



REPORT

To: Development Committee

04 March 2010

From: Head of Economic Development

**DV014-F
Public Activity Report
January 2010**

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 Risk Management

- 3.1 This is an information report so there are no risks associated with the recommendations.

4.0 Ongoing Projects

4.1 Vessel Maintenance Facility Study

After a full tendering process, Arch Henderson & Partners have been confirmed as the successful bidder for the drydock/shiplift study. An inception meeting was held on 19 February 2010 to agree methodology and management, and to confirm timescales. The final report will be due on 18 June 2010.

4.2 Shetland Hamefarin 2010

The Shetland Hamefarin 2010 website has been redesigned to present a better information service for visitors to next year's event. The website now incorporates a section where Hamefarers can sign up to become 'members' of the Hamefarin. As of the date of writing, 236 memberships have been confirmed.

EDU officers are continuing to keep in close touch with community groups and local history groups to develop events for Hamefarers during the bus trips.

Line-ups for the concerts – the Tammy Anderson Tribute Concert, the Hamefarin Dance and the Final Fling – have been confirmed and will be publicised shortly.

4.3 Social Economy & Community Regeneration Partnership

At the previous meeting it was decided that the Partnership would hold a meeting outside of Lerwick, to which local community groups and organisations would be invited to discuss concerns and issues around developments and activities relating to local social enterprise.

A meeting of the Partnership was held on 18 February 2010 at the office of Bluemull Development Company in Sellafirth, Yell. After the initial business agenda, the Partnership heard from invited local groups – the Old Haa Trust, Bluemull Development Company, North Isles Childcare and Unst Partnership. The groups discussed issues relating to how they operated, funding concerns, ability to take projects forward and capacity in terms of volunteer time, etc. The Partnership was able to offer advice and support on some issues, and to suggest operating methods and solutions to project concerns.

The meeting was attended by representatives of SIC Community Development, SIC Economic Development Unit, SIC Planning and Highlands and Islands Enterprise.

4.4 Shetland Telecom

Significant progress has been made on the planned implementation on a fibre optic link from Lerwick to Maywick.

Guy Smith and Marvin Smith have been seconded to the project for an initial period of 12 months. A member/officer steering group has been established along with project boards for the fibre optic project and the formation of Shetland Telecom.

The project plan for the fibre optic cable is now in place and is on schedule for the installation to begin in the summer of this year.

Meetings with BT and Cable & Wireless have taken place. BT have confirmed that they are not in a position to assist with either a fibre connection or access to their ducts between Lerwick and Sandwick. An agreement was made to keep in close contact should opportunities for mutual benefit arise.

Cable & Wireless are keen to see our project progress as quickly as possible.

Discussions with the Scottish Government's State Aid Department are continuing and Analysis Mason have been asked to provide additional advice based on their last report. Initial indications suggest that there is no reason why the project wouldn't be possible due to state aid regulations.

4.5 Promote Shetland

Good progress continues to be made on the Promote Shetland initiative against the established Operations Plan. Andy Steven of Promote Shetland is continuing to meet with Council Members individually and in small groups to advise on the strategic approach for promoting Shetland and to discuss progress made on specific projects. VisitScotland Chief Executive Philip Riddle visited Shetland on 25 February to outline VisitScotland strategies and to learn more about the approach to Promote Shetland.

4.6 Fishing 2010

Following the request to become involved in arranging a Shetland presence at this event, EDU staff have liaised with staff at Ports and Harbours and discussed the event with Lerwick Port Authority. Both are keen to participate on a joint Shetland stand in principle. Additionally, an advertisement was placed in the local press asking for organisations interested in taking parts as part of a wider consolidated promotion to get in touch with the EDU in order to register an interest. Further progress will be made on this early March following the closing date for expressions of initial interests. The event takes place 20-22 May.

4.7 Shetland Filming Enquiries

An exploratory presence was taken at The Production Show at Earl's Court in London in mid February as part of the Scottish locations stand space by the EDU. A number of locations in the UK were represented at the event promoting each region as location for film-related work from fashion stills shoots to documentaries and advertising to feature films. The Shetland presence has resulted in securing a summer recce visit by a delegation from the Guild of Location Managers, as well as a location manager who specialises in a portfolio of roads used to promote locations to those looking for particular feature scenes or involved in car advertising work.

4.8 One Life Live

A modest Shetland presence is being arranged for this lifestyle change event which takes place at Olympia, London following last year's successful presence. The event is based on introducing change to an individual's life and attracts 93% in the ABC1 social classing category, the highest three social grades in the most commonly used in classification of social groups. This chimes well with the themes of the www.shetland.org website and the target consumer for Shetland. The expected footfall at the event is 40,000 and consultation on attendance at this event has been undertaken with Promote Shetland staff. The event takes place 18-21 March.

4.9 LEADER

To date the Local Action Group (LAG) has awarded £533,659 to 26 projects. Two of these projects are to be funded from the Convergence budget at a cost of £58,909. The LEADER budget part of the LAG's Programme is currently fully committed unless project underspending occurs or new cash allocations are made by the Government. In all 59 potential projects have been considered by the LAG. Currently, only projects which are eligible for Convergence funding are being considered for application to the LAG.

4.10 Business Gateway

The period covered in this report is from 09 December 2009 until 10 February 2010. During this eight week period 26 new enquiries were received and advised from the following sectors:

Services – 3
Tourism – 6
Creative Industries – 2
Renewable Energy – 4
Fish Processing – 2
Engineering – 2
Fishing – 2
Retail – 2
Health and Welfare – 1
Aquaculture – 1
Catering – 1

Of all the clients seen 12 were interested in starting a new business. Eight have been referred to the national information services available in the Business Gateway, seven have been issued with a Business Start Up Pack, eight have been referred to Train Shetland to participate in a short training course and 12 are meeting or have met a business adviser. Application forms have been issued to four clients. Two clients are considering their next steps before deciding on which Business Gateway service to use. Another six have been asked to provide more information before decisions can be made on offering any services. Only one enquiry was ineligible for the financial assistance that they were seeking.

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.

7.0 Recommendations

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

Our Ref: NG/JJ A09
Date: 25 February 2010

Report No: DV014-F

Appendix

Appendix 1 - Grant approvals for January 2010.



Shetland Islands Council

We are pleased to attach details of 23 grant awards made from 01 January 2010. The value of the grants approved is £45,441.40. For more information on these grant aid schemes, please contact the Economic Development Unit on tel. 744940.

SHETLAND AGRICULTURAL BUSINESS SCHEME (SABS)		
Organisation	Purpose of Grant	Amount Granted
A J Williamson	SABS grant towards fertiliser	£460.60
A Jamieson & Son	SABS grant towards lime & fertiliser	£716.40
A.J.T Nicolson	SABS grant towards fertiliser	£479.40
Andrew G Thomson	SABS grant towards fertiliser	£296.00
Eric Graham	SRDS grant towards fencing	£2,387.50
George Peterson	SABS grant towards fertiliser	£141.00
Grant Hunter	SABS grant towards beef heifer scheme	£300.00
J & A Nicholson	SABS grant towards beef heifer scheme	£100.00
J & C Priest	SABS grant towards lime & fertiliser	£1,249.60
J & M Fullerton	SABS grant towards fertiliser	£76.50
J M Thomson	SABS grant towards fertiliser	£117.60
J White	SABS grant towards fertiliser	£81.00
John A Thomson	SABS grant towards fertiliser	£142.10
L A & EL & WS Gifford	SABS grant towards fertiliser	£536.00
Martin Burgess	SABS grant towards lime & fertiliser	£4,763.00
Peter Scott	SABS grant towards fertiliser	£366.60
Stuart McIntyre	SABS grant towards fertiliser	£70.50
Sutherland Bros.	SABS grant towards fertiliser	£310.20

18 Shetland Agricultural Business Scheme Grants were awarded for a total of £12,594.00.

MARKETING DEVELOPMENT PROGRAMME GRANTS			
Organisation	Purpose of Grant	Project Cost	Amount Granted
Jamieson & Smith Shetland Wool Brokers Ltd	Grant towards developing new product - 100% Shetland wool worsted dyed combed top yarns	£11,790.00	£5,895.00
Malakoff Limited	Grant towards a company website	£5,615.00	£2,807.00

2 Marketing Development Programme Grants were awarded for a total of £8,702.00 towards total project cost of £17,405.00.

DISCRETIONARY DELEGATED SCHEME			
Organisation	Purpose of Grant	Project Cost	Amount Granted
North Ice t/a RS Henderson Ltd	5% EFF match funding grant towards installing a new ice plant.	£308,828.00	£15,441.40
Old Haa Trust	Grant towards a geological attraction and interpretation of Yell's geology in the garden of the Old Haa, Burravoe	£8,994.00	£4,497.00
Peter Tait	5% EFF match funding grant towards mussel farm droppers to a continuous longline system	£84,143.00	£4,207.00

3 Discretionary Delegated Scheme Grants were awarded for a total of £24,145.40 towards project cost of £401,965.00.



REPORT

To: Development Committee

04 March 2010

From: Head of Business Development

DV017-F

Inquiry into Future Support for Agriculture in Scotland Consultation on the Interim Report

1.0 Introduction

- 1.1 This report has been prepared to encourage members of the Development Committee to debate the contents of “The Inquiry into Future Support for Agriculture in Scotland – Interim Report” (referred to as the Pack Inquiry) and agree a shared position for the Council to take in its response. The deadline for comments is tomorrow.

2.0 Links to the Corporate Plan

- 2.1 Promoting a Sustainable Economy in Shetland is an Action Area in the Council’s Corporate Plan 2008-11. Agriculture is one of the traditional industries that are to be supported under the Sustainable Economy part of the Corporate Plan.

3.0 Risk Management

- 3.1 This report deals with a policy consultation exercise so there are no significant risks relating to the recommendation. The main risk associated with a change in agricultural support policy is economic in that if the Council is unable to represent the agricultural community of Shetland as required then an unfavourable national policy may be developed leading eventually to a loss of income in the Shetland rural community.

4.0 Background

- 4.1 Richard Lochhead, Cabinet Secretary for Rural Affairs and the Environment, made an announcement on 10 June 2009 that there would be an independent inquiry to examine future support for agriculture in Scotland. Mr Brian Pack OBE was appointed as Chair for the Inquiry. On 21 January 2010 the Pack Inquiry published an interim report as a discussion document to encourage

debate on the key issues facing agriculture in Scotland and the types of future support that might be appropriate. The Interim Report can be read at <http://www.scotland.gov.uk/Resource/Doc/299497/0093375.pdf>. A draft response from Shetland Islands Council is attached as appendix one. It contains a covering letter as well as answers to the questions set by the inquiry.

- 4.2 The Agricultural Panel met on 19 February 2010 to discuss the implications for the Pack Inquiry's initial ideas on the agricultural community in Shetland. Concerns raised in the Agricultural Panel have been included in the draft letter.

5.0 Proposal

- 5.1 Members are invited to discuss the content of the draft response, to suggest amendments and to agree the response to the Pack Inquiry.

6.0 Financial Implications

- 6.1 There are no direct financial implications arising from this report. However, there might well be adverse financial implications for the agricultural community in Shetland if an unfavourable agricultural support system is introduced in 2013.

7.0 Policy

- 7.1 This report has been prepared with regard to the main aim of the Economic Development Policy Statement, 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". 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).
- 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 objections have been approved by the Council, in addition to appropriate budget provision, including:-

Economic Strategy
Europe

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

8.0 Conclusion

- 8.1 As matters stand, the adoption of the Pack Inquiry's ideas as the basis for a new Agricultural Support System would have severe consequences for agricultural activity in Shetland. Consequently, the Council needs to make a robust response to the Inquiry.

9.0 Recommendation

- 9.1 I recommend that the Development Committee reviews the draft response in appendix one, suggests changes and agrees what the draft response should be.

Our Ref: DI/KLM
25 February 2010

Report No: DV017-F

Shetland Islands Council

Detailed Response to the Inquiry into Future Support for Agriculture in Scotland

Chapter 5: Future agricultural support

- 5.1 The Inquiry identified broad principles which future support schemes must follow - do you agree with these principles? (P34)

The broad principles are largely suitable to base a support system on that encourages agricultural activity. As stated in our general submission the Council is concerned about future schemes openly stating to have “agricultural production” at their heart, a position that may not be WTO compliant.

- 5.2 Are the objectives identified by the Inquiry as the underpinning rationale for future support valid and comprehensive? (P35)

Our point made in 5.1 about designing an agricultural support system that openly refers to agricultural production will be difficult for Scotland to justify under the WTO terms, and indeed the state aid regulations. It would be better to have an objective that “maintains an active agricultural sector in Scotland” and emphasises food security in that context.

- 5.3 The Inquiry identified four main streams for future support and believes that the debate about Pillars is distracting - do you broadly agree with these recommendations? (P35)

The new agricultural support system should be designed around three streams of activity with effort being concentrated on making the Direct Payments stream fully workable for all regions of Scotland. There would then be no need for a Top Up Fund. The shorter term measures of a Top Up Fund would be of little real benefit to farmers who have to plan their work on a longer term basis. Measures to enhance competitiveness and sustainability should be delivered under the SRDP stream.

- 5.4 Is the goal of trying to achieve an objective system for the allocation of area payments using a constant criterion, which is not dependent on management, like the Macaulay Land Capability for Agriculture (LCA), worthwhile? (P37 - 38)

The principle of land classification is generally good but the Macaulay Land Capability for Agriculture system is underdeveloped for Shetland, where output is generally above the levels expected from the classification of the land. This is because farmers have developed techniques to be more effective in these northern latitudes. The Macaulay classification takes account of climatic exposure but does not compensate for the long daylight hours in the summer, which must have a bearing on the capability of the land. A reclassification that takes better account of the longer hours of daylight in the short growing season would be more accurate for Shetland.

- 5.5 The Inquiry suggests that it is essential that the area eligible for direct payments changes annually to ensure it reflects the reality and is not an historic base. Do you agree with this concept? For your information it could have implications for

administration costs and, possibly, the date by which the full direct payment is made. (P37)

This is agreed.

- 5.6 What are your views on the "annual qualifying requirements" for future area based payments set out in the interim report? Are they sufficient to capture "active" farming? (P38)

The qualifying requirements need to be re-examined so that active farming is encouraged in all areas of Scotland. As these requirements stand the majority of active farmers in Shetland will be penalised, leaving them much worse off than they are at present. The concept of compensating production risk based on market price volatility is not accepted as a fair way to base an agricultural support system and may well be working at cross purposes with WTO and state aid regulations.

- 5.7 An example is given in the report to illustrate what area payments might look like - area payments plus Top Up Funds (TUF) equals the current SFP budget. This example, has been chosen for illustration only and is in no way a working scheme. The example pays higher rates to the most productive land and to land on the margin of being most productive. (P38)

The system being proposed penalises the more active livestock units and is therefore of deep concern to Shetland. This needs to be changed so that livestock activity, with all its rural community benefits (vets, marts, abattoirs, dairies, feeding, fencing etc.), is just as valued as other agricultural activity.

- a) Whilst this model, as far as allocation between land types, is in keeping with the Inquiry's view on why direct payments are justified, do you agree?

See above.

- b) If you accept the principle of higher direct payments going to the engine house of Scottish agriculture, do you accept the £/ha allocation between the land classes and, in particular, the division between LCA 5.1 and 5.2 or should all LCA 5 get the same payment?

See above.

- c) If all LCA 5 land gets the same payment, then this rate could be £55 for LCA 5 land without changing the top rate (£130) or if it was £85 for LCA 5, then it would mean £115/ha for LCA 1 - 4 land.

See above.

- 5.8 Do you agree that the total agricultural utilisable area of Scotland should be eligible for inclusion in an area scheme and that as far as rough grazing is concerned, the area actually paid on, is land supporting more than 0.12 LU per hectare? It would be expected that the claimant would reduce the area claimed to meet the minimum stocking rate requirement. (P39)

It is essential that the biodiversity achievements of ESA and Rural Stewardship Scheme are acknowledged and worked into the formula for stocking density. Otherwise the “public goods” that have been purchased by the people of Scotland in past years will be lost.

- 5.9 The Inquiry's attention was drawn to a potential problem in that area based direct payments might drive up rents. It suggests that if the occupier of the land has to enter an annual contract with Scottish Government to deliver Good Agricultural and Environmental Condition (GAEC), including minimum stocking rate where appropriate, this might help.

Shetland Islands Council has no comments to make on this question.

- a) Do you believe it is a real problem and, if so, will the route suggested help?
- b) Do you have a suggestion as how to ensure the beneficiary of area payments is the working farmer? (P39 - 40)
- 5.10 The Inquiry believes that a constraint on the sustainability of farm businesses is market price volatility, with Europe, in order to satisfy WTO demands, having no effective price stabilisation mechanisms. (P40)

Distance from market is just as much a constraint on the sustainability of farm businesses in remoter areas of Scotland as is market price volatility. Either the area based direct payment system takes distance from market into consideration or this important factor needs to be addressed under LFASS.

- a) Do you agree?

See above.

- b) Also, within WTO constraints, is there a mechanism (such as mutual funds or insurance) that you think the Inquiry should consider?

See above.

- 5.11 The Inquiry suggests establishing a Top Up Fund (TUF) which would be available to farmers in receipt of direct payments, in return for a commitment to transformational change which will improve their competitiveness and sustainability. Do you agree with this suggestion that a TUF be established? (P40 - 42)

Shetland Islands Council questions the relevance of a Top Up Fund if the Direct Payments stream is drawn up properly on an equitable basis. Short term support measures are of less use to farmers that have to plan the future of their business with confidence in the levels of support that they can expect to receive.

- 5.12 As the TUF will provide money to help achieve outcomes at the expense of the direct area payment, deciding the size of the fund is critical. The Inquiry's view is that for the TUF to be meaningful it must be at least half the amount that would be paid out as new direct area payments, what is your view? (P40 - 41)

Shetland Islands Council disagrees strongly with the funding of a Top Up Fund in this fashion. It would be much better to get the Direct Payments system working properly from the start and there will be far less future administration.

- 5.13 At this stage the Inquiry has identified the principle of establishing a TUF but, as well as developing its own ideas, is looking to canvass ideas on what the various measures might be and how they might be applied. Please provide your thoughts. (P40 - 41)

The Top Up Fund stream should be removed.

- 5.14 The Inquiry suggests that Top Up Funds might be directed at individual claimants in proportion to their direct area payment in return for certain specified outcomes with any unclaimed funds being used as a general pot. Do you agree with this concept of, in effect, having an individual area claimant's fund **or** should it be much more measure-specific for example, with some funding dedicated to supporting particular sectors? (P41 - 42)

These outcomes should be considered under the SRDP stream.

- 5.15 If you believe that a proportion of TUF monies should be used for sector specific measures. (P41 - 42)

Again, these outcomes should be considered under the SRDP stream.

- a) What proportion of the total TUF should be allocated?

See above.

- b) Which sector or sectors should TUF support and why?

See above.

- 5.16 Currently the EU allows 3.5% of National Ceilings to be used for trade distorting measures (including coupled support) with the target very much being vulnerable areas and production. In any new regime the Inquiry believes that it is essential that Scotland achieves a right to direct 15% of its ceiling to trade distorting measures as 85% of Scotland is Less Favoured Area and 65% is rough grazing utilised by livestock. Do you support this stance? (P41)

Adjustments to the Direct Payments stream should be achieved under the LFASS stream. Measurees designed to achieve particular shorter term outcomes should be delivered under the SRDP stream.

- 5.17 Do you agree that the area of forest created from 2009 should be eligible for payment?

No, agriculture and forestry are two completely different activities. Forestry is as different from agriculture as, for example, tourism, mineral extraction or renewable energy are.

- 5.18 Do you have any further comments you wish to make on the issues set out in this chapter?

See our general submission in the covering letter.

Chapter 6: Short term issues

- 6.1 Do you accept the Inquiry's position that a move away from the current historic basis of SFP to an area base should await EU agreement on the post 2013 regime and allow time after the decision is made, for developing how the scheme would be implemented including the necessary data processing - i.e. that a scheme should not be implemented before the 2014 scheme year? (P44 - 45)

This is accepted.

- 6.2 As the Inquiry envisages that current SFP entitlements will be paid for the next four years (2010, 2011, 2012 & 2013) and it received strong arguments for the immediate implementation of a phased change, the Inquiry recommends that any new basis should be implemented in the 2014 scheme year without a further transitional period. Do you agree with this view and, if not, what arguments would you offer to influence this position? (P45)

This is agreed.

- 6.3 The Inquiry has identified with regret that under the Health Check regulations there is no route available to provide historic SFP to new entrants who have started farming since 2004. Do you have any views on how such new entrants, within EU rules could be helped? (P45 - 46)

Shetland Islands Council has no views on this particular issue.

- 6.4 The Inquiry is of the opinion that the only way to ensure that only land which supports some agricultural production is used to claim SFP entitlements is to introduce new requirements into GAEC. In particular the Inquiry thinks that for livestock production, a minimum stocking rate of 0.08 LU/ha should be applicable from the 2011 scheme year. In the interests of equality, the Inquiry has also suggested an equivalent measure requiring minimum arable activity. (P46 - 47)

It is agreed that the requirements of GAEC should be refined to ensure that only active farmers are supported. Our proviso is that account should be taken of previous and existing biodiversity arrangements under ESA and the Rural Stewardship Scheme to reduce stocking densities for public goods outcomes.

- a) Given the low penalties, certainly in the first year (2011), of breaching these new GAEC requirements and the relatively high costs of implementing the livestock regulation, do you believe that what is proposed is sensible?
 - b) Do you have an alternative suggestion (within EU rules) as to how to exclude barren hillsides from validating entitlements or should it be treated as unimportant?
- 6.5 To better define GAEC, the Inquiry has also considered introducing a maximum stocking density (2.5 LU/ha). What is your view on this suggestion? (P46)

Shetland Islands Council is in agreement with the concept of maximum stocking densities.

- 6.6 Do you accept the principle of top slicing all Scottish entitlements to finance measures designed to address some of Scotland's emerging issues? The reasons for your view would be appreciated. (P47 - 48)

The concept of top slicing is a good one but only if there are fair opportunities for the whole agricultural community to benefit from the resulting finance measures. Shetland has experienced a very poor agricultural payback from the current SRDP and is very apprehensive about the implementation of similar measures in the future.

- 6.7 Do you believe that an Article 68 measure to help stabilise beef production should be seriously looked at for implementation and, if so, which of the three outlined would you support and why? (P49 - 51)

It is our view that the Direct Payment stream should address the situation of encouraging beef farming activity without having recourse to confusing secondary measures.

- 6.8 Is the Article 68 measure to support sheep production in the North West worthy of pursuing despite the expected disproportionate costs of running the scheme? (P51 - 52)

Similar to the answer given to question 6.7, the issue of sheep farming activity in North West Scotland should be addressed under the Direct Payment stream or in the LFASS stream.

- 6.9 If you recommend trying to implement one or more of the Article 68 measures do you wish to offer comment on what you see as the essential criteria of the scheme(s)? (P49 - 53)

Shetland Islands Council believes that Article 68 measures should not be adopted in a situation where these issues are being addressed under the Direct Payment and LFASS streams.

- 6.10 Should the conversion of the Scottish Beef Calf Scheme from an Article 69 measure to an Article 68 (will not be identical) scheme under the Health Check regulations be pursued? Is your recommendation dependent on what else might be pursued under Article 68? (P53)

It is Shetland Islands Council's conclusion that the Government's priority should be making the primary Direct Payments and LFASS stream into a workable arrangement without considering secondary measures at this stage. That said, existing secondary measures such as the Scottish Beef Calf Scheme should remain in place until the new agricultural support system is introduced in 2014.

Chief Executive: David A. Clark

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Date:

Dear Sir

Response from Shetland Islands Council to the Inquiry into Future Support for Agriculture in Scotland – Interim Report

Shetland Islands Council would like to thank the Inquiry team for providing an early opportunity to make comment on the emerging ideas to reform the structure of agricultural support after 2013.

The Council's detailed response is attached to this letter. It should be read along with the more general statements made in this covering letter.

While there can be no doubt that the historical basis for the Direct Payments system must change, the Council has a deep concern about the impact of the current proposals for change on Shetland agriculture. Our initial calculations reveal that direct single farm payments to Shetland agriculture would fall from the present £5,000,000 a year to around £3,500,000 a year after 2013 (assuming that all farmers are willing to stock land to minimum levels which is of course unlikely). This dramatic drop would be a bitter enough pill to swallow but the situation is much worse because the main impact will be on the more active farmers and crofters in our rural communities. The biggest worry is that cattle production will become too marginal to be a viable proposition without adequate support. This situation is in direct opposition to the Halting Biodiversity Loss by 2010 outcome that the Government has been pushing for in recent times and works against the Scottish and local food campaigns that have been so prominent. Individuals and businesses have also invested heavily in cattle production facilities over the past generation and this investment stands to be lost if the current proposals are carried through. In Shetland it has been recognised by ecologists that biodiversity levels are directly linked to cattle and cropping. The predicted reduction of the Shetland cattle herd would obviously mean that people would concentrate more on sheep production and this will inevitably lead to the development of larger sheep units across the islands. People will generally be discouraged from working and investing in agriculture and the result will be depopulation and a general destabilising of rural crofting communities with the associated loss of social capital. A grim outlook indeed.

The argument for allocating area payments based on production risk (which is another expression for "compensation") is extremely close to a production subsidy and would appear to be challengeable under the WTO criteria and the state aid regulations. Indeed, if the

logical conclusion to the argument is followed, there should in time be hardly any agricultural production in Scotland at all because other regions of Europe, including England, provide better opportunities for growing crops and rearing livestock and hence require less compensation. Great care needs to be taken in the pitching of the argument to the EU. It would be much better if the support system was considered in terms of encouraging activity for food security, landscape maintenance, preserving rural communities, biodiversity, carbon reduction and strengthening Scotland's image as a source of quality rather than quantity (Scotland the brand).

If the new agricultural support system is going to use the Macaulay Land Use Classification as its basis, the Shetland situation needs to be factored into the system better. The generally poorer classification of land in Shetland is mainly due to the northern maritime climate rather than the quality of the soils, which in some cases are comparable with soils in mainland areas. Adjusting the classification by removing the climatic exposure criteria would provide a more accurate reflection of the outputs per hectare that are generally achieved in Shetland. These outputs are higher because the farmers and crofters, being accustomed to the northern climate, have learned how to achieve better outputs than the land classification predicts. For example, the longer hours of daylight in the summer does partly compensate for the short growing season. Therefore, should the Government decide to proceed with the Macaulay Land Use Classification there needs to be a clearer definition for the Shetland situation.

After close examination of the proposals, given the predicted negative impact that the new system will have on our rural communities, the Council is unable to tie the Inquiry's ideas into the Scottish Government's policy framework as set out in the Government's Economic Strategy. The strategic objectives of: **Wealthier and Fairer** (enable businesses and people to increase their wealth and more people to share fairly in the wealth); **Safer and Stronger** (help local communities to flourish, becoming stronger, safer place to live, offering improved opportunities and a better quality of life); and, **Greener** (improve Scotland's natural and built environment and the sustainable use and enjoyment of it) appear to have slipped in importance. Moving on to the national outcomes that the Government wants to achieve in the next 10 years, we will not have the "strong, resilient and supportive communities" or the ability to protect our natural environment and enhance it for future generations. In addition, the progress made over the past twenty years to improve biodiversity in Shetland agricultural landscape will be lost. Achieving biodiversity outcomes was previously a high level Government policy but there is little evidence that the measures being proposed can deliver on the "Greener" objectives.

Shetland Islands Council's position on the Top Up Fund is that this stream is unnecessary if Scotland can achieve a fully workable area –based direct payments stream. Farmers need to be able to plan ahead but the type of schemes being proposed under the Top Up Fund stream will be relatively short term in nature and not conducive to long term farm planning. Priority should be given to achieving a robust Direct Payments system in the first place.

With regards to SRDP, it is Shetland Islands Council's view that the present measures are so cumbersome and the administration so confusing that the whole Plan needs to be reformed before its use beyond 2013 is considered. For example, making biodiversity measures subject to competitive provision works against the progress that was/is being made in Shetland under ESA and the Rural Stewardship Scheme. Unless these measures are improved soon the benefits that the public bought over the past years will be lost. SRDP measures need to be improved considerably before there is confidence that this part of the system can have much impact on agriculture in Shetland beyond 2013. As things stand

funds are being modulated away from producers in Shetland into a scheme that they find difficult to access.

On a more positive note it is pleasing to see that “There is EU interest in supporting the LFA to avoid land abandonment”, albeit within a more strictly defined and auditable system. That is good news for places like Shetland that have for years been calling for the EU definitions of LFA to be more strictly followed by the Scottish Government. As the least favourable area in the country to farm in, Shetland is obviously very interested in seeing the LFASS part of the post 2013 agricultural support system being delivered to strict EU guidelines.

The Council’s conclusions after studying the content of the Interim Report is that the situation of Shetland’s agriculture would be in a far weaker state if the proposals for the new agricultural support system were introduced without being refined radically. Shetland cannot accept a situation where the support received by farmers working in the most marginal farming environment in the country is reduced significantly and will work vigorously to ensure that an equitable agricultural support system that takes full account of keeping active units in remote areas is developed over the next three or four years.

Yours faithfully

Convener
Shetland Islands Council

cc: Tavish Scott MSP



REPORT

To: Development Committee

04 March 2010

From: Project Manager

DV015-F Shetland Shellfish Management Organisation Funding

1.0 Introduction

- 1.1 This report identifies the funding requirements of Shetland Shellfish Management Organisation (SSMO), for the financial years 2010/11 to 2012/2013.

2.0 Link to Corporate Priorities

- 2.1 The report helps to achieve the Sustainable Economy Area of the Corporate Plan by linking economic activity to market needs and by encouraging enterprise and sustainable economic growth while protecting and enhancing Shetland's environment and strengthening Shetland's society. The project aims to fulfill part of the fisheries pledges contained in the Economic Development Policy Statement (2007-2011).

3.0 Risk

- 3.1 This report concerns the core funding of the SSMO. A potential risk is that the Council does not achieve best value from providing core funding to SSMO. This risk is mitigated by the provision of a three year business plan, that has been prepared by the organisation, which details ambitious projects which will see fisheries management in Shetland move into a new phase. Projects include marketing and quality management, which will have a direct benefit to Shetland's economy. These projects require little, if any, future funding from the SIC.

4.0 Background

- 4.1 The SSMO is a partnership of organisations with an interest in the sustained future of Shetland's shellfish fisheries. The organisation is legally constituted as a company limited by guarantee and is run by a Board of Directors nominated by the partner organisations.
- 4.2 SSMO is granted the legal right to be responsible for the management and administration of the Regulated Fishery Order (also known as a "Regulating Order (RO)". The RO covers the management of the commercial fisheries around Shetland for lobsters, crabs, scallops, queens, whelks, razorshells, cockles, mussels and oysters.
- 4.3 The SSMO's main objectives are:
- to manage and regulate the fisheries for shellfish within Shetland's six mile limit, through the issuing of licences and the implementation of regulations and other measures, to ensure the long-term sustainability of these fisheries;
 - to promote the recovery of shellfish stocks through stock enhancement and other management measures; and
 - to promote the environmental sustainability of Shetland's shellfish fisheries.
- 4.4 The work of the SSMO in the past ten years has set the foundations for collaborative management of the inshore waters as well as develop a protocol and benchmark for data collection and analysis.
- 4.5 Shetland has a large, diverse and modern fishing industry, which is of prime importance to its economy. In 2009, 2,222 tonnes of shellfish was landed in Shetland with a value of over £5.3 million. This figure equates to 18% of the total of all demersal and shellfish landed in Shetland.
- 4.6 Shetland Shellfish Management Organisation (SSMO) is entering a key phase in terms of the long term sustainable management of the Shetland Inshore Fishery as they aim not only to deal with the day to day tasks related to the management and development of the RO and stock assessments, but to develop projects in the management of quality and marketing of produce.
- 4.7 SSMO has successfully concluded Phase 1 of an ambitious project to gain Marine Stewardship Council (MSC) Accreditation for Shetlands' Inshore Fishery.
- 4.8 MSC works with partners to transform the World's seafood markets and promote sustainable fishing practices. The process includes the application of credible standards for sustainable fishing and seafood

traceability, which seek to increase the availability of certified sustainable seafood. With this in mind SSMO will work to ensure:

- the inshore fishing activity is sustainable for the fish population to ensure they are not over-exploiting the resources
- operations are managed to maintain the structure, productivity and function and diversity of the ecosystem on which the fishery depends
- the fishery meet all local, national and international laws and must have a management system in place to respond to changing circumstances and maintain sustainability

4.9 With consumers and seafood buyers being increasingly aware of the importance of healthy oceans, being part of a secure, traceable supply chain selling certified sustainable seafood makes good business sense which will ensure recognition of the quality of shellfish landed in Shetland as well as ensuring supply into the future.

4.10 Historically the SIC has provided grant assistance of approximately £27,000 per annum to cover a percentage of the salary costs of the Executive Officer.

5.0 Proposal

5.1 SSMO have requested funding to cover its core management costs for the next three financial years. These costs are detailed as follows:

	£ 2010/11	£ 2011/12	£ 2012/13
Salary Costs	34,696	35,736	36,808
Running Costs	6,792	6,792	6,792
Travel and Subsistence	<u>2,400</u>	<u>2,400</u>	<u>2,400</u>
Total	43,888	44,928	46,000

5.2 The 2010/11 funding requested is in line with the figure presented to the SIC on 17 February 2010, Para 5.3, Report DV011-F. Agreement to this funding will allow the organisation to create a foundation to take forward a range of long and short-term work. In addition this funding is essential for attracting in external finance.

6.0 Financial Implication

6.1 The grant assistance for 2011/12 and 2012/2013 will be subject to the revenue Estimates process for that year and subject to the

availability of funds. Funding for 2010/2011 will come from funds already approved in the revenue estimate process.

6.2 The proposed grant will be paid from RRD 2121 2402.

7.0 Policy and Delegated Authority

7.1 This report is in line with Economic Development Policies number 1 “Rebuild confidence in the fish catching industry, number 2 “Enhance Shetland’s reputation as a high quality producer of fish and fish products” and number 27 “Enable individuals to achieve their full economic potential”. The Economic Development Policy Statement was approved by the Development Committee on 24 April 2008 (01/08) and by the Council on 14 May 2008 (55/08).

7.2 In accordance with Section 11.0 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 is covered by existing policy the Development Committee does have delegated authority to make a decision.

8.0 Observations

8.1 The Shetland Shellfish catching sector is worth £4.5 million to the Shetland economy, making the inshore fishing the cornerstone of economic sustainability for Shetland’s communities given the wide geographic location of the inshore fleet.

8.2 The successful management provided by the SSMO has resulted in sustainable long term fisheries support to fishermen and processors.

8.3 SIC funding of the core costs of SSMO will ensure a strong foundation from which the organisation can build on to fulfill its ambitious MSC project for accreditation for the management of stocks and support to the quality and marketing of produce. The accreditation is not just about potentially adding value it is about sustaining current markets and accessing new ones for the longer term.

8.4 As a result Shetland is strongly placed to become a leader in Inshore Management through the application of the Regulating Order and provide expertise within Shetland to contribute to its success and long-term goals.

- 8.5 Without the management work undertaken by SSMO there would be no restrictions on fishing within the six mile limit that will result in an open access fishery for any UK licensed vessel using unrestricted gear. The licensing role provided by SSMO is just one of the tools which is used for management of the inshore fishery; they also use closed periods, minimum landing sizes and gear restrictions. All of these combine to help ensure the long-term sustainability of the fishery.
- 8.6 Shetland is currently one of the only areas in the UK which is showing a stable scallop stock which is a useful measure of the Regulating Order's success.
- 8.7 The grant requested is recognised as being higher than the current level of grant support provided by the SIC but the work of SSMO has changed considerably since the current level of support was set five years ago. In addition, the role of the Executive Officer has been extended and therefore demands higher employment costs than previously to ensure that the post attracts the calibre of candidate required to fulfil this enhanced post.

9.0 Conclusions

- 9.1 SSMO provides a valuable service to the management and administration of the Regulating Order and by approving to fund the core costs of the organisation the SIC will ensure that the SSMO has a firm foundation to build on the work it currently does by undertaking a series of projects which are new in Shetland. As a result Shetland can become the leader in fisheries management.

10.0 Recommendations

- 10.1 I recommend that the Council agree to provide SSMO £43,888 in 2010/11 from the approved revenue estimates and to provide £44,928 in 2011/12 and £46,000 in 2012/2013; subject to the revenue estimates process and availability of funds in future years.
- 10.2 I further recommend that if approved funds from the NAFC funding budget, RRD 2121 2402, be vired into a new cost centre specifically for SSMO funds, since it is an independent organisation.

Our Ref: SK/KLM/RF677
Date: 24 February 2010

Report No: DV015-F



REPORT

To: Development Committee

4 March 2010

From: Head of Economic Development

**Report No: DV019-F
Mareel, Cinema & Music Venue
Sounding Board Feedback Report #9.**

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.

2.2 Risk Management

This is an information report so there are no risks associated with the recommendations.

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 18 February 2010.

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.

A total of £228,920 of the £311,700 construction contingency has been allocated to additional works. Leaving only £82,780 uncommitted. This further increase in contingency commitment is mainly attributed to additional cost of external cladding, increased cost of audio visual equipment, and other contractual costs

However, the project team have identified £80,000 of savings, to return the contingency to £162,780.

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/KLM/RF1221
Date: 24 February 2010

Report No: DV019-F