



## **REPORT**

**To: Development Committee**

**18 November 2010**

**From: Head of Economic Development**

**Report No: DV070-F  
Public Activity Report  
September and October 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
- September and October grant awards (Appendix 1)

### **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 Scotland's Islands 2011**

The first round of applications is underway and local projects will be discussed at the Cultural Strategy Group tomorrow. On 4 November the first political lobbying event was held at the Scottish Parliament, with the intention of raising the profile of the project with interested parties before the main marketing and promotional campaign gets underway.

### **4.2 Shetland Tourism Plan 2011-2014**

After a summer of extensive industry consultation, Stephen Budd, Highland Business Research has generated a first draft Shetland Tourism Plan 2011-2014 which has been circulated to all participants for initial comments and will be discussed at a meeting on 26 November 2010.

A second draft of the document will be the subject of a report to the Tourism and Culture Panel before it is submitted to the Development Committee and other relevant organisations for final approval. Development of the plan is being managed by the Economic Development Unit and it is being fully funded by HIE.

### **4.3 Fair Isle Bird Observatory**

The new Fair Isle Bird Observatory is now reported to be extremely near to completion, with only minor works and snagging remaining. Fair Isle Bird Observatory Trust (FIBOT) hope to have these works concluded in the next few weeks. In the meantime, the main visitor accommodation has been open for the autumn season, and has been warmly praised by visiting birdwatchers.

### **4.4 Foula Electricity Trust**

The Foula Electricity Trust has awarded the tendered contract for phase two of the Foula Electricity Scheme, to Malakoff Ltd. Phase two shall see the removal of the old wind harvester installation at the South Ness and the installation of three 10 kW wind turbines on the same site. The amount of battery storage in the scheme shall also be increased to make the best use of available renewable energy. As part of phase two, L&M Engineering recently installed two synchronised diesel generators. These are used for back up to the renewable energy sources and top up the battery bank when it drops below a certain level. With the introduction of wind power this shall give the scheme much greater capacity and availability of renewable energy year round, allow to conserve and make best use of the stored hydro power in the loch and greatly reduce the need to import diesel. In phase one of the scheme, 19kW of Solar panels were installed, these also feed power into the battery bank and are very effective in

the long days of May, June and July when sources of wind and water are not as reliable.

Malakoff Ltd were the lead contractor for phase one of the scheme and have on board the same team of sub contractors. These include the designers of the scheme, Senergy Econnect, accredited installers Wind & Sun Ltd and contractor FLJ (Shetland) Ltd for the civils work. Work on the project will continue over the winter months in Foula and aims to be in the commissioning phase in the spring of 2011.

The Foula Electricity Trust secured a funding package of £400,000 for phase two of the project. The Shetland Islands Council's commitment to the project of £100,000 has helped lever in £200,000 from the Big Lottery and £100,000 from Community Energy Scotland, to allow the project to go ahead.

Foula Electricity Trust are hosting a workshop in Foula on 16 November titled "Foula Going Green". The Trust has invited a number of representatives from community groups around Shetland who are working on projects that aim to reduce their energy use and utilise renewable energy sources, making their communities more sustainable. They shall visit the Foula scheme and take part in a workshop to exchange ideas on how to make best use of the renewable energy available on Foula. The Foula community are looking ahead to when the phase two infrastructure is commissioned and investigate what projects could then be developed on Foula, to stimulate economic development and improve the sustainability of the island community.

#### 4.5 PromoteShetland

The initiative continues to progress well. A meeting has been set up between PromoteShetland and the Council's Policy Unit in which to identify ways in which the work of PromoteShetland can be better recognised and directed in connection with the need to maintain Shetland's economically active population. A draft marketing strategy for Shetland is at an advanced stage and it is the intention, when this has been finalised, for it to be distilled and re-designed to provide an effective and accessible document for public use. At operational level a new walking guide should be published this month, an arts and crafts trail will be ready for Spring 2011, promotion around Shetland Wool Week has been carried out and staff training in various marketing and analysis techniques have been undertaken which will improve the service provided. New VisitScotland Chief Executive Malcolm Roughead, along with Director of Digital Media Robbie Parish and Growth Fund Manager Joanne Blanus will visit to meet with the PromoteShetland Steering Group on January 24 2011.

Meanwhile efforts will continue to be made to build in the exceptionally positive news that Shetland has been recognised by the highly influential Lonely Planet, being named as among the top 10 best regions in the world to visit in 2011. The Lonely Planet is the largest travel guide book and digital media publisher in the world and lauded Shetland as the 'last untamed corner' of Britain.

#### 4.6 Shetland Brand Rollout

Following on from Creenagh Lodge's visit significant progress has been made in this area in both identifying a plan for rolling out the Shetland brand initiative. A key part of this work includes a practical way in which organisations from the public, private and voluntary sector will be able to connect closely to the brand by using visual branding materials connected with the values and benefits behind the Shetland name. The method under consideration is one which has been used effectively in another UK region, is not affected by State Aid concerns and one which can be delivered with minimal amounts of time in administration, quality testing and auditing. It is hoped that this can be in place early in 2011 and would be led, in delivery, by PromoteShetland in conjunction with the Economic Development Unit.

#### 4.7 Shetland Food Festival (written prior to festival start date)

The third Shetland Food Festival runs from 6-14 November. The main element of the event comprises the popular combined demonstration kitchen sessions and producers market which this year will partner the already established and highly successful winter craft fair, run by Shetland Arts and Crafts. Guest chef in 2010 is Stewart Boyles who is head chef at Cameron House - Martin Wishart's Loch Lomond Resort. In addition to this, the dates incorporate a 9 day focus on participating eateries with a Shetland element to their menu, guided visits to the Lerwick fish market floor and electronic auction and bannock making workshops. EventScotland funding for the event totalling £6,700 has been secured for use in connection with the Producers' market. The food festival is the annual event which EDU staff receive the most interest in from outwith Shetland from potential visitors and media. It is considered a good way to further ambitions for local produce in many ways including promoting better links between producers and eateries, providing a local showcase for visiting buyers whilst creating a premium 'shoulder' season event in the Shetland events calendar.

#### 4.8 Mareel, Music and Cinema Venue

Cladding is continuing to North and South elevations and windows are now being fitted to the East. Mechanical and Electrical first fix is being progressed. Stairs to three of the five stairwells have been fitted and foyer stair has been manufactured. Structural timbers should be here within one week. Internal lining out has been started. The Principal Contractor has supplied a revised programme and the client is negotiating the completion date for spring 2011. The financial status of the project is within budget and the level of available contingency still stands at over 2% of the works value still to spend.

#### 4.9 Drydock – Business Development Team

The first meeting of the Drydock Study Business Development Team was held on 02 November 2010. The Team was formed as per the recommendations in the report, presented to Development Committee on 30 September 2010 (Min Ref 57/10)

Attending the meeting were the Heads of Economic Development, Capital Programme Service and Ports & Harbours, and the Chair of the Development Committee. The Team discussed issues relating to potential sites for establishing a new drydock facility, particularly regarding environmental issues. The following action points were agreed:

- Contact Lerwick Port Authority to discuss a potential Dales Voe site, with particular regard to ascertaining wave and tidal data;
- Hold initial discussions with Scottish Environmental Protection Agency and Scottish Natural Heritage to establish potential barriers to development, using technical options appended to the feasibility study as examples.

The action points will be taken forward by the Business Development Project Manager, and reported to a meeting of the Business Development Team in January 2011.

#### 4.10 Shetland Telecom Project

Full State Aid notification of the project has been submitted after further dialogue with officials at DG Competition. It has been agreed that the project is to progress under 'simplified procedures' as there are a number of precedents for similar projects within the EU. The Scottish Government's State Aid Unit have lodged the notification and the UK Government have 'rubber stamped' it. The notification is now on the EU's website for a period of 10 days. Once this consultation period is over it is expected that the project will be granted State Aid clearance.

Brodies have been appointed as solicitors to the project. They will be providing advice to the Council on the establishment of 'Shetland Telecom'.

HIE's project for 'superfast' broadband across a number of locations in the Highlands and Islands was (as expected) approved for funding from the UK Government. Dialogue with HIE is taking place to ensure that as many sites in Shetland are included and that the new SIC fibre optic network is fully utilised to provide resilient off-island bandwidth for the project.

#### 4.11 Shetland Livestock Marketing Group (SLMG)

This project relates to a de minimis grant of up to EUR 500,000 towards the upgrading of the marts building, and marketing activities.

Drawdown of funding to date is £202,069.64.

The upgrade is progressing well and the new pens and lairage should be completed shortly. Work is now well in hand to establish the marketing organisation for the sale of product from the new slaughterhouse, and the directors are working with their accountants to establish the best organisation from a financial point of view. Work is well under way to establish a commercial lease between SACL and SLMG for the rental of the new slaughterhouse. YTD sales at the livestock sales is, at this stage approx. 10% up on last year and this would indicate that local farmers and crofters are continuing to support the local mart and it is becoming more and more an essential piece of the local agricultural infrastructure.

#### 4.12 Shetland Abattoir Cooperative Limited (SACL)

This project relates to a de minimis grant of up to EUR 500,000 towards the cost of a new slaughterhouse unit at Staneyhill for cattle processing and the purchase of Laxfirth slaughterhouse for sheep processing.

Drawdown of funding to date is £166,523.74.

A site inspection was made on 29 October. The abattoirs building is progressing well. The external shell of the building is almost complete and internal works have commenced. The project appears to be on schedule to complete before March 2011, well within the grant offer period.

#### 4.13 Pure Shetland Lamb Ltd (PSL)

This project relates to a de minimis grant of up to EUR 500,000 for the development of the Boddam slaughterhouse.

PSL have been informed of the decision at the last Committee not to vary the terms of their grant offer. No further progress has been reported by the company regarding meeting pre-conditions.

## 5.0 Government initiatives

### 5.1 Business Gateway

96 Business Gateway enquiries have been logged from the beginning of this financial year until 2 November 2010, in the following sectors:-

- General Services – 23
- Catering – 6
- Construction – 5
- Accommodation – 5
- Agriculture – 2
- Community Development – 2
- Transport – 2
- Retail – 4
- Fish Processing – 1
- Aquaculture - 4
- Fishing – 2
- Training – 1
- Crafts- 6
- Renewable Energy – 6
- Voluntary Sector – 1
- Tourism – 9
- Fish Sales – 4
- Creative Sector –6
- Financial – 1
- Manufacturing – 2
- Food and Drink – 4

Forty-two of these enquiries related to possible business start-ups. Thirteen have been referred to the national business gateway centre, 12 have been referred to Train Shetland for a place on a training course and there have been 50 appointments of business advisers. 43 clients have applied for or are considering applying for Council assistance and four were not eligible for support. One project has been referred to HIE as a possible high growth expansion, with the prospect of one other.

Our Creative Student Support Scheme is working well with 12 Shetland College students taking part in the Business Theory modules that the Business Gateway is delivering at Shetland College. It is known that a number of these students are considering preparing business plan to work on their own account after completing their courses. These are mostly students attending the Textile and Design degree course. A bursary has been awarded under the scheme to enable a part-time student to study full-time.

Six grants have been awarded under our new Training for Growth scheme, which was introduced as part of the business gateway. This scheme is proving to be very popular, with a number of applications expected in the near future.

## **6.0 Financial Implications**

6.1 There are no financial implications arising from this report.

## **7.0 Policy and Delegated Authority**

7.1 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 (02/08) 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 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.

## **8.0 Recommendations**

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

Our Ref: NG/JJ A09  
Date: 10 November 2010

Report No: DV070-F





## **REPORT**

**To: Development Committee**

**18 November 2010**

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

**Report No: F-062-F**

**Economic Development Unit Revenue Management Accounts 2010/11  
Period 7 - 1st April 2010 to 31st October 2010**

### **1. Introduction**

- 1.1 The purpose of this report is to provide Members with an overview of the financial position on the Economic Development Unit General Ledger and Reserve Fund revenue management accounts for the first 7 months of 2010/11.
- 1.2 This report will also highlight the position with regard to savings identified and predicted outturn variances.

### **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. Risk Management**

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

### **4. Background**

- 4.1 The revenue management accounts are presented to the Executive on a monthly basis to monitor the Council's overall financial position.
- 4.2 The financial data in this report includes employee costs; operating costs (property, supplies & services, administration, transport and agency payments); transfer payments (grants); and income (fees and charges, grant funding and rents).

- 4.3 All appendices show the annual budget, year to date (YTD) budget, YTD actual and YTD variance. It is the YTD variances, which are referred to within this report. The YTD budget is derived from setting a budget profile, which estimates when spending will occur or income will be received. The YTD variance shows how actual activity has varied from the YTD budget.

## **5. Financial position on the General Ledger (inc Support/Recharged)**

- 5.1 Appendix 1 shows the position by service area and subjective category. There is an overall underspend of £60k against YTD budgets to period 7 on support costs which relates to minor underspending on operating costs.
- 5.2 Appendix 2 shows the position by cost centre.

## **6. Financial position on the Reserve Fund**

- 6.1 Appendix 3 shows the position by service area and subjective category on the Reserve Fund. There is an underspend of £1.309m against YTD budgets set. This is mainly due to fisheries and aquaculture lending and discretionary grants, where it is difficult to determine when loans or grants will be requested or paid, and heritage tourism discretionary grants where large projects are awaiting external funding confirmation to proceed. There is an overspend on employee and operating costs of £136k which is made up of minor variances across the cost centres. These are being corrected through virement.
- 6.2 Appendix 4 shows the data referred to in paragraph 6.1 by cost centre.
- 6.3 There is currently £6.5m of outstanding commitments on the discretionary grants budget. The reason for the extent of outstanding commitments is due primarily to grants being subject to achievement of other external match funding and time taken to meet preconditions or other project delays.

An internal mechanism was put in place for 2010/11 to enable up to 120% commitment on certain budget centres, as reported to Committee in March (Min Ref 20/10).

Work is ongoing to fully determine the position on commitments and the Head of Economic Development will be reporting on this to the next cycle.

## **7. Financial Implications**

- 7.1 The General Ledger is underspent against the year to date budget by £60k. The Reserve Fund is underspent against the year to date budget by £1.309m. These underspends are due to difficulties in budget profiling and are not an indication of savings.
- 7.2 As reported in the Head of Finance's Estimates Report in February 2010 (Min Ref 15/10), in order to meet the financial policy target of a draw on Reserves of £2m on the General Fund revenue budget there is an overall budget saving requirement of £9.9m across the Council for 2010/11.

- 7.3 To date a total savings contribution of £65k has been committed by Economic Development Unit to the corporate budget saving requirement. However, it should be recognised that following the Chief Executive's instruction of a moratorium on non-essential spending, further savings will be identified and reported to the Council on 8th December 2010.

## **8. Policy & Delegated Authority**

- 8.1 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.

## **9. Recommendation**

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

Report No: F-062-F  
Ref: GJ/HKT/BR

Date: 10 November 2010



GENERAL FUND (including Support and Recharged Ledgers)  
By Service Area & Subjective Area

F-062 APPENDIX 1

**ECONOMIC DEVELOPMENT UNIT MANAGEMENT INFORMATION 2010/11 - PERIOD 7** **1st April 2010 to 31st October 2010**

<u>Revenue Expenditure by Service</u>	Annual Budget	Year to Date Budget	Year to Date Actual	Year to Date Variance (Adverse)/Favourable
	£	£	£	£
Administration	386,198	262,774	241,553	21,221
Business Development	467,167	237,677	204,047	33,630
Marketing	120,423	70,067	65,326	4,741
<b>Economic Development Unit (total)</b>	<b>973,788</b>	<b>570,518</b>	<b>510,926</b>	<b>59,592</b>

<u>Revenue Expenditure by Subjective</u>	Annual Budget	Year to Date Budget	Year to Date Actual	Year to Date Variance (Adverse)/Favourable
	£	£	£	£
Basic Pay	614,510	358,464	345,357	13,107
Overtime	20,000	11,666	5,308	6,358
Other Employee Costs	237,356	132,923	124,187	8,736
<b>Employee Costs (sub total)</b>	<b>871,866</b>	<b>503,053</b>	<b>474,852</b>	<b>28,201</b>
Travel & Subsistence	56,500	32,958	23,927	9,031
Property Costs	40,921	496	313	183
Other Operating Costs	77,042	34,140	12,527	21,613
<b>Operating Costs (sub total)</b>	<b>174,463</b>	<b>67,594</b>	<b>36,767</b>	<b>30,827</b>

<b>Transfer Payments (sub total)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
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<b>Income (sub total)</b>	<b>-72,541</b>	<b>-129</b>	<b>-693</b>	<b>564</b>
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<b>TOTAL</b>	<b>973,788</b>	<b>570,518</b>	<b>510,926</b>	<b>59,592</b>
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<b>ECONOMIC DEVELOPMENT UNIT 2010/11 - PERIOD 7</b>	<b>1st April 2010 to 31st October 2010</b>
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<u>Description</u>	Annual Budget	Year to Date Budget	Year to Date Actual	Year to Date Variance (Adverse)/Favourable
	£	£	£	£
<b>Head of Service</b>	<b>386,198</b>	<b>262,774</b>	<b>241,553</b>	<b>21,221</b>
SRD0000 EDU Mgt & Administration	323,559	242,341	227,663	14,678
SRD0001 EDU Recruitment Expenses	8,500	4,959	0	4,959
SRD0002 Head of Economic Development	54,139	15,474	13,890	1,584
<b>Business Development</b>	<b>587,590</b>	<b>307,744</b>	<b>269,373</b>	<b>38,371</b>
SRD1000 Head of Business Development	163,461	106,371	88,192	18,179
SRD1010 Business Technical Support	303,706	131,306	115,855	15,451
<b>Marketing</b>				
SRD5000 Marketing	120,423	70,067	65,326	4,741
<b>TOTAL DEVELOPMENT</b>	<b>973,788</b>	<b>570,518</b>	<b>510,926</b>	<b>59,592</b>

RESERVE FUND  
By Service Area & Subjective Area

F-062 APPENDIX 3

**ECONOMIC DEVELOPMENT UNIT MANAGEMENT INFORMATION 2010/11 - PERIOD 7** **1st April 2010 to 31st October 2010**

<u>Revenue Expenditure by Service</u>	Annual Budget	Year to Date Budget	Year to Date Actual	Year to Date Variance (Adverse)/Favourable
	£	£	£	£
Fisheries	4,253,792	2,089,057	1,431,561	657,496
Agriculture	485,000	271,051	164,985	106,066
Other	3,554,156	1,651,495	1,399,911	251,584
Tourism	2,000,617	1,092,101	798,571	293,530
<b>Economic Development Unit (total)</b>	<b>10,293,565</b>	<b>5,103,704</b>	<b>3,795,028</b>	<b>1,308,676</b>

<u>Revenue Expenditure by Subjective</u>	Annual Budget	Year to Date Budget	Year to Date Actual	Year to Date Variance (Adverse)/Favourable
	£	£	£	£
Basic Pay	97,748	57,020	63,875	(6,855)
Overtime	0	0	890	(890)
Other Employee Costs	30,255	17,648	18,978	(1,330)
<b>Employee Costs (sub total)</b>	<b>128,003</b>	<b>74,668</b>	<b>83,743</b>	<b>(9,075)</b>

Travel & Subsistence	23,520	19,771	40,890	(21,119)
Property Costs	19,265	9,735	28,755	(19,020)
Other Operating Costs	807,366	589,148	685,255	(96,107)
<b>Operating Costs (sub total)</b>	<b>850,151</b>	<b>618,654</b>	<b>754,900</b>	<b>(136,246)</b>

<b>Transfer Payments (sub total)</b>	<b>9,472,003</b>	<b>4,564,682</b>	<b>3,129,463</b>	<b>1,435,219</b>
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<b>Income (sub total)</b>	<b>(156,592)</b>	<b>(154,300)</b>	<b>(173,077)</b>	<b>18,777</b>
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<b>TOTAL</b>	<b>10,293,565</b>	<b>5,103,704</b>	<b>3,795,028</b>	<b>1,308,676</b>
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ECONOMIC DEVELOPMENT UNIT MANAGEMENT INFORMATION 2010/11 - PERIOD 7 1st April 2010 to 31st October 2010

Description		Annual Budget	Year to Date Budget	Year to Date Actual	Year to Date Variance (Adverse)/Favourable
		£	£	£	£
RRD2104	S.H.O.A.L.	1,000	583	0	583
RRD2120	Fisheries General Assistance	105,000	17,500	896	16,604
RRD2121	North Atlantic Fisheries Coll	2,443,711	1,124,444	1,124,444	0
RRD2122	Shetland Seafood Quality Control	233,751	50,953	50,953	0
RRD2123	Shet Shellfish Management Org	43,888	25,601	21,944	3,657
RRD2201	Mentoring Programme	4,000	2,333	0	2,333
RRD2203	Fisheries&Aquaculture Lending	1,320,000	820,000	205,500	614,500
RRD2204	European Fisheries Match Fundi	102,442	47,643	27,824	19,819
<b>Fisheries</b>		<b>4,253,792</b>	<b>2,089,057</b>	<b>1,431,561</b>	<b>657,496</b>
RRD1129	Livestock Health Scheme	100,000	50,000	45,755	4,245
RRD1133	Agriculture General Assistance	115,000	73,333	25,991	47,342
RRD1136	Agriculture Contractors Scheme	20,000	11,667	7,250	4,417
RRD1137	Shetland Rural Dev Scheme	50,000	29,167	17,994	11,173
RRD1138	Shet Agric Business Scheme	100,000	48,551	67,995	(19,444)
RRD1150	Agricultural Loans	100,000	58,333	0	58,333
<b>Agriculture</b>		<b>485,000</b>	<b>271,051</b>	<b>164,985</b>	<b>106,066</b>
RRD1500	Other Research	60,000	44,247	34,652	9,595
RRD1502	Publications	2,000	1,167	(114)	1,281
RRD1515	Shetland Business Growth Scheme	50,000	8,333	316	8,017
RRD1520	Other General Assistance	89,489	49,958	83,969	(34,011)
RRD1523	Rural Shop Improvement	60,000	35,000	23,553	11,447
RRD1526	Rnew Energy Proj	90,000	46,642	38,229	8,413
RRD1527	Business Energy Efficiency	100,000	16,667	19,153	(2,486)
RRD1528	Foula Electricity	80,000	0	0	0
RRD1530	Economic Infrastructure Projec	1,194,375	451,970	246,750	205,220
RRD1532	Architectural Heritage	250,000	250,000	250,000	0
RRD1533	Fairer Scotland Fund	40,000	40,000	40,592	(592)
RRD1534	Scotland's Islands	30,000	0	0	0
RRD1540	New Manufacturing-New Service	200,000	0	0	0
RRD1541	Food & Drink Projects	150,000	43,750	0	43,750
RRD1545	Textiles	50,000	50,000	55,225	(5,225)
RRD1550	Broadband Services	0	0	11,390	(11,390)
RRD1551	Pop Set up Highspeed data link	140,000	81,667	66,822	14,845
RRD1552	Mareel	418,292	284,125	269,919	14,206
RRD1553	Creative Industry Development	20,000	11,667	8,516	3,151
RRD1560	Community Enterprise Schemes	30,000		5,000	(5,000)
RRD1561	Retain Active Rural Population	30,000	0	0	0
RRD1562	Engage with Learning Centres	70,000	0	0	0
RRD1563	COPE	175,000	175,000	175,000	0
RRD1564	Childcare	100,000	48,000	16,526	31,474
RRD1800	Leader	(3,670)	(3,669)	9,605	(13,274)
RRD1801	Convergence	3,670	2,141	(5,460)	7,601
RRD1810	Business Gateway	0	0	43,570	(43,570)
RRD1910	Decommissioning Projects	75,000	0	0	0
RRD6010	Investment Management	50,000	14,830	6,698	8,132
<b>Other</b>		<b>3,554,156</b>	<b>1,651,495</b>	<b>1,399,911</b>	<b>251,584</b>
RRD1620	Tourism Financial Assistance	50,000	29,167	11,200	17,967
RRD1621	Tourism Infrastructure	75,000	0	0	0
RRD1630	Tourism General	20,000	11,667	10,565	1,102
RRD1631	Heritage Tourism	1,008,452	430,955	126,264	304,691
RRD5005	MDP	38,000	22,167	22,468	(301)
RRD5010	Promote Shetland	363,000	235,500	235,500	0
RRD5013	Event Management	0	0	0	0
RRD5014	Film Support	23,371	14,261	14,261	0
RRD5031	Shetland Promotional Costs	85,175	54,237	52,153	2,084
RRD5039	Flavour of Shetland	76,655	74,931	81,797	(6,866)
RRD5041	Food Festival	40,500	29,632	40,470	(10,838)
RRD5042	Tall Ships	154,391	138,348	139,019	(671)
RRD5043	Hamefarin	66,073	51,236	64,874	(13,638)
<b>Tourism</b>		<b>2,000,617</b>	<b>1,092,101</b>	<b>798,571</b>	<b>293,530</b>
<b>TOTAL ECONOMIC DEVELOPMENT UNIT</b>		<b>10,293,565</b>	<b>5,103,704</b>	<b>3,795,028</b>	<b>1,308,676</b>





## **REPORT**

**To: Development Committee**

**18 November 2010**

**From: European Officer**

### **REPORT NO: DV066-F UPDATE ON EUROPEAN ACTIVITIES**

#### **1.0 Introduction**

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

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

- 2.1 Maintaining and enhancing our links with Europe is essential to improve economic opportunities in Shetland and help deliver on the actions identified within Shetland Islands Council's Corporate Plan 2010-2012 to maintain a sustainable economy.

#### **3.0 Risk Management**

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

#### **4.0 Funding Streams**

##### **4.1 Highlands & Islands Convergence Programme 2007-2013**

The Programme Monitoring Committee met on 2 June and approved funding for two Shetland projects:

- ERDF funding of £367,500 for the Shetland Fibre Optic Network.

- ESF funding of £85,500 towards establishing the Shetland Business Growth Training Scheme. This scheme, run by the Economic Development Unit, is aimed at increasing and developing workforce skills within local SMEs. To date a number of enquiries for funding have been received and five offers of grant have been made.

Two further ERDF applications were recently submitted for funding towards elements of the Low Carbon Shetland project, specifically:

- An application for just over £1.2m of funding towards installing new and innovative, energy efficient storage heating and hot water systems into 750 existing social homes throughout Shetland (SIC and Hjaltsland housing stock).
- An application for £800,000 towards a new thermal store to allow expansion of the Lerwick district heating scheme.

The Low Carbon Shetland project aims to move Shetland towards a low carbon economy by increasing the amount of new renewable energy onto the Shetland grid. The outcome of these funding bids will be known around the end of the year.

There is strong competition for ERDF funds in this current round where the number of applications exceeds the amount of ERDF remaining. However, going forward securing match funding may present some difficulties for project applicants.

In view of the slow uptake for ESF funds, it is proposed to increase the grant rates for projects from 50% to an average of 65% thus requiring less public match funding. Increasing the grant rate needs to be approved by the European Commission and this is looking positive.

#### 4.2 European Fisheries Fund (EFF) 2007-2013

Shetland Islands Council participated in the Project Assessment Committee meeting in September which considered a large number of applications for funding, many of which had been submitted during 2009 and had been on hold pending the Scottish Government resolving a number of financial issues with the EFF budget. There is considerable demand for EFF funds for aquaculture and processing and marketing projects in the H&I's area with the result that the total number of applications was almost triple the balance of funds remaining. In addition, an allocation of £6m EFF funding has been used to establish the Fleet Resilience Grant Scheme targeting the disposing of donor vessels made dormant through licence parking.

As recently announced by the Scottish Government, funding was awarded to 14 Shetland projects for fishing vessel improvements and investments in aquaculture and expansion of processing facilities. Due to the demand for EFF funding, some grant rates were reduced.

The Axis 4 funding strand of the EFF programme which is to support the sustainable development of fisheries areas is yet to be launched, however, the Scottish Government expect to have approval shortly from the European Commission. The proposal is that Axis 4 funds will be delivered via local LEADER groups thus focussing on a bottom up approach. The total Axis 4 budget allocation for the H&I's region is £1.4 million and it has not been confirmed by the Government how it will allocate the funds to eligible fisheries areas.

#### 4.3 LEADER Programme 2007-2013

A total of 32 projects have been approved under the LEADER and Convergence budgets but 2 were subsequently withdrawn, one of them to be reapproved, leaving 30 projects of which 12 are now completed. The total funds committed from LEADER and Convergence is £584,591 of which £212,292 has been claimed to date. While the LEADER Action 1 (Local Projects) budget is fully committed, there are still funds available in the LEADER Action 2 (Co-operation Projects) budget of £97,500, which could be vired to Action 1 at the LAG's discretion, and in the Convergence budget of £1,179,373.

In respect of the transfer of responsibility for Community Services and Facilities from Rural Priorities to LEADER, the LAG decided on 27 August to put the £220,000 funding allocated to Shetland into a Challenge Fund and has asked interested community groups to submit outline applications to be considered at the LAG meeting on 18 November. The LAG anticipates that the £220,000 will be inadequate to fund all the projects which apply to the Challenge Fund and successfully meet the LEADER criteria, so is hoping to use Convergence funding to assist these and similar projects if sufficient public match funding can be found.

### 5.0 **Conference of Peripheral Maritime Regions (CPMR) Activities**

#### 5.1 CPMR Annual General Assembly

The 2010 General Assembly was held in Aberdeen from 29 September to 1 October. The current policy areas of focus for the CPMR are cohesion policy and integrated maritime policy in accordance with the Commission's priorities for 2010-11.

Maria Damanaki, the EU's Maritime Affairs & Fisheries Commissioner, attended and spoke about maritime policy and Common Fisheries Policy (CFP) reform. The key messages delivered by the Commissioner were:

- The CFP must be integrated into the wider context of maritime policy. The focus of the reformed CFP has to be about fishing less and adding more value to fish landed. Day-to-day fisheries management should be devolved to Member States.

- Maritime policy must aim to trigger 'blue growth' – ie the creation of new skills and jobs in the maritime sector.
- Integration of maritime surveillance systems is necessary.
- A €45 million funding programme to support European marine research in 2011.
- A €50m funding programme to support the development of an integrated maritime policy for 2011-2013. From 2013, it is proposed to mainstream integrated maritime policy.
- Fisheries funding post-2013 will be focussed on meeting CFP objectives which will include addressing 'green' issues. The Commissioner is of the view that there should be more funding allocated to Axis 4 activities which has a focus on activities diversifying away from fisheries.

Councillors Angus and Simpson had the opportunity to address the Commissioner during the debate and highlighted issues such as the regionalisation of fisheries management, the crisis in the whitefish sector, maritime safety, and the importance of maximising the use of regional marine research centres.

Councillor Simpson was invited to participate in the North Sea ministerial conference which was held alongside the CPMR General Assembly. This involved fisheries ministers from the UK, Norway and Denmark and other maritime stakeholders having a round table debate with the EU Fisheries Commissioner on major maritime issues in the North Sea region. The Commissioner was supportive of proposals presented by the North Sea Commission to establish an informal North Sea Integrated Maritime Forum.

The EU Commissioner for Regional Policy, Johannes Hahn, was also present at the General Assembly and outlined the Commission's views of regional policy post-2013. His key messages were:

- Regional policy is an investment policy not a charitable policy.
- It's focus will remain on reducing disparities between EU regions.
- It should apply to all European regions but with a greater focus on the most vulnerable regions.
- Local and regional objectives are important to enable policy to be more results-orientated.
- As well as large-scale projects, small projects are essential to create employment and sustainability within SMEs.
- Regional policy priorities need to be aligned with the Europe 2020 Strategy objectives of achieving 'smart, sustainable and inclusive growth'.
- There should be a greater focus on cities and urban areas.
- EU funding rules need to be simplified.

Councillor Angus, in his capacity as CPMR UK Members spokesperson, participated in a round table discussion with Commissioner Hahn discussing what peripheral regions required of future regional policy.

## 5.2 CPMR Fisheries Intercom Group

The group, chaired by Councillor Simpson, met in Aberdeen during the CPMR General Assembly. The agenda focussed on CFP reform and in attendance at the meeting was Mr Franz Lamplmair from the European Commission's Maritime Affairs and Fisheries Unit who gave an update on progress with the Common Fisheries Policy reform. The regions present were invited to put forward their views. Common themes emerging were regionalisation and how it will work in practice, how to create a balance between addressing overcapacity and maintaining a modern, efficient and safe fleet, and the importance of small scale fisheries to coastal communities.

Mr Lamplmair stressed that the debate is still open for stakeholders to put forward their views. The next step is for the Fisheries Intercom Group to develop a political position on behalf of the CPMR and present it to the Director General of DG Mare in early 2011 to continue the dialogue with the Commission.

## 5.3 North Sea Commission

In June 2009, the CPMR North Sea Commission members agreed that a priority for action should be a strategy for the North Sea region – 'North Sea Region 2020'. This reflects a growing trend at European level towards the creation of territory-specific, or macro-regional, strategies and action plans – for example a strategy for the Baltic Sea was agreed in 2009 to address the environmental challenges in that area. Macro-regional strategies are also considered to be a new type of EU cooperation recognising that sectoral policies do not always take account of local challenges and opportunities. It is considered that a North Sea Strategy could help achieve the following:

- Help deliver on the objectives of the EU's Europe 2020 strategy promoting smart, sustainable and inclusive growth.
- Identify challenges and opportunities within the North Sea region.
- Examine existing initiatives and identify gaps and areas where value can be added.
- Improve the efficiency and coordination of policies and funding.
- Influence and shape the development of the next Interreg funding programmes, specifically the North Sea Programme.

There is no doubt that this is an ambitious project however the European Commission have welcomed the initiative. For a strategy to succeed, there is a need to clearly define the scope both in policy and geographical terms and understand the added value that such a strategy could provide.

## 6.0 Policy Issues

### 6.1 Common Fisheries Policy Reform

Following the public consultation on a CFP post-2013 which ended in 2009, the Commission will present draft proposals in Spring 2011 for adoption by the Council of Ministers and the European Parliament in 2012.

The main themes emerging from the consultation were:

- Overcapacity is seen as the main problem.
- There is no strong support for one-off scrapping measures.
- Subsidies are recognised as part of the problem of overcapacity.
- Simplified, decentralised and long-term decision-making is essential.
- Support for strengthening RACs and POs.
- Cautious support for self-management.
- Recognition that small-scale fisheries are important for coastal development and for sustaining jobs in remote communities.
- Broad support to retain relative stability in its current format.
- Any future Fisheries Fund will be aligned to achieving CFP objectives.

Shetland Islands Council will continue to follow and input into the debate on CFP through SHOAL, and the CPMR, specifically the Fisheries Intercom Group chaired by Councillor Simpson.

### 6.2 Video-Conference with Struan Stevenson MEP and Ian Hudghton MEP

Councillors and officials representing the Highlands & Islands European Partnership participated in a video-conference with Struan Stevenson MEP and Ian Hudghton MEP on 28 October on the subject of fisheries and integrated maritime policy. Struan Stevenson is Vice-Chair of the European Parliament's Fisheries Committee and was interested in hearing the views of the H&I's. Representing Shetland were Councillors Betty Fullerton and Josie Simpson and Leslie Tait from Shetland Fishermen's Association. The video-conference was chaired by Councillor Fullerton.

The EU's cod recovery plan was highlighted as a particular issue for both Shetland and the Western Isles and Mr Stevenson has agreed to follow this up with the EU Fisheries Commissioner.

Councillors Simpson and Fullerton also took the opportunity to highlight the Government's recent decision to withdraw the coastguard maritime tugs and asked the MEPs for their support in this matter.

### 6.3 Shetland Oceans Alliance (SHOAL)

Following his appointment in May, SHOAL sent an invitation to the UK Fisheries Minister, Richard Benyon, inviting him to visit Shetland at an early opportunity to see at first hand the issues important to fisheries dependent communities. The Minister has been unable to arrange a visit to Shetland and has instead offered to meet representatives of SHOAL in London on 25 November 2010. Councillor Simpson and representatives from the Shetland Fishermen's Association will attend the meeting.

### 6.4 Cohesion Policy Post-2013

Momentum is now beginning to build as EU regions start lobbying for the next phase of Cohesion Policy post-2013. On 9th November, the European Commission are due to publish the 5<sup>th</sup> Cohesion Report which is an update on the progress made towards achieving economic, social and territorial cohesion across the EU. The report will be used by the Commission as the basis for formulating its proposals for the EU's cohesion policy 2014-2020. The structure and focus of this policy will shape the regional programmes which will deliver the Structural Funds (ie ERDF, ESF, and to a lesser extent rural development and fisheries funds). Given the importance of regional policy and structural funds to the area, the Highlands & Islands European Partnership have commenced lobbying activities:

- Councillor Angus participated in the first meeting of Scottish Locally European Elected Representatives (SLEER) on 29 September. SLEER has been initiated by COSLA to provide coordination of elected members who have European portfolios on European policy issues. It is proposed to use SLEER to coordinate the development of a Scottish position on regional policy and EU funding.
- Councillor Simpson represents the Council on COSLA's R&SD Executive Group which has the remit of guiding COSLA's lobbying work on future EU funding and the EU budget.
- Representatives from the H&I's European Partnership participated in a number of meetings in Brussels during the Committee of the Regions Open Days events in October. They met Commission officials, the Scottish Government, MEPs and with other lobbying networks to start making the case for future Structural Funds support for the H&I's region.

- As part of the Commission's launching of the 5<sup>th</sup> Cohesion Report and to encourage discussion and debate about future cohesion policy, there will be an event in Inverness on 11 November led by Moray Gilland who is the Assistant to the Director General of DG Regional Policy within the Commission. Mr Gilland will present the 5<sup>th</sup> Cohesion Report and its implications for the Highlands and Islands. This event presents an excellent opportunity for the H&I's to:
  - project itself as a major player in this crucial European debate;
  - engage with one of the key individuals who will be carrying forward the results of the 5<sup>th</sup> Cohesion Report;
  - influence the debate on the 5<sup>th</sup> Cohesion Report and resultant regional policy; and
  - make the case for what the H&I's region is seeking for from future regional support.

Highland Council's European Spokesperson will give a presentation on behalf of the H&I's European Partnership. Intelligence received to date shows that it is looking promising that there could be a transitional programme for regions whose GDP is up to 90% of the EU average (this would include the H&I's) and this is what the Highlands & Islands European Partnership are lobbying for. The Highlands & Islands is working on win-win scenario for Scotland, ie a separate programme for the H&I via a separate EU funding stream from the rest of Scotland, or in the case of a single fund for Scotland that the specific and very different opportunities and needs of the Highlands & Islands are reflected in a separate strand of funding.

## **7.0 Financial Implications**

- 7.1 The financial implications arising from this report are future travel and subsistence costs associated with attending external meetings. These costs can be met from existing budgets, however, where appropriate attempts are made to participate in meetings using video-conferencing.

## **8.0 Policy & Delegated Authority**

- 8.1 This report is relevant to three of the overall aims within the Economic Development Policy Statement 2007-2011 which was approved by the Development Committee on 24 April 2008 (02/08) and by the Council on 14 May 2008 (55/08). The relevant aims are: encourage enterprise and sustainable growth; expand knowledge and build skills; and improve access and extend opportunities.



8.2 In accordance with Section 11.0 of the Council's Scheme of Delegations, the Development Committee has delegated authority to implement decisions within its remit for which the overall objectives have been:

- Economic Strategy
- Europe

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

## **9.0 Conclusion**

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

## **10.0 Recommendation**

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

Our Ref: SJS/R4/10/6  
Date: 3 November 2010

Report No: DV066-F





## **REPORT**

**To: Development Committee**

**18 November 2010**

**From: Head of Business Development**

**Report No - DV068-F**

**Investment in Economic Development Projects – Defining Benefits**

### **1.0 Introduction**

- 1.1 This report has been prepared to encourage discussion at and to seek guidance from the Development Committee on the levels of economic development benefit that derive from measures designed to stimulate economic growth. The subject relates back to earlier discussions at the Development Committee about past performance of investment measures and is also highly relevant in the more restricted financial environment that the Economic Development service is operating in. Suggestions are made in the report for changes in the decision making procedures to ensure that assistance awarded, in whatever form, meets an understood level of economic development benefits, with any projects with uncertain economic development benefits being presented to the Development Committee for consideration.

### **2.0 Links to Corporate Plan**

- 2.1 The theme of this report links very closely with the single outcome agreement policy and performance criteria set in the Corporate Plan. In particular, it helps to define service performance against the Wealthier outcomes.

### **3.0 Risk Assessment**

- 3.1 As the resources available to this Council for economic development purposes become scarcer, it is important that resources are targeted towards projects that have the potential to achieve the most economic benefit. The main risk would occur if the Council does not define the economic development impacts that it desires resulting in poorer service performance and general confusion about what outcomes the economic development service are trying to achieve.

## **4.0 Background**

- 4.1 The Development Committee and Economic Development Service has, since the early 1980's, operated under fairly detailed policies to enable decision making in a structured way. At present all reports relate to the Sustainable Economy section of the Corporate Plan and also include references to the Economic Development Policy Statement 2007-11, which was approved early in the term of this Council. Last year the Development Committee called for a report on the achievement of investments by the Economic Development service in the Shetland economy over the last ten years. During this discussion some members suggested that a more rigorous procedure was required to measure the impact that Council support makes in economic development terms. Since then all reports on support measures being presented to the Development Committee have included more information on what the project concerned should achieve in terms of jobs, sales, etc. A second, and ever more prominent factor, is that the Economic Development Service is wholly discretionary and will bear a substantial part of any Council budget cutbacks so the service has to become more adept at identifying the projects that achieve most economic growth and those of less economic importance.

## **5.0 Proposal**

- 5.1 Appendix one is an illustration of the types of benefits that the Economic Development Service should be seeking when applications are made for financial assistance. It is suggested that the application form that is used by the Economic Development Unit should include more specific questions on what projects will achieve for the Shetland economy. This information will then be assessed in the record sheets prepared for projects under the delegated authority of staff in the Economic Development Unit and also in reports written for the Development Committee. In circumstances when applications are made for assistance under the Head of Economic Development's delegated authority, which are within policy to approve, but are without clear economic benefits, then these projects will be referred to the Development Committee for decision. In addition all updates on delegated schemes will be reported to the Development Committee using the suggested performance information at a general level, thereby allowing the Committee to consider the effectiveness of every scheme.
- 5.2 The assessment of applications for assistance will be carried out having regard to: the Council policies that apply to the project; any disqualifying factors such as unfair competition or illegal state aid; and, the economic benefits that derive from the project. While the aim of this exercise is to make the assessment of applications more objective in nature, quite a bit of judgement will still be required on some of the criteria and there will be situations when managers will have to decide how beneficial a project is.

## **6.0 Financial Implications**

- 6.1 There are no financial implications arising from this report, which is seeking to encourage a clearer understanding of the benefits derived from expenditure incurred on economic development projects, and therefore will help the Council demonstrate its performance under local government financial procedures.

## **7.0 Policy and Delegated Authority**

- 7.1 An improvement to operational procedures aimed at concentrating resource on the projects that can achieve the most economic benefits will help the Council's Economic Development Service to achieve its strategic aims:

- Encourage enterprise and sustainable growth
- Expand knowledge and build skills
- Improve access and extend opportunities
- Focus on quality

These aims are contained in the Economic Development Policy Statement, which was approved by the Development Committee on 24 April 2008 (02/08) 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 Observation**

- 8.1 The list of benefits in appendix one should not be regarded as a fixed list but rather as a working document, to which types of benefit can be added or dropped. In particular there may be times when the Council wishes to emphasise a specific impact on, for example, job creation.

## **9.0 Conclusion**

- 9.1 It is considered appropriate for the Development Committee to discuss the introduction of transparent guidance on economic development benefits at a time when resources are more restricted and there is an increasing emphasis on demonstrating performance against the policies that have been set.

## **10.0 Recommendation**

- 10.1 It is recommended that the Development Committee introduces the economic development benefits assessment procedure detailed in paragraph 5.0 and appendix one of this report.

Our Ref: DI/KLM  
Date: 27 October 2010

DV068-F

## Appendix One

### Project Benefits/Impacts

Measurable Benefits	Details	Achieved by Date
Jobs Created *		
Jobs Maintained*		
Total Jobs Impact*		
Turnover Generated		
Turnover Maintained		
Total impact on Shetland Economy		
<b>Other Measurable Benefits</b>		
New product or service		
Improved product or service		
New Market		
Improved Productivity (turnover per employee)		
Cost Reduction (costs as percentage of turnover)		
Business Start Up		
Increase in exports		
Import Substitution		
<b>Non Measurable Benefits</b>		
Impact on Shetland brand		
Environmental Improvements		
Improved Staff working conditions		
Development in remote areas		
Skills development (capacity building)		

\* FTE's







## **REPORT**

**To: Development Committee**

**18 November 2010**

**From: Economic Development Project Manager**

**Report No: DV067-F  
Shetland Agricultural Business Scheme (2011-2013)**

### **1.0 Introduction**

- 1.1 This report provides a summary of the past 3 years of the Shetland Agricultural Business Scheme (SABS) as operated by the Economic Development Unit, and requests approval for the allocation of £300,000 over the next 3 years to budget for SABS.

### **2.0 Links to the Corporate Plan**

- 2.1 The contents of this report link with the Corporate Plan's policies to encourage enterprise and sustainable economic growth.

### **3.0 Risks**

- 3.1 Identifiable risks associated with this project are:

Political – the removal of SABS poses the risk of a vehement local outcry and pressure brought to bear on the Council from the Shetland agricultural industry. Based upon past experience when agricultural grants have been threatened, the risk of this is high.

Economic / financial – should there be no payments in the coming 3 year period made under a new SABS, there is a risk that agricultural activity and thereby income will decline in Shetland as a consequence. While the agricultural industry has made itself clear in the past that this would be the case, the figures involved suggest this is a moot point (the relatively modest SABS annual budget is an extremely small percentage of the overall sum received annually in the form of public subsidy payments to Shetland agriculture, see 5.2 below). Hence the risk of a decline in agricultural activity associated with non-approval of the budgets for SABS (2011-2013) is probably low.

Physical (protection of physical assets & people) – theoretically, there is a risk that land improved by the application of lime and fertiliser will decline in quality should it not be maintained as a consequence of the withdrawal of SABS grant assistance. As with the economic / financial risk detailed above, this risk is probably low.

#### **4.0 Background**

- 4.1 The Shetland Agricultural Business Scheme (SABS) is a grant scheme available to farmers and crofters in Shetland, disbursing money for a variety of measures (see 3.3) under the aegis of agricultural *de minimis*. This limits the amount of money payable to an individual business to a sum of 7,500 euros over a rolling 3 year period.
- 4.2 SABS was designed by the Economic Development Unit (EDU) in conjunction with officials from Scottish Government Rural Payments and Inspections Directorate (SGRPID) and Department for Environment, Farming and Rural Affairs (DEFRA). SABS was notified to the European Commission, and has been operated in Shetland by EDU for the past 3 years (2008-2010).
- 4.3 The measures contained within SABS are interventions that would, were they to exceed the agricultural *de minimis* levels, be deemed to breach State aid legislation. As it is, applied at the agricultural *de minimis* levels, they are legally compliant and allow the Council to assist farmers and crofters by addressing some of the issues that are considered by the local agricultural industry to be particularly pressing when comparing their circumstances to those of farmers in mainland Scotland and the UK. The measures contained in SABS are as follows:
- Lime;
  - Fertiliser;
  - Dairy Heifers;
  - Beef Heifers;
  - Arable Crops (for overwintering livestock);
  - Bull Purchase.
- 4.4 SABS was initially approved by DEFRA for a 3 year period. EDU has recently received approval from DEFRA officials to extend the scheme for another 3 year period, covering 1 January 2011 to 31 December 2013.

#### **5.0 SABS (2008-2010)**

- 5.1 SABS has operated in Shetland for the past 3 calendar years, and in this period has paid money to farmers and crofters for the measures contained in the scheme to date as follows:

Measure	Quantity	Number of applicants assisted	Total value of payments
Fertiliser	3,337.3 tonnes	437	£152,385.64
Lime	1,939 tonnes	61	£24,866.00
Arable crops	102.21 hectares	61	£35,275.25
Beef heifers	294 heifers	107	£32,996.55
Dairy heifers	14 heifers	2	£1,890.00
Bull purchase	24 bulls	24	£36,075.76
<b>TOTAL VALUE OF PAYMENTS</b>			<b><u>£283,489.20</u></b>

- 5.2 In the case of the lime and fertiliser measures, this money has helped to redress to an extent the rising transport costs associated with bringing both bulky commodities to Shetland. While not providing parity with the overall commodity costs enjoyed by agricultural practitioners on the UK mainland, these measures go some way towards levelling the playing field.
- 5.3 In the case of the heifer and bull measures, the money provided has helped to maintain a high quality and viable dairy and beef herd in Shetland. The measure for arable crops provides a valuable incentive for farmers and crofters to grow crops suitable for the feeding of overwintering livestock.

## 6.0 Proposal - SABS (2011-2013)

- 6.1 It is proposed that the Council continue to offer agricultural *de minimis* assistance in the form of SABS to farmers and crofters in Shetland. Demand for and uptake of SABS (and the historic displeasure expressed by the industry when the similar (but illegal) schemes that predated SABS were removed in the interest of State aid compliance) suggest that this is a scheme that the industry greatly appreciates.
- 6.2 Whether or not the activities that SABS supports would take place without Council intervention is a moot point. The industry has advised the Council in the past that its intervention is critical. However, it should be noted that the £100,000 worth of annual SABS intervention in 2008 (the most recent year for which we have complete statistics) typically represented only 1.1% of the subsidy received from all sources by the local agricultural industry during the same period (source: *Shetland in Statistics*).

## 7.0 Financial Implications

- 7.1 If approved, the provision of an annual budget of £100,000 for SABS over the next 3 calendar years until 31 December 2013 will amount to a combined commitment of £300,000. (It should be noted that for the purposes of European administration, the scheme operates according to calendar years and not financial years). This money will be allocated to and thence drawn from the Shetland Agricultural Business Scheme Grant budget (RRD 1138 2402), subject to funding being made available for this purpose by the Council for any of the financial years covered by the new arrangement.

## **8.0 Policy and Delegated Authority**

- 8.1 This report has been prepared based on Economic Development Policy number 9 which states “Add value in all areas of production, but especially in meat products and wool” which was approved by the Development Committee on 24 April 2008 (02/08) and by the Council on 14 May 2008 (55/08).
- 8.2 In accordance with Section 11.0 of the Council’s Scheme of Delegations, the Development Committee has delegated authority to implement decisions within its remit for which the overall objectives have been approved by the Council, in addition to appropriate budget provision, including:
- Economic Strategy
  - Europe

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

## **9.0 Observations**

- 9.1 This report has been prepared before the outcome of the current budgetary exercise for 2011/12 is known. The pressures to save money on the Reserve Fund budget may well mean that the Committee will have to debate the merits of all of the Economic Development grant schemes operated by the Council, and examine the impacts achieved by each. Therefore, the budgetary figure of £100,000 per year should be regarded as preliminary until the Committee has established guidelines for future spending on Economic Development purposes.

## **10.0 Conclusions**

- 10.1 SABS (2008-2010) has been a popular and appreciated grant scheme for the Shetland agricultural industry. The scheme has helped to provide a degree of parity with mainland UK producers, and furthermore has helped to maintain and improve the viability of agriculture in Shetland.
- 10.2 SABS (2011-2013) will continue to build upon this solid foundation, and will, in conjunction with the improving agricultural infrastructure (marts, abattoirs, etc) in the islands and the imminent creation of a new Agricultural Strategy for Shetland, help to provide the agricultural industry with the best possible circumstances in which to realise its potential.

## **11.0 Recommendations**

- 11.1 It is recommended that the Development Committee approve the allocation of £100,000 per annum in the years 2011-2013 inclusive to the Shetland Agricultural Business Scheme, subject to funding been approved in the 2011/12 and future budgetary exercises.

Our Ref: JD/JJ RF/  
Date: 21 October 2010

Report No: DV067-F





## **REPORT**

**To: Development Committee**

**18 November 2010**

**From: Project Manager**

**Report No: DV072-F  
Delegated Authority to Manage Fish Vessel Licence Entitlements**

### **1.0 Introduction**

- 1.1 This report recommends an amendment to the management of the fishing licence entitlements held as assets by the Shetland Development Trust.
- 1.2 It is recommended that the management of these assets be delegated to the Head of Economic Development, in consultation with the Head of Finance, to ensure the assets can be sold or transferred within the required timescales to create the best return to the Council and to the economy.

### **2.0 Link to Corporate Plan**

- 2.1 The project can be assisted under Section 1 of the Corporate Plan 2010-12, which relates to "Maintaining a Sustainable Economy". In particular it serves the Wealthier outcome "Encourage sustainable fisheries by Shetland vessels under the terms of the Common Fisheries Policy".

### **3.0 Risks**

- 3.1 The following states the risks if the recommendation of this report is not approved:

- 3.1.1 Opportunities to sell fishing licence entitlements could be missed because decisions cannot be made in a timely manner within the current agenda management system. At present the decision to sell a licence entitlement could take up to 8 weeks plus the time of administering the sale.
- 3.1.2 Without the ability to make decisions quickly then licence entitlements could expire and become worthless thus losing the Council significant funds. Currently transfers may not be able to be approved within the required timescales. By agreeing the recommendation of the report transfers could be made up to 7 weeks faster.

#### **4.0 Background**

- 4.1 On 14 May 2008, Minute Reference 67/08, it was agreed that the Shetland Islands Council become the sole Trustee of the Shetland Development Trust.
- 4.2 As the sole Trustee the Shetland Islands Council is responsible for the management of the Shetland Development Trust assets. These assets include loans, equity, fishing quota and fishing licence entitlements.
- 4.3 The Shetland Development Trust first purchased four fishing licence entitlements for £617,000 in July 2003 with a further entitlement being purchased in August 2007 for £430,000.
- 4.4 The licence entitlements are held as assets with the intention that they would be sold at market rate to enable new vessels to come into the Shetland fleet. Under fishery rules no new licence entitlements can be issued and no vessel can fish without an entitlement, therefore licences are a finite resource.
- 4.5 There were three sales of licence entitlements between December 2007 and June 2008, allowing two additional vessels to be added to the Shetland fleet. These sales netted an income of £454,500.
- 4.6 In line with current legislation it has been necessary to transfer fishing vessel licence entitlements between vessels to keep them within the expiry date, presently five years.
- 4.7 The management of fishing licence entitlements are complex. A fishing vessel licence entitlement is split into tonnage and engine power (KW's). New legislation allows an entitlement to be combined to licence two or more incoming fishing vessels. In addition, component elements of tonnage and/or KW's may be used in aggregation to license a vessel, with any residual balance/s of tonnage/kilowatts not earmarked for a specific transaction, being established as a licence entitlement and remaining valid for five years.



- 4.8 The disaggregation of a licence entitlement is permitted to provide for greater flexibility when introducing new vessels to the fleet and when topping up the tonnage and/or kilowatts of an existing vessel. However the vessels to be licensed must be within the same vessel fleet band (either over 10 metres or 10 metres and under) as the donor entitlement.
- 4.9 Where licence entitlements are disaggregated, a higher capacity penalty of 10 per cent will apply to the tonnage and KWs of the component elements of the donor entitlement when placed on the recipient vessels.

## **5.0 Proposal**

- 5.1 An opportunity arose recently to sell part of the fishing vessel entitlement and it was realised that agenda management deadlines were too restrictive to allow a decision to be reached on the sale of the asset within the required timescale.
- 5.2 Therefore, following the advice of the Council's Legal and Financial Services, it is proposed to give the Head of Economic Development, in conjunction with the Head of Finance, delegated authority to:
  - 5.2.1 approve the sale of the fishing vessel entitlements as and when opportunities exist so that sales can happen within the required timescale. This would allow for both aggregation and disaggregation of licence entitlements to happen within the confines of current Fisheries Legislation.
  - 5.2.2 approve the transfer of fishing vessel entitlements between vessels to ensure the assets remain live until such time as they are sold. Any transfers will be made in conjunction with the local fishing vessel agents to ensure the availability of other fishing vessels so that legal transfers can take place. All documentation will subsequently be completed to ensure the licence entitlement remain live assets.
- 5.3 All sales of fishing vessel entitlements will be reported to the Development Committee in the Activity Report.

## **6.0 Financial Implications**

- 6.1 There are no financial implications arising with the report other than any income from any sale of asset will be remitted to the Shetland Islands Council as sole Trustee of the Shetland Development Trust.

## **7.0 Policy & Delegated Authority**

- 7.1 This report has been prepared with regard to the pledges contained in the Council's Economic Development Policy Statement 2007-2011. The Development Committee approved the Policy Statement on 24 April 2008 [Min Ref: 02/08] and by the Council on 14 May 2008 [Min Ref:55/08]. The proposal related to 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, the following policies are relevant:

- No. 1 Rebuild confidence in the fish catching industry, particularly as regards the white fish sector.

- 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 content of this report is covered by existing policy, the Development Committee has delegated authority to make a decision.

## **8.0 Observations**

- 8.1 Prior to the Council becoming sole Trustee of the Shetland Development Trust the management processes allowed faster decisions to be made on the sale of assets. Therefore a change is required to the current management of fishing vessel entitlements to take advantage of sales opportunities as well as ensure transfers can occur so that the assets remain live.

## **9.0 Conclusions**

- 9.1 This report has been written to propose a new management system for the fishing vessel entitlements currently held by the Council as assets so that they can be used for the purpose they were purchased.

## **10.0 Recommendations**

- 10.1 I recommend that the Development Committee give delegated authority to the Head of Economic Development, in consultation with the Head of Finance, to manage the fishing vessel licence entitlements currently held by the Shetland Development Trust, as specified in paragraph 5.2.

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