. No
12. Yes

We have since prepared statutory financial statements for the year ended 31 December 2008. We have also reviewed the company's going concern position up to today's date.

Our review has noted that the company did not have sufficient funds to pay its latest rent due to SLAP Ltd. We are therefore satisfied that the company could be subject to insolvency proceedings and as a result we are also satisfied that the company satisfied the EC criteria as a company that could formally be classified as being "in difficulty".

Email:

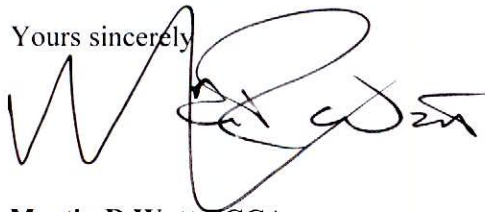
enquiries@bonaccordaccountancy.co.uk

Website:

www.bonaccordaccountancy.co.uk

Our opinion is provided without prejudice and we are unable to accept any responsibility or liability for any reliance placed upon it.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Martin R Watt', written over the words 'Yours sincerely'.

Martin R Watt FCCA

For and on behalf of
Bon Accord Accountancy Ltd



REPORT

To: Development Committee

27 August 2009

From: Head of Economic Development

REPORT NO: DV090-F Shetland Livestock Marketing Group

1.0 Introduction

- 1.1 This report concerns an application for grant assistance to allow SLMG to undertake a profound change in its *modus operandi*, involving dropping all involvement in slaughter, and instead focusing on sales and marketing activity, and the operation of the marts complex at Staneyhill. A *de minimis* grant of up to £407,200 has been requested and is recommended for approval.
- 1.2 This report examines in more detail SLMG's new operational model, and their request for assistance to realise this.

2.0 Links 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 aims to fulfill the pledge to foster growth in direct income in the agriculture industry contained in the Economic Development Policy Statement (2007-2011).

3.0 Background

- 3.1 Following their entering into financial difficulty in the latter half of 2008, Shetland Livestock Marketing Group (SLMG) approached the Development Committee on two occasions in the first half of 2009 requesting financial assistance, primarily with undertaking a whole business review and drafting a new business plan as appropriate for the cooperative, and consequently in the form of lifeline support to keep the Company trading until such time as a decision to support their business plan could be made.

- 3.2 At a Special Development Committee meeting on 26 February 2009 the decision was made to provide SLMG with 50% of the cost associated with undertaking a whole business review and drafting a new business plan. In the meantime, SLMG was to be handed lifeline support of up to £20,000 on 30 April 2009, with no business plan yet forthcoming, the Development Committee approved a second grant of up to £20,000 lifeline support.
- 3.3 Subsequent to the 26 February meeting AB Associates were appointed by SLMG to undertake the business review and draw together a new SLMG business plan. This Business Plan is attached as Appendix 1 to this report, and covers the period 2009-2012.

4.0 Proposals

- 4.1 SLMG's Business Plan details the wholesale changes SLMG consider essential to secure its position going forward as a service provider to the agricultural community in Shetland. Fundamental to this is the decision to cease to have any involvement in operating the abattoir at Laxfirth, and to drop their ambitions to develop abattoir facilities at Laxfirth or elsewhere – the operation of Laxfirth will cede to Shetland Abattoir Cooperative Limited (SACL).
- 4.2 SLMG will instead focus on their core function – livestock and meat sales and marketing. SLMG believe that Shetland's meat sector, "will become one of the most significant income generators for the Shetland economy in years to come." (SLMG 2009-2012 Business Plan, Appendix 1). This ambitious aspiration is to be underpinned by a comprehensive funding package as follows:

	Note: Prices include VAT
Capital funding	
Upgrade to Marts building and equipment	£120,000
Value added processing equipment	£17,000
Freezer unit	£20,000
Refrigerated vehicle	£30,000
IT system	£15,000
Bridge finance	£18,000
Capital subtotal	£220,000
Revenue funding	
Marketing salary	£67,200
Marketing budget, including development of web sales and external specialists	£60,000
Revenue subtotal	£127,200
Working capital	<u>£60,000</u>
Overall total	<u>£407,200</u>

Table 1 – SLMG Funding Requirement

4.3.1 Capital funding (£220,000)

SLMG propose rationalising the operation of the Marts to result in lower operating costs. They will retain their existing arrangement with Aberdeen & Northern Marts. Capital investment is needed both in the marts building itself and the equipment therein, and in the installation of a new IT system to smooth day-to-day operations and address the problems of increasing paperwork associated with livestock movements.

With regard to meat preparation and sales, SLMG require investment in processing equipment to add value to their raw product; a freezer unit and a refrigerated vehicle for deliveries.

4.3.2 Revenue funding (£127,200)

SLMG recognise that with the departure of their previous Marketing Manager, the cooperative lost focus and some of the impressive progress they had made in establishing Shetland meat as a high value product in Scotland and England. This was compounded by the lack of a suitable budget dedicated to marketing – a problem which had also constrained their previous Marketing Manager's ability to achieve his goals. Furthermore, the previous Marketing Manager's efficiency was considerably compromised by his having to oversee other elements of the cooperative apart from sales and marketing.

SLMG propose now to put in place a dedicated Marketing Manager who will be responsible for sales and marketing alone. Day-to-day operations of the marts and the cooperative as a whole will be handled by a separate Operations Manager, drawn from existing staff. This Marketing Manager will have a marketing budget at their disposal, sufficient to include the development of online sales and the commission of external specialists where necessary.

4.3.3 Working capital (£60,000)

Central to SLMG's current financial difficulties was the undercapitalisation of the cooperative from the outset in November 2003. This culminated in their inability to cope with cash flow problems encountered through bad debts. Failure to recapitalise SLMG at this juncture would pose the significant risk of the cooperative finding itself similarly compromised at some point in the future; and indeed, would curtail the day-to-day operation of the organisation in the meantime.

5.0 Financial Observations

- 5.1 If a decision is taken to provide funding for this project, it is anticipated that a total of £232,200 would be drawn down in the current financial year the grant will be funded from the following budgets:

Economic Infrastructure Projects (RRD 1530 2402)	£200,000
--	----------

Funds to be vired from other budgets as follows:

Fisheries and Aquaculture equity (RRD 2203 2701)	£32,200
--	---------

The project will be funded over two years with the funding being subject to funding being available. The remaining balance of £175,000 will be disbursed in 2010/11 subject to approval of future years' budget provision.

- 5.2 SLMG are applying for grant assistance to be delivered via the *de minimis* mechanism, and specifically the "Temporary framework for State aid measures to support access to finance in the current financial and economic crisis" (hereafter referred to as the "Temporary Framework"). The Temporary Framework was introduced by the European Commission in December 2008 in response to the deepening global economic crisis, and seeks through a number of measures to allow nation states in the European Union more flexibility in how they can apply state aid. One of these measures is designed to allow for an enhanced level of *de minimis* funding for companies in difficulty totalling 500,000EUR. Any grant assistance provided under this measure must be delivered to the company in question by 31 December 2010. At the current exchange rate, 500,000EUR equates to approximately £450,000.

- 5.3 A company in difficulty is defined by the EC for the purpose of the Temporary Framework as follows:

"An SME shall be considered to be an undertaking in difficulty if it fulfils the following conditions:

- (a) in the case of a limited liability company, where more than half of its registered capital has disappeared and more than one quarter of that capital has been lost over the preceding 12 months; or
- (b) in the case of a company where at least some members have unlimited liability for the debt of the company, where more than half of its capital as shown in the company accounts has disappeared and more than one quarter of that capital has been lost over the preceding 12 months; or
- (c) whatever the type of company concerned, where it fulfils the criteria under its domestic law for being the subject of collective insolvency proceedings."

- 5.4 Under the terms of the Temporary Framework, a company in difficulty must also demonstrate that it entered into difficulty after 30 June 2008. A public granting agency (such as the Council) must be satisfied that both of these tests (company in difficulty and the date at which it entered into difficulty) are compliant with the terms of the Temporary Framework.
- 5.5 In the case of SLMG, Bon Accord Accountancy Ltd have provided a detailed review of the Company's financial position at 30 June 2008, and thereafter (see Appendix 2). Their analysis of SLMG concludes that the Company was not in difficulty in the period preceding 30 June 2008, and that the Company had entered into difficulty as per the criteria provided by the EC by September 2008.
- 5.6 The SLMG trading projections are summarised below. They show, if all underlying assumptions are achieved, that trading will improve from a consolidated deficit of £(18,678) for the five months to December 2009, to a surplus of £8,879 for 2012. The cash flow statement shows the need for overdraft funding from February 2010. This could be required for up to three months, and SLMG directors have assured us that they will seek and secure bank funding for this. Any offer, if made, should be conditional on SLMG securing an appropriate bank overdraft facility.

	<u>Aug-Dec</u> <u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<u>Sales and Marketing</u>	£	£	£	£
Turnover	127,014	365,750	345,393	387,755
Gross profit	20,442	96,895	49,920	62,293
Surplus / (deficit)	(12,819)	(2,390)	(3,365)	5,008
<u>Marts</u>				
Turnover	24,783	57,776	58,576	58,976
Gross profit	6,633	23,126	23,926	24,326
Surplus / (deficit)	(5,859)	(4,829)	3,471	3,871
<u>Consolidated</u>				
Turnover	151,797	423,526	403,969	446,731
Gross profit	27,075	120,021	73,846	86,619
Surplus / (deficit)	(18,678)	(7,219)	106	8,879

- 5.7 In conclusion, since SLMG only started experiencing difficulty after 1 July 2008, it has been demonstrated that it meets the EC criteria in relation to the definition of a company in difficulty as a result of the global economic crisis, and as such any *de minimis* grant provided to SLMG under the Temporary Framework would be compliant with State aid legislation.

6.0 Policy and Delegated Authority

- 6.1 This report has been prepared under the main aim of the Council's 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 Delegation, the Development Committee has delegated authority to implement decisions within its remit for which the overall objectives have been approved by the Council.
- 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 Conclusions

- 7.1 SLMG have made the most of the time bought for them by the lifeline support granted to them by the Development Committee, and have returned with a Business Plan that concentrates on their core business, that of operating the Marts for the benefit of the agricultural industry as a whole in Shetland; and focusing on their sales and marketing of livestock and meat products.
- 7.2 The Marts is a pivotal piece of infrastructure for the agricultural industry in Shetland, providing as it does the facility for local producers to sell their stock in an auction environment, and generating generally good prices – prices that even those who do not sell through the Marts can use as benchmarks in their price negotiations. The building was erected in 1995, and requires investment in both structural and layout terms in order to remain operational and to improve efficiency – for example, pen layout; new weighbridge equipment; doors; and new IT systems.
- 7.3 SLMG made significant progress in meat sales between 2003 and 2007, when their Marketing Manager left them. At this point meat sales stalled somewhat. The proposal to put in place a dedicated and adequately resourced Marketing Manager will give SLMG the best possible opportunity to regain their lost impetus.
- 7.4 The consequences of not providing this funding are simple to predict in the short-term – SLMG will cease to exist, as it will no longer be viable as a going concern. This will mean that SLMG no longer operate the Marts, and their progress to date in developing markets for stock and meat alike will be undone. The implications of this in the longer term are harder to predict – given the impassioned local support for an active Marts voiced by the agricultural community in the past few months, it is possible (but not certain) that another entity would coalesce to run the Marts. Sales and marketing activity is undertaken successfully on a more individual basis elsewhere in the Highlands & Islands and beyond, so it would not be unreasonable to

expect market forces to stimulate this activity afresh here in Shetland. Once again, there would be nothing to stop motivated individuals from forming a larger marketing cooperative afresh – if indeed they believed this was a commercially beneficial approach to take, but whether this would in fact happen is impossible to predict.

8.0 Recommendations

- 8.1 I recommend that the Development Committee;
- i) note the attached SLMG 2009-2012 Business Plan, and;
 - ii) grant 100% of the requested assistance up to £407,200, subject to future years' budget approval, and subject to the terms and conditions detailed in the draft letter of offer (see Appendix 2).
 - iii) Approve the virement of £32,200 from budget Fisheries & Aquaculture Equity (RRD 2203 2701).

Our Ref: NG/KLM/RF/1041
Date: 19 August 2009

Report No: DV081-F

Head of Service: Neil Grant
Chief Executive: David Clark

Shetland Livestock Marketing Group
Shetland Rural Centre
Staneyhill
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If calling please ask for
Neil Grant
Direct Dial: 01595744968

Your Ref:
Our Ref:

Date: DRAFT

Dear Sir

Shetland Livestock Marketing Group

On behalf of Shetland Islands Council (hereinafter referred to as "the Council") I am pleased to offer Shetland Livestock Marketing Group (hereinafter referred to as "the Company") a grant of up to £407,200 (Four Hundred and Seven Thousand Two Hundred Pounds) (not to exceed EUR500,000 (Five Hundred Thousand Euros) at the time of payment) towards the cost of upgrading the Marts building and associated equipment at Staneyhill, Lerwick as per Table 7.1 of the Company's Business Plan dated 8 July 2009; providing a marketing manager's salary and associated marketing budget; and working capital for the Company, subject to the following conditions: -

- 1 The grant has been approved on the basis of your expenditure and financing being as follows:-

Project Costs	£	Project Funding	
Upgrade to marts & associated equipment	220,000	Personal Cash	
Marketing salary & Marketing budget	127,200	SIC	£407,200, not exceeding EUR500,000
Working capital	60,000		
Total	<u>£407,200</u>		

2. No payment will be made until the Company produces to the Council adequate evidence that the following precondition have been met:-

- a) An overdraft facility adequate to cover the anticipated deficit identified in the Company's business plan cashflow has been secured.
3. Thereafter, no payment will be made until the Company produces to the Council adequate evidence:-
- a) That expenditure has been incurred. The Council requires valid original invoices that must either be receipted using the supplier's stamp or be attached to a letter from the supplier confirming payment. **(Hand written receipts that do not bear a supplier's stamp will not be accepted).**
- Expenditure committed prior to the date of this letter will NOT be eligible for grant.
- b) That the balance of the cost of the project has been raised in a manner satisfactory to the Council.
- c) That all other requirements as detailed in this letter have been met.
4. The Council shall be entitled to appoint one person, as selected by the Council in its sole discretion to be a director of the Company.
5. Meetings of the board of the company shall be held at least once every quarter.
6. The Company shall give advance reasonable notice of all meetings of the board to the Council and shall timeously furnish the Council with all papers relevant to such meetings.
7. All substantial contracts and transactions entered into the Company shall be determined and approved by the board.
8. The Company will operate within Shetland for a period of at least 10 years from the date of receipt of grant and will not remove its business or the equipment or other assets, which form the subject of the grant, outside Shetland.
9. The Company will keep all buildings, equipment and other assets, which are the subject of or which relate to the grant offered, fully insured against loss and damage by fire, storm, theft, impact and such other risks as are appropriate, and vehicles shall be comprehensively insured; and you will exhibit the policies and receipts for the premiums to the Council on request.
10. The Company will not transfer, sell or discontinue its business, nor dispose of the assets which form the subject of this grant without prior approval from the Council; nor use the buildings, equipment or other assets which are the subject of this grant for any purpose other than the approved project. In the event of the Company selling any grant-funded items or buildings, a proportion of the grant commensurate to the number of months remaining in the 10 year period following the date of receipt of grant will be repayable to the Council.
11. The Company will maintain the equipment or other assets which are the subject of or relate to the grant offered, and keep them in good condition; and will permit any person authorised by the Council to inspect them on request.

12. The Company will keep proper books of accounts and will provide annually to the Council the statement of accounts, reports or other explanations as may be required by the Council. As a minimum the Company will supply the Council with audited annual accounts within 6 months of the year end, and monthly management accounts within one month of each month end.
13. The Company will supply on request any additional information the Council may require to monitor the conditions under which grant is made.
14. In the event of any breach of the foregoing conditions the Council may, at its sole discretion, require repayment of all or part of the grant, by the Company and may also disqualify the Company from receiving any other assistance in terms of the Schemes operated by the Council. If the property/equipment for which grant assistance was received is sold, transferred or otherwise disposed of within the ten years from receipt of grant, the new owner must accept the grant conditions for the remaining period, failing which the grant will be repayable by the Company in full, at the date of sale or transfer.
- 15. Grant recipients must inform the Council of any changes in their circumstances affecting the grant conditions, in particular if the Company gives up the business for which grant assistance was given.**
16. Unless otherwise agreed in writing by the Council, these conditions shall endure under this offer for a period of 10 years from the date of the last payment of the grant.
17. The Council reserves the right to ascertain the amount of arrears of debt, if any, owed to the Council by applicants for assistance and to withhold payment of any assistance granted until such time as the arrears have been cleared or satisfactory arrangements have been made to clear such arrears.

Under EC Temporary Framework for State aid - Scheme N43/2009 the assistance offered to you is *de minimis* aid. There is a ceiling of €500,000 (approximately £450,000) for all *de minimis* aid provided to any one firm over a 3-year period. Any *de minimis* aid awarded to you under this offer letter will be relevant if you wish to apply, or have applied, for any other *de minimis* aid. For the purposes of the *de minimis* regulation, you must retain this letter for 3 years from the date on this letter and produce it on any request by the UK public authorities or the European Commission. (You may need to keep this letter for longer than three years for other purposes.)

If these conditions are acceptable please sign and date this letter and return it to me as soon as possible.

This offer is valid only until 30 December 2010. If, by that date, the grant has not been claimed and paid this offer of grant lapses.

To claim your grant, please refer to the attached guidance notes on claiming financial assistance. Submissions with incomplete claim forms will not be processed.

A copy of this letter is enclosed for your retention.

The Council reserves the right to publicise the assistance to the Company and to include it in a public record of cases, both to demonstrate how its resources are used and to give examples of the types of development it is able to assist. The Company shall ensure that any publicity given to the Project contains an acknowledgement of the Council's funding support and shall display in a prominent place, any plaque, sticker or logo as the Council may require.

Yours faithfully

Head of Economic Development

Enc

I, being an authorised signatory of Shetland Livestock Marketing Group accept the offer of grant on the conditions specified in this letter.

Signed: Date:



Shetland Livestock Marketing Group

2009 – 2012

Business Plan

Prepared for SLMG	Prepared by A B Associates Ltd
Shetland Rural Centre	Kirk Business Centre
Staneyhill	Castle Road
Lerwick	Scalloway
Shetland ZE1 0NA	Shetland ZE1 0TF
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8th July 2009

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3. Annual Accounts
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1. Background

1.1 Introduction

This business plan has been drawn up by Shetland Livestock Marketing Group (SLMG) to show the need for and viability of a new project to drive forward the agriculture sector in Shetland. It covers the period to the end of 2012. SLMG currently operate the Livestock Mart in Lerwick, the Laxfirth abattoir, and also conduct Sales and Marketing of Shetland meat on behalf of its members, of which there are currently 289.

1.2 History

The current Marts was built and paid for by SLAP at the Staney Hill site in 1995. The ground and land is owned by SLAP. The Building was funded by the Reserve Fund, an EU grant, and SLAP resources. The “Harbro” building was constructed at the same time and was leased to North Eastern Farmers (NEF). This was funded by SLAP and the sale of the former NEF site at North Ness. The land purchase and construction of the Marts and Harbro Building cost in the order of £1.5m at the time. An area of 23.67 hectares around the Mart is leased for grazing and lairage. Plans are attached in appendix 1.

The new Mart was operated by the newly formed **Shetland Marts Coop** who leased the building from SLAP for a nominal rent. They raised capital through issuing £100 shares that raised £50,000 from around 300 people.

The auction sales have been run and managed by **Aberdeen and Northern Marts (A&N)** in conjunction with the local operator. A&N provide the auctioneer, admin support, and banking facilities, while SLMG organises the sales events, takes bookings and manages throughput on the sales days.

Shetland Livestock Marketing Group (SLMG) was formed in November 2003 as a result of an amalgamation of 4 bodies:-

- Shetland Mart Coop
- Shetland Flock Health Association
- Shetland Animal Health Trust
- Shetland Agricultural Association

The new organisation was set up in the renamed Rural Centre at Staneyhill to:-

1. reduce costs in running several organisations and reduce overlap between them
2. operate the auction mart
3. operate the abattoir at Laxfirth
4. undertake marketing

5. run the animal health scheme (this was later transferred to the Shetland Islands Council in 2007)

1.3 The Current Situation

Following the cooperative acquiring £50,000 of bad debts and running into cash flow problems, the board of SLMG commissioned an external review of their operations, and this Business Plan is largely a strategy to address the findings of the aforementioned piece of work. The Business Review concluded that:

“The evidence from the consultation and analysis undertaken suggests there is a need to undertake some disaggregation of the 3 elements of SLMG to provide more focused action, oversight and responsibility for each of the aspects.”

The conclusion has been reached that SLMG should concentrate on taking forward the Sales and Marketing, and the Mart side of operations; while the abattoir development will revert back to the Shetland Abattoir Cooperative Ltd (SACL).

As part of the wider Business Review, a number of positives and negatives were identified and these are identified in the SWOT Analysis that follows:

Table 1.1: SWOT Analysis for Marts Operation

<u>Strengths</u> <ul style="list-style-type: none"> ✓ Maintained number of stock going through the Marts, despite decreasing stock numbers ✓ Good prices achieved at the Marts for livestock ✓ Good relationship with Aberdeen and Northern Marts ✓ Highly committed and experienced board 	<u>Weaknesses</u> <ul style="list-style-type: none"> ✗ Labour intensive nature of Marts operation ✗ Problems with Paperwork/systems ✗ Don't own building ✗ Building under utilised
<u>Opportunities</u> <ul style="list-style-type: none"> ✓ Potential to develop supplementary income streams from Marts building 	<u>Threats</u> <ul style="list-style-type: none"> ✗ Declining stock numbers ✗ Closure, if operation cannot break even ✗ Increasing regulation

Table 1.2: SWOT Analysis for Sales and Marketing Operation

<p><u>Strengths</u></p> <ul style="list-style-type: none"> ✓ Strong recognition of brand outside Shetland ✓ Significant growth in sales over the past 5 years 	<p><u>Weaknesses</u></p> <ul style="list-style-type: none"> ✗ Margins not sufficient ✗ Bad Debts ✗ Lack of Sales Manager for past 18 months ✗ Not enough volume ✗ Lack of working capital
<p><u>Opportunities</u></p> <ul style="list-style-type: none"> ✓ Evidence of strong demand for Shetland lamb ✓ Food miles and local market growth 	<p><u>Threats</u></p> <ul style="list-style-type: none"> ✗ Alternative suppliers of lamb, such as NZ ✗ Losing brand awareness

2. Vision and Strategy

SLMG would like to see a dynamic, vibrant agricultural industry where Shetland farmers and crofters take pride in what they do and in the facilities they have. Sustained effort and success are required in order for this vision to be achieved.

Of all the exciting Shetland produce available today, it can be argued that Shetland meat – its native lamb, mutton and beef – has most to offer. The tremendous opportunities that undoubtedly lie within the sector have never been fully exploited. The industry is beginning to realise that finishing lambs on the Island is the only way of extracting sustainable value. Almost no community of this size can muster the range of indigenous domestic livestock which Shetland can. This is a marketing advantage which must be developed and exploited.

SLMG is of the belief that the meat sector will become one of the most significant income generators for Shetland economy in years to come.

Shetland agriculture will play a vital role in the development of a sustainable food industry in Shetland by supplying local markets and providing premium speciality products to discerning customers. Nothing can be done without top quality and locality-specific raw materials. Successful marketing will lead to a rekindling of enthusiasm for agriculture in Shetland, a significant boost to the economy and help sustain rural communities.

The livestock store trade has been the lifeblood of Shetland agriculture. Sheep numbers in Shetland rose throughout the 1980's and 1990's due to subsidy based income. Recently both numbers and value of livestock have decreased significantly and this trend will continue apace in the coming years, though it should be noted that some decline was and is essential to lead to an increase in finished livestock. The livestock trade is at a critical juncture. The right decisions at this time will ensure it can fulfil its full potential in the agricultural economy.

SLMG will capture an increased share of store lambs and breeding stock, attract consistent competitive bidding for them at the marts and extract best value for the industry through a health-quality marketing programme.

3. Development Proposal

3.1 Sales and Marketing of Meat and By Products

SLMG has made some very significant progress in developing new markets for Shetland lamb. This work was largely led by the previous Marketing Manager who left the organisation in 2007. Unfortunately due to funding constraints at the time, he was not replaced. Thus the growth of sales has stagnated over the previous 18 months. It is critical to the success of SLMG and the wider Shetland agricultural community that this trend is reversed and a concerted effort is made to develop existing and new markets for Shetland meat. It is therefore proposed to recruit a new Sales and Marketing Manager to take this forward.

The cooperative are keen to learn the lessons of the past, when it was felt that the Manager was under-resourced and asked to do too much. The rationalisation of the sales and marketing from the abattoir operation will certainly help to address this problem. It is also imperative however that a sufficient Marketing budget is available to the Manager and that suitable finance arrangements are in place to help mitigate against the cash flow problems the cooperative has encountered. To this end the cooperative will seek invoice factoring and credit insurance arrangements.

Also identified is the need for value added processing equipment to help target markets for packaged meat, such as supermarket chains which cannot currently be serviced. This will take the form of vacuum packing and packaging machinery. A suitable refrigerated vehicle/trailer to assist in the transportation and delivery of meat products is also required to service contracts.

3.2 The Marts

A key conclusion from the Business Review was the need to improve operational procedures at the Marts. This takes the form of both structural and layout improvements at the building, such as pen layout, new weighbridge equipment and doors, and also the systems in place to help with paperwork. It is therefore proposed to install new IT systems which should help improve performance.

4. Operations

4.1 Sales and Marketing and By Products

At present SLMG purchase on average 3,500 lambs from 95 producers per annum in order to supply markets that SLMG have developed. A third of the customers are from outside Shetland, 44% are local tourist/visitor outlets, i.e. hotels, restaurants and Northlink Ferries. The remainder are supplied to local distributors and butchers. SLMG members are paid a price premium for supplying lambs, and SLMG will accept lamb from any producer that meets the quality criteria.

At present the Sales and Marketing function is undertaken by Directors (on a voluntary basis) and the Office Staff. Previously, SLMG had a dedicated Marketing Manager in place but lack of available funds meant that when he left in 2007, there were not the resources to replace him.

4.2 The Marts

SLMG operate livestock markets in partnership with Aberdeen & Northern Marts (A&NM). The arrangement has been in place for many years. SLMG provide the facilities and equipment with which the sale is operated, producer contacts, as well as office and drover staff to run all aspects of the sale. A&NM in turn provide an auctioneer (with extensive buyer contacts on the mainland), software and management expertise, and crucially, finance to allow producers to be paid timeously and the credit for buyers. In addition A&NM undertake debt recovery from Thainstone head office. Profits/losses are split 50/50 between the partners.

The partnership is unique because A&NM also actively canvass for stock from Shetland directly and indeed, they employ a member of staff as a kind of 'Shetland Officer' responsible for canvassing, shipping and eventual sale at Aberdeen.

Livestock sales in Shetland are extremely seasonal in nature. The bulk of the season occurs in 2 months – September and October while 3 to 4 one day sales of cattle are usually held over 4 months in the early part of the year. Sales are composed of store lambs, breeding stock, rams and store cattle.

SLMG also utilise the marts building outside sales season through the rental of storage space for boats, caravans, etc. They also rent offices in the building to three other organisations throughout the year.

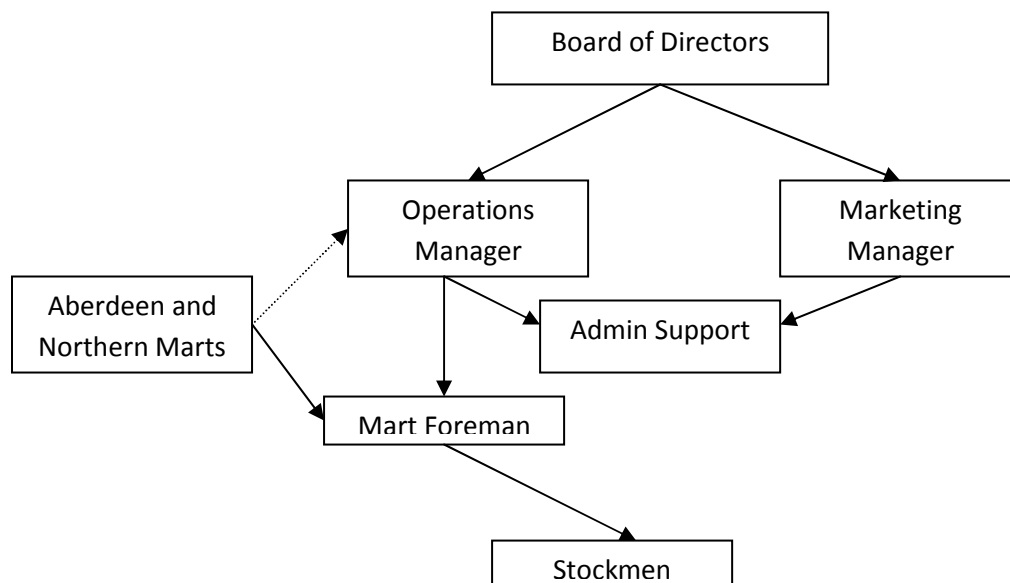
4.3 Personnel

The cooperative currently has 289 members and a board of directors as follows:

Ronnie Eunson	Chairman
Aaron Sinclair	Vice Chairman
Laurence Odie	
Richard Spence	
John Abernethy	
Jonathon Duncan	
Brydon Budge	
Adam Cunnyghame-Brown	

At present the Marketing Manager role is vacant and is taken on by the Board of Directors (unpaid) and the Office Staff. This is a far from ideal arrangement. On sales days the running of the Marts is done in partnership between Aberdeen and Northern staff and the Mart foreman.

Chart 4.1: The proposed organisational structure of SLMG:



5. The Market and Promotion

5.1 Sales and Marketing of Meat and By Products

The Market

In 2004, SLMG began to devise its meat marketing strategy. In order to ensure that branding was formulated intelligently and that future marketing monies and resources were spent wisely, SLMG commissioned a programme of market research. This research identified the niche opportunities for Shetland meat products – specifically lamb and beef – among markets in the UK mainland. The study entitled *“Developing the opportunity for Shetland in the premium meat market”* was undertaken by PROMAR International and completed in 2005.

The PROMAR research proved extremely positive. Markets were receptive to the Shetland proposition and there were no negative memories from previous initiatives. Moreover, all respondents who were interviewed as part of the research – premium meat buyers – indicated that they would welcome contact from SLMG in the future. The research confirmed that Shetland meat offered a set of unique differentiators but these were of varying importance to the markets targeted.

“SLMG undoubtedly has a potential niche product for supply into the premium meat market. A small, but clear premium market exists in retail, while in foodservice top end hotels and restaurants seek to differentiate their offering through the use of high quality. In developing its marketing strategy, SLMG should focus, in the short-term, on establishing a market in England through:

- Targeting the foodservice and specialist independent retail sector
- Accessing distribution through partnership with a wholesaler (meat or catering butcher)
- Focusing and refining the “Shetland Story”
- Preparing promotional activities in conjunction with partners
- Capitalising on current distribution and customer opinions in developing promotional materials (e.g. recommendations, reasons for buying Shetland meat). Sampling will have a role to play in promotional activities, but this should be selective

Having developed a market position, in the longer term SLMG may be in a position to selectively target multiple retail and make the necessary investments to maximise added value to the benefit of its members” (Promar, 2005).

Four years later and this analysis of the situation remains true. In fact, SLMG have been in recent discussions with a major Belgian supermarket about supplying in the order of 4,000 carcasses, which would prove very lucrative to local producers.

A more recent marketing study was commissioned by SLMG to look at demand for Shetland lamb on the UK mainland. This piece of work was undertaken by SAOS and Axle Associates and the full report is contained in the Appendix. The report

concludes that a realistic target for SLMG within five years is to be exporting 18,000 finished lambs per annum.

Beef

Lamb has always been historically trumpeted as one of Shetland's product 'champions' but SLMG also see great potential in the beef capable of being produced in Shetland. Shetland beef offers many of the same Unique Selling Points as lamb such as natural diet, leaner carcass and a distinctive taste. UK mainland market potential aside, with the fact that the level of beef consumption in Shetland was identified as some 1,200 carcasses in 2002 (Red Meat Processing and Marketing in the Highlands and Islands, 2002) then one can begin to see a real long-term potential for development within Shetland. For example, each of these carcasses would represent around an additional £1000 circulating in the Shetland economy. That is £1.2 million alone.

Since 2003, SLMG have built and developed relationships with the local Shetland butchers. It is SLMG's belief that there exists potential additional capacity in the local butchers' customer base for lamb and substantial capacity for Shetland beef. At present less than 100 cattle are slaughtered in Shetland and make their way into the local food chain.

Online sales

Online selling of branded meat products has been identified as an outlet of considerable potential. Online meat sales are now commonplace and there are many brands successfully and lucratively supplying meat to discerning customers. Indeed, some UK mainland based outfits even sell mainland-sourced 'Shetland' lamb online. In this respect, SLMG have worked closely with local web designers NB Communication who manage www.shetlandfood.com.

Competition

The red meat industry in the UK is fiercely competitive. On the UK mainland direct competition can be categorised in the form of other small locality-driven premium producers with a premium quality marketing concept. There is a growing band of niche premium meat suppliers. However, despite the emphasis on quality, price is extremely sensitive.

In Shetland, competition comes predominately in the form of imported meat from the mainland – usually the Scotch Premier brand but also in the form of very cheap imports from Eire and New Zealand. Lamb processed at the Boddam abattoir by Pure Shetland Lamb Ltd is the only local competitor. The recently renamed company operates a cheaper pricing strategy.

Promotion of product

In August 2005, SLMG launched the Taste Shetland brand, with three product 'sub' brands: Shetland Island Lamb, Shetland Hill Lamb, and Shetland Seaweed Lamb.

The branding strategy was heavily influenced from the Promar market research programme.

The branding strategy was an immediate success. Native Shetland lambs are finished under the Hill and Seaweed brands, while cross lambs such as Suffolk and Texel are finished under the Island moniker. The Seaweed brand tends to 'hook' the customer and generate curiosity and contact is built from there until the customer is fully briefed.

SLMG's vision was to build a creative marketing campaign built around a defined set of Unique Selling Points. This campaign would support a higher price strategy and quality market position for uniquely positioned meat products. The campaign paid off. SLMG built on the leads within the market research and via the publicity generated by the Taste Shetland launch, it gained a new set of customer contacts which built on the existing client base developed by the SLMG Board in 2003.

However, despite the initial success of the brand development, SLMG has not seen the initial high rate of growth in sales continued over the past 18 months. This is largely the result of one key factor: a lack of available working capital to build on the initial success.

Marketing and promotion efforts often take years to come to fruition and unfortunately SLMG has lost ground over the past 18 months due to a lack of Marketing Manager and no budget to take the marketing forward. It is therefore key that this is addressed. It is clear from the preceding section that there is a strong market demand for Shetland lamb but what is required is a Marketing Manager and a suitable budget to capitalise on this for the benefit of Shetland producers.

Promotion to Suppliers

SLMG are well aware of the recent trends of declining stock numbers and this can be seen as both a threat and an opportunity. The declining numbers make the viability of finishing stock look more promising and this needs to be promoted to the sector. SLMG will need to achieve buy-in from local producers in order to obtain the supply of finished lambs in order to meet market demands.

To address this, SLMG plans to develop lamb finishing workshops, at which producers will be educated on optimum feed and processes for improving the quality of finishing lambs and the resultant benefits to meat quality. This knowledge already exists in the agriculture industry in Shetland but needs to be strengthened and disseminated to all producers.

The need for closer dialogue with members is also seen as critical. Under the previous Marketing Manager there were regular members' newsletters keeping members up-to-date with the latest trends in the industry and news on SLMG's performance. This will be a critical part of the remit of the new Marketing Manager.

5.2 The Marts

The Market

There are concerns that stock numbers in Shetland will continue to decline as has happened over the last few years. Clearly this would make the viability of the mart more difficult.

The decline in sheep numbers in particular has been across the board in all types, not just Shetland hill sheep, but also in bye and cross animals. The factors that could contribute to further falls are obviously the support regime and regulations, and policy changes. If there is more difficulty with the payment system and less recognition of special island circumstances within LFA status, this could accelerate the decline. The proposals for electronic tagging of all sheep could cause a further contraction and the changes proposed to the regulations governing the transport of animals is also a cause for concern unless the boat journey to the mainland receives a derogation. The current SRDP schemes are “not likely to encourage growth” according to SAC and the new Crofting Bill is not seen to have many positive outcomes for crofters.

However on the more positive side there is a new LFA scheme proposal as well as changes to the single farm payment that might encourage more stock; and market demand is expected to be sustained for both sheep and cattle, despite the recession. There is strong evidence that sheep prices are holding up and that producers can expect good returns this autumn.

The general perception is that stock numbers are near the bottom in Shetland and are not likely to fall much further. Numbers are expected to remain at around current levels over the next 4-5 years. Post 2013 might see some further changes in agricultural policy and support schemes which could cause further decline. On the plus side the reduction in numbers and stocking density does appear to have increased quality according to a number of observers.

Despite this overall trend, the Marts has managed to maintain the level of throughput of animals through the Marts, and actually increase its percentage throughput against total exports, the current percentage stands at 33%. From this, it can be assumed that the Marts is doing a very good job in obtaining good prices for local producers.

However it is still acknowledged that the mart does suffer from a lack of throughput in comparison to mainland alternatives, such as Thainstone (operated by Aberdeen and Northern Marts). This lack of throughput in turn presents a challenge in terms of attracting buyers from the mainland to Shetland.

Whether there are mainland buyers or not, bringing stock to the marts has a compelling economic argument when transport/freight costs are factored in. This argument is backed up by the increased percentage of stock going through the marts.

A central mart is vital for a sustainable agricultural industry in Shetland. Even those producers who do not use the marts to sell their livestock benefit from the marts indirectly. These producers have Shetland benchmarks to use when negotiating on price. If the mart was not in existence then private buyers would have huge power to dictate prices. Transparency on these prices would be masked by uncertainty in costs of haulage, freight and administration.

Also, the marts act as a disposal service of sorts where producers can put small quantities of poorer quality or aged stock. This saves them the hassle of disposal by other means.

Promotion

SLMG will continue to target buyers for all types of livestock. The target markets for livestock sales can be itemised as follows:

- Buyers who have bought livestock from Shetland in the past
- A&NM contacts
- Contacts gleaned from a Shetland presence at Agricultural shows
- Customers of Scottish Agricultural College Advisors
- Customers of veterinary offices

Shetland stock have many Unique Selling Points to promote to buyers:

- Clean, disease free stock
- Quality stock
- Sheep can lamb from any terminal sire
- Proficiency and fecundity
- Mothering attributes
- Food conversion ratios once 'brought on' to mainland
- 'Easi care' sheep
- Hardiness of stock

6. The Financial Projections

To provide a higher degree of transparency, two separate projections have been made for each of the two elements of the SLMG operation, namely the Marts and the Sales and Marketing function. The projected Profit and Loss accounts follow along with the key assumptions made are detailed below. Full cashflow projections are included in Appendix 4.

The Marts

Key assumptions:

- Rationalisation of operation which results in lower operating costs.
- Existing setup with Aberdeen and Northern Marts remains.
- Throughput remains constant against 2008 levels
- There is an apportionment of “office costs” from the Sales and Marketing division to the Marts operation, to cover admin function and cover office overheads
- Membership income is split 50/50 between Marts function and Sales and Marketing Function
- Overhead costs based on accounts of previous three years
- No account has been made of inflation

Sales and Marketing

Key assumptions:

- Marketing Manager recruited in September 2009. This will be funded 100% for first year, 50% for second year and third year.
- A Cattle processing facility will be in place by end of January 2010
- No account has been made of inflation

	Lamb		Beef	
	Sales	Sales price – purchase price	Sales	Sales price – purchase price
2009	2400	£19	0	n/a
2010	2765	£20	75	£300
2011	3000	£21.50	85	£300
2012	3285	£23.50	95	£300

Profit and Loss Projections - Marts

	Aug - Dec			
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Turnover				
Rental of Offices	£5,383	£11,296	£11,296	£11,296
Rental of Storage Space	£2,200	£5,900	£5,900	£5,900
Membership	£0	£5,500	£5,800	£6,200
Sales Expenses Recouped	£9,000	£17,000	£17,000	£17,000
Livestock Commission	£1,500	£2,000	£2,500	£2,500
Sale of Water facilities	£5,200	£12,480	£12,480	£12,480
Income from Sales and Marketing Divisor	£1,500	£3,600	£3,600	£3,600
Total Turnover	£24,783	£57,776	£58,576	£58,976
Cost of Sales				
Farm Assurance	£600	£600	£600	£600
Vet Fees	£700	£750	£750	£750
Aberdeen and Northern Fees	£0	£0	£0	£0
Waste Disposal	£2,350	£3,400	£3,400	£3,400
Gross Wages - Office Staff	£14,500	£29,900	£29,900	£29,900
Total Cost of Sales	£18,150	£34,650	£34,650	£34,650
Gross Profit	£6,633	£23,126	£23,926	£24,326
Overheads				
Insurance	£1,250	£3,000	£3,000	£3,000
Rent	£0	£575	£575	£575
Rates	£0	£660	£660	£660
Light and Heat	£1,667	£4,000	£4,000	£4,000
Water	£1,200	£2,400	£2,400	£2,400
Repairs, Servicing and Cleaning	£800	£2,000	£2,000	£2,000
Travel	£800	£800	£800	£800
Advertising	£150	£300	£300	£300
Packaging, Postage and Carriage	£100	£300	£300	£300
Telephone	£175	£275	£275	£275
Printing and office equipment	£350	£600	£600	£600
Office Stationery	£400	£450	£450	£450
Accountancy and Legal/Professional Ser	£375	£875	£875	£875
Repairs and Renewals	£1,400	£2,000	£1,300	£1,300
Premises Expenses	£400	£2,200	£1,400	£1,400
Vehicle Expenses	£0	£500	£500	£500
Bridge Finance	£3,000	£6,000	£0	£0
Loan and HP Interest	£425	£1,020	£1,020	£1,020
Total Overheads	£12,492	£27,955	£20,455	£20,455
Surplus/Deficit	-£5,859	-£4,829	£3,471	£3,871

Profit and Loss Projections - Sales and Marketing

	Aug - Dec			
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Turnover				
Lamb Sales	£108,614	£193,550	£214,493	£241,455
Cattle Sales	£0	£97,500	£110,500	£123,500
Marketing Grant	£18,400	£69,200	£14,600	£16,600
Membership	£0	£5,500	£5,800	£6,200
Total Turnover	£127,014	£365,750	£345,393	£387,755
Cost of Sales				
Lamb Purchases	£77,813	£138,250	£149,995	£164,255
Cattle Purchases	£0	£75,000	£85,000	£95,000
Slaughter Fees	£27,559	£53,605	£58,478	£64,207
Delivery	£1,200	£2,000	£2,000	£2,000
Total Cost of Sales	£106,572	£268,855	£295,473	£325,461
Gross Profit	£20,442	£96,895	£49,920	£62,293
Overheads				
Gross Wages - Marketing Manager	£8,400	£25,200	£25,200	£25,200
Office Overheads	£1,800	£3,600	£3,600	£3,600
Insurance	£1,714	£2,000	£2,000	£2,000
Electricity	£0	£900	£900	£900
Travel and Subsistence	£1,250	£3,400	£3,400	£3,400
Local Advertising and Promotion	£1,200	£2,000	£2,000	£2,000
Packaging, Postage and Carriage	£2,250	£3,000	£3,000	£3,000
Telephone	£300	£600	£600	£600
Office Stationery	£72	£360	£360	£360
Accountancy and Legal/Professional Ser	£375	£875	£875	£875
Training	£750	£750	£750	£750
Vehicle Expenses	£150	£600	£600	£600
Marketing Spend	£10,000	£44,000	£4,000	£8,000
Invoice Factoring Arrangement	£2,000	£6,000	£6,000	£6,000
Bridge Finance	£3,000	£6,000	£0	£0
Total Overheads	£33,261	£99,285	£53,285	£57,285
Surplus/Deficit	-£12,819	-£2,390	-£3,365	£5,008

7. The Funding Requirement

A critical conclusion of the SLMG Business Review was that the cooperative at its inception was undercapitalised, and it is important to learn from the lessons of the past. Also at present the cooperative has no cash resources on which to build towards a sustainable and viable future, for this reason it is suggested that an immediate cash injection in the form of working capital is required. It is suggested

that the level of this funding is £60,000. Without a cash injection in the critical next six months, the cooperative will cease trading.

In order to realise the operational efficiencies at the Marts and achieve viability, some capital investment is required. This takes the form of significant upgrades to the marts building and equipment and the installation of a new IT system to smooth operations and address the problems of increasing paperwork. These upgrades will require finance in the form of a bridging loan or similar to cover cash shortfalls. SLMG are currently seeking the best deal and it is estimated to come at a cost of £18,000.

As mentioned previously, it has been assumed that grant funding will be available for the Marketing Manager's salary. This will take the form of 100%/50% funding over the three year period. This will allow the cooperative to work gradually to achieving a sustainable position where the salary can be funded without any outside assistance. However there is still a requirement for funding towards a Marketing Budget to take the project forward and learn the lessons of the past. It is deemed necessary to put in place funding of £60,000 of funding for this purpose. This will involve the design of a new website to help drive promotion and online sales and also the contracting of UK mainland based marketing specialists to market Shetland meat.

Finance will also be required to protect the cooperative when dealing with the larger orders they are seeking to secure. It is estimated that the cost of this, in the form of invoice factoring, will be £6,000 per annum. In addition it is proposed to purchase value added equipment (vacuum packer and additional packaging machinery) and a suitable refrigerated vehicle to deal with transportation and delivery of meat. It is estimated that this will cost in the region of £30,000.

Working Capital is also required to operate the cooperative and therefore brings the total funding requirement to £407,200 as outlined in table below:

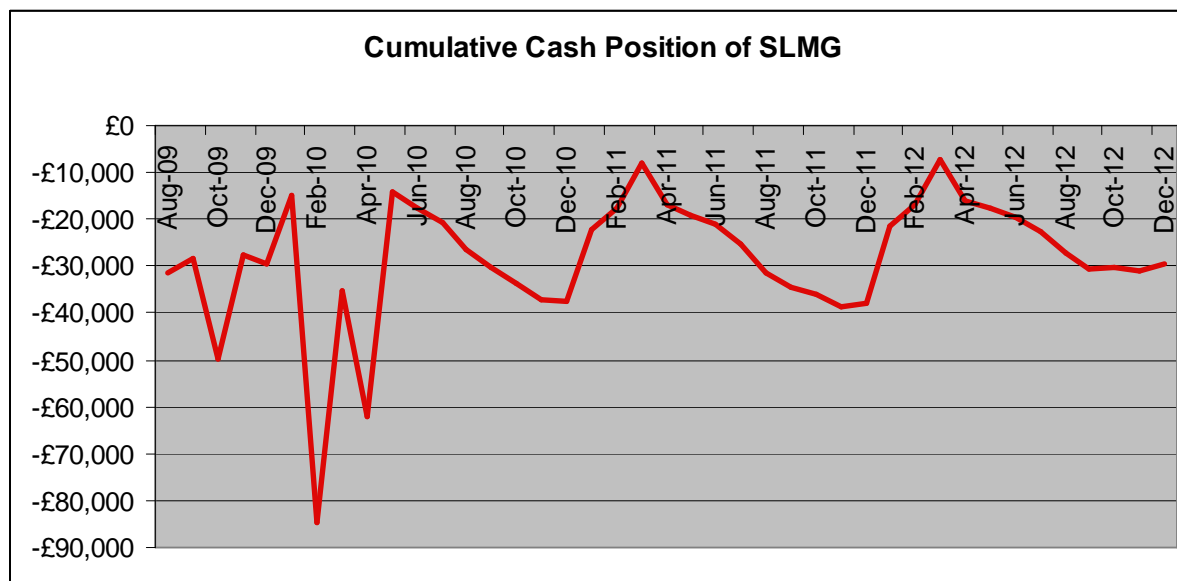
Table 7.1: Funding Requirement

	Note: Prices include VAT
Capital Funding	
Upgrade to Marts Building and Equipment	£120,000
Value Added Processing Equipment	£17,000
Freezer Unit	£20,000
Refrigerated Vehicle	£30,000
IT System	£15,000
Bridge Finance	£18,000
Capital Total	£220,000
Revenue Funding	
Marketing Salary	£67,200
Marketing Budget, including development of web sales and external specialists	£60,000
Revenue Total	£127,200

Working Capital (see below)	£60,000
Overall Total	£407,200

The chart below illustrates the cumulative cash position of SLMG as a result of the investment detailed above (the period until the end of December 2010 is covered by bridge financing).

Chart 7.1: Cumulative Cash Position without Working Capital



A major finding of the Business Review that was commissioned was the undercapitalisation of SLMG from the beginning, which culminated in the inability to cope with cash flow problems encountered through bad debts. The chart above clearly shows that despite the major investment the cooperative is still short on cash resources. For this reason it is suggested that an additional £60,000 of funding is provided to ensure that the cooperative is properly resourced from the beginning and that it does not find itself in the position it does at present. A significant percentage of this will be ring fenced to cover the riskier element of the operation, the sales and marketing of meat products. The chart (chart 7.2) below shows the effect of the cash investment and shows by the end of the three year development phase the corporation will have sufficient cash resources and a profitable and sustainable operation (chart 7.3):

Chart 7.2: Cumulative Cash Position with Working Capital

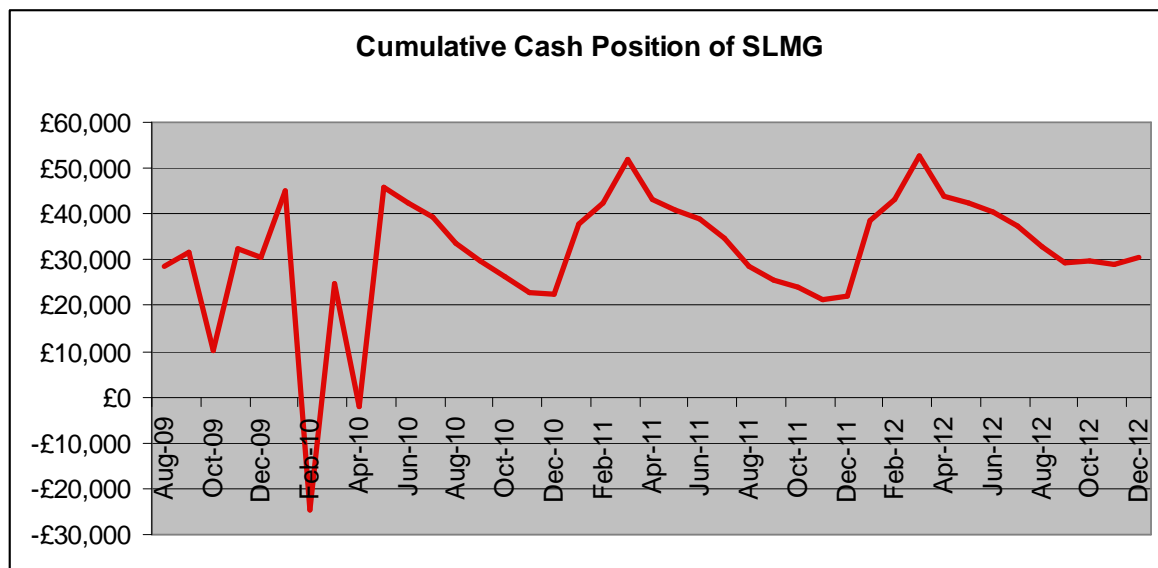
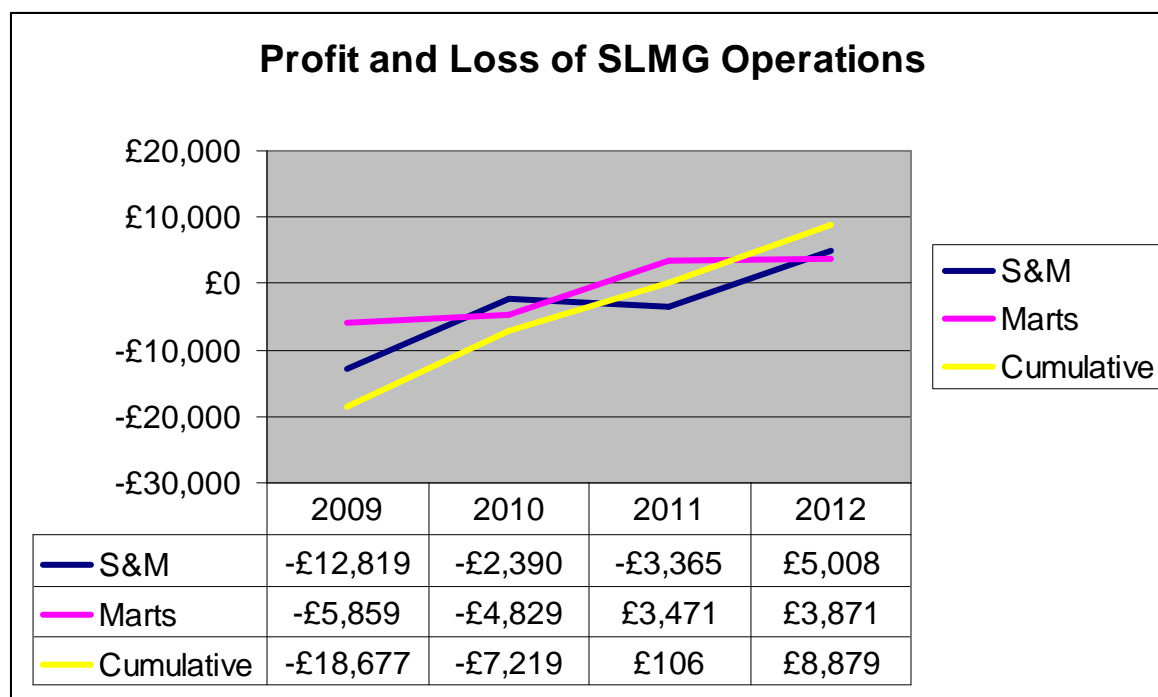
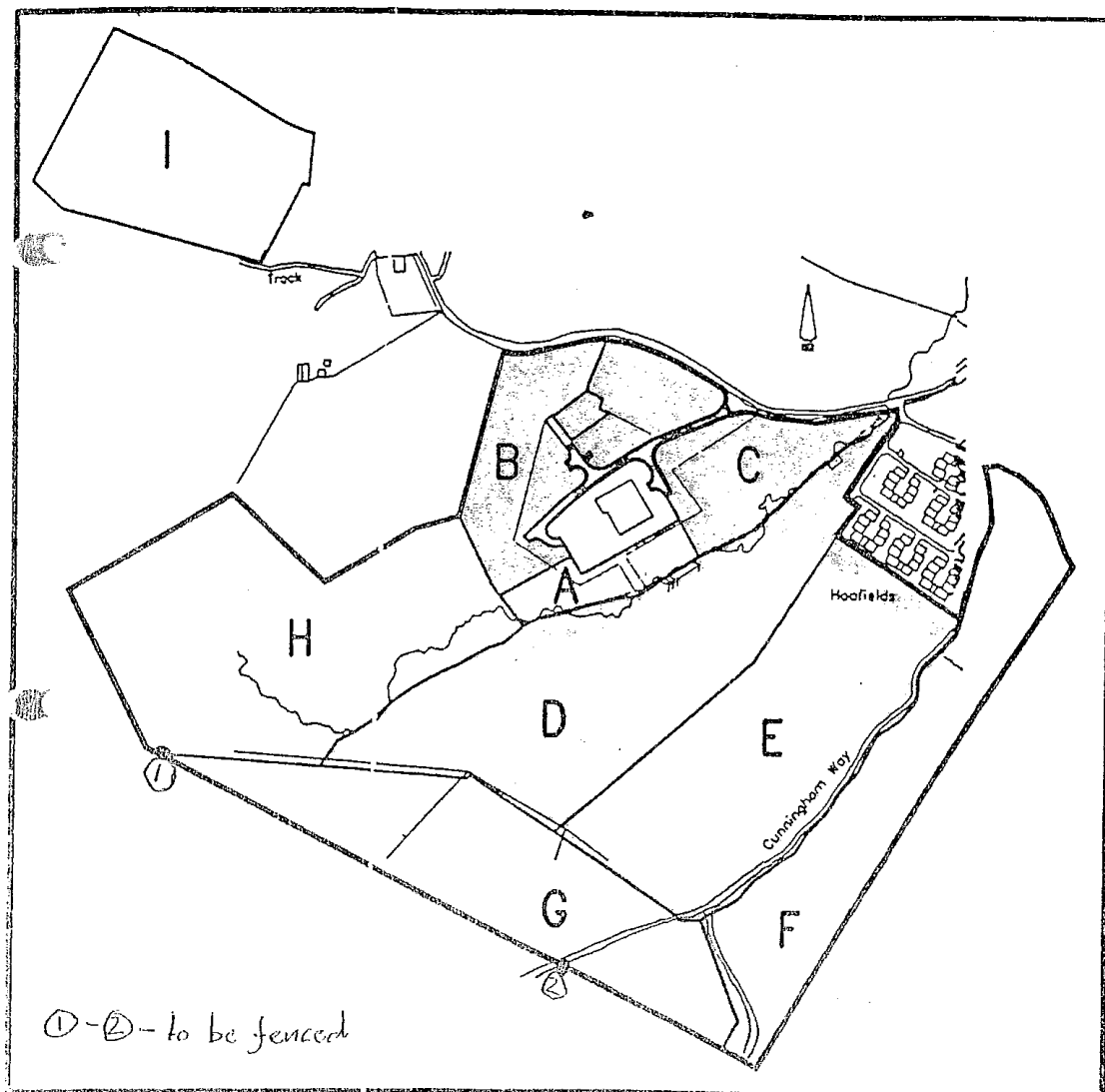


Chart 7.3: Profit and Loss Projections for SLMG



Appendix 1: Map of Marts Site

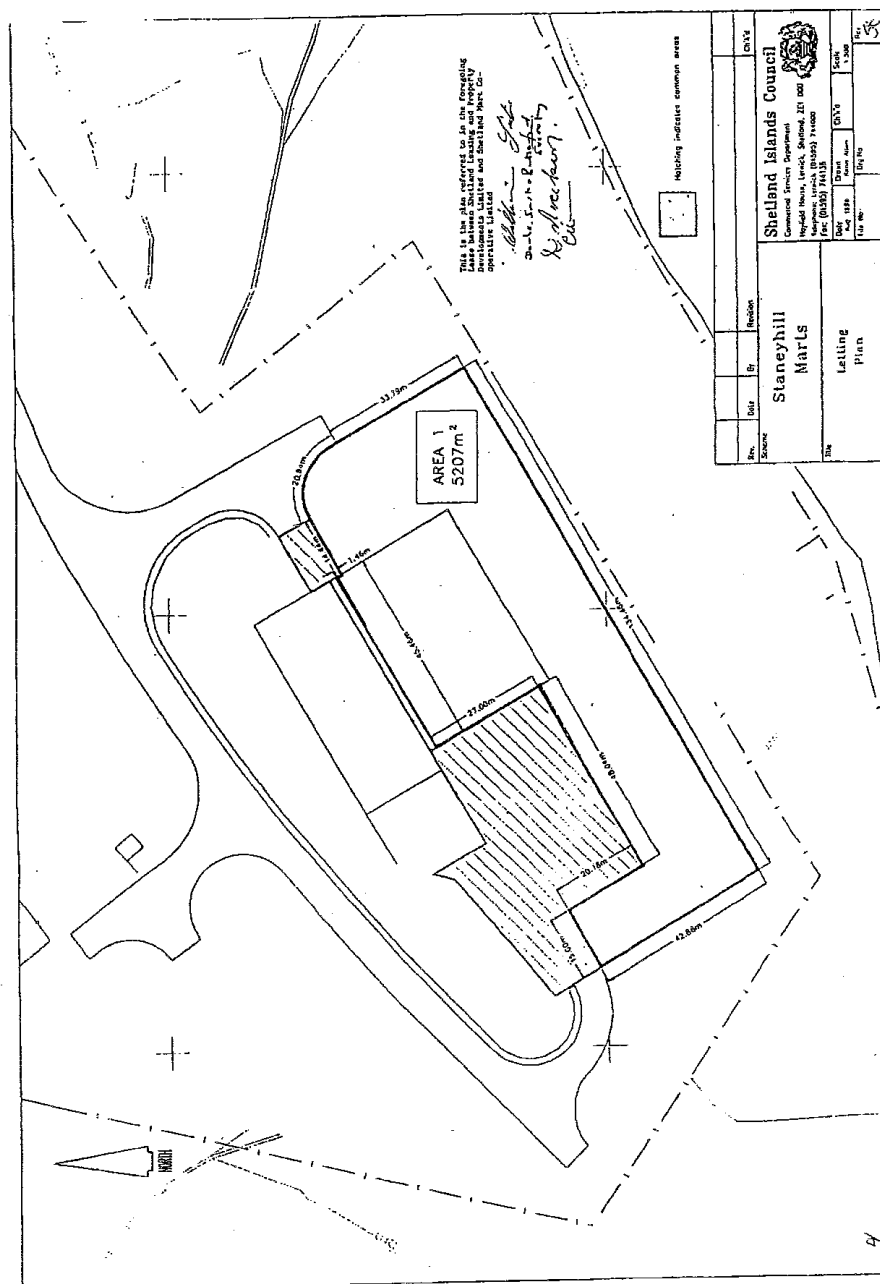


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Registers of Scotland



EXTRACTED by me having commission to that effect from the
Keeper of the Registers of Scotland.

David Smith

Appendix 2: Shetland Lamb Marketing Report

Shetland Lamb Marketing Group

Market report – 1st Draft

Introduction

The following report was prepared by SAOS in association with Jim Ironside of Axle Associates Ltd on behalf of SLMG Ltd. The work was financed by SAOS Ltd and by Scottish Government under the Collaborative Supply Chains Programme.

The objective of the work was to discover the marketing and sales opportunity for Shetland Lamb on the UK mainland by talking directly with wholesale butchers and distributors.

Potential customers:

Targeted customers were selected against a background of dominant market share enjoyed by a handful of UK lamb wholesalers supplying the Multiple Retail Industry. Eg; Dunbia group slaughter 25,000 – 28,000 lambs weekly. This throughput; coupled with cost effective slaughter / cutting / packing and routes to market effectively rules out any real chance of competing at Multiple level (other than in Shetland level Co-op/Tesco) – let alone competing profitably.

Target sector is therefore predominantly Restaurant & Hotel outlets via a nominated route of supply, based on – as far as is practically possible – non competing Catering Butchers throughout UK.

Previous mainland UK customers:

Billfields Ltd subsidiary of Direct Seafoods (London): Unit 4, 57 Sandgate Street, London SE15 1LE. Tel 0870 770 6291.

A combination of basic issues led to SLMG being de-listed. Update:

After considerable dialogue with Toby Baxendale (Group CEO), and Darren North (Joint Managing Director), Billfields have confirmed their intention to reactivate trading. See Appendix SLMG (1).

It is reasonable to budget for sales of 25 lambs weekly to London depot with a possibility of adding considerably to that number by offering “boxed” lambs to Billfields’ distribution units at Colchester – Grimsby - Fleetwood – Milford Haven – Brixham – Newcastle & Broxburn.

Aberdeenshire Larder, Unit 3, Broomiesburn Road, Ellon, Aberdeenshire. AB41 9RD. Tel 01358 727850. E: sales@aberdeenshirelarder.co.uk

Contacts are:- John Bain – John Andrew (Bain) – Vickie Moir

Aberdeenshire Larder: Main reason for delisting SLMG was price. That is; Shetland lamb offered cheaper by an alternative Shetland supplier.

Whilst Aberdeenshire Larder business may be reactivated, it is perhaps worth noting that Aberdeenshire Larder operates in a highly price competitive market. Accordingly, ongoing supply may not be relied upon long term. That said; 10-15 lambs weekly is a realistic possibility.

My understanding is that SLMG is in dialogue with John Andrew (Bain).

Proposed new outlets:

S Shuker & Sons, Specialist Catering Butchers, 25 Parr Street, St Helens. Merseyside WA9 1JU. Tel 01744 29534 Fax 01744 28203 E: info@shukerbutchers.com
www.shukerbutchers.com

Shukers has a customer base covering a wide area including Chester, Warrington, The Wirral, Liverpool, Manchester, and up to The Lake District.

Bill Slater (Sales Director) has substantial knowledge of the Scottish Food Industry. See Appendix SLMG (2).

Realistic possibility of 20 – 25 lambs weekly with much room for expansion given proper business and marketing support.

J F Edwards & Son Ltd 42 Central Markets, Smithfield, London EC1A 9PS.
(Subsidiary of Davies & Davies Holdings) Tel 0207 236 9721

Derek Berry (Group Marketing & Sales Manager) knows the product well, having traded (at a loss) in frozen Shetland Lamb in the 1980's.

J F Edwards & Son Ltd sells circa 300 tons of fresh & frozen food weekly (including substantial sales of chicken) to restaurants, hotels & traditional butchers throughout London. This includes imported and UK produce. Absolutely huge customer base – within which there are outlets which are always looking for “something different” such as Shetland Lamb.

Stock list covers an enormous range of produce from Scotch haggis to Crocodile tail fillets and Rattlesnake.

Plenty scope for building sizeable business but initially a realistic budget may be circa 40 boxed lambs weekly. See Appendix SLMG (3).

Fairfax Meadow Ltd, Catering Butchers, 24-27 Regis Road, Kentish Town, London. NW5 3EZ Tel 0171 485 9232. Contact: John Eaton (Procurement Director (Procurement Director) www.fairfaxmeadow.co.uk

Distribution bases in London – Canterbury – Derby & Gateshead

Fairfax has a customer base of over 5,000 outlets, including contracts to supply national Hotel groups such as Barony Hotels.

Await confirmation from John Eaton (Procurement Director) but expectation is hopeful with realistic possibility of minimum 30 lambs weekly.

Fresher – by – Miles Ltd www.fresherbymiles.net Contacts; G Beach (M.D.)
Paul Routh (Sales Director based Alcester) Adam Bailey (Ashford based Sales Manager)
Sales & distribution from Alcester & Ashford bases.

Supply into 130 hotel & restaurant trade outlets in London. Mainly fruit & veg but are to include boxed Bramley Old Spot Pork produce. Shetland Lamb would be a sensible addition.

George Beach (M.D.) has now confirmed 10 – 15 boxed Lambs weekly.

Campbells Prime Meat Ltd, Brocks Way, East Mains Ind. Estate, Broxburn. EH52 Tel 01506 858585 www.campbellsmeat.com Contact Martin Wishart
Peter Flockhart (M.D.).

Campbells Prime Meat distributes throughout the whole of Scotland operating 75 delivery vans. Big player with £55 million sales. Campbells' current lamb usage is 300 lambs weekly (18-23 kilos). Campbells' did try Shetland lamb previously but weight specification requirement was not adhered to. Butchery – if necessary – to be discussed in due course.

Peter Flockhart has agreed to help by – quote:- “Take 100 in-spec lambs every week of the year providing price is equivalent to current Scottish lamb price”.

SLMG Recommended Future Sales Strategy:

- Nominate specific areas (with reasonable distribution access) throughout UK. That is; not Devon/Cornwall Wales or below Bristol – nor Dover area.
- London Aberdeen Dundee/Perth/Fife Glasgow Edinburgh
Cumbria Yorkshire Manchester Birmingham Nottingham
Gloucester/Bristol Milton Keynes/OxfordSouthampton/Brighton
- Target several Catering Butcher customers per area in the hope of achieving 2 ongoing outlets.
- Eg: Aberdeen area – already known via Aberdeenshire Larder but may include Donald Russell Ltd (Inverurie) & Craig Group Catering Services.

- Perth / Dundee / Fife Simon Howie would be a good starting point.
- Edinburgh Glasgow
Campbells Prime Meats Ltd spoken for – Malcolm Allen & Sons & Campbell Brothers Ltd all supply throughout the Central belt.
- Cumbria
Althams of Morecambe – Udale Foods – Pioneer Foods – Lakes Speciality Foods all cover from Preston to Carlisle.

Possible outlets may be found on various web sites such as Federation of Catering Butchers – Wholesale Butchers – Meat Trades Journal Directory – Excel Food Exhibitions – Scotshot Exhibition.

Registered Trade Mark/ Certification Trade Mark/Collective Trade Mark

Three brands have been sold to date in carcase or primal cut form:

- (1) Shetland Hill Lamb
- (2) Shetland Island Lamb
- (3) Shetland Seaweed Lamb

Livestock: Store & finished lambs sold via auction as Shetland Lamb.
As at March 2009 neither of the brands were Registered as Trade Marks.

In order to safeguard the “Brands” and gain essential control of the produce from slaughter to consumer, Application for **Collective Trade Mark** status is highly recommended. Approximate cost is £250 per brand plus £50 for each Class added to the initial application.

Therefore; Shetland Hill Lamb Application under Class 29 (All Lamb cuts) plus Class 30 (ready meals / kebabs etc) plus Class 31 (Livestock) will cost £350.
Likewise for Shetland Island Lamb and Shetland Seaweed Lamb. Total £1,050.

- It may be prudent not to tie in SLMG members stock to the proposed Trade Marks until slaughter – providing of course, the lambs in question have met the criteria concerning breeding, welfare & geographical upbringing from birth.
- By not asking SLMG members to confirm each lamb destination to SLMG Group from birth; members will retain the option to sell their lambs at will. That said; all lambs to be sold as – or labelled as any of the aforesaid Trade Marks **must** be sold through SLMG.
- Rules & Regulations to support the proposed brands may be similar to those of “Authentic Aberdeen Angus” and/or “Bramley Old Spot Pork” Trade Marks.

SLMG Application for a Trade Mark simply as “Shetland Lamb” is unlikely to succeed, since such registration would prevent any individual farmer, local butcher or restaurateur from using “Shetland Lamb” to describe their produce – which has been their legal option for generations.

Slaughter / Butchery / Packing

- * Projected average sales are 200 – 300 weekly
- * 500 - 600 weekly during peak times

An obvious observation is that Slaughter alone is therefore part-time. Basic butchery skills are required to cut carcase (when required) into 4 parts.

Butchery:

Local Outlets: Assumption is that lamb carcasses may suit Local outlets.

Mainland Outlets: Historically, lambs shipped in carcase form have met with various degrees of success – and some downright failure.

Recommendation is that all mainland Lambs – with possible exception of Campbells Prime Meat Ltd, though dependent on transport facilities - be butchered to primal status. That is; simple cutting in the following format:-

- (1) pair of gigots (legs) (2) Saddle (3) Split fores (for ease of packing)
- (4) Flanks (breasts)

Offals to be packed & sold separately.

Packing: Lamb (especially Saddles) is notoriously hard to vack-pack successfully. A working alternative may be to pack the fresh cuts in “glazed” boxes.

Unless imbalanced cuts can be sold at viable prices – it is sensible to stick to 1 lamb per box. Alternatively; re’ small seaweed lambs; 2 lambs per box.

Shipping:

With all “shipping” lamb in circa 15-22 kg boxes; haulage is much more straightforward. Individual minimum drop per outlet:- say 15 boxes.

- Year (1) Say; 150 mainland boxes weekly @ 25 boxes per pallet = 6 pallets.
- Year (2) Say; 200 mainland boxes weekly @ 25 boxes per pallet = 8 pallets.

Lamb Pricing strategy:

Whole lamb price to Farmers to be confirmed using current local farmer price & mainland farmer price as a guide.

Whole lamb price (carcase) to Local outlets to be confirmed.

Whole lamb price (boxed) to mainland Catering butchers to be confirmed having considered current UK market trends.

Indication of how to calculate Lamb cuts from Whole Lamb carcase price:-

		Pence per kilo
Eg;	Whole lamb price	say 380
	<u>If</u> fores & flank price is	250
	Gigot & Chop price must be	510 to equate back to 380p lamb price

Equation: – since the two “cuts” are similar in weight - double the whole lamb price of 380 = 760. Then price the two cuts (using any 2 prices) providing the total comes to 760p and all cuts are sold at those prices.

If the total “cuts” price comes to more than 760p - additional income.

If the total “cuts” price comes to less than 760p – possible losses occur.

Second example:

		Pence per kilo
Eg;	Whole lamb price	say 360
	<u>If</u> Gigot & Chop price is	480
	Fores & flank price must be	240 to equate back to 720p lamb price

Similar calculation required to split Gigot & Chops into (1) Gigots (2) Saddle
This time gigots weigh circa 66% saddle 34%

Using above Gigot & Chop price of	480p
<u>If</u> Gigot price achieved is	400
Saddle price must be	640 to equate back to 480p price

Again; if total price of both cuts together come to more than 10.40p – fine

If total price of both cuts together come to less than 10.40 – possible losses occur.

Current average Scottish Lamb Prices as at March 09 to Catering Butchers:-

Mainland Farmer price 350 per kilo

	Price per Kilo
Whole Lamb	425
Gigot & Chops (Hind & End)	550
Gigots (Lamb Legs)	480
Saddles	660
Fores & Flanks	300
Fores	320
Flanks (Breasts)	90

Report Conclusion:

Initial response from the UK Catering Butchery sector has proven beyond reasonable doubt that there is a realistic opportunity to market Shetland Lamb in a “branded” format; more especially if supported and safeguarded by a Trade Mark.

Such is the scale of possible outlets within the UK Catering Butchery sector alone, that a sales target of 18,000 finished lambs per annum is a realistic target in year four / five.

Despite professional marketing of any food product, Supply and Demand still dominates achievement of added value. Given that projected supply of SLMG produce is meantime targeted at Hotel & Restaurant sector via Catering Butchers; there is a sizeable built-in comfort zone, in that additional outlets in the traditional butchery & independent supermarket outlets may be targeted in due course, as a means of securing long term Demand.

UK wholesaler lamb price to Catering Butchers fluctuates on a wide scale from current high of 440p for new season lamb to a low circa 290p in mid-season. Simultaneously, Catering Butchers are charging up to 480p for new season lamb to independent butchers..

There is little likelihood of Shetland farmers being financially better off by simply “hoping” for a decent lamb price from the industry as a whole; compared to a genuine opportunity to create added value by further developing their own Lamb Brand(s) using SLMG. This added value may not be seen immediately, but will be achieved for SLMG members in both medium and long term given continuity and consistency of product and distribution.

SLMG Management:

Since demanding butchery is not a pre-requisite, perhaps the ideal candidate to lead a restructured SLMG business is a person with the ability to focus on general detail.

- An understanding of business finances and how to run a business.
 - A “factory floor” manager capable of seeing at a glance if something is less than perfect from a customer viewpoint, and from a farm member perspective.
 - Ability and enthusiasm to develop “the Brand(s)”.
 - Capable of “hands on” approach if and when required.
 - A good communicator who - on one hand is seen to be wholly interested in each individual customer/outlet; yet simultaneously being aware that the principal behind the Brand(s) is to gain added value for SLMG members.
 - Ability to value SLMG staff input, and to encourage all to participate in the general development of the Brand.
 - Understanding of administration detail in that farmers and customers rightly expect all financial details to be correct and presented in a professional format.
 - Above all; enough focus to create not a brand – but a brand Leader.
-
- * Appendix 1 Billfields Ltd London copy Email enclosed
 - * Appendix 2 Stan Shuker & Sons Ltd St Helens enclosed
 - * Appendix 3 J F Edwards Smithfield London

SLMG Marketing Report

Appendix 1

Billfields Ltd. Dated 20th March 2009. by email:

Good morning.

The Shetland lamb fell through for three main reasons. Firstly, Karl Simpson left the company to focus on his family business. After he left, the grading that we had set which had been working perfectly began to deteriorate. I had a standing order set up with Shetland for 30 Hinds & Ends per week which worked for both us and Shetland as far as I am aware. After Karl left the numbers being delivered was all over the place, on the last delivery I received about 50 odd.

Second reason was that after Karl left, Shetland no longer wanted to sell Hinds & Ends, only whole Lambs. I can understand completely why this decision would have been made, but at the time this did not suit us.

Third reason was basically my loss of faith. The last delivery arrived almost a week late, the lamb had been touring the country on the back of a vehicle, all stacked on chep pallets with pallet wrap going round them. I sent pictures and asked when it could be picked up and in the end Shetland asked us to get it condemned and disposed of. That was the last delivery.

I would dearly love to get the job going again, I spent a lot of time getting this put on chefs menu's and built a good reputation for it within our customer base. The hole that was left has still not been completely filled.

If I can help at all in getting this back off the ground, by all means please call me – 07950 378 030.

Regards

Darren

Daren North
Joint Managing Director

SLMG Report: Appendix 2



SHUKERS
SPECIALIST CATERING BUTCHERS

25 Parr Street, St Helens, Merseyside WA9 1JU
T: 01744 29534 F: 01744 28203 E: info@shukersbutchers.com
www.shukersbutchers.com

U.K.
4661
N

Jim Ironside
REF: Shetland Lamb

Dear Jim

On behalf of Shukers Quality Catering Butchers I would like to express our interest in the above product.

Please let me know if there is any more literature ect ect on the subject.

Obviously I would be keen to see some product and taste ASAP so I can go to market with all the information I require.

Obviously if we had sole distribution in our area it would be much appreciated and you know with my background I will market it in a right and proper manner so as not to devalue the product in any way.

Please keep me informed as to any progress being made
reference
Shetland Lamb.

Best Regards

Bill Slater
Sales Director

SLMG Marketing Report

Appendix 3

Dated 20th March 2009. by email:

J F Edwards Ltd Smithfield London

Shetland Lamb:

Good afternoon.

Thanks for your mail yesterday on the above subject.

Having carefully studied your note we can confirm that we would have an interest in becoming a “partner” in this project.

Please treat this email as confirmation of our interest.

In a former employment in the 1980's I was involved in selling Shetland Lamb, at the time all the meat was frozen, so I can remember the various weight ranges.

The 15 – 22 kgs Lambs are just standard Lamb and would fall into current weight ranges sold.

The 9 – 14 kgs and the 8 – 13 kgs would require a fair amount of work as these weights are not popular in the UK at this time.

Could you clarify one point, would the lamb be shipped as carcasses or in cartons?

Derek

Derek Berry
Group Sales Manager

Appendix 3: Annual Accounts

Previously supplied to SIC EDU as separate documents

Appendix 4: Cash Flow Projections

Please note that these cash flow projections assuming a starting cash balance reflective of the request for £60,000 of working capital, split evenly between the two cost centres.

Marts 2009

	Aug	Sep	Oct	Nov	Dec	Total
<u>Cash In</u>						
Rental of Offices	£305	£2,638	£305	£305	£2,638	£6,190
Rental of Storage Space	£115	£115	£115	£805	£1,380	£2,530
Membership	£0	£0	£0	£0	£0	£0
Sales Expenses Recouped	£0	£0	£0	£0	£0	£0
Livestock Commission	£0	£0	£0	£0	£0	£0
Sale of Water facilities	£1,196	£1,196	£1,196	£1,196	£1,196	£5,980
Capital Grants	£0	£23,000	£15,000	£0	£0	£38,000
Total Cash In	£1,616	£26,949	£16,616	£2,306	£5,214	£52,700
<u>Cash Out</u>						
Farm Assurance	£690	£0	£0	£0	£0	£690
Vet Fees	£0	£403	£0	£403	£0	£805
Aberdeen and Northern Fees	£0	£0	£0	£0	£0	£0
Waste Disposal	£345	£575	£690	£575	£518	£2,703
Gross Wages - Office Staff	£2,700	£3,300	£3,500	£2,700	£2,300	£14,500
Insurance	£250	£250	£250	£250	£250	£1,250
Rent	£0	£0	£0	£0	£0	£0
Rates	£0	£0	£0	£0	£0	£0
Light and Heat	£383	£383	£383	£383	£383	£1,917
Water	£0	£0	£1,380	£0	£0	£1,380
Repairs, Servicing and Cleaning	£115	£115	£115	£460	£115	£920
Travel	£920	£0	£0	£0	£0	£920
Advertising	£58	£58	£58	£0	£0	£173
Packaging, Postage and Carriage	£23	£12	£35	£23	£23	£115
Telephone	£0	£115	£0	£0	£86	£201
Printing and office equipment	£403	£0	£0	£0	£0	£403
Office Stationery	£115	£115	£115	£115	£0	£460
Accountancy and Legal/Professional Ser	£0	£288	£0	£0	£144	£431
Repairs and Renewals	£0	£0	£0	£1,610	£0	£1,610
Premises Expenses	£0	£0	£0	£0	£460	£460
Vehicle Expenses	£0	£0	£0	£0	£0	£0
Loan and HP Interest	£85	£85	£85	£85	£85	£425
Bridge Finance	£1,000	£500	£500	£500	£500	£3,000
Major Repairs to Mart Building	£0	£15,000	£0	£0	£0	£15,000
Equipment	£23,000	£0	£0	£0	£0	£23,000
VAT Payment	£0	£0	£59	£0	£0	£59
Total Cash Out	£30,086	£21,197	£7,110	£7,105	£4,865	£70,363
Cash In - Cash Out	-£28,471	£5,752	£9,505	-£4,799	£350	-£17,663
Opening Cash Balance	£30,000	£1,529	£7,281	£16,787	£11,988	
Closing Cash Balance	£1,529	£7,281	£16,787	£11,988	£12,337	

SLMG Business Plan 2009-2012

Marts 2010

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Cash In													
Rental of Offices	£305	£305	£2,638	£305	£305	£2,638	£305	£305	£2,638	£305	£305	£2,638	£12,990
Rental of Storage Space	£1,610	£1,380	£805	£115	£115	£115	£115	£115	£115	£115	£805	£1,380	£6,785
Membership	£3,163	£3,163	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£6,325
Sales Expenses Recouped	£8,000	£0	£9,000	£0	£0	£0	£0	£0	£0	£0	£0	£0	£17,000
Livestock Commission	£0	£0	£1,500	£0	£0	£0	£0	£0	£0	£0	£0	£0	£1,500
Sale of Water facilities	£1,196	£1,196	£1,196	£1,196	£1,196	£1,196	£1,196	£1,196	£1,196	£1,196	£1,196	£1,196	£14,352
Capital Grants	£0	£0	£45,000	£25,000	£50,000	£0	£0	£0	£0	£0	£0	£0	£120,000
Total Cash In	£14,273	£6,043	£60,139	£26,616	£51,616	£3,949	£1,616	£1,616	£3,949	£1,616	£2,306	£5,214	£178,952
Cash Out													
Farm Assurance	£0	£0	£0	£690	£0	£0	£0	£0	£0	£0	£0	£0	£690
Vet Fees	£0	£0	£0	£58	£0	£0	£0	£0	£403	£0	£403	£0	£863
Aberdeen and Northern Fees	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Waste Disposal	£173	£173	£173	£173	£173	£173	£173	£345	£575	£690	£575	£518	£3,910
Gross Wages - Office Staff	£1,900	£2,100	£2,400	£2,800	£2,000	£2,100	£2,200	£2,700	£3,200	£3,500	£2,700	£2,300	£29,900
Insurance	£250	£250	£250	£250	£250	£250	£250	£250	£250	£250	£250	£250	£3,000
Rent	£661	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£661
Rates	£0	£0	£0	£384	£0	£375	£0	£0	£0	£0	£0	£0	£759
Light and Heat	£383	£383	£383	£383	£383	£383	£383	£383	£383	£383	£383	£383	£4,600
Water	£0	£0	£0	£1,380	£0	£0	£0	£0	£0	£1,380	£0	£0	£2,760
Repairs, Servicing and Cleaning	£115	£115	£345	£115	£115	£115	£460	£115	£115	£115	£460	£115	£2,300
Travel	£0	£0	£0	£0	£0	£0	£0	£920	£0	£0	£0	£0	£920
Advertising	£0	£0	£0	£58	£0	£0	£115	£58	£58	£58	£0	£0	£345
Packaging, Postage and Carriage	£23	£23	£23	£12	£12	£115	£23	£23	£12	£35	£23	£23	£345
Telephone	£0	£0	£58	£0	£0	£58	£0	£0	£115	£0	£0	£86	£316
Printing and office equipment	£0	£0	£230	£58	£0	£0	£0	£403	£0	£0	£0	£0	£690
Office Stationery	£0	£0	£0	£58	£0	£0	£0	£115	£115	£115	£115	£0	£518
Accountancy and Legal/Professional Ser	£0	£0	£431	£0	£0	£144	£0	£0	£288	£0	£0	£144	£1,006
Repairs and Renewals	£0	£0	£0	£690	£0	£0	£0	£0	£0	£0	£1,610	£0	£2,300
Premises Expenses	£0	£0	£0	£690	£0	£1,380	£0	£0	£0	£0	£0	£460	£2,530
Vehicle Expenses	£0	£0	£288	£0	£0	£0	£288	£0	£0	£0	£0	£0	£575
Loan and HP Interest	£85	£85	£85	£85	£85	£85	£85	£85	£85	£85	£85	£85	£1,020
Bridge Finance	£500	£500	£500	£500	£500	£500	£500	£500	£500	£500	£500	£500	£6,000
Major Repairs to Marts Building	£0	£30,000	£25,000	£50,000	£0	£0	£0	£0	£0	£0	£0	£0	£105,000
IT system and Equipment	£0	£15,000	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£15,000
Vat Payment	£139	£0	£0	£1,693	£0	£0	£-129	£0	£0	£172	£0	£0	£1,874
Total Cash Out	£4,229	£48,630	£30,166	£60,074	£3,518	£5,678	£4,348	£5,896	£6,097	£7,282	£7,105	£4,865	£187,881
Cash In - Cash Out	£10,044	£-42,586	£29,973	£-33,458	£48,098	£-1,728	£-2,732	£-4,281	£-2,148	£-5,666	£-4,799	£350	£-8,929
Opening Cash Balance	£12,337	£22,381	£-20,205	£9,768	£-23,690	£24,408	£22,679	£19,947	£15,667	£13,518	£7,852	£3,053	
Closing Cash Balance	£22,381	£-20,205	£9,768	£-23,690	£24,408	£22,679	£19,947	£15,667	£13,518	£7,852	£3,053	£3,403	

SLMG Business Plan 2009-2012

Marts 2011

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Cash In													
Rental of Offices	£305	£305	£2,638	£305	£305	£2,638	£305	£305	£2,638	£305	£305	£2,638	£12,990
Rental of Storage Space	£1,610	£1,380	£805	£115	£115	£115	£115	£115	£115	£115	£805	£1,380	£6,785
Membership	£3,335	£3,335	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£6,670
Sales Expenses Recouped	£8,000	£0	£9,000	£0	£0	£0	£0	£0	£0	£0	£0	£0	£17,000
Livestock Commission	£0	£0	£2,000	£0	£0	£0	£0	£0	£0	£0	£0	£0	£2,000
Sale of Water facilities	£1,196	£1,196	£1,196	£1,196	£1,196	£1,196	£1,196	£1,196	£1,196	£1,196	£1,196	£1,196	£14,352
Capital Grants													
Total Cash In	£14,446	£6,216	£15,639	£1,616	£1,616	£3,949	£1,616	£1,616	£3,949	£1,616	£2,306	£5,214	£59,797
Cash Out													
Farm Assurance	£0	£0	£0	£690	£0	£0	£0	£0	£0	£0	£0	£0	£690
Vet Fees	£0	£0	£0	£58	£0	£0	£0	£0	£403	£0	£403	£0	£863
Aberdeen and Northern Fees	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Waste Disposal	£173	£288	£288	£345	£288	£288	£288	£460	£460	£460	£288	£288	£3,910
Gross Wages - Office Staff	£1,900	£2,100	£2,400	£2,800	£2,000	£2,100	£2,200	£2,700	£3,200	£3,500	£2,700	£2,300	£29,900
Insurance	£250	£250	£250	£250	£250	£250	£250	£250	£250	£250	£250	£250	£3,000
Rent	£661	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£661
Rates	£0	£0	£0	£384	£0	£375	£0	£0	£0	£0	£0	£0	£759
Light and Heat	£383	£383	£383	£383	£383	£383	£383	£383	£383	£383	£383	£383	£4,600
Water	£0	£0	£0	£1,380	£0	£0	£0	£0	£0	£1,380	£0	£0	£2,760
Repairs, Servicing and Cleaning	£115	£115	£345	£115	£115	£115	£460	£115	£115	£115	£460	£115	£2,300
Travel	£0	£0	£0	£0	£0	£0	£0	£920	£0	£0	£0	£0	£920
Advertising	£0	£0	£0	£58	£0	£0	£115	£58	£58	£58	£0	£0	£345
Packaging, Postage and Carriage	£23	£23	£23	£12	£12	£115	£23	£23	£12	£35	£23	£23	£345
Telephone	£0	£0	£58	£0	£0	£58	£0	£0	£115	£0	£0	£86	£316
Printing and office equipment	£0	£0	£230	£58	£0	£0	£0	£403	£0	£0	£0	£0	£690
Office Stationery	£0	£0	£0	£58	£0	£0	£0	£115	£115	£115	£115	£0	£518
Accountancy and Legal/Professional Ser	£0	£0	£431	£0	£0	£144	£0	£0	£288	£0	£0	£144	£1,006
Repairs and Renewals	£0	£0	£0	£690	£0	£0	£0	£0	£0	£0	£805	£0	£1,495
Premises Expenses	£0	£0	£0	£690	£0	£460	£0	£0	£0	£0	£0	£460	£1,610
Vehicle Expenses	£0	£0	£288	£0	£0	£0	£288	£0	£0	£0	£0	£0	£575
Loan and HP Interest	£85	£85	£85	£85	£85	£85	£85	£85	£85	£85	£85	£85	£1,020
Vat Payment	£139	£0	£0	£1,708	£0	£0	£62	£0	£0	£157	£0	£0	£1,941
Total Cash Out	£3,729	£3,245	£4,781	£9,762	£3,133	£4,373	£4,030	£5,511	£5,482	£6,537	£5,512	£4,135	£60,224
Cash In - Cash Out	£10,716	£2,971	£10,858	£8,146	£1,517	£423	£2,415	£3,896	£1,533	£4,921	£3,206	£1,080	£426
Opening Cash Balance	£3,403	£14,119	£17,091	£27,949	£19,803	£18,286	£17,862	£15,448	£11,552	£10,019	£5,098	£1,891	
Closing Cash Balance	£14,119	£17,091	£27,949	£19,803	£18,286	£17,862	£15,448	£11,552	£10,019	£5,098	£1,891	£2,971	

SLMG Business Plan 2009-2012

Marts 2012

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Cash In													
Rental of Offices	£305	£305	£2,638	£305	£305	£2,638	£305	£305	£2,638	£305	£305	£2,638	£12,990
Rental of Storage Space	£1,610	£1,380	£805	£115	£115	£115	£115	£115	£115	£115	£805	£1,380	£6,785
Membership	£3,565	£3,565	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£7,130
Sales Expenses Recouped	£8,000	£0	£9,000	£0	£0	£0	£0	£0	£0	£0	£0	£0	£17,000
Livestock Commission	£0	£0	£2,500	£0	£0	£0	£0	£0	£0	£0	£0	£0	£2,500
Sale of Water facilities	£1,196	£1,196	£1,196	£1,196	£1,196	£1,196	£1,196	£1,196	£1,196	£1,196	£1,196	£1,196	£14,352
Capital Grants													
Total Cash In	£14,676	£6,446	£16,139	£1,616	£1,616	£3,949	£1,616	£1,616	£3,949	£1,616	£2,306	£5,214	£60,757
Cash Out													
Farm Assurance	£0	£0	£0	£690	£0	£0	£0	£0	£0	£0	£0	£0	£690
Vet Fees	£0	£0	£0	£58	£0	£0	£0	£0	£403	£0	£403	£0	£863
Aberdeen and Northern Fees	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Waste Disposal	£173	£288	£288	£345	£288	£288	£288	£460	£460	£460	£288	£288	£3,910
Gross Wages - Office Staff	£1,900	£2,100	£2,400	£2,800	£2,000	£2,100	£2,200	£2,700	£3,200	£3,500	£2,700	£2,300	£29,900
Insurance	£250	£250	£250	£250	£250	£250	£250	£250	£250	£250	£250	£250	£3,000
Rent	£661	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£661
Rates	£0	£0	£0	£384	£0	£375	£0	£0	£0	£0	£0	£0	£759
Light and Heat	£383	£383	£383	£383	£383	£383	£383	£383	£383	£383	£383	£383	£4,600
Water	£0	£0	£0	£1,380	£0	£0	£0	£0	£0	£1,380	£0	£0	£2,760
Repairs, Servicing and Cleaning	£115	£115	£345	£115	£115	£115	£460	£115	£115	£115	£460	£115	£2,300
Travel	£0	£0	£0	£0	£0	£0	£0	£920	£0	£0	£0	£0	£920
Advertising	£0	£0	£0	£58	£0	£0	£115	£58	£58	£58	£0	£0	£345
Packaging, Postage and Carriage	£23	£23	£23	£12	£12	£115	£23	£23	£12	£35	£23	£23	£345
Telephone	£0	£0	£58	£0	£0	£58	£0	£0	£115	£0	£0	£86	£316
Printing and office equipment	£0	£0	£230	£58	£0	£0	£0	£403	£0	£0	£0	£0	£690
Office Stationery	£0	£0	£0	£58	£0	£0	£0	£115	£115	£115	£115	£0	£518
Accountancy and Legal/Professional Ser	£0	£0	£431	£0	£0	£144	£0	£0	£288	£0	£0	£144	£1,006
Repairs and Renewals	£0	£0	£0	£690	£0	£0	£0	£0	£0	£0	£805	£0	£1,495
Premises Expenses	£0	£0	£0	£690	£0	£460	£0	£0	£0	£0	£0	£460	£1,610
Vehicle Expenses	£0	£0	£288	£0	£0	£0	£288	£0	£0	£0	£0	£0	£575
Loan and HP Interest	£85	£85	£85	£85	£85	£85	£85	£85	£85	£85	£85	£85	£1,020
Vat Payment	£341	£0	£0	£1,768	£0	£0	£62	£0	£0	£157	£0	£0	£2,204
Total Cash Out	£3,932	£3,245	£4,781	£9,822	£3,133	£4,373	£4,030	£5,511	£5,482	£6,537	£5,512	£4,135	£60,486
Cash In - Cash Out	£10,744	£3,201	£11,358	£8,206	£1,517	£423	£2,415	£3,896	£1,533	£4,921	£3,206	£1,080	£271
Opening Cash Balance	£2,971	£13,715	£16,916	£28,275	£20,069	£18,552	£18,128	£15,714	£11,818	£10,285	£5,364	£2,157	
Closing Cash Balance	£13,715	£16,916	£28,275	£20,069	£18,552	£18,128	£15,714	£11,818	£10,285	£5,364	£2,157	£3,237	

Sales and Marketing 2009

	Aug	Sep	Oct	Nov	Dec	Total
<u>Cash In</u>						
Lamb Sales	£10,784	£13,601	£34,974	£21,567	£18,653	£99,579
Beef Sales	£0	£0	£0	£0	£0	£0
Marketing Grant	£0	£2,100	£7,100	£2,100	£7,100	£18,400
Capital Grant	£0	£0	£0	£30,000	£0	£30,000
Membership	£0	£0	£0	£0	£0	£0
VAT Reclaim	£0	£0	£1,046	£0	£0	£1,046
Total Cash In	£10,784	£15,701	£43,120	£53,667	£25,753	£149,025
<u>Cash Out</u>						
Lamb Purchases	£7,726	£9,744	£25,056	£15,451	£13,363	£71,340
Cattle Purchases	£0	£0	£0	£0	£0	£0
Slaughter Fees	£3,010	£3,796	£9,761	£6,020	£5,206	£27,793
Delivery	£0	£200	£200	£0	£200	£600
Gross Wages - Marketing Manager	£0	£2,100	£2,100	£2,100	£2,100	£8,400
Insurance	£286	£286	£286	£286	£286	£1,428
Electricity	£0	£0	£0	£0	£0	£0
Travel and Subsistence	£0	£403	£0	£345	£0	£748
Local Advertising and Promotion	£345	£0	£0	£1,035	£0	£1,380
Packaging, Postage and Carriage	£288	£431	£575	£575	£575	£2,444
Telephone	£0	£173	£0	£0	£173	£345
Office Stationery	£14	£14	£14	£14	£14	£69
Accountancy and Legal/Professional Se	£0	£288	£0	£0	£144	£431
Training	£863	£0	£0	£0	£0	£863
Vehicle Expenses	£0	£0	£58	£58	£58	£173
Marketing Spend	£0	£0	£5,000	£0	£5,000	£10,000
Invoice Factoring Arrangement	£0	£500	£500	£500	£500	£2,000
Bridge Finance	£1,000	£500	£500	£500	£500	£3,000
Vehicles	£0	£0	£30,000	£0	£0	£30,000
Plant and Machinery	£0	£0	£0	£0	£0	£0
Equipment	£0	£0	£0	£0	£0	£0
Total Cash Out	£13,530	£18,433	£74,049	£26,883	£28,117	£161,013
Cash In - Cash Out	-£2,746	-£2,732	-£30,929	£26,785	-£2,365	<u>-£11,988</u>
Opening Cash Balance	£30,000	£27,254	£24,522	-£6,408	£20,377	
Closing Cash Balance	£27,254	£24,522	-£6,408	£20,377	£18,012	

Sales and Marketing 2010

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Cash In													
Lamb Sales	£11,550	£11,550	£11,550	£9,100	£9,100	£9,800	£10,850	£12,950	£16,800	£42,000	£25,900	£22,400	£193,550
Beef Sales	£6,500	£6,500	£6,500	£6,500	£6,500	£6,500	£6,500	£6,500	£6,500	£13,000	£19,500	£6,500	£97,500
Marketing Grant	£2,100	£7,600	£2,100	£8,100	£2,100	£2,100	£2,100	£5,600	£12,100	£12,100	£11,100	£2,100	£69,200
Capital Grant	£0	£0	£29,000	£8,000	£0	£0	£0	£0	£0	£0	£0	£0	£37,000
Membership	£3,163	£3,163	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£6,325
VAT Reclaim	£2,502	£0	£0	£668	£0	£0	£1,332	£0	£0	£1,825	£0	£0	£6,327
Total Cash In	£25,815	£28,813	£49,150	£32,368	£17,700	£18,400	£20,782	£25,050	£35,400	£68,925	£56,500	£31,000	£409,902
Cash Out													
Lamb Purchases	£8,250	£8,250	£8,250	£6,500	£6,500	£7,000	£7,750	£9,250	£12,000	£30,000	£18,500	£16,000	£138,250
Cattle Purchases	£5,000	£5,000	£5,000	£5,000	£5,000	£5,000	£5,000	£5,000	£5,000	£10,000	£15,000	£5,000	£75,000
Slaughter Fees	£3,570	£3,570	£3,570	£2,915	£2,915	£3,102	£3,383	£3,944	£4,972	£12,188	£8,371	£6,468	£58,966
Delivery	£220	£0	£220	£220	£0	£220	£220	£220	£220	£220	£220	£220	£2,200
Gross Wages - Marketing Manager	£2,100	£2,100	£2,100	£2,100	£2,100	£2,100	£2,100	£2,100	£2,100	£2,100	£2,100	£2,100	£25,200
Insurance	£167	£167	£167	£167	£167	£167	£167	£167	£167	£167	£167	£167	£2,000
Electricity	£86	£86	£86	£86	£86	£86	£86	£86	£86	£86	£86	£86	£1,035
Travel and Subsistence	£0	£1,035	£0	£690	£0	£0	£1,380	£0	£805	£0	£0	£0	£3,910
Local Advertising and Promotion	£690	£0	£230	£0	£0	£690	£0	£690	£0	£0	£0	£0	£2,300
Packaging, Postage and Carriage	£144	£144	£144	£144	£144	£144	£144	£288	£431	£575	£575	£575	£3,450
Telephone	£0	£0	£173	£0	£0	£173	£0	£0	£173	£0	£0	£173	£690
Office Stationery	£35	£35	£35	£35	£35	£35	£35	£35	£35	£35	£35	£35	£414
Accountancy and Legal/Professional Se	£0	£0	£431	£0	£0	£144	£0	£0	£288	£0	£0	£144	£1,006
Training	£0	£0	£0	£863	£0	£0	£0	£0	£0	£0	£0	£0	£863
Vehicle Expenses	£58	£58	£58	£58	£58	£58	£58	£58	£58	£58	£58	£58	£690
Marketing Spend	£0	£5,500	£0	£6,000	£0	£0	£0	£3,500	£10,000	£10,000	£9,000	£0	£44,000
Invoice Factoring Arrangement	£500	£500	£500	£500	£500	£500	£500	£500	£500	£500	£500	£500	£6,000
Bridge Finance	£500	£500	£500	£500	£500	£500	£500	£500	£500	£500	£500	£500	£6,000
Vehicles	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Plant and Machinery	£0	£20,000	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£20,000
Equipment	£0	£9,000	£8,000	£0	£0	£0	£0	£0	£0	£0	£0	£0	£17,000
Total Cash Out	£21,318	£55,943	£29,462	£25,776	£18,004	£19,917	£21,321	£26,336	£37,333	£66,428	£55,111	£32,024	£408,973
Cash In - Cash Out	£4,496	£-27,131	£19,688	£6,592	£-304	£-1,517	£-539	£-1,286	£-1,933	£2,497	£1,389	£-1,024	£929
Opening Cash Balance	£18,012	£22,509	£-4,622	£15,066	£21,658	£21,354	£19,837	£19,298	£18,012	£16,079	£18,576	£19,965	
Closing Cash Balance	£22,509	£-4,622	£15,066	£21,658	£21,354	£19,837	£19,298	£18,012	£16,079	£18,576	£19,965	£18,941	

Sales and Marketing 2011

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Cash In													
Lamb Sales	£12,859	£12,859	£12,859	£10,132	£10,132	£10,725	£12,080	£14,300	£18,590	£46,475	£28,600	£24,882	£214,493
Beef Sales	£6,500	£7,800	£6,500	£7,800	£6,500	£7,800	£6,500	£7,800	£9,100	£14,300	£20,800	£9,100	£110,500
Marketing Grant	£1,050	£1,300	£1,050	£1,050	£1,050	£1,050	£1,800	£1,050	£1,050	£1,050	£2,050	£1,050	£14,600
Membership	£3,335	£3,335	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£6,670
VAT Reclaim	£2,883	£0	£0	£708	£0	£0	£1,294	£0	£0	£2,047	£0	£0	£6,932
Total Cash In	£26,627	£25,294	£20,409	£19,689	£17,682	£19,575	£21,674	£23,150	£28,740	£63,872	£51,450	£35,032	£353,195
Cash Out													
Lamb Purchases	£8,993	£8,993	£8,993	£7,085	£7,085	£7,500	£8,448	£10,000	£13,000	£32,500	£20,000	£17,400	£149,995
Cattle Purchases	£5,000	£6,000	£5,000	£6,000	£5,000	£6,000	£5,000	£6,000	£7,000	£11,000	£16,000	£7,000	£85,000
Slaughter Fees	£3,847	£3,944	£3,847	£3,231	£3,134	£3,386	£3,643	£4,321	£5,540	£13,220	£9,029	£7,185	£64,326
Delivery	£230	£0	£230	£230	£0	£230	£230	£230	£230	£230	£230	£230	£2,300
Gross Wages - Marketing Manager	£2,100	£2,100	£2,100	£2,100	£2,100	£2,100	£2,100	£2,100	£2,100	£2,100	£2,100	£2,100	£25,200
Insurance	£167	£167	£167	£167	£167	£167	£167	£167	£167	£167	£167	£167	£2,000
Electricity	£86	£86	£86	£86	£86	£86	£86	£86	£86	£86	£86	£86	£1,035
Travel and Subsistence	£0	£1,035	£0	£690	£0	£0	£1,380	£0	£805	£0	£0	£0	£3,910
Local Advertising and Promotion	£690	£0	£230	£0	£0	£690	£0	£690	£0	£0	£0	£0	£2,300
Packaging, Postage and Carriage	£144	£144	£144	£144	£144	£144	£144	£288	£431	£575	£575	£575	£3,450
Telephone	£0	£0	£173	£0	£0	£173	£0	£0	£173	£0	£0	£173	£690
Office Stationery	£35	£35	£35	£35	£35	£35	£35	£35	£35	£35	£35	£35	£414
Accountancy and Legal/Professional Se	£0	£0	£431	£0	£0	£144	£0	£0	£288	£0	£0	£144	£1,006
Training	£0	£0	£0	£0	£0	£0	£0	£863	£0	£0	£0	£0	£863
Vehicle Expenses	£58	£58	£58	£58	£58	£58	£58	£58	£58	£58	£58	£58	£690
Marketing Spend	£0	£500	£0	£0	£0	£0	£1,500	£0	£0	£0	£2,000	£0	£4,000
Invoice Factoring Arrangement	£500	£500	£500	£500	£500	£500	£500	£500	£500	£500	£500	£500	£6,000
Total Cash Out	£21,848	£23,560	£21,992	£20,324	£18,307	£21,211	£23,290	£25,336	£30,411	£60,470	£50,779	£35,651	£353,179
Cash In - Cash Out	£4,779	£1,734	-£1,583	-£635	-£626	-£1,636	-£1,616	-£2,186	-£1,671	£3,403	£671	-£619	£16
Opening Cash Balance	£18,941	£23,720	£25,454	£23,871	£23,236	£22,611	£20,975	£19,359	£17,173	£15,502	£18,905	£19,576	
Closing Cash Balance	£23,720	£25,454	£23,871	£23,236	£22,611	£20,975	£19,359	£17,173	£15,502	£18,905	£19,576	£18,957	

Sales and Marketing 2012

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Cash In													
Lamb Sales	£14,409	£14,409	£14,409	£11,352	£11,352	£12,226	£13,535	£16,155	£20,958	£52,395	£32,310	£27,944	£241,455
Beef Sales	£7,800	£7,800	£7,800	£9,100	£7,800	£7,800	£7,800	£7,800	£9,100	£15,600	£23,400	£11,700	£123,500
Marketing Grant	£1,050	£2,300	£1,050	£1,800	£1,050	£1,050	£1,550	£1,050	£1,800	£1,050	£1,800	£1,050	£16,600
Membership	£3,565	£3,565	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£7,130
VAT Reclaim	£3,102	£0	£0	£860	£0	£0	£1,382	£0	£0	£2,046	£0	£0	£7,391
Total Cash In	£29,925	£28,074	£23,259	£23,113	£20,202	£21,076	£24,268	£25,005	£31,858	£71,091	£57,510	£40,694	£396,075
Cash Out													
Lamb Purchases	£9,802	£9,802	£9,802	£7,723	£7,723	£8,317	£9,208	£10,990	£14,257	£35,643	£21,980	£19,010	£164,255
Cattle Purchases	£6,000	£6,000	£6,000	£7,000	£6,000	£6,000	£6,000	£6,000	£7,000	£12,000	£18,000	£9,000	£95,000
Slaughter Fees	£4,247	£4,247	£4,247	£3,566	£3,469	£3,691	£4,025	£4,691	£6,010	£14,492	£9,963	£7,981	£70,627
Delivery	£230	£0	£230	£230	£0	£230	£230	£230	£230	£230	£230	£230	£2,300
Gross Wages - Marketing Manager	£2,100	£2,100	£2,100	£2,100	£2,100	£2,100	£2,100	£2,100	£2,100	£2,100	£2,100	£2,100	£25,200
Insurance	£167	£167	£167	£167	£167	£167	£167	£167	£167	£167	£167	£167	£2,000
Electricity	£86	£86	£86	£86	£86	£86	£86	£86	£86	£86	£86	£86	£1,035
Travel and Subsistence	£0	£1,035	£0	£690	£0	£0	£1,380	£0	£805	£0	£0	£0	£3,910
Local Advertising and Promotion	£690	£0	£230	£0	£0	£690	£0	£690	£0	£0	£0	£0	£2,300
Packaging, Postage and Carriage	£144	£144	£144	£144	£144	£144	£144	£288	£431	£575	£575	£575	£3,450
Telephone	£0	£0	£173	£0	£0	£173	£0	£0	£173	£0	£0	£173	£690
Office Stationery	£35	£35	£35	£35	£35	£35	£35	£35	£35	£35	£35	£35	£414
Accountancy and Legal/Professional Se	£0	£0	£431	£0	£0	£144	£0	£0	£288	£0	£0	£144	£1,006
Training	£0	£0	£863	£0	£0	£0	£0	£0	£0	£0	£0	£0	£863
Vehicle Expenses	£58	£58	£58	£58	£58	£58	£58	£58	£58	£58	£58	£58	£690
Marketing Spend	£0	£2,500	£0	£1,500	£0	£0	£1,000	£0	£1,500	£0	£1,500	£0	£8,000
Invoice Factoring Arrangement	£500	£500	£500	£500	£500	£500	£500	£500	£500	£500	£500	£500	£6,000
Total Cash Out	£24,057	£26,672	£25,063	£23,797	£20,280	£22,333	£24,931	£25,833	£33,638	£65,885	£55,193	£40,057	£387,740
Cash In - Cash Out	£5,868	£1,402	-£1,805	-£684	-£78	-£1,257	-£663	-£828	-£1,780	£5,206	£2,318	£638	£8,335
Opening Cash Balance	£18,957	£24,825	£26,227	£24,422	£23,738	£23,659	£22,402	£21,739	£20,911	£19,131	£24,337	£26,655	
Closing Cash Balance	£24,825	£26,227	£24,422	£23,738	£23,659	£22,402	£21,739	£20,911	£19,131	£24,337	£26,655	£27,292	

Mareel Budget Position as at 31st July 2009

BUDGET SUMMARY	Budget Pre-Contract (All SIC and excluded from Intervention %)	Budget Post Contract	Proposed Post Contract to Date	Actual Post Contract to Date	Underspend /overspend	Remaining Post Contract Balance	Notes/Comments
Construction	0	9,704,438	184,300	183,130	1,170	9,521,308	No overall underspend
Construction contingency	0	300,000	0	0	0	300,000	Variations pending
Reinstate Bond	0	39,000	39,000	39,000	0	0	
Project Management	73,712	50,000	12,200	12,200	0	37,800	
Lead Consultants	737,884	275,186	15,466	3,827	11,639	271,358	Fees pending
Quantity Surveyors	98,970	79,650	17,250	0	17,250	79,650	Fees pending
Cinema Consultant	23,850	1,500	1,000	0	1,000	1,500	Fees pending
Arup Consulting	10,763	12,000	12,000	408	11,593	11,593	Fees pending
Specialist Consultants	86,009	7,750	7,750	0	7,750	7,750	Future months
Site Investigation	0	0	0	0	0	0	
Site Supervision	0	46,000	6,000	0	6,000	46,000	Fees pending
Art Consultant/ Lighting	9,000	80,000	0	0	0	80,000	
Land Purchase	0	275,000	0	0	0	275,000	
Other Client costs	31,792	2,000	2,000	1,135	865	865	Invoices pending
Statutory Consents	35,800	0	0	0	0	0	
Marketing	0	9,500	3,000	2,044	956	7,456	Invoices pending
SADA Project Officer	58,899	13,500	2,000	0	2,000	13,500	
Client Contingency	0	50,000	0	0	0	50,000	
	1,166,679	10,945,524	301,966	241,744	60,223		



REPORT

To: Development Committee

27 August 2009

From: Head of Economic Development

Report No: DV093-F
Mareel, Cinema & Music Venue
Sounding Board Feedback Report #5.

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 19 August 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 Project Funding

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

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

4.2.2 Project Budget Summary

The project budget position is attached in appendix 1

4.2.3 Project Update

Construction work started on 6th July as programmed. Piling works commenced on 20 July and are nearing completion. Some modifications have been made to the arrangement of piles in the area of the Scottish Water pump station building because of delays in removal of the building. Grading of the carpark commenced on 9th July and rock is currently being removed to formation level.

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: 19 Aug 2009

Report No: DV093-F