

**Development Committee****14 November 2012****The Future for the Shetland Agricultural Business Scheme and the Shetland Rural Development Scheme**

DV046-F

Report Presented by Project Manager**Economic Development
Development Services Department****1.0 Summary**

- 1.1 The purpose of this report is to seek approval for the continuation of the two existing agricultural development schemes operated by the Council, the Shetland Agricultural Business Scheme and the Shetland Rural Development Scheme, in modified forms and with smaller annual budgets.

2.0 Decision Required

- 2.1 That the Development Committee RESOLVE to approve:
- a) the principle of continuing to offer financial grant assistance to the agricultural industry under the aegis of the two existing notified and EU-approved schemes; these being the Shetland Agricultural Business Scheme (SABS), which operates using the instrument of agricultural *de minimis*; and the Shetland Rural Development Scheme (SRDS), and:
 - b) that these two schemes be refined in terms of the measures contained therein and the intervention rates at which the public can access grants for those measures; and with reduced budgets that reflect the Council's drive to reduce annual expenditure while not completely compromising the economic development objectives of both schemes, as follows:
 - SABS – reduce the annual budget to £60,000; and remove the measures supporting lime and fertiliser application;
 - SRDS – reduce the annual budget to £40,000; reduce the intervention rate for all projects to 30%, and cap grants for building works to £10,000 per applicant per annum.

3.0 Background

- 3.1 The grant schemes offered by the Council since the early 1980s to the agricultural industry in Shetland were comprehensively reviewed in 2005 in order to ensure compliance with State Aid legislation. These schemes were subsequently consolidated into two new schemes – the Shetland Agricultural Business Scheme (SABS), and the Shetland Rural Development Scheme (SRDS).
- 3.2 These new schemes contained various measures that were either historically requested by the Shetland agricultural industry, or had been designed anew to stimulate agricultural economic development in the isles. The two schemes were both notified to and approved by the EU in order to maintain ongoing State Aid compliance.
- 3.3 SABS operates under the instrument of agricultural *de minimis*, which allows grant payments of up to 7,500 euros in any 3 year rolling period to be paid to individual farm businesses. SABS contains the following measures:
- Lime application
 - Fertiliser application
 - Arable crops
 - Heifer rearing
 - Herd improvement.
- 3.4 SABS has an annual budget of £100,000, a budget that is usually fully committed. Using the last 3 year rolling period as an example, an average of 160 and 23 applicants per year have been awarded grant assistance for fertiliser and lime application respectively; 368 homebred heifers have had grant paid on them, from an average of 42 applicants per year for beef heifers and 1 applicant for dairy heifers; 24 applicants have been paid grant for herd improvements (this being towards the purchase of high quality bulls); and an average of 23 applicants per year have received assistance towards growing a total of 127 hectares of arable crops.
- 3.5 The measures directed at livestock (herd improvement and heifer rearing) have contributed to an improvement in the Shetland herd's quality and health. The arable crop measure has seen a significant area of arable crops grown for winter animal fodder, reducing reliance on imported feed, and contributing towards an enhancement of the local environment and biodiversity (though without detailed survey work, this remains a likely rather than a proven outcome). The measures for lime and fertiliser application are harder to quantify beyond the bald statistics of volumes upon which grant was paid. We must assume that the effect of their application on the land has been enhanced grassland fertility and yield. Fertiliser alone accounts for an average of 50% of the annual SABS budget drawdown.

- 3.6 What is certain is that these measures are greatly appreciated by the agricultural industry – when the 2005 review was underway local industry representatives were vociferous in their support for a continuation of the historic grant schemes to agriculture.
- 3.7 SRDS is an EU-approved scheme that in the main mirrors the Scottish Government-operated Crofters Commission Agricultural Grant Scheme (CCAGS). There was a need for this in Shetland as CCAGS formerly was only available to crofting tenants; owner-occupiers were excluded unless they satisfied a means test, and farms were wholly ineligible for CCAGS. SRDS provided a means by which the economic development objectives of CCAGS could be made accessible to all agricultural businesses in Shetland, picking up those excluded by CCAGS restrictions.
- 3.8 SRDS is not entirely prescriptive insofar as the nature of the projects which may be considered, but projects should achieve one or more of the following objectives:
- To reduce production costs
 - To improve or redeploy production
 - To improve quality
 - To preserve and improve the natural environment, hygiene conditions and animal welfare standards.
- 3.9 SRDS has an annual budget of £60,000; this budget has usually operated well within budget, however during the current financial year a number of larger on-farm capital projects have combined to fully commit the budget for the first time in the history of this scheme. Grants are restricted to £3,000 per applicant per annum for non-building works; or £25,000 per applicant per annum for building works; both at an intervention rate of 50% of total project cost. During the period 2008-2012 grant assistance of £164,837 has been awarded to 53 projects involving 38 agricultural businesses throughout Shetland, resulting in £346,000 of capital investment as follows.
- 3.10 28 projects have received grant on 27,465 metres of fencing leading to better stock management and improved grazing quality. Nine projects have received grant on 17,840 metres of field ditching and open drainage to improve soil conditions and lead to better quality of grazing land, reduced poaching and an extension of the grazing season. Grants have been awarded to 4 businesses to improve cattle housing and welfare; five businesses to improve storage facilities for livestock feed etc; and one business to improve animal welfare through the construction of a modern poultry house. Two businesses have received grant to improve livestock welfare via enhanced stock handling facilities. Five businesses have received grant towards various horticultural projects. Three businesses have received grant towards regenerating 18.45 hectares of degraded land to improve grazing quality and production of winter fodder.

- 3.11 The positive impacts of these grants are tangible in the most part in the form of improved physical facilities of one kind or another for agriculture on the holdings of the grant recipients. In the most part projects are small-scale involving grants worth £3,000 or less. Larger capital projects are less common (though the current financial year is anomalous in this regard).

4.0 Proposals

- 4.1 The financial constraints and the imperative to reduce the Council's annual expenditure across the board are now well understood. It is therefore appropriate that the annual budgets for agricultural economic development should be reduced in such a way that the impact of the reduction is minimised in terms of agricultural activity, whilst at the same time focusing the impact of the remaining budgets on improving production quality, supporting value-adding activity, and improving operational efficiency.
- 4.2 It is proposed that the measures for lime and fertiliser application be removed from SABS altogether. Fertiliser application alone accounts for an average of over 50% of the SABS budget. The budget for SABS will be reduced by 40% to £60,000 per annum; this assumes that some of the approximately 30 businesses currently drawing all of their 7,500 euro agricultural *de minimis* allowance will claim *de minimis* funding for measures other than fertiliser, so some allowance must be made for an increased drawdown in arable crops, heifers or herd improvement.
- 4.3 It is proposed that the intervention rate for SRDS be reduced from 50% to 30% for all projects (this bringing it in line with other schemes administered by the Council), and that grant for building works be reduced from a maximum of £25,000 to a maximum of £10,000 per applicant per annum. The budget for SRDS will be reduced by 33% to £40,000 per annum. Following recent reform of CCAGS, owner-occupier crofters finally have equal access to CCAGS support as their tenant peers, so we may expect all crofters to now apply for external funding for eligible proposed developments. SRDS will continue to have a role in supporting non-croft agricultural businesses in Shetland, and to make the budget less likely to be used up (as it has been in the current financial year) by a small number of applicants, it is considered fairer to reduce the intervention rate and the cap on building work grants and thereby allow more farm businesses to access some degree of grant assistance in any given year.
- 4.4 These proposals mean that the schemes remain broadly in line with the objectives identified in the new "Strategy for a sustainable Shetland Agriculture 2012-2016". It should however be stressed that these are considerable reductions in the agricultural budget, and as such may require some fine-tuning – in particular the SABS budget may be an underestimate as we cannot predict with any accuracy to what extent the current drawdown for fertiliser and lime will be replaced by claims for heifers, herd improvement and arable crops. Time alone can inform this, and the budget may need revision in the future.

5.0 Implications

Strategic

5.1 Delivery On Corporate Priorities – The recommendation contained in this report aims to continue to achieve outcomes in the Council's Single Outcome Agreement with the Scottish Government as follows:

- Increase sustainable economic growth;
- Improve productivity.

5.2 Community /Stakeholder Issues – The proposal to reduce Council funding to the agricultural industry, and specifically the removal of lime and fertiliser application support, was discussed at a meeting of the Policy Group (Agriculture) on 2 October 2012 at which both Council Members and industry representatives were present, and while understandably not welcomed there has been no subsequent negative feedback from the industry.

5.3 Policy And/Or Delegated Authority – This report has been prepared in line with the following Agriculture policies contained in the Council's Economic Development Policy Statement.

8. Shift the emphasis of the agriculture 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 products and wool;

The Policy Statement 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).

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

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

5.4 Risk Management – There is a risk, deemed to be moderate, that the budget for SABS may need upwards revision in the course of the coming 3 year period (see 4.4 above).

5.5 Equalities, Health And Human Rights – None.

5.6 Environmental – the decision to continue to offer a grant towards the growing of arable crops, and support for the beef and dairy sectors are considered to provide positive environmental benefits.

Resources

- 5.7 Financial – There would be positive impacts for the Council if this report's recommendation is approved as an annual saving of £60,000 would be achieved. Members should recognise that this is an area of discretionary spend and that there is no requirement for the Council to provide this funding.
- 5.8 Legal – None.
- 5.9 Human Resources – None.
- 5.10 Assets And Property – None.

6.0 Conclusions

- 6.1 In line with the Council's drive to reduce expenditure, a review of the two agricultural economic development schemes (SABS and SRDS) concludes that both schemes should have their annual budgets reduced, to £60,000 and £40,000 respectively. This will save the Council an annual figure of £60,000 over current expenditure.
- 6.2 SABS will achieve this saving by removing payments for fertiliser and lime application. SRDS represents a straight reduction of the annual budget, with a simultaneous refinement of the terms of the scheme designed to make the scheme's budget accessible to more farmers in each year, at a reduced intervention rate of 30% and capped at £10,000 per applicant per annum for steading building works.

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05 November 2012

**Development Committee****14 November 2012****Appointment to the Shetland Local Plan District Partnership (LPDP)**

PL-23-12-F

Team Leader, Development Plans & Heritage**Development Services - Planning****1.0 Summary**

- 1.1 The purpose of this report is to seek a nomination from the Development Committee to represent the Council on the Shetland Local Plan District Partnership (LPDP), which has been set up as a requirement of the Flood Risk Management Planning in Scotland arrangements.

2.0 Decision Required

- 2.1 I recommend that the Development Committee nominate and appoint a Member of the Committee to the Shetland LPDP.

3.0 Detail

- 3.1 An update on the Flood Risk Management (Scotland) Act was reported to the Infrastructure Committee on 15 June 2010 (Min. Ref.: 50/10).
- 3.2 On 9 February 2012 the then Minister for Environment and Climate Change, Stewart Stevenson MSP, launched the arrangements for Flood Risk Management Planning in Scotland 2012 - 2016. This is a comprehensive document that covers the timetable, roles and responsibilities under the Act and it can be found at: -
http://www.sepa.org.uk/flooding/flood_risk_management/national_flood_risk_assessment.aspx.
- 3.3 The document outlines the new, sustainable Flood Risk Management process, which encourages Scotland to invest and take action, where the greatest risks and benefits have been identified.

- 3.4 The document also outlines the findings of the National Flood Risk Assessment and describes the arrangements whereby Flood Risk Management Strategies and Local Flood Risk Management Plans are produced.
- 3.5 For each Local Plan District, a partnership will be established between the relevant local authorities, SEPA and Scottish Water to help produce the Flood Risk Management Strategy and Local Flood Risk Management Plans.
- 3.6 The Shetland Local Plan District Partnership has met 3 times with the inaugural meeting held on 26 April 2012 with officers of Shetland Islands Council, Scottish Water and SEPA in attendance.
- 3.7 LPDPs across Scotland differ in that some have as many as ten local authorities (Clyde and Loch Lomond, and Forth Estuary) within the same partnership while others such as the island LPDPs of Shetland, Orkney and the Outer Hebrides have one local authority.
- 3.8 Three possible partnership working arrangements were identified by the Society of Chief Officers of Transportation in Scotland (SCOTS) and the Scottish Government. These are:
1. Loose Partnerships
 2. Joint Working Group
 3. Joint Committee
- 3.9 At the Shetland LPD Partnership meeting it was proposed that arrangements should be based on the 'Loose Partnership' model which is more suitable for a single local authority District.
- 3.10 The proposed partnership structure, roles and responsibilities of the Chairperson and partnership members and the remit of the partnership are detailed in the attached appendix. It is proposed that the Member of Shetland Islands Council who is appointed to the Partnership should act as Chairperson of the Partnership.
- 3.11 The Highland Council is to host a North-East Elected Members Workshop on Friday 18th January 2013 at the Golf View Hotel, Nairn. It has been requested that the meeting will be attended by the nominated Member from the Development Committee and the SIC's Flooding & Coastal Engineer.
- 3.12 Membership of the Shetland LPDP is an approved duty.

4.0 Implications

Strategic

4.1 Delivery On Corporate Priorities

Whilst the recommendation in this report is not linked directly to any Corporate Priorities, it will support the Council's Local Development Plan in terms of partnership working.

4.2 Community /Stakeholder Issues

None.

4.3 Policy And/Or Delegated Authority

A decision taken in line with this report is delegated to the Development Committee and does not require a decision of Council.

4.4 Risk Management

The proposals are intended to address new statutory duties regarding flood risk management. The Council has afforded flood risk management a high priority. The Council would therefore be at risk of reputational damage should it not meet statutory duties, aside from any legal or financial risks attendant. The governance arrangements are intended to engage Members and senior personnel in partner organisations early in the process so that the risk of the draft and final plans being rejected later is substantially reduced without removing local accountability.

4.5 Equalities, Health And Human Rights

None

4.6 Environmental

None.

Resources

4.7 Financial

Any costs incurred from representing the Council on the Shetland LPDP can be met from within existing budgets.

4.8 Legal

The Council has a statutory obligation to work in partnership with SEPA and others in developing a National Strategy for Flood Risk Management, preparing/assisting in preparing a draft Local Plan, statutory consultation, obtaining ministerial approval and implementing measures set out in the plan to reduce flood risk. The first draft plan must be published by the end of 2014.

4.9 Human Resources

None.

4.10 Assets And Property

None.

5.0 Conclusions

- 5.1 This report seeks a nomination from the Development Committee to represent the Council on the Shetland Local Plan District Partnership.

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2 November 2012

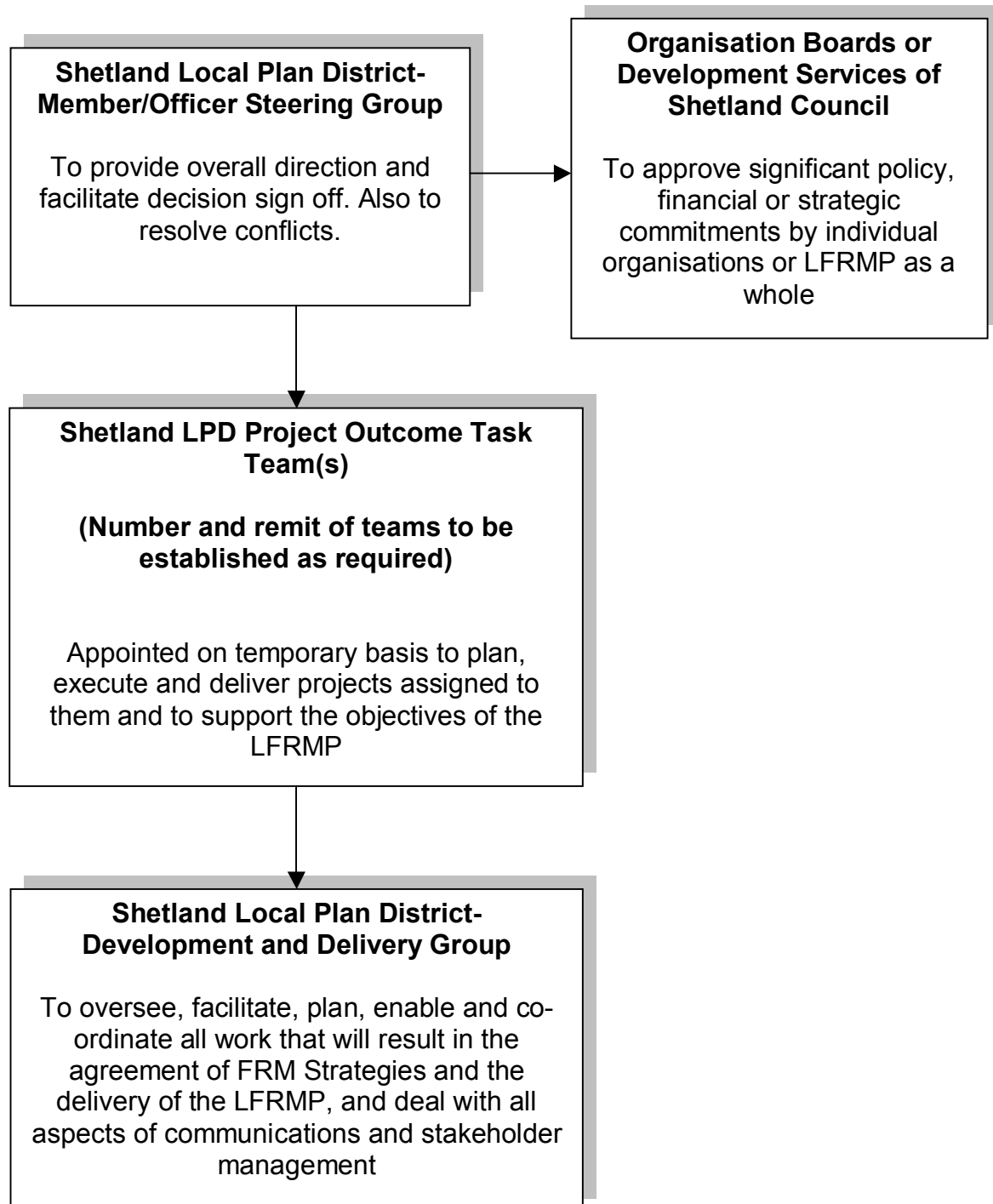
Appendix

Shetland Local Plan District: Possible Partnership Structure/Roles and Responsibilities

Background Documents

Report to Infrastructure Committee – 15 June 2010

SHETLAND LOCAL PLAN DISTRICT: POSSIBLE PARTNERSHIP STRUCTURE



Shetland Local Plan District
Roles and responsibilities of the chairperson and members of all groups

Purpose / Role:-

To establish the overall responsibilities for the Chairperson and Members of all LPD Groups, and to clarify individuals' roles and duties.

Role/Responsibilities:-

LPD Group Chairperson role and responsibilities are to:

1. Chair each meeting and ensure where practicable it keeps to the Agenda;
2. Direct the proceedings, encouraging participation;
3. Ensure that a programme of meetings for the calendar year are agreed and are established in Group Member's diaries. Manage any necessary changes to agreed meeting schedule;
4. Ensure a relevant, draft meeting Agenda is compiled and forwarded to Group Members by the Project Manager 1 week in advance of any meeting; ensure any additional pertinent issues raised by Group Members are added to the meeting Agenda prior to distribution, or covered under AOCB;
5. Ensure all papers are circulated in advance of the meeting;
6. Ensure that meeting Actions/Minutes are recorded and distributed within 2 weeks of the meeting;
7. Monitor progress of actions in line with agreed timescales.
8. Clarify decisions and actions before the meeting ends.

LPD Group Members role and responsibilities are to:

1. Attend all Group meetings or at least ensure representation i.e. send a delegate.
2. Undertake and complete any agreed actions within agreed timescales.

| Shetland Local Plan District Project Management Group | |
|--|---|
| Meetings: - FREQUENCY: <i>TBA</i> DURATION: Generally half day CHAIR: Elected Member / Lead Officer | Members: 1 Elected member from each Local Authority 1 Senior representative from Scottish Water 1 Senior representative from SEPA Core Project Management Group Representatives of any future designated Responsible Authorities. |
| Responsibilities:- The responsibilities of the Board members are to: <ol style="list-style-type: none"> 1. Agree Objectives, resources and other measures agreed by the Project Management Group; 2. Consider resource and organisational issues as necessary; 3. Agree co-funding mechanisms for shared commissions; 4. Agree funding contributions for co-funded work; 5. Support funding bids for implementation of the LFRMP; 6. Recommend organisation approval of FRM Strategy and local FRM Plan; 7. Recommend to their organisation delivery mechanism for the LFRMP, including the partnership agreement and delegated authorities as appropriate; 8. Consider opportunities for joint working. | |
| Authority of the group <u>Direction</u> Members of group to have delegated powers to act on behalf of respective authorities up to prescribed limits (for discussion). <u>Financial</u> Make recommendations to partner organisations' regarding funding and to agree funding within delegated powers. Monitor expenditure. <u>Approval</u> Approve Project Management Group recommendations. <u>Changes</u> Approve proposed programme changes | |
| Scope: All matters relating to the development/delivery of the Shetland Local Flood Risk Management Plan and agreement of FRM Strategy. | |

Shetland Local Plan District Project Management Group

Purpose / Role:-

To oversee, plan, facilitate and enable all work towards the agreement of FRM Strategy and the delivery of the Local Flood Risk Management Plan. To deal with all aspects of communications and stakeholder management. To provide technical input and to oversee all project work.

Meetings:-

FREQUENCY: As required

VENUE: As appropriate

DURATION: Half day generally

CHAIR: Project Manager

Members:-

Officers from each LA, SW and SEPA

Project Manager to Chair and represent Lead LA

Representatives of any future designated

Responsible Authorities.

Other Attendees:- As appropriate

Responsibilities:-

The detailed responsibilities of the Project Management Group are to

1. Agree Partnership Objectives and Requirements;
2. Ensure the agreed objectives and requirements will fulfil the relative organisation's duties under the Flood Risk Management (Scotland) Act 2009;
3. Agree priorities and proposals for the FRM Strategy and LFRMP;
4. Agree the delivery mechanisms (e.g. Partnership Working Arrangements, including level of involvement of each organisation, scope, governance, funding, accountability and roles and responsibilities) for the FRM planning process;
5. Agree the recommended work plan for delivery of the FRM Strategy and LFRMP;
6. Ensure the appropriate resources are made available (information, staff time, money) for the timely delivery of the FRM Strategy and LFRMP milestones;
7. Manage and report progress to the Steering Group members and relevant stakeholders;
8. Seek approval from Relevant Authority as appropriate;
9. Manage communications and stakeholder engagement;
10. Agree the procurement process for the appointment of Consultants/ Contractors/ Suppliers for shared commissions;
11. Establish and provide direction to Project teams and other project groups as required;
12. Make recommendations to the Steering Group.

Authority of the group

Direction

Lead and co-ordinate activities of Project Teams and other groups as appropriate. Draft Flood Risk Management Plan.

Financial

As per delegated authority within each partner authority. Monitor expenditure

Approval

Agree apportionment of contributions for co-funded work. Recommend project award and initiation of co-funded work.

Changes

Approve changes including scope or cost to a level set by agreement and as agreed by the Steering Group and/or partner organisations

Scope:

All matters relating to the development/delivery of the Shetland Local Flood Risk Management Plan, based upon agreed objectives and requirements.

| Shetland Local Plan District Project Management Group | |
|---|--|
| Meetings: - FREQUENCY: as required VENUE: As appropriate DURATION: as required CHAIR: Project Team Leader | Members: Specific to partner organisation. Project Team Leader (Chair) Technical specialists, as appropriate Other Attendees: - As appropriate. |
| Responsibilities:- The detailed responsibilities of the Project Teams are to: <ol style="list-style-type: none"> 1. Plan, execute and deliver projects assigned to them; 2. Provide project descriptions, costs and durations for circulation to the Project Management Group; 3. Provide regular and monthly project progress reports to the Project Management Group; 4. Identify issues, concerns and potential changes to projects and advise Project Manager ; 5. Ensure adequate resources are made available to deliver projects as planned; 6. Identify financial requirements for delivery of projects and monitor spends. Inputs:- <ol style="list-style-type: none"> 1. Project brief from Project Management Group; 2. Delivery Programme; 3. Legislation, including regulations; 4. Studies; 5. Reports; and 6. Other information and data, as appropriate. | |
| Authority of the group <u>Direction</u> Direct activities of specific project activities in line with overall Programme <u>Financial</u> Project specific – within contractual boundary <u>Approval</u> Project specific – within contractual boundary <u>Changes</u> Project specific – within contractual boundary | |
| Scope: Planning, execution and delivery of specific projects or specific elements of work. | |

**Development Committee****14 November 2012****Economic Development and Transport Planning Reviews****Report No: DSD-04-12-F****Report Presented by Director of Development Services****Development Services****1.0 Summary**

- 1.1 This report presents information regarding four separate reviews in Economic Development and Transport Planning services, following the decision at the special meeting of the Council on 9 February 2012 when a range of options for making savings in 2012/13 and 2013/14 were debated.

2.0 Decisions Required

- 2.1 Members are requested to note progress and savings on each of the reviews, and provide delegated authority to the Director of Development Services to pursue the remainder of the savings detailed in each of the four projects.

3.0 Detail

- 3.1 Options for budget savings in 2012/13 were presented to the Council on 9 February 2012. The following budget savings items which come under the governance of the Development Committee were identified for review:

Reduce Grant Schemes (Savings Ref R71)

Scope: Reduce Grant Schemes and Core funding to NAFC Marine Centre, Shetland Seafood Quality Control, Shetland Amenity Trust, and various grants scheme budgets by 10% commencing 2012/13 in line with SIC service reductions.

Recurring Savings Target: £419,223 in 2012/13 and further £332,285 in 2013/14

Progress: 2012/13 savings achieved following negotiations with organisations involved.

Combine Marketing with Promote Shetland (Savings Ref 'New')

Scope: Find savings by combining Marketing Services with Promote Shetland.

Recurring Savings Target: £100,000 in 2012/13.

Progress: A review is currently ongoing to identify the £100,000 recurring savings required to achieve the Medium Term Financial Plan. An equivalent sum of one-off savings will be made in 2012/13.

Identify additional savings to cover cost of post in Children & Families Service (Savings Ref 'New')

Scope: Find additional savings.

Recurring Savings target: £30,759 in 2012/13.

Progress: 2012/13 savings achieved.

Rural Transport Provision (Savings Ref R72)

Scope: Reduce transport hired and contracted services (Total budgeted expenditure on purchased bus services, including public, school, and care services.

Recurring Savings Target: £249,946 in 2012/13

Progress: combined as part of overall transport review and further savings. Non-recurring savings of £249,946 found elsewhere in the Development Directorate.

4.0 Implications

Strategic

- 4.1 Delivery On Corporate Priorities – The proposals in this report will contribute to the Council's financial strategy providing Best Value for the community.
- 4.2 Community /Stakeholder Issues – Consultation with customers and other stakeholders has taken place and in the case of the Transport item is ongoing through the Transport Network redesign project which was reported to Development Committee on 21 June 2012.
- 4.3 Policy And/Or Delegated Authority – In accordance with Section 2.3.1 of the Council's Scheme of Administration and Delegations the Development Committee has responsibility for development and transport planning, economy and business, energy, telecommunications, agriculture, fisheries, arts, culture, and tourism.
- 4.4 Risk Management – If the Council cannot reach a sustainable position in relation to its expenditure then there are long term risks to the Council's capacity to deliver necessary services. In addition to this, if the review of Public Transport Services is not sufficiently thorough and based on robust appraisal and evidence then there is a significant risk of unpredicted economic and social consequences. High level Socio Economic Impact analysis has already been carried out on each of the projects.
- 4.5 Equalities, Health And Human Rights – As part of the process of change, Equality Impact Assessments have been carried out to ensure that there are no disproportionate, adverse affects on the rights of particular groups arising from the re-design of services.
- 4.6 Environmental – NONE

Resources

- 4.7 Financial – The proposals in this report contribute towards the £3.069 million savings to be found by the Development Directorate in 2012/13 and in some cases towards the further £6m savings for future years. When non-recurring savings have been made as a temporary substitute in 2012/13, an equivalent sum of additional recurring savings will need to be found in 2013/14 to ensure ongoing reductions in expenditure
- 4.8 Legal – NONE
- 4.9 Human Resources - NONE
- 4.10 Assets And Property – NONE

5.0 Conclusions

- 5.1 The report demonstrates good progress against achieving the financial savings in the budget savings reviews identified at the Council meeting on 9 February 2012, and requests authority from Members to complete the process.

For further information please contact:

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6 November 2012

**Development Committee****14 November 2012****Development Services Directorate - Quarter 2 Performance Overview****Report No: DSD-03-12-F****Report Presented by Director of Development Services****Development Services****1.0 Summary**

- 1.1 This report summarises the activity and performance of the Development Services Directorate for 6 months up to September 2012, against the objectives and actions in the 2012/13 Development Directorate Plan.

2.0 Decisions Required

- 2.1 Members are requested to discuss the contents of this report and comment on progress against objectives and outcomes to inform the activity for the remainder of this financial year and to inform the planning process for the next and future years.

3.0 Detail

- 3.1 The Development Committee endorsed the Development Directorate Plan on 21 June 2012 (Min Ref DC 36/12).
- 3.2 The Council's Planning and Performance Management Framework and the Council's constitutional arrangements require periodic reporting of activity and performance to functional committees. The Development Directorate report will be reported to Development, Social Services, and Education & Families Committees, in line with the reporting requirements of each of the services in the Development Directorate.
- 3.3 Reporting of Financial performance is a separate report coming to Committee today
- 3.4 The Development Directorate Plan identified 19 Directorate wide objectives. Appendix 1 details the progress on objectives.
- 3.5 The Development Directorate Plan, including each service area's improvement plan, also identified 71 actions for implementation within the individual services areas. The overall performance for the

directorate at the end of Q2 against all actions are 93 % of actions are currently tracked as 'Green' or 'Amber', and 7% are 'Red' and are at significant risk of not being completed on time. Details of the actions are classified in table 1.

- 3.6 Details of the 5 actions categorised as 'Red' are provided in Appendix 2 together with the corrective measures proposed.

| Service | Number of Actions | RAG Rating | Number | % |
|--|-------------------|--------------|-----------|------------|
| Directorate Plan | 19 | Green | 1 | 6% |
| | | Amber | 15 | 79% |
| | | Red | 3 | 16% |
| Community Planning & Development | 19 | Green | 6 | 32% |
| | | Amber | 11 | 58% |
| | | Red | 2 | 10% |
| Economic Development | 9 | Green | 2 | 22% |
| | | Amber | 7 | 78% |
| | | Red | 0 | 0% |
| Housing | 11 | Green | 3 | 27% |
| | | Amber | 8 | 73% |
| | | Red | 0 | 0% |
| Planning | 5 | Green | 1 | 20% |
| | | Amber | 4 | 80% |
| | | Red | 0 | 0% |
| Transport Planning | 7 | Green | 0 | 0% |
| | | Amber | 6 | 86% |
| | | Red | 1 | 14% |
| Shetland College & Train Shetland* | 20 | Green | 0 | 0% |
| | | Amber | 20 | 100% |
| | | Red | 0 | 0% |
| Development Services Directorate Plan Total | 90 | Green | 13 | 14% |
| | | Amber | 71 | 79% |
| | | Red | 6 | 7% |

(* Shetland College year commences July)

4.0 Budget

- 4.1 A detailed report on the Q2 financial position of Development Services which report to the Development Committee is presented on today's agenda. However the following paragraphs summarise the Q2 financial position of the whole Development Directorate, including those services which report to other Committees.
- 4.2 **Revenue Expenditure:** At the end of Q2 the Directorate year to date was underspent by £607k. It is anticipated that by the year end there will be a £2.812 million underspend against the annual budget of £21,453 million.

- 4.3 **Capital Expenditure:** At the end of Q2 the directorate was £1.286 million underspent against the annual budget of £2.325 million. There are 6 projects which make up this budget; Broadband 1 & 2, Inter Island Transport Links, Fetlar Breakwater, Shetland College P3 and Skerries South Mouth Dredging.

5.0 Implications

Strategic

- 5.1 Delivery On Corporate Priorities – Effective Planning and Performance Management are key features of the Council's Improvement Plan and part of the "Organising our Business" priority in the Council's improvement Plan.

- 5.2 Community /Stakeholder Issues – Consultation with customers and other stakeholders is on-going as an integral part of each aspect of service delivery.

- 5.3 Policy And/Or Delegated Authority –

The Council's Constitution – Part C - Scheme of Administration and Delegations provides in its terms of reference for Functional Committees (2.3.1 (2)) that they;

"Monitor and review achievement of key outcomes in the Service Plans within their functional area 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."

- 5.4 Risk Management – Embedding a culture of continuous improvement and customer focus are key aspects of the Council's improvement activity. Effective performance management is an important component of that which requires the production and consideration of these reports. Failure to deliver and embed this increases the risk of the Council working inefficiently, failing to focus on customer needs and being subject to further negative external scrutiny.

- 5.5 Equalities, Health And Human Rights – As part of the process of change, Equality Impact Assessments will be carried out to ensure that there are no disproportionate, adverse affects on the rights of particular groups arising from the re-design of services.

- 5.6 Environmental – NONE

Resources

- 5.7 Financial – The actions, measures and risk management described in this report will be delivered within existing approved budgets.

5.8 Legal – NONE

5.9 Human Resources - NONE

5.10 Assets And Property – NONE

6.0 Conclusions

6.1 The report demonstrates good progress against the priorities identified in the 2012/13 Development Services Directorate Plan.

For further information please contact:

Neil Grant, Director of Development Services

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6 November 2012

List of Appendices

Appendix 1 – Development Services Directorate Plan 2012-13. Quarter 2
Performance Update.

Appendix 2 – Detail of actions categorised as 'Red'

Development Services Directorate Plan 2012-13, Quarter 2 Performance Update

Aim: We will promote the Community Plan ensuring it is bought into and that it drives service planning:

| Development Services Objective | Action | Lead Responsibility | Timescales | Outcomes/Measures | Progress |
|--|--|---|------------|--|--|
| The Council has a clear vision and sense of purpose which reflects local needs and we can demonstrate linked-up strategic planning and resourcing to deliver that vision | Promote Community Plan with partners, and work with partners to ensure buy in. | Director of Development Services and Executive Manager Community Planning & Development | March 2013 | Delivery on first year targets in the SOA | The Single Outcome Agreement targets are captured in the Councils Action Plan for 2012/13 and cascaded into directorate and service plans. (Amber) |
| The Council gives strong community leadership and delivers improvement with its partners and we engage effectively with communities in understanding their needs and in making decisions | Implement the new Shetland Partnership governance arrangements at all structural levels, including the Shetland Partnership Board, the Performance Group, Theme Groups, the Community Engagement | Executive Manager Community Planning & Development | July 2012 | New governance arrangements fully implemented and understood by all partners | The Shetland Partnership Board and Performance Group have been established with Iain Kinniburgh and Angus McInnis being elected Chairs of the respective. First meetings held in July August. Development Sessions being planned for Partnership Groups. , |

DRAFT**Appendix 1**

| | | | | | |
|---|---|---|------------|--------------------------------|---|
| | Network and local community fora. | | | | <i>(Green)</i> |
| Ensure Development Directorate policies are in line with delivering the Community Plan. | Review Development Directorate policies to ensure they are in line with community plan. | Director of Development Services and Development Services Management Team | March 2013 | Policies reviewed and updated. | Economic Development Policies are currently being reviewed by an officer/members group. <i>(Amber)</i> |

DRAFT**Appendix 1**

Aim: We will demonstrate progress in key priority areas:

| Development Services Objective | Action | Lead Responsibility | Timescales | Outcomes/Measures | Progress |
|--|--|--|-------------------|---|--|
| Establish whether there is a clear case for proceeding with a prioritised programme for fixed links. | Develop further the programme of fixed links to refine the current priorities in to a programme with funding models agreed by Council. | Executive Manager Transport Planning | March 2013 | Decision can be taken to proceed or otherwise on fixed links. | Funding options for fixed links are currently being evaluated. A report will be presented to Development Committee in January. (Amber) |
| Provide Planning and Economic Development policy on renewable energy. | Develop Local Development Plan (LDP) policy and Supplementary Guidance for Council approval and consultation. | Executive Manager Planning | March 2013 | LDP policy and Supplementary Guidance agreed at local level. | . LDP was presented for adoption at Development Committee on 10 th October. Supplementary Guidance on Renewable Energy to be presented at a later Committee. |
| | Provide policy on renewable energy development, including infrastructure development, assistance schemes and advice. | Executive Manager Economic Development | October 2012 | Approved policy in place | Renewable energy policy will be considered by the Economic Development Policy Review Team (Amber) |
| We will have an approved Community Benefit policy on renewable energy. | Liaise with Association of Community Councils, other community stakeholders, | Executive Manager Economic Development | October 2012 | Approved Policy in place. | A Framework for a Community Benefit Policy was agreed at Development Committee on 5 th September. |

DRAFT

Appendix 1

| | | | | | |
|--|--|--|--------------|---|---|
| | developers and other local authorities to develop policy framework. | | | | (Amber) |
| Draft Local Development Plan (LDP) presented to Council | Present draft plan to special Committee meeting in October. Arrange member's seminars. Provide update reports at each committee cycle. | Executive Manager Planning | October 2012 | LDP submitted to Scottish Government by March 2013 | The Local Development Plan and Supplementary Guidance notes were adopted at Development Committee & Council on 10 th October 2012, and is now is a 6 week period for representations. (Amber) |
| Local Housing Strategy five key themes will continue to be delivered | Update quarterly on: <ul style="list-style-type: none"> • Future supply of housing • Homelessness • Housing Support • Fuel Poverty • Private sector | Executive Manager Housing | Quarterly | Quarterly updates | National priority need housing target achieved (Amber) |
| Digital (broadband) implementation plan agreed | Infrastructure and operational plans approved | Executive Manager Economic Development | Sept 2012 | Implementation plan agreed. High speed broadband service available in South and Central Shetland mainland | South and Central Shetland broadband connections available. Fibre from Lerwick to Sellaness is presently being laid. Shetland Telecom business model is being constructed. (Amber) |
| We will have an | Work with community | Director of | March 2013 | Strategy adopted | Skills, Learning and |

DRAFT**Appendix 1**

| | | | | | |
|---|--|---|--|--|--|
| agreed Employability, Skills & Learning Strategic Plan | partners in the Employability, Skills & Learning Partnership to develop strategic direction. | Development Services and Executive Manager of Community Planning & Development | | | Employability Strategy & action plan currently being developed by partnership – on target. (Amber) |
|---|--|---|--|--|--|

Aim: We will constantly measure, and maintain or enhance internal and external customer satisfaction.

| Development Services Objective | Action | Lead Responsibility | Timescales | Outcomes/Measures | Progress |
|---|---|---|---------------|-------------------|---|
| Measure and maintain or enhance internal and external customer satisfaction | Review existing practice in relation to customer satisfaction surveys across the Directorate, including defining who the customers are. | Executive Manager Community Planning and Development | November 2012 | | Review currently being planned. |
| | Agree a Directorate format. | Director of Development Services and Development Services Management Team | January 2013 | | Customer satisfaction survey for planning service completed November 2012 <i>(Amber)</i> |
| | Establish an agreed system across the directorate. | Director of Development Services and Development Services Management Team | March 2013 | | |

DRAFT**Appendix 1**

Aim: We will achieve a balanced budget.

| Development Services Objective | Action | Lead Responsibility | Timescales | Outcomes/Measures | Progress |
|--|--|---|-------------------|--|--|
| To deliver the agreed budget strategy within the timescales agreed by Council. | Achieve all budget savings identified for 2012/13 or provide options for alternative savings where planned savings cannot be met. Plan for savings in 2013/14 and future years. | Director of Development Services and Development Services Management Team | March 2013. | Balanced Budget. | £3,364k of budget savings identified across Development Directorate. On track for full savings to be delivered across Development Directorate. (Amber) |
| Achieve Best Value service provision across the Development Directorate. | Plan and carry out service reviews, in each service area. | Director of Development Services and Development Services Management Team | March 2014 | Reviews complete and actions implemented | Review of Planning Service in progress and will report in December. (Amber) |

Aim: We will 'live' the golden thread from national plans to individual performance reviews including strong performance management processes.

| Development Services Objective | Action | Lead Responsibility | Timescales | Outcomes/Measures | Progress |
|---|--|--|-------------------|---|--|
| A clear link will be apparent from national policy and community plan and | Develop and review plans which cascade objectives from Community | Director of Development Services and Development | March 2013 | Directorate plans, Services plans, and individual personal objectives are clearly | Performance objectives are being developed. (Amber) |

| | | | | | |
|--|---|--------------------------|--|---------|--|
| SOA through Council Action Plan, Directorate and Service plans to individual performance objectives. | plan to individual's performance objectives | Services Management Team | | linked. | |
|--|---|--------------------------|--|---------|--|

Aim: We will ensure Shetland's demographics are consistently used and shared to influence the work of our Directorate and the rest of the Council.

| Development Services Objective | Action | Lead Responsibility | Timescales | Outcomes/Measures | Progress |
|--|---|---|---|---------------------|---|
| To better understand Shetland's Demographics and their future impacts on our economy and community services. | Analyse census data when it is published later in 2012 and thereafter prepare a report on what it means for the Council | Executive Manager Economic Development | January 2013 (subject to when census data is published) | Report Presented | National census data still to be published. <i>(Red)</i> |
| | New policies will be developed as necessary following the analysis report. | Director of Development Services and Development Services Management Team | March 2013 | Policies identified | |

Aim: We will demonstrate that we are an effective, cohesive team with a reputation for innovation.

| Development Services Objective | Action | Lead Responsibility | Timescales | Outcomes/Measures | Progress |
|---|---|---|-------------------|--|---|
| The Directorate Services will work more cohesively and be recognised for developing innovative solutions and plans. | We will hold a team building event by June 2012 | Director of Development Services and Development Services Management Team | Review monthly | Directorate plan delivered effectively | Team building event still to be held. |
| | We will all commit to attend team departmental meetings | | Review monthly | | Ongoing, Development Management Team meets twice monthly. |
| | We will have regular quarterly team half day development events aimed at discussing specific directorate issues and 'Action Learning Set' type activity | | Review quarterly | | Quarterly development event to be arranged. (Red) |

Aim: We will make more effective connections with key external partners including Scottish Government and European Parliament.

| Development Services Objective | Action | Lead Responsibility | Timescales | Outcomes/Measures | Progress |
|--|---|---|-------------------|---|---|
| We will better use our MSP, MP, and MEPs, this will include seeking to secure formal meetings on behalf of the directorate on a 3-6 month basis. | We will be more proactive in getting Ministers to Shetland, and more formally plan how we use the time we have with Ministers | Director of Development Services and Development Services Management Team | March 2013 | Visit plan | Meeting with Local MSP has been held.. (Amber) |
| We will plan and agree in advance the Key issues we want to get across to high profile visitors. | Develop and update plan. | Director of Development Services and Development Services Management Team | July 2012 | Visit plan | Ongoing Planning Minister, Education Minister Energy Minister Vattenfall Ocean Energy (Amber) |
| We will promote representation on relevant national and European committees and take opportunities to engage | Develop and update plan. | Director of Development Services and Development Services Management Team | March 2013 | Increased % of European and external funding levered into projects. | Behind schedule. (Red) |

Detail of Actions Categorised as 'Red'

| Development Services Objective | Action | Lead Responsibility | Timescales | Outcomes/Measures | Reason for Off Target Performance and Corrective Action. |
|---|---|---|---|--|--|
| To better understand Shetland's Demographics and their future impacts on our economy and community services | Analyse census data when it is published later in 2012 and thereafter prepare a report on what it means for the Council | Executive Manager Economic Development | January 2013 (subject to when census data is published) | Report Presented | National Census report delayed but currently outwith our control |
| | New policies will be developed as necessary following the analysis report. | Director of Development Services and Development Services Management Team | March 2013 | Policies identified | |
| The Directorate Services will work more cohesively and be recognised for developing innovative solutions and plans. | We will hold a team building event by June 2012 | Director of Development Services and Development Services Management Team | Review monthly | Directorate plan delivered effectively | Team building event to be held in the spring. |
| | We will all commit to attend team | | Review monthly | | |

| | | | | | |
|--|--|---|--|---|--|
| | departmental meetings We will have regular quarterly team half day development events aimed at discussing specific directorate issues and 'Action Learning Set' type activity | | Review quarterly | | |
| We will promote representation on relevant national and European committees and take opportunities to engage | Develop and update plan. | Director of Development Services and Development Services Management Team | March 2013 | Increased % of European and external funding levered into projects. | Chief Executive has called for project team to meet in November |
| Carry out an annual self-evaluation of the Community Planning & Development Service | Away day for staff to self-evaluate provision and plan for improvement | Executive Manager Community Planning & Development | Dec 2012 | | Away day for Community Planning & Development staff to be held in the spring |
| Measure and maintain or enhance internal and external customer satisfaction | Annual Analysis of Learner evaluations Maintain 'You said, we did' as feedback to learners about the | Executive Manager Community Planning & Development | Quarterly Performance targets to be developed | | Performance target to be devolved and reported next cycle. |

| | | | | | |
|----------------|--|--------------------------------------|------------|--------------------------|---|
| | <p>actions we take to improve adult learning provision</p> <p>Involve partners in annual self-evaluation through survey monkey & other methods</p> <p>Introduce survey with all grant awards to measure customer satisfaction with service/schemes</p> | | | | |
| Budget Savings | Deliver on 2012/13 savings | Executive Manager Transport Planning | March 2013 | 2012/13 savings achieved | Combined as part of overall transport review and higher level of savings target. Shortfall of £249,946 which will be covered by one non-recurring savings in the Directorate. |

**Development Committee****14 November 2012****Management Accounts for Development Committee:
2012/13 - Quarter 2 (April 2012 - September 2012)****F-053-F****Report Presented by Executive Manager -
Finance****Corporate Services****1.0 Summary**

1.1 The purpose of this report is to enable the Development Committee to monitor the financial performance of services within its remit to ensure that expenditure incurred and income generated has been delivered within the approved budget, so that timely action can be taken when required to mitigate projected overspends. The report reviews for the second quarter:-

- the projected outturn position for the year;
- the position on the approved recurring savings projects; and
- the revenue management accounts.

1.2 The projected outturn is an underspend of £1.656m.

2.0 Decision Required

2.1 The Development Committee is asked to RESOLVE to:

- review the Revenue Management Accounts, from 1 April 2012 – 30 September 2012, including the projected outturn position and savings in the year.

3.0 Detail

3.1 The budgeted expenditure and savings levels included in the services within the remit of the Development Committee were approved by the Council on 9 February 2012. As such, they form part of the Council's objectives of reducing General Fund expenditure to £119.9m in 2012/13, which includes the requirement to make savings of £15.4m

across the Council this year. This is necessary to move the Council towards a position of financial sustainability.

At present the Council's level of expenditure is not sustainable and if left unchecked will result in reserves becoming fully depleted by 2017/18.

Any instances whereby a budget is overspent, or savings targets are not being achieved, have a direct impact on the Council's reserves. It is therefore vital to the future economic wellbeing of the Council that its budget, incorporating that of the services within the remit of the Development Committee, are delivered in full.

- 3.2 Appendix 1 shows the projected outturn position for the second quarter by service area along with explanations of the major variances. This appendix shows the most vital information indicating the likelihood of an additional draw on reserves being required, in breach of Council policy.
- 3.3 Appendix 2 shows the position on approved recurring savings projects for the second quarter by service area along with explanations of the major variances.
- 3.4 Appendix 3 shows the revenue management accounts for the second quarter by service area along with explanations of the major variances.

4.0 Implications

Strategic

4.1 Delivery On Corporate Priorities

There is a specific objective within the Corporate Improvement Action plan to ensure that, "the Council has established a rigorous process to ensure that its use of resources is on a footing consistent with implementing and sustaining its financial strategy, and demonstrate that it delivers services in a way which achieves Best Value".

4.2 Community /Stakeholder Issues – None.

4.3 Policy And/Or Delegated Authority

Section 2.1.2(3) of the Council's Scheme of Administration and Delegations states that the Committee may exercise and perform all powers and duties of the Council in relation to any function, matter, service or undertaking delegated to it by the Council. The Council approved a budget on 9 February 2012 for the 2012/13 financial year. This Report provides information to enable the Committee to ensure that the services within its remit are operating within the approved budgets.

4.4 Risk Management – None.

4.5 Equalities, Health And Human Rights – None.

4.6 Environmental – None.

Resources

4.7 Financial

It is anticipated that 10% of the approved recurring savings projects are not likely to be achieved, however one-off savings have been found in 2012/13, as a temporary substitute, and the recurring savings will be delivered in 2013/14.

At the end of quarter 2 the projected outturn is currently £1.656m under the approved budget.

4.8 Legal – None.

4.9 Human Resources – None.

4.10 Assets And Property – None.

5.0 Conclusions

5.1 The outturn position is projected to be under budget by £1.656m.

5.2 The position on approved recurring savings projects is that there is a projected annual shortfall of £0.250m.

For further information please contact:

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01595 744615

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Appendix 1 - Development Services - Outturn Position for 2012/13

Appendix 2 – Development Services - Approved Recurring Savings 2012/13

Appendix 3 – Development Services - Revenue Management Accounts (April to September 2012)

Background documents:

Approved Budget Report, SIC 9 February 2012

<http://www.shetland.gov.uk/coins/Agenda.asp?meetingid=3449>

Quarter 1 Management Accounts, Development Committee 5 September 2012

<http://www.shetland.gov.uk/coins/viewDoc.asp?c=e%97%9Dc%92n%82%8F>

END

Development Services**Projected Outturn 2012/13**

| Description | Annual Outturn 2011/12 £000 | Annual Budget 2012/13 £000 | Projected Outturn 2012/13 £000 | Budget v Proj. Outturn Variance £000 |
|---------------------------------|--------------------------------------|-------------------------------------|---|---|
| Directorate | 101 | (184) | 104 | (288) |
| Economic Development | 6,827 | 5,823 | 3,712 | 2,111 |
| Planning | 1,515 | 1,690 | 1,625 | 64 |
| Transport Planning | 5,648 | 5,389 | 5,620 | (231) |
| Total Controllable Costs | 14,091 | 12,717 | 11,062 | 1,656 |

Explanation of Projected Outturn Variances:

- **Directorate** - £0.288m overspend – This overspend relates to the allocation of Council Wide savings to directorates. The majority of the Development Services allocation (£0.289m) is accounted for under the Directorate. This overspend is offset by underspends elsewhere within the service.
- **Economic Development** - £2.111m underspend – £1.353m of this underspend has been identified as one off savings in 2012/13, and relates to £1.153m of NAFC Grant, which is being part funded from Shetland Development Trust surpluses in 2012/13; to £0.1m due to reduced demand on Fisheries General Assistance; £0.05m from recovered debts on investments; and, £0.05m from Infrastructure Development support due to reduced demand. In addition £0.1m has been identified as long-term savings in marketing activities. The remaining underspend is as a result of reduced spend across the remaining services.
- **Transport Planning** - £0.231m overspend – £0.250m of this overspend relates to the committee decision (Min Ref: 52/12) to include Rural Transport in the wider transport network redesign process, which means that savings cannot be achieved in the current year. Alternative savings have been made within Economic Development to offset this overspend.

Development Services**Approved Recurring Savings 2012/13**

| Description | Approved Recurring Savings 2012/13 £000 | Approved Recurring Savings Banked 2012/13 £000 | Surplus/ (Shortfall) Year to Date 2012/13 £000 | Projected Annual Surplus/ (Shortfall) 2012/13 £000 |
|----------------------|---|---|---|---|
| Directorate | | | | |
| Economic Development | 1,773 | 673 | (1,100) | |
| Planning | 206 | 157 | (48) | |
| Transport Planning | 543 | 244 | (299) | (250) |
| Total | 2,521 | 1,074 | (1,448) | (250) |

As can be seen from the above table, the approved recurring savings under the remit of the Development Committee totals £2.521m, of which £1.074m has been banked to date. The Director of Development Services is confident that a further £1.198m can be banked by the end of the year, and is predicting a shortfall of £0.250m.

Within the Economic Development service area, there is an approved saving of £1.0m on Return of Shetland Development Trust capital from investments – this payment is subject to a legal process, however the money is currently held in the SDT account, and should be transferred when the legal process has been completed. The Director of Development Services is confident that this issue will be resolved, and the saving achieved before the end of the financial year.

Explanations of Predicted Shortfall Variances:**Transport Planning**

- £0.250m – the implementation of the Rural Transport review ties in with the tendering of contracts next year, so savings are undeliverable in the current year.

One off savings have been identified in the current year, to offset the shortfall detailed above. The full recurring savings on the Rural Transport review will be delivered next financial year.

Development Services**Revenue Management Accounts (April 2012 – September 2012)**

| Description | Quarter 2 Budget 2012/13 £000 | Quarter 2 Actual 2012/13 £000 | Quarter 2 Variance 2012/13 £000 |
|--------------------------------|--|--|--|
| Development Directorate | (237) | 54 | (291) |
| Economic Development | 3,232 | 1,801 | 1,430 |
| Planning | 764 | 735 | 29 |
| Transport Planning | 2,091 | 2,366 | (276) |
| Total Controllable Cost | 5,850 | 4,957 | 893 |

Explanations of Major Variances:**Real Variances****Development Directorate (£0.291m over budget):**

- £0.291m overspend – This overspend relates to the allocation of Council Wide savings to directorates. The majority of the Development Services allocation (£0.289m) is accounted for under the Directorate. This is a real overspend against budget set.

Economic Development (£1.430m under budget):

- £1.076m of this underspend relates to NAFC Grant, which is being part funded from Shetland Development Trust surpluses in 2012/13. This underspend has been identified as a one off saving in 2012/13.
- £0.155m of this underspend relates to recovered Investments and Investment Management.
- £0.062m of this underspend relates to support for Tourism and Heritage.

Transport Planning (£0.276m over budget):

- £0.107m overspend on Rural Transport, which relates to the decision to include Rural Transport in the wider transport network redesign process, which means that recurring savings budgeted for in 2012/13, which will not be achieved until 2013/14.

Timing Differences**Transport Planning (£0.276m over budget):**

- £0.055m overspend on School Transport. This is not a real overspend but a timing difference against the budget plan.

- £0.041m overspend across bus contracts. This is not a real overspend but a timing difference against the budget plan.

**Development Committee****14 November 2012**

| Shetland Development Trust Annual Accounts for year ended 31 March 2012 | |
|--|---|
| DV048-F | |
| Report Presented by Executive Manager | Development Services Department Economic Development |

1.0 Summary

- 1.1 The purpose of this report is to present and seek approval for the annual accounts of the Shetland Development Trust (SDT) for the year ended 31 March 2012, attached as Appendix 1.

2.0 Decision Required

- 2.1 The Development Committee RESOLVE to approve the accounts of the SDT for the year ended 31 March 2012.

3.0 Detail

- 3.1 The presentation of these accounts are required under the Administration Regulations of the SDT which include:
- preparing regular accounts, reporting thereon to Trustees, and preparing and publishing annual accounts of the Trust on behalf of the Trustees; and
 - ensuring that the annual accounts of the Trust are audited after the end of the appropriate year, without undue delay.
- 3.2 The Administration Regulations of the SDT still apply insofar as they relate to the Council as sole Trustee. However, the conduct of the Development Committee, even when acting on behalf of the Council as Trustee, is also governed by the rules applying to all Committees and Members in their capacity as Councillors.

4.0 Implications

Strategic

- 4.1 Delivery On Corporate Priorities – This report links to the Council's Corporate Plan 2010-12, which sets out a range of priorities to more effectively and efficiently organise the Council's business.
- 4.2 Community /Stakeholder Issues – NONE.
- 4.3 Policy And/Or Delegated Authority – This report has been prepared in relation to the Economic Development Policy Statement 2007-2011. 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).

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.

The Council's role as sole Trustee for Shetland Development Trust is deemed to fall within the performance of its development function.

- 4.4 Risk Management – Failure to present these accounts and have them formally approved would be a breach of the Administration Regulations of the SDT.
- 4.5 Equalities, Health And Human Rights – NONE.
- 4.6 Environmental – NONE.

Resources

- 4.7 Financial – NONE.
- 4.8 Legal – NONE.
- 4.9 Human Resources – NONE.
- 4.10 Assets And Property – NONE.

5.0 Conclusions

- 5.1 The accounts have been prepared as part of the Administration Regulations of the SDT and require approval by the Development Committee as sole Trustee.

For further information please contact:

Douglas Irvine, Executive Manager
Tel: 01595 744932
email: douglas.irvine@shetland.gov.uk

30 October 2012

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Appendix 1 – Shetland Development Accounts for year ended 31 March 2012.

END

Shetland Development Trust

Annual report and accounts
31 March 2012

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Chairman's statement

I present this report to give a summary of the performance of the Shetland Development Trust (SDT) to the public, Shetland Islands Council and interested parties during the period between 1 April 2011 and 31 March 2012.

This set of accounts deals with the existing investments of the SDT, which continue to be serviced under the auspices of the Shetland Islands Council acting as sole Trustee of the SDT. The portfolio of investments consists primarily of loans, equity and quota.

All investments are being managed out in line with loan or shareholders agreements. The investments continue to successfully generate surplus which is to be distributed in future years for the benefit of the Shetland community through funding charities with development aims.

Staff continue to manage, monitor and review the SDT investments along with other duties within the Economic Development Unit. I would like to express my appreciation for these hardworking and efficient staff.

A Cooper

Chairman of Development Committee

Trustees and advisers

Trustees: Shetland Islands Council, as a body

Principal address: Solarhus
3 North Ness Business Park
Lerwick
Shetland
ZE1 0LZ

Bankers: Bank of Scotland
117 Commercial Street
Lerwick
Shetland
ZE1 0DN

Solicitors: Brodies
15 Atholl Crescent
Edinburgh
EH3 8HA

Auditors: KPMG LLP
37 Albyn Place
Aberdeen
AB10 1JB

Statement of Trustees' Responsibilities

The Trust Deed, dated 8 January 1996, does not contain any specific requirements with regard to record keeping or the preparation of accounts. The Trustees have decided that non-statutory accounts should be prepared and that generally accepted accounting practice in the United Kingdom should be applied. They have also decided that the non-statutory accounts should be audited. In the preparation of these non-statutory accounts, the Trustees have decided to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the non-statutory accounts; and
- prepare the non-statutory accounts on the going concern basis unless it is inappropriate to presume that the Trust will continue in business.

The Trustees have an implicit general responsibility under the Trust Deed for taking such steps as are reasonably open to them to safeguard the assets of the Trust and to prevent and detect fraud and other irregularities.

ABCD

37 Albyn Place
Aberdeen
AB10 1JB
United Kingdom

Report of KPMG LLP to the Trustees of Shetland Development Trust

We have audited the non-statutory accounts of Shetland Development Trust for the year ended 31 March 2012, which comprise the Revenue Account, the Capital Account, the Balance Sheet and the related notes. The non-statutory accounts have been prepared for the reasons and on the basis of the accounting policies set out in note 2 to the non-statutory accounts.

Our report has been prepared for the Trust solely in connection with our engagement letter dated 28 October 2008. It has been released to the Trust on the basis that our report shall not be copied, referred to or disclosed, in whole (save for the Trust's own internal purposes) or in part, without our prior written consent.

Our report was designed to meet the agreed requirements of the Trust determined by the Trust's needs at the time. Our report should not therefore be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than the Trust for any purpose or in any context. Any party other than the Trust who obtains access to our report or a copy and chooses to rely on our report (or any part of it) will do so at its own risk. To the fullest extent permitted by law, KPMG LLP will accept no responsibility or liability in respect of our report to any other party.

Respective responsibilities of Trustees and KPMG LLP

The Trustees of the Shetland Development Trust's responsibilities for preparing these non-statutory accounts in accordance with the basis of preparation as set out in note 2 to the non-statutory accounts are set out in the Statement of Trustees' Responsibilities on page 3.

Our responsibility is to audit the non-statutory accounts in accordance with the terms of our engagement letter dated 28 October 2008 and having regard to International Standards on Auditing (UK and Ireland).

Under the terms of engagement we are required to report to you our opinion as to whether the non-statutory accounts have been properly prepared in accordance with the basis of preparation and the accounting policies set out in note 2 to the non-statutory accounts. We also report to you if, in our opinion, we have not received all the information and explanations we require for our audit.

We read the other information accompanying the non-statutory accounts and consider whether it is consistent with the audited non-statutory accounts. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the non-statutory accounts. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit having regard to International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the non-statutory accounts. It also includes an assessment of the significant estimates and judgments made by the Trustees in the preparation of the non-statutory accounts, and of whether the accounting policies are appropriate to the Trust's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the non-statutory accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In view of the purpose for which these accounts have been prepared, however, we did not evaluate the overall adequacy of the presentation of information which would have been required if we were to express an audit opinion under International Standards on Auditing (UK and Ireland).

Opinion

In our opinion the non-statutory accounts for the year ended 31 March 2012 have been properly prepared in accordance with the basis of preparation and the accounting policies set out in note 2 to the non-statutory accounts.

KPMG LLP
Chartered Accountants

Revenue account

for the year ended 31 March 2012

| | Note | 2012 | 2011 |
|--|------|--------------|--------------|
| | | £000 | £000 |
| Income | | | |
| Local loan interest | | 290 | 349 |
| Short term deposit interest | | 7 | 13 |
| Dividends received | | 135 | 205 |
| Whitefish quota rental income | | 903 | 935 |
| Other income | | 3 | 6 |
| Total income | | 1,338 | 1,508 |
| Expenditure | | | |
| Audit, accountancy and tax fees | | (51) | (33) |
| Trustees' expenses | | - | - |
| Legal fees | | (1) | (4) |
| Professional fees | | - | (7) |
| Administration expenses | 3 | (14) | (47) |
| Shetland showcase costs | | - | 10 |
| Total expenditure | | (66) | (84) |
| | | 1,272 | 1,424 |
| Taxation | 4 | (509) | (560) |
| Surplus for the year | | 763 | 864 |
| Transferable to Shetland charitable bodies | | (763) | (864) |
| Surplus carried forward | | - | - |

Capital account

for the year ended 31 March 2012

| | 2012 £000 | 2011 £000 |
|---|----------------|----------------|
| Amortisation of fish quota | (916) | (916) |
| Amortisation of fishing boat licence | (30) | (30) |
| (Increase) / decrease in provisions (net) | 269 | 960 |
| Depreciation of tangible fixed assets | - | (10) |
| Repayments of equity/loans | (2,111) | (2,066) |
| | <hr/> | <hr/> |
| Deficit for the year | (2,787) | (2,062) |
| Balance brought forward | 14,698 | 16,760 |
| | <hr/> | <hr/> |
| Balance carried forward | 11,911 | 14,698 |
| | <hr/> <hr/> | <hr/> <hr/> |

Balance sheet

at 31 March 2012

| | Note | 2012 £000 | 2011 £000 |
|--|------|---------------|---------------|
| Fixed assets | | | |
| Tangible assets | 5 | - | - |
| Intangible assets | 6 | 8,228 | 9,172 |
| Equity investments | 7 | 235 | 392 |
| Total fixed assets | | 8,463 | 9,564 |
| Loans to local industry | 8 | 1,715 | 2,291 |
| Current assets | | | |
| Debtors | 9 | 628 | 574 |
| Cash at bank | | 3,328 | 3,596 |
| | | 3,956 | 4,170 |
| Current liabilities | | | |
| Creditors: amounts falling due within one year | 10 | (2,223) | (1,327) |
| Net current assets | | 1,733 | 2,843 |
| Net assets | | 11,911 | 14,698 |
| Represented by: | | | |
| Capital account | | 11,911 | 14,698 |

The non-statutory accounts were approved by the Trustees and subsequently signed on their behalf on 14 November 2012 by:

A Cooper

*Chairman of the Development Committee,
On behalf of the Trustees*

Notes

(forming part of the accounts)

1 Trust constitution

Shetland Development Trust is a public non-charitable trust and was constituted under a Deed of Trust registered in Edinburgh on 8 January 1996. The object of the Trust is to assist local businesses in the Shetland Islands. Financial assistance may include the purchase of equity, the provision of guarantees and the provision of loans and grants. The Trust has been funded by grants from Shetland Islands Council's Reserve Fund. Any net income after tax of the Trust is paid over to such charitable body or bodies in the Shetland Islands as the trustees shall determine.

The current trustees of the Trust are shown on page 2. The Trust Deed confers the power on the trustees to assume new trustees.

Details of the development, activities and achievements of the Trust during the year are given in the chairman's statement. Details of the Trust's investment policy are contained in a separate policy statement, a copy of which can be obtained from the Trust's principal address shown on page 2.

2 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the non-statutory accounts.

Basis of preparation

The trustees have decided that these non-statutory accounts should be prepared in accordance with the terms of the declaration of trust applying generally accepted accounting practice for transactions where no specific provision is made in the declaration of trust, with the exception of accounting for retirement benefits.

The accounting concepts of "materiality", "accruals" and "going concern" have been considered in the application of the accounting policies. In this regard the materiality concept means that information is included where it is of such significance as to justify its inclusion. The accruals concept requires the non-cash effects of transactions to be included in the year in which they occur, not in the period in which cash is paid or received. The going concern concept assumes that the Trust will continue to operate for at least 12 months from the approval of the non-statutory accounts.

Tangible fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives through the revenue account as follows:

| | | |
|----------------------------------|---|---------|
| Fixtures, fittings and equipment | - | 4 years |
| Abattoir | - | 5 years |

Where evidence of impairment exists, the value of tangible fixed assets is written down accordingly with the corresponding charge being made to the capital account.

Intangible fixed assets and amortisation

Fish quota and fishing boat licences are capitalised at cost. The costs of fish quota and the fishing boat licence are amortised over a period of 20 years, being their estimated useful lives. Where evidence of impairment exists, provision is made accordingly. Amortisation charges and any changes in provision are charged to the capital account. On the basis of industry advice, the trustees consider whether the carrying values of these assets are in excess of their recoverable amounts and require impairment.

Investments

Fixed asset equity investments are shown at cost. Provision is made where evidence of impairment exists and the investments are written down accordingly, the charge being made to the capital account.

Current asset investments are shown at the lower of historic cost and market value. Where market value is less than cost, the impairment difference is charged to the capital account.

Notes *(continued)*

Accounting policies *(continued)*

Loans to local industry

Loans to local industry are shown at the amount advanced less provisions for non-recovery. In the balance sheet the net amount is disclosed below fixed assets. Advances, repayment and changes in the provision for non-recovery are all charged to the capital account.

Interest and dividends receivable

All payments of interest on loans, share dividends and all other income of the Trust are credited to the Trust's revenue account when the Trust can be reasonably certain that payments will be receivable. Quota rental income is credited to the revenue account on an accruals basis.

Cash and liquid resources

Cash comprises cash in hand and deposits repayable on demand. Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either convertible into known amounts of cash at or close to their carrying values.

Taxation

The Trust is a discretionary trust for tax purposes, and as such the income of the Trust, after allowable expenses, is subject to taxation at the rate applicable to such trusts, currently 40%. The net income after tax of the Trust is paid, in accordance with the declaration of trust, to charitable bodies which are able to recover any tax deducted from such income distributions of the Trust.

Notes (continued)

3 Administration expenses

Total administration expenses for the year of £14,000 (2011: £47,000), are analysed as follows:

| | 2012 £000 | 2011 £000 |
|----------------------------|--------------|--------------|
| Salary and related costs | 35 | 40 |
| Other costs | 4 | 35 |
| Recovered through recharge | (25) | (28) |
| | <u>14</u> | <u>47</u> |

4 Taxation

| | 2012 £000 | 2011 £000 |
|---------------------------------------|--------------|--------------|
| Income tax: On income for the year | 509 | 560 |
| | <u>509</u> | <u>560</u> |

5 Tangible fixed assets

| | Fixtures, fittings & equipment £000 | Abattoir £000 | Total £000 |
|------------------------------|--|------------------|---------------|
| Cost | | | |
| At beginning and end of year | 68 | 50 | 118 |
| | <u>68</u> | <u>50</u> | <u>118</u> |
| Depreciation | | | |
| At beginning of year | 68 | 50 | 118 |
| Charge for year | - | - | - |
| | <u>68</u> | <u>50</u> | <u>118</u> |
| At end of year | 68 | 50 | 118 |
| | <u>68</u> | <u>50</u> | <u>118</u> |
| Net book value | | | |
| At 31 March 2012 | - | - | - |
| | <u>-</u> | <u>-</u> | <u>-</u> |
| At 31 March 2011 | - | - | - |
| | <u>-</u> | <u>-</u> | <u>-</u> |

Notes (continued)

6 Intangible fixed assets

| | Fish quota £000 | Fishing boat licence £000 | Total £000 |
|------------------------------------|--------------------------------|--|-----------------------|
| <i>Cost</i> | | | |
| At beginning of year | 17,967 | 592 | 18,559 |
| Additions | - | - | - |
| | <hr/> | <hr/> | <hr/> |
| At end of year | 17,967 | 592 | 18,559 |
| | <hr/> | <hr/> | <hr/> |
| <i>Amortisation and impairment</i> | | | |
| At beginning of year | 9,150 | 237 | 9,477 |
| Amortisation charge for year | 915 | 29 | 946 |
| | <hr/> | <hr/> | <hr/> |
| At end of year | 10,065 | 266 | 10,331 |
| | <hr/> | <hr/> | <hr/> |
| <i>Net book value</i> | | | |
| At 31 March 2012 | 7,902 | 326 | 8,228 |
| | <hr/> | <hr/> | <hr/> |
| At 31 March 2011 | 8,817 | 355 | 9,172 |
| | <hr/> | <hr/> | <hr/> |

7 Equity investments

| | Participating interests £000 |
|-------------------------|---|
| <i>Cost</i> | |
| At beginning of year | 7,681 |
| Disposals | (626) |
| | <hr/> |
| At end of year | 7,055 |
| | <hr/> |
| <i>Provisions</i> | |
| At beginning of year | 7,289 |
| Released in year | (469) |
| | <hr/> |
| At end of year | 6,820 |
| | <hr/> |
| <i>Net book value</i> | |
| At 31 March 2012 | 235 |
| | <hr/> |
| At 31 March 2011 | 392 |
| | <hr/> |

Certain of the Trust's investments are held in the name of a nominee company.

Notes (continued)

7 Equity investments (continued)

The Trust's principal participating interests at the year end were as follows:

| Companies | Country of registration | Principal activity | Class of shares held | Percentage of shares held |
|--------------------------------|-------------------------|--|------------------------------------|---------------------------|
| P/F Smyril Line | Faroe Islands | Principal North Atlantic passenger and freight ferry link | DKK 100,000 | 6% |
| Kildrummy Technologies Limited | Scotland | Provision of project and business management systems, consultancy services and the provision of computer software products | £1 preference £1 Preference 'B' | 100% 100% |

8 Loans to local industry

| | £000 |
|--------------------------------|--------------|
| <i>Cost</i> | |
| At beginning of year | 9,994 |
| Written off in year | (3,958) |
| Repayments | (1,879) |
| | <hr/> |
| At end of year | 4,157 |
| | <hr/> |
| <i>Provisions</i> | |
| At beginning of year | 7,703 |
| Released during the year (net) | (5,261) |
| | <hr/> |
| At end of year | 2,442 |
| | <hr/> |
| <i>Loans net of provisions</i> | |
| At 31 March 2012 | 1,715 |
| | <hr/> |
| At 31 March 2011 | 2,291 |
| | <hr/> |

Notes (continued)

9 Debtors

| | 2012 £000 | 2011 £000 |
|--------------------------------|--------------|--------------|
| Trade debtors | 283 | 406 |
| Other debtors | 164 | 164 |
| Prepayments and accrued income | 181 | 4 |
| | <u>628</u> | <u>574</u> |

10 Creditors: amounts falling due within one year

| | 2012 £000 | 2011 £000 |
|--|--------------|--------------|
| Amount payable to Shetland charitable bodies | 1,754 | 794 |
| Current taxation | 359 | 364 |
| Sundry creditors | 45 | 121 |
| Accruals and deferred income | 65 | 48 |
| | <u>2,223</u> | <u>1,327</u> |

11 Related party disclosures

The Trust has taken advantage of the exemption available in Financial Reporting Standard 8 “Related Party Transactions” not to disclose any transactions with entities that are part of the Group which would qualify as related parties, on grounds that it is a subsidiary where 90% or more of its voting rights are controlled within the Group, and the consolidated financial statements are publicly available (Note 12).

12 Ultimate parent undertaking and controlling party

The ultimate parent undertaking and controlling party is the Shetland Islands Council, Town Hall, Upper Hillhead, Lerwick, Shetland, ZE1 0HB. Copies of the Council’s consolidated financial statements can be obtained from the above address.