Service Priority Plan 2011/12 and Future Years: Planning Service

Service Statement:

The Planning Service carries out the following functions:

- Development Plans Service: prepares, maintains, reviews and implements the Structure Plan and Local Plan

- Development Management Service: consultation and negotiation on new development proposals

- Building Standards Service: ensures that new building work achieves national standards

- Heritage Service: heritage buildings, outdoor access and flooding and coast protection

- Coastal Zone Management Service: developments within the marine environment

Summary of Priorities for 2011/12:

- Continue with the development of the Local Development Plan, for completion in Autumn 2012. It is essential to ensure the full involvement of staff, other services (particularly the Local Housing Strategy) and the wider community. Links with Scenario Planning process and the development of a new Community Plan for Shetland will be made.

- Ensure the smooth implementation of the back-office system.

- Examine ways to contribute further to the savings for 2012/13.

In 2011/12 this Service is provided by:

- Staff Summary

Service	Staff
Development Plans	Service Manager, 6 Planning Officers, 1 Business Support
Development Management	Service Manager, 7 Planning Officers, 1 Business Support
Building Standards	Service Manager, 5 Surveyors, 1 Business Support, 1 Officer (shared with Development Management)
Heritage	Service Manager, 6 Officers, 1 Engineer, 2 Assistants
Coastal Zone Management	Service Manager, 2 Planning Officers

- Assets Summary

  Office space at Grantfield

- Finance Summary

  TOTAL BUDGET 2011/12: **£1,778,659**

1. **Service Standard:**

   - **Customer Satisfaction Rate:** 84% satisfied or very satisfied

   - **Delivery of Service:** comparisons with elsewhere can be misleading, as Shetland experiences a higher proportion of first time / only time planning applications, than elsewhere, as well as some large developments.

2. **Strategic Service Risk Assessment**

2.1 **Legislation:**

   - The majority of the 2006 Planning Legislation has been implemented. Further changes are expected, in terms of less planning permission, but this is in hand.

   - Building Regulations continue to change, to improve energy efficiency. Again, this is in hand.

2.2 Strategic Priorities

SOA/ Corporate Plan Outcomes and Progress (October 2010 to March 2011):

Greener 2: We will protect Shetland's renowned natural and built environment			
G2.1	**Approved, fit for purpose Local Development Plan** **Target:** Progress on Local Development Plan and Supporting Planning Guidance	Head of Planning	Autumn 2012	**GREEN** Progress is being made to meet the timescale of Autumn 2012.
G2.4	**Represent Local Authority views on marine pollution at the national and international level** **Target:** Retain KIMO secretariat	Head of Planning	Ongoing	**GREEN**
G2.5	**Continue support for NFLA** **Target:** Retain status quo	Head of Planning	Ongoing	**GREEN**

Other Plans and Strategies:

- Core Paths Plan
- Coastal Protection Policy
- Marine Spatial Plan
- Works Licence Policy
- Marine Renewables Strategy
- Local Biodiversity Action Plan
- Outdoor Access Strategy
- Marine Aquaculture Policy

2.3 Financial:

- Revenue Budget for 2011/12: **£1,778,659**

- Estimated Outturn 2011/12: **£1,778,659**

- External Funding Achieved / Proposed: **none**

- Actions to deliver Savings and Assessment of Progress / Meeting Targets

All savings approved as part of the Budget Reduction Proposals for 2011/12 are on target:

Proposal Detail	Approved Savings	Actual Savings
Delete existing part-time Building Standards Surveyor post. Statutory changes in Building Standards and Planning require more early intervention in site and increased site inspections which is better fulfilled by other posts in the Planning Service. Increase Admin from part-time to full-time. Implementation 2011/12 – permanent saving.	15,572	15,572
Increased income from projected planning application and building warrant fees for 2011/12 which are ring fenced for processing planning applications and building warrants. Implementation 2011/12 – permanent saving	45,000	45,000
TOTAL	60,572	60,572

2.4 Capital Assets:

- No Capital Assets / Programmes

2.5 Community Issues / Stakeholder Issues:

- Continue to work with key stakeholders, such as those in the building professions.

- Local Development Plan involvement is crucial.

2.6 Staffing:

- High proportion of staff are trainees.

- Lose staff to private sector.

2.7 Systems / ICT:

- New back office system for Building Control and Management Planning is being developed and introduced.

2.8   Summary of Known Risks:

- staffing (recruitment and retention),

- ensuring the LDP is tied into the Community Plan and Local Housing Strategy;

- increasing Government requirements, on a small Local Authority .

Summary of Priorities for Future Years:

Ongoing Service Efficiencies:

-    Continue to freeze recruitment to current vacant posts, with savings made for 2012/13;

-    Decrease the amount of money available for discretionary grants (Head of Service would rather use this funding to recruit to vacant posts to support work in these areas).

Service Priority Plan 2011/12 and Future Years: Transport Service

Service Statement:

The Transport Service carries out the following functions:

- Internal bus, ferry and air services, school and social work transport

- Fleet management and maintenance

- Taxi Licensing Scheme and Concessionary Travel Scheme

- Delivery of ZetTrans functions

Summary of Priorities for 2011/12:

- Deliver on 2011/12 savings and plan for 2012/13.

- Provide the current services whilst reviewing the service for Council priorities and financial constraints.

- Renewed Shetland wide and Council priorities (resulting from Scenario Planning process) should provide the context for renewing and redesigning services and levels of service, as part of the Regional Transport Strategy refresh.

- Demonstrate how ferries and bus services meet economic and social well-being.

- Explore different approaches to providing services through use of information gained from NPP pilot and stock-take of Council and voluntary sector assets.

- Exploring different ways of making use of staff.

In 2011/12 this Service is provided by:

- Staff Summary

Service	Staff
Transport Planning & Support	1 Service Manager, 1 Officer, 3 Business Support, 4 Booking Office Staff, multiple ASN Drivers & Escorts
Ferry Services	1 Service Manager, 1 Engineering Staff, 2 Shore Maintenance Teams, 2 Marine Staff, 118 Marine Sea Staff, 26 Engineering Sea Staff, 1 Resources Manager, 3 Resources Support
Air, Bus and Fleet	1 Service Manager, 4 Transport Staff, 5 Airport Staff, 1 Bus Station Attendant, 2 Bus Drivers, multiple Relief Bus Drivers

- Assets Summary:

  Bus Station
  2 Airports, 2 Airstrips
  Bus Garage
  15 Ferry Terminals, 13 Ferries
  Booking Office, Ulsta
  Workshops and Stores
  72 Vehicles (Vans, Pick Ups, Buses, mini buses)

- Finance Summary: TOTAL BUDGET **£15,902,960**

1. Service Standard:

- Level of service provided is difficult to compare with other areas, due to Shetland's geography and the way in which services have been planned and delivered in the past:
  - o There are broad comparisons made across ferry service through the Scottish Ferries Review: Shetland's model has been recognised as something others should aspire to be in terms of the low levels of staffing required to manage and operate services;
  - o When comparisons have been made with Orkney, there is generally a lower cost per unit in Shetland.
- Salaries comparisons indicate that Shetland is average, across Scotland, but due to Single Status it is not known if this is still the case. The service is currently participating in a benchmarking exercise to compare current salaries with industry standards.

2. Strategic Service Risk Assessment

2.1 Legislation:

The new Equalities and Passenger Rights legislation, which comes into effect in 2012, will have an impact on service delivery but it is uncertain to what extent. For example, the Transport Service may have to provide additional support to assist passengers to board a ferry. The provision of information about services provided is likely to require improvement.

Rising standards within the bus industry in terms of requirements for professional competence certificates are likely to result in higher salaries being paid with consequent impacts on contract costs when they are renewed.

2.2 Strategic Priorities: SOA/Corporate Plan and Others

Stronger 1: We will improve the availability, accessibility, affordability and usage of internal and external public transport					
Indicator	**Source**	**Baseline**	**Target (2010-11)**	**Progress at October 2010**	
St.1.1 Percentage of journeys to work made by public or active transport	SIC Annual Travel Survey	In 2008, 10% of journeys were made by walking and 2% by cycling.	Walking 14% Cycling 2%	↗ Due to staff shortages, the annual survey of SIC staff was not carried out.	
St. 1.2 Numbers and percentage of children walking or cycling to school	Schools "Hands Up" Survey	In 2008, 26% of primary pupils walked to school and 6% cycled. In 2008, 16% of secondary pupils walked to school and 2% cycled.	Walking 27%, Cycling 7% Walking 17%, Cycling 3%	↗ 2009: Walking – 25.3% /Cycling – 3.7% 2009: Walking – 14.6%/ Cycling – 0.9%	
St.1.3 Usage of Public Transport	Transport Service (SIC)	2006-07: 420,035 2007-08: 426,740 2008-09: 430,967	435,000	↗ 404,127 Note: 2008-09 figure should read 402,736	
St. 1.4 Coverage of Demand Responsive Transport (DRT)	Transport Service (SIC)	2007-08: 40% 2008-09: No change	45% coverage	↗ Towards the end of 2009/10, 2 new services came online, linking Scalloway to Burra and Whiteness/Weisdale	

SINGLE OUTCOME AGREEMENT ACTIONS

Action	Responsibility	Timescale	Progress
Deliver on NPP Project and use to review bus services	Head of Transport	2013	Pilot scheme prepared, scenario testing of private operators fleets, care vehicles, ambulances, community transport etc. (stock take of all assets operating in Shetland and their usage).
Review of Ferries Service and Transport Service	Executive Director, Infrastructure	2011/12	Dependant upon the Infrastructure Services departmental review.
Communication and Information Review	Head of Transport	2011/12	Underway.

CORPORATE PLAN ACTIONS

	Outcome / Action	Responsibility	Timescale	Progress
St1.1	**Maximise external transport opportunities for Shetland**			**GREEN**
	Target: Full involvement in the Scottish Ferries review	Head of Transport	December 2011	Officers remain engaged in the Review process. The Government's timetable has slipped substantially and it is anticipated that this process will not now be complete until the last quarter of 2011.
	Target: Work in partnership with the Scottish Government to ensure that external contracts are able to meet Shetland's economic and social objectives are met in the next generation of public service ferry contracts and air service contracts	Head of Transport and Head of Economic Development	June 2011	**GREEN** Officers remain engaged in the process of preparing a specification for the contract scheduled to commence in July 2012. Like the Scottish Ferries Review the Government's timetable has slipped and it is anticipated that this process will not now be complete until the June or July 2011.

St1.2	**Maintain high quality of Shetland's roads and transport infrastructure** **Target:** Council approval of a fixed links and ferry/terminal maintenance programme.	Head of Transport	March 2011	**GREEN** The Socio Economic impact study is underway, expected to report in June 2011. The condition survey of Whalsay Terminals is underway, expected to report in June 2011. The Risk Management Plan is being developed, expected to report in June 2011. The tender process for the wider STAG study is underway and it is anticipated that a consultant will be appointed in June 2011. The work is anticipated to take 12 to 18 months, therefore reporting will take place in the second half of 2012.
St1.3	**Increase levels of access and usage of public transport** **Target:** Increase 5% back to 2008/09 levels 45% coverage of population to Demand Responsive Transport	Head of Transport	Ongoing to August 2016	**GREEN** Continuing to work on the approach to packaging contracts. Northern Periphery Programme funded pilot project to be undertaken summer 2011 to explore scheduling software to support development of Demand Responsive services.

Other Strategic Actions:

- Refresh of Regional Transport Strategy, taking into account the outputs from the Scenario Planning process, and the developing Local Development Plan and Local Housing Strategy. It will also be important that the conclusions from the Fixed-Link work is taken into account.

2.3   Financial:

- Revenue Budget for 2011/12: **£15,902,960**

- Estimated Outturn 2011/12: circa. **£16,500,000** if we can't find means of mitigating fuel price increases.

- External Funding Achieved / Proposed: **Achieved £257,959 / Proposed £10,000**

- Actions to deliver Savings and Assessment of Progress / Meeting Targets

All savings approved as part of the Budget Reduction Proposals for 2011/12 will be met, but not always using the original proposals:

Proposal Detail	Approved Savings	Actual Savings
Reduction in travel and consultants budgets - use technology such as video conferencing and Webex. Implementation 2011/12 - permanent saving.	5,000	5,000
Procure fuel more cheaply. Each 1 pence per litre reduction reduces fuel bill by £45,000 at current service levels. If we can find fuel at 2 pence per litre less* (CGCoPE framework agreement) then £90k saved. Implementation 2011/12 - permanent saving.	90,000	RED Currently abandoned due to unforeseen significant increase in fuel, but are looking into heating oil costs. Budget pressure of £620,000.
Reduce price of Foula Ferry Contract through negotiating a different specification and delivery method. Implementation 2011/12 - permanent saving.	115,000	Tenders have been received, but information checking still to be carried out.
Carry out more maintenance of aircraft in Shetland - requires approx £10k investment in equipment at Tingwall - Spend to Save scheme. Implementation 2011/12 - permanent saving dependent on availability of Spend to Save	7,000	Uncertain, seeking to revise contract to bring down costs.

funding. *Transport Services have invested in a hanger so that more maintenance can be done in Shetland.*		
Reduce the use of hired and contracted services. Implementation 2011/12 - permanent saving.	17,000	17,000
Ticket machine maintenance. Replace existing machines with products from different supplier resulting in reduction in annual servicing costs. This is a spend to save measure requiring capital investment. Implementation 2011/12 dependent on availability of Spend to Save funding - permanent saving.	45,000	Uncertain – departmental review
Increase income through selling advertising space on variable message signs and on ferries. Implementation 2011/12 - permanent saving.	10,000	10,000, savings will be made by another means.
Increase air fares for non-island residents - conservative estimate at this stage - more work required. Implementation 2011/12 - permanent saving.	20,000	Uncertain, Proposal does not comply with PSO definition and EU Legislation. Seeking to revise contract to bring down costs.
Increase charges to external customers for mots, servicing and checks. Implementation 2011/12 - permanent saving.	10,000	10,000
No out of hours service at Gremista Garage - reduced overtime. Implementation 2011/12 - permanent saving.	8,000	8,000 Reduction of overtime has been achieved through a different method.
Merge all booking services for ferries into one location - one less staff member required. Implementation 2011/12 - permanent saving.	25,000	Unable to achieve in 2011/12, although savings have

		been achieved by a different method.
Rationalisation of use of staff to cover operations at Tingwall Airport, Gremista Garage and Viking Bus Station (dependent on adjustment of operating hours at airport), Whalsay Garage. Implementation 2011/12 - permanent saving.	100,000	Red Significant HR input required as Terms and Conditions of contracts would need to be changed. However, alternative measures are being implemented within constraints and £100,000 will be achieved.
Whalsay Service - make Hendra the shift boat and Linga the day boat with resulting saving in fuel - Note this will require changes in terms and conditions for staff and will require appropriate time and resources to resolve. Implementation during 2011/12 - permanent saving.	50,000	One year saving
Increase fares by 5% over the 5% already agreed for 2011/12. Implementation 2011/12 - permanent saving.	73,000	Uncertainty. Monitoring to be carried out to establish whether travel has changed as a consequence of fare increases. If travel hasn't changed this will be realised. If less travel is taking place (e.g. due to car sharing or

		people leaving cars on mainland and travelling instead as foot passengers) then income may be lower than forecast.
Introduce a fuel surcharge of 5% on fares - if fuel prices come down again then the fuel surcharge can be removed. Implementation 2011/12 - permanent saving to offset fuel price increases.	73,000	Ditto
TOTAL	£648,000	£340,000

2.4 Capital Assets:

- Consequences of many years of little planned maintenance and refurbishment are now manifesting themselves in the form of deteriorating plant and infrastructure.

- Ferry terminals being used beyond their intended lifespan, so there are issues regarding reliability and may result in them being unserviceable or unusable. This is to be addressed as part of the Fixed Link Strategy.

2.5 Community Issues / Stakeholder Issues:

- The Transport Service has gathered a lot of knowledge: the STAG s and other means have highlighted a feeling of vulnerability in communities. There is recognition that it may be difficult for the Council to sustain transport links, and this is affecting people's decisions about where they choose to live as well as the overall confidence of communities in their future.

2.6 Staffing:

- The outcome of Single Status hearings, still ongoing, may affect recruitment and retention.

- A reduction in staffing will impact on the level of work the service is capable of doing (professional staff).

- Human Resources reviews of employee contracts associated with the rationalisation of staff to cover operations at Tingwall Airport, Gremista Garage and Viking Bus Station (dependent on adjustment of operating hours at airport), Whalsay Garage.

- Potential to deploy staff for temporary periods.

2.7 Systems / ICT:

- Development of Taxi database software, ongoing.

- Ferry and Bus Ticketing system.

- Lack of support outwith office hours.

2.7 Summary of Known Risks:

- Rising cost of fuel.

- Rising costs associated with transport becoming a professional area of work, for example, Certificate of Professional Competence (CPC) qualifications for bus drivers, which is likely to increase costs when re-tendering, as well as rising cost of fuel.

- Unable to plan for change without overall strategic direction and priorities in place, for Shetland.

- Previous under investment in assets in starting to have an impact on resilience of the services.

- Unable to meet all 2011/12 savings, due to insufficient lead in time (although service will look for others ways to make savings).

Summary of Priorities for Future Years:

- Internal Efficiencies: savings that have not been met this financial year could potentially be met in the next financial year.

    - Merge Booking Office Services (£25,000)

    - Rationalisation of staff covering Tingwall Airport, Gremista Garage and Viking Bus Station (dependent on adjustment of operating hours at airport) (£100,000)

    - Whalsay Service - make Hendra the shift boat and Linga the day boat with resulting saving in fuel - Note this will require changes in terms and conditions for staff and will require appropriate time and resources to resolve. (£50,000)

    - Merger of Fleet Management Unit and Sellaness Shore-Based Support Services

    - Completion of a robust and well developed Fixed Links strategy

    - Effective integration of transport planning and delivery aligned with overall ambitions and priorities for Shetland.

- An understanding that if all internal efficiencies are met, customers would be willing to accept that Transport Services need to change.

Service Priority Plan 2011/12 and Future Years: Economic Development Service

Service Statement:

The Economic Development Service carries out the following functions:

- Operation of the Business Gateway
- Economic research
- Grant and Loan support
- Marketing, Promotion and Events
- European function
- Local Action Group (LEADER funding)

Summary of Priorities for 2011/12:

- Provide business advice to 150 individuals and businesses as part of the Business Gateway service.
- Advise 20 start-up businesses through the Business Gateway
- Approve development grants to 100 projects.
- Invest in 8 projects through loan finance or other commercial measures.
- Process and administer 15 applications for LEADER funding.
- Attract in £500,000 of external funding for projects in Shetland.
- Strengthen Promote Shetland's role as an independent agency for marketing Shetland, particularly to attract visitors.
- Continue to resource a delivery team to deliver the infrastructure for higher speed broadband in Shetland.
- Establish and resource a delivery team to promote renewable energy projects in Shetland.
- Continue to monitor existing Shetland Development Trust investments valued at £38 M.
- Strengthen the telecommunications network for high speed broadband
- Develop the renewable energy sector
- Promote Shetland
- Support wealth creating projects in the private sector
- Encourage economic sustainability in remote communities
- Develop costed plan for delivery of High speed data links to all communities in Shetland
- Map and Market Shetland Marine Resources
- Enable the local electrical grid to take more renewable generated electricity (SSE Smart Grid Project)
- Work with Total E&P and Petrofac to maximise employment and skills development opportunities during the construction phase of the gas plant
- Conduct local employers survey

In 2011/12 this Service is provided by:
- Staff Summary

Service	Staff
	17 full time and 5 part time members of staff 1 Temporary Events Manager

- Assets Summary

Office space at Solarhus, 2 stores at Gremista
(Some assets used by Economic Development are owned by the Development Trust)

- Finance Summary

TOTAL BUDGET 2011/12: **£10,500,000**

1. Service Standard:

- Business Gateway – has its own standards; measured nationally.
- Every six years, Shetland's economy is measured to see if the service is making the right impact.
- New system has been implemented in relation to measuring economic impact from actions taken.
- The service is wholly discretionary, and is provided to meet policies set by the Council.

2. Strategic Service Risk Assessment

Legislation:

State Aid – constrains the public sector support that can be offered.

2.3 Financial:

All savings approved as part of the Budget Reduction Proposals for 2011/12 are on target:

Proposal Detail	Approved Savings	Actual Savings
Reduction of revenue supported costs from reorganisation of service (15%) - double counted in estimates process. *This saving had been identified prior to the year-end, however further savings during 2011/12 are being sought.*	150,461	Red
Reduction of reserve fund budgets ie grants and direct support to businesses and third party organisations (15%). *These are non-recurring savings from year 2 of budget reduction plan and are subject to proposed carry forwards from 2010/11 being agreed.*	0	353,856
TOTAL	150,461	

2.4 Capital Assets:

Fibre optic network in Shetland.

2.5 Staffing

- Maintain Staff Development and motivation.
- Maintain excellent staff attendance levels.

2.6 Systems / ICT

- Broadband developments

2.7 Summary of Known Risks

- European rules – State Aid
- Proving necessity of economic development in these austere times
- Renewable energies – requirements out with service
- Access to resources – money and people
- Maintaining focus on economic development.

2.8 Summary of Priorities for Future Years:

Maintain the number of economically active people throughout Shetland

				inshore species.
W5.1	**Assist in development of sustainable communities**	Head of Economic Development		
	Target: Support four community inspired economic development projects		31 March 2012	Fetlar and North Mavine development projects are progressing well, and projects developed include local housing audits, development of social housing, provision of remote VC facilities, provision of fuel pumps and the continued running of the Fetlar Café. Bluemull Development Company have also been assisted with core funding to develop their business plan and to offer administrative and development services in the North Isles. SIC Distributed working project progressing
	Target: Support six projects to improve non-public service provision in remoter areas		31 March 2012	The Financial Support for Childminders Scheme has allowed for the development and retention of childcare provision in three rural areas of Shetland, while the revenue support grant to North Isles Childcare has retained childcare services in two remote island communities.
	Target: Support the development of six new businesses in remoter areas		31 March 2012	Grants under the Rural Shops Improvement Scheme have been awarded to maintain or develop local retail services in Unst, Bressay, Ollaberry, Weisdale and Whalsay in 2010/11.

W4.1	Development of innovation **Target: Completion of 4 R&D projects in Shetland businesses, including maximising opportunities with relevant higher education bodies**	Head of Economic Development	31 March 2012	**GREEN** NAFC Marine centre are carrying out several research projects with private sector partners.
W4.2	Market Shetland's Brand **Target: Support 30 marketing improvement projects under the Marketing Development Programme**	Head of Economic Development	31 March 2012	**GREEN** 32 individual projects assisted since April 2010. Anticipate this target will be significantly exceeded.
W4.3	Work with the aquaculture sector to investigate new ways of organising site management and different types of production **Target: Complete a research project**	Head of Economic Development	31 March 2012	**GREEN** The NAFC Marine Centre has begun work with Hjaltland Seafarms Ltd on feed trials. The recent commissioning of the new NAFC research vessel and work boat will greatly assist the NAFC Marine Centre's capability in winning further research projects. NAFC Marine Centre is also progressing sea lice control trials using Sea Wrasse.
W4.4	Encourage the introduction of more efficient practices in all productive sectors **Target: Assist 6 projects**	Head of Economic Development	31 March 2012	**GREEN** Hjaltland Hatcheries Ltd. Reinstatement and extensive upgrade of Girlsta hatchery. Shetland Seafood Quality Control funding for whitefish improvement scheme and salmon inspectorate service. Shetland Shellfish Management Organisation funding supporting staff to develop MSc accreditation for some

	Action / Target	Responsible	Date	Status / Progress
	Target: 400 clients logged, with 300 using the Business Gateway	Development	2012	Both targets exceeded. From a survey of Business Gateway clients, 32 new businesses have started since the service was established in 2009. Train Shetland short courses for businesses numbers have increased to 145 in 2010/11 from 119 in 2009/10.
W3.6	**Secure the maximum benefit for Shetland from the European funding programmes and play a full part in key European organisations** **Target: Gain approval of £850,000 of European funding**	Head of Economic Development	31 March 2012	**GREEN** SHEFA2 Interconnector Project £367K. Fetlar breakwater and berthing face £300K. ESF Skills Development Scheme £85K. Other applications pending.
W3.7	**Encourage sustainable fisheries by Shetland vessels under the terms of the Common Fisheries Policy** **Target: Support six projects**	Head of Economic Development	31 March 2010	**GREEN** Quota purchase loan scheme in place. Further quota has been purchased under this scheme in 2011.
W3.8	**Encourage firms operating in Shetland to develop stricter environmental criteria** **Target: Maintain high quality environment as part of the Brand**	Head of Economic Development & Head of Environment and Building Services	Ongoing	**AMBER** Encouraged through delivery of the tidy business scheme and direct support and advice. Implementation of Council policy to insist on environmental assessment in all Grants or Loans over £10,000 to be audited. The Shetland Brand pack will be issued in June.

	progressive agricultural holdings			
W3.2	**Lengthen the duration of the tourist season** **Target: Support 20 projects**	Head of Economic Development	31 March 2012	**AMBER** The Shetland Tourism Strategy is presently being refreshed.
W3.3	**Develop the role of Promote Shetland as the main promotional tool for Shetland** **Target: The service will meet the contract requirements**	Head of Economic Development	31 March 2012	**GREEN** Service continues to meet contract requirements: Promote Shetland is establishing itself as a very effective means to promote Shetland as a place to Work, Live, Visit, and do business. Development of the Shetland.org site, and external advertising have been effective and recent joint venture with Wild Water Salmon product in Tesco stores looks promising. The 2011/12 Operating plan and objectives has been issued.
W3.4	**Work with the oil industry and other marine sectors to identify future opportunities for Sullom Voe Terminal** **Target: Facilitate two significant potential projects**	Head of Economic Development, Head of Ports and Harbours	31 March 2012	**GREEN** Work has commenced on a potential new business for the port of Sullom Voe. This is currently at an early and sensitive stage. The Head of Ports and Harbours and the Head of Economic Development are working on the Marine Renewable Energy Project to attract new business to Sullom Voe and Shetland.
W3.5	**Encourage business and individual use of the Business Gateway service**	Head of Economic Development	31 March 2012	**GREEN**

W2.3	Renewable energy production from marine - negotiate seabed leasing arrangements with Crown Estate and develop offshore renewables capacity (equipment, infrastructure and skills)	Head of Economic Development	31 March 2012	**GREEN** Shetland Marine Energy Development Group have completed a resources mapping exercise and presented and exhibited for the first time at this year's 'All Energy Event' in Aberdeen along with local ports and supply businesses. A huge interest was shown by marine energy developers in Shetland.
	Target: Develop two marine renewable projects to completion		31 March 2012	
	Target: Identify medium term seabed development plan in relation to marine renewables			The Aegir (Vattenfall & Pelamis wavefarm project is progressing and deployment of wave measuring bouys is planned to take place this summer, involving NAFC Marine Centre. North Yell Development Company are planning to install a small tidal generator device at Cullivoe this summer. Discussions with Crown Estate and Marine Scotland are ongoing.
W3.1	Develop Shetland's Brand and the economic opportunities this brings	Head of Economic Development	31 March 2012	**GREEN** The Shetland Brand book is nearing completion and due to be published in June.
	Target: Assist 20 businesses to develop quality products		31 March 2012	
	Target: Support 10 projects to add value in all the main production sectors: tourism, agriculture, fisheries and Creative Industries.		31 March 2012	Several projects are progressing in the food and drink sector and the new abattoir and meat processing facility is due to open in Lerwick this summer.
	Target: Support 10 projects to maximise quality of output from		31 March 2012	

	implementation			
W1.5	**Facilitate the development of a data-centre in Lerwick** Target: One Operational Data Centre	Head of Economic Development	30 September 2012	**AMBER** Pending resilient fibre connection.
W2.1	**Ensure a decision is made for the provision of an inter-connector between Shetland and Mainland Scotland** Target: Decision taken by national grid to invest in an inter-connector, providing clarity	Head of Economic Development	Decision taken by 31 March 2012	**AMBER** Decision from Scottish Government's Energy Consents Unit awaited for Viking Energy Windfarm.
W2.2	**Local communities able to reduce carbon emissions negotiate better access to the local grid, for the benefit of renewable projects at community level** Target: Six projects connected under Low Carbon Network Fund Target: Assist 3 land-based projects to completion	Head of Economic Development	31 March 2012 31 March 2012	**GREEN** SSE has announced the installation of the NINES (Northern Isles New Energy Solutions) Project. This project will enable up to a further 3.5 MW of renewable energy generation onto the local grid.

	the gas plant			
	Conduct local employers survey	Head of Economic Development		September 2011

CORPORATE PLAN ACTIONS

W1.1	**Provision of a resilient broadband link to Lerwick** **Target:** 2 cables from Lerwick to international link	Head of Economic Development	30 September 2011	**GREEN** First fibre link between Lerwick and the international SHEFA cable being installed to be complete in June. High speed backhaul agreement for demonstrator purposes agreed with Faroe Telecom. Second resilient cable through Clift Sound now being progressed.
W1.2	**Equip a Point-of-Presence service in Lerwick** **Target:** Operational Point of Presence using high speed link	Head of Economic Development	31 March 2011	**GREEN** As per W1.1 above.
W1.3	**Encourage existing telecommunications companies to make full use of the new telecommunications infrastructure** **Target:** Two companies using the Point of Presence	Head of Economic Development	31 March 2011	**AMBER** Operational model and scope of tender being prepared. Discussions presently ongoing with telecom service suppliers. Objective to achieve an open access network to enable business and households to buy service from their preferred provider.
W1.4	**Costed-plan to provide high-speed broadband to benefit peripheral communities** **Target:** Completed Plan ready for	Head of Economic Development	30 September 2011	**GREEN** Fibre to all communities in Shetland; 'Fibre to the village pump' model being prepared and costed.

potential area development plans.

W.5.2 Social Enterprise Development and Profitability	EDU/HIE/VAS	Deficit/Profitability baseline will be created on an enterprise by enterprise basis when a project is approved	Deficit/Profitability target will be agreed on an enterprise by enterprise basis when a project is approved.	⇑ The Shetland Social Enterprise Review, completed Jan 2011, showed that 30% of organisations surveyed expect their income to grow over the next three years, while 15% expect their income to decline. Of the organisations surveyed, 32% generate annual income of less than £15,000, although 55% stated that they have ambitions to develop the organisation in the next three to five years.

SINGLE OUTCOME AGREEMENT ACTIONS

Action	Lead Responsibility	Timescale for Completion
Develop costed plan for delivery of High speed data links to all communities in Shetland	Head of Economic Development	June 2011
Map and Market Shetland Marine Resources	Shetland Charitable Trust (Shetland Marine Energy Development Plan)	June 2011
Enable the local electrical grid to take more renewable generated electricity (SSE Smart Grid Project)	Head of Economic Development	June 2012
Work with Total E&P and Petrofac to maximise employment and skills development opportunities during the construction phase of	Head of Economic Development	December 2011

Indicator	Source	Baseline	UK) (2007)	Target	
W.4.9 % of private sector businesses only based or with headquarters in Shetland exporting more than 10% of turnover from Shetland	Employers Survey	18% of private sector businesses with their only base or headquarters in Shetland export more than 10% of their turnover (2007)		Increase and maintain at over 20% (data available Sept/Oct 2011)	Employers Survey presently being conducted.
Education and Skills: W.4.10 % of employers experiencing difficulties due to a lack of skilled labour	Employers Survey	23% (2007)		Decrease and maintain at below 20% (data available Sept/Oct 2011)	Employers Survey presently being conducted

W.5 Strengthening the Economy: Peripheral communities will be assisted to build capacity that strengthens community sustainability

Stable
Sustainability Gauge

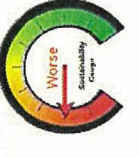| Indicator	Source	Baseline	Target	Progress as of March 2011
W.5.1 Live Development Plans	SIC/HIE	Not appropriate	Working with at least 2 communities per annum to create/update development plans	↑ Currently working with Northmavine (through Northmavine Community Development Company) and Fetlar (through Fetlar Developments Ltd.) to realise development plans for both areas, including provision of core funding under Community Regeneration Policy. In discussion with West Side, Skerries and Unst regarding

W.4.7 Number of FE/HE projects undertaken in collaboration with businesses	EDU/HI-Links	of all private sector firms1 To be developed	To be developed	
Exports: W.4.8 % of private sector businesses only based or with headquarters in Shetland exporting from Shetland2	Employers Survey	38% of private sector businesses with their only base or headquarters in Shetland compete for business outside of Shetland (almost half of these, 48%, compete outside of the UK) (2007)	Increase and maintain at over 45% (data available Sept/Oct 2011)	Employers Survey presently being conducted.
Exports: W.4.8 % of private sector businesses only based or with headquarters in Shetland exporting from Shetland3	Employers Survey	38% of private sector businesses with their only base or headquarters in Shetland compete for business outside of Shetland (almost half of these, 48%, compete outside of the	Increase and maintain at over 45% (data available Sept/Oct 2011)	Employers Survey presently being conducted.

---

2 Private sector businesses that are only based in Shetland or have their Headquarters in Shetland represent 88% of all private sector respondents. Those firms with Headquarters elsewhere are not included in this calculation as exports may be driven by production outside of Shetland

3 Private sector businesses that are only based in Shetland or have their Headquarters in Shetland represent 88% of all private sector respondents. Those firms with Headquarters elsewhere are not included in this calculation as exports may be driven by production outside of Shetland

W.4.2 Business start-ups per annum (5 year rolling average of VAT registrations)	NOMIS	62 (2003-2007)	Increase and maintain at over 70	⇑ Average annual business start-up rate (2006-2010) = 73.2
W.4.3 Number of business start-ups dependent on: renewable energy; or enhanced telecommunications network	To be developed by EDU	To be developed	To be developed, annual target expected to be in the region of 5 start-ups per annum.	
W.4.4 Number of enquiries made through Business Gateway	EDU	April 09-16 February 09 – 176 enquiries	Over 225 per annum	⇗ 01 April 2010 to 31 March 2011 – 166 enquiries.
Innovation: W.4.5 % of private sector firms intending to invest in development projects in the next three years	Employers Survey	72% (2007)	Increase and maintain at over 80% (data available Sept/Oct 2011)	Employers Survey presently being conducted.
W.4.6 % of private sector firms intending to invest in new technology and/or new products/services in the next three years	Employers Survey	22% of private sector firms intend to invest in new products and/or services 39% of private sector firms intend to invest in new technology Combined total is 46%	Increase and maintain combined total at over 50% (data available Sept/Oct 2011)	Employers Survey presently being conducted.

- 33 -

[1] 15% of private sector respondents intended to invest in both new products/services and new technology

W.3 Priority Development: Shetland's reputation for sustainable practices and quality products will be strengthened

Indicator	Source	Baseline	Long-Term Target	Progress as of March 2011
W.3.1 Accreditation indicators which set standards above the minimum national standards	Industry Action Plans and Progress Reporting	To be developed on an industry by industry basis.	Increase	
W.3.2 % of private sector businesses selling a product or service branded as from 'Shetland'	To be developed	To be developed	Increase	

W.4 Strengthening the Economy: Businesses will be supported to address market failures which if overcome can improve profitability and long-term performance

Indicator	Source	Baseline	Target	Progress as of March 2011
Enterprise Activity: W.4.1 Number of businesses per 10,000 population	NOMIS and GROS	569 (2007)	Shetland is already above the average for the Highland & Islands and Scotland, therefore target is to maintain volume	Information updated from Shetland Employment Survey due Sept/Oct 2011

Indicator	Source	Baseline	Long-Term Target	Progress at October 2010
		trading website (these are included in 44% above)	online, data available in Sept/Oct 2011	
W.2 Priority Development: Our renewable energy resources will be used as a stimulus for economic growth				
W.2.1 MW capacity of renewable energy generation activities in Shetland	SREF	10.3MW (2009)	Increase (scale of increase dependent on grid development)	↗ Total renewable energy capacity in Shetland (including commercial, community, household and public) = 14.1MW (2010)
W.2.2 Number of projects (and value) supported to develop renewable energy solutions	SIC/HIE / SREF	Generation projects at feasibility/planning stage – 5 Generation projects under construction/ completed – 10 Enabling/R&D projects receiving support - 4	Increase	↗ Generation projects at feasibility/planning stage – 13 Generation projects under construction/ completed – 10 Enabling/R&D projects receiving support – 4
W.2.3 Number of organisations using renewable energy as a source of energy	To be developed	To be developed	Increase	

2.2 Strategic Priorities

SOA/ Corporate Plan Outcomes and Progress (October 2010 to March 2011):

W.1 Priority Development: The telecommunications network will enhance business opportunities in all areas of Shetland				
Indicator	**Source**	**Baseline**	**Long-Term Target**	**Progress as of March 2011**
W.1.1 Bandwidth available to Shetland	Shetland Telecoms Project	Baseline data not available due to commercial confidentiality	Increase – amount of increase to be confirmed through development of Shetland Telecoms Project	↗ First link to SHEFA2 fibre optic cable to be complete July 2011. Access network project plan to identify network required to deliver high speed connections to all households and businesses in Shetland currently being developed
W.1.2 Resilience of bandwidth service	Shetland Telecoms Project	Baseline data not available due to commercial confidentiality	100% operation of bandwidth to/from Shetland.	↗ First link to SHEFA2 fibre optic cable to be complete July 2011. Resilient second link to be installed December 2011.
W.1.3 Adoption of internet technologies: % of private sector firms with a website and % of private businesses trading online	Employers Survey, SIC	44% of private sector firms have their own marketing/information website	Increase in % of employers with a website, data available in Sept/Oct 2011	Included in Employers Survey currently being conducted.
		14% of private sector firms have their own	Increase in % of private businesses trading	

Shetland
Islands Council

REPORT

PLANNING AND PERFORMANCE MANAGEMENT FRAMEWORK: SUMMARY WORKPLAN

1.   Introduction

1.1   This report presents the summary workplans, to set the scene for each Committee's Planning and Performance Management Framework (PPMF). This Report will enable the Committee to consider the work plan and performance measures for the services within their remit in order to determine the relative priority and targets to deliver for the year ahead.

2.   Corporate Priorities and Risks

2.1   Establishing an effective planning and performance management framework is a key element of the Council's Corporate Improvement Action Plan and the underpinning principles of the new governance arrangements.

2.2   Failure to establish effective PPMF arrangements may lead to continued criticism from the Accounts Commission.

3.   Background

3.1   The Council approved the governance arrangements at a meeting on 16 May 2011. The underpinning philosophy of the new Committee structure is for Members to set the strategic and policy direction (the start of the process; the Council Members deciding what it is they want to do) and to determine through good performance measures what changes they want to see in place from each policy decision (the end of the process, with check points within a given time frame to ensure that the policies are being delivered).

3.2   The Corporate Improvement Action Plan, approved in November 2010 contained the following actions: -

Action: Fully embed Planning and Performance Management Framework (PPMF).

Success Measure: PPMF incorporating Council wide risk based strategic plan and SMART Service plans which inform budgets, team and individual plans, all with performance management scorecards appraisal at all levels. Incorporate Best Value based challenge to ensure robust appraisal of policy choices.

By: Reformed PPMF established June 2011. SMART Integrated Strategic and Service plans and budgets by September 2011 for 2012/13 budget process.

3.3 The Chief Executive established a project team to take this work forward under the direction of the Executive Director – Education and Social Care, supported by the Policy Manager (Emma Perring) and one of the Resources Team (Louise McQuade). Members of the team were: Heads of Community Care; Environment and Building Maintenance; and Organisational Development; and the Assistant Chief Executive.

3.4 A refreshed planning and performance management framework has been developed with the wider management team.

3.5 The framework has been shared with the Sounding Board, which expressed broad support for the proposals. The Sounding Board agreed that the framework has the potential to deliver the following benefits:

- Clear accountability.

- Clear roles and responsibilities.

- A performance based approach.

- Ensures that corporate priorities are actioned and resourced.

- More joined up decision making, which takes account of all the issues.

- Members have more time to spend on strategic issues, policy development and constituent matters.

- There will be less public funds available, so focus can be on what matters the most.

- It is the framework against which the Council will be tested through best value scrutiny and other inspections frameworks; it is the expected way in which local government carries out its business.

4. Proposals

4.1 All the elements of an effective planning and performance framework are already in place. The Project Team therefore concentrated on making good connections between all the elements and helping to change the culture, through a performance based approach to service delivery. Throughout the project, the team paid close attention to making sure that the levels of accountability were right.

4.2 The elements of the framework are:

- Single Outcome Agreement
- Corporate Plan
- Service Plans
- Budgeting – Revenue and Capital
- Performance Measures
- Performance Reviews
- Best Value framework and continuous improvement.
- Community Engagement

4.3 As a starting point, this report presents a summary of current activity across the services under the remit of this Committee, namely:

- Planning Service
- Transport Service
- Economic Development

4.4 Appendix 1 is a short summary of each of the services, together with a list of key activities over the coming year. This summary intends to tell the "whole story" for each service of what the Council has already agreed and is working towards. This is to assist Members in setting the priority actions for the year ahead.

4.5 The Scenario Planning process is underway and, from that work, it is intended to update the Council's Corporate Plan (as well as the Community Plan, with partner agencies). The information in this Report therefore contributes to Members determination of what should be considered to be a priority, from a longer term planning perspective.

4.6 The Appendix also includes some key performance measures, which will assist with explaining the outcomes which services are working towards. When set alongside the budget position, it will assist Members to determine the relative priority of each service area, in terms of the amount of resources which will be allocated to that activity or service.

4.7 Members are therefore invited to:

- Consider the Summary Service Statements set out in Appendix 1 and determine if this adequately describes the policy direction for each service under the remit of this Committee, noting that all the actions have already been agreed by Council; and

- Consider the range of performance measures in place for each service and identify areas for priority action.

5. Financial Implications

5.1 A rigorous process of ensuring that the Council secures value for money and best value is a key objective. Integral to this framework is a system of option appraisal (such as service reviews and service redesign); investment appraisal (such as the Gateway approach); benchmarking (with other similar authorities or organisation); external inspections (such as HMIe); etc. With the difficult public sector funding situation, the framework includes a focus on efficiency savings. The whole framework tries to gather together all elements of each service in a way which simplifies the planning and reporting process, so avoiding duplication of effort on the part of Heads of Service, central departments and Council Members. This is in keeping with the underpinning philosophy of the committee structure to make the right decision, first time; in that respect it is hoped that the system will be a more efficient way for the Council to work.

5.2 There are no direct financial implications arising from the introduction of revised PPMF arrangements.

6. Policy and Delegated Authority

6.1 The role of each of the functional Committees is to:

- advise the Executive Committee and the Council in the development of service objectives, policies and plans concerned with service delivery within the functional areas noted below and manage performance;

- monitor and review achievement of key outcomes in the Service Plans within the functional areas noted below by ensuring –

   (a) appropriate performance measures are in place, and to monitor the relevant Planning and Performance Management Framework;

   (b) best value in the use of resources to achieve these key outcomes is met within a performance culture of continuous improvement and customer focus.

7. Recommendation

7.1 I recommend that the Development Committee: -

a) note the Service Statements included at Appendix 1; and

b) approve these documents as the workplan to develop policy initiatives and manage performance over the next period.

Report Number : ISD-04-11-F

Shetland
Islands Council

REPORT

To: **Development Committee**   **22 June 2011**

From: **Marketing Section Head**

DV038-F
Shetland Brand Pack

1.0   Introduction

1.1   I have prepared this short report to provide background information relating to the Shetland Brand Pack and to seek the Committee's approval for its use.

1.2   Two initial sample pages were previously presented to the Committee in April 2011. This was accompanied by a short update report as part of the wider Public Activity report, DV027-F, discussed by Members at the Development Committee meeting on 28 April 2011 [Min Ref 28/11].

1.3   Members have, individually, been mailed a complete pack prior to this meeting. It has therefore not been included as an Appendix to this report

1.4   PromoteShetland staff will provide a brief presentation following the meeting today, to outline the method by which people and organisations in Shetland may become more involved in the brand initiative. This will also allow them to answer any specific questions on the pack and how it will be used and developed.

2.0   Links to Corporate Plan

2.1   This report has a strong link to the Council's Corporate Plan. Specifically under W3: Priority Development: Shetland's Reputation. The action, dated April 2010 - March 2012 within this is:

'Continue to develop the role of Promote Shetland as the main promotional tool for Shetland' and to ensure that 'the service will meet the contract requirements'.

3.0   Risk Assessment

3.1   There are no risks associated with the recommendation of this report.

4.0   Background

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

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

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

4.2   On 27 August 2009, following an open and competitive tendering process, the Council concluded a contract with Shetland Amenity Trust for an initial two year period to provide a range of services in connection with coordinating and developing promotional work for Shetland, to be named 'PromoteShetland'. The contract commenced on 01 September 2009.

4.3   The Shetland Brand Pack has been developed jointly as a project between EDU and PromoteShetland.

5.0   The Shetland Brand Pack

5.1   The Shetland Brand pack is primarily aimed at commercial and voluntary organisations based in Shetland but also generally to the community at large in Shetland. The objective of it is to highlight good positive associations with the values established for the Shetland brand and provide inspiration for the development of new projects and initiatives.

5.2   It consists of 12 separate double-sided page inserts which have been designed and written in a punchy and lively manner with the aim of providing a memorable, engaging and valuable experience to the reader and ultimately encouraging them to become a 'brand supporter'.

5.3 The pack is intended to act as an inspirational tool for organisations and individuals to:

    (a)   Understand better what the Shetland brand is and how it applies to life in Shetland.

    (b)   Access advice, assistance or promotional material to develop or improve or enhance a project or initiative.

    (c)   Show how they can become more closely involved in the activities of PromoteShetland by becoming an active supporter.

5.4 This is achieved primarily by highlighting some projects and initiatives, through case study, which clearly use Shetland well to either gain a competitive edge and/or are projecting Shetland in a highly positive manner already.

5.5 Case studies are drawn from a wide range of sources and themes including: community, food and drink, energy, manufacturing, sport, festivals & events and tourism. There are many obvious cross-overs between the themes.

5.6 The themes chosen for the cards reflect those which it is felt have the most potential impact for communicating aspects of Shetland's brand to the world at large. The pack also highlights opportunities and issues relating to Shetland's brand which it is hoped may be targeted for development.

5.7 The 'call to action' for people who wish to get involved is through the Internet link displayed on each card where they can find out more information and get in touch directly with the Council or PromoteShetland effortlessly.

5.8 The pack will be initially mailed to all businesses and community groups in Shetland and supported on an ongoing basis by PromoteShetland with a local media campaign. The pack and online resource will be used in connection with all projects financially assisted by the Economic Development Unit and those visiting the Business Gateway service operated by the Council.

5.9 Other specific support measures will be developed such as display materials which aim to encourage people and organisations to become involved which will be displayed in selected public places and events.

6.0 Financial Implications

6.1 A budget for PromoteShetland service and project delivery is provided for 2011/12 at budget RRD50102402. This amounts to £438,600. A budget for contracted promotional costs is provided for 2011/12 at budget RRD50311361. This is £43,000.

6.2 A combination of these budgets is being used to address the costs relating to this joint internal promotional project.

7.0 Policy and Delegated Authority

7.1 This report has been written based on the following Economic Development Policies (Development Committee Minute Reference 02/08, SIC Minute Reference 55/08):

6 – 'Continue to promote Shetland as a high quality visitor destination';

24 – 'Improve Shetland's reputation as a place that offers products of excellent quality that meet the needs and aspirations of the consumer most likely to be interested in what Shetland has to offer; and, services provided to a standard that consistently exceeds customer expectations';

25 –'Enable individuals and businesses to develop and promote Shetland products and services with confidence and pride'.

7.2 The work undertaken on progressing the Shetland Brand Pack links well to the work undertaken by the Council on the Shetland Scenario Planning exercise which is being undertaken to refresh the community plan. One of the objectives of the brand pack is to help influence a continued progressive, vibrant and forward-looking future Shetland.

7.3 In accordance with Section 2.3.1 of the Council's Scheme of Administration and Delegations, the Development Committee has delegated authority to implement decisions within its remit. As the subject of this report is about Council and Shetland-wide use of the brand, the Committee has to make a recommendation to the Executive Committee.

8.0 Observations

8.1 Traditionally, like other places, Shetland has promoted itself particularly well as a visitor destination for the tourist market but not in such an organised way in other aspects of life. It is therefore important that the work of PromoteShetland continues to progress and integrate into other aspects of island life which are desirable to support and therefore enhance Shetland's reputation not just as a visitor destination. The pack is considered a key tool in this respect.

8.2 Whilst PromoteShetland is an excellent vehicle to promote positive aspects of Shetland, the success of marketing Shetland as a place lies with the community at large through our actions. We are all responsible for promoting Shetland and for developing it as a positive, forward-looking and successful community.

8.3 Both PromoteShetland and Shetland Islands Council maintain an excellent working relationship with VisitScotland. VisitScotland's current 'Surprise Yourself' campaign is a good example of this. In early March a joint direct mail piece from VisitScotland and Promote Shetland was sent to over 30,000 consumers promoting a wide range of things to see and do across Shetland.

8.4 The Shetland Brand Pack is completely consistent with the Shetland Marketing Strategy and is the first attempt to direct literature through the brand project in an organised way to a wide local audience.

8.5 It is likely that there will be future developments relating to the Brand Pack. There are possible options for example to introduce other cards - for example, relating to ex-pats and how they can become actively involved in supporting Shetland. This is particularly important given the highly positive feedback and connections made during Hamefarin' 2010.

9.0 Conclusion

9.1 The Shetland Brand pack is a good example of how PromoteShetland activities extend much beyond promoting Shetland in the traditional 'tourism' sense and shows clearly that the PromoteShetland initiative is moving positively in the right direction for the benefit of Shetland at large.

10.0 Recommendation

10.1 I recommend that the Development Committee agrees to recommend to the Executive Committee that Shetland Islands Council uses the 'Shetland Brand Pack' to encourage greater community understanding and use of the brand.

Our Ref: NHH/JJ RF/979   Report No:DV038-F
Date: 14 June 2011

Shetland
Islands Council

REPORT

To: **Development Committee**   **21 June 2011**

From: **Head of Transport**
Infrastructure Services Department

European Commission White Paper – Roadmap to a Single European Transport Area – Towards a Competitive and Resource Efficient Transport System

1.   Introduction

1.1. The purpose of this report is: -

1.1.1. To advise Members of the main issues contained in the EU Commission White Paper "Roadmap to a Single European Transport System",

1.1.2. To advise on the areas of the developing legislation relevant to Shetland

1.1.3. To recommend a process for ensuring Shetland's interests are effectively represented in the development of the legislation.

2.   Links to Council Priorities

2.1. The Council's Corporate Plan states *"Shetland's communities are scattered and have different needs. To best address those, we must have sustainable road, sea and air transport systems, internally and externally, that ensure everyone is able to access the places, services and opportunities they need".*

3.   Risk

3.1. If the developing European legislation that may arise from this White Paper fails to take proper account of the needs of remote and peripheral areas there could be risks of higher transport costs both internal and external and European funding for transport projects and interventions in these areas could be prejudiced in favour of large national and European projects.

4.   Background

4.1. The European Commission published its White Paper titled "Roadmap to a Single European Transport Area – Towards a Competitive and Resource Efficient Transport System" on 28 March 2011.

4.2. The White Paper has implications for all areas within the EU. Key elements include a comprehensive strategy (Transport 2050) for a competitive transport system that will increase mobility, remove major barriers in key areas and fuel growth and employment. At the same time, the proposals will dramatically reduce Europe's dependence on imported oil and cut carbon emissions in transport by 60% by 2050.

4.3. There is also a useful Commission staff working document that accompanies the White Paper. It provides more detail on the issues within the Paper.

4.4. A copy of the White Paper and the working document have been placed in the Members Room and can also be found online at: -

http://ec.europa.eu/transport/strategies/2011_white_paper_en.htm

4.5. The White Paper contains 10 goals for achieving a competitive and resource-efficient transport system and 40 initiatives ranging from a Single European Transport Area to a 'Zero-Vision' on road safety with delivery horizons from 2013 to 2050.

4.6. The 10 stated goals to be achieved are:

- Phasing out conventionally-fuelled cars in cities by 2050;
- Low carbon fuels in aviation;
- Mode shift for long-distance freight;
- High Speed Rail network to enable over half of medium distance travel by rail;
- A high quality and capacity core transport network;
- Airports connected to the rail network by 2050;
- Technological advances in traffic management;
- Multimodal transport information, management and payment system;
- Reducing fatalities and making the EU a world leader in safety and security in all modes of transport; and
- A move towards user pays/polluter pays principles

5. **Discussion**

5.1. The White Paper is the most comprehensive review of all transport related issues in over a decade (it took three years to finish) and it contains a very rich assessment on transport trends (air, sea, rail, road, infrastructure, technology, passenger rights, interoperability issues) until 2050.

5.2. However, the most important thing for us are the 40 legislative and policy measures that are proposed and how the may affect transport to/ from and within Shetland as well as the financial implications in the ongoing EU Budget review.

5.3. At this stage it is not possible to provide an exhaustive analysis of the opportunities and threats within the White Paper. It will take a significant amount of work and engagement with transport colleagues in other authorities and in Europe before this can be done.

5.4. Having said that, some of the main concerns identified at this stage are: -

- Consideration that fuel taxation should include a CO_2 component. For communities such as Shetland with a dispersed population and a high reliance on external air and sea links this could lead to disproportionate taxation effects leading to higher transport costs.

- Remote and peripheral areas may be disadvantaged in terms of prioritisation of funding predominantly on projects and initiatives in mainland Europe and major projects in Scotland relating to improvement of rail, motorway and seaborne links with continental Europe and Ireland, leaving less for projects in remoter areas.

- As modal shift from air to rail for medium length journeys takes place there needs to be protection of landing slots at hub airports to accommodate essential air services from regional airports that support peripheral and remote areas.

6. Ways to Engage in the Progress of the White Paper

6.1. There are several ways the Council can engage in a) understanding the significance of the issues that may affect remote areas and b) feeding into the progress of the White Paper through the European Parliament. These are: -

- Highlands and Islands Conveners Group
- Conference of Peripheral Maritime Regions (CPMR)
- North Sea Commission Transport Group
- COSLA
- Regional Transport Partnerships
- Directly to the EU Commission through the appropriate Directorate General (most likely to be Mobility and Transport)

6.2. Highlands and Islands Conveners Group

6.2.1. The Conveners of the Highlands and Islands Councils meet regularly to discuss matters of common interest between our Councils. This group is established and recognised at the Scottish and European level and it is suggested that this forum is used as a means of influencing the passage of the EU White Paper.

6.3. CPMR

6.3.1. At the CPMR seminar "Improving Maritime Accessibility for the Regions: A challenge for Europe" in Gijon, Spain on 15 April 2011, the Council was represented by Councillors Iris Hawkins and Leslie Angus and the Council's Transport Planning and Support Manager. The seminar was timed to consider the

content of a new prospective European Union Transport White Paper published on 28 March 2011.

6.3.2. At the seminar, CPMR agreed the wording for a declaration to the EU relating to the White Paper to emphasise the need for safeguarding and enhancing coastal shipping services and infrastructure. Councillor Angus tabled an amendment to the declaration that was accepted and included in the final declaration which is provided in Appendix 1.

6.3.3. Although not yet confirmed, it is possible (dependent on deadlines for the White Paper) that the CPMR will again consider the progress of the White Paper at its General Assembly on 28th and 29th September 2011. This will be another opportunity for Shetland Islands Council to input to the passage of the White Paper.

6.4. North Sea Commission Transport Group

6.4.1. The North Sea Commission Transport Group is known to be considering the White Paper at its next meeting on 21st June 2011.

6.4.2. Officers will receive the output from the meeting of the group and report back to the Committee accordingly.

6.5. COSLA

6.5.1. The Convention of Scottish Local Authorities (CoSLA) is in the process of preparing a response to the white paper and to date has focussed on 10 of the 40 initiatives. CoSLA is concerned that the White Paper proposes overambitious levels of EU regulation and is concerned that 40 legislative and policy measures are proposed. There is also concern that the local priorities may be lost in the EU ambition of the single market. The CoSLA response is provided in Appendix 2. There are several initiatives relevant to Shetland not yet covered in the COSLA paper but, like all Scottish Councils, Shetland Islands Council is invited to contribute to the developing COSLA response.

6.6. Regional Transport Partnerships

6.6.1. The Regional Transport Partnerships considered the issues within the EU White Paper at their recent meeting on 1st June 2011. A copy of the paper presented at the meeting is contained in Appendix 3.

6.6.2. ZetTrans will be continuing to contribute through the RTPs on this matter and any issues raised by Shetland Islands Council will be fed through this route.

6.7. Direct Intervention with the EU Commission

6.7.1. The Council can deal directly with the Commission through appropriate Directorate General.

6.7.2. The Council's European Officer is in dialogue with Highlands and Islands colleagues as well as colleagues in Brussels to establish the most effective point of contact and also the timescales that must be met in the passage of the White Paper through the European Parliament.

7. Proposal

7.1. At the time of writing it has not been possible to get advice on the timeframe for the passage of the White Paper through the European Parliament, meaning it is not possible to establish a definitive deadline for feedback on the White Paper. However, this should be treated with reasonable urgency.

7.2. The deadlines for meetings and events will mean that action will need to be taken before the next meeting of this Committee. Officers will work to prepare papers and briefing notes for submission to forums and/ or to support Members in their engagement in any meetings.

7.3. Furthermore, it is possible that there may be a deadline for input to the EU White Paper that falls before the next meeting of this Committee.

7.4. A matter of this importance, once the deadline is known, would require political input and depending on the nature of any response the authority to issue it may either be by this Committee, the Executive Committee, or the Full Council. It should be noted that a Special meeting may be required for that purpose.

8. Financial Implications

8.1. There are no financial implications arising from this report.

9. Policy and Delegated Authority

9.1 In terms of Section 2.3 of the Council's Scheme of Administration and Delegations, this report is referred to the Development Committee in the first instance given its functional role in consideration of matters relating to transport planning.

9. Recommendations

It is recommended that: -

9.1. The Committee approves the proposal in Section 7.

9.2. Members note that there may be a requirement for a Special meeting in the next cycle to consider this matter further.

Report Number: TR-19-11-F

Seminar "Improving the Regions' maritime accessibility: A challenge for Europe"
15th April 2011 - Gijón (Asturias, Spain)

DECLARATION

THE FUTURE OF MARITIME TRANSPORT IN THE LEAD-UP TO 2020
EUROPEAN MARITIME REGIONS ARE SEEKING AN AMBITIOUS MARITIME AND PORT PACKAGE

Having met on 15th April 2011 in Gijón with the representatives of European institutions and professionals from the maritime transport sector, the CPMR Regions wish to contribute to the preparation of legislative proposals for the post-2013 period

On 28th March 2011, the European Commission published a prospective White Paper on the future of European Transport Policy. The Gijón Declaration presents a series of options designed to give substance to some of the proposals in the White Paper and highlight the areas in which the European Union's action should be more ambitious.

1. If the EU wants to develop the mobility of goods and people and reduce the carbon footprint of the transport sector, the development of maritime transport is essential.

2. The White Paper recognises the need to reduce congestion (§ 11) and improve the sustainability of the transport system (§ 13), but it does not appear to fully realise the efforts required to achieve a massive changeover of transport from road to sea. The specific objectives that it announces are inadequate in terms of both maritime transport services and the investments requiring support, notably in ports.

3. It is undoubtedly necessary to remove the administrative and Customs barriers that are still penalising intra-European maritime transport compared to road transport (§ 19), and the "Blue Belt" concept is relevant here. However, it is more important to allow for incentives to minimise the financial risks for players in the sector e.g. harbour authorities, ship owners, freighters, transport organisers and other haulage firms (especially road haulage).

4. According to the White Paper, infrastructure shapes mobility (§ 10). The form taken by the future "Core" European port network is therefore a crucial issue. The maps presented in Gijón clearly show that using purely statistical and arithmetic criteria to select priority ports, as envisaged at the present time, would ignore entire sections of coastline. The CPMR again draws attention to the fact that ports not only serve a logistical purpose; they are also focal points of regional development. Infrastructure generates development. We therefore have to develop a balanced, polycentric European harbour structure in which each of the seaboards will reach its full potential. This structure will allow for the development of short and medium intra-European shipping, and the European funding supporting the concept cannot concentrate solely on ports engaged mainly in international trade. As rightly pointed out in the White Paper (point 27), "On the coasts, more and efficient entry points into European markets are needed, avoiding

unnecessary traffic crossing Europe." Limiting the concept to ports that are already powerful would lead to the stagnation of peripheral territories.

5. The European Union is asked to seek coherence between the multimodal corridors of the future central network and those of the central port network, to ensure that the maritime territories are fully integrated into the central network. Furthermore, infrastructure projects and programmes that help reduce greenhouse gas emissions should be encouraged and supported.

6. The European Commission is therefore being invited to undertake all useful consultations before integrating a map of priority ports into the future TEN-T guidelines. These consultations should not be limited to bilateral negotiations with each of the Member States. A real European port network should not be the sum of national networks or a collection of points of departure and arrival of transnational multimodal corridors, constituting the "terrestrial" section of the TEN-T. Organised in maritime basins, European Regions should be consulted to extend the thought process. The Regions have a role that is all the more legitimate given that they, like the Cities, are playing an increasing part in the funding of port infrastructures and links to hinterlands.

7. In § 24, the White Paper considers that, for distances of less than 300 km, shipping cannot really compete with road transport. However, could we not consider short and very short sea shipping and sea-river transport as valid options, a means of avoiding mountainous areas and conurbations for example, or crossing fjords and estuaries? At a time when the European Commission is seeking ideas for "blue growth", the development of this type of transport could provide a means of supporting the innovative shipbuilding sector.

8. The White Paper specifies that the "Motorways of the Sea" (MOS) will constitute the maritime dimension of the TEN-T "Core Network". Since their "invention" in the 2001 White Paper, the definition of the MOS remains vague and fluctuating. The key question is: what Community-based system can be used to support the launch of new shipping routes in situations in which the market alone is not sufficient to make this viable, particularly because of the insufficient amounts of freight being carried? A consistent package of European measures needs to be introduced here, covering both the framework for public grants and an upgrading of the Marco Polo programme, with the study of a European "eco-bonus", greater emphasis on risk reduction for ship owners during the start-up period etc.

9. In this respect, specific "treatment" should be given to Outermost and Island Regions. Indeed, we have to consider Europe's Outermost Regions as advanced bridgeheads in relation to the "rest of the World". In a global coherent package ("TEN-T/Cohesion/Support for transport infrastructures") and with a tailored approach based on territorial characteristics, the criteria of extreme remoteness and insularity should, of course, be treated with a high level of priority and the regulations applied to the Funds should address this very clearly.

10. The confirmation that an MOS can be recognised as a Service of General Economic Interest would enable the authorities (at local, regional and national level) to play their part in funding links that are clearly instrumental in developing the European territory. The Franco-Spanish motorways of the sea demonstrate the need for State involvement when it is a question of creating a durable public transport service (likened to an infrastructure) designed to bypass a mountain range.

11. Improving the accessibility of regions, even by sea, does not completely remove the environmental footprint resulting from access to these Regions "as if by magic". Technological developments in engines and fuels must be encouraged as part of blue growth. Efforts to reduce sulphur levels in fuel, by application of Annex VI of the IMO's MARPOL Convention, must of course be continued but the European Union must make efforts to try and offset the increased costs incurred by these regulations for ship owners operating in the Baltic Sea, English Channel and North Sea.

12. The maritime Regions and their professional partners will be paying close attention to future developments in the instruments designed to support maritime and multimodal transport services, and they wish to see the Marco Polo Programme extended and broadened beyond 2013.

13. The meeting in Gijón has shown a high level of convergence in the points of view expressed by a wide spectrum of players in the maritime transport sector within the various maritime basins in Europe. The CPMR will therefore continue to chair a group considering these subjects. This group of players, constituting both a "think tank" and a "lobby group" will be able to put forward to the European institutions, ideas which will already have achieved consensus between transport professionals and territorial players. Other meetings are on the cards …

EU Transport White Transport launch

Purpose

- In anticipation of the launch of the Transport White Paper next week we are providing an update on its main proposals and the impact that this once-in-a-decade review will have for Local Authorities. A key concern is the ambitious levels of EU regulation that the Commission is keen to push forward, particularly as regards to urban mobility.

- COSLA has participated in the preparation on these proposals[1] both via the formal consultations rounds as well as actively working with Scottish and UK officials to counter some of the most damaging proposals. Equally via our European umbrella CEMR we have been able to have direct discussions with senior European Commission officials on their plans. Now that the plans are in the open we will have to pursue this even more boldly in the coming months.

Transport White Paper

- The EU White Paper undertaking a major review of EU Transport Policy and the Trans-European Network funding Guidelines will be presented on 23 March – after three delays and six months late- . We have been monitoring its development as several leaked drafts have become available and liaising with Scottish and UK authorities accordingly.

- The stated purpose of the initiative is to stimulate a wide-ranging debate on transport scenarios with a 20- to 40 - year time horizon. It is also to develop tools and provide technical support for an overall sustainable transport approach, which will allow identifying problems and opportunities that may require action from now to 2050 to achieve a *"Single European Transport Area"*.

- It is the most comprehensive review taken on all transport related issues taken over a decade (it took three years to finish) and its close to 150 pages contain a very rich assessment on transport trends (air, sea, rail, road, infrastructure, technology, passenger rights, interoperability issues) until 2050. However the most important thing for as are the 40 legislative and policy measures that are proposed, as well as its financial implications in the ongoing EU Budget review.

- The White Paper, together with the new Trans European Network Guidelines is the sales pitch of DG MOVE (i.e. the Commission transport directorate) to increase their paltry €1.5bn a year from the €100bn a year EU budget that will be tabled next June.

- For clarity's sake will focus our assessment here only on the most relevant aspects for local authorities.

List of 40 initiatives Transport White Paper

1. A true internal market for rail services , 2. Completion of the Single European Sky , 3. Capacity and quality of airports,4. A maritime "Blue Belt" and a suitable framework for inland navigation, 5. Market access to ports ,6. Road freight, 7. Multimodal transport of goods: e-Freight, 8. Social code for mobile road transport workers , 9. A Social Agenda for maritime transport,10. A socially responsible aviation sector

---

[1] You can find a good summary of our previous work and **COSLA politically agreed** views here:
www.**cosla**.gov.uk/attachments/execgroups/rs/rs090612item063.doc

11. An evaluation of the EU approach to jobs and working conditions across transport modes 12. Cargo security   13. High levels of passenger security with minimum hassle , 14. Land transport security 15. 'End-to-end' security 16. Towards a 'zero-vision' on road safety 17. A European strategy for civil aviation safety 18. Safer shipping   19. Rail safety   20. Transport of dangerous goods   21. Passengers' rights 22. Seamless door-to-door mobility   23. Mobility Continuity Plans 24. A technology roadmap 25. An innovation and deployment strategy   26. A regulatory framework for innovative transport 27: Travel information 28: Fuel and vehicle efficiency labelling   29: Carbon footprint calculators 30: Eco-driving and Speed limits   31. Urban Mobility Plans   32. An EU framework for urban road user charging 33. A strategy for near- 'zero-carbon urban logistics' 2030   34. A core network of strategic European infrastructure – A European Mobility Network   35. Multimodal freight corridors for sustainable transport networks 36. Ex-ante project evaluation criteria 37. A new funding framework for transport infrastructure 38. Private sector engagement   39. Smart pricing and taxation 40. Transport in the World: The external dimension

Proposal 32 Access Restriction / Congestion Charging

"Develop a validated framework for urban road user charging and access restriction schemes and their applications, including a legal and a validated operational and technical framework covering vehicle and infrastructure applications."

Background to this proposal

As reported previously , the Transport White Paper and the Trans European Network funding proposals due next March will contain a strong local element, certainly much more than in the past. The main concern though is that the Commission, in spite of several rounds of consultations where local authorities (including a COSLA submission last Autumn) express clear concern for their intentions to set a binding **EU Framework of harmonised rules for Access Restriction Schemes** (ARS) seems to continue unconcerned by this and it has recently concluded a scoping study as the step before moving for EU rules[2]. Proposal 32 of the WP clearly goes in that direction.

 ARS is a wider concept that includes not only congestion charging, low emission zones, green zones, etc. The Commission is widely lobbied by the industry to define EU rules and they seem largely in favour to be for EU rules. Their view is that the different standards that exist in the about 200 ARS that they have identified so far are a barrier to the EU Internal Market, including the freedom of movement of people and goods. COSLA has been working very closely with our EU umbrella CEMR which together with Eurocities are launching a joint statement arguing against EU-rules on what is essentially a local competence. We had the chance of discussing this with the industry and the Commission at a closed doors workshop earlier this month and the Commission is even keener to push for EU binding standards than the industry itself.

 Key COSLA concerns:
- Proposal n.32 goes well beyond the proposals for a study on Green Zones that was previously announced to tackle the much more complex and sensitive issue of access restriction. This is an excessive industry led approach.
- Harmonisation as a 'one-size-fits-all' solution is would not fit the different local conditions both in terms of specific local powers and of effectiveness of EU wide standards.
- The diversity of types of schemes (access restrictions, low emission zones, congestion charging, traffic reduction, revenue raising, comprehensive/selective targeting of vehicles, etc)

---

[2] http://ec.europa.eu/transport/urban/studies/doc/2010_12_ars_recommendations_to_the-eu.pdf (recommendations)
http://ec.europa.eu/transport/urban/studies/doc/2010_12_ars_final_report.pdf (full report, see pages 118-126)

is seen at an EU aggregated level as a problem however this diversity is the reflection of very specific needs.

- Detailed EU rules, even in the shape of a legally binding framework of compulsory use whenever a Councils wish to introduce a local scheme , would in practice leave the definition of rules and its updating to Commission, officials, national experts and industry leaving in practice to set local rules according to local conditions.
- Local transport is a local power within the UK and Scottish settlements. It is quite debatable that the EC claim that subsidiarity means that if the local/national level cannot deliver it should be the Commission to act imposing harmonising rules, particularly if their argue their Treaty powers on Transport (hence they will opt for the Internal Market legal basis).
- Wherever these local frameworks are already well developed (as it is the case in UK/SC, added value from any forthcoming EU legislation would be better achieved by supporting the development of existing structures rather than replicating current methods.

Possible negotiating tactics – we would welcome your views on this:

- Against the EU & industry claim of hundreds of different local schemes being a barrier for the internal market a possible line of defence if the subsidiarity issue fails is to try first for the national legislation route (in the UK system this would mean Scotland) , thus reducing significantly the number of different regimes in place.
- The Commission should start first with identifying guidelines, or a reference framework well before considering entering into rules (this would give us five years or so, but EC seems unlikely to buy it)
- While Councils oppose this due to Treaty and political grounds transport practitioners would welcome some degree of standardisation. *Basic standards on non essential issues such as standardised signalling, standard documentation and similar basi*c issues as to facilitate transport operators and frequent travellers could be open for consideration.
- Exchange of information tools is good for both industry and citizens. For instance setting up a web-based Internal Market Information system for green zones/access restriction/congestion charging building on the existing EU-supported www.lowemmissionzones.eu would go a long way to address industry concerns without forcing common standards.
- EU-supported promotion of best practice of different Local Transport models should be more actively promoted: Scotland would certainly be in EU terms in a advantageous position to show EU-wide leadership

Proposal 31. Urban Mobility Plans
- *Establish procedures and support mechanisms for preparing Urban Mobility Audits, a certification system, as well as Urban Mobility Plans to promote alternatives to the use of conventional cars, such as walking and cycling, public transport, spatial planning or new technological solutions.*
- *Examine the possibility of a mandatory approach for cities of a certain size, according to national standards based on EU guidelines.*
- *Link EU regional development and cohesion funds to cities and regions that have submitted a current, and independently validated Urban Mobility Performance and Sustainability Audit certificate.*
- *Examine the possibility of a European framework for a progressive introduction of Urban Mobility Plans in European cities.*
- *Set up a European urban mobility scoreboard based on common targets.*
- *Integrated urban mobility in a possible Smart Cities Innovation Partnership.*
- *Encourage large employers to develop Corporate/Mobility Management Plans.*

Colleagues will remember the work we carried carried out during the elaboration of the Green Paper Urban Mobility and its subsequent Action Plan to limit as much as possible an undue interference by the European Commission in an area that is clearly a local power. The Action Plan was relatively positive as the Commission finally adopted a quite cautious approach at the time. However only a year later the Commission White Paper clearly sets their ambition to

set up an EU legally binding harmonise framework that most local authorities should abide when setting setting up Local Transport Plans. They aim at on the one hand make rules "nudge" local authorities to do so and on the other hand use the EU budget as a carrot to encourage them to do so.

COSLA official line is clear on this:
"Wherever local transport frameworks and solutions are already well developed, added value from any forthcoming European urban mobility proposal would be better achieved by supporting the development of existing structures. COSLA would not support any EU measure that would introduce mandatory local transport rules (planning, green zones, organisation of transport, etc);"

Still it is obvious that a long fight will need to be held to continue to uphold that right. Their argument is the same as per congestion charging and similarly Member States can be relied on to support our views.

Smart Cities

- Like the recent Energy Efficiency proposals the DG MOVE is also keen to explore the merits of a specific sustainable urban initiative for urban areas. However compared to earlier drafts the proposal is significantly downgraded in the final version. This reflects, we understand, a considerable degree of doubt within the Commission on how far this proposal should go. Initially it was an innovation initiative, subsequently welcomed by officials in DG MOVE and DG ENER. The technology and research lobby has been actively lobbying for this. Again in the background is the idea of creating this initiative so these DGs could absorb more of the €50bn of Structural Funds that are used for transport purposes (not in Scotland, obviously) . In spite of the hype raised (also in Scotland, including the Scottish Government) it is not clear that the eventual smart cities and communities would amount more than an expanded version of CIVITAS and CONCERTO. So far we remain sceptical about its real added value in Scotland however if the Commission finally publishes its consultation paper (delayed several times) we will be able to provide a more detail assessment.

Proposal 34 Trans European Network Funding

- One of the biggest problem of the EU Transport Policy is , according to DG MOVE, the fact that only €8bn is managed by them to finance the Trans European Network funds, which traditionally only cover the major EU funded transport links via 30 transport links across Europe that benefit from a specific priority support from the EU Budget. The bulk of the EU funding is provided by the Structural Funds with €43bn. The Commission estimates that between €200 to €500bn are needed to complete the current list, which will be updated in a separate proposal (the TEN-T Guidelines). In any case most of the funding will continue to be national and increasingly private. The negative point though, is that DG MOVE totally refuses to align its interventions as part of a Common Strategic Framework of all EU policies with a territorial dimension (regional policy, CAP) .

- It is worth pointing out that the current TEN-T priority projects 13, 14, 21 and 26 anticipate a number of improved rail, motorway and seaborne links of several parts of Scotland with continental Europe and Ireland. Still most of Scotland has been left out of this priority funding – except the seaborne links or "Motorways of the Sea".
- We now for the last couple of years the review of the TEN-T will see the current list redefined to include a "core network" of key priority projects and a "comprehensive network" of secondary links. Also rather than aspiring to the "modal shift " from road to rail a more realistic "co-modality" (i.e. *the efficient use of different modes on their own and in combination*, including road) will be advocated.
- The interesting thing though, is the intention, shared with us by senior Commission officials of the intention of TEN-T having for the first time a local dimension, by giving more focus to access to the main network and crucially, the aim o include in it all statistical regions of the EU (so called

NUTS II in EU jargon – of which Scotland has four) and all medium sized cities in the EU scale such as Glasgow and Edinburgh.

- **Proposal 35 " Multimodal freight corridors for sustainable transport networks"** is also worth considering as it aim at preventing that urban agglomeration prevents the free flow of goods across the TEN-T network

- **Proposal 22. Seamless door-to-door mobility** and **Proposal 23. Mobility Continuity Plans** aim at achieving the similar goal of seamless mobility without encountering local barriers. However as opposed to Proposal 35 they would pose problems in terms of subsidiarity and local self determination as they aim at introducing single EU-wide standards in issues such as smart tickets that could be used anywhere in Europe. Part of this is actively being developed through the Intelligent Transport System Action plan, with a strong support to the industry. COSLA position is not totally against, but that of a cautious approach:

    "COSLA welcomes the development of Intelligent Transport Systems (ITS) and technologies and its implementation at the local level. COSLA supports the EU action to facilitate this, <u>provided it is technology neutral</u> and it is limited to <u>ensure that systems are interoperable across the EU</u>, avoiding gaps and overlapping of systems. We also support the EU facilitation of the expansion of ITS across the EU, including financial support but only if local authorities retain the ability to define the content, timing and ambition of ITS deployment in their area;"

Local Environmental dimension of transport
Proposal 33. A strategy for near- 'zero-carbon urban logistics' 2030
- *Produce best practice guidelines to better monitor and manage urban freight flows (e.g. consolidation centres, size of vehicles in old centres, regulatory limitations, delivery windows, inefficient loading factors, unused potential of transport by river).*
- *Define a strategy for moving towards 'zero-carbon urban logistics', bringing together aspects of land planning, rail and river access, business practices and information, charging and vehicle technology standards.*
- *Promote joint public procurement for low emission vehicles in commercial fleets (delivery vans, taxis…).*

- To ensure a free flow of goods across the EU (a key demand of the transport industry) the Commission is as mentioned above looking into avoid the so-called "last mile" problem of the logistics chain, which often means blockages inside urban areas or the impossibility to go round them. This also has an environmental dimension which the White Paper and supporting documents also comes strong with. This is called in the transport EU jargon "Internalisation of local environmental externalities".

- Precisely just a few days ago an agreement was reached in the revision of the so-called "Eurovignette" directive (whereby trucks have to pay to drive through environmentally sensitive areas such as the Alps – this recurring dossier often means that geographically peripheral countries such as the UK or Spain are pitted against the more central ones such as France or Austria)

- The intention of the commission, if allowed for, is to try to generalise the "Eurovignette" arrangement for all types of environmentally sensitive areas, such as urban areas (due to damage to human health – hence the existence of Low Emission Zones in many countries) and, crucially, for all types of vehicles.

- Concerning enough, we can confirm that the official's views are much clearer on this than the somewhat more diplomatic language chosen for the proposal.

    COSLA agreed line:
    "COSLA encourages a holistic approach is needed whereby freight movement should be considered as well as passenger traffic. Likewise, economic development together with sustainable development provisions,

including emissions and climate change, should be woven into any action plan to ensure outcomes on the ground are complementary to current local priorities;"

- Notwithstanding this, it is clear that we will need to work with colleagues and transport practitioners in Scotland to ensure that any future rules being agreed at EU level do no mean an undue burden for Scottish local transport governance.

Public procurement
- The final version of the White Paper will contain only very limited references to procurement by Local authorities of green vehicles. As you know a directive was agreed at EU level two years ago (subsequently implemented in Scotland) to ensure that Councils awarded extra points to those bids offering vehicles with the best long-term environmental performance. Indeed COSLA was very actively lobbying to prevent those priority vehicles such as emergency vans or ambulances were included in this proposal.

- The White Paper is shy on this not because they are aiming to have fewer proposals on green vehicles procurement (or shared service procurement of green buses and other vehicles). Rather the opposite. They only reason is that a separate part of the Commission, DG Internal Market is responsible for the ongoing review of the Public Procurement EU regime, a process in which COSLA is heavily involved and currently asking for views to Councils procurement departments and Directors o Finance.

COSLA position[3]:
"Local Authorities have a role to play a role but since procurement is an area in which local discretion is comparatively limited, proportionality of the measures should be applied to prevent an unreasonable burden being imposed on councils".

What happens next

- The White Paper and accompanying documents will be tabled next week on 23 March.

- We have already been working with the Scottish[4] and UK Government in doing an initial screening and preparing the ministerial briefing as the UK Transport minister is meeting Transport Commissioner Kallas later this month.

- We will be working with our European partners, and particularly with CEMR and the MEPs to provide a robust response to some of the most concerning proposals as soon as the WP is launched.

- However as you can see from the above analysis we are still at the stage of having a general approach to this transport package. We will therefore need the technical advice from Transport practitioners from the Councils and other Scottish transport bodies. Therefore we would be keen if you could forward this to your most relevant colleague and provide expression of interest in cooperating with COSLA on this dossier.

Serafin Pazos-Vidal   **March 2011**
Head of Brussels Office
serafin@cosla.gov.uk

---

2. www.**cosla**.gov.uk/attachments/execgroups/rs/rs080515item13.doc

[4] A proof of the close working wit the Scottish Government on this and, was highlighted in the 2010 evaluation report of the SG EU work, which indicated that as a result of COSLA intervention, *"the Scottish Government raised the matter with Department for Transport, who shared these concerns and, as Member State, incorporated them into the UK negotiating position at the Permanent Representatives Committee (COREPER)".*

Appendix 3

Regional Transport Partnerships Chairs Meeting

Nairn

1 June 2011

ITEM 5 – European Commission White Paper – Roadmap to a Single European Transport Area – Towards a competitive and resource efficient transport system

1   Summary

The object of this report is to propose a joint submission by the RTPs in response to the European Commission White Paper – Roadmap to a Single European Transport Area – Towards a competitive and resource efficient transport system.

2   Recommendations

The Chairs are recommended to note the contents of this report and approve a joint RTP submission to COSLA on the White Paper – Roadmap to a Single European Transport Area – Towards a competitive and resource efficient transport system as detailed in Appendix 1. It is recommended that the submission is made also to the European Commission and to other groups representing partner interests in a European context, including East Scotland European Consortium and North Sea Commission.

3   Discussion

The European Commission has published a White Paper entitled "Roadmap to a Single European Transport Area – Towards a competitive and resource efficient transport system". It considers developments in the transport sector, future challenges and the policy initiatives that need to be considered. It can be viewed at;
http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:52011DC0144:EN:NOT

COSLA has participated in preparation of the White Paper via the formal consultation rounds as well as working with the Scottish and UK Governments on specific proposals, and has sought RTP comments on the Paper. Any response to COSLA could also be forwarded directly to the Commission.

It is intended that European transport policy underpins European economic progress, enhances competitiveness and offers high quality "mobility services" while using resources more efficiently. The White Paper comments that transport should use less and cleaner energy, better exploit a modern infrastructure and reduce its negative impact on the environment and key natural assets including water, land and ecosystems.

Key themes in the White Paper are:
- improving energy efficiency performance of vehicles across all modes
- optimising the performance of multimodal logistic chains

- using transport and infrastructure more efficiently through the use of improved traffic management and information systems, advanced logistic and market measures, such as full development of an integrated European railway market, removal of restrictions on cabotage, abolition of barriers to short sea shipping, etc.

The proposed policy outlined is broadly in line with national and regional policies in Scotland. A major divergence from UK national policies is with regard to the Commission's proposals for taxation. It considers that motor fuel taxation should include a CO_2 component and that revenues from transport should be earmarked for the development of an integrated and efficient transport system.

A number of targets are proposed that are transport specific and which would support the Scottish Government's climate change targets, for example, halving the use of "conventionally-fuelled" cars in urban transport by 2030.

From a regional perspective the main concern is to ensure that peripheral regions are not disadvantaged as a result of the White Paper's proposals including the aim to internalise the cost of externalities, such as noise and air pollution. It is critical that the Commission ensures that adequate resources are made available for infrastructure improvements to encourage movement of freight by rail and water over medium and longer distances and to ensure that landing slots are guaranteed for flights from peripheral regions of Europe connecting into core airports.

A significant deficiency in the White Paper is the absence of consideration of the role of ICT, for example video-conferencing, and promotion of local sourcing of goods and services to reduce the need for travel.

Appendix 1 Proposed joint RTP response to the European Commission White Paper – Roadmap to a Single European Transport Area – Towards a competitive and resource efficient transport system

Michael Cairns
Tactran
20 May 2011

Proposed joint RTP response to the European Commission White Paper – Roadmap to a Single European Transport Area – Towards a competitive and resource efficient transport system

Dear

European Commission White Paper – Roadmap to a Single European Transport Area – Towards a competitive and resource efficient transport system

The Regional Transport Partnerships (RTP) are broadly supportive of the contents of the White Paper. It is noted that many of the issues would be addressed by national or devolved governments in the United Kingdom. Scotland's RTPs are committed to delivering on European policy objectives and our response provides examples of the positive contribution made to encouraging sustainable transport across the nation, including links to the Trans European Network and to ensure urban and rural transport infrastructure helps to deliver on Europe's targets for reduced emissions, in particular, reducing transport's share of emissions.

Specific comments regarding each section are outlined below:

Section 1 Preparing the European Transport Area for the Future.

It is noted that there is an aim to "better respond to the desire of our citizens to travel". This needs to be balanced against the social, economic and environmental impacts of travel. In local (urban) terms the greener modes of walking and cycling should be promoted in place of possibly longer journeys by car or public transport, as well using ICT functions, including tele-working and video-conferencing, to reduce the need for medium/long distance travel. Similarly there is a role for the more local provision of goods and services which can negate the need for some passenger and freight travel.

RTP Delivery

It is noted that the White Paper considers it crucial for European countries to develop and invest in infrastructure, among other areas. In the West of Scotland, SPT has firm modernisation proposals to substantially upgrade the Glasgow Subway including new ticketing, trains, signalling, station upgrades. Current investment is delivering £4m advance funding in Subway projects – maintaining tunnels, track and infrastructure safe and fit for purpose and delivering revamped stations.

Investment in Park & Ride is progressing across Scotland with development of schemes by Hitrans, SEStran, Nestrans, SPT and Tactran.

Section 2 A vision for a competitive and sustainable transport system

Paragraph 16 comments that coherence at EU level is vital and cites the instance of one Member State opting exclusively for electric cars and another only for biofuels. It is agreed that this would destroy the concept of free travel across Europe however

the different resource capabilities of different Member States need to be recognised. Scotland for example, has considerable potential for renewable electricity generation and therefore promotion of electricity for powering vehicles together with the necessary battery charging infrastructure would take advantage of the country's natural resource base. This needs to be adequately reflected in European transport policies.

Paragraph 18 states that curbing mobility is not an option. However, as noted above alternatives to oil consuming modes of transport should be promoted and will be necessary to achieve climate change targets.

RTP Delivery

The RTPs have all supported the promotion of active travel. Swestran has led on the Dumfries Sustainable Travel Demonstration Town Project; Tactran supported the Dundee Health Central active travel initiative including providing marketing staff support; while Hitrans has undertaken Active Travel Audits of key settlements as support to Council Development and Local Planning processes and Nestrans has developed an active travel brand, Getabout.

The RTPs are strongly supportive of the concept of freight corridors as referred to in paragraph 25. However, the Commission needs to recognise that particularly for short-sea shipping considerable financial support is needed to support the capital and initial revenue costs.

RTP Delivery

Both Nestrans and Sestran have had significant involvement with European partners on Stratmos and other projects that aim to improve marine connections.

The statement at paragraph 31 that there should be a higher share of travel by collective transport is welcome but this higher share should be set against the aim of reduced travel overall and without imposing additional burdens on peripheral regions. The statement in paragraph 32 regarding "the use of smaller, lighter and more specialised road passenger vehicles must be encouraged" cannot be supported. There is a role for such vehicles, however; where there are large flows of passengers more fuel efficient large vehicles are more appropriate. Whilst investment in electric vehicles is important, it should not be done at the expense of investment in public transport networks but instead in a complementary fashion.

In paragraph 33 limiting individual deliveries to the shortest possible route works against the aims of urban freight consolidation schemes which reduce the number of vehicles operating within urban areas albeit some vehicles on trunking movements may need to travel further on strategic routes to reach a consolidation centre which typically would be on the edge of an urban area.

In section 2.5 goal (10) it is agreed that user and polluter pays principles are valid however the greater transport needs of peripheral regions like Scotland, and in particular island and remote mainland communities, need to be recognised with suitable allowance made to enable such regions to partake fully in the internal market without being penalised because of geographical location.

RTP Delivery

In Scotland much is being done to invest in more sustainable forms of transport. In the West of Scotland SPT is investing in hybrid bus technology and cleaner fuel buses for its Demand Responsive Transport fleet. ZetTrans is actively involved in the Shetland Renewable Energy Strategy Transport Group which aims to trial vehicles with cutting edge fuel system and undertake background preparation for a funding application to support an electric charging network in the islands.

<u>Section 3 The Strategy – what needs to be done</u>

The RTPs support innovation supported by EU research however it is critical that funding is provided to ensure that innovation is applied practically, particularly supporting infrastructure capital costs. Current EU finance mechanisms fail to provide the necessary support for infrastructure improvements. This point was noted in the Commission Staff Working Document where it was stated that "the leverage of EU financing is proving to be too weak" for many TEN-T projects.

The RTPs cannot support the assertion in paragraph 65 that transport is fundamentally international. Most passenger transport supply and demand for transport is local/medium distance and is contained within the boundaries of Member States. International transport is of greater importance in terms of freight, exports are of considerable significance to the Scottish economy both to the rest of the European market and beyond. However, even in terms of freight the White Paper in footnote 7 recognises that "more than half of all goods … in road transport are moved over distances below 50 km".

RTP Delivery

The references in the White Paper to the need for investment in to ensure a well-performing transport network is welcome as is the reference to better cohesion between EU Cohesion / Structural Funds and transport objectives.   In the west of Scotland, SPT led a successful bid for ERDF funding to support the redevelopment of Dalmarnock rail station which is now underway. ERDF funding of £2.87 million will help to maximise the benefits of this £8 million project which will ensure the station is a key hub for the 2014 commonwealth Games; the regeneration of the Clyde Gateway Urban Regeneration area, one of Europe's largest regeneration projects; and link into the wider transport strategy for the area incorporating green transport routes and improved linkage with bus services.

<u>Annex 1</u>

<u>Initiative 3 – Revise the Slot Regulation to favour more efficient use of airport capacity.</u>

This consideration should include the need to allow for flights to and from peripheral areas, including ensuring that the northern half of Scotland (which is of such a distance that even developing High Speed Rail would be unlikely to provide a realistic alternative to flying) is provided with good quality access to the European core airports at London, Paris, Amsterdam, etc. These areas are less likely to be served by high speed rail and will generate smaller passenger flows than busier routes between core airports.

<u>Initiative 4 – A maritime "Blue Belt" and market access to ports</u>

The RTPs support enhancing the transparency on ports financing but believe that this should also be extended to include aspects such as navigational systems and support.

Yours faithfully,

Shetland
Islands Council

REPORT

To: **Development Committee**   **22 June 2011**

From: **Development Plans Manager**
Planning
Infrastructure Services Department

SHETLAND LOCAL DEVELOPMENT PLAN – CURRENT POSITION

1   Introduction

1.1   I have reported matters relating to the preparation of the Shetland Local Development Plan previously to the Planning Board. This report will only provide Members of the Development Committee with information about the latest development in the Plan preparation process, rather than providing detailed background of how we got to this point.

1.2   If Committee Members would like to know more about the Shetland Local Development Plan a seminar or presentation could be arranged.

2   Links to Council Priorities and Risk

2.1   The new Shetland Local Development Plan, when complete, will be the delivery tool for the Council's priorities. In conjunction with other Council policies (including the Local Housing Strategy), it will contribute to meeting the spatial aims of the Community Plan and the Corporate Plan.

2.2   While there are no risks associated with the report, the process and new Plan will provide more certainty to the assessment of planning applications as decisions will be made against an up-to-date framework.

2.3   The Development Plans team is currently three posts short of the budgeted compliment for a variety of reasons. There is a significant risk that the Council will fail to deliver the statutory plan in the timescales adopted in the Council's Development Plan Scheme. The lack of an up–to-date Development Plan could prevent the Council from supporting developments that are in line with its priorities, and result in more challenges to Council decisions.

3 Background

3.1 The Development Plan Scheme (DPS) sets out the various stages and timetables for the preparation of the Shetland Local Development Plan. The latest DPS published in August 2010 is available online at: http://www.shetland.gov.uk/planning/documents/UpdateDevelopmentPlanScheme2010August.pdf

3.2 The main statutory stages in the preparation and delivery of a Shetland Local Development Plan are:

- Publication of the Development Plan Scheme
- Main Issues Report and draft Environmental Report
- Prepare and Publish Proposed Plan
- Pre-examination Modifications
- Submission of Plan to Scottish Ministers
- Examination
- Adoption of the Shetland Local Development Plan, Environmental Report and Action Programme
- Implementation, Monitoring and Review

4 Report

4.1 The Shetland Local Development Plan Main Issues Report was the subject of a major public consultation in the Spring of 2010, following which the Development Plans Team launched the "Call for Proposed Development Sites." This asked landowners, developers and the public to submit details of land that is available for development over the next 20 years. The closing date for submissions was 4 April 2011.

4.2 The Planning Service issued a call for sites, and 190 sites of varying sizes and proposed uses, including housing, were submitted. We undertook an initial assessment of each site including:

- distance from facilities, services and public transport;
- susceptibility to flooding;
- any natural or built heritage designations; and
- any mineral designation.

4.3 To complete the assessment of the sites' suitability for development and inclusion in the Proposed Shetland Local Development Plan, we are seeking input from agencies and the public.

4.4 From 6 June until 15 August 2011, a folder containing maps of all the submitted sites and the site information sheets will be available for public inspection and comment in all Leisure Centres, the Shetland Library and at Infrastructure Services reception.

4.5 We would like to make it clear that no decisions on the suitability or otherwise of the submitted sites has been made at this point. This current exercise is for public information and to help us gain more details about the sites, so that no inappropriate allocation sites are included in the Proposed Plan.

4.6 When we receive the comments from the public and outside bodies, we will assess the sites for inclusion in the next round of consultation on the Shetland Local Development Plan.

5 Financial Implications

5.1 This report has no direct financial implications.

6 Policy and Delegated Authority

6.1 In accordance with Section 2.3.1 of the Council's Scheme of Administration and Delegations, the Development Committee has delegated authority to implement decisions within its remit.

7 Conclusion

7.1 Following the Main Issues Report consultation, we asked landowners, developers and the public to submit "proposed development sites". The Planning Service has made an initial in-house check of the submitted sites. This, together with the site map, has been made available for public inspection and comment from 6 June until 15 August. No decision has been made on which sites will be included in the Proposed Plan.

8 Recommendation

8.1 I recommend that the Development Committee note the contents of this report.

Report Number: PL-15-11-F

Shetland
Islands Council

REPORT

To: **Development Committee**   **22 June 2011**

From: **Project Manager**

Report No: DV029 - F
Shetland Tourism Plan 2011-2014

1.0   Introduction

1.1   The purpose of this report is to invite the Development Committee to discuss the contents of the Shetland Tourism Plan 2011-2014 and if acceptable endorse it as Shetland's tourism strategy and action plan for the next three years.

2.0   Links with Corporate Plan

2.1   This report has strong links with Council Corporate Plan Policies to "support added value in tourism " and "Seek to lengthen the duration of the tourist season "

3.0   Risk Assessment

3.1   The European Directive 92/43/EEC requires competent authorities to carry out an appropriate assessment of plans and projects that are likely to have a significant environmental impact. In this instance, as per Section 8 of the Environment Assessment (Scotland) Act 2005, Shetland Islands Council as the responsible Authority has formally determined that the Shetland Tourism Plan 2011- 2014, which is the subject of this report will not lead to significant environmental impacts and does not require an environmental assessment.

4.0   Background

4.1   Shetland's Tourism Plan 2006- 2009

Shetland's previous strategy for developing tourism, which was endorsed by the Council's Executive Committee (5 September 2006 Min Ref 36/06) set out Shetland's strategy for developing tourism between 2006- 2009 and provided a list of actions and organisations committed to helping to achieve those actions within the 3-year period.

4.2   The 2006-2009 strategy was a key document leading to:

- Improved information on Shetland's accommodation needs
- Revisions to Council Grant Schemes and programmes to better target support to tourism businesses and the heritage sector.
- Development of Shetland as a destination in its own right
- Partnership working to provide improved gateway and information services
- Targeted development, interpretation and promotion of Shetland products to niche markets
- Increased understanding of the market and working relationship between private and public sector through Shetland Tourism Association (STA)

4.3   The outputs and impacts from those changes included:

- Setting up of a new destination marketing organisation "Promote Shetland" with the approval of the Scottish Government
- A pilot project to encourage new and better promoted heritage tourism products and to encourage visitor attractions to stay open longer in the season
- 50 new interpretive signs throughout Shetland & 8 new themed trail leaflets.
- 22 enhanced facilities and online personal specialist adviser services for yachts people generating a steady increase in visiting yachts (55 additional yachts recorded between 2007 and 2008)
- Cruise liner welcome and gateway services at Sumburgh Airport, a daily "whats on" and SMS messaging service for visitors.
- 500 visitors registered to attend the Shetland Hamefarin 2010
- European and Global Geopark Network Membership "Geopark Shetland "
- £18 million investment attracted into tourism heritage infrastructure projects (ie Mareel music venue, Sumburgh Lighthouse, Scalloway Museum, Belmont House and Sandsayre Pier)
- £4 million investment in Fair Isle Bird Observatory and visitor facilities
- Targeted marketing and promotion including Shetland DVD, walking guide and marina guide, etc

4.4   Anecdotal evidence and year on year increases in the recorded number of visitors to top attractions throughout Shetland, as well as an increase in cruise line passengers suggests that there has been a steady increase in visitors to Shetland and a corresponding increase in income generated by the sector during this period. Quantifiable evidence of the current value of tourism to the Shetland economy and the number employed by the sector will be confirmed by the Shetland Input Output Survey and Shetland Employment Survey, which are both currently underway and will be reported to Council later in the year.

4.5 Historically the value and nature of tourism in Shetland has been measured by carrying out visitor surveys every 5 or 6 years. (ie 1995, 2000 and 2006) These surveys have the disadvantage of being expensive (ie an estimated £50,000 + to generate) and being out of date almost as soon as they are published. EDU in partnership with Promote Shetland and VisitScotland is currently investigating the potential for improved visitor feedback and data collection to monitor, measure and evaluate the value of tourism to Shetland on a more regular basis. Any research, or project generated by this process will be reported to the Development Committee later in the year.

4.6 <u>Remit for a revised tourism strategy</u>

When considering a new strategy initial consultation with STA, Promote Shetland and Highlands and Islands Enterprise (HIE), suggested that an update to the existing plan was required rather than a complete change of strategic direction. This decision was taken with reference to both the significant international economic changes that had taken place since the development of the 2006 - 2009 strategy; and, national aspirations to develop regional tourism strategies that provide a clear vision and identify key objectives and priority areas for growth and improvement.

It was decided that Shetland's vision *"To be a year round destination offering high quality products, service and experiences"* had not changed but the methods by which this could be achieved would require updating.

SIC, Economic Development Unit agreed to take the lead on revising the strategy and HIE agreed to fully fund the process through its existing advisory contracts. The successful candidate Stephen Budd, Highland Business Research, who also prepared the 2006-2009 Tourism Plan, was given 10 working days between June and October 2010 to carry out the commission.

4.7 As well as desk research this included collating the feedback to a questionnaire circulated to STA's 98 members and face-to-face interviews and meetings with representatives from businesses and organisations with an interest in developing Shetland's tourism industry. Their views determined the strategy and the tactics outlined in the Shetland Tourism Plan 2011-2014, which is the subject of this report and is attached as Appendix 1. A list of contributors is included on page 25.

4.8 A final draft of the Tourism Plan 2011- 2014 was presented to the Tourism and Culture Panel attended by the new Chief Executive of Visit Scotland, Malcolm Roughhead on the 24 January 2011 and the Environmental Assessment (Scotland) Act 2005 Screening Determination that the plan was not likely to lead to any significant environmental effects was issued on 23 March 2011.

5.0 Proposal

5.1 It is proposed that the Development Committee discuss the contents of the Shetland Tourism Plan 20011-2014 and if acceptable endorse it as Shetland's Tourism Strategy and Action Plan for the next three years. The plan is presented in two parts:

1 Strategic goals; and, recommendations; and,
2 Tactical recommendations and actions covering the three specific areas – product, promotion and service.

The central ambition of the tourism sector in Shetland is to grow and increase its absolute contribution to the Shetland economy. The plan highlights the role tourism can play in attracting more visitor- spend and in showcasing Shetland; attracting inward investment and promoting population growth. A main theme in the plan is a desire to make more of existing resources, business and product opportunities and improve how we do business online. It highlights the fact that we must punch above our weight in difficult times, when funding is much more restricted and deliver a good value and quality of experience that Shetland's target market demands. The plan also identifies measurable indicators of success against each recommendation eg increased attendance at events outside of peak periods; increase in known sustainable products and services, more tourism related business start up etc.

5.2 The Plan has close links with and is complementary to the Shetland Marketing Strategy which was approved by the Development Committee on 3 March 2011 Min ref 16/11.

5.3 If the plan is approved it will inform the strategic tourism goals and targets set in the SIC, Economic Development Service Plan and provide a starting point for revisions to the Council's projected tourism outputs in the next revision to Council's Economic Development Policy Statement.

5.4 It is intended that tactical recommendations and specific actions identified in the plan will be regularly monitored by the tourism sector at STA meetings. As well as representatives from industry these meetings are attended by the agencies committed to contributing to the delivery of specific actions in the plan eg Council, Promote Shetland, VisitScotland etc.

6.0 Financial Implications

6.1 There are no specific financial implications associated with this report. Any projects deriving from the Plan would be considered by Council on their own merit

7.0   Policy and Delegated Authority

7.1   The subject of this report complies with the Council's Economic Policy Statement 2007-2011 and in particular policy numbers 5, "Continue to develop Shetland as a tourist destination through development of high quality products and services "; 6 "Continue to promote Shetland as a high-quality visitor destination" and 7 "support people involved in products and services for the tourism sector". 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   The Development Committee has responsibility for the functional areas set out in Section 2.3.1 of the Scheme of Administration and Delegations to implement decisions within the remit.

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

8.0   Conclusion

8.1   The Shetland Tourism Plan outlines the consensus of all those consulted on how Shetland's tourism industry can best adapt to meet the challenges and opportunities it faces over the next few years.

8.2   It recognises that Shetland Islands Council, Promote Shetland and VisitScotland have a role to play in enabling tourism development but that it is the individual operators that will be responsible for delivering quality at the front line. It also highlights that the key to successfully achieving the strategy's objectives will be to work together to develop new products and services, better promotion and improved market intelligence; and, that the growth of tourism should be seen as an important part of the long term strategy that benefits the island in ways far beyond the number of bed nights achieved.

8.3   The plan is not intended to be prescriptive and permit only those specific developments described and no other. Unforeseen developments and new opportunities will continue to present themselves that are not specifically in the plan. However it does offer clear direction to all those involved in tourism related activities and can be used to target support and resources better for tourism related projects.

9.0   Recommendation

.

9.1   The Development Committee is invited to discuss the contents of the Shetland Tourism Plan 2011-14, which is attached as Appendix 1, and, if, acceptable endorse it as Shetland's Tourism Strategy and Action Plan for the next three years.

Our Ref: LC/JJ Str/Tour/001   Report No: DV029-F
Date: 14 June 2011

The Shetland Tourism Plan 2011–2014

1

The Shetland Tourism Plan 2011-2014 has been produced by Highland Business Research for Highlands and Islands Enterprise and Shetland Islands Council.

Abbreviations used in this document:

Abbreviation	Body
Anglers	Shetland Anglers Association
EDU	SIC Economic Development Unit
HIE	HIE Shetland
Marinas	Shetland Marinas
PS	Promote Shetland
SAC	Shetland Arts and Crafts
SArts	Shetland Arts Development Agency
SAT	Shetland Amenity Trust
SCollege	Shetland College
SDI	Scottish Development International
SIC	Shetland Islands Council
STA	Shetland Tourism Association
STrans	SIC Transport
VS	VisitScotland

3

Contents

Introduction

Our aim is to be a year-round destination offering high-quality products, services and experiences.

This goal was set in the 2006–2009 Shetland Tourism Plan and the Shetland tourism industry continues to support this ambition.

This 2011–2014 Shetland Tourism Plan updates the recommendations to reach this goal in a smart, realistic and ambitious way over the next four years and so it reflects both our progress in tourism along with the new challenges and opportunities facing us.

A big theme in the Plan is the desire and need to act creatively and make more of our existing resources, businesses and product opportunities. Equally important is improving how we do business online. Both these themes reflect the need to punch above our weight in difficult times as well as to respond to what our customers want. Our location away from major population areas means that we will continue to be quite an expensive destination to reach. This alone means that we have to work harder than other places in the UK to attract visitors and convince them that their visit will be worth the money in everything from service quality to things to see and do.

Working together is also crucial in creating opportunities to grow tourism. There is potential for working in partnership to result in new products, better promotion or delivering customer service and this will add to the size and importance of tourism.

Shetland has many strong physical and cultural assets attractive to tourists but those special characteristics tend to appeal to niche market segments, rather than the mass market. Many of those target market segments are high value ones which are not just driven by price, but by value and quality of experience. But even these niche market segments have alternatives and destinations worldwide that are competing with us to attract them. Our challenge then is to attract these visitors and to deliver the quality of visitor experience they demand.

Executive Summary

The 2011–2014 Tourism Plan has two parts:

1. Strategic goals and recommendations based on eight key strands.

2. Tactical recommendations and action items covering the three specific areas – product, promotion and service.

The eight key strands of the Plan are:

1. Shetland aims to grow its tourism sector

Creating more investment and more jobs.

2. Shetland will become a year-round destination offering a high-quality product and experience

To do this we need to develop further our successful range of autumn, winter and spring events.

3. Increasing the range of products and services for visitors

Visitor numbers can only expand if there is more for them to do in Shetland, attracting new visitors and encouraging them to return.

4. Effective partnerships are vital to develop the sector

Companies and organisations working together will spark innovation and increase opportunities.

5. Making the most of our online presence

Not only is this essential because of Shetland's remoteness, but it is also the fastest growing and most economical way to promote tourism. Above all, it is expected by our customers.

6. Understanding, meeting and exceeding customer expectations to truly deliver satisfaction

Our service to customers has been improving in recent years but we still need to do more to ensure visitors receive value for money, so they will spread the word that Shetland is a 'must visit' destination.

7. A commitment to excellence in promotion, internally and externally

Shetland is doing well in presenting the islands to the outside world. We will continue to invest in excellent targeted marketing and communications. However, we also need to make sure our fellow islanders understand and appreciate the importance of tourism to the local economy and community life.

8. To establish an effective monitoring and evaluation mechanism

This means having clear actions, clearly expressed, making sure everybody involved knows what is expected of them, checking they've done their work and measuring the results against the targets in the Plan.

The specific tactics, actions and deliverables accompanying these eight strategic themes can be found in the tactics section of this Plan (Part 2).

6

Part 1: The Eight Strategic Strands

The central ambition of the tourism sector in Shetland is to grow and increase its absolute contribution to Shetland's economy.

To achieve this we can increase the overall total visitor numbers. We can also increase the per-head spending of visitors to Shetland. A combination of both approaches is recommended.

Before exploring the eight strands of this Plan, it is worth reminding ourselves what tourism brings to Shetland. It is an export market, despite the fact that it sells its product at home. It attracts money into Shetland that could have gone elsewhere. It is also a valuable window that showcases our islands as viable and vibrant places to live and work, something of longer term importance.

The growth of tourism should be seen as an important part of a long-term strategy that benefits the islands in ways far beyond the number of 'bed nights' achieved.

Tourism can sometimes be seen as having a small role in Shetland's economy and society. However, our tourism is a broad business that touches the following sectors and more:

- Design
- Crafts
- Programming and software
- Textiles
- Music
- Sport
- Visual arts

- Health and recreation
- Food and drink
- Transport
- Fixtures and fittings
- Construction
- Marketing

We also service a vibrant business community vital to Shetland's wider economy. Business travellers, an often overlooked segment, are of great importance to our economy and future population.

So, put simply, tourism here is about a lot more than hotels and sightseeing. Tourism can contribute to a diversified and sustainable economy, attracting and servicing inward investment and promoting population growth.

7

Strand 1: Shetland aims to grow its tourism sector

The growth of the tourism sector could be measured in many ways but ultimately should be judged on its contribution to our economy and society.

To achieve this we can increase demand, e.g. increase its overall visitor numbers. We can also increase our margins by encouraging visitors to Shetland to spend more. A combination of both approaches is recommended.

Doing more with what Shetland already has – e.g. through smart product creation, packaging and pricing – will be a major way of achieving this ambition.

Success indicators include:

- More visitors and/or more money generated by the sector

Strand 2: Shetland will become a year-round destination offering a high-quality product and experience

To become a less seasonal, more year-round destination, it is clear that we need to give visitors reasons to come in autumn, winter and spring and our activities and events must reflect this. This is closely linked to Strand 3 – increasing the range of products and services for visitors.

Success indicators include:

- Increased attendance at events/activities outside of peak periods
- Increased accommodation usage from the leisure sector outside of peak periods

Strand 3: Increasing the range of products and services for visitors

Increasing the range of products and services is about giving people more reasons to visit us, stay longer or come at other times of the year.

Products and services range from the large initiatives such as those undertaken by the Amenity Trust through to local community initiatives. It covers everything from the continued development of heritage sites through to the development of wildlife tours, cultural events and other activities that take account of Shetland's advantages.

8

Achieving this increase will involve a mixture of enabling and encouraging business to make the most of market opportunities, often by working together to create experiences that are greater than the sum of their parts. It will also involve supporting investment in larger products as well as exploiting the potential of existing underused areas.

Areas of particular development potential include:

- **HERITAGE SITES –** Shetland has a world-class collection of heritage sites that fit in completely with the aspirations of the successful idealist visitors identified in the brand research. Continued investment in developing this area is essential to the long-term success of the tourism sector and Shetland's identity.
- **ARTS AND CRAFTS –** Shetland is world famous for its arts and crafts (particularly music and textiles) and these are experiences highly prized by the target visitor groups. A vibrant artistic and cultural life is seen both as a sign of an interesting place to visit and as a marker that the place could be a good one in which to live.
- **NATURAL HERITAGE –** Shetland's unique natural heritage gives it an advantage over almost every other area in Britain. This is an area in which product offerings are quite advanced. The opportunities here lie perhaps more in the packaging of experiences or the diversification of untapped areas.
- **ACTIVITY TOURISM –** Visitors increasingly desire experiences where they can interact with the local culture and environment. Opportunities in this area include sports tourism (such as angling) as well as participating in cultural and learning activities.

Measurable outputs include:

- An increase in known sustainable products and services
- Increased spend and satisfaction
- More people entering tourism as a career of choice
- More tourism-related business start-ups

Strand 4: Effective partnerships are vital to develop the sector

The improved communication between various organisations and companies involved in tourism in Shetland is perhaps the glue that helps to bind much of this Plan together. Partnerships will offer opportunities to develop products and solutions that would not be possible alone, as well as providing the potential for better marketing, development and promotion.

9

Measurable outputs include:

- An increase in known sustainable products and services jointly conceived

Strand 5: Making the most of our online presence

Conducting business online is no longer an optional extra in running a business in our sector. Not only is this essential because of our remoteness, but it is also the fastest growing and most economical way to promote tourism. Above all, it is expected by our customers.

This need to respond to our customers brings new challenges as well as opportunities. Businesses of all sizes need to understand these challenges and opportunities if we are to make the most of perhaps the most important communication medium used by our visitors.

As well as enabling individual businesses to develop online, there is also the recognition that bodies like Promote Shetland must also have the ability to become world-class in online delivery.

Measurable outputs include:

- Number of businesses implementing online booking
- Businesses taking an increasing proportion of bookings online
- Businesses understanding and implementing the basics of online marketing

Strand 6: Understanding, meeting and exceeding customer expectations to truly deliver satisfaction

An understanding of customers and how to meet their needs remains vital to success. Delivering excellent customer service is the most obvious sign of this, but implicit in this is first identifying and understanding the needs and priorities of the customer and market segments.

This applies to all aspects of tourism, from the time customers start thinking about visiting a destination through to their time here. It's about how people research, how they book, what triggers them to book, overcoming their concerns and identifying their needs; and how they prefer to buy, what facilities they expect when they arrive, and how best to communicate with them before, during and after their stay.

10

Many of our tourism service providers are masters of the friendly welcome and have an excellent understanding of what makes a customer happy. However, many businesses would welcome help to refresh their skills.

There is also a place for extra customer insight through customer feedback or through a considered understanding of the latest industry intelligence. Bodies like Tourism Intelligence Scotland are dedicated to giving practical insight about tourism trends and this is something that can be promoted within the tourism community.

Measurable outputs include:

- Decision on the desirability of a centralised public feedback mechanism and implementation plan if there is interest
- Comparing customer satisfaction ratings for specific areas in any future visitor survey
- Raising awareness of online customer service practices and their adoption by the tourism industry within Shetland
- Setting specific targets to widen the distribution channels through which customers can access product

Strand 7: A commitment to excellent in promotion, internally and externally

Promotion is vital not only to attract visitors, but also in making the case for tourism at home.

We are one of the few areas that have our own marketing body to work alongside VisitScotland. Promote Shetland has wide industry support and has the capacity for innovative and specific marketing and communications dedicated to the Shetland brand. The global reach and resources of VisitScotland provide a significant complementary service, meaning that we have access to two strong bodies promoting tourism at home and abroad.

However, it is not just organisations like Promote Shetland that need to market and communicate well, but also any company wanting to attract customers from a vast, but challenging, global pool. Standards of online sales and promotion can sometimes still be weak and a barrier to growth.

There is a fear that public support for tourism at home will fall if our contribution to the economy and society is not understood. We must also understand and engage with audiences at home to continually show our contribution and to make the case for continued investment. Tourism has strong voices speaking for it at high levels and we need to work with all partners within the industry to ensure that tourism's contribution to Shetland continues to be appreciated and nurtured.

11

Measurable outputs include:

- Continued investment in 'natural' public sector led tourism products and services
- Improved and measurable return on investment (RoI) from promotional activities
- Increased number of business offering a professional web presence
- Promote Shetland becoming a 'best of breed' destination marketing organisation for a remote rural location

Strand 8: To establish an effective monitoring and evaluation mechanism

An independent and effective monitoring and evaluation mechanism should be established in order to guide the Plan in the coming years. This should include measures of progress that are specific, timely, directional and actionable. Specific examples are covered in the tactics section in Part 2 of this Plan.

What about transport?

Transport is overwhelmingly seen as a barrier to the growth of tourism. It is seen as expensive and considered by some to be suffering from issues of capacity in the high season. Additionally, there is majority support for the retention of links to Norway and the Northern Periphery areas.

While this Plan addresses areas where changes can be made (such as the initiatives that will come out of SIC Transport working more closely with the industry), much of the transport debate is already conducted at a national level and, as such, it is beyond this Plan to make the kind of difference that would be desired for tourism in Shetland.

However, working at a local level, tourism and transport can achieve significant changes. The coordination of efforts with SIC Transport, for example, to promote internal tourism will bring benefits, especially in outlying areas where the growth in tourism will have a larger impact. It is also vitally important that we as an industry are heard and can influence the transport debate at a higher level, particularly through ZetTrans and initiatives it is involved with.

12

Part 2: Tactical Recommendations

This section of the report details:

- Tactical recommendations relating to Shetland's tourism products
- Tactical recommendations relating to promotion
- Tactical recommendations relating to customer service and understanding

These tactics have been drawn up in partnership with the tourism industry and each recommendation includes an owner monitoring and evaluation process.

Tactical Product Recommendations

Item #	Owners	Description	Monitoring and evaluation process
1.	SAT PS EDU	**Support the case for continued investment in larger projects.** The economic downturn means that spending will probably slow in many areas. The rationale for continued investment in larger projects (especially those connected to arts and heritage) is to increase the range of products in anticipation of later recovery, and to be ready to capitalise on this. Failure to do this will result in Shetland playing 'catch-up' in the event of better times returning. The case for continued investment needs to be made at the highest level within Shetland. Many representatives within the public sector are already ambassadors supporting the role of tourism to senior levels and this should continue.	The success of this will be measured by the level of support larger investments continue to receive.
2.	EDU Community Groups	**Establish framework for a targeted 'small grant' scheme to promote the establishment of products in remote areas.** The Heritage Tourism Development Scheme is an example of how social enterprises can be granted small sums in order to develop tourism products in their areas. The aim is to create a significant network of products that enhance areas and, combined, make as much difference to Shetland's appeal as a single big project.	The Heritage Tourism Development Scheme is currently a pilot project with success criteria established.
3.	STA SAT SArts EDU	**Explore packaging opportunities.** Packaging and product development will be driven by visitor-facing companies and organisations (whether private companies or bodies like the Trusts or volunteer bodies) with public sector development bodies facilitating cooperation when required and appropriate.	NA

14

Item #	Owners	Description	Monitoring and evaluation process
4.		**Broaden the range of products.**	
		Product development is not just about deepening the range of areas that are known to work, such as wildlife, culture and heritage, but is also about exploring possibilities to widen the range into new areas.	**STA**
		• The tourism industry and public bodies will work in partnership to develop services and products. (STA, EDU, VS, PS, SAT, SArts)	
		• Exploring and developing the potential of existing activities by Shetland trusts to generate tourism products. Ideas include: events and activity tours; talks (particularly in the shoulder season). (SAT, SArts)	**EDU**
		• Investigate opportunities for sport-based holidays in Shetland. (EDU, SIC, Sports and Leisure Recreational Trust, Sports Clubs, PS, Shetland Marinas)	**EDU**
		• Develop and better promote the wide range of activities and services available for trout and sea angling. (EDU, Shetland Anglers Association, PS, VS)	**Anglers**
		• Shetland Arts and Craft Association to promote and develop an arts and craft trail with PS. (SAC, PS, EDU, VS)	**SAC**
		• Shetland College to work with HIE to explore how they could understand, develop and promote 'learning' breaks. (HIE, SCollege)	**SCollege**
5.	STA	**Establish a network of experts who can facilitate specialist bookings.**	STA
		There are many participants within the tourism sector who have specialist knowledge that could facilitate more specialist enquiries. The emphasis is not on the contact managing a booking but rather on connecting specialists within the market to enhance enquiries and provide solutions.	

15

Item #	Owners	Description	Monitoring and evaluation process
		This system could also involve those with a good working knowledge of foreign languages. STA members to identify requirements and progress with suitable organisations as appropriate.	
6.	VS	**Evaluate the success of the Tall Ship Temporary Accommodation Pilot Scheme for potential wider roll out.** The idea of 'temporary hospitality' is to enable a pool of accommodation only to be made available in times of extreme lack of accommodation. Temporary Accommodation Providers are not meant to become an alternative to already established accommodation providers.	
7.	EDU VS PS	**EDU, VS and PS to continue to engage with the whole tourism industry and bodies with appropriate representation.**	STA
8.	EDU STA STrans PS VS	**The tourism industry to work in partnership with SIC Transport to develop effective communications to facilitate greater use of public transport by visitors.** SIC Transport will work with the tourism industry to provide more effective transport solutions. It is anticipated that this could result in new product opportunities and/or the broadening of the product offering to current visitors.	STrans, EDU, PS, VS
9.	SAT SArts VS PS EDU HIE	**Undertake a review of the market for conference tourism.** The Shetland Museum, Mareel and Shetland College provide facilities that can cater for groups visiting for business or specific activities beyond traditional leisure tourism. A review of business tourism demand and expectations needs to be undertaken before development of this market.	EDU

16

Item #	Owners	Description	Monitoring and evaluation process
10.	STA HIE PS VS	**Market Intelligence Strand 1: Smarter use of market intelligence.** Keeping abreast of market developments is an important way of making sure that products adapt to market demands. STA to invite a Tourism Intelligence Scotland representative to address the STA membership regularly. HIE to facilitate as required. Yearly briefing by PS and VS to STA on what they are seeing in visitor trends and how they are responding to them.	EDU
11.	EDU VS PS STA HIE	**Market Intelligence Strand 2: Look at a renewed visitor survey, including smarter ways of conducting and sharing research.** The target date for a visitor survey would be 2011. While traditional survey methods have an important role, looking at ways to supplement this information through less resource intensive and more timely data collection methods should also be considered. EDU, HIE, VS, and PS to identify what data can be collected and from where.	EDU
12.	EDU HIE/SDI	**Attracting more major inward investment.** Active engagement to attract inward investment will continue in line with SIC's Single Outcome Agreement. HIE will also work with SIC and Scottish Development International (SDI) to further these aims.	
13.	SCollege HIE	**Exploring the potential of UHI/Shetland College to draw tourism.** As well as being actively involved in tour guide training, Shetland College has the potential to develop tourism products (such as learning courses) in partnership with the tourism industry. However, it needs guidance on all aspect of marketing as well as overcoming known issues	SCollege

Item #	Owners	Description	Monitoring and evaluation process
		such as inadequate accommodation to advance this.	
		HIE to liaise with Shetland College to understand early thoughts and how that might fit in with general development policies and the tourism industry.	

18

Tactical Promotional Recommendations

Item #	Owners	Description	Monitoring process
1.	PS	**Make the Promote Shetland online channel more effective.** Promote Shetland has the ability to become one of the foremost UK destination marketing agencies. Achieving this will require a first-class understanding of the opportunities and challenges of online marketing in order to maximise impact. Actions: • PS staff to have training in strategic online marketing and how to get the most out of online management data. • Appropriate PS staff to attend at least one major conference per year related to travel or online marketing.	STA and SIC In terms of online activities, visit.shetland.org needs to define a set of goals and key performance indicators that show meaningful movement.
2.		**Improving online business** A number of recommendations all relate to the ability of businesses to do business more effectively online.	
	EDU STA PS VS	**Ensure that more businesses in Shetland can take bookings online and have the business skills required to understand and deliver their online business effectively.** EDU to determine barriers to online booking adoption and devise ways to overcome these in partnership with the industry.	STA
	HIE STA	**Develop online marketing and service skills courses and seminars.** On an ongoing basis, arranging for businesses to be exposed to current best online business practices. Areas typically covered would include email marketing; social media; what your web	STA

Item #	Owners	Description	Monitoring process
		data is telling you; feedback mechanisms; and the importance of usability.	
		STA to liaise with HIE to identify interest and how to practically implement.	
	STA EDU	**Examine how best to capture customer feedback online to help business.**	STA
		The previous two strands of Market Intelligence concentrate on general strategy. This initiative is designed to help individual businesses collect, analyse and respond to customer feedback more easily and reliably.	
		STA to liaise with EDU to identify barriers and opportunities.	
3.	STA PS VS	**Internal promotion.** Convincing an internal audience of the importance of tourism is almost as important as attracting external visitors. Continued and coordinated efforts need to be made to ensure that the benefits of tourism are understood at the highest levels. This can be done through a process of maintaining a constructive high profile; strategic briefings and sharing of information among elected representatives; using the strong voices already involved in the industry; and general lobbying.	
4.	PS VA SAT STrans STA	**Shoulder season.** Coordination between PS, SAT and VS to develop plans to develop the shoulder season through increased product offerings and promotion.	

20

Tactical Service Recommendations

Item #	Owners	Description	Monitoring process
1.	EDU SCollege STA HIE VS	**Ongoing emphasis on training and raising of service standards.** EDU, SCollege, VS, STA, HIE to work to deliver a Shetland Ambassador/customer care course, through Train Shetland.	STA
2.	STA EDU Train Shetland HIE VS	**Training through the STA for 'temporary accommodation' initiative.** If the 'temporary accommodation' scheme for peak capacity times is rolled out further, the STA has suggested that it might be willing to become involved in delivering group customer training to the temporary providers. STA to be kept abreast of ongoing ideas for any 'temporary hospitality' initiatives and to provide input into how to make them work. STA, EDU and Train Shetland to discuss (potentially to run) customer service workshops for 'temporary hospitality' participants and existing STA members.	STA

21

Managing the Plan

This section contains a number of items that do not fall directly into the product, promotion and service categories outlined in this Plan, but which are important if those aspects are to work. There are broadly two areas:

- Management of the Plan
- The monitoring and evaluation process

Management of the Plan

This section describes those processes needed to deliver the strategy effectively. Clear lines of responsibility are mostly already apparent and the following proposals build on them to facilitate the management, monitoring and evaluation of the Plan's items.

Placing the Tourism Plan in context

This Plan links to complementary plans like the current Single Outcome Agreement (SOA) and the SIC Corporate Plan and, as such, all actions need to be Specific, Measurable, Achievable, Realistic and Timely (SMART). In turn, the Plan will influence the production of the future SOA.

Monitoring and Evaluation

Monitoring and evaluation have already been mentioned as part of the tactical promotional recommendations and so this section concentrates on the processes for monitoring and evaluating the Plan.

22

Tactical Process Recommendations

Item #	Owners	Description	Monitoring process
1.	STA EDU PS	**Establish a panel to monitor the implementation of the Plan.** Although this needs to be formal in the sense that its actions need to be transparent and accountable, it is also anticipated that this could be accommodated if required as an adjunct to a regular STA meeting. Initial participants should include the STA leadership, EDU, VS and PS.	
2.	EDU PS	**Define a framework through which to effectively monitor the contributions of tourism and agencies delivering it.** The purpose of this is to see impacts that local agencies are making on an ongoing basis to the growth of tourism in Shetland.	EDU
3.	STA HIE	**Develop the organisational skills of the STA.** Help the STA to develop their management and leadership skills to increase their effectiveness as guardians of the Tourism Plan. HIE Shetland to liaise with the STA to identify needs and develop a solution.	STA
4.	EDU STrans STA	**ZetTrans membership.** Ensure that the tourism industry is properly represented in the transport debate and is able to influence that debate. EDU to work with the STA and STrans to facilitate ways in which the STA could be more involved.	STA EDU STrans

23

Appendix A: Input to the Plan

We would like to thank the following people for giving their time in the preparation of the Plan:

Name	Organisation
STA Membership	28 detailed responses were received from the STA membership with their ideas for the tourism Plan
Alan Blain	Shetland Amenity Trust
Andy Steven	Promote Shetland
Beth Cummings	Windward B&B
Billy Thompson	SIC, Service Manager – Transport, Planning and Support
Creenagh Lodge	Corporate Edge
David Nicol	NB Communications
Dennis Geldard	Shetland Marinas
Elma Johnson	Island Trails
Fiona Dally	Tall Ships
Gwilym Gibbons	Shetland Arts
Irene Peterson	Deputy Director, Shetland College UHI
Iris Hawkins	Chairperson of ZetTrans
Jimmy Moncrieff	Shetland Amenity Trust
Joe Rocks	STA Chair & Busta House Hotel
Jonathan Swale	SNH
Dr Jonathan Wills	Seabirds and Seals, SIC Councillor
Kathleen Coull	Accommodations and textiles
Ken Duerden	SIC, Ferry Services Manager
Linda Coutts	SIC, Economic Development Unit
Mark Georgeson	HIE
Mary Smith	Bonhoga Gallery
Mike Scott	Historic Scotland
Neil Grant	SIC, Economic Development Unit
Neil Henderson	SIC, Economic Development Unit
Robert Smith	Hotel Owner
Steve Henry	Self Catering Shetland
Steve Mathieson	VisitScotland
Tavish Scott	MSP

Appendix B: Supporting Strategies

Economy and Development

Shetland Islands Council Economic Development Policy Statement 2007–2011

Shetland Islands Council Single Outcome Agreement

The Shetland Marketing Strategy

Culture and Heritage

On the Cusp…Shetland's Cultural Strategy 2009–2013

A Hansel for Art: Our Plan for a Creative Future

A Strategy for Events and Festivals in Shetland

Transport

Shetland Transport Strategy

Marketing

The Shetland Marketing Strategy

Shetland
Islands Council

REPORT

To: **Development Committee**   22 June 2011

From: **Project Manager**

Report No: DV030–F
Tourism Financial Assistance Scheme

1.0   Introduction

1.1   The purpose of this report is to present the case for continued assistance to the tourism sector in Shetland under the Tourism Financial Assistance Scheme (TFAS).

2.0   Links to Corporate Priorities

2.1   This report has strong links with Council Corporate Plan Policies to: "support added value in tourism " and "seek to lengthen the duration of the tourist season".

3.0   Risk Assessment

3.1   <u>Competitive</u>

In providing grant funding to businesses for the development of <u>new</u> products or services there is a risk that this will displace another local operator providing a similar product or service. Monitoring of the attached TFAS grant conditions can mitigate this risk.

4.0   Background

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

4.2 There is some evidence to suggest that Shetland's Tourism sector as a whole has performed better than may have been expected in these difficult times and that visitor numbers and income from visitors is increasing. Excellent television coverage eg Simon King's diaries and BBC documentary on the Folk Festival as well as other high quality Shetland destination marketing, particularly online (eg puffin cam etc) appears to be attracting an increasing number of visitors interested in Shetland's rich natural and cultural heritage.

4.3 The Shetland Gas Plant Development has also contributed to a significant increase in business visitors and in the number of visitors beds occupied, particularly in the North Mainland. Quantifiable evidence of the current value of tourism to the Shetland economy and the number employed by the sector will be confirmed by the Shetland Input Output Survey and Shetland Employment Survey, which are both currently underway and will be reported to Council later in the year.

4.4 Tourism remains an important sector in Shetland's aspirations to diversify and grow the economy and historically has attracted public sector grants for targeted commercial development. The current Council Tourism Financial Tourism Assistance Scheme offers 30% funding of up to £45,000 for eligible projects. The scheme has been designed to offset the costs associated with significantly upgrading existing visitor facilities and services to meet customer requirements; and support the development of new commercial tourism businesses, particularly in peripheral areas where the costs of setting up a new business tend to be greater and the relative return on investment lower than would be the case in more central locations.

4.5 The Shetland Tourism Plan 2011 –14, which is also being considered by this Committee, has an ambition that "Shetland will become a year round destination offering a high quality product and experience" and has set priorities for developing the tourism sector which include: continued investment in tourism; increasing the range of visitor products and services; making more of existing resources, business and product opportunities and improving the quality of our existing products and services to encourage more people to visit Shetland, stay longer and come at different times of the year.

4.6 The TFAS was revised in June 2009 with reference to a study carried out by Steve Westbrook in December 2007 that considered Shetland's Visitor Requirements for the 21st Century. In particular the study highlighted that:

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

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

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

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

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

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

4.7 In the two financial years since the scheme was approved it has supported six projects eg visitor safety equipment for a new boat charter service in Brae; the furnishing and equipping of Belmont House in Unst to provide new specialist visitor accommodation; a new amenities building, caravan and camping site in Burravoe; the expansion of a caravan hire business in Walls; the significant upgrading of an existing self catering cottage in Papil; and, the significant upgrading of showering and laundry facilities available to visitors at the Boating Club in Lerwick. The total cost of these projects was £263,420 and the contribution from the Council £68,077.

4.8 All these projects have been completed relatively recently so their impacts have still to be confirmed. Grantees are required to provide the Council with a statement of accounts, reports or other explanations relevant to the project for a period of five years after receipt of grant.

4.9   It should be noted that tourism projects, particularly those which require planning and other permissions, licences and tendering for trades people etc take time to complete and often require grant funding to be carried forward over two financial years. The EDU is currently aware of several projects, which are under development and will be submitted for consideration under the Tourism Financial Assistance Scheme in the current financial year.

5.0   Proposal

5.1   It is proposed that the Development Committee approve continued assistance to the tourism sector in Shetland under the Tourism Financial Assistance Scheme (TFAS). Details of the Scheme are shown in Appendix 1 attached to this report.

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

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

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

6.0   Financial Implications

6.1   A sum of £75,000 has been allocated for the continuation of the Tourism Financial Assistance Scheme in the Economic Development Unit's budget for 2011-2012 under the Reserve Fund heading RRD1620 2402. In subsequent years the scheme would continue subject to finance being approved.

7.0 Policy and Delegated Authority

7.1 The subject of this report complies with the Council's Economic Policy Statement 2007-2011 and in particular policy numbers 5, "Continue to develop Shetland as a tourist destination through development of high quality products and services "; 6 "Continue to promote Shetland as a high-quality visitor destination" and 7 "support people involved in products and services for the tourism sector". 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 The Development Committee has delegated authority to implement decisions in accordance with Section 2.3.1 of the Council's Scheme of Administration and Delegations within the remit.

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

8.0 Observation

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

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

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

9.0 Conclusion

9.1 Tourism remains an important sector in Shetland aspirations to diversify and grow the economy

9.2 The Tourism Financial Assistance Scheme, as described in appendix 1 of this report is intended to offer grant assistance to targeted commercial tourism developments, within Council policy, and an incentive for the provision of tourism services and quality improvements in less favoured areas.

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

10.0 Recommendation

10.1 I recommend that the Development Committee extend the Tourism Financial Assistance Scheme, as specified in Appendix 1, for a 3-year period from 01 July 2011 to 30 June 2014

TOURISM FINANCIAL ASSISTANCE SCHEME

GENERAL

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

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

CONDITIONS

1. Financial assistance is available towards:-

    (a) The significant permanent improvement of and upgrading and equipping of facilities for visitors in existing accommodation and establishments. This includes establishments seeking to achieve a higher classification or grading award under the VisitScotland Star Grading Scheme.

    (b) The extension of existing accommodation establishments in order to provide significantly upgraded facilities and / or additional accommodation for tourists. This includes establishments seeking to achieve a higher grading under the VisitScotland Star Grading Scheme.

    (c) The provision of premises in order to provide quality new accommodation for receiving visitors. This will include the construction and equipping of new premises or the alteration, improvement and upgrading of existing buildings in order to provide this accommodation.

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

    Applications for assistance towards new build self catering accommodation will only be considered when it can be demonstrated that it is part of a wider product development initiative and catering for a new and additional visitor market; or, no suitable alternative accommodation is available within a reasonable distance (e.g. outer islands).

    (d) The construction, renovation, alteration and equipping of premises to form restaurant, cafe and coffee shop facilities for tourists.

    (e) The construction, renovation, alteration and equipping of premises to form craft, souvenir and other retail premises for tourists.

(f) The provision of new high quality venues, activities and services tailored to meet specific tourism markets, particularly where they encourage visitors to experience Shetland's unique selling features such its natural, built and cultural heritage, products or produce.

2. In respect of Conditions 1(a) to 1(c) assistance is available to all types of accommodation (except temporary buildings) in all locations outside Lerwick. The accommodation must be in a building and/or in a location, which the Council considers suitable for tourist use.

3. Grant is paid at the rate of 30% of the actual eligible expenditure, subject to a maximum payment of £45,000.

4. For all applications under Conditions 1(d)-(f), applicants will be required to demonstrate that the project/business will be operated on a commercial basis and that it will be financially viable. Assistance will not be available to any business/project, which, in the opinion of the Economic Development Unit, will jeopardise the viability of any existing business.

5. VisitScotland may be consulted where appropriate on applications under the Scheme. Applicants are advised to discuss their projects informally with VisitScotland in advance of submitting an application.

6. All applicants must contribute a minimum of 25% of the eligible costs of the project from their own resources. (This can include a bank loan or Shetland Trust loan).

7. Before any assistance is actually paid applicants must produce adequate evidence that the balance of the cost of the project has been raised, e.g. letters of offer from other agencies, and/or letter from bank.

9 Where appropriate, applicants must produce valid planning permission and a valid building warrant.

10. Grant will be paid out on actual eligible expenditure as shown by original invoices satisfactorily receipted.

11. All applicants must produce evidence of their right to occupy the building/site for at least 5 years and that they have permission of any lender holding a mortgage on the property.

12. Applicants must obtain the necessary consents, authorisations or licenses from the Council's Infrastructure Services Department or produce evidence that these are not required.

13. Normal repair and maintenance of buildings, facilities and equipment will not be eligible for assistance. The Council's decision on what constitutes repairs/maintenance and what constitutes improvements or upgrading will be final.

14. Bar facilities or facilities used primarily by local people, e.g. an entertainment area, will not be eligible for assistance.

15. Assistance will be confined to one project per firm per Council financial year. Applicants will be eligible to apply for assistance on a further project provided that it falls within a subsequent financial year.

16. All successful applicants must operate their business within Shetland for a period of at least 5 years from receipt of assistance.

17. Applicants will operate any grant-aided equipment within Shetland for a period of at least 5 years from the date of receipt of grant.

18. Accommodation and other facilities must be made available to bona fide tourists and be operated on a full-time basis at least during the tourist season 1 May to 30 September inclusive.

19. Any financial assistance awarded must be claimed within ONE YEAR of it being offered. If, by that date, an extension has not been requested and given, the offer of grant lapses. If grant is still sought at that time, a fresh application would be required.

20. Grant assistance for building work may be paid out in stages but final payment will be withheld until any necessary certificates of approval are produced e.g. completion certificate, fire certificate.

21. All successful applicants must make their premises available for inspection by Council representatives at all reasonable times.

22. Applicants MUST NOT commit themselves to any expenditure on a project, which is subject to an application for financial assistance before receiving the Council's decision on the application. Any expenditure so committed will not be eligible for assistance.

23. All grants will be subject to the availability of finance and all assistance is discretionary.

24. All applicants will maintain and operate their premises, machinery and equipment in such a way as to conform, to the satisfaction of the Council, with relevant Food, Health and Safety at Work and other trading legislation.

25. Applicants will supply independently prepared annual accounts of their business to the Council within 9 months of the end of the financial year for each of the 5 years following receipt of grant. The Council may however require the applicant to supply professionally audited accounts.

26. If the property is sold, transferred or otherwise disposed of within the 5 year period, the new owner must accept the grant conditions for the remaining period, failing which the grant will be repayable in full at the date of sale or transfer.

27. The Council reserves the right to find out the amount of arrears of debt, if any, owed to the Council by applicants for assistance granted until such time as arrears have been cleared or satisfactory arrangements have been made to clear the arrears.

28. Should any of the foregoing conditions be broken, Shetland Islands Council may, at its sole discretion, require repayment of all or part of any grant paid, and may also disqualify applicants from receiving any other grant and loan in terms of the Schemes operated by the Council.

LIMITATIONS TO GRANT ASSISTANCE

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

1   Assistance will only be approved when an application meets the Council's economic development policies.

2   Funding shall not be approved on any spending committed by an applicant for assistance before a decision is taken on that application by the Council.

3   Assistance shall not be approved to rescue businesses that are failing or have failed unless there is a demonstrable prospect of future viability.

4   Grant assistance is not available for the purchase of businesses or buildings. This is because such approvals can interfere with the market and may lead to an unfair advantage being given to an applicant.

5   In general, assistance is not available for projects/businesses that are in direct competition with existing businesses serving the Shetland market. Such assistance is likely to lead to unfair competition. However, in circumstances when specific assistance Schemes exist for that type of business or when the applicant business is operating in a remote area/outer island, grant assistance may be considered after careful examination of the project details.

6   Assistance is only available for commercial ventures and initiatives. This policy does not apply to projects that may not be commercial in themselves but which aim to serve commercial sectors. Community inspired infrastructure projects fall into this latter category.

7   Projects have to demonstrate viability and need for assistance. However, need for assistance is not a criterion when incentive Schemes are drawn up to encourage specific types of project.

Economic Development Unit
Shetland Islands Council

Shetland
Islands Council

REPORT

To: **Development Committee**   **22 June 2011**

From: **Head Of Economic Development**

Report No: DV037-F
Bridging Loans Scheme, Private Sector Housing Estate Development

1.0 Introduction

1.1 This report recommends that the Council put in place a bridging loan scheme for the development of private sector housing estates in Shetland. The reason for considering this scheme is the current constraints on bank funding which is restricting private sector housing developments in Shetland.

2.0 Links to Corporate Plan 2010-12

2.1 This proposal links to the actions set out in the Corporate Plan under Section 1: Maintaining a Sustainable Economy and Section 2: Maintaining a Sustainable Society.

2.1.1 Stronger: We will ensure that the right house is available in the right place at the right price.

2.1.2 Wealthier: Businesses will be supported to overcome barriers to growth thereby improving profitability and longer-term performance.

3.0 Risk Assessment

3.1 The risk of developer business failure is a significant risk associated with this proposed scheme. The bridging loan would be secured on the site being developed, with only a maximum of 75% of the value of the site being lent. In addition the applicant would have to submit up to date accounts for examination.

3.2 There is also a risk that for whatever reason progress is not made to develop and sell houses and sites and the bridging funding to develop the estate becomes 'locked in'. The conditions and covenants of the proposed loan scheme are such that the outstanding funding can be called in at any point after the due date.

3.3 Any state aid risk by providing loan finance to a business within the construction sector has been mitigated by ensuring the loan terms are in line with terms defined in the SIC Interest Rate Policy, and therefore deemed to be commercial.

4.0 Background

4.1 There is a demand for private sector housing in Shetland that cannot be met by the existing housing stock. The Assessment of Housing Need and Demand Report, 2010, notes that only 1.7% of Shetland's private housing stock in 2005 was unoccupied compared to 6% nationally. The reports further notes that there is a strong tradition of self build in Shetland with 72% of new housing being single house build. There would therefore appear to be a strong demand for private sector housing in Shetland which is likely to remain unmet unless action is taken to stimulate the house build market.

4.2 Building firms are finding it much more difficult to obtain bridging facilities from high street banks. I understand that this has been worsened recently as the building industry on the UK mainland has slowed and housing developments and other projects are delayed or stalled, trapping investment funds.

4.3 Bridging funding is required to develop site infrastructure, roads, services, etc before houses sites can be sold or houses built.

5.0 Proposal

5.1 A Bridging Loan Scheme is proposed which would be available to all businesses for the purpose of developing private sector housing estates in Shetland:

5.1.1 The scheme would allow developers to borrow up to 75% of the value of the site at any point in the development of the site.

5.1.2 It is proposed that this should be a delegated scheme restricted to £300,000 per application. The Development Committee would consider requests for assistance for exceptional sums in excess of £300,000 on a case-by-case basis.

5.1.3 The repayment period will be limited to 3 years.

5.1.4 The sale of house sites or completed buildings on the site will trigger repayment of part of the loan.

5.1.5 Interest charged will be in line with the Council interest rate policy. In summary the interest rate applied will be the Base Reference Rate plus an additional percentage margin of between 0.6% and 10% above the Base Reference Rate.

5.1.6 All valuations for the purpose of calculating security cover will be conducted through the services of the Asset & Properties Manager.

5.1.7 A standard security will be taken over the whole of the site being developed. Ownership of land must therefore be confirmed.

5.1.8 All legal and other transaction costs will be recharged.

5.1.9 The development must comply with the Local Development Plan.

5.1.10 The development must comply with the Shetland Local Housing Strategy.

5.1.11 The development must have ducting for fibre telecom networks to each home.

5.1.12 The scheme would only be available to private sector developments and would not be available for developments tendered by the Council or Housing Associations.

5.1.13 From time to time government/external funding schemes for innovation targeted developments are made available for private sector house build. It will be a requirement of the scheme that these funds are applied for by the applicant and mandated where appropriate to the Council.

5.1.14 Funding is required to be sought from banks and commercial lenders in the first instance along with full disclosure of the correspondence.

5.1.15 Applications will be made using the standard "Application for funding from Shetland Islands Council" corporate form. The full details of the documentation for the Proposed Scheme will be determined by the Head of Economic Development or his nominee, taking advice from staff in Legal and Finance services.

5.2 Conditions of the Proposed Scheme are contained in Appendix 1 (attached).

6.0 Financial Implications

6.1 There is no budget set aside for this scheme. If approved, applications made under this scheme will be funded from the Loans budget RRD6000 2700. However it is likely that this budget will be oversubscribed in future so applications will be taken on a first come first served basis.

6.2 The interest rate applied to this scheme will be in line with the Interest Rate Policy which was approved by the Development Committee on 21 August 2008 (Min.Ref: 30/08) the recommendation from which was approved by Council on 10 September 2008 (Min Ref: 113/08). Each application will be assessed and an appropriate interest rate applied, in line with the aforementioned policy.

6.3 The EDU has a loans budget for 2011/12, being £2.895m. This was set in the Head of Finance's report to Council on 10 February 2011, (Report No. F-004-F (paragraph 5.3.3)) [Min. Ref.: 05/11]. where it was proposed that the loan book should be fully excluded from consideration of both the Capital and Revenue Budget processes, essentially because it is a recirculating fund, also generating an income from interest payments. The figure of £2.895m set was an a broadly estimated figure set on past lending patterns and predicted demand.

6.4 The Council will consider the "added value" secured from moving money from the investments held on behalf of the Council by fund managers into the local economy. In pure income terms the long term average expected rate of return from the Council's Reserves with the fund managers is 7.25% per annum. Any loss of interest from moving money from the external markets to the local economy must be justified from additional outputs and impacts.

7.0 Impacts

7.1 Unlocking the financial constraints on private house building should enable a further 10 to 20 houses to be built per annum. This will help keep the local construction industry with flexible work books, and will provide per annum housing for a further 20 to 40 people in modern high quality accommodation.

8.0 Policy & Delegated Authority

8.1 This report has been prepared based on the Shetland Economic Development Policy Statement 2007-2011 main aim to "Encourage enterprise and sustainable growth". The policy was approved by the Development Committee on 24 April 2008 (01/08 and by the Council on 14 May 2008 (55/08).

8.2 In accordance with Section 2.3.1 of the Council's scheme of Administration and Delegations, the Development Committee has delegated authority to implement decisions within its remit.

8.3 As this is a new scheme, and in the absence of budget, a decision of the Council is required.

9.0 Conclusions

9.1 The private sector housing stock in Shetland needs to be increased to enable Shetland's key strategic objective of 'maintaining the economically active population throughout Shetland'.

9.2 The scheme proposed in this report will assist private sector developers to finance new housing developments in Shetland.

10.0 Recommendations

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

10.1.1 Approve the scheme described in paragraphs 5.1 to 5.2 above; and

10.1.2 Grant delegated authority to the Head of Economic Development or his nominee, to approve loans made within the terms of the Scheme, as set out in Appendix 1. Approvals would be included in a periodic information bulletin.

Our Ref: NG/JJ Sch/OI/006   Report No: DV037-F
Date: 14 June 2011

Private Sector Housing Estate - Bridging Loan Scheme ("the Scheme")
TERMS AND CONDITIONS

Availability

1. The Scheme is available to businesses ("the Applicant") undertaking private sector housing estate developments ("the Works") in Shetland. In respect of any works or approval the maximum loan is whichever is the lesser of 75% of the value of the site or the sum of £300,000.

Loan

2. The amount of the loan is the amount shown on the loan offer.

Purpose

3. The loan is for the purpose of providing the Applicant with a temporary loan facility to assist the Applicant in the cost of financing the execution of the Works.

Payment of Loan

4. Subject to these conditions, the loan will be advanced to the Applicant in tranches, once the loan application has been evaluated and approved by the Council's Economic Development Unit and all preconditions including provision of suitable security have been met. The Head of Economic Development shall be entitled to withhold the loan, or any part of it, if in his opinion it would be inadvisable and undesirable to release the loan or any part of it. Any misleading information submitted by the Applicant may render the application null and void.

Period of Loan and Repayment

5. The period of the loan shall be the period from the date of payment of the first tranche of the loan until the earlier of either (a) the date that is the 3 year anniversary of that date of payment or (b) the date of completion of the Works. The loan shall be repaid in full together with all interest thereon within ninety days after the end of the period of the loan. During the period of the loan, in the event of any sales of house sites by the Applicant, then the loan or a proportion of it shall be repayable equivalent to the income received by the Applicant from such sales. The Applicant shall be entitled to repay the loan, or any part of it, together with any interest accruing but without penalty, at any time before the end of the period of loan."

Interest

6. Interest will be charged on the sum borrowed at a rate that is compliant with European Commission State aid legislative requirements, to be determined on a case by case basis by the Economic Development Unit.

Repayment

7. The loan can be repaid at any time during the Works, but must be repaid in full within ninety days of the completion of the Works, or at the 3 year anniversary of the payment of the first tranche. Sale of house sites from the estate will trigger repayment tranches.

Payment in Full

8. All payments by the Applicant to Shetland Islands Council shall be made in full without deduction for or on account of any matter whatsoever.

Notices

9. If the Applicant wishes to give formal notice to Shetland Islands Council about their loan arrangements, they should write to the Head of Economic Development, Shetland Islands Council, Economic Development Unit, Solarhus, 3 North Ness Business Park, Lerwick, ZE1 0LZ. Notices to the Applicant will be sent to the address given, or such other address as the Applicant may notify in writing to Shetland Islands Council Economic Development Unit.

Shetland
Islands Council

REPORT

To: **Development Committee**   **22 June 2011**

From: **Project Manager**

DV031-F
Delegated Scheme for Loans to Purchase Whitefish Quota and/or Fishing Vessel Licences

1.0   Introduction

1.1   The purpose of this report is to ask for approval for the continuation of Whitefish Quota and/or Fishing Vessel Licence Loan Scheme in the financial year 2011/12.

2.0   Links to Corporate Plan

2.1   The Council has set a target in the Corporate Plan of supporting six projects to encourage sustainable fisheries by Shetland vessels under the terms of the Community Fisheries Policies through the provision of £1.5m of loan finance between 2010-2012. This scheme is a key component to achieving that goal.

2.2   The more effective decision making enabled by delegating the approval of loan decisions, which require a short time scale, helps to achieve the Sustainable Economy Action Area of the Corporate Plan. Without delegated authority the Development Committee would have to take all the decisions, risking time restricted investments not being achieved within the required timescale.

3.0   Risk Management

3.1   As this report concerns the approval of a decision making process relating to assistance awarded by the Council to third parties, it seeks to ensure that proper procedures are in place to award such assistance. A particular risk is that the delegated authority may be misused in the process. However, this risk is mitigated by regular reporting, of the assistance awarded, to the Committee and then communicating these details to the media.

Background

3.1 On 29 April 2010 the Development Committee agreed to continue the Shetland Development Trust quota loan scheme under the delegated authority of the Economic Development Unit [Min. Ref: 30/10] in addition to providing loan finance to purchase fishing vessel licences following changes in legislation. As part of this approval the Committee approved a delegated scheme for loans to purchase whitefish quota and/or whitefish licences.

3.2 Given the short timescales often involved in the purchase of licences and quota the proposed delegated scheme will allow for investments in line with the guidelines at Appendix 2, to proceed within the required deadlines.

3.3 All decisions taken under delegated authority must comply with the policies listed in the Council's Economic Policy Statement 2007-2011 (Development Committee Min. Ref: 02/08)

4.0 Objectives of the Scheme

4.1 The objective of providing finance to purchase Fishing Vessel Licences is to, through commercial investment, build up the days at sea allocated to fishing businesses in Shetland in an attempt to improve the net worth of these businesses so that they can be more resilient to changing economic circumstances. Ownership of an additional licence and days at sea will improve the profitability of the local whitefish fleet whilst providing benefits to ancillary businesses.

4.2 The objective of providing finance to purchase Fishing Quota is to, through commercial investment, ensure that fishing vessels are able to land the majority of their catch thus making each fishing vessel more efficient in its fishing effort. In addition, purchasing quota ensures a larger share of the fish in the waters surrounding Shetland are owned by Shetland based businesses.

6.0 Proposal

6.1 It is proposed that this delegated loan scheme continue in the financial year 2011/12, as detailed in appendices one and two of this report. Appendix 1 is required to ensure specific data relating to a fish catching business is obtained along with the submission of the SIC corporate application form.

7.0 Financial Implications

7.1 The scheme will be funded from the Development Loans code which has a budget of £2,895,000 in 2011/12, held under ledger code RRD 6000 2700, of which £177,323 is committed.

7.2 The interest rate applied to whitefish quota and/or fishing vessel licence loans will be in line with the Interest Rate Policy which was approved by the Development Committee on 21 August 2008 [Min. Ref: 30/08] and ratified by Council on 10 September 2008 [Min. Ref: 113/08]. Each application will be assessed and an appropriate interest rate applied, in line with the aforementioned policy.

7.3 Approvals will be subject to a full financial assessment concluding that the applicant can service the term loan.

8.0 Policy and Delegated Authority

8.1 This report has been proposed under the Economic Development Policy number one, "rebuild confidence in the fish catching industry, particularly as regards the whitefish sector", which was approved by the Development Committee on 24 April 2008, Min. Ref: [02/08], and by the Council on 14 May 2008, Min. Ref: [55/08].

8.2 In accordance with Section 2.3.1 of the Council's Scheme of Administration and Delegations, the Development Committee has delegated authority to implement decisions within its remit.

8.3 As the contents of this report are covered by existing policy, the Development Committee does have delegated authority to make a decision.

9.0 2010/11 Scheme Review

9.1 The Scheme approved £362,500 of loans during the financial year 2010/11. These loans are detailed as follows

Fishing Licence Loan

Date: 23 August 2010
Applicant: Alison Kay Fishing Company Ltd.
Loan Approved: £112,500

Quota Loans

Date: 11 January 2011
Applicant: Victor Laurenson & Partners
Loan Approved: £150,000

Date: 2 March 2011
Applicant: Victor Laurenson & Partners
Loan Approved: £100,000

9.2 Following a report from the Head of Business Development to Committee on 18 November 2010 (Minute Reference 70/10), it was agreed that the economic benefits of funding from the Council be more clearly defined.

9.3 The following are the estimated benefits from providing the three loans, totalling £362,500, as detailed in paragraph 9.1:

Maintained Jobs:	12
Turnover Generated:	£143,000 per annum
Turnover Maintained:	approximately £2,600,000 per annum
Total impact on Shetland Economy:	£165,737 per annum
Improved Productivity:	approx. £12,395 per annum, per crew member
Increase in exports:	approx. £135,000 per annum

10.0 Conclusion

10.1 Without the purchase of additional days at sea and quota it is likely that fishing vessels will be lost from the Shetland fleet and/or vessel being tied up will be a regular sight in Shetland's harbours. Therefore, the provision of this scheme is essential to ensuring, where possible, vessels can purchase assets that ensure they have a better chance of survival in difficult times.

11.0 Recommendations

11.1 It is recommended that the Development Committee approve the continuation of the Delegated Scheme for Loans to purchase Fishing Vessel Licence and/or Quota for the financial year 2011/12.

Our Ref: SK/
Date: 14/06/11

Report No: DV031-F

Shetland Islands Council Economic Development Unit

Supplement for

Whitefish Quota and/or Fishing Vessel Licence Loan Scheme

Explanatory Notes and Additional Information

Overview of Project –

Applicant Name ……………………………………………………………………

Project Summary ……………………………………………………………………

Please complete all sections of the Council's Application for Funding – Corporate Form with reference to this Supplement, the Guidelines and the Help Notes.

Corporate Form for Funding Applications
Economic Development Projects

Applications for Loans to Purchase Quota or Fishing Vessel Licences
Explanatory Notes and Additional Information

Types of Funding Available

The interest rate applied to borrowed finance will reflect the risk associated with investing in the business, in line with the current SIC Interest Rate Policy. Once an interest rate has been set it remains in place for the loan period. The term of the loan recommended is 5 years but does depend on the project's requirements, however, a period of no longer than 10 years is normally suggested.

The Council can consider applications for interest only periods and interest capitalisation periods but it is stressed that the project must demonstrate need for such conditions if they are to be applied.

Loans under this scheme will be limited to a maximum of 75% of the cost of the project. Applications above this limited will not be recommended for approval.

How to Apply

In order to be considered for loan funding, businesses are required to submit development proposals for assessment using the Council's Application for Funding – Corporate Form.

Applicants will be required to submit the following details:

- Financial projections for a period of at least 3 years – including profit and loss accounts, balance sheets
- Justification for seeking funding from the Council
- Agreement that other lenders are happy for quota/licence to be secured by an Assignation outwith existing security arrangements i.e. Floating Charge
- Evidence that the applicant is a member of the SFPO or the vessel to benefit from the project is a member of the SFPO.
- Impact on the business if the project does not proceed
- Project timescales
- Legal advisers details
- Copy of the partnership/business's incorporation certificate
- Breakdown of quota or licence to be purchased

Note that existing businesses will be asked to supply their accounts for the previous 3 years.

Advice on Completing the Council's Corporate Application:

Step 1 – Read the menu of Economic Development policies at the end of this document to find out which policy(ies) your project will help to achieve.

Step 2 – Complete the appropriate parts of Sections 1 and 2 of the Corporate Application form using the **Help Notes** provided.

2

Step 3 – Now complete Section 3 of the Corporate Application Form. Use **Questions 22 and 23** to state the Economic Development policies that your project will help to achieve.

Step 4 – Fill out Section 4 – Application Costs.

Step 5 – Please now complete the Supplementary Information Section (beginning on the next page).

Step 6 – Please complete sections 5, 6 and 7of the Corporate Application form and send both forms to:

Shetland Islands Council
Economic Development Unit
Solarhus, 3 North Ness Business Park
Lerwick
ZE1 OLZ

Phone No: 01595 744940
Fax No: 01595 744961
e-mail: development@shetland.gov.uk

Decision Making Process

On receipt of an application Council staff will appraise the content and provide advice and feedback on the potential success of an application before progressing further.

Investment proposals which meet the Council's economic development policies will be approved by the Head of Economic Development (in consultation with the Chair of the Development Committee).

Monitoring of Investments

Council staff monitor investments to ensure that the investment beneficiaries meet the requirements and conditions of the Council. As part of the monitoring of all Council investments, staff will carry out annual business reviews on each company in receipt of financial assistance. The reviews aim to help both businesses and the Council to highlight problem areas within individual projects at an early stage.

3

Supplementary Information
Applications for Loans and Other Commercial Investment Measures

1(a) Declaration and Undertaking

We as the authorised signatory/signatories of (name of business) ....………...…..... hereby undertake to provide the Shetland Islands Council with any other information which it may require to process this application.

We understand that further information in respect of our application may be required from our bank, solicitor, accountant or financial adviser. We hereby consent to these persons releasing to Shetland Islands Council such information as may be required.

We further understand that all applicants are required to meet the expenses involved in processing an application for financial assistance. (These expenses will include searches over the proposed security subjects and, if applicable, a search in the company's file.)   We acknowledge that we will be liable for these expenses irrespective of the success or otherwise of our application. We further acknowledge that once our application has been approved then should the loan for whatever reason not proceed, We shall be liable for all costs in connection with any work which may have already been undertaken. We understand that the obligation to meet legal costs covers costs and fees associated with any future amendments and related documentation.

Anyone who knowingly makes a false declaration in order to obtain Council assistance fraudulently may be committing a criminal offence.

Full Names of Partners/Shareholders/Directors:

Name: ………………………………………

Signature: ………………………………………..

Date: ………………………………………….

Name: ………………………………………

Signature: ………………………………………..

Date: ………………………………………….

Name: ………………………………………

Signature: ………………………………………..

Date: ………………………………………….

4

Name: …………………………………

Signature: …………………………………..

Date: …………………………………… 5

Name: …………………………………

Signature: …………………………………..

Date: ……………………………………

Name: …………………………………

Signature: …………………………………..

Date: ……………………………………

Name: …………………………………

Signature: …………………………………..

Date: ……………………………………

Name: …………………………………

Signature: …………………………………..

Date: ……………………………………

Name: …………………………………

Signature: …………………………………..

Date: ……………………………………

Name: …………………………………

Signature: ………………………………..

Date: …………………………………………

Name: …………………………………

Signature: ………………………………..

Date: …………………………………………

Name: …………………………………

Signature: ………………………………..

Date: …………………………………………

1(b) Employment

Please state below current/proposed employment in your business.

	PERMANENT				SEASONAL			
	Current		Proposed		Current		Proposed	
	FT	PT	FT	PT	FT	PT	FT	PT
Partners/Shareholders								
Crew								
Other - Please Specify								
TOTAL								

(For current businesses only.) If the proposed development does not proceed, will this affect current employment levels in your business? Please give details.

...........................……………...

...........................……………...

...........................……………...

...........................……………...

6

....

....

....

....

....

....

....

....

....

....

....

1(c) Vessel Details

Please give details of the vessel currently operated by the business. Including name, age, official number, current market value and whether security is currently held over the vessel, licence or quota e.g. by other lenders.

Name ....   Official Number ....

Current Value ....   KW's ……………………………………

Security Details ......…………..

....

....

....

....

....

....

....

....

7

1(d) Licence Details

Please provide details of the licence to be purchased, including details of the vessel it is attached to, the official number, value and the days at sea allocation before and after purchase.

....-134-..

....

....

....

....

....

....

....

....

1(e) Quota Details

Please provide details of the quota to be purchased, including the species breakdown, volume, FQA's and value..

....

....

....

....

....

....

....

....

....

8

1(f) Environmental and Quality Standards

Please provide details of any relevant Environmental or Quality Standards achieved or proposed i.e. Responsible Fishing Scheme

......................……………...

......................…………...

......................…………...

......................…………...

......................…………...

......................…………...

......................…………...

......................…………...

......................…………...

......................…………...

1(g) Securities

Apart from security on vessel, which should be outlined in 1(d) above, please describe any additional securities which are held in connection with the business i.e. security over licences and quota.   Please also provide details of any Ranking Agreement which is currently in place.

......................……………...

......................…………...

......................…………...

......................…………...

......................…………...

......................…………...

......................…………...

......................…………...

......................…………...…………..........................

9

Economic Development Policies 2007 –2011 – Sustainable Economy

Section A - Traditional Sectors

Fisheries

1. Rebuild confidence in the fish catching industry, particularly as regards the white fish sector, and consolidate the current position of the pelagic sector (catching and processing)
2. Enhance Shetland's reputation as a high quality producer of fish and fish products
3. Encourage sustainable growth in Shetland's aquaculture industry

Tourism

4. Improve access to Shetland through better air and sea links
5. Continue to develop Shetland as a tourist destination, through development of high quality products and services
6. Continue to promote Shetland as a high-quality visitor destination
7. Support people involved in products and services for the tourism sector (this policy relates to quality standards and training)

Agriculture

8. Shift the emphasis of the agricultural industry in Shetland to a market-led economy which is less reliant on EU and UK subsidy payments
9. Add value in all areas of production, but especially in meat and wool
10. Support agricultural development projects that derive income from and enhance Shetland's natural heritage

Textiles

11. Encourage the expansion of the Shetland Textile sector

Section B - Oil Industry

12. Increase production of hydrocarbons through Sullom Voe Oil Terminal
13. Diversify Port of Sullom Voe to be less reliant on oil production
14. Encourage logistical operations at Lerwick, Scalloway, Scatsta and Sumburgh

Section C - New and Emerging Industries

Creative Industries

15. Establish robust broadband services to businesses, organisations and homes in Shetland
16. Support growth of businesses in the creative industries sector

Renewable Energy

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

10

<u>General</u>

20. Investigate the provision of a drydock/lift for vessel maintenance in Shetland
21. Encourage new activities not presently located in Shetland
22. Encourage the expansion and development of new manufacturing and businesses providing new services
23. Facilitate new food and drink processing activities

Section D - Marketing

24. Improve Shetland's reputation as a place that offers:

    a) Products of excellent quality that meet the needs and aspirations of the consumers most likely to be interested in what Shetland has to offer

    b) Services provided to a standard that consistently exceeds customer expectations

25. Enable individuals and businesses to develop and promote Shetland products and services with confidence and pride

Section E - People and Community

26. Support community enterprises engaged in economic activities (Projects that have clear economic benefits)
27. Enable individuals to achieve their full economic potential (this policy is aimed at training schemes and at initiatives that promote particular groups of people to obtain better economic opportunities)

Section F - Business Guidance and Engagement

28. Encourage knowledge transfer into new and emerging businesses
29. Establish meaningful dialogue with Shetland's industries

Shetland Islands Council
Economic Development Unit

Whitefish Quota and/or Fishing Vessel Licence Loan Scheme

Guidelines for Applicants

General

This scheme involves the consideration of loans to fishing business engaged in whitefish for the purchase of whitefish quota and/or fishing vessel licences. It aims to improve the value of these businesses and make them more resilient to the short-term fluctuations in catches and price that prevail in the industry. Beyond the impact on individual businesses, the scheme seeks to achieve economic development policies that will strengthen the fishing industry and related ancillary activities in Shetland.

Definition

In the context of this scheme, a "business" means a fishing partnership or fishing company that exists to fish for whitefish and is based in Shetland. The scheme is also open to the Shetland Fish Producers' Organisation (SFPO).

The Measure

Based on fully commercial objectives, the scheme will consider applications for loans of up to 75% of the cost of whitefish quota, under a ceiling level of £250,000 per application. It is essential that the remaining 25% funding must be derived directly from the business and/or its shareholders.

Eligibility

Applications for loans are invited from businesses with whitefish vessels registered and operating from Shetland, that can comply with all of the conditions of this scheme, or from the SFPO.

Security

The Council will secure lending against the quota and/or licence. The quota and/or licence, once purchased will be ring fenced and held outside any existing securities involving secured creditors owed by the business. This will be done by the use of an Assignation and/or Deed of Release whereby any secured creditor must agree to the Council holding full security over the quota for the period of the loan. Once the loan is repaid in full the quota will fall under any existing Floating Charges and increase the value of assets of the company and security for any existing secured creditor.

1

Delegated Authority

The Head of Economic Development has delegated authority from Shetland Islands Council to approve loans to businesses under the conditions of the Scheme.

Assessment

Loans will only be made to partnerships/companies that can demonstrate viability through the production of acceptable projections and historic data on the leasing of quota and/or days at sea. Loans will only be approved where the partnership/company can demonstrate a direct benefit to a named fishing vessel to which the quota and or licence will be attached. The quota must be held with the SFPO pool.

Repayment Options

Each loan will be repaid to the Council over a maximum period of 10 years but usually 5 years for the purchase of quota only. Shorter term loans will be offered where the partnership/company can demonstrate its ability to meet loan repayments.

The borrower will make monthly interest and capital repayments during the period of the loan.

Conditions

All loans approved will be consistent with Council policy and all conditions in the Deed of Conditions, where appropriate, will apply to each case. In addition the following guidelines have been identified as necessary for a loan approval:

- Applicant must provide evidence that all other secured creditors have given approval for the Council to hold full security over the quota and/or licence to be purchased outwith any existing Floating Charge or any other security arrangement.

- Should the applicant wish to sell the quota and/or licence during the period of the loan they must seek prior authorisation from the Council.

- Each applicant must agree to supply accounts annually for the period of the loan.

- The quota and/or licence must be purchased through a local fishing agent.

- Applicants must submit written evidence of their partnership agreement or incorporation.

- Applicants must provide satisfactory written evidence that the quota will be held within the Shetland Fish Producers Organisation (SFPO).

- Applicants must provide evidence of the minimum 25% of the quota cost from existing business funds or from funds being introduced into the business by the applicants.

2

Interest Rate

The interest rate applied to whitefish quota and/or fishing vessel licence loans will be in line with the Interest Rate Policy which was approved by the Development Committee on 21 August 2008 [Min. Ref: 30/08] and ratified by Council on 10 September 2008 [Min. Ref: 113/08]. Each application will be assessed and an appropriate interest rate applied, in line with the aforementioned policy.

Contact Details

Economic Development Unit, 3 North Ness Business Park, Lerwick, ZE1 0LZ

Phone: 01595 744967

Fax: 01595 744954

Email: development@shetland.gov.uk

3

Shetland
Islands Council

REPORT

To: Development Committee   **22 June 2011**

From: Project Manager - Telecoms

Report No: DV034-F
Digital Shetland – A strategy to improve telecommunications across Shetland

1.0 Introduction

1.1   The purpose of this report is to seek approval for a strategy to deliver improved telecommunications across Shetland and build on the opportunities that exist from the SHEFA2 Interconnect project.

2.0 Links to Corporate Priorities

2.1   The activities reported in this document:

- aim to fulfil commitments in Economic Development Policy Statement (2007-2011) to improve broadband services in Shetland.

- support the aim contained in Shetland Islands Council Corporate Plan (2010-2012) to achieve fast and reliable broadband throughout Shetland.

- will support the Council policy on job dispersal.

- will support the Council in the provision of high quality data and voice communication services to schools and other remote sites post Pathfinder, March 2014.

3.0 Risk Management

3.1   A detailed business case will be developed that will include costs / benefits, schedule and quality requirements.

3.2   PRINCE2 methodology will be followed including issue and risk registers.

3.3   Any procurement will follow Council policy/procedures, Scottish and UK Government guidance and EU procurement regulations.

3.4 The Council may need to take external advice to ensure that the implementation of the strategy is compliant with state aid rules.

4.0 Background

4.1 At Development Committee, on 29 April 2010 [Min Ref 29/10], it was agreed that the SHEFA2 Interconnect project (S2I) should press ahead with the connection of Lerwick to the Faroese fibre optic cable at Maywick, this connection being the solution to the fist major restriction on connecting Shetland to world wide data communications network.

4.2 Connecting Lerwick to the SHEFA2 cable is the essential first step, however, it is important that the benefits that may come from the project are made available across the whole of Shetland. Further development of the Islands data communications network will be necessary to achieve this.

4.3 The Council currently uses the Scottish Government funded Pathfinder network to deliver telecommunications to all Council owned premises across Shetland. The contract comes to an end in 2014 and as yet, there is no plans being developed to provide services beyond that date. Since the 1980's the broadband speed needed to service the growing demands of businesses and private users has doubled every 18 months. There is no evidence of this increase slowing down. In March 2007 a small Shetland school was using approximately 4 Megabits per second (usually written 4Mbps). Extrapolating from this it can be seen that by March 2014, the end of the Pathfinder contract, the same school will be using 100Mbps

4.4 Shetland needs a communications network that can deliver 100Mbps by 2014 and is able to support speeds of 1000Mbps (1Gbps) by 2020

4.5 There are many reasons why Shetland will benefit from improved data communications. These include: job dispersal, pathfinder replacement, economic development, support for fragile communities, improved resources for tourism, attracting inward investment, improved facilities for home workers, better customer care, ability to react quickly to local events, increasing Shetland's reputation as a good place to do business, etc.

5.0 Proposal

5.1 This report sets out an overarching strategy to guide the work of the Shetland Telecom Project and ensure that Shetland has the best possible broadband services.

5.2 The strategy document 'Digital Shetland' is attached as appendix1.

5.3 The strategy aims to set out a framework for improving Shetland's telecommunications network.

5.4 The document outlines the required network for Council services and how this same network could be used to bring faster broadband speeds out to rural locations all across Shetland.

5.5 The proposed network could be a Council owned 'new build' or it could be done in partnership with an existing Telecommunications provider (Telco). Alternatively, the network could be achieved by a services contract with a Telco.

5.6 In order to establish the likely cost of implementing this strategy, it is proposed that the Council runs two tendering exercises simultaneously. The first tender will be a civil works contract to establish the cost of a 'new build' network. The second tender would be for telecoms providers so we can ascertain how much the network would cost if we proceeded with a service contract.

5.7 Once the tendering processes are complete, we will be in a position to put together a strategic business plan that would demonstrate which of the options (either new build or service contract) is likely to be the most economically advantageous for the Council and for Shetland as a whole. This business plan would then form the basis for a further report to the Council for funding.

5.8 Once the preferred solution is decided on, the size of the project will likely necessitate advertising in the Official Journal of the European Union and carrying out a tender in accordance with procurement legislation and related Council policy. This process can typically take between six and nine months to complete, although this will depend on the procurement options that are best suited to the project.

5.9 Whatever the outcome, the network needs to be complete in time for the end of the Pathfinder Project in March 2014.

5.10 If a Council owned network is the preferred solution, then it will have to go through the Capital Programme gateway process.

6.0 Financial Implications

6.1 BT's current charge for a 100Mbps circuit in an urban location on the UK mainland is approximately £14,000 per annum. If there is no existing fibre to the premises in question, as is the case to all but one of the rural Pathfinder sites, BT apply an additional installation charge. Previous experience is that this will be in the order of £10,000 with some sites possibly much higher. Using these figures, the 10 year net present value of leasing services to the Council's remote sites is calculated at approximately £4,750,000. Net present value for a Council owned network over the same 10 years is broadly comparable. Without having an overarching strategy in place it is difficult to engage with Telcos or civil works contractors to ascertain an actual cost of delivering the network capabilities required.

6.2 As part of the recommendations of this report, a definitive cost of providing the proposed network will be established. There are a number of options, which will be presented in due course to the Council. If the best option is to proceed with a

Council owned 'new build' then the likely cost will be in the region of £8m to £16m over 5 years. The project team are currently working on specification and tender documents which will lead to competitive dialogues with Telcos and Civil Works contractors. This will define the capital expenditure and operational cost requirements of the various different options. Once this process is complete the cost benefit analysis will be used to recommend a solution to the Council. If the Council decides to invest in a Telco owned network, it would be likely that the capital expenditure will be much reduced but the operational costs will be increased. The project aim is to maximize benefits and reduce the cost to the Council.

6.2   The likely total cost of running the two tendering processes and producing the strategic business plan and cost benefit analysis is estimated at approximately £40,000. The preparation of the tendering documents and the business plan is likely to need the input of industry experts to ensure that the best possible results are achieved.

6.3   Part of the proposal is to identify sources of grant aid.

6.4   There are currently funds available in the Shetland Telecom budgets RRD1551 1767 (External Consultants) and RRD1551 1767 (Other Professional Fees) which could be used for this project.

6.5   Project team staffing costs will be met from existing budgets, any other costs will be met from Shetland Telecom budget code RRD1551.

7.0   Observations

7.1   Pathfinder sites are spread across the whole of Shetland. Improved services and/or fibre optic delivery is not currently possible using existing Telco infrastructure.

7.2   Shetland Islands Council has over the years made telecommunications improvements a priority. The vast majority of (if not all) Local Authorities are now following suit and are preparing strategies or plans to ensure that their areas are not left behind.

7.3   The UK Government through their BDUK (Broadband Delivery UK) function are planning to invest up to £830m (£530m currently available) in the UK's broadband infrastructure. They are making this fund available through regional grants. HIE are coordinating a pilot project for the Highlands and Islands using these funds.

7.4   The route of the proposed fibre optic network passes most public sector buildings in Shetland including health centres, police stations and fire stations. At this time of extreme pressure on public funds, use of technology will be critical to providing (or improving) public sector services more efficiently and more effectively. As an example, the increased use of Telecare and Telemedicine will significantly reduce revenue costs whilst providing a fit for purpose service.

7.5   The use of telecommunications in the delivery of education is another area which could provide significant levels of savings whilst improving service.

7.6   It should be noted that, due to geographical and financial restrictions, it is likely that this fibre optic network will not cover some areas.

7.7   A long-term replacement of the 10Mbps line to the Fetlar Community Broadband Scheme is proceeding as part of another project. This will introduce high-speed wireless links to the isles, which if successful, will pave the way for similar technology to service Skerries, Whalsay, Foula etc.

7.8   Delivery of high quality telecoms will directly result in potential benefits to Shetland's businesses. A key element of any proposed investment in telecommunications infrastructure should be the ability of local businesses to innovate and benefit from the opportunities of better telecommunications.

8.0   Policy and Delegated Authority

8.1   This report has been prepared under Economic Development Policy number 15, "Establish robust broadband services to businesses, organisations and homes in Shetland" which was approved by the Development Committee on 24 April 2008 [Min. Ref. 02/08] and by the Council on 14 May 2008 [Min. Ref. 55/08].

8.2   In accordance with Section 2.3.1 of the Council's Scheme of Administration and Delegations, the Development Committee has delegated authority to implement decisions within its remit.

8.3   In accordance with Section 2.1.3 of the Scheme of Administration and Delegations, the determination of any matters of new Strategy require a decision of the Council.

9.0   Conclusions

9.1   If the Council wishes to influence the expansion and improvement of the Islands communications infrastructure it will need to provide significant funds for this, either through gap funding, partnership funding or by installing its own network.

9.2   Adopting this strategy will ultimately result in a detailed business plan with a cost benefit analysis of the various options open to the Council. At that point the Council will have to decide which of the many options it wishes to take.

9.3   The economic health of Shetland, to a large extent, is dependant on significant improvements to the telecommunications network.

10.0 Recommendation

10.1 It is recommended that the Committee recommend that the Council:

10.1.1 Formally adopt the 'Digital Shetland' document as a strategy for improving telecommunications in Shetland (subject to the availability of project funds).

10.1.2 Agree to proceed with tendering processes (as detailed in 5.6) to establish likely costs of implementing the strategy; and

10.1.3 Request that a strategic business plan be prepared in due course for the purposes of advising future Council investments.

Our Ref: MS/JJ RF/1312   Report No: DV034-F
Date: 14 June 2011

Digital Shetland

a strategy for Shetland's telecommunications future

The Vision

Shetland's Single outcome agreement, April 2011 – March 2012, identifies that key purpose of Shetlands Strategic framework is to:

"Maintain the number of economically active people throughout Shetland"

We are at the cusp of a monumental change in how society uses the new communications opportunities opened up by the Internet. Things that were once the province of specialists and computer geeks are now part of everyday life whether you are 8 or 80.

There is undeniable requirement for Shetland's telecommunications to be improved as they are not capable of providing the services the community, businesses and public sector need now and without significant investment they will altogether fail to deliver the needs of the future. This document asserts that:

To achieve this purpose, Shetland has to be at the forefront of the new wave of telecommunications developments and ensure that this position is maintained for the future.

Introduction

Two telecommunications networks currently serve Shetland

- BT – provides broadband and telephony to domestic and business premises,
- Cable & Wireless (Pathfinder) – provides telecommunications for the Councils remote and rural premises as well as a small number of locations in Lerwick,

The main network providing telecoms services to domestic users and the private sector in Shetland is the network owned and operated by BT. This network is not delivering the services **people** and **businesses** need.

The C&W Pathfinder Network does not deliver services to the **private sector** and does not deliver for communities. The technology deployed on the network does not have the longevity needed to deliver for the future needs of Shetland.

As things stand today, there is fundamental failure to deliver services in Shetland that are **reliable**, **resilient** and fit for the 21st Century

The SIC's intention to maintain the number of economically active people in the Isles will necessitate a growth in population as the age demographic rises. To achieve this the SIC will need to attract new businesses to Shetland. To a large extent this will be dependent on Shetland having the same or better telecommunication services as those available to the rest of the UK.

The Shetland Islands Council believes that fast and reliable broadband throughout Shetland will be both transformational and will have the potential for significant savings. The Corporate Plan (2010-2012) goes on to say that it will

"Develop the telecommunications network throughout Shetland to offer high level broadband services for business development in all areas of Shetland"

and by 2012 will complete the provision of a resilient broadband link to Lerwick; equip a Point-of-Presence service in Lerwick; encourage existing telecommunication companies to make full use of the new telecommunications infrastructure; produce a costed plan to provide high-speed broadband to benefit peripheral communities and facilitate the development of a data-centre in Lerwick.

The issue for Shetland is the same as for the rest of the developed world, the ever-increasing demand for digital technologies. Modern business is now dependant on telecoms. Trading online, e-mail, networking, video conferencing are all vital for new and existing business. Even the traditional industries such as fisheries and agriculture depend on new technologies to trade. Service industries such as Finance, Creative Industries, Commerce, Manufacturing, etc., all need better telecoms.

The public sector is facing ever more pressure to deliver services more efficiently and at less cost. The use of telecommunications will be a key element in changing the way the public sector operates to ensure efficiency and improve the services provided to the public.

Telehealth and TeleMedicine are a manifestation of this need to provide better cheaper. To support the full range of health and social services in remote and rural communities will necessitate advanced use of technology and communications. As communications services improve specialist services that currently require expensive and time consuming travel will be offered remotely and facilities for enhanced care in the home will develop. In a remote community like Shetland the benefits of extending and improving these services is of paramount importance.

The UK Government has announced that the UK will have the best broadband network in Europe by 2015. They are also willing to back this up by investing up to £830m through Broadband Delivery UK (BDUK). A series of pilot projects has already been announced. One of the pilot areas is the Highlands and Islands of Scotland. This strategy document will help to set out what Shetland needs as part of this project and how we will work in co-operation with HIE to ensure the best result for Shetland.

The Way Forward

This strategy will set out a program for improving Shetland's telecommunications infrastructure and services over the next five years through the development of the Islands backhaul network, backbone network and access network.

- **Backhaul network** – The network that connects Shetland to the rest of the world

- **Backbone Network** – The network which will connect Shetland's rural communities to the backhaul network

- **Access Network** – The network that connects homes and businesses to the backbone Network

Piecemeal improvements to the Islands networks without an overarching strategy will result in a disjointed set of solutions that will not be cost effective, will be inefficient, and will result in a network that does not provide an optimal or all encompassing solution.

Development of new networks needs to be completed in a phased and logical manner to ensure the best results are achieved, costs are kept to a minimum and the investment is future-proof.

We will:
- **Tender for a wholesale operator for the new backhaul network.**
- **Ensure that 80% of Shetland's communities are connected to a fibre optic backbone telecommunications networks by March 2016.**
- **Work with communities, Government, Regional Development Agencies and national telecommunications providers (Telco's) to extend and improve Shetlands access network ensuring that 90% of the Shetland population has access to next generation broadband (faster than 25Mbps) services by March 2016.**
- **Work with existing Telco's and service providers to deliver a broad range of domestic and business broadband services to customers connected to this access network.**

The Shetland Islands Council's **Shefa2 Interconnect Project** has ensured that access to **resilient**, **reliable** and **affordable** backhaul is now possible through Faroese Telecom's SHEFA2 fibre optic cable.
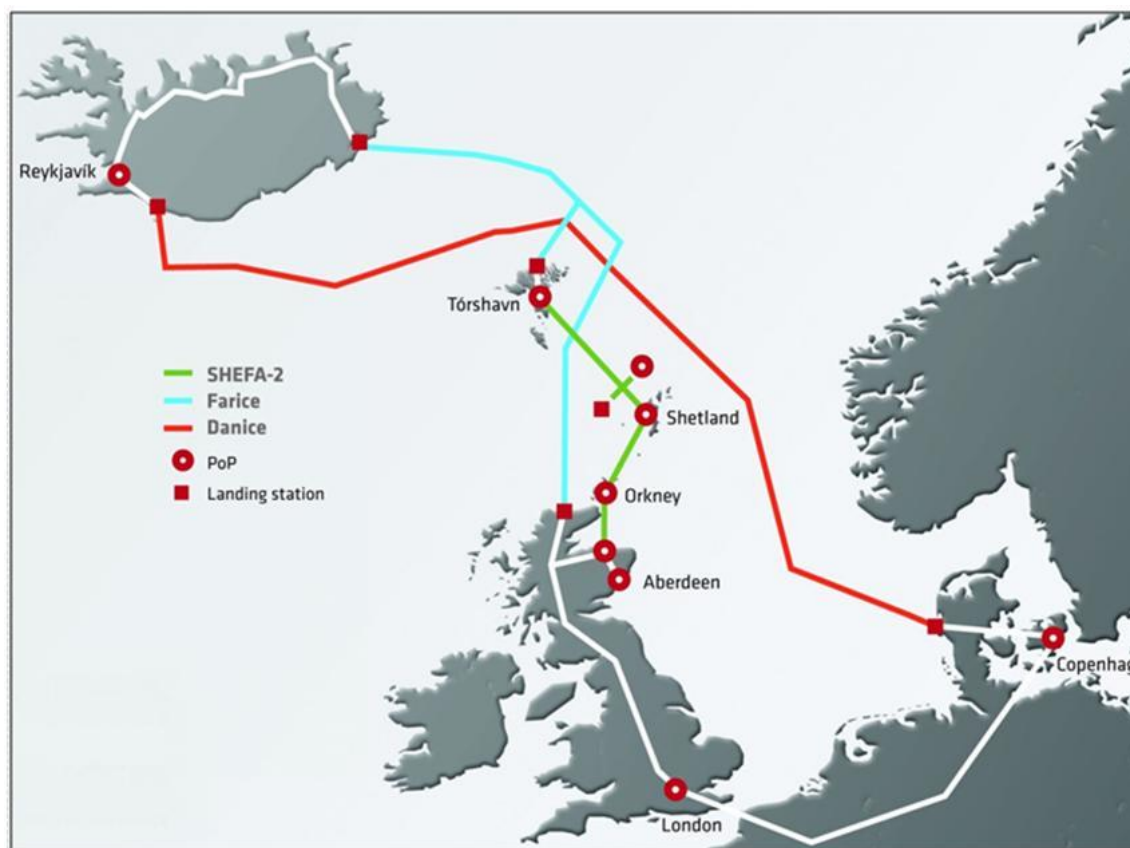
Through ingenuity and innovation the Shetlands Islands Council is **delivering** fibre optic infrastructure in Shetland which is of the highest standard and also open and accessible.

By connecting to a Point of Presence (PoP) based at Lystina in Lerwick, telecommunication providers can gain access to a fully fibre optic resilient backhaul network.

Through technology trials and early adoption of the newest techniques, we can continually push down costs and deliver high quality networks.

The Backbone Network is the next step in ensuring that the whole of Shetland will benefit from improved communications. This backbone network will stretch from the main Point of Presence (PoP) in Lerwick out into Shetland's remote and rural communities. In order to deliver the services required over the coming decades, this backbone network will need to be fibre optic based wherever and whenever possible.

Open access to this fibre optic network will be ensured so that existing and new Telco's can make their services available to end users.

Development of this backbone network will be done in conjunction with the existing Telco's (including mobile operators), Shetland businesses, communities and the public sector.

The Council's own use of the backbone network for communications between offices, schools and dispersed workers is an important technical and financial driver for this strategy.

The Council has over 75 sites currently using Cable & Wireless' **Pathfinder Network**. The contract for these services expires in March 2014 and there are no concrete plans for replacing this network. The Pathfinder Network is almost exclusively based on microwave technology and offers little or no option for increasing performance.

The Councils service needs will significantly outstrip the bandwidth available on the current Pathfinder network within 5 years.

Investment will be required to ensure that Council sites (including schools etc) will continue to benefit from the very best of services.

We will:

- **Design a backbone network around the need to provide SIC premises across Shetland with a network that is able to meet their educational, business and service needs for the next 20 years.**
- **Replace those parts of the Pathfinder Network that are not able to meet the growing needs of Council users before their ability to deliver service is impaired.**
- **Design the backbone network to support business growth across Shetland.**
- **Design the backbone network to support and enable communities.**
- **Design the backbone network around the need to provide services to the rest of the Public Sector in Shetland.**
- **Provide a range of connectivity options, including open access to ducts and fibre for Telco's (including Mobile Operators).**

It is critical that investment is tailored to ensure that as many **communities** as possible can benefit from improved broadband connectivity. The UK Government's strategy to improve telecommunications supports the provision of "Digital Village Pumps" (DVP) across the UK. The DVP is a point within the community where a fibre optic backbone network terminates which can then be used to supply connections for a number of digital based services including: -

- Community broadband schemes
- Telco access networks
- Mobile phone operators
- Public Sector sites
- Private sector customers

The strategy will identify each DVP in Shetland. These could be a Council/Public Sector building (such as a school, health centre, library or office building) or a building owned by a Telco (telephone exchange) or even a street cabinet.

The technology used for connecting the last mile will depend to a large extent on the wants and needs of the customers in that location. The provision of DVPs allows communities to come together and decide which access network option best suits their needs.

In areas where there is an identifiable financial return the access networks might be provided by a Telco or a service provider. In other cases the access network may be installed by the local community.

Shetland Fibre Optic Backbone Network
Version 1.0 - 26th May 2011
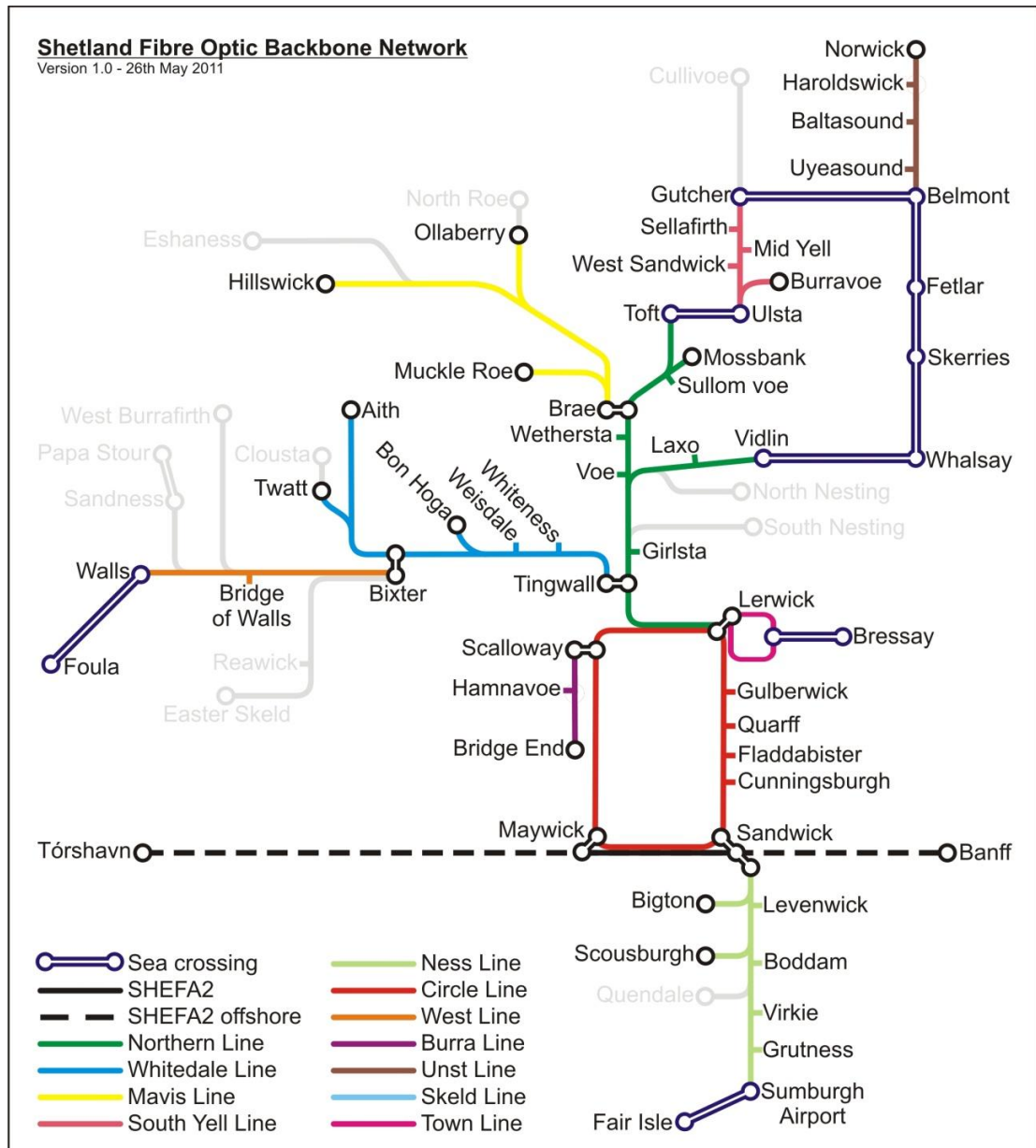
We will:

- Identify the best location for Digital Village Pumps across Shetland.
- Encourage and provide technical support to Telco's and Service Providers to deliver access network improvements.
- Stimulate demand for improved broadband services.
- Encourage and support Community Broadband Schemes.
- Work with the industry to develop a 'quality standard' for community schemes.
- Provide guidance on technical, financial and legislative procedures for Community Schemes.
- Work with Internet Service Providers to ensure that as broad a range of service offerings as possible are available to end users in Shetland.

Scope

To achieve this vision the project will need to focus on what is necessary to take the way forward. Creating a clear design for the backbone network will be a key part of this.

The scope will include the design of a:

- fibre optic backbone network for the Shetland mainland.
- fibre optic backbone network for Yell.
- fibre optic backbone network for Unst.
- backbone interconnection between the Shetland mainland and Yell.
- backbone interconnection between Yell and Unst.
- backbone interconnection between Yell / Unst and Fetlar.
- backbone interconnection between the Shetland mainland and Whalsay.
- backbone interconnection between the Shetland Mainland and Papa Stour, Foula, Skerries, Bressay and Fair Isle.

Coordinating the work of agencies in Shetland and liaising with other National and International bodies will ensure that the best value and results can be achieved. It will also be important to work with established telecommunications operators.

The scope will include:

- Identification of all DVP locations that will be connected to the backbone network.
- Negotiating with Government agencies, the European Union, Telco's and mobile operator to ensure the widest possible use of the backbone network.
- Working with other network owners and operators to ensure that a common set of standards are developed and implemented.
- Working with backhaul network operators to ensure that Shetland prices are comparable with those available on the UK mainland.
- Liaising and cooperating with other public sector organisation in order to help meet the needs of these bodies in Shetland.
- Ensuring that any investment is based on the best technology available and takes into account any and all developments in telecommunications.
- Working with development agencies, Government Departments, public sector bodies and Telco's to avoid duplication of resources where possible.

The project will also need to ensure value for money in the delivery of the network and the long term value of the asset as well as its continued usability.

The scope will include:

- Drawing up and managing the tender process to deliver a framework agreement that will include all civil works necessary for implementation of this backbone network and interconnections.
- Development of a plan, including schedule, costs and quality standards, for the installation of the backbone network and its interconnections.
- Developing guidelines for local businesses and community groups that want to connect to the backbone network.

For the project to be successful it is important that those things that should not or cannot be done are identified as well as those things that have to be done.

The scope will not include:

- The design and installation of a Shetland wide access network.
- Connection of Shetlands remote islands by fibre optic cable.
- Provision of Internet services direct to business or domestic customers.

The Final Word

Shetland is a vibrant community, which has never been backward in coming forward. Our resilient community needs resilient communications in order to compete, prosper and develop. This strategy puts in place the path for ensuring that Shetland remains at the forefront of commerce, creativity, innovation and education for many generations to come.