

**Development Committee****8 October 2015****Local Development Plan Update Report****DV-54-15-F****Report Presented by Team Leader  
Development Plans and Heritage****Planning Service  
Development Services Department****1.0 Summary**

- 1.1 This report provides an update on the next Shetland Local Development Plan (LDP2) and Supplementary Guidance (SG)

**2.0 Decision Required**

- 2.1 That the Development Committee RESOLVES to note the programme and priorities in respect of LDP2 and SG set out in this report.

**3.0 Detail**

- 3.1 This report sets out the progress on the next Shetland Local Development Plan (LDP2) and the Supplementary Guidance (SG) associated with the existing LDP, as requested by the Development Committee on 25 March 2015.
- 3.2 The Council adopted the Shetland Local Development Plan (SLDP) in September 2014 and work on associated supplementary guidance is ongoing. Work on LDP2 commenced in January 2015 and the timetable for progressing this and the opportunities and means of community and stakeholder engagement, form the Development Plan Scheme, approved by the Development Committee on 25 March 2015 [Min Ref: 12/15].
- 3.3 The main statutory stages in the preparation and delivery of the Shetland Local Development Plan are:
- Publication of the Development Plan Scheme
  - **Pre Main Issues Report (MIR) Evidence Base Gathering**
  - Main Issues Report and draft Environmental Report consultation.

- Prepare and Publish the Proposed Plan, alongside the Strategic Environmental Assessment and other impact assessments
- Consider and respond to representations to the Plan
- Submission of the Plan to Scottish Ministers
- Examination
- Adoption of the Local Development Plan, Environmental Report and Action Programme
- Implementation, Monitoring and Review

3.4 The Development Plans team has experienced staff shortages in the past few months which have led to a re-prioritisation of workloads and timescales. After reviewing what was achievable with the resources currently available we have ensured the focus of our work over the remainder of 2015 will be as follows:

**Housing** – research, policy development and delivery.

- Continued involvement in the Housing Needs and Demands Assessment (HNDA) evidence gathering process.
- Publication of the annual Housing Land Audit.
- Production of a Development Brief for the, soon to be vacant, Anderson High School Site, Knab, Lerwick as well as promoting the development of other key sites included in the Action Programme.

**Engagement**

- Continuing with the valuable work already started on raising the profile of Planning within the Council and also externally.
- Promoting the opportunities for engagement to the wider public as part of the LDP Process.
- Placing a strong emphasis on reaching those who do not traditionally get involved.

**Supplementary Guidance** – Focussing on completion and development of only the priority Supplementary Guidance Documents till year end.

- Onshore Wind
- Placemaking
- Developer Contributions
- Local Landscape Areas

3.5 Work has progressed on the Knab Development Brief. The lead officer is currently in dialogue with Historic Scotland regarding potential constraints to the re-development of the site due to the listed buildings. We hope to complete a Development Brief for this site within 6 months.

3.6 Evidence Gathering for LDP continues, focusing on a few key research areas. The Housing Land Audit and Employment Land Audit are currently in draft form and will be ready for publication soon.

3.7 Officers are involved in an intense period of evidence gathering alongside housing colleagues in order to inform the HNDA. As well as informing the Local Housing Strategy the HNDA is a key strategic evidence base which informs the LDP, specifically the spatial strategy and the number and location of housing units that the LDP is required to provide land for.

- 3.8 Work has commenced on a transport appraisal where close working with the Transport and Roads Services is required to highlight any potential constraints to development.
- 3.9 Our initial date for commencement of the pre MIR public engagement process has had to be delayed from late autumn to early 2016. Work to promote the forthcoming engagement period has carried on.
- 3.10 The lead officer on the Place Standard Trial has been working closely with the Scottish Government and Architecture and Design Scotland (A&DS), who issued a new draft of the tool in July 2016. We carried out an in house trial involving the whole Planning Service and provided feedback on this to the development group. We are a member of the advisory group developing the tool.
- 3.11 The Planning Service is working with Youth Services in order to provide workshops during the forthcoming "Youth Summit". We hope to use the Place Standard during these workshops.
- 3.12 The final version of the Place Standard Tool is to be published in November alongside an online version. We are hoping that this online tool will form a key part of our engagement, enabling us to reach those who do not traditionally attend public meetings.
- 3.13 The Planning Service has recently manned a stand at the Ideal Homes Exhibition, a promotional information and awareness raising exercise prior to the formal engagement stage commencing. We also gathered details of persons who expressed a wish to be kept up to date and be involved with the LDP process or who may wish to engage with the Call for Sites process.
- 3.14 The Onshore Wind Supplementary Guidance is yet to be sent to the Scottish Government, work on clarifying some points included in the SEA is near completion and, provided this is resolved, it is anticipated that the document will be sent to the Scottish Government in October.
- 3.15 A working group to progress the Local Landscape Areas SG has been established and its first meeting is scheduled to happen towards the end of October.
- 3.16 Work is well underway on the draft Placemaking SG, the lead officer on this project is currently establishing a focus group comprising several local architects to assist in the development of the SG and has produced a first draft for internal discussion and scrutiny.
- 3.17 We are in discussion with the Scottish Government about the possibility of running some local training on Designing Streets. The Government's policy on street design emphasises people and place before the motor vehicle and this has implications for both planning and roads policy. We intend that this training opportunity be made available for planners, roads engineers and developers.
- 3.18 The Developer Contributions SG is still at the evidence gathering stage.

## 4.0 Implications

### Strategic

- 4.1 Delivery on Corporate Priorities - The Shetland LDP will become the strategic tool for the Council's spatial development priorities. In conjunction with other Council policies it will contribute to meeting the spatial aims of the Community Plan and the Corporate Plan.
- 4.2 Community/Stakeholder Issues – The Consultation process required as part of the Local Development Plan process has been set out in the Development Plan Scheme. Community and Stakeholder engagement commences at the earliest stages of plan preparation and continues throughout the development of the plan.
- 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 delegated authority to implement decisions within its remit.

Once approved, the LDP forms part of the Council's strategic policy framework as referred to in Section 3(2) of the Governance procedures.

- 4.4 Risk Management – An up to date LDP will ensure the Council can support developments that are in line with its priorities, and avoid challenges to Council decisions. The LDP has been formulated to reflect the Council's priorities.
- 4.5 Equalities, Health and Human Rights - The process to deliver the LDP includes addressing the Council's obligation to comply with equalities legislation and policies. As part of the plan making process the LDP content will be subject to an Equalities Impact Assessment.
- 4.6 Environmental – As part of the plan making process the LDP content will be subject to strategic environmental assessment (SEA). The Planning Authority is also subject to the over-arching requirement to exercise the function (of preparing development plans) with the objective of contributing to sustainable development imposed by The Planning etc. (Scotland) Act 2006.

### Resources

- 4.7 Financial – All costs relating to the Local Development Plan Process are met within existing budgets.
- 4.8 Legal – None.
- 4.9 Human Resources – Work undertaken as part of the Local Development Plan process will be undertaken by established staff. However, the Development Plans and Heritage team has had staff vacancies for most of this calendar year to date which has reduce the team's capacity in the short term, and placed additional pressure on existing staff. This has impacted on the work programme but the priority remains adhering to the Development Plans Scheme for LDP2.

4.10 Assets and Property – None.

## **5.0 Conclusions**

- 5.1 The report highlights the work to produce the next up to date and fit for purpose Local Development Plan that meets statutory requirements, national policy and local priorities and aspirations.

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**Development Committee****08 October 2015****Opportunities for Hydrogen Projects in Shetland****DV- 51-15-F****Report Presented by: Project Manager****Economic Development  
Development Services Department****1.0 Summary**

- 1.1 This report provides the Development Committee with a review of hydrogen research and demonstration projects being undertaken in the UK and further afield that are relevant to Shetland; providing an overview of the type of work being carried out in this sector. The desktop study also highlights projects in Shetland and potential opportunities that could merit further investigation.

**2.0 Decision Required**

That the Development Committee RESOLVE to note the information in this report and discuss any additional research work on hydrogen and the other sources of renewable energy that might be undertaken by Council services.

**3.0 Background**

- 3.1 The Development Committee of 22 April 2015 agreed a scope for the Economic Development Service to undertake some desktop research into opportunities for Shetland in hydrogen research and demonstration projects, looking at examples of work being carried out in other areas of the UK and further afield.
- 3.2 The production of hydrogen from renewable energy is not a new concept in Shetland. Expertise and experience in hydrogen research can be found through the PURE Energy Centre (PEC) in Unst. The PEC developed the Hypod in 2003, one of the UK's first demonstration projects of hydrogen production from renewable energy sources and the use of fuel cells. The Council provided grant

assistance towards this first stage research and development (R&D) project with the majority of funding being raised from outside of Shetland. The office units at the Hagdale Industrial Estate are heated from wind power charging electric storage heaters. The PURE project used surplus wind energy to power an electrolyser that splits water into hydrogen and oxygen. The hydrogen was stored in gas bottles and when there was no wind could be used to produce electricity in a fuel cell, maintaining the heating supply for the office units. PEC also developed a small hydrogen fuel cell car which was run on hydrogen fuel generated at the Hagdale Industrial Estate.

- 3.3 The expertise gained in the Unst project has led to PEC engineers working on numerous hydrogen projects in the UK and overseas, including the Western Isles, Fife and in the Faroe Islands, as well as providing a wide range of energy solutions to customers.
- 3.4 The economics for producing hydrogen from renewables should be more favourable in island locations such as Shetland where there is an exceptional wind resource, yielding much more energy from wind turbines than on the UK Mainland or Mainland Europe. The cost of fossil fuels is also higher in Shetland, due to shipping costs and there is generally a higher energy use per head of population.
- 3.5 In terms of using renewable energy it is most efficient to use the electricity directly where possible, straight into meeting a demand that would otherwise be supplied by fossil fuels. If there is renewable power surplus to requirements, that surplus can be directed into heating demand or stored heat for later use. There is often a good correlation with abundant wind energy and the time when heating demand is high. Renewable electricity can also be stored in various ways, a common method is lead acid batteries as in Foula's electricity scheme. Every time the energy is converted in a battery or used to produce hydrogen you make losses in power during the process of conversion. Storing the energy means electricity can be made available when direct generation is not possible, reducing the level of intermittency of the renewable energy source. There are some significant investments being made in the USA by companies such as Tesla with Government support to scale up production and become a major global exporter of battery technology. Another means of storing the energy is by the production of gas such as hydrogen which can be stored and used on demand to produce electricity through a fuel cell or as a fuel in a combustion engine.
- 3.6 In a situation where renewable energy is abundant but is being constrained off the grid, it is possible to store that energy as hydrogen for use at times of low renewable production; as an alternative back up to fossil fuels. The additional cost to do this can be compared to other forms of backup generation available from fossil fuels or hydrogen as a transport fuel, compared to the cost of running petrol, diesel or electric vehicles. There are a number of factors that could change the economics of such a project. These include: availability of funding for capital costs; fluctuations in fossil fuel costs; the amount of surplus power available and costs of electricity being constrained off grid; reducing the capital cost of components, through new and improved technologies; changes in the incentives for renewable



energy production and the resulting value of renewable energy supplying the grid.

- 3.7 Currently in Shetland, new connections of renewable energy to the grid, larger than a G83 connection of 3.85kW per phase, are granted connection under the NINES project and are offered a constrained managed connection. This means that renewable generators may be switched off by the grid operator when there is overcapacity and the grid can't cope with any more renewable energy. This uncertainty of the amount of electricity that can be supplied to the grid makes it more difficult to secure finance for projects with constrained contracts. It is only recently that new projects are being issued with this type of contract and project developers are focussing on alternative uses for the power produced, along with better matching of power generation to demand. A good example of this is the biomass plant at Gremista that can utilise energy from the wind turbine in the drying process of biomass if it has to be constrained off the grid, particularly in summer and at times of lower electricity demand. Fetlar Developments is also installing a system where generation is matched to heating load and an electric vehicle so that they can utilise all electricity generated on the island by the two wind turbines. The financial model is based on zero export to the grid.

## **4.0 Detail**

- 4.1 In this report I have highlighted a few of the recent projects being developed that are most relevant to Shetland and demonstrate what stage the hydrogen industry is at in Scotland.

### **4.2 Examples of Hydrogen Projects**

- 4.2.1 Over the last ten years there has been a lot of development work on hydrogen fuel cells, their efficiency and reliability and lifecycles improved. Car manufacturers such as Toyota are widely publicising the first production models starting to find their way onto public roads; as other hybrid technology and electric vehicle models have done in the past 18 years. The introduction of hydrogen vehicles has to advance along with the introduction of refuelling infrastructure and hydrogen production. In order for hydrogen to be a clean source of power it has to be produced from renewable energy.
- 4.2.2 The technology for hydrogen production from electrolyzers is long established, companies such as Norsk Hydro have been working in this field for over 80 years producing hydrogen for fertilisers using power from hydro-electric plants. There are many ways of storing hydrogen and this has seen a number of recent developments for the transport sector with high pressure tanks and the development of metal hydride alloys that can absorb hydrogen and release it again. The development of fuel cell technology and materials used in the process have also seen a considerable amount of R&D work. Many fuel cell components are readily available on the market and are beyond the trial and demonstration stage but overall these components cannot yet be classed as mainstream technology. Most

projects have significant public sector funding towards capital costs, that are generally high when compared to a fossil fuel alternative, but these costs will come down with commercial development and as the market grows for the technology.

- 4.2.3 The business case for the use of renewables to produce hydrogen should work best in locations such as Shetland with abundant renewable energy resource, where circumstance of grid constraints and fossil fuel costs are highest. Fossil fuel prices have dropped recently but it is more than likely these will rise again in the longer term. The value of onshore wind power to supply grid electricity will be compared with its value as an alternative fuel for heating or transport fuel.

#### 4.3 Fife – Methil Dock No 3

- 4.3.1 The Hydrogen Office in Methil uses power from a 750kW wind turbine along with the Fife Renewables Innovation Centre and Methil Boat Club. The excess electricity is fed into an electrolyser and the remainder sold to the grid. The Electrolyser is a 30kW Alkaline model by Erre Due and was installed by the PURE Energy Centre. Hydrogen is stored in a 7500kg stainless steel tank that stores 11 kg of hydrogen at 12 bar pressure. This is a low ratio of hydrogen to tank weight. Once the turbine is generating more than 80 kW for over 10 minutes the controller switches on the electrolyser and 30 kW is diverted to the electrolyser to produce hydrogen. If during office hours of 9am – 5pm the turbine power dips below 10kW average over 10 minutes the fuel cell cuts in and provides power to the offices, meeting rooms, servers and electric vehicle charging. When the turbine starts producing more than 10 kW again the wind power is restored.
- 4.3.2 At the moment the office has 10 Renault Kangoo electric vans with hydrogen range extenders of 200 miles, fuelled by the wind turbine at the hydrogen office. The project aims to increase the vehicle fleet with 10 Ford Transits, diesel & H2 mix; 2 refuse collection vehicles, diesel & hydrogen mix. The vans can be leased by local businesses for months or years. These partners will be operating Europe's largest fleet of hydrogen vehicles.
- 4.3.3 The aim is to create the Methil site as a leading demonstrator of innovative applications of hydrogen derived from renewables. Partners in the project include Leven Valley Development Trust, Fife College, BOC (for hydrogen transport), Green Business Fife, Community Energy Scotland, and Scottish Hydrogen Fuel Cell Association. The project attracted £4 million from the Scottish Governments Local Energy Challenge Fund. The latest stage will see two 60kW electrolysers installed with storage and dispensing of hydrogen. The project helps deliver a hydrogen refuelling infrastructure with refuelling available at Fife Council's Bankhead dept in Glenrothes and Methil.

#### 4.4 Orkney Surf 'n' Turf – Eday Hydrogen Project

- 4.4.1 Orkney has an electricity grid connection across the Pentland Firth to the Scottish Mainland but often they have more renewable energy on the grid than the island requires and the export cable is at capacity. There are some renewable generation projects that are being constrained off grid for more than 50% of the time. The island of Eday is a case where excess power is to be put into the production of hydrogen rather than turning turbines off.
- 4.4.2 The island of Eday has a 900kW community wind turbine that supplies power to the Orkney grid and EMEC also has a connection from its tidal stream test site to an onshore connection on Eday. The community were in a situation that its wind turbine was being constrained off the grid much greater than predicted. This was not going to be economic in the long term for the community turbine. A project was developed to look at how to overcome the grid constraints on the island and make good use of the renewable electricity being generated by wind and tide.
- 4.4.3 The decision was made to use renewable generated electricity to produce hydrogen on Eday by powering a 500kW electrolyser. The hydrogen would be stored in cylinders with a capacity of 500kg. The hydrogen could be further compressed and shipped off the island by the car ferry to Kirkwall where it could be converted back to electricity in a fuel cell, generating power for facilities at the harbour and shipping berthed there. The installation in Kirkwall is also to be used to simulate conditions on a ship and provide a test bed for this use of hydrogen as well as a training facility. The total cost of the project is £1.8 million. It allows constraints on the Eday windfarm to be removed and a further £165k pa of income to the community windfarm. It is estimated that there will be a saving of £16k pa on harbour electricity once transport cost is accounted for and there will be the benefit of the training facility. It is also estimated that there will be a 10 year payback on the investment in the project but it should be noted that the renewable generation of wind and tide is already in place.
- 4.4.4 The funding for the project is mostly from the public sector, including £1.46m from the Scottish Governments Local Energy Challenge Fund which is split £1,175,200 grant and £288,800 loan.

#### 4.5 Utsira

- 4.5.1 In 2003/2004 Norsk Hydro together with German wind turbine manufacturer, Enercon set up the first large scale stand alone wind/hydrogen plant in Utsira, Norway. Utsira is a grid connected island that lies 20km off the Norwegian coast, near Haugesund. I visited the plant at the opening of the project along with Ross Gazey who was working on the Unst Pure project at that time. The Utsira wind/hydrogen scheme

provided the sole supply to 10 houses on the island. The wind power supplied electricity to the island grid and an electrolyser which produced hydrogen. The hydrogen was then compressed and stored. The hydrogen could be used in a fuel cell to generate electricity when the wind was not blowing. The system also used a flywheel to improve the quality of renewable power connecting with the grid. The project was successful in trialling all these technologies on Utsira; demonstrating a safe, reliable and robust electricity supply on the island.

- 4.5.2 The project also looked at how the wind power and fuel cell worked together in meeting the electricity demand of the island homes; how often the hydrogen back up was required and the frequency the system switched between wind and fuel cell. The project achieved its aims but also concluded that in order to compete with wind and diesel, the full utilisation of any surplus power should be considered, also the potential for hybrid solutions with PV, biofuel and diesel allowing for smaller hydrogen storage but also the utilisation of heat. It also noted that, in considering the location of such a project, access to service engineers and a backup supply were important factors to consider.

#### 4.6 German Energiepark Mainz

- 4.6.1 Possibly Europe's largest hydrogen project was opened in July this year at Energiepark Mainz. There is a push in Germany for reducing CO2 emissions, cutting pollution and also establishing an H2 refuelling infrastructure. The Linde group, that is involved in a number of hydrogen project claim to have 90 refuelling station in 15 countries. By the end of 2015 Germany will have 50 H2 refuelling stations, Japan will have about 100.
- 4.6.2 The partners of the Energiepark Mainz development include leading municipal utility company Stadwerke Mainz AG, Linde Group, Siemens AG and the RheinMain University. The energy park uses clean energy from wind power and solar to produce hydrogen. The project has cost around 17 million Euro. There are times of low demand that wind and solar power is being switched off the grid in the area, so the Energiepark Mainz uses this energy to break down water into Hydrogen and Oxygen. The park could produce enough hydrogen to run about 2000 fuel-cell cars. Most of the hydrogen is stored on site with tankers being used to supply fuelling stations. Some of the hydrogen can be fed into the mains gas distribution grid for heating fuel.
- 4.6.3 The Linde group is responsible for the purifying, compression, storing and distribution of hydrogen. Siemens deliver the electrolysis and, at 6MW, claim it as the largest such plant in the world. The energy park helps in managing and stabilising the power on the distribution grid that is also connected to 4 wind farms. The Linde group believe that hydrogen storage can compare well with the cost of pumped storage-hydroelectric plants. These demonstration projects aim to build the

experiences and skills so the technologies can be commercialised cost effectively.

- 4.6.4 The Brandenburg Airport in Berlin is another example of a German project that has a new green hydrogen hub uses a 500kW electrolyser that can produce about 200kg/day of hydrogen which is enough to refuel about 40 to 50 fuel cell electric vehicles. The hub also caters for electric vehicles.

#### 4.7 Alternative Fuels for Zero Emissions Ferries

- 4.7.1 Ferries and the cost of running them is always an area of considerable interest in Shetland. The hydrogen powered ferry, with hydrogen produced from wind or tidal energy is often quoted as the ultimate green energy solution. A number of projects have looked at using hydrogen on vessels but mostly to provide power to electrical systems or a small load on the ship rather than the main propulsion system. A very small passenger ferry in Bristol is powered by hydrogen but this is not comparable to the ferries we are operating in Shetland. Caledonian MacBrayne Ferries has successfully been operating hybrid diesel/electric ferries that use battery storage and have significantly cut their running costs with this. They claim a 20% reduction in diesel during summer peak sailings but in winter, at quieter times the vessels can run 100% on battery power. The effectiveness of a hybrid technology or use of alternative fuel depends on the type of crossing made by the ferry.
- 4.7.2 In 2015 the Norwegian ferry company Norled introduced its first zero emission, electrically powered ferry. The design came from partnership with Norwegian shipyard Fjellstrand and Seimens. The vessel travels across the 6km, 20 minute route 34 times per day. It is an 80 metre vessel (the Yell Sound Ferry Daggr is 65m), powered by two electric motors with an output of 450 kW. Both motors are powered by lithium-ion batteries. The batteries have a combined capacity of 1,000 kWh, which is enough to make a few trips across the route before needing to be recharged. To get around the range problem the ferry gets a full recharge overnight and during each docking plugs into a 260kWh lithium-ion battery housed at the pier. The onshore batteries are trickle fed by the local distribution grid. This only gives a recharge at each end of the crossing of about 10 minutes or so as passengers disembark. The use of batteries at each pier were because the local electricity grid at this location was particularly weak and if you put a load on the grid, such as that required to recharge the ferry, it would cause problems to the supply in the local communities. The battery option was a more cost effective option with a steady trickle charge from the grid. It was also a cheaper option than upgrading the grid.
- 4.7.3 The vessel was designed from the ground up as an electrically powered ferry. With a streamlined twin hull and made of

aluminium it is only half as heavy as a conventional steel ferry, despite its 10 ton battery, 360 passenger capacity and 120 vehicles. In comparison to the emission free, hydro powered electric ferry, a conventional ferry on the same route will use 1,000,000 litres of diesel, emitting 2680 tons of CO<sub>2</sub> and 37 tons of NO<sub>x</sub> each year.

- 4.7.4 There is a project in the USA to look at a hydrogen fuel cell powered passenger vessel. A supply of hydrogen for a ferry is in a different scale to that of cars. The passenger ferry in the USA was looking at 1,000 kg per day of hydrogen compared to a car using about 5kg a week.
- 4.7.5 Caledonian Marine Assets Ltd (CMAL) is the lead partner in a project to develop a hydrogen powered ferry with Ballard Power Systems (Canada), BAE Systems Controls (USA), Imtech (Netherlands), Logan Energy (Edinburgh) and St Andrews University.
- 4.7.6 The project has entered phase 2; the development of a conceptual design which can be applied to a CMAL passenger/ vehicle platform, based on CMAL's current HiBrid Ferry. This phase is due for completion by December this year.
- 4.7.7 The project is researching an extensive range of topics to develop the concept design as follows: Powering requirements; propulsion systems; hydrogen storage capacity on board the vessel; fuel cell availability; fuel cell capacity and capabilities; control and integrated power management systems; redundancy capabilities; classification and regulatory conditions, safety at sea MCA/ SOLAS; training, competency, capability; shore infrastructure; costs and finance.
- 4.7.8 Once completed this report will be presented to Transport Scotland and Scottish Enterprise to be evaluated and consider the next steps. The next phase would involve sourcing funding to do a scaled proof of concept and evaluation of all available components "String Test"; to come up with ultimately the most feasible and best approach to the building and deployment of a hydrogen driven sea going vessel. An update on this project should be available by the end of 2015.

## **5.0 Funding**

- 5.1 There are a number of different funding mechanisms that can be explored, depending on the technology or type of organisation involved in a project. The available funds change fairly regularly and sometimes more specific, targeted funds have often a narrow window for expressions of interest or application. I have provided details of a few funding examples. In the Economic Development Service we can help search for schemes best suited to a potential applicant's project idea.

## 5.2 Low Carbon Infrastructure Transition Programme

The Scottish Government funding scheme considers support for a broad range of low carbon technologies and infrastructure. Details of the scheme and eligibility can be found on the Scottish Government [website](#). The scheme is open to SMEs, Non SMEs and Local Authorities among other organisations. The scheme is managed locally in Shetland by HIE with support from their energy unit in Inverness.

## 5.3 CARES Innovation and Infrastructure Fund

There are three hydrogen related projects that have been assisted under the CARES Innovation and Infrastructure Fund, including a feasibility study of the Eday project and the Unst Partnership study. The third project is a feasibility study in the Western Isles. This is looking at how to develop the Outer Hebrides Local Energy Hub (OHLEH) as a springboard for regional scale community led implementation of hydrogen infrastructure; that could see community generated hydrogen fuelling for road transport, as well as providing power and heat from indigenous fuel. This project aims to use existing and new hydrogen generation infrastructure to help bring on additional renewable energy capacity in the Stornoway area presently constrained by grid capacity issues. This includes two hydrogen CHP technologies, fuel cell and combustion engine, demonstrating the use of hydrogen for transport fuel for light vehicles and buses and developing the local supply chain with skills required. This fund has moved on from feasibility to the second stage funding of demonstration projects.

## 5.4 SMART Feasibility Call

Scottish Enterprise SMART Feasibility Call targets SMEs, offering funding up to £100,000 to help develop an innovative and efficient mobile hydrogen refuelling infrastructure for Scotland's islands and remote communities. This scheme was announced in late August and was to close on 30th September 2015.

# 6.0 **Shetland Hydrogen Projects**

## 6.1 Unst Partnership

The Unst Partnership has been awarded a grant from the Scottish Governments CARES Innovation and Infrastructure scheme to study the feasibility of producing hydrogen, nitrogen and oxygen gases on Unst using a smart management system to utilise grid constrained renewable energy. It will evaluate how these gases can be used to positively benefit markets and industries present on the island with the provision of a natural clean fuel source and stable price from local energy production. It will seek to identify a smart off grid and grid balancing solution. The report will be publicly available and is due to be completed in March 2016.

## 6.2 Shetland Islands Council Hydrogen Project Proposal

- 6.2.1 The Council's Estate Operations and Carbon Management Team are looking at a number of carbon saving and alternative heating and transport fuel options, for the future replacement of Council infrastructure. Options include the use of large hot water storage tanks for heating that are compatible with SSE's NINES (Northern Isles New Energy Solutions) project. The Council is already using biomass heating at Sella Ness and the department are currently working on a draft funding application towards a feasibility and demonstrator project to trial hydrogen as a viable alternative for heating, power and transport fuel from renewable energy.
- 6.2.2 The project would use the Gremista depot for the trial. This is also the base for their engineers and electricians, allowing them to develop skills working with the hydrogen scheme. The project will inform the Council in its future replacement of oil fired boiler installations across the islands and evaluate hydrogen as a viable alternative to fossil fuels for heating, power and as a transport fuel. The project aims to attract funding from the Scottish Government's Low Carbon Infrastructure Transition Programme (LCITP). It will utilise wind power at the Gremista site but aims to be able to use power from other renewables in the area that would otherwise be curtailed off the grid. Basing such a project at the Gremista site allows the Council to develop the skills to work with the gas as a source of heat and power and give engineers first-hand experience of working with the technology. Its location is also near the Lerwick district heating scheme and various transport depots which could be useful if the project were to be expanded or for future diversification and partnership working with other organisations.

Full details of this project are to be presented at the Environment and Transport Committee on 6 October 2015.

## 6.3 Future Potential for Renewable Energy and Hydrogen

- 6.3.1 The Economic Development Service has been approached by private sector and community developers looking into the potential for the production of hydrogen and other gases generated from renewable energy, these have been at an early investigative stage. For confidentiality reasons the interested parties aren't named but this indicates that business opportunities in the sector are being considered. As renewable energy is constrained off the local electricity grid there is greater interest in alternative uses for renewables and products such as gases and fuels.
- 6.3.2 The two Shetland projects mentioned in 6.2 are both good examples of research and pilot projects that could be a catalyst for developing hydrogen infrastructure in Shetland. The projects would provide opportunities to develop first-hand skills



and knowledge in the area of hydrogen production and its everyday use in a local context.

6.3.3 The site at Gremista is a good location for a pilot hydrogen project and is on a manageable scale, trialling a number of practical uses. If proven to be successful, the model could be scaled up. Prior to the NINES scheme the team at the waste recovery plant along with SHEAP, the Council's Energy Unit and the Economic Development Service had an outline proposal to supply the energy recovery plant and recycling centre with wind power; provide an additional heat source for the Lerwick district heating scheme, combined with a thermal store to provide grid management of the renewables. In addition, surplus power could be used to produce hydrogen for use in a CHP plant or fuel cell; the heat again being used in buildings or district heating and power to the energy recovery plant or customers on the SBS base. There was also the potential to use the hydrogen for bottled gas as an alternative to natural gas from hydrocarbons.

6.3.4 The technology has moved on since that initial concept, particularly in the development of smart systems for grid management, the production of hydrogen and the use of fuel cells. The use of renewable energy for heating, thermal storage and district heating has also become the focus of national energy strategies. The technological risk associated with the application of these newer technologies reduces with the number of demonstration and pilot projects providing track record of their use. The Council concept at the waste to energy plant did not go ahead in its entirety but the components for this project are all still there. There was design work undertaken for the thermal store; there is the asset of the district heating scheme with customers for the heat. It is now several years on but there is now a greater need to find an alternative heat source for SHEAP. In terms of renewable generation there is now almost 4 MW of privately owned wind power within the vicinity of the site under NINES connections and a source of biomass heat. As a potential renewable energy and carbon reduction project this would cover most bases and have the potential to develop an infrastructure for the use of alternative fuels sourced from renewable energy into heat, power and transport fuel. It would be a relatively large scheme and associated capital cost, requiring partnership working from public and private sector. The idea could merit further investigation considering the potential benefits to a number of parties and ultimately reducing imports of fossil fuels to Shetland and our island communities CO2 emissions.

## **7.0 Implications**

### Strategic

7.1 Delivery on Corporate Priorities – This report links to the Council's Corporate Plan 2013-17, which sets out a range of priorities to more effectively and efficiently organise the Council's business.

The actions detailed in this report aim to meet the following pledge in the Corporate Plan 2013 – 2017:

“continue to work with communities to identify projects which would be successful, achieve the highest possible return from community assets, strengthen communities and create jobs in remote areas”.

7.2 Community/Stakeholder Issues – None.

7.3 Policy and/or Delegated Authority – This report has been prepared with regard to the pledges contained in the Council’s Economic Development Policy Statement 2013-2017. The Policy Statement was approved by the Development Committee on 14 January 2015 [Min Ref: 01/15].

The scope of the work fits with specific policy section 4.1 “Contribute to national regional and local policies on renewable energy development”; Section 4.2 “Support research and development of projects in renewable energy across the isles, in homes, businesses and community organisations.”

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 contents of this report relates to policy and work undertaken within the Development Directorate, the Development Committee has delegated authority to make a decision.

7.4 Risk Management – None

7.5 Equalities, Health and Human Rights – None.

7.6 Environmental – None.

7.7 Financial – There are no financial implications arising from this report as research work any research work will be carried out by the Economic Development Service staff within current budgets.

7.8 Legal – None.

7.9 Human Resources – The work will be conducted within the Economic Development Service.

7.10 Assets and Property – None

## **8.0 Conclusions**

8.1 There is certainly potential in Shetland for increased use of renewable energy and alternative fuels such as hydrogen but the economics of such projects will have to be examined carefully under various scenarios, to develop a robust business case and certainty of costs and benefits. There is an important decision yet to be made over what

future power production in Shetland will look like, and this does complicate decision making in the energy sector.

- 8.2 Towards the end of 2015 there should be a clearer idea of what a new energy solution for Shetland will look like with options for a replacement of the Lerwick power station having been considered by Ofgem. In the summer of 2016 we should also know what the decision is on an interconnector between Shetland and the National Grid.
- 8.3 The impact of the Government's changes to the renewable energy incentive schemes will be an important factor in determining the development of new renewable energy and low carbon projects in Shetland, including the use of renewable power to produce hydrogen.
- 8.4 The results of the Unst Partnership study will be available in March 2016 and provide a view on a potential market for gas produced from renewable energy. The Economic Development Service is always keen to hear from businesses or communities with new ideas and concepts for renewable energy projects and see where we can help.

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List of Appendices

None

Background Documents

None

ENDS





**Development Committee  
Policy and Resources Committee**

**8 October 2015  
26 October 2015**

<b>Review of Community Grants</b>	
<b>DV-57-15-F</b>	
<b>Executive Manager – Community Planning &amp; Development</b>	<b>Development Services</b>

## **1.0 Summary**

- 1.1 The purpose of this report is to present the findings from the review of Community Grants and to seek Committee approval for the proposals that have emerged from this review.

## **2.0 Decision Required**

- 2.1 That the Development Committee RECOMMENDS that the Policy and Resources Committee Resolves to:
- 2.1.1 Approve the new grant aid scheme 'Support to Community Facilities' as outlined in Section 4 and Appendix C of this report to the groups listed in Appendix B, subject to budget approval during the budget setting process in December 2015;
  - 2.1.2 Award delegated authority to the Director of Development Services, or his nominee, to approve grant payments within the scheme guidelines, subject to available budget;
  - 2.1.3 Review the new grant aid scheme in year 3 of the new scheme;
  - 2.1.4 Note the support that will continue to be provided to all community groups and voluntary organisations in Shetland from within Community Planning & Development and other services of the Council detailed in paragraph 4.8;
  - 2.1.5 Close the existing Support Grant Aid and Grounds Maintenance Scheme on 31 March 2016.

### 3.0 Background

- 3.1 The Council has operated a range of community grant schemes dating back to the 1990s and earlier. These grant aid schemes, which have been periodically subject to review, have been available to assist community groups and voluntary organisations with a range of activities and projects. Over the years a number of the Council's community grant aid schemes have been part funded by Shetland Charitable Trust.
- 3.2 On 9 October 2013, the Council approved a report entitled "Community Planning and Development Review" (Min Ref 92/13). This report agreed a number of changes to the Council's Community Planning and Development (CP&D) Service including significant changes to its community grants function.
- 3.3 As part of the CP&D review the following grant aid schemes were closed with effect from April 2014:
- Capital grant aid scheme
  - Development grant aid scheme
  - Feasibility & Design grant aid scheme
  - Grants to Voluntary Organisations (General) scheme
  - Maintenance of Community Facilities grant aid scheme
- In addition to this, it was agreed that the Support Grant Aid Scheme and Ground Maintenance Scheme be continued in 2014/15 but with groups receiving 25% less funding and the intention that both schemes would be phased out over a one year transitional period.
- 3.4 In May 2014, a Project Board was set up to oversee the Review of Community Grants. The Community Grants Project Board consists:
- Executive Manager – Community Planning & Development
  - Executive Manager – Sport & Leisure
  - Director – Infrastructure Services
  - Chief Executive – Shetland Charitable Trust
- 3.5 Consultation on the changes to community grants commenced in May 2014 and was completed in early July 2014. The consultation process involved issuing 468 survey forms to local community groups and voluntary organisations. CP&D staff also held focused workshops with representatives of youth centres and rural sport facilities.
- 3.6 A total of 115 responses (24.57%) were received to the survey which highlighted the impacts and challenges of reducing grant budgets, as well as illustrating priorities for a future grant aid scheme. Young people and community facilities were identified as the main priority groups from the survey. These priorities were consistent with previous grant aid reviews carried out in 2004 and 2011 which also confirmed that funding should be targeted at young people and community facilities.
- 3.7 It was also noted in the 2014 survey that many of the community groups who responded had done little or nothing to prepare for closure of the Support Grant Aid Scheme and Ground Maintenance Scheme in March 2015.

- 3.8 In December 2014, the Council approved a report entitled “Review of Community Grants” (Min Ref 94/14). This report agreed that the Support Grant Aid Scheme and Ground Maintenance Scheme transition year should be extended for a further year in 2015/16 on a cash standstill basis. The decision also allowed CP&D staff more time to work with the community groups in receipt of grant aid to prepare them for the schemes closure in March 2016.
- 3.9 From April to June 2015 officers in CP&D contacted all community groups currently receiving transition funding from the Support Grant Aid Scheme and Ground Maintenance Scheme. These meetings were held in order to establish how groups were preparing for the closure of the grant schemes in March 2016.
- 3.10 A total of 94 meetings and/or telephone conversations took place with affected groups, with all indicating that they were actively considering how to become self sustainable. As part of the meetings the groups were asked to give themselves a “red/amber/green” status to indicate how they viewed their future without ongoing grant assistance. A “green” status meaning they had a positive outlook, an “amber” status meaning that they were unsure and a “red” status representing the outlook was negative.
- 3.11 Following careful examination of data gathered a number of key observations were made, which are highlighted below. A summary of the groups self evaluation of status is as follows:

Green status	-	22
Amber status	-	53
Red status	-	19

The type of community group’s status results are detailed as follows:

Type of group	Green	Amber	Red	Total
Youth centres	0	4	4	8
Sports facilities	2	2	5	9
Youth clubs	2	9	2	13
Sports clubs	11	18	5	34
Preschool groups	6	14	2	22
Uniformed organisations	1	6	1	8
<b>TOTAL</b>	22	53	19	94

The location of community group’s status results are detailed as follows:

Location of group	Green	Amber	Red	Total
Lerwick & Bressay	8	11	1	20
North Isles	0	15	4	19
Shetland Central	3	5	5	13
Shetland North	2	8	3	13
Shetland South	5	7	3	15
Shetland West	4	7	3	14
<b>TOTAL</b>	22	53	19	94

- 3.12 The feedback identified that a number of the community groups with a “green” or “amber” status had chosen this status on the assumption that their local facility - also grant funded – would remain affordable and accessible.
- 3.13 The majority of groups indicated that the loss of grant aid would lead to increased charges and more work being done on fundraising/sponsorship. Many groups also cited reducing activities, seeking efficiencies and seeking external funding. More voluntary effort was also suggested, with a significant number of groups expressing concerns about volunteer fatigue.
- 3.14 Another recurring observation was concerns from groups managing community facilities. The highest percentage of groups with a “red” status is youth centres and sports facilities. Many of these groups expressed concerns about becoming entirely self sufficient and outlined significant challenges of asset disposal and potential liabilities should these facilities become redundant in the future.
- 3.15 Over the summer months a number of meetings took place between officers of CP&D and the Sport & Leisure Service to discuss future priorities and proposals for the grant aid scheme and also the current situation whereby CP&D provide grant assistance for the ground maintenance of rural sportsfields, which is then in part paid to the Sport and Leisure Services for specialist ground maintenance works done by them to these pitches i.e. verti-draining, fertiliser and weed spraying. It was agreed that this arrangement was inefficient and should be amended in any future grant aid schemes to ensure that the specialist ground maintenance works done to these sportsfields is included as an in-kind contribution along with any award of grant assistance. It was also acknowledged that this proposal, if agreed, would require the Sport and Leisure Service to reduce its income budgets by approximately £5,000 per year in the future.
- 3.16 During this review it was also noted that many of the rural sportsfields were either not charging for the use of their sportsfields or were charging a different amount from other sportsfields. Therefore, it was highlighted that these groups were missing out on a potential source of income to help with their sustainability. Therefore, it was agreed that as part of a new grant aid scheme groups should be required to agree to a consistent set of charges for use of their facilities, which would be in line with the charges made by Shetland Islands Council and Shetland Recreational Trust. These charges would be for formal use of the sportsfields i.e. football matches rather than informal play on them by children.
- 3.17 The Council’s community grants budgets in 2015/16 are £123,750 with a further £54,241 being provided by Shetland Charitable Trust. The Council’s budget consists of £32,000 core budget plus a £91,750 carry forward from 2014/15. The Council’s indicative community grant budget for 2016/17 is £32,000. The Shetland Charitable Trust has approved a new financial plan in 2015 which requires the Trust to reduce its expenditure from £11 million to £8.5 million per year in order to become self sustaining. The Trust accepted the closure of the Support Grant Aid Scheme as part of its budgeting process. The Trust is currently not open to new bids. It should be noted that these budget figures exclude funding provided to Community Councils. A breakdown of yearly budgets is attached as Appendix A.



## 4.0 Proposals

4.1 It is proposed to increase the CP&D community grants budget from £32,000 to £80,000 for financial year 2016/17. This budget increase will be achieved through a reallocation of resources within CP&D from Fairer Shetland to Community Grants. This reallocation is possible as a result of drawing in European Social Fund external funding, matched at 50%, therefore increasing the financial resources available to the Council to address poverty and isolation. In addition community groups such as youth centres and sports clubs have an important and valuable role in providing inclusive activities and reducing isolation, which are in line with the aims of the Fairer Shetland framework.

4.2 It is proposed to create a new closed grant aid scheme entitled “Support to Community Facilities”. This scheme will support a number of community facilities across Shetland. Based on the findings and feedback received during the Community Grants review funding will primarily be targeted at strategic community facilities and Youth Services provision rather than funding activities and projects.

4.3 It is proposed that the new scheme will continue to support 21 eligible community groups operating the following types of community facilities:

- Sports facilities
- Youth facilities (Youth centres and youth club buildings)

It is proposed that a new combination of financial and “in kind” support will be provided by the Council going forward to eligible groups. It is anticipated a proposed budget of £80,000 will be sufficient resources required to support the eligible community groups as detailed in Appendix B.

4.4 The level of funding available and new conditions of the proposed scheme is highlighted as follows:

### Sports facilities

- Maximum grant up to 75% of eligible costs up to £3,000.
- Council to provide a combination of financial support and “in kind” ground maintenance works for sportfields.
- Groups will be required to agree a consistent set of charges for use of their sports fields, along with Shetland Recreational Trust and the Council.

Groups will be required to provide match funding for the grant assistance through fundraising activities and/or seeking sponsorship. It should be noted that the “in kind” works detailed above should cover specialist tasks such as verti-draining, fertiliser and weed spraying. The Sport & Leisure Service currently charge community groups for this service.

### Youth facilities

- Maximum grant up to 75% eligible costs up to £12,000
- Grants for 2016/17 to be cash standstill on current year awards
- Groups supported to seek out efficiencies
- Groups supported to diversify activities where possible and identify new hires and further efficiencies / income generation opportunities

- 4.5 A copy of the Support to Community Facilities guidelines are attached as Appendix C.
- 4.6 It is proposed that the Support to Community Facilities scheme run for an initial period of 3 years starting from financial year 2016/17. This should provide eligible groups with a period of stability and support. In year 3, it is proposed that CP&D carry out another review of community grants to determine that funding is still being targeted at those most in need.
- 4.7 Members should note that if these proposals are agreed the existing Support Grant Scheme and Grounds Maintenance Scheme will close in March 2016. The effect of this change will be that from April 2016 over 70 youth groups and sports clubs will cease to receive any financial support from the Council and/ Shetland Charitable Trust. These groups will have to become self financing next year but may be able to access occasional financial support from their local Community Council or external funding sources.
- 4.8 Officers in CP&D will continue to work with community groups and provide a wide range of support and advice including:
- Support at committee meetings
  - Project planning & community consultation
  - Business planning and becoming self sufficient
  - Identifying and applying for external funding
  - Governance advice
  - Signposting and information sharing
  - Identifying training needs & delivering courses

## **5.0 Implications**

### Strategic

- 5.1 Delivery on Corporate Priorities – This report links to the Council's corporate priorities, as defined in its new corporate plan. Specifically this report contributes towards the Council's priorities on supporting young people and encouraging community strength.
- 5.2 Community/Stakeholder Issues – Building on the 2014 community grants survey, one to one conversations were held with 94 community groups, which gathered further information and feedback from the comments received in the 2014 community grants survey. Discussions also took place within CP&D and with staff at Sport & Leisure, Youth Services and other stakeholders. The consultation highlighted that community groups were actively seeking solutions to become self sufficient, but many groups had concerns.
- 5.3 Policy and/or Delegated Authority – In accordance with Section 2.3.1 of the Council's Scheme of Administration and Delegations, the Development Services Committee has delegated authority to take decisions in relation to those functions within its remit which include community development and the voluntary sector. However, the Policy and Resources Committee has overall responsibility for the co-ordination, control and proper management of the Council's financial affairs.

- 5.4 Risk Management – There is a risk that closure of the Support Grant scheme and Grounds Maintenance scheme may leave a number of community groups struggling to exist. There is a risk that future grant budgets may have to be further reduced in line with Council spending priorities. CP&D, Youth Services and Sport & Leisure staff will continue to support community groups wherever possible.
- 5.5 Equalities, Health and Human Rights – the proposals in section 4 of this report is designed to ensure that grant funding will continue to be targeted at groups working with young people and providing facilities for young people. This is in line with consultation feedback and links to Council priorities.
- 5.6 Environmental – The proposals reduce the risk of community assets falling into disrepair, becoming redundant or a liability to the community.

## Resources

- 5.7 Financial – CP&D are proposing a recurring community grants budget of £80,000 with effect from financial year 2016/17 by re-prioritising the allocation of resources within the service. The budget proposals are subject to approval during the Council's annual budget setting process

The proposal to provide in-kind specialist ground maintenance work for sportsfields will mean a reduction in income of approximately £5,000 for the Sport and Leisure Service. This reduction in income will be met from within existing budgets.

- 5.8 Legal – None.
- 5.9 Human Resources – None.
- 5.10 Assets and Property – The proposals reduce the risk of community assets falling into disrepair, becoming redundant or a liability to the community.

## **6.0 Conclusions**

- 6.1 The Community Grants review has taken place over the past two financial years which included a period of transition funding to groups from the Council's two existing grant aid schemes, namely the Support Grant Scheme and Grounds Maintenance Scheme. Community consultation has confirmed that groups are working hard to become self sufficient. Extending the transition period by one more year into 2015/16 has provided more time for groups to prepare for the removal of grant aid. However it is also recognised that the removal of grant aid in March 2016 will have significant impacts on many community groups going forward. In particular, community groups operating community facilities are likely to struggle without ongoing grant aid due to the higher running costs associated with operating facilities.

- 6.2 Feedback from the consultation and 1:1 meetings identified that future grant funding be prioritised on young people and community facilities. Having examined the feedback and listened to community groups, it is proposed that the most appropriate use of grant aid in the next few years would be to continue supporting those groups who are operating community facilities that benefit young people. Therefore the proposal to create a new closed grant aid scheme entitled "Support to Community Facilities" will allow a period of stability for the groups operating community facilities and provide more time for them to develop new income streams and seek out further efficiencies.
- 6.3 It is proposed that CP&D will carry out a further review of community grants in three years to establish how the voluntary sector is coping with closure of the Support Grant Scheme and Grounds Maintenance Scheme. It will also provide an opportunity to determine if grant funding is still being targeted at those most in need and what outcomes have been achieved over the three year period of the new scheme.

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Date: 01 October 2015

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List of Appendices:

Appendix A – Community Grants budget allocations  
Appendix B – Eligible groups  
Appendix C – Support to Community Facilities guidelines

ENDS

## Community Grants budget allocations

## Shetland Islands Council – Community grants

Grant scheme	2013/14 (£)	2014/15 (£)	2015/16 (£)	2016/17 (£)
Capital (including Feasibility & Design)	122,000	0	0	0
Development	50,000	0	0	0
Grants to Voluntary Organisations (General)	5,000	0	0	0
Grounds Maintenance	45,000	33,750	33,750	0
Maintenance of Community Facilities	0	0	0	0
Support	100,000	90,000	90,000	0
Support to Community Facilities	0	0	0	* 80,000
<b>TOTAL</b>	<b>322,000</b>	<b>123,750</b>	<b>123,750</b>	<b>* 80,000</b>

## Shetland Islands Council - Community Council funding

Grant scheme	2013/14 (£)	2014/15 (£)	2015/16 (£)	2016/17 (£)
Community Council core budgets	158,048	158,048	158,048	*158,048
Community Development Fund grants	68,000	68,000	68,000	*68,000
<b>TOTAL</b>	<b>226,048</b>	<b>226,048</b>	<b>226,048</b>	<b>* 226,048</b>

## Shetland Charitable Trust – Community grants

Grant scheme	2013/14 (£)	2014/15 (£)	2015/16 (£)	2016/17 (£)
Development grants	14,272	0	0	0
Support grants	72,321	54,241	54,241	0
<b>TOTAL</b>	<b>86,593</b>	<b>54,241</b>	<b>54,241</b>	<b>0</b>

## Combined budgets

Grant scheme	2013/14 (£)	2014/15 (£)	2015/16 (£)	2016/17 (£)
Shetland Islands Council – Community grants	322,000	123,750	123,750	* 80,000
Community Council funding	226,048	226,048	226,048	* 226,048
Shetland Charitable Trust – Community grants	86,593	54,241	54,241	0
<b>TOTAL</b>	<b>634,641</b>	<b>404,039</b>	<b>404,039</b>	<b>* 306,048</b>

Note:

\* Proposed budgets for 2016/17 are subject to Council approval of CP&D budgets.



## Support to Community Facilities scheme

### Proposed eligible groups

#### Sports Facilities

Bressay Sports Club  
Burra Isles Football Association  
Cunningsburgh Football Club  
Delting Football Club  
Fraser Park Trust  
Sandwick Football Club  
South Mainland Community Association  
Strom Park Development Trust  
Whalsay Golf Club  
Whalsay Sports Development Trust

#### Youth Facilities

Brae Youth Centre  
Cunningsburgh Village Club  
Livister Youth Centre  
Mossbank Youth & Community Centre  
Sandveien Neighbourhood Centre  
Sandwick Youth & Community Centre  
Scalloway Youth Centre  
Westside Youth Centre – currently under review  
Whitedale Youth Club  
Unst Youth Centre  
Yell Youth Cafe – currently under review







## Support to Community Facilities Guidelines

This is a closed grant aid scheme designed to assist a number of named voluntary organisations, which manage and/or maintain youth facilities and sports facilities, with their annual running costs.

We hope this scheme makes a **real difference to the quality of life** for people living in Shetland.

### 1. What our grants are for -

This grant scheme aims to support organisations and activities that: –

- Encourage participation in community life, in particular those focusing on young people and those most disadvantaged,
- Assist in the process of sustaining and regenerating fragile rural areas,
- Ensure organisations are open to those who want to take part and that they actively encourage more people into their organisation,
- Promote individual and community achievement.

### 2. We expect all funded applications to demonstrate that –

- it meets a community need
- it represents value for money
- it is well planned
- there are long term benefits
- it makes a difference to the community
- the project expenditure can be accounted for

### 3. Who can apply?

Your group can apply for a grant if: –

- ☐ you are based in Shetland
- ☐ you are a non-profit making group
- ☐ you have an open constitution or set of rules which clearly defines your group's aims, objectives and procedures
- ☐ you have a bank or building society account in the name of your group which requires at least 2 signatures on each cheque or withdrawal
- ☐ you can enclose your most recent annual accounts which have been certified as true by a person independent of your group
- ☐ you are listed in Section 5 of these guidelines

#### 4. How do we apply / when do we make an application

It is a requirement of this scheme that all applications for grant assistance are submitted within 6 months of your group's new financial year commencing.

All applications received will be acknowledged within 5 working days identifying any further information required to complete the application. All applications requiring further information must be completed within a maximum period of two months from the date of receipt of the original application.

Applications are available on the Council's website at [www.shetland.gov.uk/grants](http://www.shetland.gov.uk/grants) and can be submitted electronically.

You should also contact staff **at the earliest opportunity** to discuss your organisation's project eligibility and to get assistance with completing the application form.

#### 5. How much can we apply for?

##### **Sports facilities**

There is no minimum grant specified for this scheme. Eligible organisations can apply for up to 75% of eligible costs up to a maximum grant of £3,000.

Only the following organisations qualify for funding:

Bressay Sports Club	Burra Isles Football Association
Cunningsburgh Football Club	Delting Football Club
Fraser Park Trust	Sandwick Football Club
South Mainland Community Association	Strom Park Development Trust
Whalsay Golf Club	Whalsay Sports Development Trust

Please note that in addition to the above grant assistance, the organisations maintaining grass sportsfields will be able to receive in-kind support from the Sport and Leisure Service towards the specialist ground maintenance works to their sportsfields i.e. verti-draining, fertiliser and weed spraying. These works must be agreed at the start of each year with the Sport and Leisure Service and will be subject to the availability of finance.

##### **Youth facilities**

There is no minimum grant specified for this scheme. Eligible organisations can apply for up to 75% of eligible costs up to a maximum grant of £12,000 or up to the equivalent amount of their 2015/16 grant award, whichever is the lesser amount. Only the following organisations qualify for funding:

Brae Youth Centre	Cunningsburgh Village Club
Livister Youth Centre	Mossbank Youth & Community Centre
Sandveien Neighbourhood Centre	Sandwick Youth & Community Centre
Scalloway Youth Centre	Westside Youth Centre – to be confirmed
Whitedale Youth Club	Unst Youth Centre
Yell Youth Cafe – to be confirmed	

In recognition of the unique nature of these facilities and activities eligible organisations may apply for 2-stage grant payments to assist with cashflow purposes. An initial application may be made without submitting annual accounts and, assuming the application is approved, 50% of the grant award will be paid out on receipt of the signed grant acceptance.

The remainder of the grant due will be held until certified annual accounts, and any other information required, is received and checked. Any previous underspends will be addressed with the second instalment.

## 6. What can Sports Facilities apply for?

We will consider funding: –

### OPERATING EXPENDITURE

#### Operating costs

- ☐ Haulage
- ☐ Insurance
- ☐ Rent
- ☐ Rates
- ☐ Other hire charges i.e. plant hire
- ☐ Heating / lighting
- ☐ Wages
- ☐ Fuel
- ☐ Equipment purchase \*

#### Maintenance costs

- ☐ Grass cutting / strimming
- ☐ Lining
- ☐ Drainage works
- ☐ Verti-draining / rolling
- ☐ Seeding / re-turfing works
- ☐ Fertilising / weed spray
- ☐ Sand / lime / top soil / maintenance
- ☐ Other repairs / maintenance \*\*

#### Other costs

- ☐ Cleaning materials (including protective clothing)
- ☐ Administration costs
- ☐ Telephone line rental

\* Please note all equipment purchase must be directly related to the maintenance of outdoors sports grounds. Your organisation may apply for grant assistance towards new equipment items such as gardening tools, painting equipment, mops, buckets, lawn mowers, strimmers, line markers, hoses, etc. Your organisation may also apply for new equipment that is directly associated to the activity that takes place on the sports ground such as permanent and portable goals, flags, nets, etc.

\*\* Please note in addition to the above listed eligible funding categories other repairs and maintenance costs must be directly related to the maintenance of outdoors the applicant's sports ground. For example your organisation may apply for financial assistance towards the repair and maintenance of buildings, equipment, boundary walls, fences, car parks and associated facilities.

We will not fund: –

- ☐ Running costs not directly associated with managing and maintaining a sport facility
- ☐ Items that only benefit an individual e.g. medals, engraving, trophies, prizes, etc
- ☐ Sports equipment such as strips, balls, cones, bibs, hockey balls, golf clubs etc.
- ☐ Loan or endowment payments or bank charges
- ☐ Development or special project costs
- ☐ Feasibility, Design or Capital costs
- ☐ Business or commercial ventures
- ☐ Any other expenditure that is deemed as non-maintenance or is deemed unrelated to the regular costs of maintaining an outdoors sports ground

## 7. What can Youth Facilities apply for?

We will consider funding: –

### OPERATING EXPENDITURE

#### Premises costs

- ☐ Buildings insurance (only for buildings owned or leased by the applicant)
- ☐ Rent/rates
- ☐ Heating/lighting
- ☐ Building repairs
- ☐ Telephone line rental only (not calls)
- ☐ Cleaning materials
- ☐ Wages (cleaner/caretaker)

#### Other costs

- ☐ Activity insurance
- ☐ Licences
- ☐ Group affiliations
- ☐ Postage
- ☐ Stationery
- ☐ Photocopying
- ☐ Advertising and publicity
- ☐ Audit fees
- ☐ Room hire

### PROGRAMME EXPENDITURE

- ☐ Local transport
- ☐ Venue hire (including costs associated with hire of venue – e.g. electricity)
- ☐ Expendable equipment (consumables – see examples below)
- ☐ Wages/honorarium

Examples of consumable items that could be considered for funding are things such as paper, card, paint, crayons, art and craft materials, glue, string, table tennis balls, shuttle cocks, target faces, chalk, cue tips, squash balls, badges for uniformed organisations etc.

We will not fund: –

- ☐ Items that only benefit an individual e.g. medals, engraving, trophies, prizes, etc.
- ☐ General running costs for adult organisations
- ☐ General running costs for vehicles and equipment
- ☐ Loan or endowment payments
- ☐ Development or special project costs
- ☐ Feasibility, Design or Capital costs
- ☐ Business or commercial ventures
- ☐ Fundraising expenses
- ☐ Meals or subsistence costs
- ☐ General entertainment costs e.g. cinema, theme parks, etc.
- ☐ Disclosure fees
- ☐ Satellite television subscription fees
- ☐ Telephone calls

## 8. Application process

Once you have completed your grant application, attached all the necessary documents and worked through the checklist, please send the application and enclosures to the Grants Unit as detailed in Contact Details on page 7.

- ❑ On receipt of your application we will check if it is complete and ensure all the necessary information has been enclosed.
- ❑ We will acknowledge receipt of your application **within 5 working days** or return your application if not complete, and will let you know what else you need to do.
- ❑ Your completed application will be assessed and you will be informed of the decision in writing **in no more than 6 weeks** of receiving the completed application.
- ❑ Successful applications will be issued with a grant offer letter and acceptance docquet.
- ❑ Once your group has accepted the terms and conditions of the grant and returned the acceptance letter the grant will be paid in full directly into your group's bank account.
- ❑ You must comply with grant conditions and use the grant only for the purpose set out in your application form.
- ❑ You will be required to account for the grant, by means of submitting your organisation's audited annual accounts that relate to the period for which the grant was given, within 6 months of your financial year-end.

## 9. If your grant application is unsuccessful

We will tell you the main reasons why in a letter **within 6 weeks** of receiving the completed application. Following receipt of the explanation you may wish you to revise your application and resubmit it or appeal the original decision.

If you want to appeal the decision to refuse your application, then a letter of appeal should be submitted to the Grants Unit within three months of the date that you were notified of this decision.

## 10. Service pledges

In order to improve service delivery of the department's grant aid schemes we have the following service pledges:

- ❑ The Grants Unit will provide **accurate information** about their grant aid schemes and application procedures.
- ❑ All grant application forms requested will be sent out **within 2 working days**.
- ❑ All grant application forms received will be acknowledged **within 5 working days**.
- ❑ All organisations receive a decision on completed grant application forms **within 6 weeks** \*
- ❑ All organisations who have had grant applications rejected will receive a **written explanation** of why it was unsuccessful.
- ❑ All organisations that have had a rejected grant application advised in writing have the **right to appeal** against the decision.

## **11. Data Protection Act 1998 / Freedom of Information (Scotland) Act 2002**

The Shetland Islands Council is registered as a Data Controller in terms of the Data Protection Act 1998. The information provided by you will be stored by the Council on a central electronic database and will be used in a number of ways by different departments of the Council when processing any funding applications made by your organisation. The information will not be transferred out with the Council without your explicit consent. Please contact us if you have any queries about how your information will be used.

The Freedom of Information (Scotland) Act 2002 gives members of the public the right to request any information that we hold. The Council regularly releases information about grant awards and information regarding your application may be made available to the public. Any personal information provided will be processed in accordance with the Data Protection Act 1998.

## **12. Protection of Vulnerable Groups requirements**

From 1st April 2011, if your organisation is applying for grant assistance from this scheme, your group/ organisation will need to decide whether you have anyone (staff or volunteers) involved in 'Regulated Work' with children (and/or protected adults)\*. If your organisation has individuals involved in Regulated Work then those individuals will need to apply to become a member of the PVG Scheme, and your group must also have policies and procedures in place that adequately cover adult and child protection and welfare issues.

You will need to decide whether or not your group has individuals involved in 'Regulated Work' with children and young people under the age of 18, and/or 'Regulated Work' with protected adults (from the age of 16, generally, in receipt of specified services)\*

If either of these conditions applies to your group, then you will need to ensure that you have in place **all** of the following: an Adult and Child Protection Policy and an Adult and Child Protection Procedures; for organisations working with children and young people a Code of Conduct for staff and volunteers; an Equal Opportunities Policy. Templates for these documents are available from the Community Planning & Development Service or at [www.shetland.gov.uk/grants/PVG\\_Templates.asp](http://www.shetland.gov.uk/grants/PVG_Templates.asp) and must be approved and signed by committee members of your group. Your organisation must undertake a PVG Scheme Membership check when appointing staff, volunteers or helpers who are doing 'Regulated Work' to make sure they are not barred from working with children/protected adults and as part of checking their suitability for the particular post.

\*There are various stages to go through to decide whether someone is doing 'Regulated Work.' The Safer Shetland website [www.safershetland.com](http://www.safershetland.com) includes links to sources of help, in particular a self-assessment tool produced by Disclosure Scotland which will help you work through the various stages: [www.disclosurescotland.co.uk/pvg\\_training/self-assessment/](http://www.disclosurescotland.co.uk/pvg_training/self-assessment/)

In case of doubt, you may wish to seek further advice from either the Central Registered Body for Scotland (CRBS), on 01786 849777, or Disclosure Scotland on 0870 609 6006. Contact details for local support on this subject and more information are available on the Safer Shetland website [www.safershetland.com](http://www.safershetland.com).

Help and information about training courses is also available from the Community Development Team or from Voluntary Action Shetland, who locally can undertake free checks for volunteers.

### 13. Other considerations

- ❑ No applications can be considered for expenditure already incurred, except with prior agreement of the Director of Development Services.
- ❑ All grant awards are subject to the Shetland Islands Council's approved grant conditions and availability of finance.
- ❑ In the event that your project is underspent your group may be required to repay part of the grant assistance back to Shetland Islands Council. If this happens you will be contacted in writing and asked to repay the identified underspend.
- ❑ Groups with savings, reserves, cash or investments greater than £10,000 may not be considered for grant assistance if they are unable to confirm that these funds are restricted or designated funds for a specific purpose.
- ❑ Groups will look to maximise income from other sources and/or seek out further efficiencies in order to reduce dependency on grant aid.
- ❑ All Council grant awards are acknowledged on publicity and marketing material.
- ❑ Your group's contact details must be included in the Council's online Community Directory and you will be responsible for making any changes to your group's details as necessary. If you have not joined the Community Directory please contact your local Community Office for information, or look up the website at [www.communitydirectory.shetland.gov.uk](http://www.communitydirectory.shetland.gov.uk)

### 14. Contact details

Officers in the Grants Unit are available to give advice and guidance on the completion of grant applications. If you need assistance you should contact staff at the earliest opportunity and prior to completing a grant application.

#### **Grants Unit**

Community Planning & Development  
c/o Solarhus,  
3 North Ness Business Park  
Lerwick  
ZE1 0LZ  
Tel. (01595) 743827 / 743828

**or email [grants.unit@shetland.gov.uk](mailto:grants.unit@shetland.gov.uk)**





**Development Committee****8 October 2015****Business Case for the use of Assets Transferred from Shetland Development Trust****Report No: DV-47-15-F****Report Presented by: Executive Manager –  
Economic Development****Economic Development  
Development Services Department****1.0 Summary**

- 1.1 This report concerns the business case for the use of the assets transferred into Shetland Islands Council (Council) from the Shetland Development Trust (SDT). This work forms part of the ongoing project to establish a Shetland Investment Portfolio, Fund and lending service for the Council (the project). The report identifies and assesses 12 options for using the assets and refines these options down to 4 for further assessment.
- 1.2 A recommendation has been made for the Council to retain the transferred fishing quota assets. Approval is also sought to progress to the next stage with the business case for all other assets transferred from SDT.

**2.0 Decision Required**

- 2.1 That the Development Committee RECOMMENDS that the Policy and Resources Committee resolves to:
- 2.1.1 Agree to retain the fishing quota investments as Council assets;
- 2.1.2 Note that the management agreement between the Shetland Fish Producers' Organisation and the Council is under review, and will be presented to a future Development Committee for approval;
- 2.1.3 Note the progress with preparation of the business case including identification and assessment of 12 options by the Project Board; and,

- 2.1.4 Agree to the Project Board moving on to further assess the 4 options identified in section 5.4.

### 3.0 Detail

- 3.1 A project was initiated in 2014 to establish a Shetland investment portfolio, fund and lending service for the Economic Development Service. The first phase of this included the transfer of SDT assets and undertakings to the Council and this has now been achieved.
- 3.2 The total value of assets under review is £38.11m, made up of assets transferred from the SDT valued at £36.27m, and Councils loans of £1.84m, as shown in the table below, as at 28 February 2015:

Asset/Liability	£m
<b><u>Ex SDT Assets</u></b>	
Fishing Quota	19.12
Fishing Licences	0.35
Equity Investments	0.02
Loans	1.50
Cash	15.42
Financial Guarantees	(0.14)
<b>Total Ex SDT Assets</b>	<b>36.27</b>
Add SIC Loans	1.84
<b>Total Assets</b>	<b>38.11</b>

- 3.3 The £15.42m of cash has transferred into the Council in instalments over a period from 2008 to 2015, and already forms part of the Council reserves.
- 3.4 The loan portfolio represents the balances on loans and cannot be readily converted to cash.
- 3.5 As at 1 August 2015 the total value of loans and commitments yet to be released was £9.1m. The current Medium Term Financial Plan (MTFP) provision for local lending is £12m therefore £2.9m remains available within the Council reserves for future loan approvals.
- 3.6 The Council has a duty to ensure best value from its use of public money. A decision was therefore taken by the Project Board and Corporate Management Team in May 2015 to review the business case for this group of assets. Importantly, it should be noted that legal advice from Senior Counsel has indicated that the transferred assets can be used for ANY purpose within the Council, and not just the 'economic' activity previously undertaken by the SDT.
- 3.7 A Members Policy Forum in May 2015 provided an opportunity for Members to discuss the use of the assets which have transferred and to discuss a proposal to utilise the Building Better Business Case (BBBC) framework to prepare the business case. The BBBC process provides decision makers and stakeholders with a management tool for evidence based and transparent decision making and a framework for the delivery, management and monitoring of the outcomes.

## 4.0 Better Business Cases Framework – Strategic Case

- 4.1 The context within which the Council needs to consider the investment/divestment of its assets is driven by the competing and challenging factors that exist for the Council and all local authorities at this time. There is a great deal of uncertainty in relation to future funding settlements and challenging cost pressures are arising within front line service delivery areas.
- 4.2 Best value is not simply about financial factors and in order to achieve the outcomes to which the Council aspires there is a need to consider other direct and indirect benefits achievable from the use of its assets.
- 4.3 Strategic Objective

An important part of this process is the identification of the main objective to be achieved in the use of these assets. The following has been used by the Project Board as the basis for assessing public value:

“to ensure that the assets transferred into Shetland Islands Council from Shetland Development Trust are used sustainably for the benefit of the Shetland Community.”

### 4.4 Fishing Quota Assets

- 4.4.1 In considering the strategic case the BBBC framework highlights the need for making a robust case for change. At the Members Seminar in May the focus of the discussion was on the use of the transferred cash/lending assets. The future of the quota assets was considered and there was a preferred view amongst those in attendance for the Council to retain the quota.
- 4.4.2 By continuing to hold the fishing quota the Council is ensuring Shetland safeguards its fishing opportunities for the current and future generations. In return for the investment, the Council achieves an annual income from leasing quota; any future appreciation in quota values; and, knowledge that the investment in quota is enabling fishing activity to continue to develop within the islands. Further detail on the fishing quota investment can be found in Appendix 1.
- 4.4.3 This report recommends that the Council continues to hold the quota entitlement recognising the community benefit and income generation. On 16 December 2014, the Development Committee agreed to review the quota management agreement between the Shetland Fish Producers' Organisation and the Council [Min Ref: 48/14]. This will be presented to a future Committee for approval.
- 4.4.4 It is not the purpose of this report to make recommendations on use of this new income stream for the Council but it is acknowledged that the activity previously funded by SDT requires consideration during the current budget setting process.

#### 4.5 Cash and Investment Assets

The asset value of Cash and Investment Assets has been rounded to £18m, for the purposes of appraising and evaluating the options.

#### 4.6 Critical Success Factors

The following critical success factors (CSF's) have been identified in relation to achieving the objective and have been used to assess all options for the use of funds:

- Achieve priorities across Council in line with identified outcomes and MTFP
- Ability to earn income.
- Sustainable use of resources to preserve value
- Minimised risk to capital.
- Having reliable staff, systems and procedures in place to manage use of funds over the long term.

### 5.0 **Better Business Cases Framework - Economic Case**

5.1 The purpose of assessing the Economic Case is to identify the main options available to the Council, then examine these options with a view to identifying a shortlist. The shortlist is then further investigated to identify which route optimises public value – the preferred option.

#### 5.2 Long List Options

Appendix 2 details the 12 options identified. These options fall into two main groups, 'spending' and 'longer term investment'. The longer term investment options either involve a local 'Shetland Investment Fund' or 'externally managed funds'.

#### 5.3 Assessment of options

Appendix 3 lists the options and details the criteria and matrix used to assess the long list. These criteria are based on the critical success factors identified above and are divided into benefits, costs and risks.

A grading system has been applied where each option has been given a score from 0 to 10. The totals for each option are also shown on the table.

#### 5.4 Short List Options

Following the BBBC framework, 4 shortlist options have been identified:

Do Nothing Option : Option 12 - In this case do nothing has been interpreted as no local lending service with all capital invested as managed funds and income spent in line with the MTFP. This option requires the sale or trade out of existing local investments.

Best Options: Option 3 – Operate a Shetland Investment Fund of £15m with the balance of funds invested externally.

Option 4 – Operate a Shetland Investment Fund of £12m available for investment in local industry, with the balance of funds managed externally (status quo). This is the highest scoring option at this stage in the process.

Option 5 – Operate a Shetland Investment Fund of £9m, with the balance of funds managed externally.

- 5.5 This report recommends that these 4 options be the subject of further detailed cost/benefit/risk analysis to identify a preferred option.

## **6.0 Implications**

### Strategic

- 6.1 Delivery on Corporate Priorities – This report links to the Council's Corporate Plan 2016-20, which sets out a range of priorities to maintain and improve quality of life in Shetland.

The actions detailed in this report aim to meet the following objectives:

“ensure the resources we have available are spent in the most effective way possible”.

“We will have an enterprising economy, based on making full use of local resources, skills and desire to investigate new commercial ideas”.

- 6.2 Community/Stakeholder Issues –The preparation of the business case will continue to be influenced by the need to maximise benefit from the assets for the good of the Shetland community.
- 6.3 Policy and/or Delegated Authority – The need to plan and deliver the best use of the transferred assets, combined with the current Council local investment assets, fits with the Council's overall investment strategy.

The MTFP also includes a stated objective to achieve financial sustainability over the lifetime of the current Council and ensure that resources are appropriately aligned to the Corporate, Directorate and Service Plans.

The Development Committee has functional responsibility for economic development matters, including business investments, but the Policy and Resources Committee retains delegated authority for asset management, and to secure the co-ordination, control and proper management of the financial affairs of the Council. Any future decisions on the use of transferred assets may require a decision from the Council, if those decisions are seen as a departure from strategic or corporate policy or direction.

- 6.4 Risk Management – All investments carry some degree of risk. Risks associated with investing in the stock market or local businesses are mitigated through active management.
- 6.5 Equalities, Health and Human Rights – None.
- 6.6 Environmental – None.

#### Resources

- 6.7 Financial – There are no direct financial implications from this report. The detailed assessment of options will be met from within current budgets.
- 6.8 Legal – None.
- 6.9 Human Resources – None.
- 6.10 Assets and Property – This report concerns the best use of assets owned by the Council.

### **7.0 Conclusions**

- 7.1 This report provides an update to Members on the business case for the use of the assets transferred into the Council from the SDT. Approval is sought to retain the fishing quota as a Council asset and to progress to the next stage of the business case process for all other assets transferred from the SDT.

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For further information please contact:

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Date Cleared: 29 September 2015

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Appendices:

Appendix 1 – Background to Council Fishing Quota  
Appendix 2 – Long List Options  
Appendix 3 – Assessment Matrix

Background documents:

None

## **What is Fishing Quota?**

Fish quotas are the amount of fish of different species that may be legally landed by EU Member States. The purpose of quota management arrangements is to enable the fishing industry to make full use of the fishing opportunities which we receive every year from the EU, while ensuring that quotas are not exceeded. The total annual quota allocations are disaggregated to individual fishing licensed vessels. The Scottish Government undertakes this function mainly in conjunction with Scottish Fish Producer Organisations (POs). The Shetland Fish Producers Organisation (SFPO) is one such organisation.

UK quotas have been allocated and managed according to a methodology agreed by UK Fisheries Administrations (following consultation). The allocation methodology relates to PO member vessels' previous fishing activity or "track record" known as Fixed Quota Allocation (FQA) units. This allows POs to manage their allocations of fish quota according to the needs of their member vessels and take action to ensure that quotas are not overfished. Therefore the quota held by Council has the same FQA's on an annual basis but the varying conversion rate results in variations for the tonnage allowed to be landed for each species.

## **Fishing Quota Held by SIC**

Between 1998 and 2001 Shetland Leasing and Property Developments Ltd. (SLAP Ltd.) invested around £17 million in the purchase of quota. In 2002 these quota assets transferred to the Shetland Development Trust.

On 1 August 2007 the Trustees of the SDT agreed to purchase the ex-Sunbeam quota from SLAP Ltd which had been recovered as settlement of debt outstanding by the Sunbeam Fishing Company Ltd. following the sale of the vessel in March 2007.

The SDT quota, totalling 143,448 FQA's, valued at £19.1m, transferred to the Council on 31 December 2015. It is managed by the SFPO and leased to fishing vessels within and outwith the Shetland fleet.

## **Why Have Quota?**

For fishing communities, the greatest threat of the quota trade is that in a free market quota can be sold out of the community as fishermen retire or give up fishing. A fishing community could feasibly be left with no "right" to fish in the waters off its own shores. Therefore the main purpose behind the investment in quota is to safeguard fishing opportunities for current and future generations of Shetland fishermen.

## **Benefits From Quota Ownership**

The "return on capital" for the Council is the rental income, any future appreciation in quota values and that investment in quota is enabling fishing activity to continue to develop within the islands. As well as creating jobs at sea, a fishing vessel creates employment onshore in the processing, ancillary services and wider community, as demonstrated in the recent study, Community Impact Study of the Shetland Seafood Sector, conducted by SSQC Ltd.





**OPTIONS FOR USE OF SDT ASSETS AND UNDERTAKINGS TRANSFERRED TO SIC**

Option	Use of Capital	Summary	Capital Allocation
Option 1: £18m capital + additional £6m Council funds	Shetland Investment Fund of £24m (estimated new investment of £3m per annum in local businesses)	Investment provision of £12m in MTFP for 15/16	Currently a £2.9m budget available for investment in local industry
			£5.3m current investment portfolio + £3.8m commitments (£9.1m). Committed funds invested by Council until required
		£12m provision (£3m per annum) in MTFP between 01/04/16 and 01/04/19	£12m invested locally (balance remaining from MTFP of investing £3m per annum until 2019, subject to annual approval)
Option 2: £18m capital	Shetland Investment Fund £18m (estimated new investment of £2.25m per annum in local businesses)	Investment budget of £12m in MTFP for 15/16	Currently a £2.9m budget available for investment in local industry
			£5.3m current investment portfolio + £3.8m commitments (£9.1m) Funds invested by Council until required
		Balance of capital for future investment capped at £18m	£6m for investment in future years, subject to annual approval of budget
Option 3: £18m capital	Shetland Investment Fund £15m (estimated new investment of £1.875m per annum in local businesses)	Investment budget of £12m in MTFP for 15/16	Currently a £2.9m budget available for investment in local industry .
			£5.3m current investment portfolio + £3.8m commitments (£9.1m). Funds invested by Council until required
		Balance of capital for future investment capped at £15m	£3m for investment in future years, subject to annual approval of budget
	£3m Council long term investment	Currently invested in line with Council policy	£3m long term investment in line with MTFP/Investment Strategy
Option 4: £18m capital	Shetland Investment Fund £12m (estimated new investment of £1.5m per annum in local businesses)	Investment budget of £12m in MTFP 15/16	Currently a £2.9m budget available for investment in local industry
			£5.3m current investment portfolio + £3.8m commitments (£9.1m). Funds invested by Council until required
	£6m Council long term investment	Currently invested in line with Council policy	£6m long term investment in line with MTFP/Investment Strategy
Option 5: £18m capital	Shetland Investment Fund £9m (no funds for investment in local business until investment balance reduced below £9m)	Less than the £12m commitment provided for in the MTFP in 15/16.	No budget for further local investment in the short term
			£5.3m current investment portfolio. Fulfil £3.8m commitments. Trade out £0.1m of existing and committed investments to reach investment level of £9m
	£9m Council long term investment	Currently invested in line with Council policy	£9m long term investment in line with MTFP/Investment Strategy, subject to receipt of monthly repayments on loans until this figure is achieved.
Option 6: £18m capital	Shetland Investment Fund £6m (no funds for investment in local business until investment balance reduced below £6m)	Less than the £12m commitment provided for in MTFP in 15/16.	No budget for further local investment in the short term
			£5.3m current investment portfolio. Fulfil £3.8m commitments. Trade out £3.1m of existing/committed investments to reach investment level
	£12m Council long term investment	Currently invested in line with Council policy	£12m long term investment in line with MTFP/Investment Strategy, subject to receipt of monthly repayments on loans until this figure is achieved or sale of investments
Option 7: £18m capital	Spend on Council Capital Projects	Trade out or sell investments. Council decisions required to allocate funds	£18m spent, subject to receipt of monthly repayments on loans until this figure is achieved or sale of investments.
Option 8: £18m capital	Spend on Council Services	Trade out or sell investments. Council decisions required to allocate funds	£18m spent, subject to receipt of monthly repayments on loans until this figure is achieved or sale of investments
Option 9: £18m capital	Council long term investment	Trade out or sell all local investments and income reinvested to grow capital base	£18m long term investment, subject to receipt of monthly repayments on loans until this figure is achieved or sale of investments.
Option 10: £18m capital	Council long term investment	Trade out or sell all local investments and income spent on Council services	£18m long term investment, subject to receipt of monthly repayments on loans until this figure is achieved or sale of investments.
Option 11: £18m capital	Council long term investment	Trade out or sell all local investments and income spent on capital projects	£18m long term investment' subject to receipt of monthly repayments on loans until this figure is achieved or sale of investments.
Option 12: £18m capital	Council long term investment	Trade out or sell all local investments and invest in line with Council Policy (MTFP and Investment Strategy)	£18m long term investment, subject to receipt of monthly repayments on loans until this figure is achieved or sale of investments.



**ASSESSMENT MATRIX FOR LONG LIST OPTIONS**

DV-47-15 Appendix 3

Option	Use of Capital	Capital Used (£m)	BENEFITS			COSTS		RISKS		TOTAL
			Income Generation	Benefits to Shetland Community	Sustainability of Funds	Cost to Deliver	Negative Implications	Risk to Capital	In line with MTFP	
1	Shetland Investment Fund	24	6	8	8	1	7	2	10	42
2	Shetland Investment Fund	18	7	8	8	2	8	4	10	47
	Managed Funds	0								
3	Shetland Investment Fund	15	7	8	8	4	9	5	10	51
	Managed Funds	3								
4	Shetland Investment Fund	12	8	7	8	5	9	6	10	53
	Managed Funds	6								
5	Shetland Investment Fund	9	8	6	8	5	9	7	9	52
	Managed Funds	9								
6	Shetland Investment Fund	6	9	4	8	6	6	8	7	48
	Managed Funds	12								
7	Spend on Capital Projects	18	0	9	0	1	3	0	0	13
8	Spend on Council Services	18	0	8	0	2	3	0	0	13
9	Managed Funds, income reinvested	18	10	2	10	9	3	9	7	50
10	Managed Funds, income spent on services	18	10	3	8	8	3	8	7	47
11	Managed Funds, Income spent on capital projects	18	10	5	8	7	3	8	7	48
12	Managed Funds, income used in line with MTFP	18	10	4	9	8	3	8	8	50

Note: all options graded on a scale of 0-10