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Date: 27 September 2017

Dear Sir/Madam

You are invited to the following meeting:

Development Committee
Council Chamber, Town Hall, Lerwick
Tuesday 3 October 2017 at 10am

Apologies for absence should be notified to Louise Adamson at the above number.

Yours faithfully

Executive Manager – Governance and Law

Chair: Mr A Cooper
Vice-Chair: Mr S Leask

AGENDA

- (a) Hold circular calling the meeting as read.
- (b) Apologies for absence, if any.
- (c) Declarations of interest - Members are asked to consider whether they have an interest to declare in relation to any item on the agenda for this meeting. Any Member making a declaration of interest should indicate whether it is a financial or non-financial interest and include some information on the nature of the interest. Advice may be sought from Officers prior to the meeting taking place.
- (d) Confirm the minutes of the meeting held on 28 August 2017 (enclosed).

ITEM

1. Financial Support for Childminders Scheme
DV-45-17
2. Shetland Input/Output Study/Regional Accounts 2017/18
DV-47-17
3. Ports & Harbours Overview
PH-13-17
4. Scalloway Fishmarket – Full Business Case
PH-17-17
5. Participation Requests Policy
DV-49-17
6. Future Support to Association of Community Councils
DV-51-17

The following items contain EXEMPT information

7. Lerwick Town Centre CCTV System
DV-52-17
8. Fibre Optic Asset Management Project – Outline Business Case
DV-46-17



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|----------------------------|-----------------------------------------------------|----------------|
| Meeting(s): | Development Committee | 3 October 2017 |
| Report Title: | Financial Support for Childminders Scheme | |
| Reference Number: | DV-45-17-F | |
| Author / Job Title: | Thomas Coutts, Business Development Project Manager | |

1.0 Decisions / Action required:

- 1.1 That the Development Committee RESOLVE to approve an annual budget of £12,500 for the Financial Support for Childminders Scheme, delegated authority for which will be granted to the Executive Manager – Economic Development to support an annual target of three new childminder starts.

2.0 High Level Summary:

- 2.1 There is a pressing requirement for more childcare services to be available in Shetland, to promote economic development by providing parents of young children with access to employment opportunities. The Financial Support for Childminders Scheme addresses this by providing assistance to new start childminders in an effort to encourage growth in this sector.

3.0 Corporate Priorities and Joint Working:

- 3.1 The report fits with the aim of Our Plan 2016-2010 for 'sustainable economic growth with good employment opportunities'.
- 3.2 Economic Development will work closely with other services in the Council which provide, monitor or support childcare services. The draft Early Learning and Childcare Service Delivery Plan 2017-2020 notes that transforming existing ELC provision will "require significant change, including...workforce expansion and restructure, investment in infrastructure and the development of new partnerships across the ELC sector."
- 3.3 The scheme also complements financial assistance which is available through the Childminder Scheme run by SIC Community Planning & Development.

4.0 Key Issues:

- 4.1 The Financial Services for Childminders Scheme aims to encourage growth in local childminding services by providing revenue assistance grants to new start childminders for a 12-month period. The purpose of this is to provide financial stability to new childminders during their initial start-up period, while they establish their service in the local community and gain regular business. The terms and conditions of grant assistance are attached as Appendix 1.
- 4.2 The overall objective of the scheme is to increase the availability and accessibility

of local childminding services, which will encourage economic development by improving the ability of local parents to access employment opportunities.

- 4.3 In light of national policy directives which impact on local service delivery in early year and childcare, this scheme was the subject of discussions between the Economic Development Service and the Quality Improvement Service within the Children's Services Directorate. It was agreed that the scheme directly supports strategic priorities of the Early Learning and Childcare Service Delivery Plan 2017-2020, specifically regarding the development of more childcare resources. The Plan states:

"By utilising all available ELC providers in Shetland, the proposed Service Delivery Model aims to provide families with a greater choice of provider, and therefore, increased opportunities for split placements, blended models and year round provision, which will support families during holiday periods. Flexibility will be improved through greater choice of timings to meet family needs. Provision will be as localised as possible, including within remote and rural locations, ensuring it is as affordable and accessible for families as operationally possible."

- 4.4 The Economic Development Service previously ran this scheme between 2010-2015, in which time the scheme supported the establishment of seven new childminders and provided assistance to two existing childminders. The average grant paid to each childminder over the 12 month period of assistance was roughly £1,900, based on support rate calculated from prevailing minimum wage rates. Of the services supported in that time, three remain in operation.
- 4.5 The target for the scheme is to support three new start childminders per annum. There are currently 18 childminders in Shetland registered with the Care Inspectorate, of which 3 are 'inactive'.
- 4.6 The last survey of childcare services was carried out by SIC Schools Service in 2011. Responding to that survey, 31.4% of parents said that lack of accessible childcare affected the amount of hours they or their partner were available to work. Of the families who responded, 13.5% stated that one partner had to stop work and 32.8% stated that they had to work reduced hours to continue in employment. Barriers to accessing work will result in reduced household spending power, and will affect the ability of families to live in remoter areas where services are less accessible.
- 4.7 The Shetland Place Standard Final Report identified 'more affordable childcare' as a key issue raised by contributors to the consultation in 2016.
- 4.8 Shetland continues to experience the low unemployment rate which is characteristic of the local economy, reflecting a high degree of industrial activity – the JSA claimant count for June 2017 was 0.8% of the working age population. However, underemployment within the local economy continues to be a concern. Constraints on the local workforce and the ability of local parents to access employment are related concerns which could be alleviated by an increase in available childcare services.
- 4.9 The previous scheme based the support rate on the National Minimum Wage (£7.50 p/h for over 25s, as of 01 April 2017). However, given the current concerns over the inability of wage rates to match increasing costs of living, particularly in remote and rural areas, it has been determined that basing the support rate on the

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| Living Wage in Scotland (currently £8.25 p/h) is the most economically effective and ethical option. The Living Wage in Scotland is recalculated every year and the scheme will track this rate and amend support rates accordingly. | |
| 5.0 | Exempt and/or confidential information: |
| 5.1 | None. |

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| 6.0 Implications | |
| 6.1 Service Users, Patients and Communities: | The objective of the scheme is to encourage new business start-ups, specifically in the childminding sector, which will have the impact of improving childcare services within local communities. Realisation of this will improve the ability of parents to access employment opportunities. |
| 6.2 Human Resources and Organisational Development: | None. |
| 6.3 Equality, Diversity and Human Rights: | None. |
| 6.4 Legal: | Grant recipients must be registered with the Care Inspectorate and as such will be subject to all statutory guidelines governing the care and supervision of children in a childminding setting. |
| 6.5 Finance: | <p>The scheme targets will require a budget of £12,500 to realise. This will be sourced from existing Economic Development budgets. There is sufficient budget remaining for this purpose for the current financial year.</p> <p>In subsequent years, funding for this scheme will remain at the approved level, subject to availability of finance and where this is in line with spending/savings targets for the Directorate.</p> |
| 6.6 Assets and Property: | None. |
| 6.7 ICT and new technologies: | None. |
| 6.8 Environmental: | None. |
| 6.9 Risk Management: | Grant recipients are required to submit evidence of hours of operation, businesses advertised for and received, enquiries submitted, income received and total number of childcare hours delivered to Economic Development. Grant payments are made on the basis of hours of childcare delivered and income received, and this is evidenced by submission of invoices to parents. Grant recipients are subject to a review of their |

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| | business after the six monthly grant payment, and must be registered with the Care Commission, achieving a minimum grade of '4' in each quality theme. | |
| 6.10 Policy and Delegated Authority: | <p>This report has been prepared with regard to the following objective of the Council's Economic Development Policy Statement 2013-2017:</p> <p>"Develop the economic health of local communities and a more diverse business base, through encouraging innovation and sustainable growth."</p> <p>The proposal addresses Action 2.1 from the Policy Statement:</p> <p>"Encourage sustainable growth in the local economy through support for business development and social enterprises."</p> <p>The Policy Statement was approved by the Development Committee on 14 August 2013 [Min Ref: 37/13] and by the Council on 28 August 2013 [Min Ref: 65/13].</p> <p>The Development Committee has delegated authority to implement decisions within its remit, in accordance with Section 2.3.1 of the Council's Scheme of Administration and Delegations. As the subject of this report is covered by existing policy, the Development Committee does have delegated authority to make a decision.</p> | |
| 6.11 Previously considered by: | None. | |

Contact Details:

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15/09/17

Appendices:

Appendix 1 – Financial Support for Childminders Scheme Conditions and Guidelines

END

Financial Support for Childminders Scheme

1.0 Introduction

- 1.1 The purpose of the Financial Support for Childminders Scheme is to provide support through the SIC Economic Development Service for those in the initial stages of starting a new childminding service. Under this scheme a separate strand of support is available to support new childminders. The objective of this support is to grow the capacity and number of childminders operating in Shetland, thus benefiting the local community and the Shetland economy.
- 1.2 The Financial Support for Childminders Scheme will offer support to childcare providers in order to:
- Sustain direct employment in local childcare provision
 - Sustain indirect economic benefits by allowing parents to access employment opportunities
 - Sustain local communities by allowing families to remain domiciled in local areas while able to access employment and childcare
 - Benefit the Shetland economy by allowing those who seek employment to access opportunities.

2.0 Assistance

- 2.1 The purpose of this support is to give childminders the means to attract customers and establish a stable income from childminding activities. This assistance is intended to mitigate against business 'downtime' as local parents establish an essential confidence with the service and determine that their needs can be supported.
- 2.2 The support will be available to all new childminders in Shetland and will be provided in addition to start-up support and grants for new equipment adaptations which are already provided by Shetland Islands Council.
- 2.3 Assistance will be offered as financial 'top-up' funding in addition to earned income. Support will be offered on the basis of demonstrable need, and this will be determined by the number of hours of service which a childminder is offering to parents per week.

| A) Number of hours per week: | B) Top-up grant available to bring weekly income to: | C) Equivalent hourly income if minimum hours worked: |
|-------------------------------------|-------------------------------------------------------------|-------------------------------------------------------------|
| 1 to 25 | £124 | £8.25 ¹ |
| 25 to 35 | £207 | £8.25 |
| 35 and over | £289 | £8.25 |

¹ Based on working 15 hours

If a childminder is currently earning more than the proposed targets figures in columns B and C they will not be eligible for grant payments.

3.0 Conditions

3.1 Applications by childminders under the Business Start Up Grant Scheme will be subject to the following conditions:

- Childminders must offer their services at current local market rates.
- Childminders must be registered with the Care Inspectorate.
- Childminders must be currently providing formally arranged childcare services for a minimum of one child.
- Grant recipients must complete a weekly form specifying hours of operation, average hourly rate, income, number of enquiries for childcare services and outcomes from each enquiry.
- Grant recipients must achieve a grading of at least '4' in two of the four quality themes inspected by the Care Inspectorate. A grade of '3' or less in any single theme will lead to a review after which assistance may be withdrawn.
- Grant recipients must notify the Council when new business is secured which raises their weekly income from childminding activity above the minimum threshold for assistance.
- Grant recipients will be subject to a review of their business after the sixth monthly grant payment under the scheme. If, at this stage, grant payments represent 50% or more of the childminder's income per month, the appropriateness of continued funding will be reviewed, and assistance may be withdrawn at this stage.

3.2 Any change in the circumstances of the childminder which could lead to a change in the number of hours available should be notified immediately.



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|----------------------------|--------------------------------------------------------------|-----------------------|
| Meeting(s): | Development Committee | 3 October 2017 |
| Report Title: | Shetland Input-Output Study/Regional Accounts 2017/18 | |
| Reference Number: | DV-47-17-F | |
| Author / Job Title: | Tommy Coutts, Business Development Project Manager | |

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|------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1.0 | Decisions / Action required: |
| 1.1 | That the Development Committee RESOLVES to give delegated authority to the Director of Development Services, or his nominee, to commission the Shetland Input-Output Study/Regional Accounts 2017/18. |
| 2.0 | High Level Summary: |
| 2.1 | Shetland Islands Council periodically undertakes detailed economic studies to produce a set of Input/Output tables which measure the performance of the Shetland economy and the flow of capital in local industrial sectors. These tables are included in a broader report termed Shetland Regional Accounts which provides detailed analysis of the Shetland economy and its development. |
| 2.2 | Whilst the project will be commissioned in the current financial year, costs will be reflected in the 2018/19 financial year. |
| 3.0 | Corporate Priorities and Joint Working: |
| 3.1 | <p>The Council's Economic Development Policy Statement 2013-2017 contains the following priority action:</p> <ul style="list-style-type: none"> • "Provide up-to-date monitoring of the Shetland economy through survey and research work." <p>This Action is supported by the following Outcome:</p> <ul style="list-style-type: none"> • "Develop, undertake and report on survey work carried out which deliver detailed and up-to-date information on the Shetland economy." |
| 3.2 | <p>The Shetland Partnership, of which the Council is a key member, is the Community Planning Partnership for Shetland. The Shetland Community Plan reflects the priorities of the local area and the partner organisations in order to create communities that are:</p> <ul style="list-style-type: none"> • Wealthier and Fairer • Learning and Supportive • Healthy and Caring • Safe • Vibrant and Sustainable |

The Local Outcome Improvement Plan (LOIP) 2016-2020 sets out the activities of the Shetland Partnership which will deliver on the Community Plan. This includes the following outcome:

- “Shetland has sustainable economic growth and all our people have the chance to be part of island life.”

4.0 Key Issues:

- 4.1 Input/Output studies measuring the performance, development and growth of the Shetland economy have been undertaken since 1971. The last study of this kind was commissioned in 2011 and measured the performance of the economy in the 2010/11 financial year. It is attached as Appendix 1.
- 4.2 Input-Output tables have been used to analyse and predict economic trends and to measure the relative health of sectors within the local economy. The Regional Accounts report includes tables on:
- Output and Gross Value Added (GVA) measurements for all sectors of the Shetland economy
 - Household income and expenditure
 - Multiplier and co-efficient analysis
 - The Shetland trade and exchequer balance
 - Scenario analysis
- 4.3 Information from these studies are a valuable resource for economic monitoring, business case analysis, political decision-making and strategic development. Information from the current study is becoming increasingly anachronistic given the passage of time and an updated study is required which accurately reflects more recent economic trends and activities.
- 4.4 The previous study was undertaken by the James Hutton Institute, the University of Aberdeen and AB Associates Ltd. A draft consultancy brief for the updated study is attached as Appendix 2.

5.0 Exempt and/or confidential information:

- 5.1 This report does not contain exempt or confidential information.

6.0 Implications:

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| 6.1 Service Users, Patients and Communities: | The report will provide important information on economic activity and household finance which will provide key background information for community planning and strategic development. |
| 6.2 Human Resources and Organisational Development: | None. |

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| 6.3 Equality, Diversity and Human Rights: | None. |
| 6.4 Legal: | A suitable tendering exercise will be undertaken in line with public sector guidelines on procurement of services. Capital Programmes will be involved in this exercise. |
| 6.5 Finance: | Based on the cost of previous studies and other related exercises, it is estimated the study will require a budget of £60,000. This will be sourced from existing Economic Development budgets. This will require to be met from Economic Development Services 2018/19 budget. |
| 6.6 Assets and Property: | None. |
| 6.7 ICT and new technologies: | None. |
| 6.8 Environmental: | None. |
| 6.9 Risk Management: | <p>A full procurement exercise will be undertaken in line with public sector procurement guidelines to ensure value for money and appropriate due diligence is undertaken before the award of contract.</p> <p>A suitable contract of award will be drawn up which establishes payment milestones, roles and responsibilities.</p> <p>Prior to award of contract, a schedule of meetings and contacts will be agreed to establish a project monitoring framework and ensure that regular contact is kept between the project manager and the consultant to discuss progress and issues.</p> |
| 6.10 Policy and Delegated Authority: | <p>This report has been prepared with regard to the following objective of the Council's Economic Development Policy Statement 2013-2017:</p> <p>"Link skills and knowledge to economic need."</p> <p>"Develop the economic health of local communities and a more diverse business base, through encouraging innovation and sustainable growth."</p> <p>The proposal address Action 1.2 from the Policy Statement:</p> <p>"Provide up-to-date monitoring of the Shetland economy through survey and research work."</p> <p>This Action is supported by the following Outcome:</p> |

| | | |
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| | <p>“Develop, undertake and report on survey work carried out which deliver detailed and up-to-date information on the Shetland economy.”</p> <p>The Policy Statement was approved by the Development Committee on 14 August 2013 [Min Ref: 37/13] and by the Council on 28 August 2013 [Min Ref: 65/13].</p> <p>The Development Committee has delegated authority to implement decisions within its remit, in accordance with Section 2.3.1 of the Council's Scheme of Administration and Delegations. As the subject of this report is covered by existing policy, the Development Committee does have delegated authority to make a decision.</p> | |
| 6.11 Previously considered by: | None. | |

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Appendices:

Appendix 1 Shetland Input-Output Study/Regional Accounts 2010/11 – Final Report
Appendix 2 Shetland Input-Output Study/Regional Accounts Study 2017/18 – Draft Consultancy Brief

END

**An Analysis of the Shetland Economy
based on Regional Accounts for 2010-11**

George A Dyer

El Colegio de Mexico

with

Deb Roberts

The James Hutton Institute and University of Aberdeen

and

Andrew Blackadder

AB Associates

(Version 4.0)

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1. Introduction

This report presents findings from an economic analysis of the Shetland economy, commissioned by Shetland Council in 2011.

The four principal objectives of the study were:

1. To construct regional accounts for Shetland in 2010-11 that are consistent with recognised Input-Output accounting conventions and formats.
2. To compile a Shetland occupational employment by industry matrix compatible with the core regional accounts.
3. Analyse the regional accounts and related data and provide comment on the current structure and recent performance of the Shetland economy.
4. Compare and analyse the results of '3' above with the previous results of the 2003 regional accounts study and provide comment on any changes to the Shetland economy during that time

As in the previous 2003 regional accounts study of Shetland (Newlands and Roberts, 2006), a Social Accounting Matrix (SAM) framework was adopted for the purposes of the study as opposed to the more constrained input-output table format, so as to include, in addition to detailed information on the industrial sectors of the economy, data on local household income and expenditure.

The SAM consists of seven sets of accounts. For each of these accounts, an accounting identity is satisfied. In particular the SAM included the following:

1. Thirty-one production or industry sectors accounts, for which the total value of gross output equals the total value of gross input;
2. Two factor accounts which relate to income from employment or from business profits. The accounting balance in this case requires that total value of factor payments from production equals the total value of factor receipts;
3. Forms of income accounts (wages and salaries, self employment, and investments, including rental income), for which again the total value of factor payments from production equals the total value of factor receipts;

4. Three household accounts (relating to adults without (dependent) children, adults with children, and retiree households), for which total income equals total expenditure,
5. A local government account showing income and expenditure by local government, as well as flows to and from central government;

The matrix also includes accounts which involve either payments made to, or collected from, Shetland. These relate to central government transfers, payments to and from a capital account, stock changes, savings, payments and receipts from visitors to Shetland, and finally payments to and from trade with the rest of Scotland, the rest of the UK, and the rest of the world. The full regional accounts are presented, for reference purposes, in Appendix 1 (or, on request, in spreadsheet form) while details of the methods used in the construction process are given in Appendix 2.

The structure of the report is as follows. Chapter 2 provides a summary overview of the Shetland economy in terms of total output, value added and employment, focussing on growth rates of key performance indicators since 2003. Chapter 3 focuses on the production side of the economy, indicating the contribution of each sector to output, value added, and employment and highlighting those sectors which have grown and those which have declined in relative or absolute importance since 2003. Chapter 4 looks in more depth at employment by sector and includes the Shetland occupation-employment matrix.

Chapter 5 contains the principal multiplier analysis. In particular it considers the extent of linkages within the Shetland economy identifying, amongst other things levels of sectoral integration in terms of input purchases and local labour requirements and how the pattern of linkages has changed since the previous study.

Chapter 6 presents information on income and expenditure patterns gathered from the survey of Shetland households. Again emphasis is placed on changes since the 2003 study but in this case the comparison goes back further to the 1996/97 input-output study (Gillespie et al., 1999). Chapter 7 reports the trade and exchequer balance. The final chapter sets out and analyses a number of

“scenarios”, that is potential economic situations which may occur, and show the sensitivity of the Shetland economy to these situations. The scenarios include a reduction in Shetland Islands Council spending, a reduction in exports from the aquaculture sector and finally a reduction in oil throughput at the Sullom Voe terminal and decommissioning.

2. Economic activity in Shetland

In the United Kingdom, as around the world, there is an on-going discussion on the role that government could or should play in the economy. This is true in Shetland, where, in common with other Scottish local authorities, Shetland Islands Council now faces significant budget restrictions.

The starting point of this discussion should be a clear definition of terms. Aggregate economic activity can be measured in terms of output or value added. In this report, total output refers to the value of all sales (at producer prices) net of changes in inventories summed across all economic sectors during fiscal year 2010-11. Gross regional domestic product (GRDP) is the sum of value added, i.e., wages and gross profits, through the production and sale of goods and services in Shetland. An alternative way of defining GRDP (at factor cost) is as the value of total output net of production, transport and sales costs and taxes. As GRDP reflects simultaneously levels of economic activity and income, it is presumably of most interest to authorities and the general public in Shetland. At the same time, value added necessarily derives from output sales, which are the basis of taxes, a main source of government revenue. In the remainder of this section we discuss both total output and GRDP briefly as a prelude to a more in-depth discussion in later sections of this report.

We estimate that, in 2010-11, total output in Shetland was £1,091.4 million, while GRDP was £484.9 million: £317.3 million in employment income and £167.9 million in gross profits. In 2003, total output was estimated at £860.5 million at 2010-11 prices (or £705.7 million at 2003 prices).^{1,2} This implies a rate of growth of 3.5% per year in real terms, which represents a cumulative

¹ Data for 2003 is from Newlands and Roberts (2006) *Shetland Regional Accounts* 2003.

² 2003 prices are those observed at the time, while 2010-11 prices have been adjusted using GDP deflators: http://hm-treasury.gov.uk/data_gdp_index.htm.

increase of 27% between 2003 and 2010-11.³ Similarly, value added in 2003 was estimated at £406.6 million at 2010-11 prices (or £333.4 million at 2003 prices), implying 2.6% annual growth or a 19% increase between 2003 and 2010-11.⁴

A third measure of regional economic activity is employment, customarily reported in terms of full-time equivalents (FTEs). We estimate that local businesses and organizations operating in Shetland employed 10,490 FTEs during 2010-11, which implies a growth rate of 2.0% per year since 2003 or a 15% increase between 2003 and 2010-11.⁵ Finally, we estimate that Shetland businesses, organizations and households paid £138.2 million in direct and indirect taxes in 2010-11. This implies a 26% increase since 2003 and an annual growth rate of 3.4%.

In sum, between 2003 and 2010-11 total output, GRDP and employment in Shetland grew at rates of 3.5, 2.6 and 2.0% per year, respectively, while taxes increased by 3.4% per year. The significance of these rates is made clear when the implications of various ratios between the relevant variables are kept in mind. For instance, the ratio of GRDP to output is an indication of the economy's ability to generate value added. This ratio decreased (in percentage terms) from 47% in 2003 to 44% in 2010-11. Although value added consists of both wages and profits, it is clear that the profitability of Shetland businesses as a whole did not decrease during this period. In fact, the ratio of profits to output increased from 11 to 15%. The implication is that GRDP's relatively low rate of growth is associated with the evolution of wage income: the ratio of wages to output decreased from 37 to 29% indicating that relative increases in wage levels over the period were less than increases in non-wage costs and/or the value of output. On the other hand, the ratio of employment to output (also

³ A cumulative increase is the result of compounding annual growth rates over the relevant period.

⁴ See Appendix 3 for a comparison of economic growth in Shetland to other Scottish Island economies.

⁵ This estimate is based on the *Shetland Employers Survey 2011* supplemented with own data.

known as the employment coefficient) is a measure of the labour intensity of the Shetland economy, or alternatively, an inverse measure of the productivity of labour. That is, the employment coefficient reflects the size of the labour force required to produce a unit of output. This ratio decreased from 11 (FTEs/£ million) in 2003 to 9.6 in 2010-11, which suggests that the labour force was 10% more productive in 2010-11 than in 2003.⁶ This explains why output grew at a much faster rate than employment.

We identify the source of these changes in subsequent sections devoted to sectoral analyses, employment and the exchequer balance for Shetland. We return to the question of the Council's role in Shetland's economy in a later section and assess the economy's response to various potential market shocks (or stimulus) in the last section of this report.

⁶ Both figures are estimated at 2010-11 prices.

3. Sectoral Analysis

Economic activity was classified into 31 sectors following, as closely as possible, the classification system adopted in previous regional accounts for Shetland so as to facilitate comparisons (see Appendix 2). Each sector's contribution to output, value added, and employments are reported in Table 3.1.

Table 3.1 Sectoral output, valued added and employment, 2010-2011

| Sector | Total Output (£ million) | % | Value Added (£ million) | % | Employ- ment (FTEs) | % |
|---------------------------------------|-----------------------------------------|------------|----------------------------------------|------------|------------------------------------|------------|
| <i>Agriculture</i> | 18.450 | 1.7 | 13.765 | 2.8 | 185 | 1.8 |
| <i>Fish Catching</i> | 70.900 | 6.5 | 30.551 | 6.3 | 269 | 2.6 |
| <i>Aquaculture</i> | 156.266 | 14.3 | 49.484 | 10.2 | 350 | 3.3 |
| <i>Oil Terminal</i> | 46.427 | 4.3 | 19.911 | 4.1 | 219 | 2.1 |
| <i>Mining</i> | 12.115 | 1.1 | 4.535 | 0.9 | 31 | 0.3 |
| <i>Fish Processing</i> | 83.267 | 7.6 | 10.086 | 2.1 | 260 | 2.5 |
| <i>Other Food & Drink Process</i> | 8.752 | 0.8 | 4.019 | 0.8 | 234 | 2.2 |
| <i>Marine Engineering</i> | 11.053 | 1.0 | 6.746 | 1.4 | 441 | 4.2 |
| <i>Textiles</i> | 4.678 | 0.4 | 2.605 | 0.5 | 98 | 0.9 |
| <i>Other Manufacturing</i> | 11.592 | 1.1 | 7.281 | 1.5 | 128 | 1.2 |
| <i>Electricity, Gas & water</i> | 39.592 | 3.6 | 11.175 | 2.3 | 65 | 0.6 |
| <i>Construction</i> | 77.714 | 7.1 | 33.694 | 6.9 | 777 | 7.4 |
| <i>Wholesale</i> | 11.427 | 1.0 | 3.820 | 0.8 | 119 | 1.1 |
| <i>Retail</i> | 57.813 | 5.3 | 24.294 | 5.0 | 930 | 8.9 |
| <i>Accommodation</i> | 17.052 | 1.6 | 9.121 | 1.9 | 259 | 2.5 |
| <i>Catering</i> | 5.337 | 0.5 | 2.907 | 0.6 | 231 | 2.2 |
| <i>Ports & Harbours</i> | 23.431 | 2.1 | 10.735 | 2.2 | 46 | 0.4 |
| <i>Sea Transport</i> | 18.403 | 1.7 | 1.552 | 0.3 | 118 | 1.1 |
| <i>Land Transport</i> | 46.743 | 4.3 | 31.596 | 6.5 | 231 | 2.2 |
| <i>Air Transport</i> | 33.730 | 3.1 | 23.197 | 4.8 | 100 | 1.0 |
| <i>Oil Supply Services</i> | 25.000 | 2.3 | 5.631 | 1.2 | 49 | 0.5 |
| <i>Communications</i> | 5.781 | 0.5 | 1.902 | 0.4 | 183 | 1.7 |
| <i>Financial Services</i> | 36.548 | 3.3 | 6.072 | 1.3 | 108 | 1.0 |
| <i>IT & Real State Services</i> | 7.881 | 0.7 | 3.071 | 0.6 | 44 | 0.4 |
| <i>Technical & Prof Services</i> | 18.748 | 1.7 | 13.518 | 2.8 | 211 | 2.0 |
| <i>Public Administration</i> | 67.616 | 6.2 | 27.378 | 5.6 | 3,021 | 28.8 |
| <i>Schools</i> | 38.300 | 3.5 | 28.428 | 5.9 | 459 | 4.4 |
| <i>College</i> | 7.179 | 0.7 | 5.457 | 1.1 | 145 | 1.4 |
| <i>Health</i> | 56.782 | 5.2 | 27.745 | 5.7 | 548 | 5.2 |
| <i>Social Work</i> | 35.857 | 3.3 | 26.797 | 5.5 | 101 | 1.0 |
| <i>Other Personal Services</i> | 36.985 | 3.4 | 28.849 | 5.9 | 531 | 5.1 |
| | | | 9.015* | 1.9* | | |
| Shetland Totals | 1,091.421 | 100 | 484.938 | 100 | 10,490 | 100 |

*Payment by Shetland households to value added (for property rent)

As highlighted in Table 3.2, the answer to which sector contributes the most to the Shetland economy clearly depends on the criterion used. For instance, *aquaculture*, the largest sector in terms of output is not among the largest employers. On the other hand, the *public administration* and *construction* head the list on employment and wages, respectively, but are not among those sectors generating the most value added.

Table 3.2 The top five economic sectors in Shetland according to various criteria¹

| Total Output (£m) | Value Added (£m) | Wages (£m) | Profits (£m) | Employment (FTES) |
|------------------------|-----------------------|---------------------|-----------------------|-----------------------|
| <i>Aquaculture</i> | <i>Aquaculture</i> | <i>Construction</i> | <i>Aquaculture</i> | <i>Public Admin</i> |
| <i>Fish Processing</i> | <i>Construction</i> | <i>Schools</i> | <i>Other Services</i> | <i>Retail</i> |
| <i>Construction</i> | <i>Land Transport</i> | <i>Health</i> | <i>Land Transport</i> | <i>Construction</i> |
| <i>Fish Catching</i> | <i>Fish Catching</i> | <i>Public Admin</i> | <i>Fish catching</i> | <i>Health</i> |
| <i>Public Admin</i> | <i>Other Services</i> | <i>Social Work</i> | <i>Retail</i> | <i>Other Services</i> |

¹ Shown in descending order.

From a policy perspective, the importance of employment is self-evident. Similarly, value added is the basis of income and thus, arguably, of most interest to public policy. However, output (and industrial activity) also is highly relevant as the source of income to the region and source of tax.⁷ Assessed in terms of output, the structure of the Shetland economy appears relatively stable: four of the five top contributors to the region's output are the same as in 2003, while three are common with 1996-97.⁸ But there have also been important changes. *Construction* and the *Sullom Voe oil terminal* have declined

⁷ See Chapter 7 for a discussion of taxes.

⁸ Newland and Roberts, op cit.

in relative terms since 1996, while *aquaculture* and to a lesser degree *fish processing* have taken their place (Fig. 2.1).⁹

Output

Output is not only a measure of economic activity but demand for output is a driver of economic growth. That is, the expansion of demand for output from any sector in Shetland is an intrinsic source of growth elsewhere in the economy.¹⁰ In this sense, *aquaculture* is potentially a most important sector, as it contributed directly 21% of net output growth between 2003 and 2010-11. In contrast, the decline of the *oil terminal* directly curtailed Shetland's net output growth by 10%, while the *construction* sector contributed 2% of growth despite the loss of its preeminent place in the region's economy.

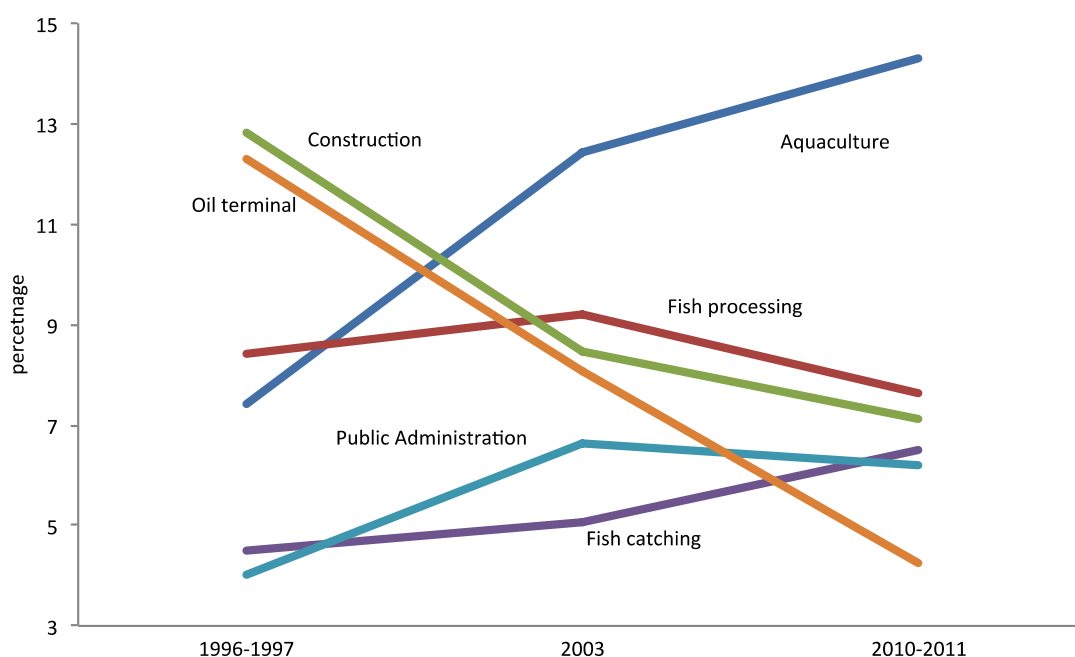


Figure 3.1 Relative contributions of largest sectors to value of output since 1996-97

⁹ Oil terminal data is estimated on the basis of employment estimates for the industry.

¹⁰ See Chapter 5 for more on this topic.

Notwithstanding the current prominence of *aquaculture*, the **industry concentration ratio** for Shetland's five largest sectors has decreased slightly in recent years, from 49 and 50 in 1996-97 and 2003, respectively, to 46 in 2010-11. That is, Shetland's economy has become more diversified as smaller sectors partly fill the space left by *construction* and the *oil terminal* however the combined importance of fisheries-related sectors (*aquaculture, fish processing and fish catching*) in 2010-11 should be noted. Sectoral growth rates for each sector since 2003 are shown in figure 3.2.¹¹

The highest rates of growth are observed in *electricity, gas & water* (26%), *other food and drink processing* (26%), *oil supply services* (24%) and *other manufacturing* (20%). Negative growth rates are observed in *technical and professional services* (-9.6%), *communications* (-6.6%), *oil terminal* (-5.6%) and *financial services* (-3.1%). While some of these rates are impressive, it is difficult to separate actual changes from the effect of reclassifying a number of businesses across sectors. Reclassification explains for instance the decline of *technical and professional services* and simultaneous expansion of *real state services*. It may have also contributed to the change in the *fish processing* and *wholesale* sectors.

¹¹ Sectoral data for 2003 and growth rates are reported in Appendix 4.

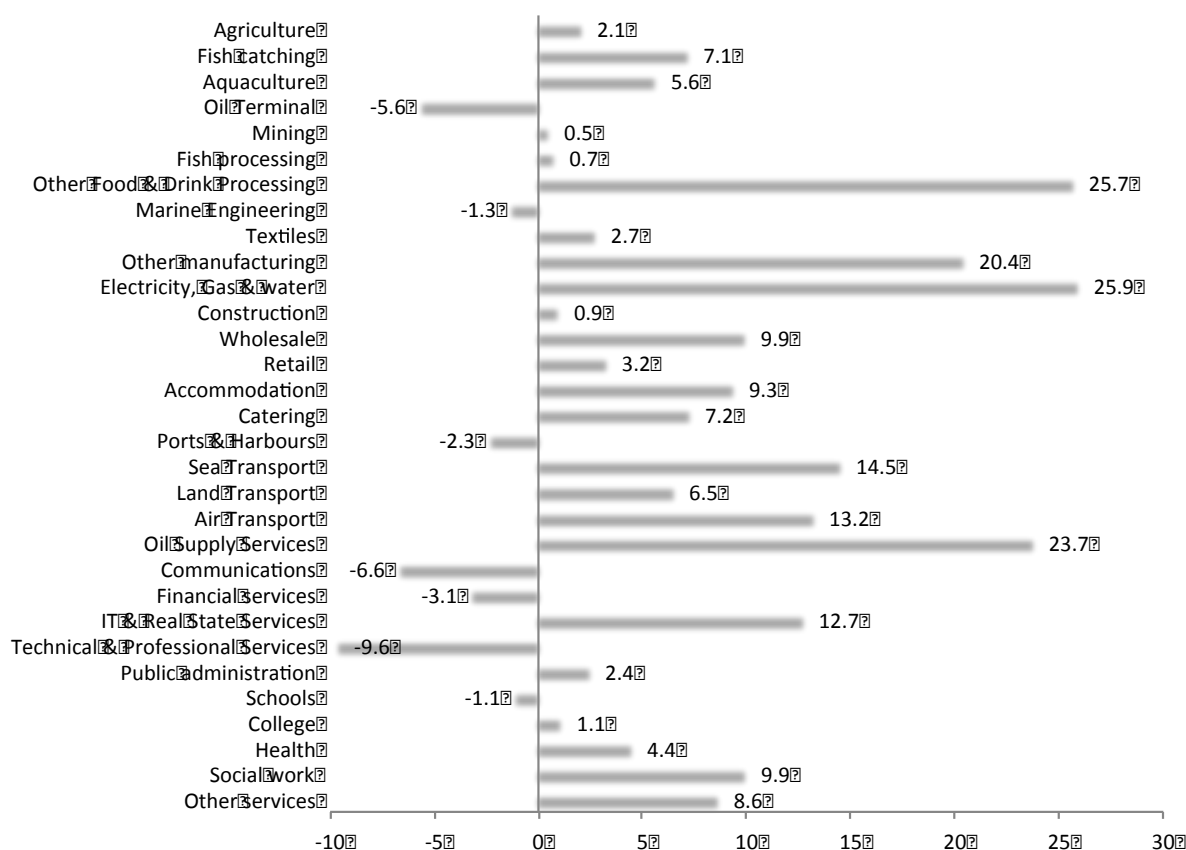


Figure 3.2 Annual output growth rates (%) by sector, 2003 to 2010-11

Despite large changes in growth rates, sectors' shares of the region's total output have remained relatively stable. The most important increases in relative contributions are in *electricity, gas and water* (2.7 percentage points), *aquaculture* (1.9), *oil supply services* (1.6), and *fish catching* (1.4); while the largest declines are the *oil terminal* (-3.8), *technical and professional services* (-2.7), *financial services* (-2.0), *fish processing* (-1.6) and *construction* (-1.3).

Value Added

Sectoral contributions to value added tell a different story. *Aquaculture* remains the largest sector, yet it contributes relatively less to GRDP than output. By contrast, although not exceedingly large in terms of output, *land transport* and *other personal services* generate a considerable share (13%) of Shetland's GRDP. Also important in terms of value added are *construction* and *fish catching*. It is worth noting nevertheless that these sectors do not contribute equally to wages and profits. *Aquaculture*, *other personal services*, *land*

transport and *fish catching* generate an overwhelming share of profits in Shetland (53%), while it is *construction*, *schools*, *health*, the *public administration* and *social work* that contribute most to wages (43% in aggregate) (Table 3.2).

Sectoral shares of GRDP are clearly more volatile than output shares. Large increases in relative contributions are observed in *land transport* (4.5 percentage points), *air transport* (4.1), *health* (3.7), *schools* (3.0), *public administration* (2.7), *social work* (2.6) and *construction* (2.2). Equally notable declines occurred in *fish processing* (-4.7), *retail* (-4.4), *aquaculture* (-4.1), *technical and professional services* (-3.0), *oil terminal* (-2.8), *financial services* (-2.5) and *fish catching* (-1.9). These changes should be attributed to fluctuations in the rate of profitability across sectors with both the 2003 and 2010-11 SAM providing only a “snapshot” of a sector’s performance in that particular year. Moreover, information on profits is generally considered to be less reliable than other information in the SAM. The changes in shares of GRDP also reflect changes in the intensity of labour in each sector and in the type of remuneration offered to employees.¹²

Employment

Finally, in terms of employment, most striking is the large increase in the *public administration*’s relative contribution. This can, in part, be explained by the transfer of staff from businesses that were previously classified as *Social work* to *public administration* as a result of changes in funding. Excluding the *public administration* sector, the largest increases in employment shares are observed in *marine engineering* (2.2), *food and drink processing* (1.7), and *other personal services* (1.5). On the other side, the largest declines in employment are in *technical and professional services* (-3.7), *schools* (-3.2), *ports and harbours* (-3.1) and *social work* (-2.8). We address employment in greater detail in the next section.

¹² Changes in methodology might account for the decrease in *retail*’s contribution to GRDP.

4. Employment

Over two thirds of the labour force in Shetland is employed in services sectors; manufacturing jobs represent an additional 19% and primary sectors the remaining 10%. In 2003, manufacturing and the primary sectors offered relatively more jobs than at present (Fig. 3.2). Service sectors now constitute the main employer of every occupational category (according to the *Standard Occupational Classification 2000*) except *skilled trades* and *process plant and machine operatives*, for which manufacturing provides more jobs.

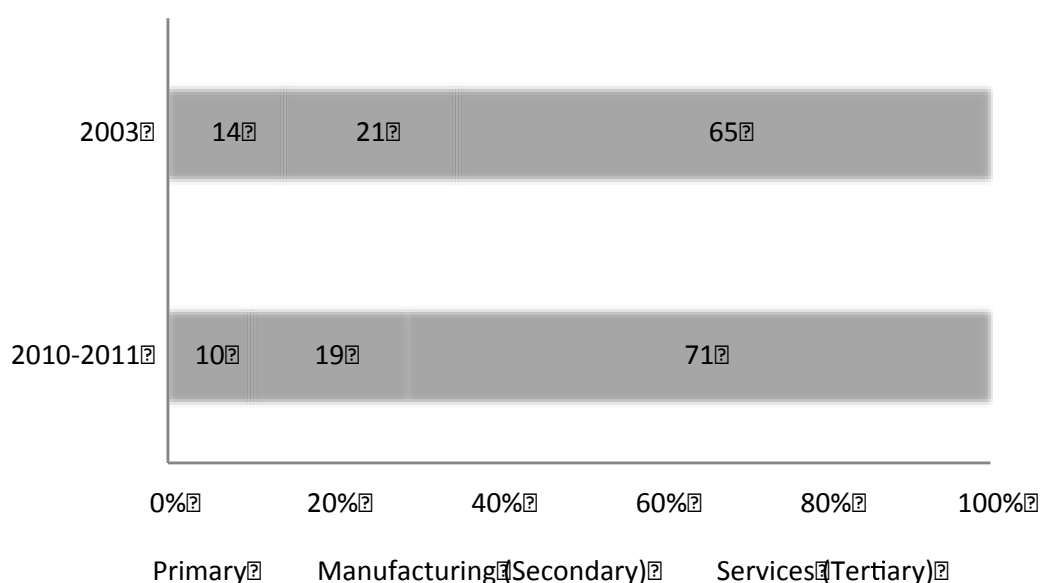


Fig. 3.2 Employment in primary, manufacturing and services sectors in Shetland

Skilled trades is the largest occupational group in Shetland (1,841 FTEs). Also important are *sales and customer services* (1,296) and *professionals* (1,214), which replaced *elementary occupations* and *process, plant and machine operatives* as the second and third largest since 2003 (Fig. 3.3). Significant representation of all nine occupational groups nevertheless remains a hallmark of the region's economy. Employment across occupational categories by sector is presented in full detail in Table 3.1.

As in 2003, Shetland maintains a relatively balanced occupational distribution across sectors. There are seven sectors that employ people in all occupational groups: *air transport, IT and real state, public administration, colleges, health, social work, and other personal services*. Significant changes in employment nevertheless have taken place since 2003. *Public administration* has replaced *retailing* as the largest employer of *managers and senior officials* except for *agriculture*, where every farmer or crofter was considered a manager. *Public administration* also continues to be the largest employer of *associate professional and technical occupations* and *administrative and secretarial occupations*; and it has also become the main employer of *professionals, personal services, and elementary occupations*, replacing the *technical and professional services, accommodation and fish processing* sectors, respectively. Also, *retail* continues to employ the most *sales and customer representatives* in Shetland; and although *construction* continues to be the main employer of *skilled trades*, *fish processing* now employs more *process, plant and machine operatives*.

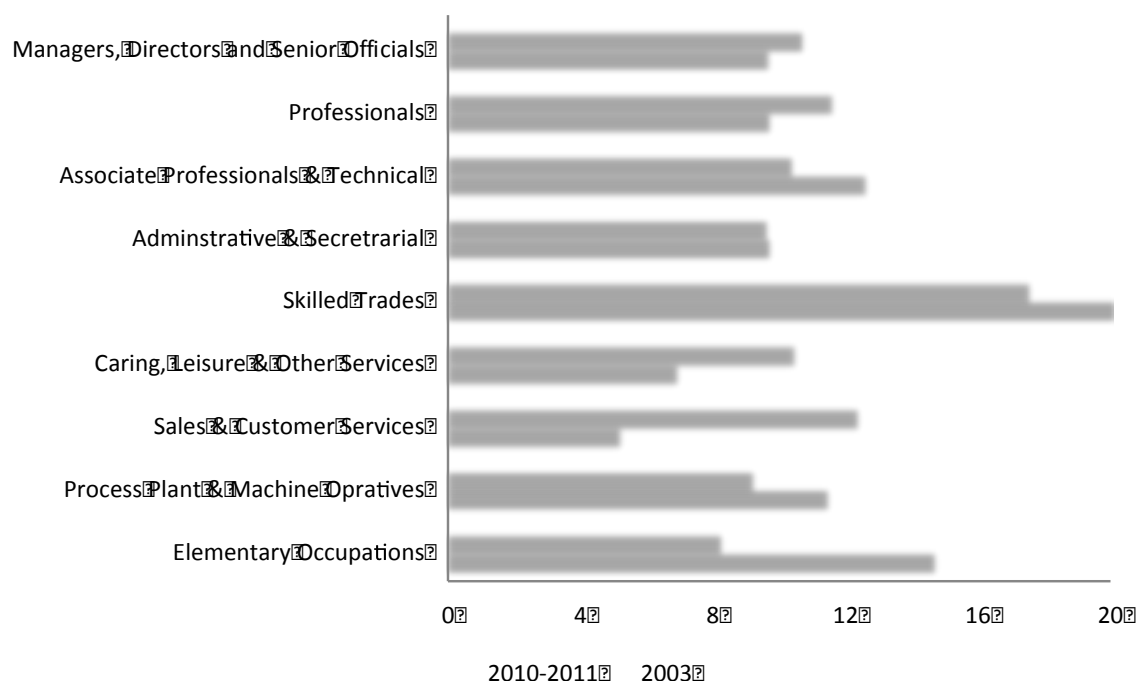


Fig. 3.3 Employment by occupational category, 2003 to 2010-11.

Employment coefficients represent the amount of labour required to produce a unit of output—a measure of the intensity of labour or an inverse measure of its productivity. We calculated these statistics for every sector in Shetland.¹³ The highest coefficients across the economy are for three services sectors: *public administration* (44.7 FTEs/£ million), *catering* (43.3) and *marine engineering* (39.9). On the other hand, those with the lowest coefficients are capital-intensive sectors: *electricity, gas and water* (1.6 FTEs/£ million), *oil supply services* (2.0) and *ports and harbours* (2.0) (Fig. 3.1). As noted in the introduction, employment coefficients have decreased slightly in average since 2003. In 2003, for instance, the highest coefficients were above 45 FTEs/£ million (47.6 for *catering* and 45.5 for *other manufacturing*), while the lowest were above 2.0 FTEs/£ million (*sea transport*, 2.1, and *finance*, 2.4). More generally, 26 sectors exhibit higher labour productivities in 2010-11 than in 2003, while the intensity of labour rose in the remaining five (Fig. 3.1). Employment coefficients decreased most in *other manufacturing*, *accommodation*, *social work* and *textiles*; the largest increases are for *public administration*, *marine engineering* and *communications*.

¹³ Employment coefficients are reported in full detail in Appendix 5.

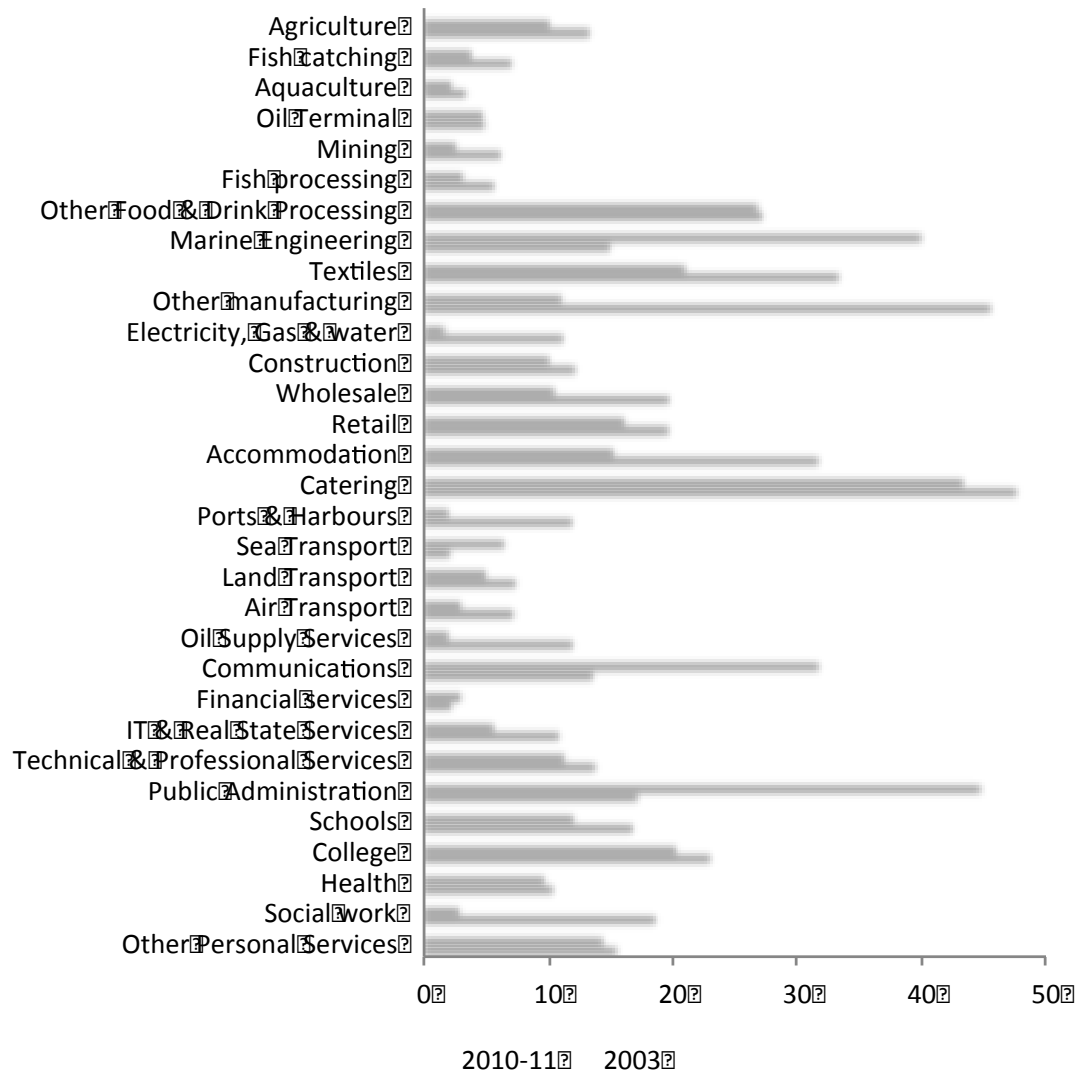


Figure 4.1 Employment coefficients by sector, 2003 to 2010-11

Table 4.1 Employment matrix for Shetland, 2010-11

| | Sector | Managers, Directors and Senior Officials | Professionals | Associate Professionals Technical | Administrative Secretarial | Skilled Trades | Caring, Leisure Other Services | Sales Customer Services | Process Plant Machine Operatives | Elementary Occupations | Totals |
|----|-----------------------------------|------------------------------------------------|---------------|-----------------------------------------|-------------------------------|-------------------|-----------------------------------|-------------------------------|----------------------------------------|---------------------------|---------------|
| 1 | Agriculture | 166 | 0 | 0 | 2 | 7 | 0 | 0 | 10 | 0 | 185 |
| 2 | Fishing | 88 | 0 | 43 | 0 | 22 | 0 | 0 | 116 | 0 | 269 |
| 3 | Aquaculture | 84 | 11 | 4 | 5 | 205 | 0 | 0 | 14 | 27 | 350 |
| 4 | Oil Terminal | 5 | 27 | 42 | 5 | 43 | 0 | 2 | 95 | 0 | 219 |
| 5 | Mining | 0 | 0 | 0 | 6 | 0 | 0 | 0 | 25 | 0 | 31 |
| 6 | Fish Processing | 13 | 5 | 21 | 4 | 10 | 0 | 4 | 202 | 1 | 260 |
| 7 | Other Food & Drink Processing | 17 | 0 | 17 | 33 | 59 | 0 | 25 | 84 | 0 | 234 |
| 8 | Marine Engineering | 20 | 3 | 12 | 18 | 387 | 0 | 0 | 0 | 0 | 441 |
| 9 | Textiles | 7 | 0 | 0 | 5 | 34 | 0 | 0 | 52 | 0 | 98 |
| 10 | Other Manufacturing | 13 | 0 | 1 | 8 | 67 | 0 | 8 | 8 | 21 | 128 |
| 11 | Electricity, Gas & Water | 7 | 1 | 4 | 5 | 18 | 0 | 0 | 30 | 0 | 65 |
| 12 | Construction | 67 | 18 | 9 | 24 | 480 | 0 | 22 | 22 | 135 | 777 |
| 13 | Wholesale | 17 | 7 | 8 | 13 | 5 | 0 | 45 | 23 | 0 | 119 |
| 14 | Retail | 117 | 0 | 0 | 59 | 40 | 0 | 713 | 2 | 0 | 930 |
| 15 | Accommodation | 46 | 0 | 0 | 15 | 0 | 0 | 198 | 0 | 0 | 259 |
| 16 | Catering | 9 | 0 | 17 | 11 | 34 | 0 | 43 | 11 | 106 | 231 |
| 17 | Ports & Harbours | 4 | 3 | 3 | 6 | 13 | 0 | 0 | 17 | 0 | 46 |
| 18 | Sea Transport | 22 | 0 | 15 | 37 | 0 | 0 | 44 | 0 | 0 | 118 |
| 19 | Land Transport | 22 | 0 | 33 | 19 | 114 | 0 | 0 | 42 | 0 | 231 |
| 20 | Air Transport | 3 | 30 | 9 | 7 | 12 | 12 | 16 | 5 | 6 | 100 |
| 21 | Oil Supply Services | 2 | 0 | 1 | 6 | 28 | 0 | 0 | 4 | 8 | 49 |
| 22 | Communications | 92 | 0 | 92 | 0 | 0 | 0 | 0 | 0 | 0 | 183 |
| 23 | Financial Services | 14 | 26 | 0 | 45 | 0 | 0 | 23 | 0 | 0 | 108 |
| 24 | IT & Real Estate Services | 9 | 2 | 10 | 10 | 4 | 1 | 6 | 0 | 3 | 44 |
| 25 | Technical & Professional Services | 47 | 70 | 45 | 49 | 0 | 0 | 0 | 0 | 0 | 211 |
| 26 | Public Administration | 119 | 541 | 574 | 458 | 135 | 660 | 36 | 167 | 331 | 3,021 |
| 27 | Schools | 0 | 301 | 21 | 0 | 50 | 0 | 0 | 0 | 88 | 459 |
| 28 | College | 16 | 77 | 17 | 20 | 7 | 5 | 0 | 0 | 3 | 145 |
| 29 | Health | 35 | 46 | 34 | 75 | 0 | 229 | 0 | 0 | 129 | 548 |
| 30 | Social Work | 13 | 0 | 0 | 4 | 0 | 84 | 0 | 0 | 0 | 101 |
| 31 | Other Personal Services | 50 | 46 | 56 | 56 | 67 | 104 | 111 | 35 | 7 | 531 |
| | Total | 1,122 | 1,214 | 1,088 | 1,007 | 1,841 | 1,094 | 1,296 | 965 | 864 | 10,490 |

5. Multiplier Analysis

The discussion has focused so far on growth within specific sectors, but as we said in section 2, expansion within one sector can generate growth elsewhere in the economy. This process is the subject of multiplier analysis. We estimated two types of output multipliers for the Shetland economy: Type I **input-output multipliers** (also known as open multipliers) and **SAM multipliers**. Both types can provide a precise measure of the total or cumulative effect of actual or potential changes in a given sector on the rest of Shetland's economy under certain conditions.¹⁴ They can thus be used to assess the economy's potential response to an external stimulus, such as public policy or market shocks.¹⁵ Table 5.1 reports both types of multipliers consistent with the information included in the 2010-11 regional accounts.

Input-output multipliers measure the expected change in total output after an increase in final demand for output from the relevant sector. Such change consists of the sum of the direct effect of stimulus on that sector and its indirect effects on other sectors through production interdependencies. The largest type I multiplier in Shetland in 2010-11 was 1.573 for the *communications* sector. This means that a £1,000 increase in demand for communication services would stimulate economic activity in various sectors through the purchase of inputs (also known as intermediate demand), and generate an additional £573 in sales spread across the Shetland economy. Alternatively, a £1,000 decrease in demand would translate into £1,573 in losses across Shetland: £1,000 directly in *communications* and the rest spread across the economy.

¹⁴ These conditions are that technology and prices remain unchanged after the stimulus; that production capacity is not limited by the availability of labour or capital (also known as supply-side constraints), and that household consumption patterns remain unchanged.

¹⁵ See Chapter 8.

Other sectors with significant type I multipliers are *wholesale* (1.531), *electricity, gas and water* (1.439), the *oil terminal* (1.439) and *sea transport* (1.401) (Table 5.1). A low input-output multiplier, such as that seen for *financial services* (1.001), suggests that the sector demands relatively few local inputs. This can occur either because it demands few inputs in general or because it imports most inputs into Shetland. When few inputs are required, we should expect a relatively large share of outlays from the relevant sector to be in the form of wages, profits or taxes, which can have additional repercussions (positive or negative) on the economy (see below). But this is not necessarily the case when most inputs are imported, in which case a large part of the stimulus leaks out of the economy without having significant indirect effects.

Table 5.1 Input-Output and SAM multipliers for Shetland, 2010-11

| Sector | I-O | Rank | SAM | Rank |
|----------------------------------------------|------------|-------------|------------|-------------|
| <i>Agriculture</i> | 1.235 | 11 | 1.383 | 10 |
| <i>Fish Catching</i> | 1.245 | 10 | 1.341 | 15 |
| <i>Aquaculture</i> | 1.018 | 30 | 1.059 | 30 |
| <i>Oil Terminal</i> | 1.439 | 4 | 1.562 | 3 |
| <i>Mining</i> | 1.165 | 23 | 1.238 | 23 |
| <i>Fish Processing</i> | 1.217 | 15 | 1.255 | 22 |
| <i>Other Food & Drink Process.</i> | 1.299 | 8 | 1.408 | 9 |
| <i>Marine Engineering</i> | 1.100 | 26 | 1.235 | 24 |
| <i>Textiles</i> | 1.215 | 16 | 1.329 | 18 |
| <i>Other manufacturing</i> | 1.092 | 28 | 1.214 | 28 |
| <i>Electricity, Gas & water</i> | 1.439 | 3 | 1.519 | 5 |
| <i>Construction</i> | 1.257 | 9 | 1.367 | 12 |
| <i>Wholesale</i> | 1.531 | 2 | 1.644 | 2 |
| <i>Retail</i> | 1.139 | 24 | 1.226 | 26 |
| <i>Accommodation</i> | 1.231 | 12 | 1.342 | 14 |
| <i>Catering</i> | 1.398 | 6 | 1.538 | 4 |
| <i>Ports & Harbours</i> | 1.337 | 7 | 1.472 | 6 |
| <i>Sea Transport</i> | 1.401 | 5 | 1.456 | 7 |
| <i>Land Transport</i> | 1.166 | 22 | 1.295 | 20 |
| <i>Air Transport</i> | 1.183 | 19 | 1.332 | 17 |
| <i>Oil Supply Services</i> | 1.177 | 21 | 1.231 | 25 |
| <i>Communications</i> | 1.573 | 1 | 1.687 | 1 |
| <i>Financial Services</i> | 1.001 | 31 | 1.030 | 31 |
| <i>IT & Real State Services</i> | 1.214 | 17 | 1.309 | 19 |
| <i>Technical & Professional Services</i> | 1.065 | 29 | 1.201 | 29 |
| <i>Public Administration</i> | 1.222 | 14 | 1.337 | 16 |
| <i>Schools</i> | 1.188 | 18 | 1.372 | 11 |
| <i>College</i> | 1.177 | 20 | 1.352 | 13 |
| <i>Health</i> | 1.099 | 27 | 1.219 | 27 |
| <i>Social Work</i> | 1.229 | 13 | 1.409 | 8 |
| <i>Other Personal Services</i> | 1.129 | 25 | 1.265 | 21 |

In general, multiplier analysis assumes that prices and technologies do not change in response to the stimulus, which implies that multipliers remain fixed. The assumption of fixed prices is obviously limiting. However, technology (and

hence multipliers) also can change substantially over time due to the spread of innovation or the restructuring of interdependencies within the economy. In Shetland, the latter has been the case with the expansion of the oil industry and connected sectors.¹⁶

More generally, the list of sectors with the largest multipliers in Shetland has changed substantially since 1996 (Table 5.2). *Agriculture* headed this list until 2003, but it is no longer part of it in 2010-11.

Table 5.2 Sectors with largest type I multipliers in Shetland, 1996-97 to 2010-11

| | 2010-11 | 2003 | 1996-97 |
|----------|------------------------------------------------------------|--------------------------|----------------------------|
| 1 | <i>Communications</i> | <i>Agriculture</i> | <i>Agriculture</i> |
| 2 | <i>Wholesale</i> | <i>Fish Processing</i> | <i>Fish Processing</i> |
| 3 | <i>Electricity, Gas & Other Food & Drink water</i> | <i>Processing</i> | <i>Communications</i> |
| 4 | <i>Oil Terminal</i> | <i>Communications</i> | <i>Other Manufacturing</i> |
| 5 | <i>Sea Transport</i> | <i>College Education</i> | <i>Oil Terminal</i> |

Input-output multipliers also assume that economic activity and household consumption (or final consumption) are mutually independent. This could be more the case than in peri-urban areas in the UK than in Shetland. Due to the region's geographic location, the local economic activity is, per force, the main source of local household income. In Shetland output growth translates into extra wages and profits for local households, and increased spending, which means a larger demand for local goods and services. Induced effects of this sort (i.e., the multiplier effects of household spending) are not considered in type I input-output multipliers, but they are included in SAM multipliers. In fact,

¹⁶ For a recent analysis of this process see Roberts and Newland (2010) *The economic integration of new sectors in rural areas: a case study of the Shetland economy*.

both types of multipliers differ only in that the latter take into account the additional feedbacks that occur as earned income associated with a stimulus is spent.

As we should expect, estimated SAM multipliers for 2010-11 are greater than type I multipliers, as they reflect increases in input (or intermediate) demand for local goods and services as well as in consumer (or final) demand as income gains are spent (Fig. 4.1). As the figure shows, consumer-induced effects do not affect sectoral rankings radically, but differences between the two types of multipliers can be considerable nevertheless. Cases worth noting include educational sectors, namely *schools* and *colleges*, which improve 7 points in the overall ranking, while *social work* improves 5 points and *other personal services* 4 points. These are relatively labour-intensive sectors¹⁷ that require few material inputs, and hence their contribution to economic growth is mostly through employees' income gains. A similar argument could be made for *financial services*, but given this sector's scant demand for local inputs, its SAM multiplier remains small.

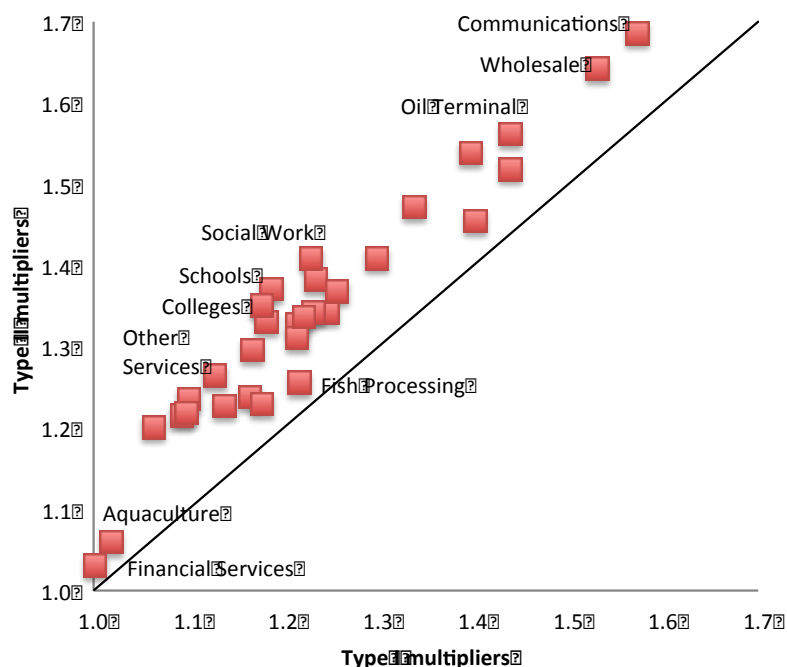


Figure 5.1 Input-output and SAM multipliers by sector in Shetland, 2010-11

¹⁷ See Appendix 5.

At the opposite extreme is the *fish processing* sector, whose rank decreases by 7 points due to its intensive use of material inputs. Its SAM multiplier (1.255) nevertheless remains considerable. Overall, the sectors with the largest SAM multipliers are *communications* (1.687) and *wholesale* (1.644), while those with the smallest are *financial services* (1.030) and *aquaculture* (1.059).

Multiplier analysis shows thus that the contribution of *aquaculture* to economic growth in Shetland remains largely limited to its own expansion. The reason is that its effects on local consumption, both intermediate and final, are small. *Aquaculture* demands few local goods and services, while an overwhelming share of its inputs is imported from mainland Scotland.¹⁸ It also continues to have one of the smallest employment coefficients in Shetland (Appendix 5), which means that induced effects via employee income also are limited. Therefore, although the sector accounts directly for 20% of regional growth since 2003, its expansion has not been a significant driver of growth elsewhere in the economy. This may change if local businesses gradually become better positioned to supply the inputs required by this sector, as it happened thirty years ago with the oil industry, but there is little if any evidence that any restructuring occurred during the last decade.

Employment. If the expansion of a particular sector can induce growth across Shetland, as discussed in the preceding sub-section, it must follow that it can also affect employment elsewhere in the economy. The employment generated across the economy as a result of a unit increase in output from a particular sector is known as its **employment effects**. That is, employment effects measure the multiplier effect discussed above in terms of employment gains and losses.

¹⁸ See Chapter 7 for a discussion on trade patterns.

Since employment effects consist of direct and indirect changes in employment associated with a particular stimulus, their value should exceed that of the employment coefficients, which reflect only the former; employment is generated directly in the expanding sector and indirectly across the economy. There are two types of employment effects that correspond to the two types of multipliers discussed above. Employment effects derived from input-output multipliers measure inter-industry feedbacks alone; those associated with SAM multipliers also include effects induced through consumer demand. In what follows we refer exclusively to the latter, but both types are reported in full detail in Appendix 5.

Across sectors, employment effects are 7 to 275% larger than employment coefficients (Fig. 4.2). At one extreme, *marine engineering* has an employment coefficient and employment effect of 39.9 and 42.5 (FTEs/£ million), respectively. That is, a stimulus that increases the output of a particular sector by £1 million requires 39.9 full-time employees in marine engineering. It also raises *marine engineering's* use of material inputs, and supplying these goods and services in turn requires an additional 2.6 FTEs distributed across other businesses and organizations in Shetland. At the opposite end is *ports and harbours* with employment coefficient and employment effects of 2.0 and 7.4 (FTEs/£ million), respectively. A £1 million increase in *ports and harbours'* output requires only 2.0 FTEs within the sector but 5.4 FTEs are generated across other economic activities.

Clearly the most important issue is not whether jobs are created directly or indirectly, but how many jobs are created in total. Although significant at the level of the entire economy, indirect employment does not change noticeably the ranking of the various sectors as generators of jobs (Fig. 4.2). Predictably, sectors with the highest employment effects are *catering* (52.5 FTEs/£ million), *public administration* (49.7) and *marine engineering* (42.5), which are also the most labour-intensive (Appendix 5). A £1 million increase in the size of the *public administration* thus creates almost 45 full time jobs directly and an

additional 5 spread across other sectors. The sectors with the lowest employment effects are *aquaculture* (3.1) *financial services* (3.4) and *mining* (4.8). A £1 million increase in *aquaculture* sales creates 2.2 jobs directly and 0.9 more indirectly. Naturally, the size of these sectors also is important. *Catering*, *marine engineering*, and *communications* have large employment effects, but none accounts for more than 1% of Shetland’s total output. This is not the case of *aquaculture*, which contributes 14% of this output, or *public administration*, which employs 29% of its labour force. Either directly or indirectly, all of these sectors can have a critical impact on the region’s labour market.¹⁹

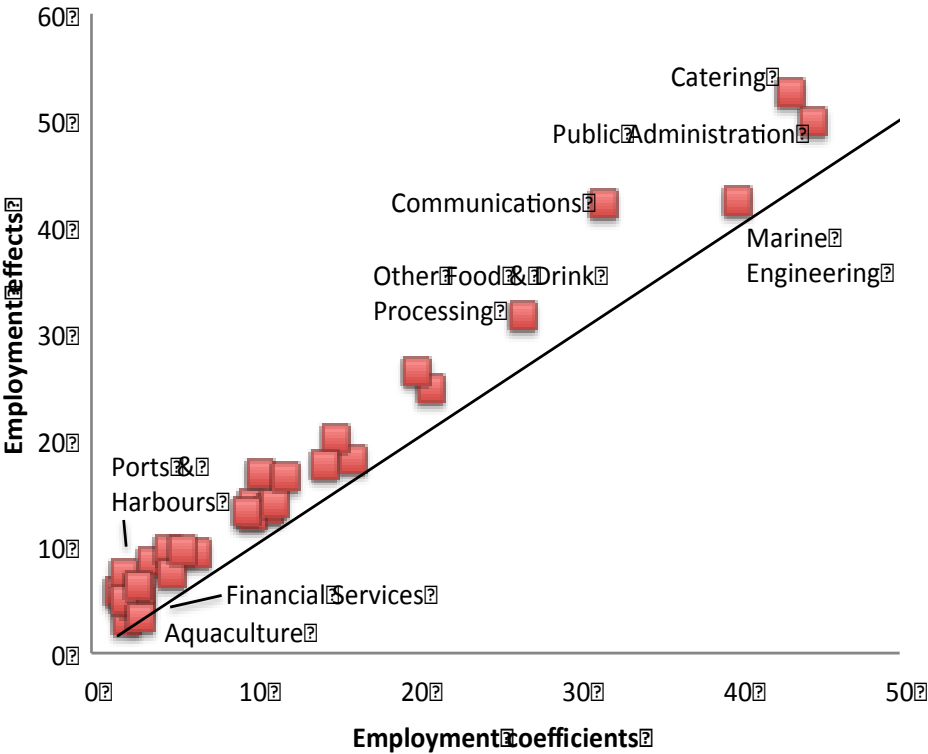


Figure 5.2 Employment coefficients and effects by sector, 2010-11

¹⁹ See Chapter 8.

Employment multipliers are an alternative way of considering the employment generating potential of different sectors. In this case they measure the increase in total employment (in the whole economy) resulting from a unit increase in employment in one particular sector. The final columns of Appendix 5 show that the sector with the highest employment multiplier in 2010-11 was *ports & harbours* with an employment multiplier of 3.748 suggesting one extra FTE job in the *ports & harbours* sector would lead to an additional 2.748 FTE jobs being created in the wider Shetland economy. This is closely followed by the *electricity, gas and water* sector with an employment multiplier of 3.534. The magnitude of employment multipliers falls quite dramatically after these two sectors with the mean multiplier (across all 31 sectors) being only 1.634.

6. Household Income and Expenditure

This chapter reports information from the Household survey.

Household income. Average household income in Shetland for 2010-11 is estimated at £38,418, which represents a nominal increase of 17% with respect to 2003 (Table 6.1). Average income is highest for households without children, whose total earnings amounted to £45,904. Income is also above average for households with children at £41,316, while retiree households earn less than half the average, or £17,162. Wages and salaries contribute two thirds of total income in average, or £25,590, followed in importance by pensions, 15% or £5,653, and self-employed income, 12% or £4,535. Social security and various other income sources contribute an additional 5% or £1,786, while investment and rental income contribute the remaining 2% or £854 in average.

Changes in the relative contribution of different sources of income since the 1996-97 study reveal an interesting pattern. At the most aggregate level, for instance, there is an increasing reliance on income from pensions, whose relative contribution almost doubled from 8% in 1997 to 15% in 2011 (Fig. 5.1). A possible explanation for this trend is that the Shetland population is aging. Twenty-one per cent of survey respondents are retiree households. The General Register Office for Scotland (GROS) places the pensionable-age population in Shetland at 17% of the total in 2011.²⁰ GROS expects that this population will nevertheless increase to 22% by 2020. Alternatively, the trend in pensions might reflect an increase in the value of pensions relative to other sources of income. Among retirees, the sum of state and private pensions has increased 14% in nominal terms since 2003, amounting to £14,872 (or 87% of their income) in 2011. As expected, pensions are largest and most important for retiree households, but they have increased for other groups as well. Among households without children, pension income increased almost 300% in nominal terms, contributing £5,219 (or 11% of their income), compared to £303 (or 1%) for households with children.

²⁰ See National Records of Scotland, 2012

Table 6.1 Average incomes in Shetland, by household group and income source, 2010-11

| | Wages & Salaries £ (%) | Self Employment £ (%) | Investment Income (%) | £ Pensions £ (%) | Social Security & Other £ (%) | Total Income £ |
|----------------------------------------|--------------------------------------|---------------------------------|-------------------------------------|----------------------------|----------------------------------------------|--------------------------|
| Households with no Children | 31,174 (68) | 7,376 (16) | 1,122 (2) | 5,219 (11) | 1,012 (2) | 45,904 (100) |
| Households with Children | 34,068 (82) | 3,342 (8) | 394 (1) | 303 (1) | 3,209 (8) | 41,316 (100) |
| Retiree Households | 0 (0) | 0 (0) | 962 (6) | 14,872 (87) | 1,329 (8) | 17,162 (100) |
| All Households | 25,590 (67) | 4,535 (12) | 854 (2) | 5,653 (15) | 1,786 (5) | 38,418 (100) |

Other sources of income show contrasting trends. For instance, the contribution of self employment to income has declined gradually from 15% in 1996-97 to 12% in 2011. However, this trend is not common to all household groups. The share of total income attributable to self employment decreased sharply for households with children, from 24% in 2003 to 8% in 2011; but it increased for households without children from 12 to 16%.

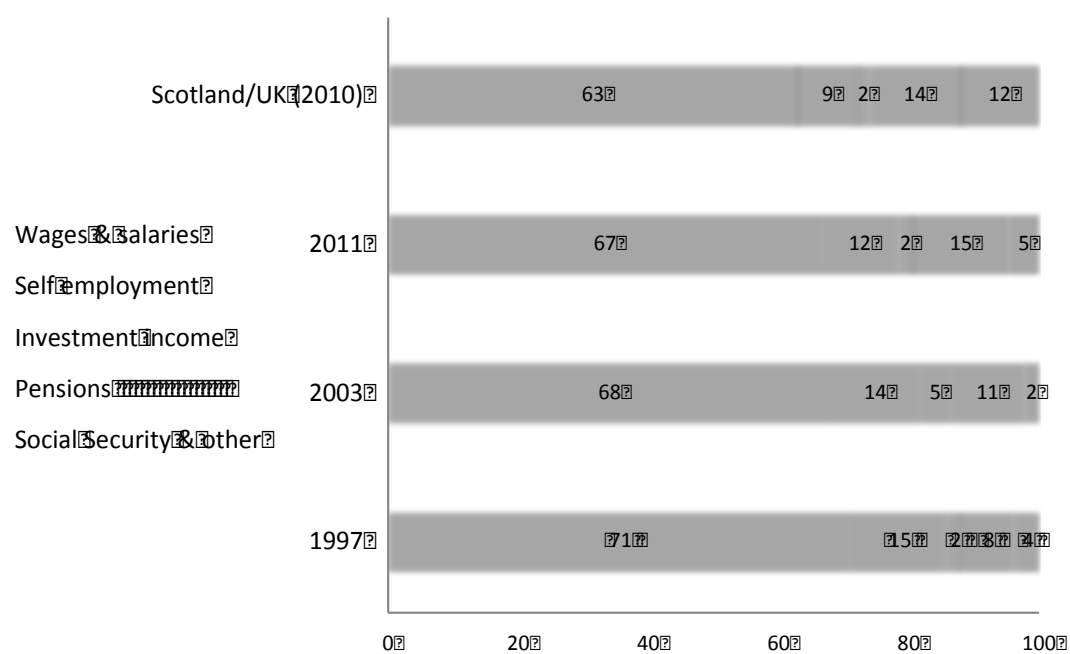


Figure 6.1 Sources of household income in Shetland, 1996-97 to 2010-11

Overall, changes since 2003 represented a 26% nominal increase in total income for households without children and a 13% increase for retiree households, but a 14% nominal decrease for households with children. This does not necessarily mean that particular households have sustained income losses, although this might be the case for some. We have not followed the same households during this fifteen-year period; household groups constitute a changing set of households each round of the survey. Thus, changes in income might reflect changes in the composition of each group. It could be the case, as suggested above, that households who had children in 2003 have experienced no income losses but they have become households without children. On the other hand, newly-formed households might enjoy fewer

opportunities today than their counterparts did in 2003. As for relative contribution of various income sources, changes seem to have followed a pattern since 1997, where wages, salaries and self-employed income have lost weight while pensions have gained in importance. This trend was apparent already in 2003.²¹

The results suggest that Shetland has moved closer to the pattern observed throughout Scotland and the rest of the United Kingdom (Fig. 5.1). The average household in Scotland and the UK derives 63% of its income from wages and salaries, and 9% from self employment. That is, in 2010, these sources jointly contributed 6 percentage points less to the average income in Scotland than in Shetland. Yet, the gap in 2003 was 1.5 times as large, i.e., 9 percentage points.²² Similarly, in 2003, pensions contributed 2 percentage points less to the average household in Shetland than in Scotland, but the gap has closed completely in 2010-11.

Household expenditure. About 80% of household expenditure is divided evenly among four broad categories: *food and drink* (20%), *housing* (20%), *private transport* (21%), and *other regular expenditure* (18%). The remainder consists of *other capital expenditure* (7%), *other transportation and travel* (4%), *holidays, entertainment and recreation* (5%), and *savings* (7%). Again, the pattern differs among household groups (Table 6.2). Households without children spend the highest share on *private transport* (23%), while both households with children and retiree households spend most on *housing* (26% and 25%, respectively). The smallest share of expenditure by household without children is on *public transportation and travel* (4%), and to *other capital expenditure* in the case of retiree households (2%), while households with children spend equal shares on both categories (3%). The share of income that

²¹ See Newlands and Roberts, op cit. The increasing share of pension income may reflect higher levels of early retirement from the public sector since 2003.

²² Ibid.

households without children save, 9%, is twice as large as that of other groups. In absolute terms, they save 156% more than households with children and 350% more than retiree households. Yet, households without children still spend 8% more in absolute terms than households with children, and 130% more than retirees.

Table 6.2 Household expenditure in Shetland by household type, 2010-11

| | All Households | Households without Children | Households with Children | Retiree Households |
|------------------------------------------|----------------|-----------------------------|--------------------------|--------------------|
| Food & Drink | 20% | 19% | 19% | 24% |
| At home | 16% | 15% | 16% | 21% |
| Restaurants & Bars | 4% | 5% | 3% | 3% |
| Other Regular Expenditure | 18% | 16% | 20% | 23% |
| Clothing & Footwear | 3% | 2% | 3% | 3% |
| Insurance | 3% | 2% | 3% | 2% |
| Communications | 3% | 2% | 4% | 4% |
| Other loan payments | 2% | 2% | 2% | 2% |
| Other | 7% | 7% | 7% | 12% |
| Housing | 20% | 15% | 26% | 25% |
| Rents & mortgages | 9% | 6% | 15% | 4% |
| Energy | 6% | 5% | 6% | 9% |
| Repairs & Miscellaneous | 3% | 3% | 2% | 7% |
| Council Tax | 3% | 2% | 3% | 5% |
| Other Capital Expenditure | 7% | 10% | 3% | 2% |
| Durable goods | 3% | 3% | 2% | 2% |
| Other capital expenditure | 4% | 7% | 1% | 0% |
| Private Transport | 21% | 23% | 20% | 13% |
| Purchase & Loans | 10% | 10% | 11% | 6% |
| Petrol & Diesel | 8% | 10% | 7% | 6% |
| Other | 2% | 2% | 3% | 2% |
| Other Transportation & Travel | 4% | 4% | 3% | 3% |
| Travel & Transportation | 4% | 4% | 3% | 3% |
| Holidays, Entertainment & Rec | 5% | 4% | 5% | 5% |
| Holidays | 3% | 3% | 3% | 4% |
| Entertainment & Recreation | 2% | 1% | 2% | 1% |
| Savings | 7% | 9% | 4% | 5% |
| Savings | 7% | 9% | 4% | 5% |

Interesting differences in spending patterns across groups are observed within these broad categories (Table 6.2). Households with children are the group that spends the greatest share on *rents and mortgages* (15%) and the least on *housing repairs* (2%). Perhaps predictably, retirees are the group that spends the least on *rents and mortgages* (4%), but also the most on *energy* (9%), *repairs* (7%) and *council tax* (5%). Households without children, for their part, spend less than average in all *housing-expenditure* categories but more than average in all *private-transport* categories. Retirees also spend a greater share of their income on *food and drink consumed at home* than other groups, while households without children spend much more on *restaurants and bars* than other groups.

Table 6.3 Percent of household expenditure on goods in Shetland by group, 2010-2011

| | % | | | | |
|-----------------------------|-----------------|-----------|-------------------------|--------------------|---------------------------|
| | All Spending | Furniture | Electrical Equipment | Cars & Vehicles | Clothing & Footwear |
| Households with no children | 67 | 38 | 55 | 54 | 35 |
| Households with children | 65 | 77 | 36 | 69 | 22 |
| Retiree Households | 76 | 93 | 62 | 98 | 54 |
| All households | 67 | 48 | 51 | 61 | 32 |

Table 6.4 Percent of household expenditure in and outside Shetland, 2010-2011

| | % | | | | |
|----------------------|-----------------|-----------|-------------------------|--------------------|------------------------|
| | All Spending | Furniture | Electrical Equipment | Cars & Vehicles | Clothing & Footwear |
| In Shetland | 67 | 48 | 51 | 61 | 32 |
| Outside Shetland | 25 | 42 | 15 | 36 | 26 |
| On-line purchases | 7 | 9 | 28 | 3 | 30 |
| Mail-order purchases | 1 | 1 | 6 | 0 | 12 |

Table 6.5 Change (in percentage points) of household expenditure in and outside Shetland, 2003 to 2010-2011

| | % | | | | |
|----------------------|-----------|-------------------------|------------------|--------------------------|--|
| | Furniture | Electrical Equipment | Cars Vehicles | & Clothing & Footwear | |
| In Shetland | -1 | 4 | 6 | 5 | |
| Outside Shetland | 8 | -8 | -9 | -15 | |
| On-line purchases | 5 | 4 | 3 | 20 | |
| Mail-order purchases | -12 | 0 | 0 | -11 | |

Spatial patterns of expenditure also differ noticeably among household groups. Retirees spend a greater share of their income within Shetland than other groups (Table 6.3). For instance, they purchase 98% of their *vehicles* and 93% of their *furniture* in Shetland, compared to 54% and 38%, respectively, for households without children. Retirees also purchase 54% of their *clothing and footwear* and 62% of their *electrical equipment* locally, compared to 22% and 36% for households with children. Presumably, these differences will be reflected on the distribution of aggregate expenditure as the population ages. In 2011, two thirds of all household expenditure occurred within Shetland (Table 6.4); another 25% occurred during trips away from Shetland, while on-line and mail-order purchases accounted for 7% and 1% of the total, respectively. Four categories where the local share of expenditure was less than average are: *furniture* (48%), *electrical equipment* (51%), *cars and vehicles* (61%), and *clothing and footwear* (32%).

Furniture and vehicles often were purchased directly outside Shetland; but electric goods, and clothing and footwear were most often purchased on-line or through mail order. It might not surprise that in all of these categories, the share of on-line expenditure has increased 3 to 20 percentage points between 2003 and 2010-11 (Table 6.5), while the share that was purchased through mail

order decreased. More unexpected, perhaps, is that in most cases the share bought during trips also has declined, while local purchases have increased.

Overall, changes in expenditure patterns suggest that for some *consumer-goods* categories, e-commerce is gaining ground in Shetland, partly substituting purchases made during trips or through mail order. Surprisingly, local commerce also has gained ground. Presumably, spending patterns reflect both convenience and pricing, with local commerce offering greater convenience (particularly to those reluctant to travel) but higher prices. Thus, it is possible that local outlets have grown increasingly competitive. Another possibility is that these changes, as other trends observed above, are linked to the spending preferences of an aging population. Households with children spend the smallest share of income in Shetland, 65%, compared to 76% for retiree households. Noticeably, retirees' apparent preference for local retail outlets is most marked for those categories where spending outside Shetland is highest (Tables 5.3 and 5.4).

7. Trade and Exchequer Balance

It is possible to consider imports and exports in Shetland, as we have done in previous sections, and even of a balance of payments as an analogy to the meaning of these terms at the national level. Shetland's balance of payments does not have monetary repercussions as that of the UK, but it does have other interesting implications. Imports into Shetland, for instance, must be financed either by external sources of income, such as exports or state benefits, or by drawing upon savings. In this section we describe Shetland's balance of trade first and then its Exchequer balance.

Imports, exports and other industry trade issues. We have considered two types of trade-related income and expenditure: i) industrial imports and exports by local businesses and organizations, and ii) expenditure of Shetland residents and tourists.

The estimated value of exports from Shetland in 2010-11 was £496.4 million: £166.5 million in exports to the rest of Scotland, £118.0 million to the rest of the UK and £212.9 million to the rest of the world. The estimated value of industrial imports to Shetland in was £365.3 million: £260.2 million in imports from the rest of Scotland, £63.1 million from the rest of the UK and £42.0 million from the rest of the world. These figures entail a trade balance of £131.1 million (Table 7.1).

Table 7.1 Imports, exports and industry trade balance in Shetland, 2010-11

| | Imports (£ million) | Exports (£ million) | Trade Balance (£ million) |
|---------------------------------------|------------------------|------------------------|---------------------------------|
| Value | 365.3 | 496.4 | 131.1 |
| Change since 2003¹ | -4.4% | 180% | |
| Annual growth rate¹ | -0.6% | 8.8% | |

¹ In real terms.

In 2003, imports and exports (£382 and £275 million, respectively, at 2010-11 prices) generated a trade deficit of £106 million. Since then, exports have grown at an annual rate of 8.8% in real terms, while imports decreased 0.6% per year, thus converting Shetland's deficit into a favourable trade balance (Fig. 6.1). This is in sharp contrast to the period between 1996-97 and 2003, when exports decreased 0.7% per year, while imports and the trade deficit grew at annual rates of 0.5 and 4.3%, respectively.

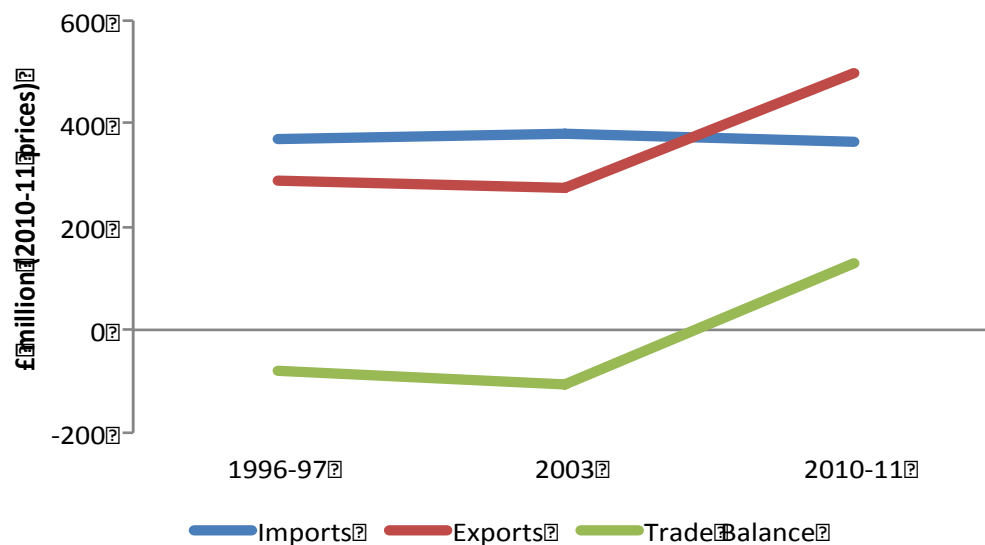


Figure 7.1 Imports, exports and industry trade balance in Shetland, 1996-97 to 2010-11

Shifts in the origin of imports and destination of exports since 1996-97 also are observed. The share of exports out of the UK has increased from 25% in 1996-97 to 43% in 2010-11 (Fig. 6.2). Similarly, exports to the rest of Scotland have increased considerably, particularly after 2003, while exports to the rest of the UK have declined as a percentage of the total from 51 in 1996-97 to 24% in 2010-11.

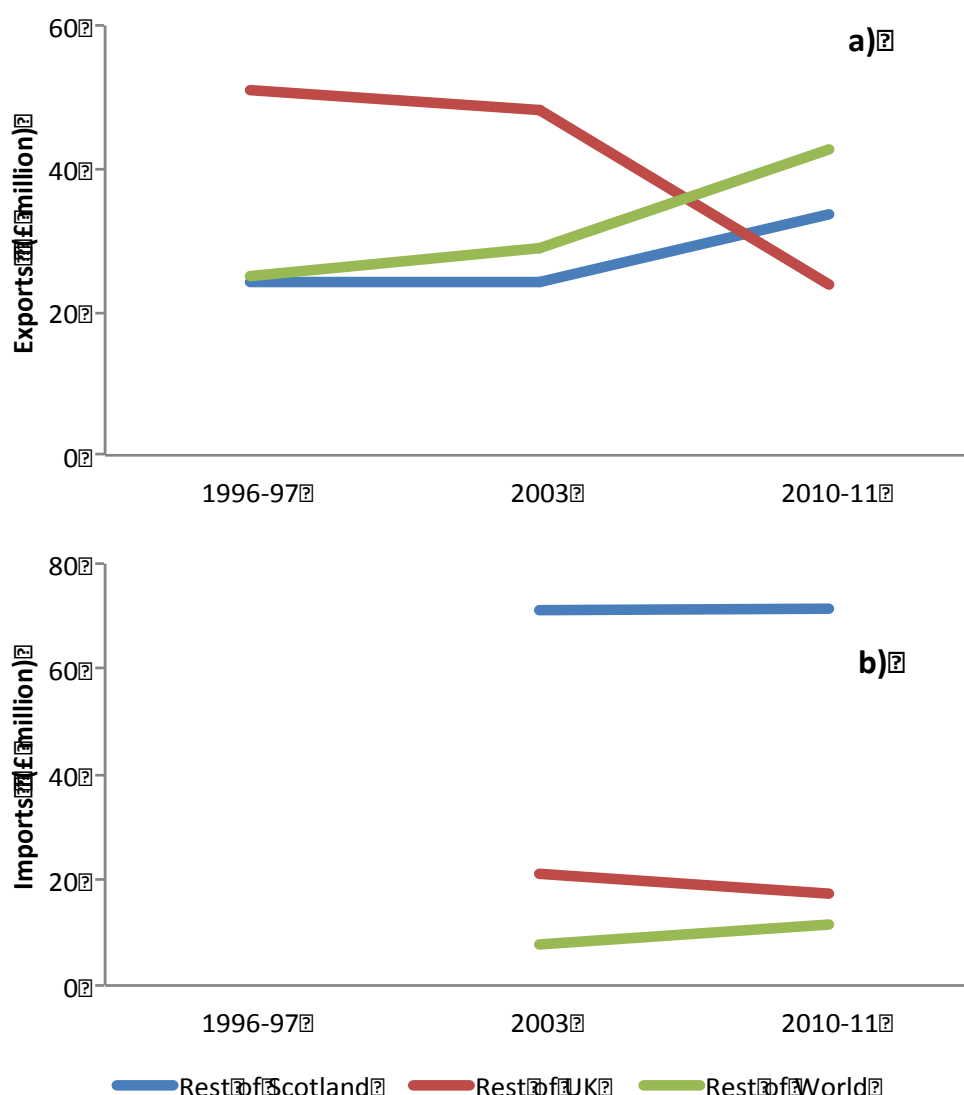


Figure 7.2 Industry Imports and exports in Shetland by origin and destination, 1996-97 to 2010-11

On the other hand, the source of industrial imports has remained relatively stable, with the rest of Scotland supplying 71% of the total since 2003. While the rest of the UK remains the second largest supplier of imports into Shetland, it has lost ground during the last decade to imports from outside the UK.

As noted in the previous regional study for Shetland, changes in export patterns might be the result of declining activity in the oil-related sectors; yet, this has not resulted in the decline in total exports or expanding trade deficit that might have been expected. As we have noted, the balance of trade for Shetland has

improved since 2003. However, the region’s exports remain critically concentrated in primary sectors: 58% of Shetland exports in 2010-11 came from *aquaculture* (£144.1 million), *fish processing* (£82.1 million) and *fish catching* (£59.7 million), while *oil terminal* accounted for an additional 7.5% (or £37.2 million) (Fig. 6.3).

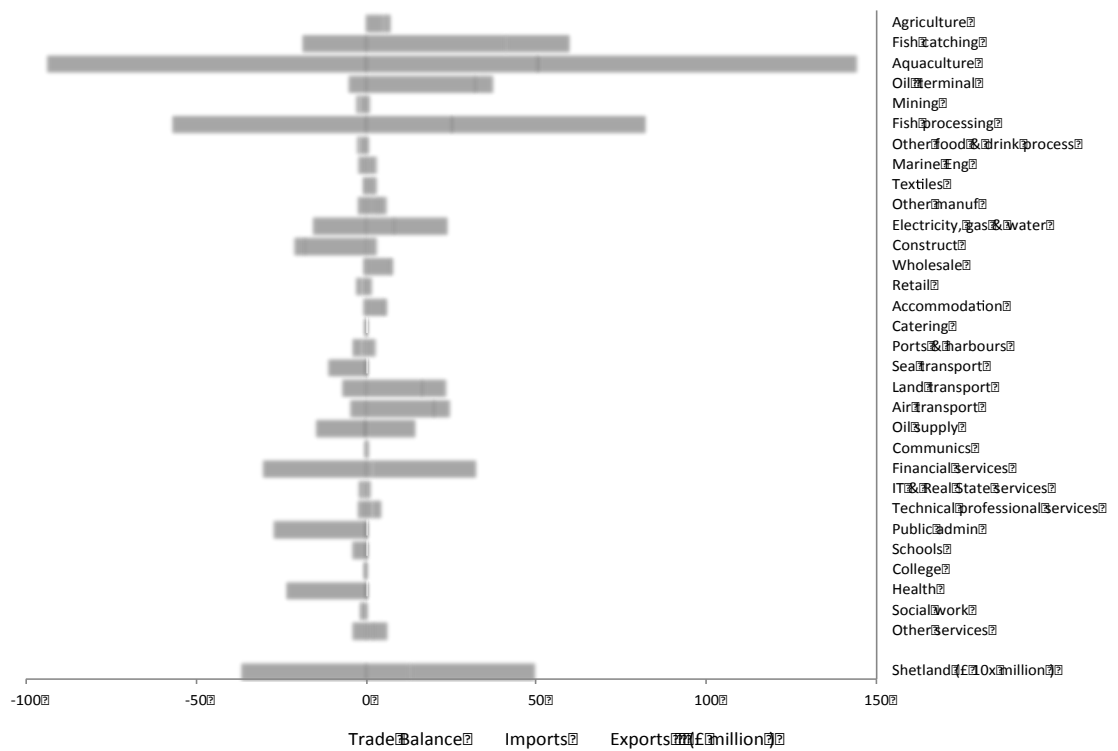


Figure 7.3 Industrial imports and exports in Shetland by sector, 2010-11

Aquaculture and *fish processing* are also the largest importers, responsible for 41% of all industrial imports (£93.6 and £56.9 million, respectively). However, all primary industries (except *mining*) have a favourable trade balance. *Aquaculture*, *fish catching* and *fish processing* alone account for 89% of Shetland’s industrial trade balance (Fig. 6.4). Exports of natural resources can help finance imports elsewhere in the economy, as might be the case with the construction sector, which has one of the largest trade deficits in the region. Services sectors such as *health* and *public administration* show large deficits.²³

²³ Imports, exports and trade balances by sector are presented in full detail in Appendix 6.

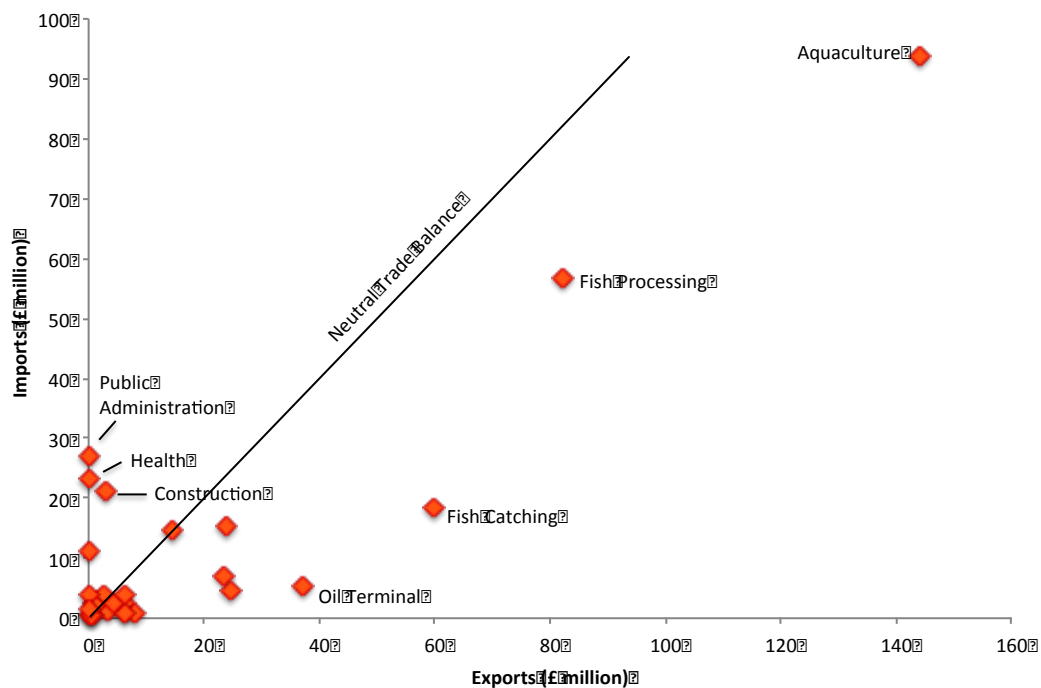


Figure 7.4 Industrial trade balances in Shetland by sector, 2010-11

In principle, the industrial trade balance also helps finance household expenditure outside Shetland, which in 2010-11 amounted to £80.4 million. As with industrial imports, 72% of domestic “imports” were purchased in Scotland, but households spent less in the rest of the UK than in other countries.

The last component of Shetland’s balance of trade corresponds to tourists, who spent £13.9 million in Shetland in 2010-11, contributing 3% of the region’s total “exports”. Although small, tourist expenditure experienced a 26% increase in real terms since 2003, compared to a 19% increase between 1996-97 and 2003. This means that during the last decade tourism has grown on par with the rest of the economy.

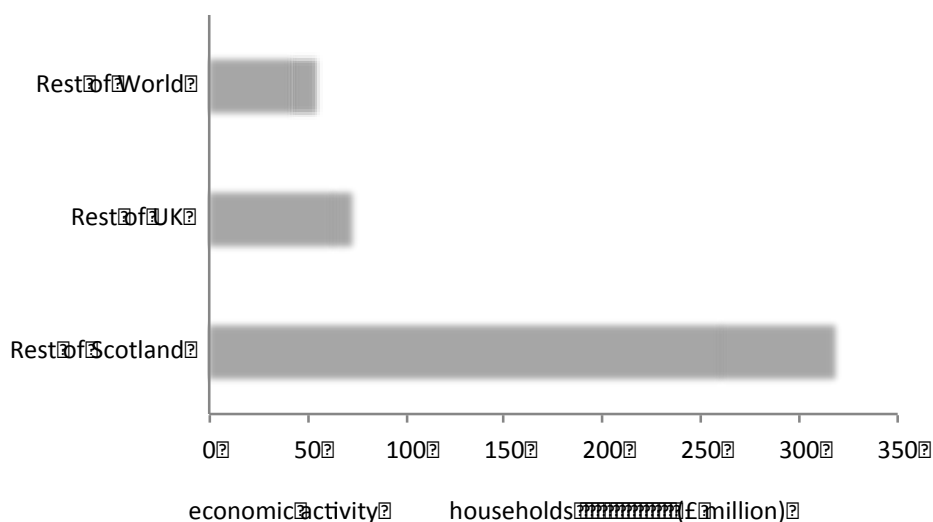


Figure 7.5 Industrial imports and domestic expenditure outside Shetland, 2010-11

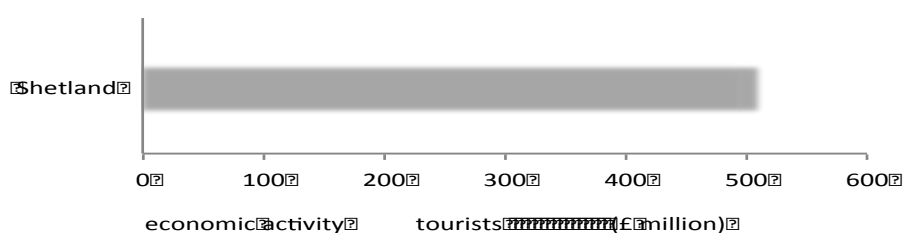


Figure 7.6 Industrial export and tourist expenditure in Shetland, 2010-11

Exchequer Balance

To allow for comparability across studies, the definition and the method of calculating the 2010-2011 exchequer balance is kept identical to that used in the 2003 study. In particular, the exchequer balance is defined as the difference between government revenue raised from businesses and households in Shetland and government expenditure on businesses and households in Shetland. Central government transfers to SIC are counted under both revenue and expenditure as in the previous study.

Using this approach, we estimate that Shetland businesses and households made a net contribution of £76.1 million to central government in 2010-11 as shown in Table 7.2.

Table 7.2 Exchequer Balance

**Central Government expenditure in Shetland (£m)
2010/11**

| | |
|---------------------------------|---------------|
| Payments to Economic Activities | 93.21 |
| Transfers to Households | 29.70 |
| Net revenue support grant | 93.55 |
| Total | 216.46 |

Revenue raised in Shetland (£m) 2010/11

| | |
|----------------------------|---------------|
| Direct taxes on Businesses | 46.53 |
| Income Tax | 48.60 |
| Indirect Tax | 43.30 |
| National Insurance | 37.92 |
| Local Business rates | 14.12 |
| Council Tax | 8.60 |
| Net revenue support grant | 93.55 |
| Total | 292.62 |
| Balance | 76.16 |

In 2003, in comparison, the balance was £77 million (or £64 million at 2003 prices). It follows that the Exchequer balance for Shetland has increased 7% in real terms since 2003.

Looking more closely at the figures, central government transfers to Shetland Islands Council amounted to £216.5 million in 2010-2011, £93.2m of which were in the form of subsidies to businesses (including to agriculture, public administration, transport and health). This is, in real terms, 49% higher than the equivalent value in 2003. Government transfers to households, in the form of pensions and social security payments, came to £29.7 million, down 4% in real terms from 2003.

Turning to government revenue raised in Shetland, this was through a mixture of taxes on businesses (including direct taxes, indirect taxes and business rates) and taxes paid by household taxes (including income tax, council tax, national insurance payments and indirect taxes on consumption). There are a number of relatively large changes in the real values of each of these elements since the 2003 study which can be attributed to different treatment of entries. These include a 13% decrease in National Insurance contributions which came about as a result of different treatment of pension deductions in the 2003 study and an apparent real decrease in Council tax revenue which appears to be due to disaggregation into payments by Shetland resident and non-residents in the current study.

8. Scenarios

We consider various scenarios with potentially important implications for the Shetland economy. One of these – reduced Shetland Islands Council spending – is an update of a preliminary analysis published in 2012.²⁴ The remaining scenarios involve market shocks that could affect some of the largest sectors in Shetland in terms of output, namely *aquaculture* and the Sullom Voe *oil terminal*.

Council savings. Falling income from the General Revenue Grant and diminishing Council reserves impose serious constraints on the Council's current and future spending. Accordingly, the Council has set out to secure expenditure savings of £26 million per year from a starting position of £125 million. The Council has already identified some £7 million of efficiencies (approximately 6% of its current spending), and it intends to implement a full savings plan on an on-going basis by 2013-14. A number of possibilities are being considered, but all areas of the Council have had to look for at least a 10% reduction in on-going costs by 2013-14.

We explored the potential implications of Council savings on the local economy through two scenarios. The first considers efficiencies of £7 million in 2011-12; the second assumes efficiencies of £26 million per year by 2013-14. Simulations suggest that efficiencies of £7 million per year already entailed a 0.9% decrease in Shetland's total output in 2011-12, equivalent to £9.5 million (Table 8.1). This implies that Council savings had indirect effects with a value of £2.5 million - a 0.3% decrease in total output. Similarly, £26 million in annual savings expected by 2013-14 could entail a decrease of £35.4 million in Shetland's total output, or 3.3%, 2.4% of which would be directly attributable to Council savings and an additional 0.9% due to their indirect effects.

²⁴ See Dyer (2012) Implications of Council Savings on the Shetland Economy.

Table 8.1 Expected changes in output, GRDP, wages and profits after Council savings

| | 2011-12 | | 2013-14 | |
|------------------------|-------------|------|-------------|------|
| | (£ million) | (%) | (£ million) | (%) |
| Council savings | 7.0 | | 26.0 | |
| Output | -9.5 | -0.9 | -35.4 | -3.3 |
| GRDP | -5.3 | -1.1 | -19.8 | -4.1 |
| Wages | -4.4 | -1.4 | -16.3 | -5.2 |
| Profits | -0.9 | -0.6 | -3.5 | -2.1 |

As a percentage of output, the sectors most affected by the savings are *schools, social work, public administration* and *sea transport* (Fig. 7.1)²⁵ which experience decreases in revenue of 16, 15, 14 and 12%, respectively. Another 16 sectors contract by between 1 and 10%, while 7 sectors experience declines between 0.1 and 1%. *Aquaculture, fish catching, fish processing* and *health* are not affected significantly.

²⁵ Expected sectoral decline rates are reported in full detail in Appendix 8.

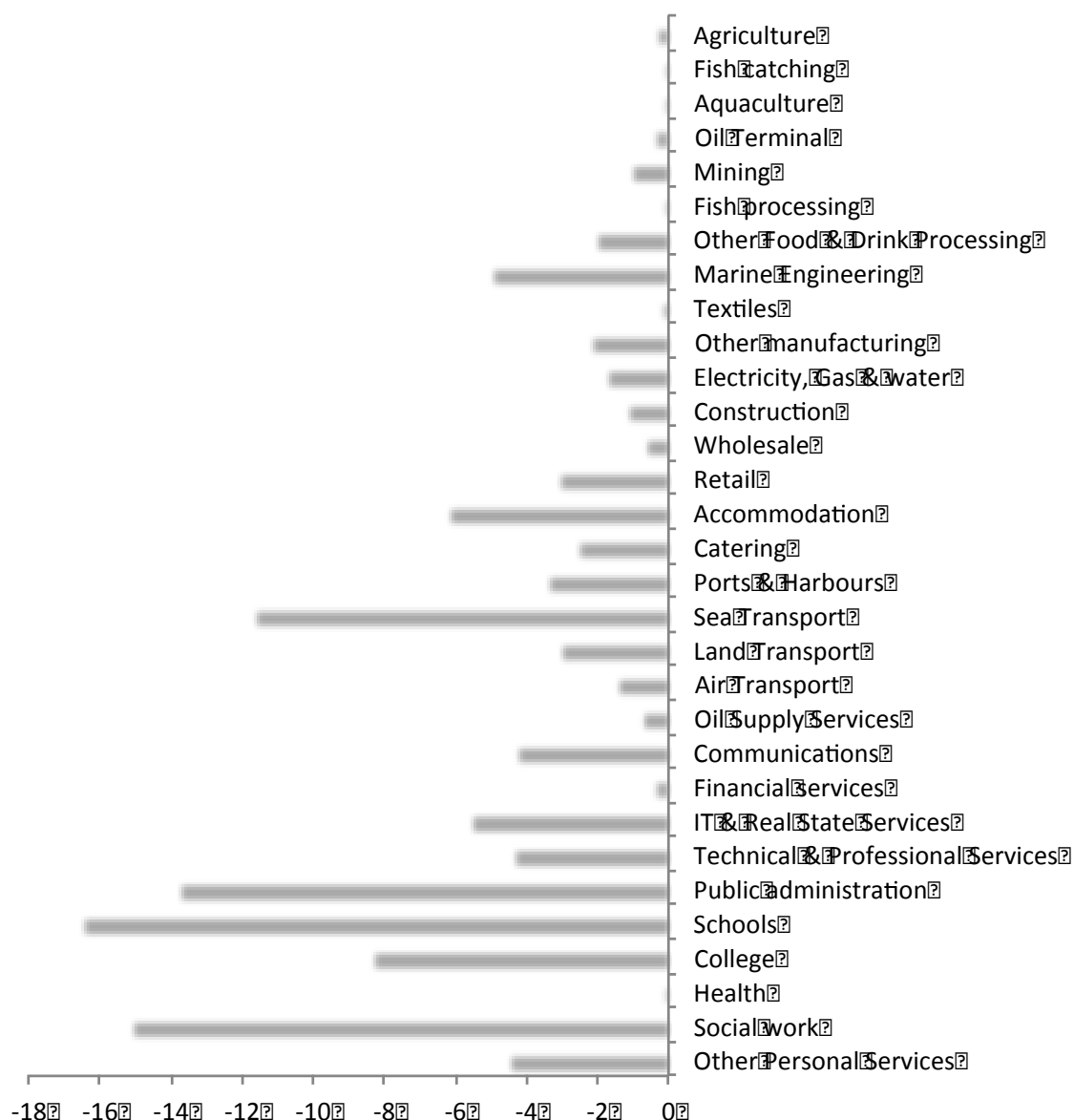


Figure 8.1 Expected declines in sectoral output (%) after Council savings by 2013-14

Percentage changes are slightly more pronounced in terms of GRDP than output (Table 8.1). Council savings are anticipated to lead to a 1.1% decrease in Shetland's GRDP in 2011-12, equivalent to £5.3 million. According to simulation results, savings will result in a 4.1% decrease in the region's GRDP by 2013-14, or £19.8 million. This decrease is not distributed equally between wages and profits, which decrease by 5.2 and 2.1%, respectively, by 2013-14.

Council savings also entail the loss of 181 FTEs in 2011-12 and 673 FTEs by 2013-14, which imply decreases in employment of 1.7% and 6.4%, respectively. In 2013-14, 73% of losses (489 FTEs) occur within the public sector, namely, *public administration* (414 FTEs) and *schools* (75). Another 184 full-time jobs are lost indirectly across the Shetland economy. In absolute terms, the largest losses are in *retail* (28 FTEs), *other personal services* (23), *marine engineering* (22), *accommodation* (16) and *social work* (15) (Fig. 7.2).

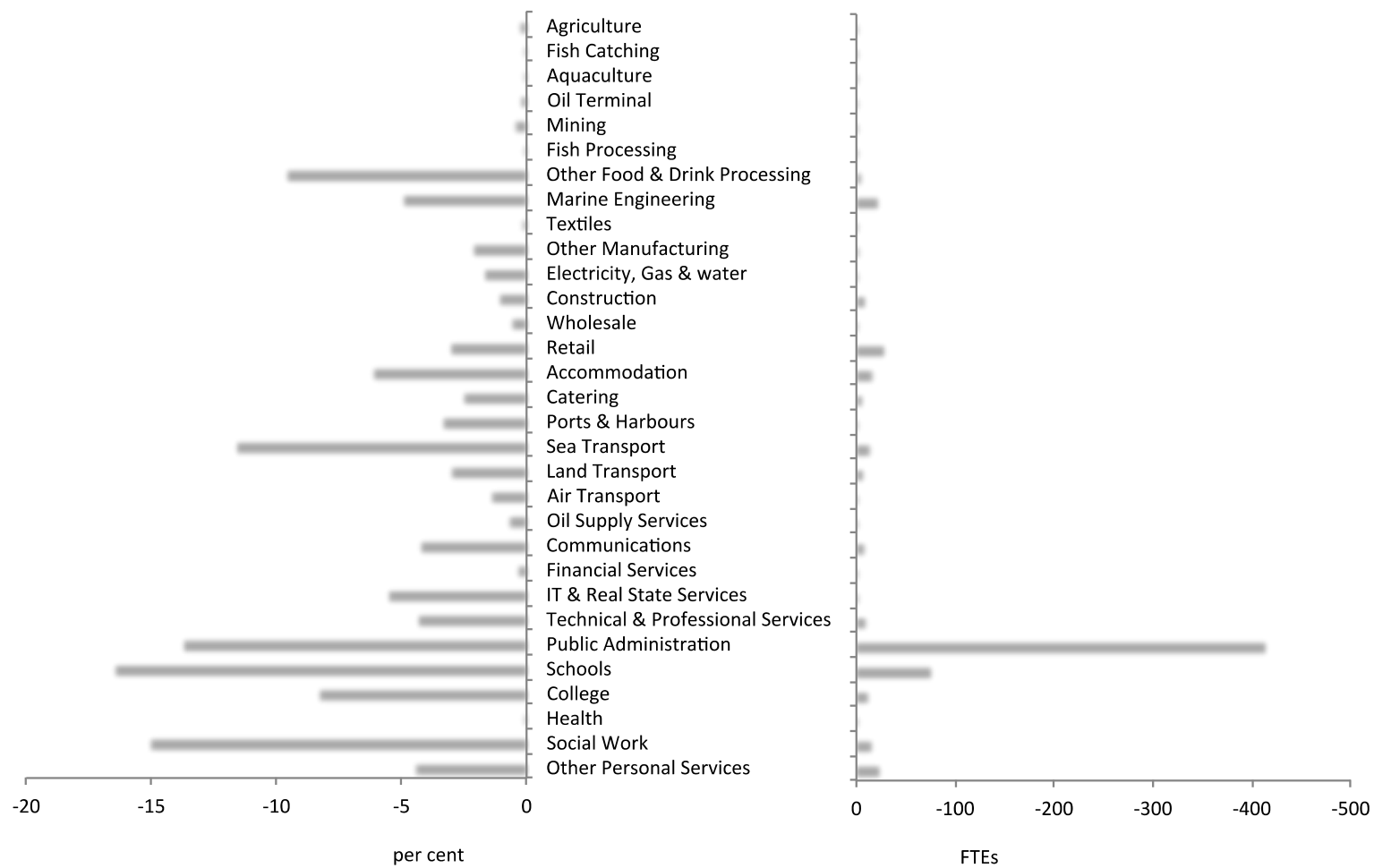


Figure 8.2 Expected declines in sectoral employment after Council savings by 2013-14

In percentage terms, five sectors decrease their labour force by 10% or more: *schools* (16%), *social work* (15%), *public administration* (14%), *sea transport* (12%) and *other food and drink processing* (10%). On the other hand, sectors that are tightly linked to the rest of Scotland or the world, such as *aquaculture*, *oil supply services*, *financial services* and *health* do not experience significant changes in employment.²⁶

In both percentage and absolute terms, the largest expected changes in employment are observed in the *associate professional and technical* category, where 108 full-time jobs are lost, representing a 9.4% decrease with respect to pre-savings levels. The *administrative and secretarial*, *professional*, and *personal service occupations* categories also experience losses of at least 7.4%. Decreases in other categories range between 5.3 and 2.1%. In the case of *skilled trade occupations*, this could nevertheless represent the loss of 47 FTEs.

Changes reported above ultimately reduce the income of Shetland residents. Losses for the average household are equal to 1.1% of their income in 2011-12 and 4.1% by 2013-14 (Table 8.2). The source of these changes is decreases in wage income and profits. By 2013-14, we expect these two sources of income to drop by 5.2 and 2.1%, respectively. The distribution of these reductions across household groups is far from uniform. Households with and without children experience above-average losses (-4.1 and -3.6%, respectively), while retiree households experience rather small changes (-0.1%).

²⁶ Expected changes in employment are reported in full detail in Appendix 8.

Table 8.2 Expected changes in income, wages and profits after Council savings

| | 2011-12 (%) | 2013-14 (%) |
|---------------------|----------------|----------------|
| Wages | -1.4 | -5.2 |
| Profits | -0.6 | -2.1 |
| Total Income | -1.1 | -4.1 |

Aquaculture exports. We now analyse the implications of a scenario where the value of aquaculture exports falls by 50%. Although, in principle, this could be the result of either a decrease in the price of aquaculture goods or in the volume of sales, the latter is closer to model assumptions.

Since most aquaculture produce is exported out of Shetland, a 50% reduction in their value decreases the revenue of the sector by 49%. In 2010-11, this would have represented £77.2 million less in sales, which is equivalent to 7.1% of Shetland's total output. The decline of *aquaculture* also leads to lower sales in other economic sectors. *Other food and drink processing, retail and catering* decrease by more than 2%; four other sectors decrease between 1 and 2%, and 19 sectors by up to 1% (Fig 7.4). Overall, Shetland's total output declines by 7.5%: 7.1% due directly to *aquaculture* and 0.4% distributed across the wider economy. This large decline is expected given that *aquaculture* is the largest sector in terms of output value and the largest contributor to economic growth in recent years.²⁷ At the same time, it is not surprising that the indirect effects of the sector's decline are relatively small, since the multiplier of *aquaculture* is among the smallest in Shetland.²⁸

²⁷ See Chapter 3 for a discussion on *aquaculture*'s contribution to the Shetland economy.

²⁸ See the discussion on this topic in Chapter 4.

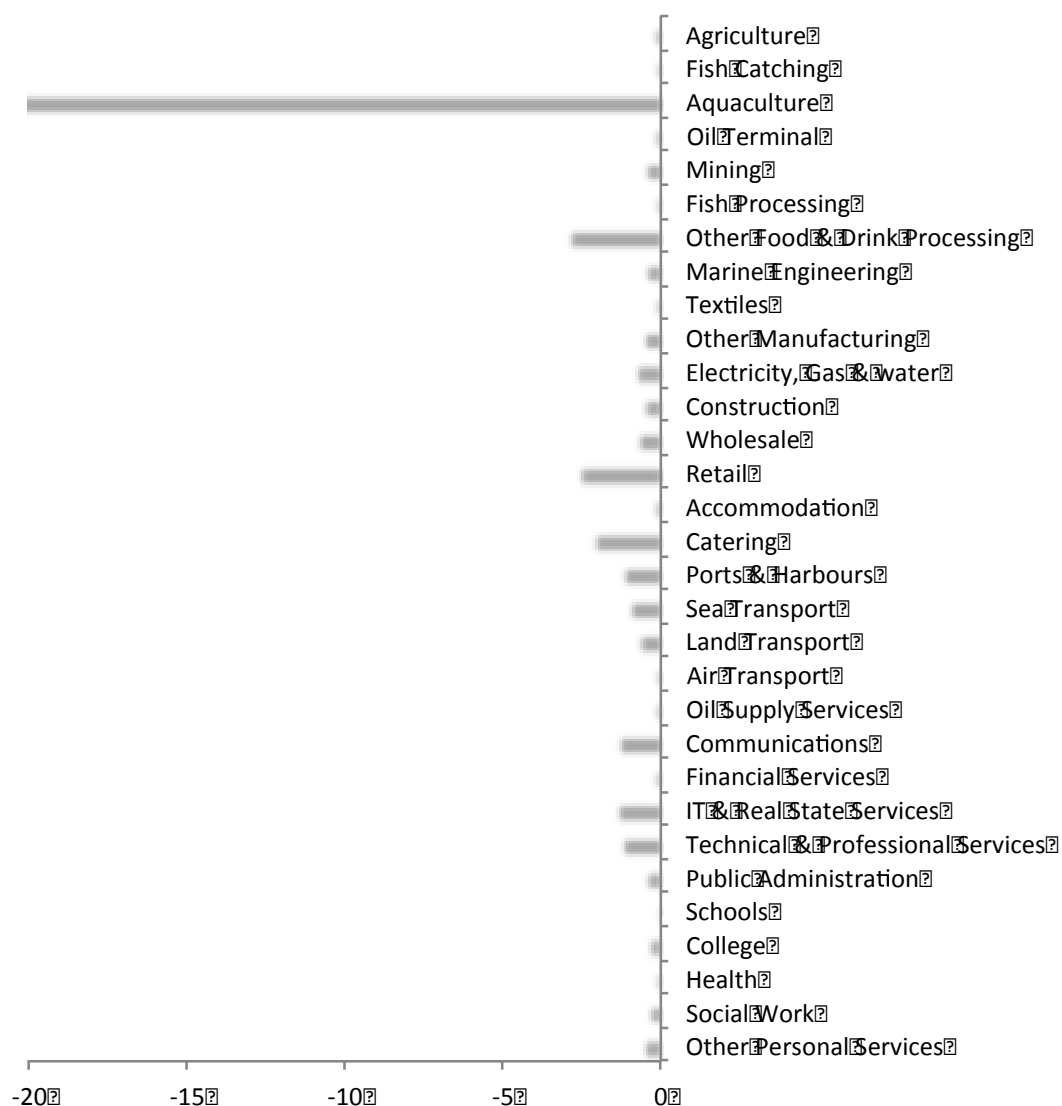


Figure 8.3 Expected declines in sectoral output (per cent) after a decline of aquacultural exports

As expected, the overall effect on Shetland's GRDP is smaller than that on output (Table 8.3). While GRDP decreases by 5.5%, local profits decrease by 13% given the sector's large contribution to this type of value added. In contrast, due to the low employment coefficient of the sector, the loss of over £77 million in sales results in only 173 less full-time jobs in *aquaculture*. An additional 65 full-time jobs are lost in other sectors. However, compared to the large decrease in Shetland profits, the impact on local employment is relatively small: the loss of 238 FTEs represents only a 2.3% decrease in employment.

Table 8.3 Expected changes in income, wages and profits after a decline of aquacultural exports

| | (£ million) | (%) |
|---------------------|-------------|-------|
| GRDP | -26.8 | -5.2 |
| Wages | -5.2 | -1.6 |
| Profits | -21.6 | -12.9 |
| Total Income | -8.6 | -2.9 |

Among the sectors that reduce their labour force the most are *retail* (23 FTEs) and *other food and drink processing* (7 FTEs) (Fig. 7.5). Given the reliance of *aquaculture* on services provided by the Council, the *public administration* could also reduce its labour force significantly (11 FTEs).

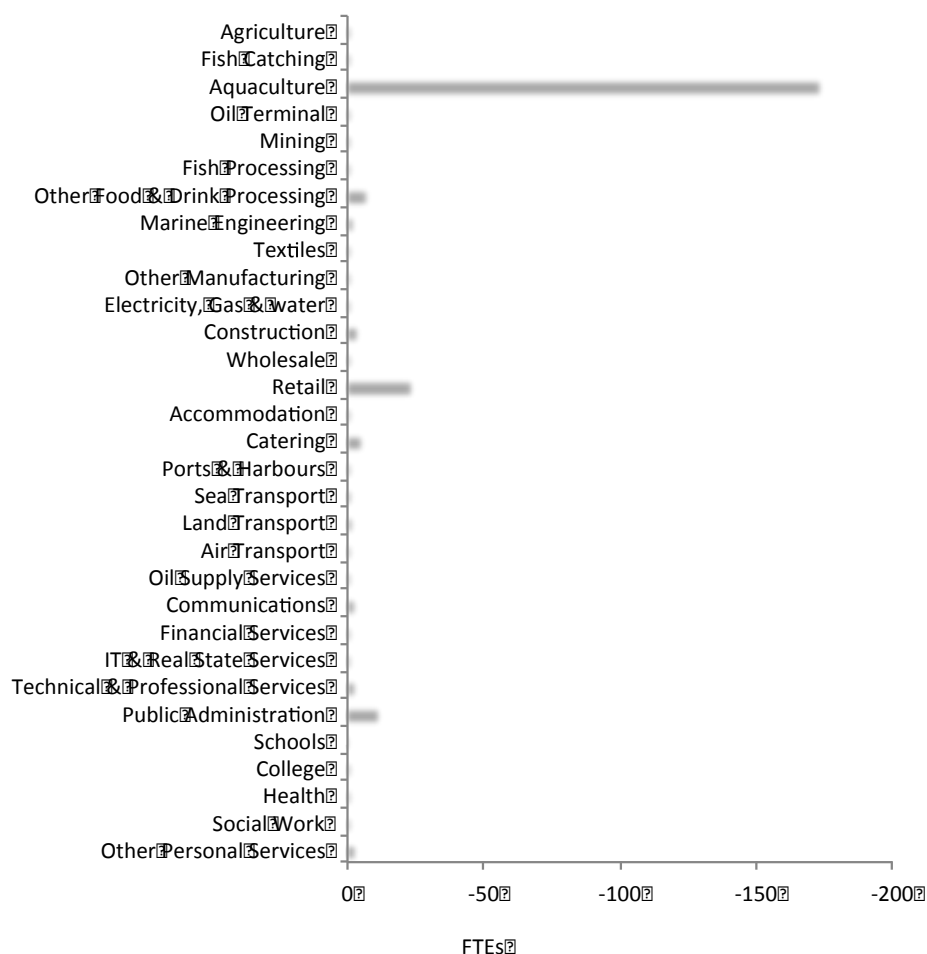


Figure 8.4 Expected declines in sectoral employment after a decline of aquacultural exports

In terms of income, households with and without children experience decreases of 2.5 and 3.5%, respectively, while retiree households' income decreases only 0.7%.

Income changes in the two scenarios analysed so far—a decrease in the value of aquacultural exports and the implementation of Council savings—are compared in Figure 7.5. Both scenarios have similar effects on households without children, and to a lesser degree, on households with children. However the actual distribution of these effects across households within groups could differ markedly. As we have said, the first scenario leads to large wage losses, while the second one results in a large decline in profits.

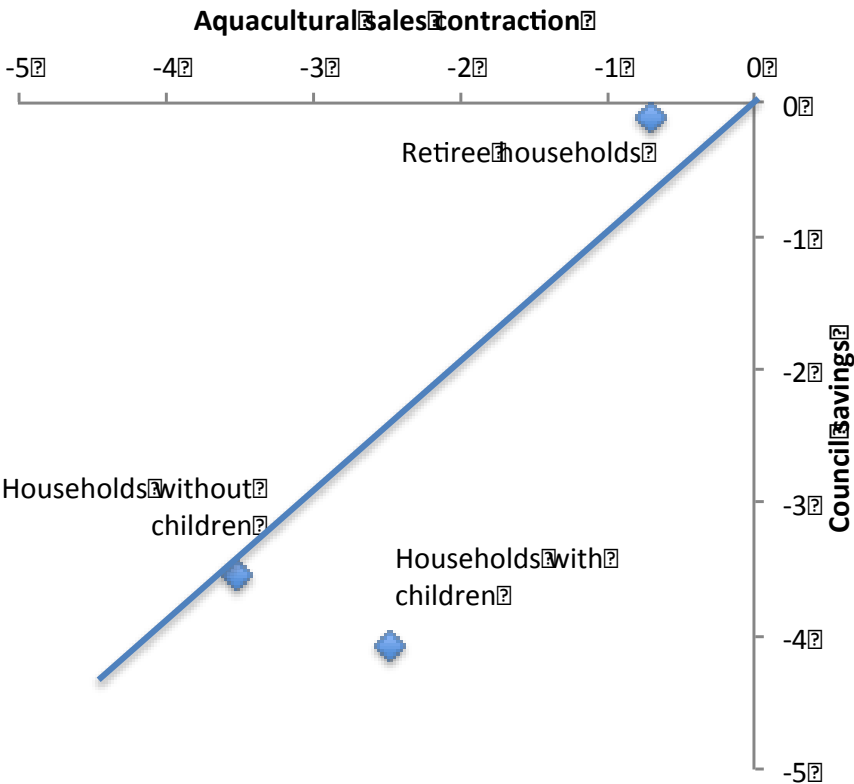


Figure 8.5 Comparison of effects of two scenarios on household income (%)

Also, as shown in Figure 7.6, the two shocks have very different effects on individual sectors. *Schools*, for instance, declines markedly with Council savings but not at all when aquaculture sales contract, while *aquaculture* is not affected by Council savings. This suggests that different households would bear the cost of these two shocks. On the other hand, while numerous other sectors, including *fish catching*, *textiles* and *health*, are not affected noticeably in either scenario, others such as *retail* and *sea transport* contract noticeably in both cases and hence presumably are most vulnerable.

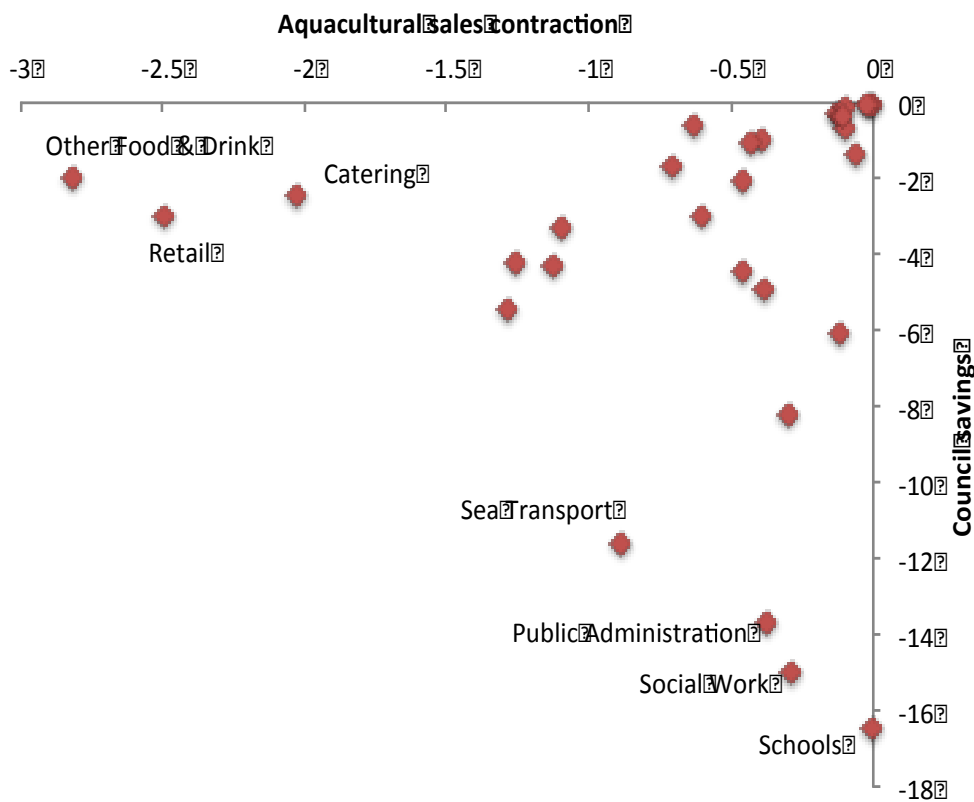


Figure 8.6 Comparison of the effects of two scenarios on sectoral output (%)

Oil throughput and decommissioning. We explore next the implications of likely changes in the activity of the Sullom Voe terminal and associated decommissioning work. This scenario assumes a 15% decrease in oil exports and a 30% increase in final demand for *marine engineering* and *construction*. Given that a significant share of terminal revenue consists of domestic sales of electricity, the fall in throughput results in only a 12% decrease in revenue of

the sector, or £5.6 million. Revenue in the *marine engineering* and *construction* sectors increases 30%, or £3.3 and £23.3 million respectively.

Although changes in these sectors have opposite effects on the local economy, it is growth in *marine engineering* and *construction* sectors that prevails, resulting in a 2.5% increase in total output, or £26.8 million. Twenty-one sectors experience increases in output, *mining* by 27% due to its association with *construction* (Fig. 7.5). Another 7 sectors grow by more than 1%. Some sectors decline, but excluding the *oil terminal*, only *ports and harbours* experiences a significant contraction (-3.5%); other sectors contract less than 0.8%. Overall, around 80% of the increase in Shetland's total output is associated *marine engineering* and *construction*, while the rest is associated with other sectors. The net results occur despite the higher level of integration of the *oil terminal* in the Shetland economy than either *marine engineering* or *construction*.²⁹

²⁹ See Table 5.1 in the section on Multiplier Analysis.

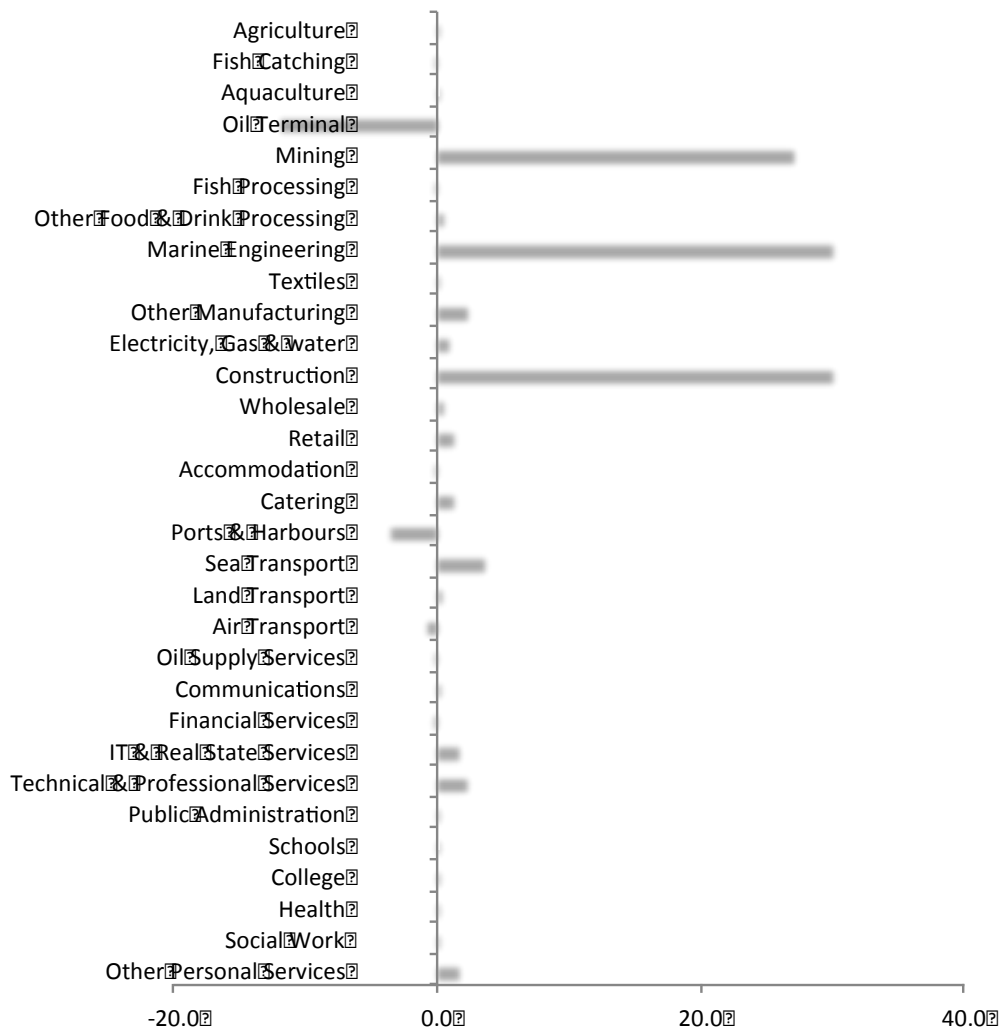


Figure 8.7 Expected changes in sectoral output in the oil throughput-decommissioning scenario

Employment in the *oil terminal* decreases by 26 FTEs, but it expands by 132 FTEs in *marine engineering* and 233 FTEs in *construction*, resulting in a net gain of 339 FTEs (Fig. 7.6). This reflects the large differences in the employment coefficients of the three sectors (Appendix 5). Additionally, another 47 full-time jobs are created elsewhere in the economy. Only *ports and harbour* and *air transport* reduce their labour force, by 2 and 1 FTEs respectively, which represent decreases of 3 and 1%. The net result is a 3.7% increase in local employment, entailing the creation of 386 full-time jobs.

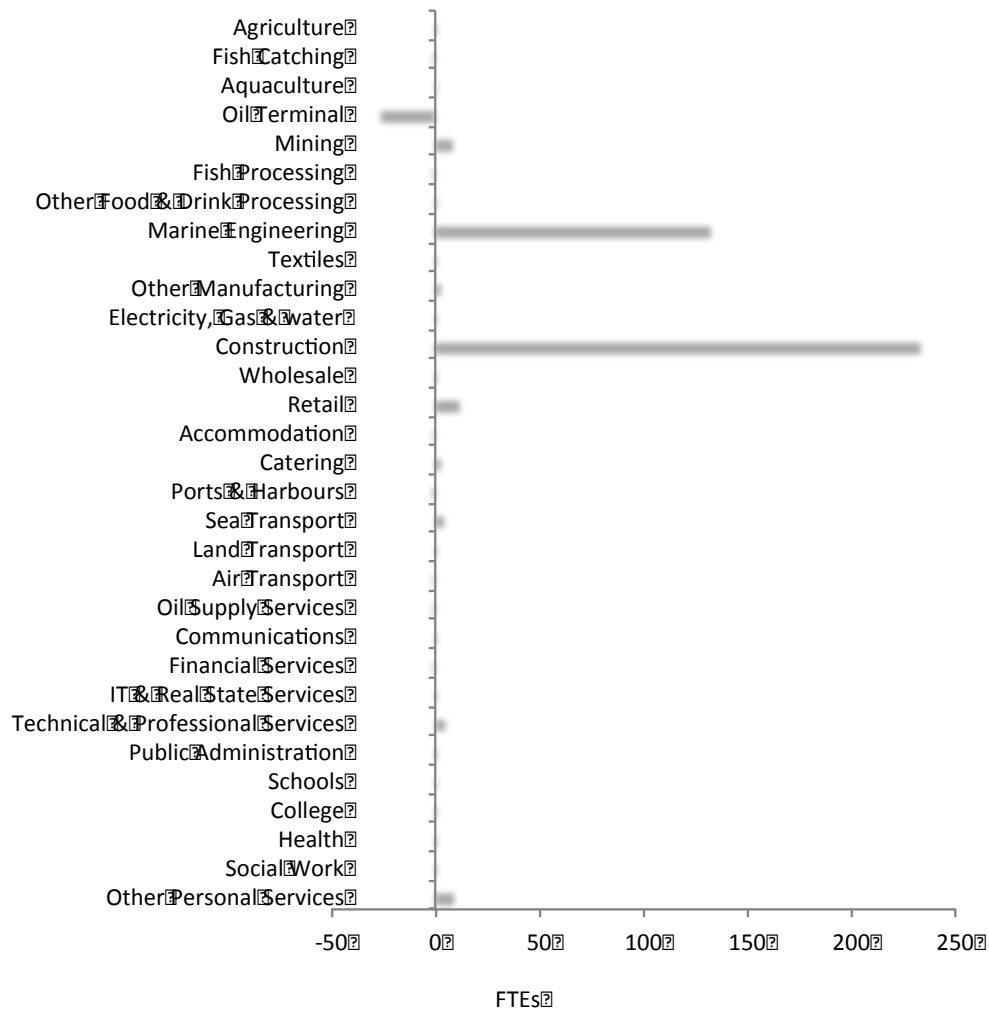


Figure 8.8 Expected changes in sectoral employment in the oil throughput-decommissioning scenario

Finally, GRDP increases by 2.3%, including a 3.2% in increase in wages and 1.4% in profits. In terms of income, households with and without children experience increases of 2.5 and 2.2%, respectively, while retiree households' income increases only 0.1%.

Glossary

Direct taxes on are corporation tax on businesses and income tax on individuals.

Employment coefficient is the ratio of employment to output, a measure of the intensity of labour or an inverse measure of the productivity of labour.

Employment effect for a particular sector is the amount of employment generated across the economy as a result of a unit increase in output from that sector.

Employment multiplier for a particular sector is the increase in total employment resulting from a unit increase in employment in that sector.

Full-time equivalent (FTE) is a measure of the workload of an employed person in comparison to full-time employment. In this study, part-time employment is considered equal to 0.5 FTE.

Gross Regional Domestic Product (GRDP) is the sum of value added, i.e., wages and gross profits, generated through the production and sale of goods and services.

Gross Value Added (GVA) is the sum of value added, i.e., wages and gross profits, generated through the production and sale of goods and services.

Indirect taxes are VAT.

Industry concentration ratio is the ratio of the output of a number of sectors to the total output in an economy, a measure of the concentration of production in those sectors.

Input-output table is a representation of the interdependencies between different economic sectors in an economy.

Input-output (type I or open) multiplier for a particular sector is the expected change in total output due to productive interdependencies after a unit increase in final demand for that sector.

Output (see **total output**).

SAM (social accounting matrix) is a representation of flows of all economic transactions that take place within an economy. It includes an **input-output table** as a sub-matrix.

SAM multiplier is the expected change in total output due to both productive interdependencies and induced consumption feedbacks after a unit increase in final demand for that sector.

Taxes (see **direct taxes**, **indirect taxes**).

Total output is equal to the value of all sales (at producer prices) net of changes in inventories summed across all economic sectors during a fiscal year.

Value added consists of wages and gross profits.

Appendix 1. The 2010-2011 Regional Accounts

| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
|----------------------------------|-----------|-----------|---------|-----------|---------|------------|---------|---------|---------|---------|-----------|
| 1 Agriculture | 1,119,276 | 0 | 0 | 0 | 0 | 0 | 440,803 | 0 | 268,545 | 0 | 0 |
| 2 Fish catching | 0 | 0 | 0 | 0 | 0 | 11,117,079 | 0 | 0 | 0 | 0 | 0 |
| 3 Aquaculture | 8,296 | 0 | 189,823 | 0 | 0 | 1,651,184 | 0 | 0 | 0 | 0 | 0 |
| 4 Oil terminal | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 9,143,698 |
| 5 Mining | 0 | 0 | 0 | 0 | 414,478 | 0 | 29 | 0 | 0 | 0 | 0 |
| 6 Fish processing | 4,642 | 0 | 0 | 0 | 8 | 0 | 28,791 | 511 | 0 | 0 | 11,452 |
| 7 Other food & drink process | 137,465 | 1,686,479 | 354,415 | 3,360 | 55 | 0 | 436,723 | 849 | 0 | 0 | 54,156 |
| 8 Marine Eng | 0 | 2,724,581 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 9 Textiles | 8,624 | 1,220,181 | 0 | 0 | 0 | 0 | 0 | 0 | 1,343 | 0 | 0 |
| 10 Other manuf | 209,220 | 183,800 | 50,754 | 8,685 | 320,771 | 4,894 | 65,054 | 92,162 | 20,026 | 0 | 1,601,878 |
| 11 Electricity, gas & water | 17,034 | 139,137 | 45,702 | 91,257 | 248,000 | 857,858 | 245,742 | 97,412 | 144,532 | 34,994 | 0 |
| 12 Construct | 559,773 | 2,060,500 | 266,483 | 97,565 | 62,000 | 248,957 | 118,854 | 320,131 | 81,145 | 3,980 | 112,504 |
| 13 Wholesale | 3,010 | 39,394 | 64,766 | 763,859 | 11,691 | 0 | 289,249 | 657 | 2,392 | 424,542 | 74,209 |
| 14 Retail | 31,970 | 418,335 | 68,782 | 2,704,143 | 0 | 6,932 | 0 | 7,017 | 25,474 | 0 | 787,872 |
| 15 Accommodation | 5,169 | 36,883 | 11,810 | 446,782 | 6,377 | 70,805 | 6,309 | 3,116 | 0 | 0 | 209,975 |
| 16 Catering | 912 | 6,509 | 2,084 | 79,465 | 1,125 | 12,495 | 1,113 | 550 | 0 | 0 | 37,054 |
| 17 Ports & harbours | 415,900 | 1,685,750 | 269,372 | 7,037,560 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 18 Sea transport | 43,743 | 0 | 50,331 | 2,805 | 0 | 4,050 | 29,832 | 123,082 | 81,346 | 50 | 0 |
| 19 Land transport | 202,655 | 109,764 | 315,547 | 72,785 | 76,480 | 288,370 | 94,365 | 77,292 | 21,564 | 1,151 | 545,238 |
| 20 Air transport | 153,268 | 227,400 | 6,780 | 2,445,435 | 28,917 | 20,406 | 9,617 | 4,594 | 18,874 | 94,685 | 3,116 |
| 21 Oil supply | 0 | 3,074,271 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 22 Communics | 2,258 | 0 | 1,334 | 322,228 | 0 | 500 | 251 | 6,563 | 62 | 0 | 0 |
| 23 Financial services | 149,056 | 681,165 | 5,554 | 1,292,084 | 0 | 60,851 | 75,493 | 3,445 | 19,806 | 46,275 | 733 |
| 24 IT & Real State services | 160,164 | 0 | 3,789 | 1,706 | 0 | 311,982 | 0 | 38,008 | 3,971 | 75,685 | 23,861 |
| 25 Technical profession services | 258,273 | 176,800 | 96,552 | 98,935 | 545,600 | 66,168 | 171,418 | 116,086 | 39,441 | 76,399 | 17,617 |
| 26 Public admin | 0 | 0 | 479,190 | 0 | 0 | 26,111 | 20,910 | 0 | 63,267 | 25,669 | 1,396 |
| 27 Schools | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

| | | | | | | | | | | | | |
|-----------|-----------------------------|-------------------|-------------------|--------------------|-------------------|-------------------|-------------------|------------------|-------------------|------------------|-------------------|-------------------|
| 28 | College | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 29 | Health | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 30 | Social work | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 31 | Other services | 79,044 | 8,117 | 0 | 783,852 | 0 | 0 | 426 | 0 | 573 | 92 | 213,728 |
| 32 | Income | 6,849,484 | 17,213,756 | 7,676,462 | 14,306,459 | 1,846,475 | 6,481,778 | 2,485,480 | 5,687,892 | 1,406,786 | 4,642,508 | 3,473,812 |
| 33 | Profits | 6,915,758 | 13,337,100 | 41,807,068 | 5,604,569 | 2,688,959 | 3,604,244 | 1,533,245 | 1,058,104 | 1,197,867 | 2,638,595 | 7,701,624 |
| 34 | Wages & Salaries | | | | | | | | | | | |
| 35 | National Insurance | | | | | | | | | | | |
| 36 | Self-employment | | | | | | | | | | | |
| 37 | Investment Income | | | | | | | | | | | |
| 38 | Rental Income | | | | | | | | | | | |
| 39 | Hhs without Children | | | | | | | | | | | |
| 40 | Hhs with Children | | | | | | | | | | | |
| 41 | Hhs Retired | | | | | | | | | | | |
| 42 | Local Government | 19,693 | 0 | 39,997 | 2,244,597 | 1,234,104 | 436,556 | 69,739 | 234,810 | 64,622 | 109,728 | 100,477 |
| 44 | CG Direct Tax | -12,060 | 7,332,300 | -81,381 | 0 | 1,785,600 | 3,828 | -199,301 | 829,570 | 123,219 | 871,069 | 0 |
| 45 | CG Indirect Tax | 0 | 0 | 10,892,067 | 2,858,596 | 0 | 1,078,697 | 169,683 | 56,228 | 48,612 | 99,536 | 0 |
| 46 | CG Transfers | | | | | | | | | | | |
| 47 | Capital Account | | | | | | | | | | | |
| 48 | Rest of Scotland | 290,637 | 7,462,494 | 89,183,605 | 1,150,916 | 961,744 | 25,091,886 | 1,370,685 | 1,643,504 | 194,739 | 1,093,980 | 10,785,081 |
| 49 | Rest of UK | 591,707 | 0 | 2,909,221 | 2,708,921 | 1,882,605 | 9,167,811 | 1,094,734 | 619,679 | 222,108 | 1,174,470 | 1,859,072 |
| 50 | Rest of World | 225,029 | 11,075,284 | 1,556,021 | 1,299,973 | 0 | 22,653,407 | 193,060 | 32,074 | 627,662 | 178,963 | 2,833,586 |
| | Total | 18,450,000 | 70,900,000 | 156,266,126 | 46,426,538 | 12,114,989 | 83,266,848 | 8,752,302 | 11,053,333 | 4,677,978 | 11,592,373 | 39,592,141 |

Appendix 1. The 2010-2011 Regional Accounts (cont.)

| | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 | 22 |
|------------------------------------|------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| 1 Agriculture | 21,150 | 0 | 0 | 138,594 | 103,025 | 0 | 0 | 0 | 0 | 0 | 0 |
| 2 Fish catching | 0 | 0 | 0 | 13,321 | 9,902 | 0 | 0 | 0 | 0 | 0 | 0 |
| 3 Aquaculture | 0 | 0 | 0 | 8,343 | 6,202 | 0 | 0 | 0 | 0 | 0 | 0 |
| 4 Oil terminal | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 5 Mining | 10,562,737 | 0 | 0 | 4,283 | 3,183 | 0 | 0 | 0 | 0 | 0 | 0 |
| 6 Fish processing | 963 | 0 | 0 | 76,092 | 56,564 | 0 | 0 | 0 | 9,683 | 0 | 0 |
| 7 Other food & drink process | 5,250 | 0 | 0 | 1,478,123 | 1,098,777 | 0 | 0 | 0 | 47,502 | 0 | 0 |
| 8 Marine Eng | 0 | 0 | 0 | 0 | 0 | 1,368,074 | 287,426 | 0 | 0 | 1,427 | 0 |
| 9 Textiles | 20,352 | 0 | 0 | 10,432 | 7,755 | 0 | 0 | 0 | 5,245 | 0 | 0 |
| 10 Other manuf | 426,765 | 0 | 0 | 174,642 | 92,730 | 0 | 32 | 0 | 358,260 | 6 | 0 |
| 11 Electricity, gas & water | 289,084 | 185,901 | 489,302 | 559,461 | 116,273 | 0 | 5,232 | 549,600 | 182,000 | 14,695 | 29,821 |
| 12 Construct | 433,894 | 119,616 | 617,621 | 371,243 | 81,342 | 0 | 4,252 | 5,725 | 309,600 | 138,175 | 305,635 |
| 13 Wholesale | 13,087 | 0 | 0 | 0 | 0 | 0 | 7,800 | 0 | 0 | 744,000 | 1,503 |
| 14 Retail | 139,038 | 0 | 0 | 439 | 326 | 0 | 82,760 | 0 | 346 | 14,387 | 15,966 |
| 15 Accommodation | 28,245 | 0 | 0 | 52,327 | 38,898 | 0 | 25,462 | 0 | 102,710 | 7,820 | 14,819 |
| 16 Catering | 4,984 | 0 | 0 | 9,234 | 6,864 | 0 | 4,534 | 0 | 18,125 | 1,398 | 2,638 |
| 17 Ports & harbours | 0 | 18,183 | 590,284 | 0 | 0 | 4,613,646 | 4,790,565 | 564,035 | 183,378 | 1,513,728 | 0 |
| 18 Sea transport | 1,825,906 | 21,131 | 2,194,898 | 238 | 357 | 0 | | 0 | 0 | 4,628 | 8,545 |
| 19 Land transport | 284,057 | 3,712,795 | 2,066,444 | 0 | 0 | 0 | 5,771 | 174,039 | 62,003 | 1,197 | 221,849 |
| 20 Air transport | 52,272 | 14,425 | 78,117 | 0 | 0 | 0 | 0 | 0 | 93,600 | 193 | 83,890 |
| 21 Oil supply | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 3,942,235 | 3,526,600 | 7,845 | 0 |
| 22 Communic | 6,007 | 5,134 | 10,125 | 0 | 74 | 0 | 6,500 | 0 | 0 | 54,142 | 799,186 |
| 23 Financial services | 65,401 | 83,897 | 21,362 | 0 | 23,013 | 0 | 486,483 | 0 | 123,660 | 23 | 3,582 |
| 24 IT & Real State services | 130,509 | 274,847 | 32,516 | 0 | 0 | 0 | 20 | 9,715 | 3,799 | 1,072 | 58,588 |
| 25 Technical professional services | 531,591 | 167,922 | 47,660 | 166,587 | 10,279 | 179,972 | 1,560 | 1,130,218 | 52,796 | 0 | 1,019,962 |

| | | | | | | | | | | | | |
|----|----------------------|------------|------------|------------|------------|-----------|------------|------------|------------|------------|------------|-----------|
| 26 | Public admin | 0 | 526,254 | 29,760 | 914 | 3,515 | 0 | 0 | 0 | 65,000 | 638,143 | 0 |
| 27 | Schools | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 28 | College | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 29 | Health | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 49,642 | 0 |
| 30 | Social work | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 86,362 | 10,747 |
| 31 | Other services | 1,964,640 | 0 | 0 | 268 | 18 | 34,286 | 2,251 | 150,704 | 42,770 | 0 | 36,334 |
| 32 | Income | 30,122,129 | 2,170,860 | 15,892,125 | 4,989,050 | 2,229,452 | 9,910,922 | 1,017,752 | 17,918,907 | 18,554,031 | 2,831,000 | 1,121,552 |
| 33 | Profits | 3,571,498 | 1,649,549 | 8,401,644 | 4,132,135 | 677,060 | 823,819 | 534,449 | 13,677,437 | 4,642,701 | 2,800,000 | 779,980 |
| 34 | Wages & Salaries | | | | | | | | | | | |
| 35 | National Insurance | | | | | | | | | | | |
| 36 | Self-employment | | | | | | | | | | | |
| 37 | Investment Income | | | | | | | | | | | |
| 38 | Rental Income | | | | | | | | | | | |
| 39 | Hhs without Children | | | | | | | | | | | |
| 40 | Hhs with Children | | | | | | | | | | | |
| 41 | Hhs Retired | | | | | | | | | | | |
| 42 | Local Government | 692,371 | 493,539 | 2,013,945 | 940,119 | 33,157 | 1,551,493 | 0 | 196,194 | 651,073 | 356,811 | 48,641 |
| 44 | CG Direct Tax | 4,467,839 | 565,231 | 22,349,146 | 2,190,799 | 378,671 | 602,581 | 0 | 1,470,180 | 0 | 465,000 | 776,918 |
| 45 | CG Indirect Tax | 984,365 | 540,892 | 148,526 | 898,882 | 62,741 | 417,676 | 126,708 | 0 | 0 | 520,800 | 0 |
| 46 | CG Transfers | | | | | | | | | | | |
| 47 | Capital Account | | | | | | | | | | | |
| 48 | Rest of Scotland | 18,923,733 | 694,309 | 2,159,758 | 522,921 | 194,558 | 3,100,765 | 656,294 | 1,338,714 | 4,620,350 | 7,776,573 | 142,001 |
| 49 | Rest of UK | 2,146,272 | 144,385 | 664,505 | 209,198 | 102,354 | 529,466 | 10,357,021 | 5,615,767 | 75,000 | 6,938,199 | 298,897 |
| 50 | Rest of World | 0 | 38,363 | 5,430 | 104,679 | 0 | 298,195 | 0 | 0 | 0 | 32,733 | 0 |
| | Total | 77,714,138 | 11,427,233 | 57,813,166 | 17,052,325 | 5,337,091 | 23,430,894 | 18,402,871 | 46,743,470 | 33,730,232 | 25,000,000 | 5,781,053 |

Appendix 1. The 2010-2011 Regional Accounts (cont.)

| | 23 | 24 | 25 | 26 | 27 | 28 | 29 | 30 | 31 | 32 | 33 |
|------------------------------------|--------|---------|---------|-----------|-----------|---------|-----------|-----------|-----------|----|----|
| 1 Agriculture | 0 | 0 | 0 | 0 | 99,170 | 0 | 5,262 | 0 | 6,878 | | |
| 2 Fish catching | 0 | 0 | 0 | 0 | 41,169 | 0 | 0 | 0 | 0 | | |
| 3 Aquaculture | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | |
| 4 Oil terminal | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | |
| 5 Mining | 0 | 0 | 0 | 0 | 0 | 0 | 134 | 0 | 0 | | |
| 6 Fish processing | 0 | 3,773 | 0 | 0 | 0 | 0 | 13,157 | 0 | 13,007 | | |
| 7 Other food & drink process | 0 | 14,993 | 0 | 0 | 3,343 | 0 | 54,227 | 0 | 67,218 | | |
| 8 Marine Eng | 0 | 0 | 0 | 3,259,427 | 0 | 0 | 0 | 0 | 0 | | |
| 9 Textiles | 0 | 4,285 | 0 | 0 | 0 | 0 | 19,104 | 0 | 3,803 | | |
| 10 Other manuf | 0 | 94,945 | 0 | 1,074,648 | 8,640 | 22,451 | 429,369 | 47,065 | 424,650 | | |
| 11 Electricity, gas & water | 11,739 | 28,673 | 93,845 | 1,049,698 | 127,709 | 111,958 | 250,000 | 527,085 | 1,163,876 | | |
| 12 Construct | 1,155 | 768,533 | 76,903 | 0 | 2,830,830 | 34,431 | 273,600 | 114,584 | 881,752 | | |
| 13 Wholesale | 0 | 0 | 0 | 58,780 | 22,270 | 0 | 0 | 0 | 0 | | |
| 14 Retail | 0 | 1,505 | 0 | 410,005 | 236,534 | 0 | 92 | 0 | 2,304 | | |
| 15 Accommodation | 0 | 58,374 | 0 | 0 | 0 | 0 | 62,404 | 0 | 24,774 | | |
| 16 Catering | 0 | 10,301 | 0 | 58,019 | 0 | 0 | 11,013 | 0 | 4,372 | | |
| 17 Ports & harbours | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | |
| 18 Sea transport | 0 | 7,498 | 0 | 101,500 | 32,915 | 0 | 0 | 0 | 0 | | |
| 19 Land transport | 0 | 263 | 243,461 | 1,827,000 | 854,271 | 0 | 16,236 | 839,249 | 0 | | |
| 20 Air transport | 0 | 14,978 | 105,018 | 887,911 | 323,032 | 83,296 | 482,300 | 91,667 | 99,840 | | |
| 21 Oil supply | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | |
| 22 Communic | 0 | 0 | 36,016 | 304,111 | 527,674 | 2,310 | 0 | 6,875 | 11,213 | | |
| 23 Financial services | 0 | 28,585 | 15,488 | 74,429 | 0 | 72,630 | 0 | 0 | 17,703 | | |
| 24 IT & Real State services | 0 | 99,299 | 135,622 | 157,351 | 0 | 7,223 | 0 | 1,784,838 | 116,902 | | |
| 25 Technical professional services | 2,660 | 103,307 | 102,220 | 3,670,383 | 0 | 144,987 | 1,355,900 | 126,042 | 243,722 | | |
| 26 Public admin | 0 | 137,500 | 181,972 | 0 | 0 | 455,771 | 1,716,000 | 82,500 | 380,201 | | |

| | | | | | | | | | | | |
|----|----------------------|------------|-----------|------------|------------|------------|-----------|------------|------------|------------|-------------------------|
| 27 | Schools | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| 28 | College | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| 29 | Health | 0 | 0 | 0 | 52,080 | 0 | 0 | 0 | 0 | 0 | |
| 30 | Social work | 0 | 0 | 0 | 0 | 224,723 | 0 | 0 | 3,045,597 | 0 | |
| 31 | Other services | 150 | 4,847 | 5,141 | 73,431 | 382,154 | 132,335 | 102,445 | 0 | 305,357 | |
| 32 | Income | 3,715,635 | 2,271,665 | 8,420,309 | 27,378,148 | 28,428,422 | 4,684,851 | 27,745,465 | 22,733,233 | 13,127,068 | |
| 33 | Profits | 2,356,189 | 799,356 | 5,098,009 | | | 771,775 | | 4,064,055 | 15,722,378 | |
| 34 | Wages & Salaries | | | | | | | | | | 260,343,760 |
| 35 | National Insurance | | | | | | | | | | 37,920,981 |
| 36 | Self-employment | | | | | | | | | | 37,338,029 |
| 37 | Investment Income | | | | | | | | | | 123,195,452 |
| 38 | Rental Income | | | | | | | | | | 7,070,909 |
| 39 | Hhs without Children | | | | | | | | | | |
| 40 | Hhs with Children | | | | | | | | | | |
| 41 | Hhs Retired | | | | | | | | | | |
| 42 | Local Government | 24,171 | 310,734 | 336,559 | 0 | 0 | 104,135 | 726,644 | 983,153 | 134,515 | |
| 44 | CG Direct Tax | 0 | 833,512 | 1,398,105 | 0 | 0 | 43,500 | 117,000 | 0 | 220,319 | |
| 45 | CG Indirect Tax | 122,087 | 96,813 | 68,759 | 0 | 110,622 | 0 | 0 | 0 | 11,751 | |
| 46 | CG Transfers | | | | | | | | | | |
| 47 | Capital Account | | | | | | | | | | 19,068,724 |
| 48 | Rest of Scotland | 30,167,420 | 1,598,951 | 528,182 | 20,003,607 | 2,882,570 | 481,761 | 21,818,930 | 210,547 | 3,188,141 | |
| 49 | Rest of UK | 146,970 | 519,602 | 1,726,493 | 6,634,348 | 1,164,123 | 25,867 | 1,582,440 | 1,200,260 | 777,930 | |
| 50 | Rest of World | 0 | 68,269 | 176,248 | 540,855 | 0 | 0 | 0 | 0 | 35,751 | |
| | Total | 36,548,175 | 7,880,562 | 18,748,350 | 67,615,731 | 38,300,172 | 7,179,280 | 56,781,722 | 35,856,749 | 36,985,425 | 317,333,466 167,604,391 |

Appendix 1. The 2010-2011 Regional Accounts (cont.)

| | 34 | 35 | 36 | 37 | 38 | 39 | 40 | 41 | 42 |
|--------------------------------|----|----|----|----|----|------------|------------|-----------|------------|
| 1 Agriculture | | | | | | 148,730 | 97,130 | 40,778 | 0 |
| 2 Fish catching | | | | | | 0 | 0 | 0 | 0 |
| 3 Aquaculture | | | | | | 1,430 | 934 | 392 | 0 |
| 4 Oil terminal | | | | | | 0 | 0 | 0 | 0 |
| 5 Mining | | | | | | 4,047 | 5,156 | 1,837 | 0 |
| 6 Fish processing | | | | | | 129,667 | 84,681 | 35,551 | 0 |
| 7 Other food & drink process | | | | | | 629,151 | 410,876 | 172,496 | 0 |
| 8 Marine Eng | | | | | | 252,423 | 148,552 | 36,211 | 0 |
| 9 Textiles | | | | | | 88,613 | 44,649 | 13,552 | 0 |
| 10 Other manuf | | | | | | 33,201 | 16,729 | 5,077 | 0 |
| 11 Electricity, gas & water | | | | | | 3,992,244 | 2,702,915 | 1,399,183 | 0 |
| 12 Construct | | | | | | 3,160,089 | 1,383,043 | 1,717,889 | 0 |
| 13 Wholesale | | | | | | 690,131 | 101,923 | 60,389 | 0 |
| 14 Retail | | | | | | 28,543,190 | 14,381,984 | 4,365,133 | 0 |
| 15 Accommodation | | | | | | 133,874 | 170,231 | 41,971 | 5,973,739 |
| 16 Catering | | | | | | 2,279,077 | 971,937 | 269,101 | 0 |
| 17 Ports & harbours | | | | | | 0 | 0 | 0 | -900,877 |
| 18 Sea transport | | | | | | 1,637,684 | 628,469 | 152,954 | 11,450,909 |
| 19 Land transport | | | | | | 560,312 | 229,682 | 107,351 | 4,192,032 |
| 20 Air transport | | | | | | 29,721 | 13,384 | 56,352 | 1,407,145 |
| 21 Oil supply | | | | | | 0 | 0 | 0 | 0 |
| 22 Communic | | | | | | 851,320 | 1,084,625 | 386,548 | 0 |
| 23 Financial services | | | | | | 514,731 | 256,711 | 86,912 | 0 |
| 24 IT & Real State services | | | | | | 1,117,528 | 1,799,996 | 241,995 | 0 |
| 25 Technical profess. services | | | | | | 2,155,203 | 1,268,342 | 309,176 | 0 |
| 26 Public admin | | | | | | 0 | 0 | 0 | 54,378,091 |
| 27 Schools | | | | | | 0 | 0 | 0 | 37,303,065 |

| | | | | | | | | | | |
|----|--------------------|-------------|------------|-------------|-------------|------------|-------------|-------------|------------|-------------|
| 28 | College | | | | | 418,871 | 246,507 | 60,089 | 3,362,361 | |
| 29 | Health | | | | | 207,857 | 122,325 | 29,818 | 0 | |
| 30 | Social work | | | | | 1,353,509 | 1,494,229 | 1,290,255 | 28,343,535 | |
| 31 | Other services | | | | | 2,480,517 | 2,496,243 | 538,077 | 7,739,328 | |
| 32 | Income | | | | | | | | | |
| 33 | Profits | | | | | 3,188,705 | 5,136,024 | 690,496 | | |
| 34 | Wages & Salaries | | | | | | | | | |
| 35 | National Insurance | | | | | | | | | |
| 36 | Self-employment | | | | | | | | | |
| 37 | Investment Income | | | | | | | | | |
| 38 | Rental Income | | | | | | | | | |
| 39 | Hhs without Child. | 109,629,635 | 28,523,606 | 2,663,816 | 1,676,478 | 211,321 | | | 35,220 | |
| 40 | Hhs with Children | 81,695,879 | 8,814,423 | 696,184 | 342,809 | | 45,786 | | 41,090 | |
| 41 | Hhs Retired | 0 | 0 | 927,229 | 704,403 | | | | 0 | |
| 42 | Local Government | | | | | 2,872,158 | 2,638,833 | 1,205,813 | | |
| 44 | CG Direct Tax | | | | | 30,874,131 | 17,566,305 | 164,903 | | |
| 45 | CG Indirect Tax | | | | | 9,024,636 | 11,408,588 | 3,294,183 | | |
| 46 | CG Transfers | 37,920,981 | | | | | | | 5,431,274 | |
| 47 | Capital Account | | | | 18,263,768 | 4,838,289 | 23,701,342 | 5,097,806 | 4,441,551 | -37,026,854 |
| 48 | Rest of Scotland | | | | | 31,132,053 | 21,283,666 | 5,586,460 | | |
| 49 | Rest of UK | | | | | | | | | |
| 50 | Rest of World | 89,509,257 | | 104,305,977 | | 6,441,809 | 3,005,722 | 471,543 | | |
| | Total | 280,834,771 | 37,920,981 | 37,338,029 | 126,856,974 | 8,068,437 | 166,587,623 | 100,808,575 | 27,525,469 | 121,730,059 |

Appendix 1. The 2010-2011 Regional Accounts

| | 43 | 44b | 44c | 45 | 46 | 47 | 48 | 49 | 50 | TOTAL |
|---------------------------------|-----------|--------|---------|------------|------------|-----------|------------|------------|------------|-------------|
| 1 Agriculture | 9,130,000 | 0 | 518,173 | | 180,674 | 0 | 6,131,812 | 0 | 0 | 18,450,000 |
| 2 Fish catching | 0 | 0 | 0 | | 0 | 0 | 23,887,411 | 0 | 35,831,117 | 70,900,000 |
| 3 Aquaculture | 0 | 32,845 | 41,362 | | 10,251,584 | 0 | 5,632,526 | 46,561,833 | 91,879,372 | 156,266,126 |
| 4 Oil terminal | 0 | 0 | 0 | | 0 | 0 | 0 | 37,282,839 | 0 | 46,426,538 |
| 5 Mining | 0 | 0 | 0 | | 62,000 | 0 | 0 | 0 | 1,057,105 | 12,114,989 |
| 6 Fish processing | 0 | 0 | 0 | | 703,956 | 0 | 2,130,000 | 9,404,739 | 70,559,612 | 83,266,848 |
| 7 Other food & drink process | 1,171,187 | 0 | 0 | | -67 | 130,407 | 509,751 | 279,495 | 6,071 | 8,752,302 |
| 8 Marine Eng | 0 | 0 | 18,375 | | -58,380 | 0 | 529,224 | 2,485,995 | 0 | 11,053,334 |
| 9 Textiles | 0 | 0 | 0 | | 29,072 | 28,422 | 1,381,942 | 48,782 | 1,741,820 | 4,677,978 |
| 10 Other manuf | 0 | 0 | 1,497 | | -230,773 | 4,783 | 3,626,470 | 1,911,940 | 512,000 | 11,592,373 |
| 11 Electricity, gas & water | 0 | 0 | 0 | | 14,921 | 0 | 23,775,257 | 0 | 0 | 39,592,140 |
| 12 Construct | 0 | 0 | 0 | 57,653,746 | -505,454 | 0 | 106,560 | 2,897,482 | 0 | 77,714,138 |
| 13 Wholesale | 13,793 | 0 | 9,195 | | 106,953 | 12,739 | 123,593 | 2,581,910 | 5,205,396 | 11,427,232 |
| 14 Retail | 0 | 0 | 0 | | 1,980,881 | 1,884,766 | 35,593 | 1,387,102 | 280,292 | 57,813,166 |
| 15 Accommodation | 0 | 0 | 0 | | -1,508 | 3,335,428 | 3,711,318 | 1,855,659 | 618,553 | 17,052,325 |
| 16 Catering | 0 | 75,677 | 0 | | 11,139 | 1,457,368 | 0 | 0 | 0 | 5,337,091 |
| 17 Ports & harbours | 0 | 0 | 0 | | 0 | 0 | 2,429,868 | 199,548 | 19,955 | 23,430,894 |
| 18 Sea transport | 0 | 0 | 0 | | 0 | 0 | 0 | 0 | 0 | 18,402,872 |
| 19 Land transport | 235,000 | 0 | 0 | | 0 | 5,838,060 | 23,242,188 | 225,000 | 0 | 46,743,470 |
| 20 Air transport | 2,240,000 | 0 | 0 | | 0 | 0 | 24,559,999 | 0 | 0 | 33,730,231 |
| 21 Oil supply | 0 | 0 | 0 | | 0 | 0 | 8,835,264 | 3,254,400 | 2,359,385 | 25,000,000 |
| 22 Communics | 0 | 0 | 0 | | 695,400 | 0 | 660,596 | 0 | 0 | 5,781,053 |
| 23 Financial services | 0 | 0 | 0 | | 0 | 0 | 32,339,102 | 0 | 0 | 36,548,175 |
| 24 IT & Real State services | 32,504 | 197 | 0 | | 0 | 0 | 1,256,875 | 0 | 0 | 7,880,563 |
| 25 Technical profess.l services | 0 | 0 | 0 | | 0 | 0 | 812,699 | 1,727,660 | 1,754,215 | 18,748,350 |
| 26 Public admin | 8,403,567 | 0 | 0 | | 0 | 0 | 0 | 0 | 0 | 67,615,732 |
| 27 Schools | 997,107 | 0 | 0 | | 0 | 0 | 0 | 0 | 0 | 38,300,172 |

| | | | | | | | | | | |
|----|----------------------|-------------|---------|---------|------------|------------|------------|-------------|-------------|-------------|
| 28 | College | 2,440,335 | 206,296 | 0 | 0 | 0 | 383,425 | 30,698 | 30,698 | 7,179,280 |
| 29 | Health | 56,300,000 | 0 | 0 | 20,000 | 0 | 0 | 0 | 0 | 56,781,722 |
| 30 | Social work | 0 | 0 | 0 | 0 | 0 | 7,792 | 0 | 0 | 35,856,749 |
| 31 | Other services | 12,243,311 | 0 | 304,993 | 71,988 | 519,400 | 404,546 | 5,864,058 | 0 | 36,985,425 |
| 32 | Income | 0 | | | | | | | | 317,333,466 |
| 33 | Profits | 0 | | | | | | | | 167,604,391 |
| 34 | Wages & Salaries | 0 | | | | | 14,398,551 | 6,092,460 | 0 | 280,834,771 |
| 35 | National Insurance | 0 | | | | | | | | 37,920,981 |
| 36 | Self-employment | 0 | | | | | | | | 37,338,029 |
| 37 | Investment Income | 0 | | | | | 642,415 | 2,862,861 | 156,246 | 126,856,974 |
| 38 | Rental Income | 0 | | | | | 701,867 | 295,661 | 0 | 8,068,437 |
| 39 | Hhs without Children | 9,827,589 | | | | | 8,587,817 | 5,430,859 | 1,282 | 166,587,623 |
| 40 | Hhs with Children | 7,368,050 | | | | | 307,350 | 777,687 | 719,316 | 100,808,575 |
| 41 | Hhs Retired | 12,505,493 | | | | | 6,761,983 | 6,468,618 | 157,744 | 27,525,469 |
| 42 | Local Government | 98,980,592 | | | | | | | 1,881,087 | 121,730,058 |
| 44 | CG Direct Tax | 0 | | | | | | | | 95,136,984 |
| 45 | CG Indirect Tax | 0 | | | | 715,700 | | | | 43,757,147 |
| 46 | CG Transfers | 0 | | | | | | | | 43,352,255 |
| 47 | Capital Account | 0 | | | | | | | | 38,384,627 |
| 48 | Rest of Scotland | 0 | | | | | | | | 318,241,535 |
| 49 | Rest of UK | 0 | | | | | | | | 73,514,955 |
| 50 | Rest of World | 0 | | | | | | | | 248,235,189 |
| | Total | 221,888,528 | 315,015 | 893,595 | 57,653,746 | 13,332,386 | 13,927,074 | 197,913,792 | 139,927,287 | 214,771,265 |

Appendix 2. Methods

The approach taken to construct the 2010-2011 was very close to that followed in the 2003 Shetland Regional Accounts study (Newlands and Roberts, 2006). In particular the valuation of transactions, measurement of output and treatment of impacts, exports and capital mirrored those used in the 2003 study (and standard input-output practices).

Primary data was collected through two surveys: a face-to-face survey of 105 Shetland businesses and a survey of Shetland households with data collected through 70 face to face structured surveys and 120 postal questionnaires. Both surveys were conducted by AB Associates and took place during Autumn 2011. The business survey sample and employment coverage is shown in Table A2.1 below.

The aim of the business survey was to ensure a high coverage of economic activity while paying particular attention to key local sectors, and sectors which were thought to have changed since the 2003 study. The aim of the household survey was to get detailed information the level and on source of income for each of the three types of Shetland households distinguished in the SAM as well as information on their particular expenditure patterns (including where they purchase goods).

While both surveys generated a large amount of primary data, the information needed to be supplemented by a range of other secondary data, much of this provided direct from Shetland Islands Council. In particular, sectoral turnover, imports and exports were estimated using data from the responses of each sector to the business survey, extrapolated based on employment figures from the Shetland Islands Council's *Shetland Employers Survey 2011*. In contrast, the *oil terminal* and *sea transportation* sectors were not represented in the survey. In the case of Sea transportation, turnover was based on expenditure on this sector by other local sectors and households. In the case of the Oil Terminal, turnover was extrapolated from the 2003 SAM based on estimated changes in employment. Imports and exports for both sectors were estimated

based on the shares observed in the 2003 SAM as well. Turnover, imports and exports of the Fish Catching sector and Aquaculture are direct estimates by AB Associates. Turnover of the Aquaculture sector is based on estimates from Shetland Aquaculture; imports and exports were estimated using business-survey data.

Table A2.1 Business survey sample and employment coverage

| Sector name | Sample size (number of firms) | Sample employment | | | Total Shetland employment (FTEs) |
|---------------------------------------|----------------------------------|-------------------|-------------|-------------|-------------------------------------|
| | | Full time | Part time | Total | |
| <i>Agriculture</i> | 2 | 3 | 7 | 10 | 185 |
| <i>Fish catching</i> | | 256 | 121 | 377 | 269 |
| <i>Aquaculture</i> | 7 | 87 | 22 | 109 | 350 |
| <i>Oil terminal</i> | | | | 0 | 219 |
| <i>Mining and quarrying</i> | 1 | 1 | 3 | 4 | 31 |
| <i>Fish processing</i> | 2 | 239 | 23 | 262 | 260 |
| <i>Other food and drink process.</i> | 3 | 4 | 5 | 9 | 234 |
| <i>Marine engineering</i> | 5 | 210 | 3 | 213 | 441 |
| <i>Textiles and crafts</i> | 5 | 29 | 51 | 80 | 98 |
| <i>Other manufacturing</i> | 2 | 15 | 0 | 15 | 128 |
| <i>Electricity, gas and water</i> | 4 | 76 | 24 | 100 | 65 |
| <i>Construction</i> | 3 | 173 | 4 | 177 | 777 |
| <i>Wholesale</i> | 6 | 58 | 14 | 72 | 119 |
| <i>Retail</i> | 15 | 167 | 80 | 247 | 930 |
| <i>Accommodation</i> | 1 | 16 | 2 | 18 | 259 |
| <i>Catering</i> | 3 | 17 | 47 | 64 | 231 |
| <i>Ports and harbours</i> | 1 | 44 | 3 | 47 | 46 |
| <i>Sea transport</i> | | | | 0 | 118 |
| <i>Land transport</i> | 3 | 33 | 19 | 52 | 231 |
| <i>Air transport</i> | 3 | 254 | 16 | 270 | 100 |
| <i>Oil supply services</i> | 1 | 70 | 8 | 78 | 49 |
| <i>Communications</i> | 1 | 2 | 0 | 2 | 183 |
| <i>Financial</i> | 3 | 21 | 4 | 25 | 108 |
| <i>IT/computer, real estate</i> | 3 | 19 | 9 | 28 | 44 |
| <i>Technical, professional, other</i> | 10 | 16 | 13 | 29 | 211 |
| <i>Public administration</i> | 6 | 1742 | 2302 | 4044 | 3,021 |
| <i>School education</i> | 0 | | | 0 | 459 |
| <i>College education</i> | 2 | 92 | 93 | 185 | 145 |
| <i>Health</i> | 1 | 266 | 534 | 800 | 548 |
| <i>Social work</i> | 2 | 3 | 18 | 21 | 101 |
| <i>Other personal services</i> | 10 | 255 | 225 | 480 | 531 |
| Total | 105 | 4168 | 3650 | 7818 | 10,490 |

Sources: Shetland Islands Council, *Employment in Shetland by Sector 2003*; business survey returns

Table A2.2 indicates the mapping of the 31 production sectors in the 2010-2011 SAM into 2003 Standard Industrial Classification codes.

Table A2.2 Classification of economic activities in the Shetland 2010-2011 SAM

| Sector title | SIC 2003 Code |
|--------------------------------------------------|----------------------------------------------------------|
| Agriculture | 01,02 |
| Fish catching | 05.01 |
| Aquaculture | 05.02 |
| Oil Terminal | 11 |
| Mining and quarrying | 10,12,14 |
| Manufacturing: Fish processing | 15.20 |
| Manufacturing: Other food and drink processing | 15 (excluding 15.20) |
| Manufacturing: Marine Engineering | 35.11, 35.12 |
| Manufacturing: Textiles and crafts | 17,18 |
| Other manufacturing | 19 -34, 35 (excluding 35.11 and 35.12), 36, 37 |
| Electricity, gas and water supply | 40,41 |
| Construction | 45 |
| Wholesale | 51 |
| Retail | 50, 52 |
| Accommodation | 55.1, 55.2 |
| Catering (including pubs and social clubs) | 55.3, 55.4, 55.5 |
| Ports and harbours | 63.1, 63.22 (part) |
| Transportation, Sea | 61 |
| Transportation, Land | 60, 63.21 |
| Transportation, Air | 62, 63.23 |
| Oil supply services | 63.22 (part) |
| Communications and Supplier Services | 64 |
| Financial services | 65, 66, 67 |
| IT/computer related and real estate services | 70, 71, 72 |
| Technical, Professional, other business services | 73, 74 |
| Public administration - Local/Central | 75 (part - local government) |
| School Education | 80.1, 80.21 |
| College Education | 80.22, 80.3 |
| Health | 85.11, 85.12, 85.14 (part) |
| Social work and other services | 85.13, 85.14 (part), 85.20, 85.3 |
| Other community, social and personal services | 75 (part - central government), 80.4, 90 - 93,95 - 97,99 |

Appendix 3. Comparison of economic growth rates in Shetland and neighbouring localities.

The Office of National Statistics (ONS) publishes an alternative estimate of GRDP for Shetland by the name of **Gross Value Added (GVA)**, which is based on a different database and methodology than the one used here; however, GVA and GRDP at factor costs are equivalent.³⁰ According to the ONS, GVA in Shetland was £528.5 million in 2010-2011 and £435.3 million in 2003 at 2010-11 prices (or £357 million at 2003 prices) (Table A3.1).

Table A3.1 Gross Value Added in Shetland, Orkney and Western Isles, 2003 to 2010/11

| | Gross Value Added (£ million) | | Cumulative change (%) | Annual growth rate (%) |
|----------------------|----------------------------------|-------------------|-----------------------------|------------------------------|
| | 2010-11 | 2003 ¹ | | |
| Shetland | 528.5 | 435.3 | 21.4 | 2.8 |
| Orkney | 341.0 | 282.9 | 20.5 | 2.7 |
| Western Isles | 396.0 | 395.1 | 0.2 | 0.0 |

¹. At 2010-2011 prices.

Source: Office of National Statistics, 2012

While both estimates of GVA for Shetland are higher than both regional-account estimates of GRDP, the implicit growth rates are similar: 2.8% annual growth or a 21% increase between 2003 and 2010-11. By the same criteria, Orkney has grown at the rate of 2.7% per year, while the Western Isles did not grow significantly in real terms during the same period (Table A3.1).

Since our own estimates for Shetland are based on other detailed information reported here, including data on Council income and expenditure, we refer to them throughout this report for consistency.

³⁰ See Regional Trends Online Tables <<http://www.ons.gov.uk/ons/rel/regional-trends/regional-trends-online-tables/index.html>>

Appendix 4. Sectoral contributions to total output, valued added and employment, 2003 (at 2011 prices) and implied annual rate of growth between 2003 and 2010-11

| Sector | Total Output (£ million) | Annual growth rate % | Value Added (£ million) | Annual growth rate % | Employment (FTEs) | Annual growth rate % |
|------------------------------------------|--------------------------|----------------------|-------------------------|----------------------|-------------------|----------------------|
| <i>Agriculture</i> | 16.006 | 2.1 | 3.907 | 19.7 | 212 | -1.9 |
| <i>Fish catching</i> | 43.776 | 7.1 | 29.378 | 0.6 | 306 | -1.8 |
| <i>Aquaculture</i> | 106.823 | 5.6 | 26.327 | 9.4 | 358 | -0.3 |
| <i>Oil Terminal</i> | 69.502 | -5.6 | 30.331 | -5.8 | 337 | -6.0 |
| <i>Mining</i> | 11.737 | 0.5 | 8.616 | -8.8 | 72 | -11.3 |
| <i>Fish processing</i> | 79.261 | 0.7 | 27.410 | -13.3 | 444 | -7.4 |
| <i>Other Food & Drink Processing</i> | 1.769 | 25.7 | 0.695 | 28.5 | 48 | 25.4 |
| <i>Marine Engineering</i> | 12.077 | -1.3 | 9.563 | -4.9 | 180 | 13.7 |
| <i>Textiles</i> | 3.878 | 2.7 | 2.238 | 2.2 | 129 | -3.9 |
| <i>Other manufacturing</i> | 3.162 | 20.4 | 2.108 | 19.4 | 144 | -1.7 |
| <i>Electricity, Gas & water</i> | 7.899 | 25.9 | 3.487 | 18.1 | 88 | -4.2 |
| <i>Construction</i> | 72.887 | 0.9 | 31.800 | 0.8 | 885 | -1.8 |
| <i>Wholesale</i> | 5.903 | 9.9 | 5.690 | -5.5 | 116 | 0.3 |
| <i>Retail</i> | 46.248 | 3.2 | 37.827 | -6.1 | 907 | 0.4 |
| <i>Accommodation</i> | 9.138 | 9.3 | 4.909 | 9.3 | 289 | -1.6 |
| <i>Catering</i> | 3.278 | 7.2 | 2.522 | 2.0 | 156 | 5.8 |
| <i>Ports & Harbours</i> | 27.532 | -2.3 | 18.656 | -7.6 | 326 | -24.4 |
| <i>Sea Transport</i> | 7.133 | 14.5 | 0.598 | 14.6 | 15 | 34.3 |
| <i>Land Transport</i> | 30.131 | 6.5 | 4.486 | 32.2 | 222 | 0.6 |
| <i>Air Transport</i> | 14.161 | 13.2 | 6.686 | 19.4 | 101 | -0.1 |
| <i>Oil Supply Services</i> | 5.630 | 23.7 | 3.323 | 7.8 | 67 | -4.4 |
| <i>Communications</i> | 9.320 | -6.6 | 3.711 | -9.1 | 126 | 5.5 |
| <i>Financial services</i> | 45.679 | -3.1 | 14.701 | -11.9 | 102 | 0.8 |
| <i>IT & Real State Services</i> | 3.413 | 12.7 | 1.382 | 12.1 | 37 | 2.5 |
| <i>Tech. & Professional Services</i> | 38.005 | -9.6 | 23.036 | -7.3 | 523 | -12.2 |
| <i>Public administration</i> | 57.084 | 2.4 | 23.734 | 2.1 | 978 | 17.5 |
| <i>Schools</i> | 41.261 | -1.1 | 24.132 | 2.4 | 690 | -5.7 |
| <i>College</i> | 6.666 | 1.1 | 3.639 | 6.0 | 153 | -0.8 |
| <i>Health</i> | 41.895 | 4.4 | 20.180 | 4.7 | 434 | 3.4 |
| <i>Social work</i> | 18.510 | 9.9 | 18.195 | 5.7 | 343 | -16.0 |
| <i>Other services</i> | 20.771 | 8.6 | 13.287 | 11.7 | 321 | 7.5 |
| Shetland Totals | 860.537 | 3.5 | 406.550 | 2.3 | 9,109 | 2.0 |

Appendix 5. Employment coefficients, effects and multipliers for Shetland by sector 2010-11

| | Employment Coefficients | | IO model | | SAM model | | | |
|-------------------------------|-------------------------|------|--------------------|------|--------------------|------|------------------------|------|
| | | Rank | Employment effects | Rank | Employment effects | Rank | Employment multipliers | Rank |
| Agriculture | 10.0 | 15 | 12.1 | 13 | 14.1 | 13 | 1.406 | 14 |
| Fish catching | 3.8 | 22 | 7.4 | 21 | 8.7 | 21 | 2.281 | 5 |
| Aquaculture | 2.2 | 28 | 2.5 | 31 | 3.1 | 31 | 1.379 | 16 |
| Oil terminal | 4.7 | 21 | 8.0 | 20 | 9.6 | 18 | 2.042 | 6 |
| Mining | 2.6 | 27 | 3.8 | 29 | 4.8 | 29 | 1.863 | 8 |
| Fish processing | 3.1 | 23 | 4.3 | 25 | 4.9 | 28 | 1.555 | 11 |
| Other food & drink processing | 26.7 | 5 | 30.2 | 5 | 31.7 | 5 | 1.186 | 26 |
| Marine Eng | 39.9 | 3 | 40.7 | 3 | 42.5 | 3 | 1.066 | 31 |
| Textiles | 20.9 | 6 | 23.1 | 7 | 24.7 | 7 | 1.177 | 27 |
| Other manufacturing | 11.0 | 13 | 11.9 | 15 | 13.5 | 15 | 1.226 | 23 |
| Electricity, gas & water | 1.6 | 31 | 4.7 | 24 | 5.8 | 26 | 3.534 | 2 |
| Construct | 10.0 | 16 | 11.4 | 17 | 12.9 | 17 | 1.293 | 21 |
| Wholesale | 10.4 | 14 | 15.1 | 11 | 16.7 | 11 | 1.603 | 10 |
| Retail | 16.1 | 8 | 16.9 | 9 | 18.1 | 9 | 1.124 | 29 |

| | | | | | | | | |
|---------------------------------|------|----|------|----|------|----|-------|----|
| Accommodation | 15.2 | 9 | 18.7 | 8 | 20.2 | 8 | 1.328 | 19 |
| Catering | 43.3 | 2 | 50.6 | 1 | 52.5 | 1 | 1.213 | 25 |
| Ports & harbours | 2.0 | 29 | 5.5 | 23 | 7.4 | 23 | 3.748 | 1 |
| Sea transport | 6.4 | 18 | 8.7 | 18 | 9.4 | 20 | 1.473 | 13 |
| Land transport | 4.9 | 20 | 5.8 | 22 | 7.5 | 22 | 1.522 | 12 |
| Air transport | 3.0 | 24 | 4.0 | 28 | 6.0 | 25 | 2.023 | 7 |
| Oil supply | 2.0 | 30 | 4.2 | 26 | 4.9 | 27 | 2.508 | 3 |
| Communications | 31.7 | 4 | 40.6 | 4 | 42.2 | 4 | 1.332 | 18 |
| Financial services | 3.0 | 25 | 3.0 | 30 | 3.4 | 30 | 1.137 | 28 |
| IT & Real Estate services | 5.6 | 19 | 8.3 | 19 | 9.6 | 19 | 1.712 | 9 |
| Technical professional services | 11.3 | 12 | 12.1 | 14 | 13.9 | 14 | 1.238 | 22 |
| Public admin | 44.7 | 1 | 48.2 | 2 | 49.7 | 2 | 1.113 | 30 |
| Schools | 12.0 | 11 | 13.9 | 12 | 16.4 | 12 | 1.369 | 17 |
| College | 20.2 | 7 | 24.1 | 6 | 26.4 | 6 | 1.308 | 20 |
| Health | 9.7 | 17 | 11.7 | 16 | 13.3 | 16 | 1.379 | 15 |
| Social work | 2.8 | 26 | 4.0 | 27 | 6.4 | 24 | 2.282 | 4 |
| Other Personal services | 14.4 | 10 | 15.8 | 10 | 17.6 | 10 | 1.225 | 24 |

Appendix 6. Imports, exports and trade balance by sector, 2010-11

| Sector | Imports (£m) | Rank | Exports (£m) | Rank | Trade Bal. (£m) | Rank |
|----------------------------------------------|----------------|------|----------------|------|-----------------|------|
| <i>Agriculture</i> | 1.107 | 25 | 6.132 | 13 | 5.024 | 10 |
| <i>Fish catching</i> | 18.538 | 7 | 59.719 | 3 | 41.181 | 3 |
| <i>Aquaculture</i> | 93.649 | 1 | 144.074 | 1 | 50.425 | 2 |
| <i>Oil Terminal</i> | 5.160 | 12 | 37.283 | 4 | 32.123 | 4 |
| <i>Mining</i> | 2.844 | 17 | 1.057 | 22 | -1.787 | 19 |
| <i>Fish processing</i> | 56.913 | 2 | 82.094 | 2 | 25.181 | 1 |
| <i>Other Food & Drink Process.</i> | 2.658 | 19 | 0.795 | 23 | -1.863 | 26 |
| <i>Marine Engineering</i> | 2.295 | 22 | 3.015 | 17 | 0.720 | 17 |
| <i>Textiles</i> | 1.045 | 26 | 3.173 | 16 | 2.128 | 15 |
| <i>Other manufacturing</i> | 2.447 | 20 | 6.050 | 14 | 3.603 | 12 |
| <i>Electricity, Gas & water</i> | 15.478 | 8 | 23.775 | 7 | 8.298 | 7 |
| <i>Construction</i> | 21.070 | 6 | 3.004 | 18 | -18.066 | 29 |
| <i>Wholesale</i> | 0.877 | 27 | 7.911 | 10 | 7.034 | 8 |
| <i>Retail</i> | 2.830 | 18 | 1.703 | 20 | -1.127 | 25 |
| <i>Accommodation</i> | 0.837 | 28 | 6.186 | 12 | 5.349 | 11 |
| <i>Catering</i> | 0.297 | 31 | 0.000 | 31 | -0.297 | 21 |
| <i>Ports & Harbours</i> | 3.928 | 16 | 2.649 | 19 | -1.279 | 24 |
| <i>Sea Transport</i> | 11.013 | 10 | 0.000 | 30 | -11.013 | 27 |
| <i>Land Transport</i> | 6.954 | 11 | 23.467 | 8 | 16.513 | 5 |
| <i>Air Transport</i> | 4.695 | 13 | 24.560 | 6 | 19.865 | 6 |
| <i>Oil Supply Services</i> | 14.748 | 9 | 14.449 | 9 | -0.298 | 9 |
| <i>Communications</i> | 0.441 | 30 | 0.661 | 24 | 0.220 | 18 |
| <i>Financial services</i> | 30.314 | 3 | 32.339 | 5 | 2.025 | 16 |
| <i>IT & Real State Services</i> | 2.187 | 23 | 1.257 | 21 | -0.930 | 23 |
| <i>Technical & Professional Services</i> | 2.431 | 21 | 4.295 | 15 | 1.864 | 13 |
| <i>Public administration</i> | 27.179 | 4 | 0.000 | 28 | -27.179 | 30 |
| <i>Schools</i> | 4.047 | 14 | 0.000 | 29 | -4.047 | 28 |
| <i>College</i> | 0.508 | 29 | 0.445 | 25 | -0.063 | 20 |
| <i>Health</i> | 23.401 | 5 | 0.000 | 27 | -23.401 | 31 |
| <i>Social work</i> | 1.411 | 24 | 0.008 | 26 | -1.403 | 22 |
| <i>Other services</i> | 4.002 | 15 | 6.269 | 11 | 2.267 | 14 |
| Shetland Totals | 365.304 | | 496.369 | | 131.064 | |
| Rest of Scotland | 260.239 | | 166.514 | | -93.726 | |
| Rest of United Kingdom | 63.089 | | 117.999 | | 54.910 | |
| Rest of World | 41.976 | | 211.856 | | 169.880 | |

Appendix 7. Shetland Household Imports, 2010-11

| Sector | Imports (£m) | Exports (£m) | Trade Balance (£m) |
|-----------------------------|-----------------|-----------------|--------------------------|
| Households without Children | 45.302 | - | -45.302 |
| Households with Children | 28.754 | - | -28.754 |
| Retired Households | 6.309 | - | -6.309 |
| Shetland Household Totals | 80.366 | - | -80.366 |

Appendix 8. Expected changes in output and employment in Shetland after Council savings by 2013-14

| | Output | Employment | |
|----------------------------------------------|-------------|-------------|-------------|
| | (%) | (%) | (FTEs) |
| <i>Agriculture</i> | -0.3 | -0.2 | 0 |
| <i>Fish Catching</i> | 0.0 | 0.0 | 0 |
| <i>Aquaculture</i> | 0.0 | 0.0 | 0 |
| <i>Oil Terminal</i> | -0.3 | -0.2 | -1 |
| <i>Mining</i> | -1.0 | -0.4 | 0 |
| <i>Fish Processing</i> | 0.0 | 0.0 | 0 |
| <i>Other Food & Drink Processing</i> | -2.0 | -9.6 | -5 |
| <i>Marine Engineering</i> | -4.9 | -4.9 | -22 |
| <i>Textiles</i> | -0.1 | -0.1 | 0 |
| <i>Other Manufacturing</i> | -2.1 | -2.1 | -3 |
| <i>Electricity, Gas & water</i> | -1.7 | -1.7 | -1 |
| <i>Construction</i> | -1.1 | -1.1 | -8 |
| <i>Wholesale</i> | -0.6 | -0.6 | -1 |
| <i>Retail</i> | -3.0 | -3.0 | -28 |
| <i>Accommodation</i> | -6.1 | -6.1 | -16 |
| <i>Catering</i> | -2.5 | -2.5 | -6 |
| <i>Ports & Harbours</i> | -3.3 | -3.3 | -2 |
| <i>Sea Transport</i> | -11.6 | -11.6 | -14 |
| <i>Land Transport</i> | -3.0 | -3.0 | -7 |
| <i>Air Transport</i> | -1.4 | -1.4 | -1 |
| <i>Oil Supply Services</i> | -0.7 | -0.7 | 0 |
| <i>Communications</i> | -4.2 | -4.2 | -8 |
| <i>Financial Services</i> | -0.3 | -0.3 | 0 |
| <i>IT & Real State Services</i> | -5.5 | -5.5 | -2 |
| <i>Technical & Professional Services</i> | -4.3 | -4.3 | -9 |
| <i>Public Administration</i> | -13.7 | -13.7 | -414 |
| <i>Schools</i> | -16.4 | -16.4 | -75 |
| <i>College</i> | -8.2 | -8.2 | -12 |
| <i>Health</i> | 0.0 | 0.0 | 0 |
| <i>Social Work</i> | -15.0 | -15.0 | -15 |
| <i>Other Personal Services</i> | -4.4 | -4.4 | -23 |
| Shetland | -3.3 | -6.4 | -673 |

Shetland Regional Accounts/Input-Output Study 2017/18

Draft Tender Brief

Prepared by:

**Shetland Islands Council
Economic Development
Solarhus
3 North Ness Business Park
Lerwick
Shetland ZE1 0LZ**

Tel: 01595 744 969

1. Introduction

1.1 Shetland

The 2016 Mid Year Population Estimates for Scotland estimated Shetland's population at 23,200, spread across 16 inhabited islands, with the main population centre of Lerwick home to roughly 7,000 inhabitants.

In demographic terms, Shetland's population does not have a large gender imbalance, with males outnumbering females by just over a 1% margin. In terms of age ranges, 62.8% of the population are classed as 'working age' (16-64) while 19% of the population is aged 65 or over, and 18.2% are aged under 16.

Employment in Shetland is dominated by public administration, which accounts for 21.7% of FTE employment. The next largest sectors in terms of employment are wholesale/retail (10.5%) and construction (7.7%).

The most recent economic survey conducted in Shetland found the overall value of the Shetland economy (based on combined output from all sectors) to be £1,091.4m, of which £310.5m can be attributed to combined fisheries operations.

1.2 About the Council

The client for this study brief will be Shetland Islands Council, which is the local authority responsible for the Shetland Islands area.

The Council's Economic Development Service is the department responsible for supporting and analyzing economic activity in Shetland. This includes supporting businesses through financial support and advice, operating the local branch of Business Gateway, and monitoring the performance of the local economy through research projects.

1.3 About the Requirement

As the department responsible for carrying out economic research projects, SIC Economic Development Service is commissioning a study to construct an Input-Output (I-O) table for Shetland along with ancillary datasets. This research is intended to provide information on the movement of capital within the local economy and details of recent economic performance.

The requirements of this brief are to:

- Construct an I-O table for the Shetland economy that is consistent with recognised I-O accounting conventions and formats
- Compile an Occupational Employment by Industry matrix compatible with the core I-O table
- Analyse the I-O table and related data, providing commentary on the current structure and recent performance of the Shetland economy
- Compare and analyse the results with previous results, primarily from 2010/11, and provide commentary on changes to the economy in that time. It is particularly important that the study identifies trends and structural changes within the economy, rather than short-term fluctuations. Where practical, comparisons should also be made with the Scottish and UK economic performance and related regional performances in the Highlands and Islands

2. The Requirement

2.1 Background

Input-Output surveys on the Shetland economy have proven to be extremely useful exercises which allow for the analysing of economic performance, identification of economic trends, key sector analysis, scenario planning and to support strategic development and political decision-making. This will be the eighth such survey conducted since 1971, the most recent having been conducted in 2003 and 2011.

2.2 Purpose

The main objectives of the study are as follows

- 2.2.1** Construction of an I-O table for the Shetland economy, consistent with recognised I-O accounting conventions and formats;
- 2.2.2** Compile a Shetland Occupational Employment by Industry matrix compatible with the core I-O table;
- 2.2.3** Analyse the I-O table and related data and provide comment on the current structure and recent performance of the Shetland economy;
- 2.2.4** Compare and analyse the results of the foregoing objectives with equivalent data from the previous survey in 2011, and provide comment on changes to the Shetland economy in that time. It is particularly important that longer term structural changes to the economy are identified rather than minor or one-off fluctuations.

2.3 Specific Requirements

Within the core objectives of the study described above, a number of specific requirements have been identified:

- 2.3.1** To ensure consistency with the 2011 I-O table, information from the survey should relate to the 2017/18 financial year;
- 2.3.2** The Shetland I-O table should be as comprehensive and detailed as data availability and resources allow. In particular key local sectors and markets must be identified. Key areas will be finalised in discussion between the project management and the

consultant. It is anticipated that all sectors identified in the 2003 and 2011 studies will be included;

- 2.3.3** Using the I-O table and other available statistics, regional accounts based performance indicators should be calculated for Shetland. These should include GDP per capita, the trade and exchequer balance, household income rates and workforce participation rates, and these should be comparable with equivalent figures from previous studies;
- 2.3.4** Based upon models derived from the I-O table and datasets, the study will provide quantitative estimates of aspects of the Shetland economy. These will include estimates of conventional output and GVA, Gross Regional Domestic Product (GRDP), income and employment multipliers, measures of forward and backward sectoral linkages and final market multipliers;
- 2.3.5** The occupation/industry matrix must be fully compatible with the I-O table in terms of both base year and industrial sectors;
- 2.3.6** Where availability of information allows, comparison with GDP and economic structure/trends for Scotland and the UK, and other local authority areas within the Highlands and Islands should be undertaken;
- 2.3.7** A limited number of specific scenario analyses will be undertaken within this project. These will be agreed between project management and the consultant during project inception and are likely to include:
 - Sensitivity analyses of key sectors and markets, such as energy, seafood and tourism
 - Examination of household expenditure in Shetland with regard to estimating the balance between 'local' and 'non-local' content
 - An estimate of Shetland's exchequer balance, with regard to extra-islands government outgoings and receipts
 - Analysis of the impact on the Shetland economy of predicted reductions in public sector spending.

2.4 Detail

The successful tender will be required to fully carry out the required tasks of the Shetland Input-Output/Regional Accounts Study. The main tasks are as follows:

- Preparatory work
- Data collection and processing
- Compilation of I-O table and ancillary matrices and tables
- Analysis and collation
- Write-up and presentation

2.5 Deliverables

The deliverable required from this assignment is a single written report containing:

- Executive summary
- Study background
- Methodology and sources
- I-O tables and ancillary datasets
- Detailed analyses as specified in para 2.3
- Additional commentary as required and appropriate

2.6 Timescales

| | |
|---------------------------|---------------------|
| Expressions of interest: | November 2017 |
| Submission of tenders: | February/March 2018 |
| Tender selection: | March 2018 |
| Engagement of consultant: | April 2018 |
| Submit tables and report: | Feb 2019 |

3. Structure and Format of Proposals

Proposals should follow the defined structure and not exceed the maximum number of pages indicated.

| Section | Description |
|-----------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Section 1 | <p>Introduction and Background</p> <p>This section should include an overview of your business / organisation in the context of our specific requirements for this contract.</p> |
| Section 2 | <p>Methodology</p> <p>This section should illustrate how you would manage and undertake this assignment taking into account the topics covered in the requirements section.</p> <p>This section should provide a draft project plan which links directly to the timescales detailed in paragraph 2.6. Any assumptions made should be clearly stated.</p> |
| Section 3 | <p>Pricing Proposals</p> <p>Pricing should reflect the activities defined in your methodology. Each stage of the methodology should be costed and tasks itemised.</p> <p>Pricing should include all charges, fees, day rates, and estimated resource requirements for each stage of the contract where applicable.</p> <p>Costs should allow for three meetings in Lerwick between inception date and the date of completion.</p> <p>An invoicing regime should be suggested.</p> <p>Any assumptions made should be clearly stated.</p> |
| Section 4 | <p>Challenges</p> <p>Please describe the key challenges of the project that you will face and how you plan to manage these challenges to ensure that the project is delivered successfully.</p> |
| Section 5 | <p>Project Team / Organisation</p> <p>Explain your proposed project team and organisation including any sub-contract arrangements that you will depend on to deliver the contract and explaining how you will manage relationships with other stakeholders (if any).</p> |

| | |
|-----------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | Please identify the Project Manager and illustrate their role and activities and how they will interface with the other members of the proposed team and with our internal team. |
| Section 6 | Experience This section should highlight the most relevant information to allow SIC to judge the suitability of the consultant to undertake this work. |
| Section 7 | Administrative This section should cover all additional administrative issues such as primary contact details, etc. which are not covered elsewhere. |

4. Additional Information

4.1 Proposal Format

The proposal should follow the format described in Section 3 and be provided in electronic or hard copy format for receipt by ?? on ?? 2017 to the following contact:

Thomas Coutts

Shetland Islands Council

Economic Development Service

3 North Ness Business Park

Lerwick

Shetland ZE1 0LZ

Any queries or requests for further information can be sought from:

Tel: 01595 744 969

E-mail: thomas.coutts@shetland.gov.uk

4.2 Tender Evaluation Criteria

The following criteria and weighting will be applied to the information provided:

| | |
|------------------------------------|----|
| Competence/availability to deliver | 25 |
| Track record | 20 |
| Understanding client's needs | 25 |
| Value for money | 30 |

4.3 Information to be supplied by SIC

The following information will be supplied to the successful consultant to aid with this assignment:

- Previous Input-Output/Regional Accounts reports (1996, 2003 and 2011)
- Shetland Employment Survey 2017

4.4 Terms and Conditions

To be advised.



| | | |
|----------------------------|------------------------------------------------------------------------------------------|-------------------------------------------------------------|
| Meeting(s): | Environment & Transport Committee Development Committee Harbour Board | 2 October 2017 3 October 2017 4 October 2017 |
| Report Title: | Ports & Harbours Overview | |
| Reference Number: | PH-13-17F | |
| Author / Job Title: | John Smith, Acting Executive Manager – Ports & Harbours | |

1.0 Decisions / Action required:

- 1.1 The Environment & Transport Committee, Development Committee and Harbour Board are asked to consider this report, comment on its contents within their remit, and NOTE the proposed actions of the Ports & Harbours service in partnership with other Council services over the coming period.

2.0 High Level Summary:

- 2.1 This report provides relevant committees and the Harbour Board with an opportunity to consider the proposed Ports & Harbours work programme; much of which relates to shared objectives and requires close cross service working.
- 2.2 It summarises the overall objectives for the Councils provision and operation of marine infrastructure and services, the main consideration when considering its development or rationalisation and the priorities for further analysis, option development and appraisal and decision-making.
- 2.3 This report seeks to inform Committees about the work Ports & Harbours are currently undertaking or are planning to start. It is understood that linked strategic planning will be undertaken by other relevant lead services over the coming period. It is anticipated that this work will also be done collaboratively across service and Committee to ensure that actions are joined-up effectively.
- 2.4 Ports & Harbours will continue to review our work in the light of any future Council decisions and continue to report through all appropriate performance management, gateway, procurement and budget setting mechanisms for decision making as required.
- 2.5 Comment and endorsement of the objectives, priorities and proposed actions by Ports & Harbours at this time will assist in our work programming and delivery.

3.0 Corporate Priorities and Joint Working:

- 3.1 Section 3 in the attached overview considers overall Council priorities for economic development and transport as they relate to marine activities in some detail.

| | |
|------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 3.2 | 'Our Plan 2016 to 2020' states; "We will be an organisation that encourages creativity, expects co-operation between services and supports the development of new ways of working. |
| 3.3 | This report recognises the importance of cross Council co-operation in much of the work that Ports & Harbours is involved in and therefore looks to discuss that work with, and be informed by, key committees. |
| 4.0 | Key Issues: |
| 4.1 | <p>Shetland is a group of islands; ports, harbours and piers make a significant economic and social contribution all around Shetland, primarily in the transport, oil and gas, fisheries and aquaculture sectors but in their social and cultural significance.</p> <ul style="list-style-type: none"> • Shetlands participation in the Oil and Gas industry is underpinned by the Port of Sullom Voe with additional activity at Scalloway Harbour. • Shetlands very significant offshore fishing industry utilises Scalloway Harbour and Cullivoe extensively and to a lesser but still important extent West Burrafirth, Collafirth and Symbister. • The inshore fishing fleet operates mainly from small harbours and piers. This sector has a significant value to the Shetland economy, and particular significance in a number of remote and rural areas. Their successful operation depends on support from a network of piers, geographically dispersed around Shetland, to allow access to scattered local fishing grounds. • The aquaculture industry depends on a network of geographically dispersed small harbours and piers, not all Council owned. It utilises Council facilities for large-scale operations, which require deeper berths such as the construction and launching of cages and the harvesting of fish and again has particular significance in remote and rural areas for jobs and commercial activity. • Shetlands inter-island ferry fleet depend on Council harbours and piers to perform their services. These transport links provide life-line services to all inhabited islands and also underpin overall commercial and social activity. |
| 4.2 | The costs of providing and maintaining the Councils portfolio of piers is considerable; marine infrastructure is expensive to build and expensive to maintain. From time to time each location and each service needs to be considered critically and evaluated realistically on its individual merits to determine that it continues to serve a valuable purpose, particularly when investment decisions need to be made. |
| 4.3 | There are a number of significant issues relating to major capital investments or rationalisations facing the Council. The planning, option appraisal and delivery of these projects form the main content of this overview, i.e. where there is a potential need for action beyond maintenance. |
| 4.4 | The strategic lead on setting priority or defining service level in most of these areas is either the Development or Environment & Transport committee; the Harbour Board through Ports & Harbours then organise and delivery operational services. Therefore, it is important to have these discussions and hear their views. |

| | |
|------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 5.0 Exempt and/or confidential information: | |
| 5.1 | None |
| 6.0 Implications: | |
| 6.1 Service Users, Patients and Communities: | The proposals described in this report are intended to sustain and enhance the delivery of services. |
| 6.2 Human Resources and Organisational Development: | No implications arising directly from this report. |
| 6.3 Equality, Diversity and Human Rights: | No implications arising directly from this report. |
| 6.4 Legal: | Governance and Law provide advice and assistance on the full range of Council services, duties and functions including those included in this report. |
| 6.5 Finance: | <p>The Council has a very costly and very valuable estate of marine infrastructure and services. These are expensive to provide and expensive to maintain.</p> <p>To demonstrate that investment in non-statutory services like harbours and piers is best value; then the benefits of that investment need to be identified and quantified, both for the Council and for the overall economy and community.</p> <p>Ports & Harbours infrastructure and services are a significant cost centre and a very important income stream to the Council and community. Maximising impact and income when containing cost are both central to best value.</p> <p>There are no decisions with specific financial implications requested in this report. However generating a significant financial surplus and compliance with overall Council financial policies are key elements in all Ports & Harbours business planning and work programing.</p> |
| 6.6 Assets and Property: | The proposals described in this report are intended to enhance the quality of the Council's existing asset base and improve the efficiency and cost of operation. |
| 6.7 ICT and new technologies: | No implications arising directly from this report. |
| 6.8 Environmental: | No implications arising directly from this report, however protection of the Shetland marine environment is one of the key priorities in all work planning. |

| | | |
|-------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|
| 6.9 Risk Management: | Work in the marine environment is intrinsically risky, both in health and safety and environmental protection terms. All activity must therefore be closely examined to ensure that it delivers the highest safeguards and standards. | |
| 6.10 Policy and Delegated Authority: | <p>Development</p> <p>The relevant functional areas include relate to strategic regeneration, development, economy and business, energy, fisheries, arts, culture, and tourism and community regeneration / community development.</p> <p>Environment and Transport</p> <p>The relevant functional areas include the natural environment, roads, transport and ferry services.</p> <p>Harbour Board</p> <p>Strategic oversight and direction in all aspects of the operation of the Council's harbour undertaking in accordance with overall Council policy and the requirements of the Port Marine Safety Code.</p> <p>Act as Duty Holder as required by the Port Marine Safety Code and ensure that the necessary management and operational mechanisms are in place to fulfil that function.</p> <p>Consider all development proposals and changes of service level within the harbour undertaking; including dues and charges, and make appropriate recommendations to the Council.</p> | |
| 6.11 Previously considered by: | | |

Contact Details:

John Smith, Acting Executive Manager – Ports & Harbours
jrsmith@shetland.gov.uk
14 September 2017

Appendices:

Appendix A – Ports & Harbours Strategic Overview

Background Documents:

Listed in Appendix A

END



Shetland Islands Council



Project Title: Ports & Harbours

Strategic Overview

1. Introduction

This paper has been prepared to give an overview of marine infrastructure owned and marine services operated by Shetland Islands Council and related issues and options.

It seeks to draw together the objectives for Shetland Islands Council's investment and/or facilitation of Ports & Harbours Infrastructure and services around Shetland and provide a context to consider whether current arrangements best meet those objectives and identify issues and/or opportunities to consider changes.

2. Background

The Port of Sullom Voe is owned and operated by Shetland Islands Council as Harbour Authority, primarily to service the Sullom Voe Oil Terminal and crude oil export.

The Council owns the four tanker jetties, construction jetty, tug jetty, tug fleet, pilot launch and mooring boat fleet, ancillary craft, aids to navigation and shore side infrastructure at the Port of Sullom Voe.

The Council operates the Port of Sullom Voe through the Ports & Harbours service which delivers pilotage, towage, berthing, VTS and Port Engineering services through its assets and workforce.

The Council is the Harbour Authority for the Sullom Area as defined in Schedule 1 of the ZCC Act 1974, basically the area of Yell Sound, Sullom Voe and all other voes and inlets between a line east from the northern extremity of the Point of Fethaland to a line north from the root of the Mossbank Pie.

Scalloway Harbour is owned and operated by Shetland Islands Council as Harbour Authority for multi-purpose commercial use. It hosts major white fish landing and sales activity is a significant base for finfish aquaculture operations, provides support services for West of Shetland Oil and Gas and is a busy small boat and leisure user facility.

The Council also owns and operates a network of twenty-seven "Small Ports" around Shetland in addition to the Port of Sullom Voe (Tanker Jetties, Tug & Launch Jetties, Garths Pier, and Construction Jetty) and Scalloway Harbour.

Shetlands very significant offshore fishing industry mainly uses Scalloway Harbour, Cullivoe, Collafirth and Symbister.

The aquaculture industry depends on a network of small harbours and piers, not all Council owned, and the inshore shellfish fleet operates mainly from small harbours and piers. Those sectors have a significant value to the Shetland economy, and have particular significance in a number of remote and rural areas.

Shetlands inter-island ferry fleet depend on Council harbours and piers to perform their services. These transport links provide life-line services to all the inhabited islands (apart from Vaila) and also underpin commercial and social activity.

Lerwick Harbour is also a significant local provider of services within each of these sectors. Consideration of complementary developments by the Lerwick Port Authority are born in mind throughout this review; as is the contribution of commercial piers operated by Aquaculture companies, some small community owned and operated piers and the network of community owned and operated marinas around Shetland.

A financial overview across all areas of Ports & Harbours activity is reported regularly to the Council as part of performance management arrangements.

Significant work has been done recently on the strategic issues around the Port of Sullom Voe and Scalloway Harbour. This programme places that work in an overall context and proposes a series of strategic outlines cases that will consider developments at the Port of Sullom Voe, Scalloway Harbour and the smaller harbours and piers around Shetlands coast.

The Council has also done much work recently on inter-island ferry services and terminal replacement with the Scottish Government. The ferry fleet, link span maintenance and terminal replacement are not considered within the scope of this SOP as further analysis and developments around those are being undertaken elsewhere. However, maintenance and repair of ferry terminals pier infrastructure, aids to navigation and harbour navigation including dredging are matters within scope.

This overview has been developed with reference to the agreed standards and format for Business Cases, as defined in “Shetland Islands Council - Gateway Process for the Management of Capital Projects – June 2016”.

The overview, and any subsequent work on more detailed business case stages, will also link across to the Councils 5 Year Asset Investment Plan and Long Term Asset Investment Plan.

Best value is not simply about financial factors. In order to achieve the outcomes to which the Council aspires, there is a need to consider other direct and indirect benefits. The Five Case Model understands and supports that.

Please note that the primary purpose of such an overview is to:

- facilitate strategic ('macro') and collaborative planning and the setting of associated budgets
- identify and cost key components of the strategy (programmes) and enabling deliverables (projects)
- provide the strategic context for subsequent investments

- facilitate the speedy production of subsequent business cases for related investment.

3 *The Strategic Case*

3.1 *Objective(s)*

The Council is committed to being a properly led and well-managed organisation making sure resources are used in the most effective way possible.

The primary objective in this strategic area is:

To ensure that the best value options to sustain, where appropriate develop and where necessary rationalise the Council's Ports and Harbours Marine infrastructure and associated services are identified; taking into account the Councils objectives, value for money and wider economic issues and benefits.

The context within which the Council needs to consider this business area is framed by the competing and challenging factors that exist for the Council and all local authorities at this time.

It is important that all Council decisions taken are based on evidence and supported by effective assessments of options, costs, benefits and issues.

3.2 *Links to Policy and Priorities*

The following sections outline how the provision of marine infrastructure and services links to policy and priorities including the Council's, Corporate Plan, Long and Medium Term Financial Strategies, Asset Investment Strategy, Economic Development Policy and Community Plan, through to sectoral Strategies and Scottish Government and National Strategy, the Infrastructure Directorate Plan and Ports & Harbours Service Plan.

Corporate Plan Drivers

Councils Corporate Plan - "Our Plan"

"Our Plan" recognises that Shetland's future prosperity is dependent on maintaining a sustainable economy. Whilst Shetland is currently in a strong position in terms of employment, earnings, output and growing population, this is likely to be affected in future as the energy industry boom passes and the public sector continues to contract.

Shetland is a group of islands and "Our Plan" identifies transport links to and from, and within, the islands as our life blood. Shetland's ports and harbours are the conduit for much of that activity. People, products, goods and supplies go in and out of Shetland and move around the islands by sea. If we do not have the right Ports &

Harbours infrastructure and services in place that cannot happen and new associated business opportunities and wealth creation cannot take place.

Economy & Housing

If we are to enjoy a strong economy with well-paid jobs we have to make sure that we have the Port infrastructure and services required to support key business sectors, especially those depending on the utilisation of local resources, meet individual and business needs and deliver economic growth.

Economy and Housing objectives detailed in “Our Plan” include:

- “We will have clarified the council’s future role in the port of Sullom Voe, and, after having taken a robust business model approach, we will be seeing the best possible returns from our investments.”
- “We have an economy that promotes enterprise and is based on making full use of local resources, skills and a desire to investigate new commercial ideas.”
- “We will be investing development funds wisely to produce the maximum benefit for Shetland’s economy.”

Community Strength

When it comes to individual communities, very often-complicated socio-economic conditions exist which cannot be controlled by any one agency. As this plan is about making better use of the resources we have available, we can no longer provide money in the hope that it will fix things. Instead, we feel that a better approach would be to actively support communities to understand the reasons for the challenges they face and help build capacity to take positive steps to address them.

Community Strength objectives detailed in “Our Plan” include:

- “Communities will be making use of the provisions contained in the Community Empowerment Act, taking ownership of best use.”

Connection and access

The transport services we provide are the lifeblood of these islands. They enable us all to go about our daily business and take part in community life. Young people highlight transport as one of their top priorities, along with housing and jobs. Similarly, businesses also raise transport as a key requirement, essential to maintaining their current activity and achieving future growth.

Connection and access objectives detailed in “Our Plan” include:

- “We will have a clearer understanding of the options and the investment required to create a sustainable internal transport system over the next 50 years.”

Medium & Long Term Financial Plans

The Council has powers to operate ports and harbours and this makes a significant contribution to the availability of funding to deliver Council Services. Income is generated from the fees and charges raised on users of those ports and harbour areas and accounted for in the Harbour Account.

In 1974 the UK Parliament passed The Zetland County Council Act. This Act provided certain regulatory powers and placed duties of conservancy on the Council, over the seas around its coastline. The Act provides the Council certain financial powers to borrow, invest and participate in business.

Under the Act the Council now operates a number of harbours around Shetland, the primary operation taking place at Sella Ness (the Port of Sullom Voe and Sullom Voe Harbour Area).

All the harbour operations are accumulated and accounted for through the Harbour Account. All surpluses generated on the Harbour Account are transferred to the Reserve Fund – a specific Fund held within the Council's Usable Reserves.

The Act states the purposes of the Fund as:

- To cover losses on the Harbour Account;
- To meet any claim or demand against the Council arising from the Harbour Account;
- To meet any capital expenditure to maintain the Harbour Account;
- To meet any repairs and maintenance cost on the Harbour; and
- To be used for any other purpose, which in the opinion of the Council, is solely in the interests of the county or its inhabitants.

For many years the Council has drawn funds from the Reserve Fund to support the delivery of other Council Services, through a contribution equivalent to the annual surplus on the Harbour Account.

As a trading operation the Harbour Account is set up to make a return on the assets that are invested therein and to generate a surplus.

Financial modelling continues to be reviewed in light of volatile market conditions; however it remains important that certain principles are retained in terms of operating the Port of Sullom Voe for the benefit of the oil industry.

These include:

- The oil industry will never be subsidised by Shetland Council Tax payers;
- The pricing policy adopted will be full cost recovery plus a surplus, that reflects a suitable rate of return on investments;
- The surpluses generated by the Port of Sullom Voe over the period to 2050 will be at least equal to the average investment return that would be

generated had the capital instead been invested with the Council's Fund Managers;

- The cost of capital investment, associated lifecycle replacement and maintenance and decommissioning will be built into the full cost of operations.
- Where tanker numbers are such that additional surpluses are generated then these should be set aside to address the future costs and in preparation for the decommissioning of the operation and income to the Council being fundamentally reduced.

The Council's Medium Term Financial Plan (MTFP) maintains a prudent approach to the surplus that can be used for supporting Service costs and that a constant surplus of approximately £6 million will be generated annually.

This will provide a continuing level of income to the General Fund Revenue Budget to support Services and provide time for a greater level of information and knowledge to be obtained to inform future financial modelling and pricing policy.

Council Economic Development Policy

Harbour and pier provision supports the following objective within the current Economic Policy Statement:

- “Develop the economic health of local communities and a more diverse business base, through encouraging innovation and sustainable growth”.

Community Plan / Local Outcome Investment Plan/ 10 Year Plan to Attract People to Live, Study, Work and Invest in Shetland.

The Community Plan aims to structure how the Shetland Partnership members will work together for the benefit of Shetland. The Council is an important member of the Shetland Partnership which recognises the link between economic success and strong communities.

The Community Plan incorporates the Local Outcome Improvement Plan (LOIP) which was endorsed by the Shetland Partnership Board in March 2016 and will now be considered for approval by the partner agencies. The Plan details how partners will achieve over and above what each partner could achieve as individual organisations. The most relevant outcomes within the LOIP are within Outcome D - Shetland has sustainable economic growth and all our people have the chance to be part of island life.

D1: Attracting more people to Shetland to live, work, study and invest.

D1.3: Develop and deliver a refreshed Transport Strategy, supporting SPB's ambition, where feasible, to attract more people to live, work, study and invest in Shetland.

D2: Make the best use of existing assets, infrastructure and human capital for sustainable socio-economic development”

D2.1: Develop a shared policy approach in relation to fostering resilient rural communities and sustainable community assets

National Strategy and Outcomes

In supporting economic growth, the Council is contributing to National objectives as outlined in Scotland’s Economic Strategy published by the Scottish Government in 2015. The overarching objective is:

- “to focus government and public services on creating a more successful country, with opportunities for all of Scotland to flourish, through increasing sustainable economic growth.”

Scotland’s Economic Strategy outlines four priority areas – investment, innovation, inclusive growth and internationalisation. Within the ‘investment’ priority, the ‘business investment’ strategy is to encourage business growth and competitiveness and targeting assistance in areas where the market fails to step in.

Shetland’s economic performance also forms part of the overall economic performance of Scotland. The National Performance Framework details a range of socio-economic indicators and outcomes against which economic performance is measured.

Whilst not a major consideration for the Council, economic benefits derived from supporting successful local businesses extend to other UK businesses who supply or receive goods/services from Shetland. Shetland businesses also contribute to UK targets (GDP, jobs, exports etc).

3.3 Investment objectives for Marine Infrastructure and Services

The Council initiated a review of the strategic options for the future operation of the Port of Sullom Voe in 2015 to best meet medium and long term objectives. Assistance in conducting that review was commissioned from Price Waterhouse Coopers (PwC).

The objectives set out below were agreed by the Council in decisions made at the start of that review. They have been carried into this Strategic Outline Programme as they are judged to be relevant to all Ports and Harbours operational areas.

Environmental & Legislative:

- Protection of Shetland marine environment
- Maintaining biodiversity, geo-diversity, and protecting the built environment
- Compliance with health & safety obligations

Economic & Social:

- Maximise existing revenue and identify new sources of revenue from Council ports and associated economic activity.
- Creating employment opportunities and benefitting the local economy
- Supporting social cohesion and maximising community benefits

Financial:

- Maximise long-term value of assets by maximising opportunity and exploring new sectors
- Balance risks and opportunities, including:
 - Minimise downside risks such as decline in business activity and decommissioning / legacy costs
 - Retain potential upside from business growth opportunities
- Optimise fixed asset base and reduce recurring maintenance costs

The Council already has repair and maintenance programmes in place across the majority of Council piers and harbours, the Council approved these in 2014. There are also ongoing maintenance programmes in place for the tanker jetties and other infrastructure at the Port of Sullom Voe undertaken under the Sullom Voe Agreement.

These marine maintenance programmes are designed to protect the Councils investment in existing piers and harbours, and enable them to continue to provide their important services.

There is also a programme of ferry terminal structural maintenance activity also approved by the Council in 2014 and updated in subsequent years. It covers similar maintenance activity at a range of terminals, again designed to sustain existing services and protect investment.

Maintenance of the link-span and associated equipment is the responsibility of the Councils Ferry Service and is outside the scope of this programme, as is the replacement or significant redevelopment of inter-island Ferry Terminals and Ferry Piers.

Developments around significant expansions of service or significant cost and any disposals of infrastructure or other more radical options understandably are not within the scope of these programmes.

Decision points around that kind of activity require the assembly of a strong evidence base that they either delivered significant benefits (when considering costly service development) or had limited adverse impact (when considering substantial reduction or removal of service) before those kinds of actions are agreed and implemented.

There are a number of significant issues relating to major capital investments or rationalisations facing the Council at this time, or in the coming years. It is the planning, option appraisal and delivery of these projects that form the main content

of this overview and any associated business cases, i.e. where there is a potential need for action beyond maintenance.

Examples include;

- Port of Sullom Voe Tug Fleet Renewal
- Scalloway Fishmarket
- Toft Pier

A good deal of work has been done in investigating and collating information on strategic opportunities and issues over a number of years including the Port of Sullom Voe Development Master Plan, Scalloway Harbour Development Master Plan, Strategic Review Port of Sullom Voe and Scalloway Harbour review.

This work has not translated this far into decisions that guide the long term sustainability, development and rationalisation of the Councils Ports & Harbours Marine Infrastructure assets.

This Strategic Outline Programme is intended to draw this work together, allow those decisions to be made and the actions flowing from them implemented.

3.4 Main benefits from Ports & Harbours Marine Infrastructure investment

To demonstrated that investment in non-statutory services like Ports and Harbours is best value; then the benefits of that investment need to be identified and quantified, both for the Council and for the overall economy and community.

Non-quantifiable benefits and key risks also need to be identified so they can be considered when comparing options.

It is well established that ports, harbours and piers make a significant economic and social contribution right around Shetland, primarily in the transport, oil and gas, fisheries and aquaculture sectors but also in their social and cultural significance.

Shetlands participation in the Oil and Gas industry is underpinned by the Port of Sullom Voe with additional activity at Scalloway Harbour.

Shetlands very significant offshore fishing industry utilises Scalloway Harbour and Cullivoe extensively and to a lesser but still important extent West Burrafirth, Collafirth and Symbister.

The inshore fishing fleet operates mainly from small harbours and piers. This sector has a significant value to the Shetland economy, and particular significance in a number of remote and rural areas. Their successful operation depends on support from a network of piers, geographically dispersed around Shetland, to allow access to various production sites and local fishing grounds.

The aquaculture industry depends on a network of geographically dispersed small harbours and piers, not all Council owned. It utilises Council facilities heavily for

large-scale operations which require deeper berths such as the construction and launching of cages and the harvesting of fish and again has particular significance in remote and rural areas for jobs and commercial activity.

Shetlands inter-island ferry fleet depend on Council harbours and piers to perform their services. These transport links provide life-line services to all inhabited islands and also underpin overall commercial and social activity.

Lerwick Harbour is also a significant local provider of services within each of these sectors and consideration of complementary developments by the Lerwick Port Authority are born in mind throughout this review as is the contribution of some small community owned and operated piers.

The costs of providing and maintaining the Councils portfolio of piers is considerable and each location and its facilities needs to be considered critically and evaluated realistically on its individual merits to determine that it continues to serve a valuable purpose, particularly when significant new investment decisions need to be made.

The table below sets out the main benefits against the investment objectives.

| Main benefits | Council and wider economy & community |
|----------------------------------------|-------------------------------------------------------------------------------------------------------------------------------|
| Investment objective 1 | Quantifiable Reduced environmental impact |
| Environmental & Legislative | Qualitative Improved public and community image Able to comply with legislative and quality accreditation criteria. |

| | |
|-------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Investment objective 2 Economic & Social | <p>Quantifiable</p> <p>Employment and business activity directly and indirectly associate with ports and their activities</p> <p>Additional income to primary producers form maintained / increased volumes or other activity</p> <p>Reduced or avoided producer costs</p> <p>Resultant multiplier in Shetland economy for that increased economic activity/profitability</p> <p>Qualitative</p> <p>Demonstration of active support for key economic sectors and the rural economy</p> <p>Continued potential for additional commercial or social activity.</p> <p>More secure and suitable berthing and landing facilities at convenient location.</p> |
| Investment objective 3 – Financial | <p>Quantifiable</p> <p>Sustained and increased income to the Council</p> <p>Reduced recurring maintenance costs</p> <p>Reduced need for future capital investment</p> <p>Qualitative</p> <p>Best use of Council resources for the community overall</p> <p>Improved management data and better linkages between costs of service provision, income and value</p> <p>Maintain and/or enhance valued community infrastructure.</p> |

3.5 Main risks Identified

At this stage, the main risks identified are associated with option appraisal and decision-making. They relate to clarity in assessment of impact and value and the balance between further information gathering and decision-making.

Detailed technical or operational risks associated with any specific option will be identified and managed during later stages of any evaluation or implementation project.

Most of the technical options identified are relatively straightforward marine construction activities. Their capital costs, timescales and long-term revenue cost implications can be projected from a wide range of previous projects of a similar nature.

The core risks around uncertainty, which this overview identifies, and then seeks to manage and mitigate, are listed below.

| Risk | Risk Management Actions |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Port and Harbours are expensive assets operating in a hostile environment and operating services with attendant intrinsic health and safety and environmental risks.</p> <p>The costs of provision and maintenance can be high, especially if appropriate maintenance is not carried out timeously. The costs of incidents or failure of infrastructure can also have a significant impact environmentally and on critical Council income streams.</p> | <p>Cost of infrastructure maintenance and replacement and the risk of failing to meet the objectives of the Councils medium term financial plan are highlighted as key risks on the Councils Corporate risk register with risk management and mitigation actions also set out in that register.</p> |
| <p>A perception that the Councils overall investment objectives for ports and harbours infrastructure lack some clarity. This could complicate or tend to delay decision-making.</p> | <p>Clear proposals regarding investment objectives are set out in this overview. These should then be examined and refined in work done to develop any further business case.</p> |
| <p>Without a decision on preferred ways forward safety, technical, commercial and planning uncertainties remain unresolved.</p> | <p>The balance of risks between active decision-making and further information gathering needs to be recognised and managed appropriately. Qualifying and clarifying those uncertainties will be simplified following structured review.</p> |

4. Economic case

4.1 Critical success factors

The investment objectives discussed earlier can be summarised as critical success factors for consideration of each main sector within Ports & Harbours infrastructure.

- Ensuring environmental protection and compliance with legislative obligations
- Maximising Economic & Social benefits to the Council and Community
- Supporting the Financial objectives of the Councils long and medium term financial plans by maximising income surpluses within available investment resources.

4.2 Main options

The Councils Ports & Harbours Marine Infrastructure can be segmented in a number of ways. Typically, it has been considered under three broad headings and much of the previous analysis and consideration has been done on that basis.

- Port of Sullom Voe, including the small harbours and piers within the Sullom Voe Harbour Area.
- Scalloway Harbour
- Small Piers and Harbours including Inter-Island Ferry Piers.

The detailed issues and options for each of these areas are different, but all are seeking to deliver services to meet the Councils investment aims and therefore share many of the same critical success factors.

Port of Sullom Voe and the Sullom Voe Harbour Area

The Port of Sullom Voe was built in the 1970's to export of North Sea oil being processed at the Sullom Voe Oil Terminal (SVT). After more than 40 years' operation it continues to export crude oil via tanker; SVT and the Port of Sullom Voe would expect to continue to provide that service to 2050, and beyond, as production continues West of Shetland.

The Port is a critical facility for the terminal, without it oil could not be exported; it is also a key source of income for the Council. In addition to its commercial significance, it is a major local employer and provides strong environmental safeguards.

Throughput volumes at the port have declined significantly over the years. They are now at a low plateau but should rise in coming years as further West of Shetland production is processed through the Sullom Voe Terminal. Throughput is externally determined by production activity so there is an inevitable risk that further volume change could occur beyond the Ports reach of control.

The infrastructure at the port is well maintained generally, but it is aging and a period of low investment has left a number of key assets near end of life.

A thorough review of the Ports ownership, operation and options for modernisation and future activity is recommended, especially given the scale of investment, operation and income involved.

Review of the Sullom Voe Harbour Area also requires the small harbours and piers with harbour limits to be considered. That area extends from the north of Yell Sound to the East entrance and includes, Collafirth, Toft and Ulsta.

Developments within that area must consider any implications for the operation of the Port of Sullom Voe and any obligations and constraints arising from the various agreements governing the harbour area.

Scalloway Harbour

Scalloway Harbour is a multi-use commercial and community harbour, owned and operated by the Council. It provides significant services to the White Fish, Shellfish, Aquaculture, Oil & Gas and General Cargo sectors.

Scalloway Harbour facilities have grown and been adapted through a series of quay and associated infrastructure developments over a number of years as business needs have developed.

That infrastructure is now of a mixed quality, some in good condition, some requiring significant maintenance and some needing to be considered for replacement.

A thorough review of the Harbours ownership, operation and options for modernisation, sustainability and consideration of future activity is recommended.

Small Piers and Harbours including Inter Island Pier Structures

The Council owns and operates a network of “Small Ports” around Shetland in addition to the Port of Sullom Voe (Tanker Jetties, Tug & Launch Jetties, Construction Jetty, Garths Pier) and Scalloway Harbour.

- Symbister Harbour, Whalsay (includes a ferry terminal)
- Skerries Harbour (includes a ferry terminal)
- Toft (includes a ferry terminal, part of Sullom Voe Harbour Area)
- Hamarsness, Fetlar (includes a ferry terminal)

- North Haven, Fair Isle (also ferry pier)
- Grutness Pier, Dunrossness (also ferry pier)
- Walls Pier (also ferry pier)
- Ham Pier, Foula (also ferry pier)
- West Burrafirth Pier (also ferry pier)
- Housa Voe Pier, Papa Stour (also ferry pier)

- Easterdale Pier, Burra
- Toogs Pier, Burra
- Hamnavoe Pier, Burra
- Melby Pier, Sandness
- Billister Pier, Nesting
- Collafirth Pier, Northmavine, (also part of Sullom Voe Harbour Area)
- Mid Yell Pier, Yell
- Cullivoe Pier, Yell
- Uyeasound Pier, Unst
- Baltasound Pier, Unst

These piers provide varying levels of services for inter island transport, Aquaculture, Shellfishing, Whitefish, Pelagic berthing, Cargo handling and general community use depending on the individual pier under consideration.

In addition there are a number of piers and harbours which only provide inter-island ferry services but are also owned by the Council and structurally maintained by Ports & Harbours, the linkspans are maintained by the Councils Ferry service.

- Bressay Ferry Terminal, Lerwick
- Maryfield Ferry Terminal, Bressay
- Laxo Ferry Terminal, Nesting
- Vidlin Ferry Terminal, Nesting
- Ulsta Ferry Terminal, Yell, (also part of Sullom Voe Harbour Area)
- Gutcher Ferry Terminal, Yell
- Belmont Ferry Terminal, Unst

They are a mixture of concrete and sheet piled construction and in the main are in reasonable condition although a small number are significantly deteriorated and only some of the sheet piled piers have cathodic protection in place.

A pier by pier review is recommended to determine which should be retained and maintained, which should be considered for disposal and whether any piers require major reconstruction or replacement.

4.3 Options for taking matters forward

It is recommended that Strategic Outline Cases and as necessary Outline and Full business cases should be prepared for;

- 1 – The Port of Sullom Voe and the Sullom Voe Harbour Area,
- 2 - Scalloway Harbour and
- 3 - Small Piers and Harbours (including Inter-Island Ferry Terminals and Piers)

These Strategic Outline Cases should include a consideration of;

- Alternative ownership models;
- Alternative operating models;
- Appropriate maintenance to sustain service optimise recurring costs and contain reactive expenditure;
- Any potential significant investment in infrastructure and assets to develop or sustain services;
- Any potential rationalisation or disposals, and;
- Any other relevant improvement activity

These reports should draw on work previously undertaken, including the range of existing consultants' reports, and only engage specific expert support on a judicious basis if that is clearly required.

Work this far recommends that the following Outline Business Case and Business Justification Case activities should now be initiated;

Port of Sullom Voe / Sullom Voe Harbour Area;

1. Port of Sullom Voe Maintenance – Maintenance Programme / Business Justification Case /
2. Towage Fleet renewal – Business Justification Case
3. Port of Sullom Voe Contract Operations – Outline Business Case with option appraisal against status quo and internal improvements

As the transfer of operational responsibility for the Sullom Voe Oil Terminal proceed from BP to Enquest, further consideration should be give to business cases / development activity relating to;

- Long Term Tanker Jetty Requirements
- Infrastructure Decommissioning
- Future Business development, particularly relating to West of Shetland

An Outline Business Case should be drawn together for the disposal, renovation or demolition of Toft pier given its current condition, the unsatisfactory interim arrangements and their ongoing costs.

- Toft Pier Disposal/Demolition/Redevelopment – Outline Business case appraising options and any variants

Scalloway Harbour

1. Scalloway Fishmarket – Outline then Full Business Case
2. West Pier Review with option appraisal of the do nothing / minimum repairs, removal, conversion to breakwater and the development options identified in the Scalloway Harbour Development Masterplan with consideration of any other viable development options which might emerge – Outline Business Case
3. Scalloway Harbour maintenance should be taken forward within the scope of the Small Piers and Terminals Maintenance Program's / Business Justification Case

Small Piers & Terminals

The costs of providing and maintaining the Councils portfolio of piers is considerable and each location and its facilities needs to be considered critically and evaluated realistically on its individual merits to determine that it continues to serve a valuable purpose, particularly when significant new investment decisions need to be made.

The maintenance programme for piers and terminals was approved by Council in 2014 and continues to be delivered, that programme should be updated through a Business Justification Case to maintain ensure robust links are maintained to the Councils Five Year and Long Term Asset Investment Plans.

All terminals and ferry piers should be retained and maintained by the Council unless and until some other general arrangement is agreed with the Scottish Government as part of the work being led by the Council's Transport Planning service. That

process will include the establishment of a priority sequence for the consideration of internal ferry routes and their associated terminals. That priority sequence will also inform Ports & Harbours evaluation and planning work in this area.

One, or a series, of Outline Business Cases or Business Justification Cases, either pier by pier or in groups, is recommended for all other piers.

These OBC/BJC's would investigate whether they should be maintained as is, should be considered for development, could be disposed of to community groups, commercial organisations or individuals or should be decommissioned and removed. All piers should be maintained through current arrangements while that process is being carried out.

- Small Pier and Ferry Terminal Maintenance Programme – Maintenance Programme / Business Justification Case
- Non Terminal / Small Pier Maintenance/Development/Disposal/Demolition – It is suggested that phase one of this should be a consideration of the four small ex-foot passenger piers which are still in the Council network. These could all be considered together or in individual BJC's.
- Terminal Maintenance/Development/Decommissioning – Prioritisation sequence generated in partnership with Transport Planning and Ferry Services as part of the work currently being done with Transport Scotland and the Scottish Government.

5. Commercial case

5.1 Commercial strategy

It is likely that the Commercial Strategy for each review area will be significantly different because of the particular business context each is operating within.

The Port of Sullom Voe will have to consider options within the large scale Oil and Gas and Major Port operation sector. This might give rise to franchise or long term operating contract opportunities, a range of improvement and investment activity with continued ownership and operation, rationalisation or a combination of all of these.

Scalloway Harbour given its more limited scale of operations and very mixed business is more likely to consider individual development partnerships and specific project development cases.

Small Piers and harbours are unlikely to present many fully commercial alternatives although individual community participation opportunities may be possible to identify within development or rationalisation opportunities.

5.2 Procurement strategy

All procurement activity will be considered in accordance with the Government Procurement Agreement (WTO) and the EU Consolidated Public Sector Procurement Directive (2004) and other relevant legislation and guidance.

This may differ for individual investments and range from the use of existing call-off contracts, to new procurements.

6. Financial case

6.1 Indicative costs

The scale of costs varies very significantly across the range of Marine Infrastructure under consideration and will be detailed in Strategic Outline Cases and any subsequent stages.

6.2 Funding arrangements

Funding arrangements for the different programme areas is also significantly different.

The underlying principles provided by the Council's Medium Term Financial Plan are;

- All costs of infrastructure provision, maintenance, operation and decommissioning at the Port of Sullom Voe / Sullom Voe Harbour Area must be borne by the Oil and Gas industry either directly through charges under the Sullom Voe Agreement or from income to the Harbour Account.
- Costs at Scalloway Harbour and small Ports and Harbours will be funded by a combination of income from commercial users through the Harbour Account, public contribution to the costs of inter-island ferry transport from National Government and any contribution from Council or other public funds for economic development or social objectives.

From time to time the Council may choose to use borrowing to spread costs of significant investments over time within the financial constraints and targets of the Harbour Account and the Councils Medium and Long Term Financial plans.

6.3 Affordability

Affordability of current and alternative arrangements for operation, maintenance, development and decommissioning will be detailed in Strategic Outline Cases and any subsequent stages.

That affordability will be considered within the financial constraints and targets of the Harbour Account and the Councils Medium and Long Term Financial plans.

7. Management case

7.1 Programme management arrangements

The programme will be managed by the Executive Manager, Ports & Harbours who will act as Senior Responsible Officer, reporting to the Director of Infrastructure.

A programme board has been established, serviced by the Team Leader Port Engineering and Ports and Harbours Business Support Manager with representation from the Councils Development Department, Finance, Capital Projects and Governance and Law Services.

Further Council officer advice will be sought from relevant Ports & Harbours Management Team Members and the Councils Economic Development, Community Development, Planning, Transport Planning, Ferries and Estates Management Services on relevant issues.

| | Role | Appointee |
|-----------------|-------------------------|-----------------------------------|
| Programme Board | Chair (SRO / Executive) | John Smith, Ports & Harbours |
| | User Assurance | Neil Grant, Development |
| | User Assurance | Maggie Sandison, Infrastructure |
| | Operator Assurance | Greg Maitland, Harbourmaster |
| | Technical Assurance | Andrew Inkster, Port Engineering |
| | Business Assurance | Robert Sinclair, Capital Projects |
| | Business Assurance | Jonathan Belford, Finance |

Member engagement will be via regular reporting to performance management meetings, with additional events if required, to the Council's Harbour Board and other relevant committees as necessary.

Stakeholder engagement will be conducted through the Sullom Voe Association, fisheries representative groups, other industry partners and service users, community councils and local users as appropriate.

Staff engagement will be through established channels and include all potentially affected staff.

7.2 Programme milestones

Substantial work has been done recently across all areas of this programme although this now needs to be collated and presented in line with the Council's Gateway Process.

The milestones below are targets for the overall programme but will be subject to revision as individual cases are further developed or required.

| Item | Programme Board | Asset Investment Group | Committees |
|-------------------------------------------------------------------------------------|-----------------|------------------------|--------------|
| Development of programme and initiation of Strategic Outline Cases / Business Cases | March 2017 | April – October 2017 | October 2017 |

| | | | |
|--------------------------------------------|------------------------|----------------------|---------------------------|
| Development and approval of Business Cases | March – September 2017 | April – October 2017 | October 2017 – March 2018 |
|--------------------------------------------|------------------------|----------------------|---------------------------|

7.3 Programme assurance

The Programme Board will provide regular progress reports to the Councils Harbour Board.

It will submit recommendations to the Harbour Board, Policy & Resources Committee and Council as defined in “Shetland Islands Council - Gateway Process for the Management of Capital Projects – June 2016”. The programme will also conduct business in line with other Council standing orders and budget setting activities.

Background Documents

- Our Plan 2016 – 2020 (SIC)
- Shetland Community Plan / LOIP (Shetland CPP)
- 10 Year Plan to Attract People to Live, Study, Work and Invest in Shetland.
- Medium Term Financial Plan (SIC)
- Long Term Revenue & Capital Planning Reports (SIC)
- 2016 – 2021 Asset Investment Plan (SIC)
- Corporate Risk Register (SIC)
- 2017 – 2022 – Five Year Capital Programme (SIC)
- Port of Sullom Voe Development Masterplan (Ironsides Farrar)
- Scalloway Harbour Development Masterplan (Ironsides Farrar)
- 2014 Ports & Harbours Maintenance Plan (P&H)
- 2014 Ferry Terminal Infrastructure Maintenance Plan (P&H)
- Strategic Review of the Port of Sullom Voe (Price Waterhouse Coopers)
- 2016 Scalloway Harbour Review Progress Report (P&H)
- 2016 Port of Sullom Voe Review Progress Report (P&H)
- 2016 Scalloway Fishmarket EMFF Application (SSQC)
- 2016 Scalloway Fishmarket Outline Business Case (P&H)
- Shetland Islands Council - Gateway Process for the Management of Capital Projects – June 2016 (SIC)
- Shetland Transport Strategy (SIC)

Ends.....



| | | |
|----------------------------|--------------------------------------------------------------------|-----------------------|
| Meeting(s): | Development Committee | 3 October 2017 |
| Report Title: | Scalloway Fishmarket – Full Business Case | |
| Reference Number: | PH-17-17F | |
| Author / Job Title: | John Smith, Acting Executive Manager – Ports & Harbours | |

1.0 Decisions / Action required:

- 1.1 That the Development Committee;
- a) CONSIDERS the proposal for the redevelopment of Scalloway Fishmarket and provide their view and comment on the strategic fit of this development for infrastructure support to a whitefish industry that contributes to the sustainability of the Shetland Economy; and,
 - b) RECOMMENDS that the Asset Investment Group considers this proposal with a view to presenting it to Policy and Resources Committee which in turn makes recommendations to the Council as to the proposals to be included in the Councils Asset Investment Plan.

2.0 High Level Summary:

- 2.1 This report presents a draft “Full Business Case” for the redevelopment of Scalloway Fishmarket.
- 2.2 Resolving the future arrangements for whitefish landing and Fishmarket provision was highlighted as a priority project in the Scalloway Harbour Development Masterplan - Action Plan reported to the Harbour Board on 8 October 2014.
- 2.3 Further work was undertaken considering a range of possibilities for the future of Scalloway Harbour in 2015. This work also determined that the future of a Scalloway Fishmarket was the most urgent matter to prioritise.
- 2.4 An “Option Appraisal” study on Scalloway Fishmarket was reported to the Harbour Board and Policy and Resources Committees in June 2016 describing a range of options for whitefish landed at Scalloway and associated Council ports. An “Outline Business Case” was then produced to determine the preferred option.
- 2.5 On the recommendation of Policy and Resources Committee, the Council approved the recommendation of that “Outline Business Case” in October 2016. This was the redevelopment of a modern fishmarket on the current site as the preferred option to meet the strategic objectives of the Council in operating Scalloway Harbour. The Committee agreed that a “Full Business Case” should be produced for that preferred option.

| | |
|------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2.6 | This report now seeks comment from Development Committee on the Economic Case for this draft “Full Business Case” so that the Asset Investment Group and Policy and Resources Committee can be fully informed of their views as part of the investment decision-making process. |
| 3.0 | Corporate Priorities and Joint Working: |
| 3.1 | Section 3 in the attached draft full business case considers in some detail the overall Council priorities for economic development and transport as they relate to marine activities. |
| 3.2 | ‘Our Plan 2016 to 2020’ states; “We will be an organisation that encourages creativity, expects co-operation between services and supports the development of new ways of working. |
| 3.3 | This report recognises the importance of the Development Committee in determining whether the re development is a strategic fit within the overall Shetland wide strategy for infrastructure support to the white fish industry. The Harbour Board will be considering whether the development is a strategic fit within its approved strategy for the development of Scalloway Harbour. |
| 4.0 | Key Issues: |
| 4.1 | Work has been ongoing since 2014 to determine the best way forward for the future business development for Scalloway Harbour. Since 2016 the future of the Fishmarket has required most attention due to the deteriorating fabric of the building and the need to increase capacity in response to increased landings of white fish. |
| 4.2 | <p>Following extensive option appraisal, analysis and evaluation a redevelopment of the existing fishmarket through demolition and rebuild on the current site has been recommended in the draft Full Business Case in Appendix A. Key issues, which influenced that recommendation, were.</p> <ul style="list-style-type: none"> • Landing volumes and quality demands are both rising. The current Scalloway market is both aged and has fundamental design constraints that do not allow it to be refurbished to a modern high quality facility. • A new Lerwick Fishmarket will provide some increased capacity, however it has been designed on the assumption there will continue to be a complementary facility in Scalloway; the availability of the two locations, East and West, enhances the overall Shetland offer. • The redevelopment creates increased capacity, more environmental controls and better fish handling arrangements for grading, storage and loading to protect and enhance the quality of product being marketed. A quality improvement price premium is achievable in a modern better-designed market with greater capacity. This results in increased income to Fishing Boats, Shetland Seafood Auctions and other associated businesses that would benefit from the increased amount and value of whitefish landings. |
| 5.0 | Exempt and/or confidential information: |
| 5.1 | None |

| 6.0 Implications: | |
|------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 6.1 Service Users, Patients and Communities: | The proposals described in this report are intended to sustain and enhance the capacity and capability of white fish landing and marketing at Scalloway. They have been developed in partnership with the full range of industry partners and port users. |
| 6.2 Human Resources and Organisational Development: | No implications arising directly from this report. |
| 6.3 Equality, Diversity and Human Rights: | No implications arising directly from this report. |
| 6.4 Legal: | No implications arising directly from this report. |
| 6.5 Finance: | <p>The proposed capital cost of the project is £5.6m. An application has been submitted for EMFF funding. However, no funding determination will be made until tenders for the works have been received. Should 50% funding be approved the capital cost to the Council would be £2.8m. If the funding bid is wholly unsuccessful the capital cost to the Council would be £5.6m.</p> <p>In line with the Council's Medium Term Financial Plan and Borrowing Policy, the capital cost to be met by the Council would be funded by borrowing and would add to the Council's external debt.</p> <p>The borrowing costs would be funded through the fees and charging structure within the Harbour Account.</p> |
| 6.6 Assets and Property: | The proposals described in this report are intended to enhance the quality of the Council's existing asset base and improve the efficiency and cost of operation. |
| 6.7 ICT and new technologies: | No implications arising directly from this report. |
| 6.8 Environmental: | No implications arising directly from this report, however protection of the Shetland marine environment is one of the key priorities in all work planning for Ports and Harbours. |
| 6.9 Risk Management: | <p>The deteriorating fabric of the current fishmarket and congestion of operations are creating difficulties in operating to the hygiene standards required to for a food business and food distribution operation.</p> <p>Replacing the existing Scalloway Fishmarket with a modern facility would mitigate the current risks of building or equipment failure.</p> <p>EMFF funding will not be confirmed until tenders are returned so it is possible that funding finally secured will not be at the 50% level requested. That may require a re-evaluation of the project</p> |

| | | |
|-------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|
| | <p>at that stage in light of funding actually granted, any other potential funding sources and updated estimates of cost and projected income.</p> <p>General risk management arrangements will be in line with the Better Business Cases methodology and Prince 2 project management.</p> | |
| 6.10 Policy and Delegated Authority: | <p>The Development Committee's relevant functional areas relate to strategic regeneration, development, economy and business, energy, fisheries, arts, culture, and tourism and community regeneration / community development.</p> <p>The Committee should therefore consider the draft full business case in relation to the economic and business strategy for a Sustainable Economy in Shetland with particular consideration to the role of a redeveloped Scalloway Fishmarket in providing critical infrastructure to support fisheries.</p> | |
| 6.11 Previously considered by: | | |

Contact Details:

John Smith, Acting Executive Manager – Ports & Harbours
 jrsmith@shetland.gov.uk
 21 September 2017

Appendices:

Appendices A to A11 – Scalloway Fishmarket Full Business Case and Supporting Documents

Background Documents:

Listed in Appendix A

END



Shetland Islands Council



Scalloway Fishmarket

Full Business Case (FBC)

Introduction and Background

This Full Business Case has been prepared to determine the best value option for the future of the Scalloway Fishmarket.

- It has been developed using the agreed standards and format for Business Cases, as defined in “Shetland Islands Council - Gateway Process for the Management of Capital Projects – June 2016”. This will mean best value can be demonstrated between the options, and that decisions can be taken on a well-informed basis.
- Best value is not simply about financial factors. In order to achieve the outcomes to which the Council aspires, there is a need to consider other direct and indirect benefits. The Five Case Model understands and supports that .
- The key areas which must be evaluated in the Five Case Model are;
 - the **strategic case**. This sets out background, and explains the reasons why it is appropriate to consider change at this time. Part of that is understanding and documenting the investment objectives for the area under consideration.
 - the **economic case**. This demonstrates that the Council has properly evaluated and selected the most economically advantageous option, the one which optimises value for money. This evaluation has to take into account both the Council's direct costs and benefits; and wider community costs and benefits.
 - the **commercial case**. This sets out the content of the service required; and whether we can find a supplier or partner who can deliver the option the Council wants.
 - the **financial case**. This describes the funding arrangements for the preferred way forward and confirms the affordability of that for the Council.
 - the **management case**. This examines what the Council will have to do to deliver the preferred option and confirms how that will managed.

1 The Strategic Case

- A project was initiated in 2015 to review the Council's options for the future of Scalloway Harbour. That project considered a wide range of possibilities and concluded that determining what should be done with Scalloway Fishmarket was the most important matter to resolve.
- A Scalloway Fishmarket “Option Appraisal” study was initiated in March 2016 to consider options and prepare a Outline Business Case (OBC) to select and support the preferred option. Progress on that study was reported to the Council's Harbour Board in June 2016.
- The completed Outline Business Case was reported to the Council's Harbour Board and Policy and Resources Committees in October 2016. It recommended that following a full cost benefit analysis including risk assessment, and taking into account sensitivity testing, the preferred option is to rebuild and extend the Scalloway Fishmarket to a high quality, modern standard on the existing site.
- The Council's Policy and Resources Committee resolved that the project should proceed to the Full Business Case (FBC) stage and to the appointment of such specialist professional services as may be required to do so. Following a competitive tendering exercise Arch Henderson were appointed to provide those specialist architectural and engineering services.
- As a result of technical work done by Arch Henderson, some changes were required to the configuration of the rebuild and extend plan. The implications of these changes were evaluated through an updated Outline Business Case which confirmed the recommended preferred option. This updated OBC was considered and approved by the Council's Asset Investment Group (AIG) in April 2017.

1.1 Objective

The Council is committed to being a properly led and well-managed organisation making sure resources are used in the most effective way possible.

The primary objective of this Full Business Case is:

“to ensure that the best value option for the future of Scalloway Fishmarket, or alternative arrangements, is confirmed taking into account value for money and wider economic issues and benefits”

The context within which the Council needs to consider this business area is framed by the competing and challenging factors that exist for the Council and all local

authorities at this time. It is important that all Council decisions taken are based on evidence and supported by effective assessments of options, costs, benefits and issues.

2 Background and Strategic Context

2.1 Organisational overview

Scalloway Harbour and Scalloway Fishmarket is owned by the Council and operated by its Ports & Harbours Service.

2.2 Business strategies

See Ports & Harbours Strategic Outline Programme and Scalloway Harbour Strategic Outline Case.

2.3. Other organisational strategies

See Ports & Harbours Strategic Outline Programme and Scalloway Harbour Strategic Outline Case.

Part B: The case for change

There is widespread understanding and agreement exists that fisheries is a key sector in the Shetland economy. There is also agreement that to support and sustain that, fishing boats need to be able to land, store and sell their catches in good condition and in a way that meets customer demands.

The Council understands that the provision and operation of harbours or fish markets are not statutory obligations. Where the Council chooses to deliver discretionary services like this it must take particular care to demonstrate those services meet important needs, address market failure and/or deliver benefits to the Council and/or the community that justify the level of investment or funding required.

These decision points require the assembly of a strong evidence base that they either deliver significant benefits (for costly service development) or have limited adverse impact (for substantial reduction or removal of service) before those kind of actions can be agreed and implemented.

This Full Business Case is focused on the specific question of whether and how a rebuilt and extended Fishmarket at Scalloway contributes to sustaining and maximising benefits to the Council and the wider community from that sector, balanced against the cost of doing that.

2.3 Background on Shetland Whitefish Fishmarkets –

Both Scalloway and Lerwick have longstanding involvement in Shetland fisheries and by the 20th century had become the focus for whitefish landings, sales and processing. Over the decades fish storage and sales facilities have developed as the demands of the industry has grown. Covered facilities were built, then fitted with doors and eventually chill facilities.

As individual merchants' sheds were no longer able to provide the scale and quality of services required, the port owners became the owners and providers of the then modern facilities built in the 1980s. The use of these facilities was paid for through a levy on fish landings at the port.

Port ownership of fishmarkets remains the common operational model in Scotland.

2.4 Background on Service Demand – Historic, Current and Projected Whitefish Landings

Historic and Current Whitefish Landings

Demersal (whitefish) landings are the mainstay of the fisheries activity at Scalloway, accounting for around 95% of all annual landings. The Council receives 2.5% of sale prices for fish landed at Council owned and operated ports as landing fees.

There has been long-term growth in terms of the volume, quality and value of fish landed both in Shetland and at Scalloway Fishmarket. Volumes and value of fish landed in Shetland as a whole has more than doubled since 2003/4 to 2014/15.

Between 2010 and 2014, total fish landings at Scalloway Fishmarket have risen by 1,814 tonnes (60%) from 3,030 tonnes to 4,844 tonnes. The annual value of this fish has risen by £3.3m from £4.8m in 2011/12 to £8.8m in 2015/16. The value of landings for 2016/17 is projected to show further growth, and be in the order of £11m from the full financial year.

The number of boxes landed into Shetland including Scalloway has increased significantly, as have both the average sizes of daily landings and peak box landing numbers. Between 2003 and 2006 Scalloway Fishmarket had only one market day per year exceeding 1,000 boxes and there were no days where more than 2,000 boxes were landed in Shetland overall.

The total number of boxes landed into Scalloway has risen year on year, from 13,619 in 2004, to 96,652 in 2015, an increase of 610%. Total whitefish box landings for 2016 increased to almost 150,000 at Scalloway, an increase of some 50% on 2015 and 10 times the volume 15 years ago.

This is also reflected in the proportionate share of overall Shetland box landings being made into Scalloway and associated Council ports, which has risen from a low of 10% in 2004 to 40% for 2016.

In 2014 there were 24 days where over 1,000 boxes were landed at Scalloway, including one day with over 2,000 boxes and in 2015 there were 21 days. Daily peaks throughout 2016 were both higher (the largest daily landing was 2,225 boxes) and more frequent (there were 47 days with over 1,000 boxes and 16 days above 1,400 boxes).

It should also be noted that the increase in landing figures to the market may still not reflect the maximum level of demand for Scalloway as a landing port, as vessels are sometimes turned away, due to a lack of capacity. Therefore actual demand at peak times may well be higher than indicated by these figures.

Scalloway and Lerwick Fishmarkets operate in a complimentary manner offering landing sites on the west and east side of the Islands. Increased landings into both Lerwick and Scalloway underline their continued and growing strategic importance to the Scottish fishing industry. Initiatives such as the Electronic Auction and Shetland Whitefish Improvement Scheme have helped to push these advances forward.

A review of quality policies and procedures was jointly undertaken for both Lerwick and Scalloway Fishmarkets last year, including the development of a service framework for a complete quality control system. This quality control system is being further developed within a second phase project, which is currently being undertaken. Both these projects have been jointly funded by Seafish Scotland and local industry.

However, in order to retain and improve on these advances and keep pace with customer requirements and consumer demands, modern and enlarged fish market facilities are required at both these ports.

Plans for a new fish market in Lerwick are at an advanced stage, and this facility has been designed assuming that a complimentary facility will continue to be in operation in Scalloway.

Projected Whitefish Landings and future Customer Requirements

Whitefish catches and landings are subject to fluctuation over time in terms of both volume and price. Forward projections are very difficult as there are many variables. Various landing volume scenarios can be generated depending on assumptions applied to factors external to any choice about fish market arrangements such as; fish stocks, quotas and licensing, the size and structure of the fishing fleet, and consumer markets and demands for fish. Different

combinations of how these factors develop will influence the eventual validity of choice of projection.

Industry advisors suggest that given current and projected stock and quota levels, the size and capability of the local fleet and their investment plans and the level of catch being taken from adjacent waters by boats not currently landing at Scalloway then future landing levels would be more likely to grow than reduce.

Brexit is also a very uncertain factor in how fishing arrangements around Scotland and Shetland may develop over the coming years. The consensus of professional opinion is that succeeding arrangements should create more opportunities than risks, therefore landing levels would be more likely to be higher than lower.

It is also difficult to estimate the internally generated impact on Scalloway and/or Shetland landing volumes that a better Scalloway Fishmarket (more space/more modern), a degrading Scalloway Fishmarket (congested space/being left behind by modern quality demands) or no Scalloway Fishmarket (fish landed at other ports/transhipped to Lerwick or transhipped out of Shetland) would make. The tendency of each of these alternatives to generally increase or reduce landing volumes and values can however be identified. A modern high quality facility with increased capacity should tend to attract higher volumes than otherwise.

Previously quantitative cost/benefit calculations have used 2015 volumes and values as a baseline. However, 2017 quota allocations and professional advice suggest that projected landings are expected to be in line with 2016 if not higher. Therefore, updated calculations have used 2016 volumes (150,000 boxes) and values (£11.6m) as their baseline.

The trend of long-term whitefish volume and value growth is paralleled by increasing quality premiums and obligations. The whitefish industry is now entering a phase similar to that already seen in the aquaculture industry, where customer demands are leading to greater requirements for quality assurance and independent verification. This means that both the current market, and any new developments in Scalloway, will have to keep pace with change in order to both satisfy increased quality assurance demands and remain competitive.

For the purposes of the quantitative cost/benefit calculations in this Full Business Case, fish prices have been assumed to increase by 2.5% due to a price improvement premium enabled by enhanced fish handling facilities.

2.5 Background on current service provision - the existing Scalloway Fishmarket

The current Fishmarket was built in 1984 as part of the Blacksness pier development which also provided safe and sheltered berthing for the local fleet, an extension was added in the early 1990s. The Fishmarket is a portal frame structure with concrete slab floors. Walls are block and dash rendered to the ground floor with profile sheeting at first floor level.

The roof has profile sheeting and the building is double-glazed throughout. Sectional doors are situated along the east and west elevation with solid timber doors for pedestrian access and egress. The ground floor provides storage of just below 600m² and the first floor provides storage of 450m² and also has offices.

The current Scalloway Fishmarket can cope reasonably satisfactorily with the storage, grading, presentation and shipping of up to about 1,000 boxes of mixed whitefish. That storage efficiency is also affected by the number of boats landing and the nature of their catch on any given day. Each boat's catch needs to be managed individually and each species of fish graded and presented separately. Therefore, more boats with mixed catches need more space.

On a typical landing day in recent years there are likely to be up to 50+ species/grade combinations sold which can be multiplied by three to seven boats. Beyond 1,000 boxes, facilities become increasingly strained and box stacking levels, grading operations and general movement becomes more and more problematic. At times grading and movement operations have to be conducted outside the doors of the market and therefore outside controlled conditions.

The fabric of Scalloway Fishmarket is now aged and reaching the end of its serviceable life without significant work. Its facilities are unlikely to be up to the standards required in future years for the increasingly demanding requirements of any food handling and distribution business.

The Fishmarket is currently running with various defects to the building. The roof has surpassed its economic life and has water ingress at the south end of the building. Some of the window frames have failed with water ingress to some of the units.

With increased landings, the floor space does not always allow walkways, with building users having to walk over fishboxes at times. This congestion and changes in industry processes have meant that the space is often very constrained which has contributed to damage being caused by logistic operations suffering collisions with doors and walls.

The electrics throughout the building will need to be replaced shortly; a building electrical test was carried out and reported a list of emergency and urgent faults. The electrics have had the emergency faults addressed, but the urgent faults are still to be rectified.

The building has various gaps and fire breaches throughout contributing to cold air leakage. These gaps should be sealed in walls, ceilings and doors for air leakage and to help prevent the spread of fire.

Bays are currently washed down with a hose and all waste transfers to the sea. Current practices means there should be a drain inside the property that leads to a separator tank before being drained away.

General security needs to be improved; the current operation allows un-supervised access to the building. A CCTV system has been installed, but further management of access to the property should be provided to better control access and egress.

2.6 Investment objectives

2.4 Investment objectives

These objectives were agreed by the Council at the initiation of the PwC strategic review of the Port of Sullom Voe. They are also the objectives set out in the Strategic Outline Programme for Ports & Harbours generally and the Strategic Outline Case for Scalloway Harbour.

Environmental & Legislative:

- Protection of Shetland marine environment
- Maintaining biodiversity, geo-diversity, and protecting the built environment
- Compliance with health & safety obligations

Economic & Social:

- Maximise existing revenue and identify new sources of revenue from Council ports and associated economic activity.
- Creating employment opportunities and benefitting the local economy
- Supporting social cohesion and maximising community benefits

Financial:

- Maximise long-term value of assets by maximising opportunity and exploring new sectors
- Optimise exposure to financial risk, including:
 - Minimise downside risk of major incidents, such as decline in business activity and any associated decommissioning/legacy costs
 - Retain potential upside from any growth in port operations
- Optimisation of fixed asset base and reduction in recurring maintenance costs

2.7 Main benefits

- If investment in a non-statutory service like Scalloway Fishmarket is to be demonstrated to deliver best value then the benefits of that investment need to be identified and quantified. Non quantifiable benefits also need to be identified so they can be considered when comparing options.

The table below sets out main benefits against the investment objectives identified.

| Investment objectives | Main benefits criteria |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Investment objective 1 (economy) - supports businesses (existing and/or emerging and/or new) to be more competitive by helping improve quality, improve access to new product lines or markets, take opportunity of increased volumes etc. | Cash releasing (£s) <i>Better prices for improved quality of product</i> <i>Able to cope with bigger volumes more quickly</i> Non cash releasing (£s) <i>Improved fish handling systems</i> Qualitative <i>Better staff welfare facilities</i> |
| Investment objective 2 (effectiveness) - services the Council provides must be of good quality and resilience. i.e. fit for purpose, meet reasonable customer expectations, can cope with changes to legislation etc. | Cash releasing (£s) <i>Reduced maintenance</i> <i>Reduced need for reactive investment</i> <i>Reduced electricity consumption</i> Non cash releasing (£s) <i>Improved health and safety</i> Qualitative <i>Improved public and community image</i> <i>Able to comply with legislative and quality accreditation criteria.</i> |
| Investment objective 3 – (efficiency) - any investment of public money must be done as efficiently as possible both in initial costs, whole life costs and impacts etc. | Cash releasing (£s) <i>Lower maintenance costs</i> <i>Lower running costs</i> <i>Reduced environmental impact</i> <i>Increased income to Council and primary producer</i> Non cash releasing (£s) <i>Improved management</i> |

2.8 ‘Dis-benefits’

- As well as considering benefits from any continued service provision or enhancement it is important to understand “dis-benefits” from its reduction or removal.
- Degraded or removed facilities at Scalloway could lead to reduced fish quality and landings (or a failure to exploit an opportunity for growth) and therefore lose income to both the Council and primary producers. Other dis-

benefits could include increased transport costs and double handling, inability to meet quality and legislative requirements and ultimately loss of profitability or employment.

- Quantifying the potential scale of these dis-benefits is difficult but a significant factor would undoubtedly be the availability or lack of alternative facilities to provide the same service within Shetland (i.e. at the Lerwick fishmarket) or whether those services would have to be obtained outside Shetland (boats landing to Scotland or trans-shipping to Scottish markets or buyers).
- At this time Lerwick fishmarket has similar capacity problems as Scalloway, typically has its peak demands at the same time, and cannot accept fish from Scalloway when those peaks occur. The new facility which Lerwick Port Authority are planning will have additional capacity but will also have to cater for more space-demanding fish handling obligations as future quality demands and regulations rise.

2.9 Main risks

- The main business and service risks associated with the potential scope for this project are shown below, together with their counter measures.
- An overall risk evaluation is set out below (see section 3 for further details) and risk management arrangements for delivery of the preferred option is included in Appendix 1 – Project Initiation Document.

| Risk | Risk Management Actions |
|------------------------------------------------------------|-------------------------------------------------------------------------------------------------------|
| Current fishmarket fails before replacement is available | Active management of current facility, prompt progress with replacement |
| Replacement project cannot be done technically | Ensure preferred option is relatively straightforward, affordable and mainstream |
| Replacement project mis-matches need over medium/long term | Good industry advice with some options for expansion or contraction available. |
| External funding is not available | Ensure proposal is within funding guidelines and applications are made early enough to meet deadlines |

2.10 Constraints and Dependencies

The constraints placed on this project include the current expected lifespan of the existing facility, and time limits for both applying for and accessing EMFF funding.

Marine Scotland have stated that they would be willing to consider a 50% grant bid for the capital elements of a suitably qualifying project which would be very significant

in determining whether the internal economic case for the Council shows a positive return.

An application has been submitted for EMFF funding. Marine Scotland which handle that fund have confirmed that the project is within scope, however no funding decision will be taken until tenders for the works have been received.

Following his announcement in August, which guaranteed funds for projects signed up until the Autumn Statement, the Chancellor has now extended this guarantee to confirm that the government will guarantee EU funding for structural and investment fund projects signed after the Autumn Statement and which continue after we have left the EU.

He was clear, while the UK is still a member of the EU, British businesses, farmers and other organisations must be entitled to apply for EU funds.

Funding for projects will be honoured by the government, if they meet the following conditions:

- they are good value for money
- they are in line with domestic strategic priorities

As a result, British businesses, farmers and other organisations will have additional certainty over future funding and should continue to apply for EU funding while the UK remains a member of the EU.

Each government department will take responsibility for the allocation of money to projects in line with these conditions and the wider rules on public spending.

Where the devolved administrations sign up to structural and investment fund projects under their current EU budget allocation prior to Brexit, the government will ensure they are funded to meet these commitments.

The structural and investment subject to HM Treasury's assurances include:

- European Agricultural Fund for Rural Development – CAP Pillar 2
- European Social Fund
- European Maritime and Fisheries Fund
- European Regional Development Fund - including European Territorial Cooperation

The main dependency for Scalloway Fishmarket is the arrangements for the other fishmarket in Shetland which is at Lerwick. These two facilities currently operate in partnership with Shetland Fish Auctions to store and then sell Shetland's whitefish landings online to local, national and international markets.

The plans for a new fishmarket in Lerwick are also at an advanced stage. While this new facility should offer some increase in capacity and a general upgrade in quality control, it has been designed assuming that a complimentary facility will continue to be in operation in Scalloway.

3. The Economic Case

3.1 Introduction

This section documents and evidences that the most economically advantageous option has been selected as the preferred option, which best represents public value to the wider economy.

3.2 Critical success factors

The following critical success factors (CSFs) have been identified in relation to achieving the overall objective for the Outline Business Case and were used to assess the short list of options for the future of Scalloway Fishmarket.

1. Support businesses (existing and/or emerging and/or new) to be more competitive by helping improve quality, improve access to new product lines or markets, take opportunity of increased volumes etc. (economy).
2. All services and facilities the Council provides must be of good quality and resilience. i.e. fit for purpose, meet reasonable customer expectations, can cope with changes to legislation etc. (effectiveness).
3. Any investment of public money must be done as efficiently as possible in value for money terms, whole life costs and impacts etc. (efficiency).

A long list of options for Scalloway Harbour was developed from workshops held with stakeholders and reported to the Council in February 2016.

That review considered a wide range of possibilities and concluded that determining what should be done with Scalloway Fishmarket was the most important matter to resolve.

3.3 The short list

- **Option 1a** - Maintain the existing Scalloway Fishmarket through rolling repairs
- **Option 1b** - Demolish the Scalloway Fishmarket and tranship fish to other markets
- **Option 2** - Replace the Scalloway Fishmarket with a new build on an adjacent but existing site.
- **Option 3** - Build a new West Quay and a new fishmarket on that site
- **Option 4** - Rebuild and extend the Scalloway Fishmarket on the existing site

This list was evaluated in the Outline Business Case and following a full cost benefit analysis including risk assessment, and taking into account sensitivity testing, the preferred option was 4; rebuild and extend the Scalloway Fishmarket to a high quality, modern standard on the existing site

This would deliver an extended fishmarket size and adapted layout on the same site which would offer additional capacity and would have a range of modern facilities designed in.

It will provide:

- Increased floor capacity to be able to handle increased peak landings on individual days, and carry out logistics, grading and fish management operations safely and efficiently.
- A widened fishmarket to cope with the introduction of palletisation and electric forklifts. The current fishmarket is very narrow which leads to restricted movement of both pallets and forklifts within the building, and this has been highlighted as a safety issue.
- Additional room to house grading machinery. A pilot project of grading fish both pre and post-sale has recently begun at the market, as a quality control and value adding exercise. This appears to be operating well, however it is taking up floor space within the building which is already very cramped, and a dedicated grading area for this machinery would be required within a modernised facility.
- The introduction of a transport corridor . This has become imperative due to the introduction of palletisation of fish. A transport corridor would allow for the safe and controlled storage for onward movement of palletised fish, in conjunction with covered loading bays.
- Dedicated overnight forklift charging points. Currently there are no specific charging points for forklifts, and this has led to congestion within the building.
- The introduction of covered loading bays. Fish are currently loaded into trucks outside the fishmarket which can lead to potential temperature control and contamination issues. This is not considered appropriate for a modern fishmarket facility, and has been highlighted as a potential quality and food safety issue. Covered loading bays would solve these issues.
- The upgrading of welfare facilities for fishmarket workers and visitors, including a washing and shower room, tea room, laundry, drying room and changing area. None of these facilities are currently available at the fishmarket.
- The use of a renewable energy source, from photovoltaic roof panels to help power chilling within the fishmarket. This will not only result in reduced environmental impact, but could also reduce the overall electrical running costs of a modernised fishmarket by a third.

3.3 Further Technical Evaluation of rebuilding the existing market

Arch Henderson LLP was appointed by Shetland Islands Council in December 2016 to bring forward proposals for the redevelopment of Scalloway Fishmarket to provide a modern 21st century facility that will facilitate current and future growth within the industry coupled with providing a modern quality controlled environment.

The existing fish market structure was inspected on the 20th December 2016 and a number of salient issues became apparent, including:

- Existing edge distance to quay edge at approx. 2.1m does not allow for safe mechanised fish handling
- Limited height of structural frame to accommodate modern chill facilities
- Existing floor slab and drainage will need to be reconstructed to prevent discharge to sea.
- Existing first floor accommodation will not comply with building regulations without additional escape access which in turn will impinge on market floor.

Fish handling is currently moving away from the practice of manually dragging boxes from quay edge to market, to pallet movement by forklift / pallet trolley, For this operation to be efficient and safe a distance of between 5 and 6m is considered a minimum requirement.

A further issue with the existing market is the current chilling facility. The existing market uses cold air blown across market from wall mounted chillers. This is considered detrimental to fish quality which has prompted the general industry move to static plate chillers that create the correct cold environment without the use of forced air circulation. These static plate chillers are ceiling mounted and a minimum clearance of 3m is required between the underside of chiller and the market floor. With a static plate chiller in place less than 3m head room would be left, making this unacceptable.

Current legislation confirms that all wash-down water from modern facilities can no longer be discharged directly into the sea, as is the case with the present market. For this reason the existing concrete floor slab would need to be completely broken out and re-laid, with falls directed away from the sea.

Finally, the existing first floor accommodation is on the limit of compliance with current building regulations, and if the central set of stairs was removed in order to open up and extend current market, the accommodation would not comply with emergency escape distances.

For all the above reasons then we confirm that retaining and extending the frame, ceiling and floor of the existing market is not a viable option and it is recommended

that designs are updated to include a more comprehensive rebuild, still on the same site.

3.3.1 Temporary Chill

Temporary chill facilities during demolition and construction will be required to continue the landing of fish at Scalloway to maintain customer loyalty and manage overall Shetland fish landings.

An option appraise recommended that these facilities should be provided within the north end unit of the Scalloway Harbour Office building during reconstruction.

That option appraisal is included as an appendix to this FBC.

3.3.2 Temporary Chill Conclusion

There are not many days throughout the year where more than 2,000 boxes are landed and so all options could cope with most daily landings, if they were managed correctly.

A disadvantage that has been noted and effects all options is the change to using mechanical aids rather than the typically manual procedures. However, this will be the normal procedure for transporting boxes in the redeveloped fish market and the building users should be familiar with this by the time the premises is operational.

The north unit of the Saga Building is the most advantageous with having good access and egress and the boats being able to land nearer to the facility than any other option. It has not however been possible to conclude any commercial arrangement for use of this building as time scales remain uncertain and other commercial use by the owner possible.

An extension built to the east of the existing Council shed requires the greatest upfront investment, but would be a Council asset for use as an additional chilled building or other storage in future. This option also has a longer lead-time, which would need careful management to avoid delays to the main market redevelopment project.

A temporary building erected in the same location would also require significant investment and would not be a long-term asset.

The two stores at the fish factory offers adequate space, but are split and each store only has one door for access and egress. It is the furthest from the quay meaning a longer transport between the boat and the landing facility. Also, one of the stores requires money spent for a refurbishment which will be a Scottish Sea Farms asset.

3.3.3 Temporary Chill Recommendation

The preferred option would be option 1 (North end Saga building). It is the cheapest option and provides the shortest distance between the boats and the facility. It is not a Council asset and would require refrigeration plant to be fitted. Beyond that it should not require significant refurbishment, although some works will be needed to protect the building's distribution boards. At this stage the main risk around this solution lies in the uncertainty around timescales for its rental.

Option 3 (Extension of existing Council shed) is the following choice if the north unit cannot be secured. It is the most expensive option and has the longest lead time, but the Council will be left with an asset for all the money it was spending on it. Part of the lead time for building an extension would be planning consents for that work and it is recommended that is progressed to further evaluate suitability and guard against avoidable delays.

Options 2 (Scottish Seafarms Factory) and 4 (rented temporary structure) are the least favourable. Both require larger sums to provide the facility, and would not generate any long-term asset for the Council.

3.3.3 Temporary Chill - Next Steps and Further Evaluation

Planning consents to extend the existing Council shed (Option 3) will be progressed as a contingency measure.

All other temporary chill options will continue to be examined and regularly reviewed in light of decisions that clarify project timing and progress with the Lerwick Fishmarket redevelopment.

A budget estimate of £500,000 for temporary chill costs (the highest cost option) has been included within calculations at this stage. This will be revised as final decisions are taken.

3.4 Economic appraisal

3.4.1 Introduction

This section provides a detailed overview of the main economic costs and benefits associated with the preferred option. Importantly, it indicates how they were identified and the main sources and assumptions.

3.4.2 Estimating costs

Capital costs used are in accordance with estimates developed by Ports & Harbours, the Council's Estate Operations service and professional advisors.

Operational costs have been based on the variation of current values supplied by Ports & Harbours Operations and Estate Operations services.

3.4.3 Summary of Costs

The costs for the preferred option have been investigated further during OBC update and through work undertaken by professional advisors and are detailed in appendices to this FBC.

Overall the project to redevelop the current site, including a transitional facility, will cost an estimated £5.6m and have an estimated annual revenue cost of £100k.

3.4.4 Estimating benefits

The benefits include the direct benefit to the Council in terms of income and the wider economic benefit to Shetland and beyond.

It is recognised that there are both quantitative and qualitative benefits from the options being considered, as separated below:

3.4.5 Quantifiable Benefits

These are benefits which can be measured and take account of all wider benefits to the UK, not just benefits to Shetland or the Council. It is recognised that not all benefits can be expressed in monetary values but as far as possible a monetary value has been given to benefits in order to enable a comparison between options to be achieved.

The quantifiable monetary benefits that have been identified are as follows:

- Increased income to the Council from the percentage levied on the increased value of whitefish landings once an upgraded market is in place.
- Increased income to fishing boats, Shetland Seafood Auctions and any other directly associated business from increased value of whitefish landings.

The core driver of monetary benefits from any fishmarket activity is the value added (or sustained) due to the use of that facility. The value of whitefish is a product of volume x market price. Under current arrangements harbour dues for whitefish landed at Council ports is 2.5% of value. The remaining 97.5% is shared between the boat, Shetland Fish Auctions and any other direct service providers; agents, lumpers, graders, haulage companies etc.

3.4.6 Qualitative Benefits

As outlined in the strategic case, the benefits associated with each option are wider than those which can be quantified by income generation; economic growth; job creation; leverage or exports.

Rather than attempting to evaluate these benefits in monetary terms, which may be necessary in some Business Cases, this study assessed these benefits as qualitative only. This is a reflection of the strength of the direct monetary case.

The wider benefits associated with each option were identified during discussions with the stakeholders in order to ascertain a full picture of the future options for the facility, consultation was undertaken with a number of stakeholders and interested parties.

See Appendix 1 – Project Initiation Document for a list of stakeholders consulted.

The benefits identified fell into the following main categories.

| Benefit type | Direct to Council | Indirect to Wider Community / Organisation(s) |
|-----------------------------------|--------------------------------------------------------------------------------------------|-----------------------------------------------------------------------|
| Quantitative (or quantifiable) | Higher volume and/or value generating additional income to Council Potential EMFF grant | Additional income to primary producer and Shetland Seafood Auction |
| Cash releasing | Reduced electricity costs | |
| Non-cash releasing | Ability to comply with quality assurance and legislative requirements | Ability to comply with quality assurance and legislative requirements |
| Qualitative (or non-quantifiable) | Improved welfare facilities Image and reputation | Improved welfare facilities |

3.4.7 Qualitative benefits appraisal

The benefits associated with each option were identified during discussions with the stakeholders in order to ascertain a full picture of the future options for the facility.

The appraisal of the qualitative benefits associated with each option was undertaken by identifying the benefits criteria relating to each of the investment objectives as follows;

- Quality of facility - (direct link to achieving any price premium, being fit for purpose and operational efficiency)
- Location of facility - (direct link to sustaining landing volumes and efficiency of associated logistics)

- Provision of staff/visitor amenities - (linked to fit for purpose)
- Capability to achieve quality accreditation - (direct link to fit for purpose and achieving any price premium)
- Disruption to service - (direct link to sustaining landing volumes and value during any period of disruption)

Allocating a weight to each benefit with reference to the relative importance attached to it by stakeholders.

Scoring each of the short-listed options against the benefit criteria on a scale of 0 to 9, 0 not delivering any benefits to 9 delivering the greatest value of benefits. This was informed by the analysis by stakeholders of how that option would deliver against that benefit.

Benefits scores were allocated and agreed by discussion to confirm that the scores were fair and reasonable.

The key considerations that influenced the scores achieved by the preferred option was the option to Rebuild and Extend in the current location.

The key benefits from that option were judged to be that it would continue to be in the most suitable location for a fish market in Scalloway, it would provide a good quality facility which would be likely to achieve quality accreditation, and contain adequate welfare amenities.

It was understood that rebuilding will result in some disruption to service during construction which will be mitigated by temporary cold storage facilities.

This benefits appraisal has been revisited and its conclusions remain valid.

3.4.8 Net Present Value analysis

Calculations have used the following assumptions.

Overall Assumptions;

- A lifespan of 30 years has been assumed for the facility.
- Landing volumes and general value are taken from the 2016 baseline with no projected growth or reduction.
- The landing charge of 2.5% based on value is assumed to continue.
- It is assumed that a 2.5% increase relative to 2016 price (adjusted in real terms) is achieved through a quality improvement price premium.
- An EMFF Grant level of £1.5m has been assumed for calculation purposes although application has been made for 50% funding.
- A 3.5% discount rate is used across NPV calculations
- All NPV calculations have been presented with a +20%, optimistic scenario and a -20% pessimistic scenario as offsets from the Realistic baseline.

- Breakeven and 30 year NPV's for all options including Council and wider benefits are evaluated.

Cost and Benefits Assumptions;

- Operational costs have been reduced by 10% from year 3 on due to electricity and maintenance savings,
- a reduction of 10% in landings has been assumed during the construction period due to capacity and operational issues (note a temporary chilled facility will be available during this time), and
- a 2.5% quality improvement price premium has been assumed following completion of the project.

All of the NPV assumptions, input costs and values have been revisited and calculations rerun for the preferred option with the results summarised below.

| Rebuild and extend - NPV Calculations (Figures rounded to ,000) - | | | |
|--------------------------------------------------------------------------|------------|-----------|-------------|
| | | | |
| Breakeven in Years | | | |
| | Optimistic | Realistic | Pessimistic |
| No Grant Council Benefits Only | 2 | >30 | >30 |
| No Grant Inc Wider Benefits | 0 | 2 | >30 |
| EMFF Grant Council Benefits Only | 0 | 2 | >30 |
| EMFF Grant Inc Wider Benefits | 0 | 0 | 2 |
| | | | |
| NPV @ 30 Yrs (positive)/negative | Optimistic | Realistic | Pessimistic |
| No Grant Council Benefits Only | (732) | 2,385 | 5,778 |
| No Grant Inc Wider Costs/Benefits | (6,394) | (2,333) | 2,004 |
| 50% Grant Council Benefits Only | (2,935) | (669) | 1,734 |
| 50% Grant Inc Wider Costs/Benefits | (8,597) | (5,388) | (2,040) |

Rebuilding and extending the current Fishmarket using the realistic cost and income projection set generates a positive NPV in all scenarios apart from the consideration of Council only benefits when grant funding is not achieved.

3.6 Sensitivity analysis

Using the “pessimistic” data set, increasing uncertain costs by 20% and reducing uncertain benefits by 20% continues to generate a positive NPV after 30 years with the inclusion of wider benefits when grant support is obtained.

All scenarios result in a positive NPV when the “optimistic” data set is used, +20% on benefits and -20% on costs.

3.5 Risk appraisal

Quantifiable risks have been costed and factored into the shortlisted options therefore the net present values assessed are risk adjusted.

There are other risks which are more difficult to quantify but remain relevant to the options. A workshop attended by members of the project team was held to identify the main risks and allocate scores for each option during the development of the Outline Business Case.

That workshop has been re-run as part of Full Business Case development. The list of key risk was reviewed and amended, Probability and Impact scores refined and risk management measures developed further.

The following table shows those main risks and their scores as assessed against their likelihood and potential impact as allocated from the participants' judgment and assessment of previous procurements

Further details of the risk management approach for the implementation of the preferred option is set out in Appendix 1 – Project Initiation Document

| Risk | Impact | P x I | Tot. | Mitigation Measures |
|------------------------------------------------------------------|----------------------------------------------|--------------|-------------|------------------------------------------------------------------------------------------------------------------|
| Current fishmarket fails before replacement is available | fishmarket service stops suddenly | 2x4 | 8 | Close monitoring of current condition and prompt resolution of issues. No delay in implementing new project. |
| Replacement project cannot be done technically | Project is aborted and new solution required | 1x4 | 4 | Engagement of experienced technical advisors and robust issue and risk management processes. |
| Replacement project does not match needs over medium / long term | Over or under supply of service | 1x3 | 6 | Inclusion of as much flexibility as possible in design and close liaison with stakeholders and business advisors |
| Quality price premium is not achieved | Cashflow benefit is not achieved | 2x3 | 6 | Robust benefits realisation plan and monitoring arrangements. |

P = Probability – from 1 very Low to 5 Very High and I = Impact using the same scale.

Key considerations influencing scores are a relatively well understood construction project and on the same site which has preferred seaward access and known landward access arrangements.

Project communications and advisory arrangements have created strong connections between stakeholders including industry expertise who can regularly advise on projected trends in landing volumes and values.

3.10 Summary of Economic Appraisal

Outline Business Case analysis concluded that the Rebuild/Extend in the current location was the preferred option across economic, benefits and risk appraisals.

These appraisals have been revisited, updated and refined in this Full Business Case and those conclusions have been confirmed, taking into account updated information on costs and benefits.

3.7 Recommendation

Following an updated and refined full cost benefit analysis including risk assessment, and taking into account sensitivity testing, the preferred option to rebuild and extend the Scalloway Fishmarket to a high quality, modern standard on the existing site is confirmed.

4. The Commercial Case

4.1 Introduction

The purpose of this section is to describe how the deal for the preferred option will be procured and comment on the likely commercial appetite for such a deal and any associated issues.

4.2 Services required to deliver the preferred option

Detailed design of the rebuilt and extended facility, construction and equipment services and option appraisal of the temporary chill facility are included in appendices to this FBC.

4.3 Personnel implications (including TUPE)

It is anticipated that the TUPE – Transfer of Undertakings (Protection of Employment) Regulations 1981 – will not apply to this investment as outlined above.

4.4 Procurement strategy and implementation timescales

The procurement strategy for the preferred option of rebuild on the existing site will be through contracts placed following open tender with appropriately experienced design and construction companies.

The preferred method of procurement will be finalised following advice from Capital Programme Service but is likely to be a Traditional Lump Sum / Bill of Quantities arrangement.

Other procurement approaches include;

- Traditional Lump Sum - In a lump sum contract the contractor prices the work based on drawings and written specification prepared by the design team but supported with measured bills of quantities prepared by the quantity surveyor. The BQ items are priced individually by the contractor and incorporated into the contract.
- Design and Build - initial design work may be undertaken by the client before transfer to the design and build contractor. Thereafter the contractor would take single-point responsibility for the design and construction.
- EC/Target Cost essentially involves putting additional resources into the crucial early planning phase in order to maximise the benefits and cost savings that can be achieved during the later construction phase. Its innovation comes from the selection process; the interaction between the client, contractor and designers during the early stages; and the resultant strong relationship-based interaction during the construction phase.

Assuming a Lump Sum approach continues to be the preferred approach the construction project would be project led within the Council; supported by architectural design and engineering advisors. This would be expected to be a restricted competition procedure under the EU Utilities regulations due to the value of the contract, i.e. over £4.1 million.

Transitional arrangements will need to be complete before the main contractor begins demolition. If that requires a further building project then that will be sourced through a separate competitive procurement exercise. This would not require a full EU tendering procedure due to its lower value, c£500,000.

Arch Henderson has been appointed as design, specification and site management contractor to finalise tender documents. They have been instructed to apply for planning consents and building warrants to clarify any issues and progress project development.

Appendices outline the key milestones throughout the project along with a cost programme.

4.6 Accountancy treatment

The preferred option of rebuilding and extending the Scalloway Fishmarket would result in the completed asset being held on the Council's balance sheet as a non-current asset under International Accounting Standard (IAS) 16 - Property Plant & Equipment and International Public Sector Accounting Standards Board (IPSAS) 17 - Property Plant & Equipment.

5.0 The Financial Case

5.1 Introduction

The purpose of this section is to set out the forecast financial implications of the preferred option, shown by the four scenarios outlined above.

5.2 Annual Income & Expenditure Implications:

The anticipated payment stream for the four scenarios over the 30 year life of the Fishmarket is set out in the following table:

| | Scenario 1 | Scenario 2 | Scenario 3 | Scenario 4 |
|------------------|---------------------------------|---------------------------------------------|--------------------------------------|--------------------------------------------------|
| | No grant, Council benefits only | No grant, wider community benefits included | Capital grant, Council benefits only | Capital grant, wider community benefits included |
| | £000 | £000 | £000 | £000 |
| Expenditure | 464 | 464 | 351 | 351 |
| Income | (640) | (640) | (531) | (531) |
| Net Total Income | (176) | (176) | (180) | (180) |

This table shows that all scenarios of the preferred option provide a similar net income to the Council of approximately £178k per annum over the life of the Fishmarket.

5.2 Balance Sheet Implications

There will be an increase in the value of Long Term Assets of £5.6m and an increase in Long Term Liabilities for borrowing of £2.8m on the Council's Balance Sheet.

5.3 Overall affordability

The proposed capital cost of the project is £5.6m but it is envisaged that £2.8m of this cost will be funded externally from EMFF, therefore, the total capital cost to the Council is anticipated to be £2.8m. In line with Council's Medium Term Financial Plan and Borrowing Policy, these costs would be funded by borrowing and would add to the Council's external debt.

Under the Local Government in Scotland Act 2003 there is a requirement that local authorities should adhere to The CIPFA Prudential Code for Capital Finance in Local Authorities. The Prudential Code seeks to concentrate primarily on ensuring that local authorities' capital spending plans are affordable.

The Council's approved Prudential Indicator for its authorised limit for external debt, which should not be breached, is £43.8m and the Council's total external debt is currently £36.9m, therefore this proposal would not breach the Council's authorised limit and is within affordable limits.

6. The Management Case

6.1 Project management arrangements

The project will be managed in accordance with PRINCE 2 methodology.

Further details of project management arrangements are described the Project Initiation Document.

6.2 Outline Project Timetable

| Milestone Activity | |
|------------------------------------------------|---------------------------|
| Consideration of Full Business Case by Council | August 2017 |
| Works Tendered | September - December 2017 |
| Tenders Returned and EMFF Grant Determined | January – March 2018 |
| Contractor Appointed | Spring 2018 |
| Work Carried Out | from Summer 2018 |

6.3 Use of special advisers

Special Advisers

| Specialist Area | Adviser |
|-----------------------|--------------------------------------------------------|
| Financial | Finance Services |
| Technical | Estate Operations + External |
| Procurement and legal | Capital Programme Service and Governance & Law Service |
| Business assurance | Ports & Harbours Operations |
| Other | Fishmarket users and Key Stakeholders |

Experienced design consultants have now been appointed to help ensure delivery of a successful building for now and the future. They have extensive relevant experience with this type of building that will help ensure that it will meet all legislation and modern procedures.

6.4 Arrangements for change and contract management

The strategy, framework and plan for dealing with change and associated contract management will follow normal Council contract standards.

6.5 Arrangements for benefits realisation

Completion of the project will be managed by the Project Team reporting progress periodically to the Project Board who will update the relevant Council Services and Committees at least quarterly.

The main benefits that this project will deliver are set out in the table below along with targets and dates.

Following completion and commissioning initial performance of the new arrangements will be monitored by Ports & Harbours Operations through consultation and joint activity with operational management staff and key market users.

The results of this monitoring will be reported to relevant stakeholders quarterly as part of performance reporting activity.

| Description | Measurement | Target | Date | Cost |
|------------------------------------------------------------|--------------------------------|---------------------|------|---------|
| Price premium due to quality preservation and value adding | Price for fish landed | 2.5% increase | 2020 | £0 |
| Landing levels at least maintained at current levels | Fish landed | At least as current | 2020 | £0 |
| Ability to accommodate all vessels wishing to land | Vessels Turned away | 0 | 2020 | £0 |
| Reduction in electricity costs | Electricity costs paid | -32% | 2020 | -£5,000 |
| Reduction in maintenance costs | Maintenance costs paid | -10% | 2020 | -£2,000 |
| Value adding grading services accommodated | Level of fish graded pre-sale | 10% | 2020 | £0 |
| Recognition of quality enhancement | Quality accreditation achieved | 1 | 2021 | £10,000 |

6.7 Arrangements for risk management

Further details of risk management arrangements are described the Project Initiation Document.

6.8 Arrangements for post implementation review and post project evaluation

The outline arrangements for post implementation review (PIR) and project evaluation review (PER) have been established in accordance with standard Prince 2 practice.

6.9 Gateway review arrangements

All gateway reviews will be conducted using the agreed standards and format as set out in Shetland Islands Council - Gateway Process for the Management of Capital Projects - June 2016

6.10 Contingency plans

In the event that this project fails, the following arrangements will have to be put in place for continued delivery of the required services and outputs

While the detailed nature of contingency arrangements would depend on the particulars of why the project had stalled / failed, options include;

- Ongoing rolling repairs and ad-hoc actions to continue operation of the existing market.
- Provision of an extended temporary chill facility
- Liaison with LPA about accelerating their new build project and / or the possibility of obtaining use of their old facility
- Investigation of support for trans-shipment of catches to mainland Scotland markets or support for boats to land catches out with Shetland.

All of these options would be likely to involve additional costs and disruption to the local whitefish catching sector and associated businesses.

| |
|------------------------------------------------------|
| <i>Signed:</i> |
| <i>Date:</i> |
| <i>Executive Manager Ports & Harbours</i> |



| | |
|------------------------------------------------------|-----------------------------------------|
| Scalloway Fishmarket – Rebuild and Extend | Project Initiation Documentation |
|------------------------------------------------------|-----------------------------------------|

| | |
|------------------|-----------------------------------------|
| Version 3 | update 26th July 2017 |
|------------------|-----------------------------------------|

1 Purpose of Project Initiation Documentation

The purpose of this Project Initiation Documentation is to define the Scalloway Fishmarket rebuild and extension project and provide a basis for its sound management and successful completion.

The Project Initiation Documentation gives the direction and scope of the project at its outset and provides an agreed foundation to refer back to as the project develops through its stages.

2 Project Definition

Background

A business case evaluation exercise is being undertaken to help the Council to decide whether to continue to maintain, remove, replace or rebuild the Scalloway Fishmarket.

Following cost benefit analysis including risk assessment, and taking into account sensitivity testing, the preferred option to rebuild and extend the Scalloway Fishmarket to a high quality, modern standard on the existing site was agreed by Council.

Project objectives and desired outcomes

The project is expected to plan and deliver a rebuild Scalloway Fishmarket by the end of 2018 / during 2019 with temporary chilling arrangements for any periods while no Fishmarket is available.

Project scope and exclusions

Within Scope:

- Confirmation of procurement strategy
- Tender and appointment of design team
- Tender and selection of temporary chilling facility

Appendix 1

- Transitional operations plan
- Tender and selection of main contractor
- Project supervision and management
- Operational planning
- Training
- Hand over to operations
- Maintenance planning
- EMFF Grant Management
- Benefits realisation planning

Out with Scope:

- Day to day operations of current market
- Day to day transitional operations
- Day to day operations of the rebuilt market

To be confirmed:

-
-
-

Constraints and assumptions

- EMFF Grant Application for 50% funding

The user(s) and any other known interested parties:

- Scalloway Fishmarket is owned by Shetland Islands Council.
- It is operated by the Ports & Harbours service as part of their Harbour management duties.
- The Councils Harbour Board have an oversight role relating to Harbour activity and developments
- The Fishmarket is used by the Shetland Fishing fleet for the landing and sale of white fish.
- Shetland Seafood Auctions operate fish sales and a range of other businesses participate in that also, LHD, Fish Buyers, Transport operators, LHD etc.
- Scalloway community have an active interest in the operation of the Fishmarket
- There are for Council staff members who work full time at Scalloway Harbour and perform various duties around the Fishmarket.

Interfaces and Related Projects

The project will be informed by the projects;

- Lerwick Port Authority New Fishmarket

3 Project Approach

This project will produce a range of products including;

- A Project structure that identifies the necessary skills, expertise and experience to effectively conduct the project and any actions necessary to achieve that.
- A requirements specification setting out the fundamental technical characteristics and constraints from a rebuilt Fishmarket.
- A procurement exercise or exercises to select and appoint the design team, construction company and temporary chill provides including acceptance plans and implementation plans.
- A temporary chill and a plan for its use and any other transitional arrangements
- A rebuilt and extended Fishmarket.
- An updated operational plan for its use.
- New maintenance plans.
- Training plans for staff.

Further work will be done to break each of these down into further constituent parts to plan and manage the development and quality assurance of each.

Throughout the project “5 Case Business Planning” and “Prince 2” best practice will be implemented.

4 Business Case

A business case evaluation exercise is ongoing to help the Council to decide whether to continue to maintain, remove, replace or rebuild the Scalloway Fishmarket.

Following cost benefit analysis including risk assessment, and taking into account sensitivity testing, the preferred option recommended in the “Outline Business Case” was to rebuild and extend the Scalloway Fishmarket to a high quality, modern standard on the existing site.

This preferred option was endorsed by the Councils Asset Investment Group for “Gateway 2 – Preferred Option” approval and was agreed in the Council’s October meeting cycle.

Work is now being undertaken on the “Full Business Case” for this project which will seek endorsement from the AIG for “Gateway 2/3 – Ready to Tender” and subsequent consideration of the final procurement proposal in the first business meeting cycle following the Council elections.

5 Project Management Structure

| | Role | Appointee |
|---------------|-------------------------|----------------------------------|
| Project Board | Chair (SRO / Executive) | John Smith, Ports & Harbours |
| | | |
| | Project Manager | Michael Leftwich, Estate Service |
| | Operator Assurance | Andrew Inkster, Port Engineering |

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| | | |
|--------------|------------------------------------|--------------------------------------------------|
| | User Assurance | Alice Mathewson, SSQC |
| | Technical Assurance | Andy Sandison, Arch Henderson |
| | Business Assurance | Robert Sinclair, Capital Projects |
| | Business Assurance | Jonathan Belford, Finance |
| Project Team | Project Manager | Michael Leftwich, Estate Service |
| | Business Support | Rhona Tait, Estate Services |
| | Ports & Harbours Engineering | Andrew Inkster |
| | Ports & Harbours Scalloway Harbour | Ross McLennan, Stephen Simmonds, Brian Morrison |
| | Market Users | Fishermen, Buyers, SSA, LHD, Transport Operators |
| | Finance | Brenda Robb / Kara Collins |
| | Capital Programme | Robert Sinclair / John Williamson / Kenn Allan |
| | Legal | TBA |
| | Procurement | Colin Black / Lauri McLeod |
| | External Technical Advisor | Andy Sandison & John Manson, Arch Henderson |

Project reporting structure

Completion of the project will be managed by the Project Team reporting progress periodically to the project board who will update the relevant Council services and committees at least quarterly.

Following completion and commissioning initial performance of the new arrangements will be monitored by Ports & Harbours through consultation and joint activity with operational management staff and key market users.

The results of this monitoring will be reported to relevant stakeholders quarterly as part of performance reporting activity.

Use of special advisers

| Specialist Area | Adviser |
|-----------------------|------------------------------------------------------------------|
| Financial | Council Finance |
| Technical | Council Building Services + Arch Henderson + Specialist External |
| Procurement and legal | Council Procurement & Legal |
| Business assurance | Ports & Harbours Business Support |
| Other | Fish Market users and Key Stakeholders |

Design consultants would be an asset to help towards a successful building for now and the future. They would have experience with this type of building that would ensure that it would meet all legislation and modern procedures.

Arrangements for change and contract management

The strategy, framework and plan for dealing with change and associated contract management will follow normal Council contract standards.

Arrangements for benefits realisation

Completion of the project will be managed by the Project Team reporting progress periodically to the project board who will update the relevant Council services and committees at least quarterly.

Following completion and commissioning initial performance of the new arrangements will be monitored by Ports & Harbours through consultation and joint activity with operational management staff and key market users.

The results of this monitoring will be reported to relevant stakeholders quarterly as part of performance reporting activity.

Arrangements for risk and Issue management

Risks and Issues are identified by Project Board and Project team members.

The Project Manager is responsible for recording these and keeping Project Board and Project Team members apprised.

Mitigation is planned, implemented and recorded on the Risk and Issue Registers which will be standing items on every Project Board meeting.

Arrangements for post implementation review and post project evaluation

The outline arrangements for post implementation review (PIR) and project evaluation review (PER) have been established in accordance with standard Prince 2 practice.

Completion of the project will be managed by the Project Team reporting progress periodically to the project board who will update the relevant Council services and committees at least quarterly.

Following completion and commissioning initial performance of the new arrangements will be monitored by Ports & Harbours through consultation and joint activity with operational management staff and key market users.

The results of this monitoring will be reported to relevant stakeholders quarterly as part of performance reporting activity.

6 Role Descriptions

Project Board

The time that the Project Board can allocate to an individual project is normally limited. The Project Board role should be management by exception, which means that it sets relevant tolerances for the Project Manager to work within, and is regularly, informed of

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progress against plans and any potential problems that may affect the capability of the project to deliver what is expected.

Project Board members should ideally be individuals who can stay with the project throughout its complete lifecycle. In terms of meetings, the emphasis should be on quality rather than frequency.

The Project Board should represent three key areas of interest in any project, an overall business perspective, a “user” perspective and a “supplier” perspective.

Project Executive or Senior Responsible Officer (Project Board Chair)

Project Executive or Senior Responsible Officer (SRO) is the individual responsible and accountable for ensuring the project remains focused on achieving its business objectives and that the anticipated benefits can be achieved.

The SRO owns the Business Case and funding for the project.

The SRO must be prepared to take decisions, be proactive in providing leadership and direction throughout the project and ensure that the project is technically and financially viable and compliant with the organisation’s corporate standards and strategic business plans.

The SRO is responsible for approvals and decisions that affect project progress and delivery. The SRO takes executive responsibility for decisions relating to the project and will chair the Project Board.

The other members of the Project Board are available as advisors to the Project Executive, but it is ultimately the Project Executive who is responsible for decision making relating to the project under authority delegated to them via their job description, Council scheme of delegation, delegation included within a Strategy, Directorate Plan or Service Plan or specific decision of Committee or Council.

Expert opinion will be sought by the SRO as required.

For this Project the Project Executive will be the Executive Manager Ports & Harbours.

User Assurance

Senior users represent the end users of the project’s outputs or services by promoting their concerns and interests. This role also represents those who have an interest in the project and whose activities will be affected by the project.

In this project the “users” are Market users representatives who require the services of the Fishmarket to deliver safe and effective storage, grading, sales and logistics operations.

Operator Assurance

Senior operators represent those who will utilise and operate the projects outputs or services day to day to deliver the business services they were intended to provide.

In this project the “Operators” are ports & Harbours operational management.

Technical Assurance

The Technical Advisor will be expected to provide an independent view of how the project is progressing and that a suitable solution is being planned and delivered throughout all stages of the project into implementation and operations.

In this project it is anticipated that a Technical Advisor will be an external appointment.

Business Assurance

The Business Assurance Advisor(s) will be expected to consider the objectives and plans of the project in relation to their overall fit with Council strategic objectives, policy and procedures throughout all stages of the project into implementation and operations.

In this project the Business Advisors will be senior representatives of relevant Corporate support services.

7 Quality Management

Quality within the project will be managed through the development of appropriate quality tests for each important part of the key and periodically confirming that these quality standards are being met.

Further detailed work will confirm QA responsibilities. Initial quality Assurance assignments are set out below:-

| Product | QA arrangements |
|-------------------------------------|------------------------------------------------------------------------|
| Requirements Specification | Prepared by AH, QA by ML & Capital Programme, Signoff by Project Board |
| Procurement Strategy | Prepared by AH, QA by ML & Procurement, Signoff by Project Board |
| Acceptance and Performance Criteria | Prepared by AH, QA by ML, Signoff by Project Board |
| Safe Operational Plans | Prepared by P&H, QA by TBA, Signoff by Harbour Board |
| Maintenance Plans | Prepared by ML, QA by P&H, Signoff by Project Board |
| Training Plans | Prepared by ML, QA by P&H, Signoff by Project Board |
| | |

8 Risk Management

Risk Management Arrangements

The risks are identified by Project Board and Project team members. The Project Manager is responsible for recording the risks and keeping Project Board and Project Team members apprised.

Mitigation is planned, implemented and recorded on the Risk Register which will be a standing item on every Project Board meeting.

Risk Reporting

- The Risk register will be a standing item on every Project Board meeting.
- Project Team members will escalate any risk that is impacting on the project and is out with their sphere of responsibility to the Project Manager.
- The Project Manager will escalate any risk that is impacting on the Project and is out with his sphere of authority to the Project Executive.
- The Project Executive will escalate any risk that is impacting negatively on the Project to Programme Board, CMT or committee as relevant.

Summary Risk Register

| Date | Risk | Mitigation Actions | Status & Next Steps |
|------------|------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------|
| March 2017 | Current Fishmarket fails before replacement is available | Active management of current facility, prompt progress with replacement, prepared for contingency actions. | Nightly call out visits by Scalloway staff and regular review at Project Board |
| March 2017 | Replacement project cannot be done technically | Ensure through professional due diligence during OBC / FBC and technical advice to Project Board from Arch Henderson, P&H, Estates Mgmt & Capital programme that the preferred option is relatively straightforward, affordable and mainstream | Regular review at Project Board |
| March 2017 | Replacement project does not match volume or quality needs over medium / long term | Good industry advice during OBC / FBC production with options for expansion or contraction and periodic quality standards improvement available as part of underlying design. | Regular review at Project Board |
| March 2017 | External funding is not available | Ensure proposal is within funding guidelines and applications are made early enough to meet deadlines | Regular communications with EMFF and regular review at project Board |

9 Issue Management.

Issue Management Arrangements

Issues are identified by Project Board and Project team members. The Project Manager is responsible for recording the issues and keeping Project Board and Project Team members apprised.

Resolution is planned, implemented and recorded on the Issue Register which will be a standing item on every Project Board meeting.

Issue Reporting

- The issue register will be a standing item on every Project Board meeting.
- Project Team members will escalate any risk that is impacting on the project and is out with their sphere of responsibility to the Project Manager.
- The Project Manager will escalate any issue that is impacting on the Project and is out with his sphere of authority to the Project Executive.
- The Project Executive will escalate any issue that is impacting negatively on the Project to Programme Board, CMT or committee as relevant.

Summary Risk Register

| Date | Issue | Resolution | Issue Owner | Review Date |
|------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------|------------------|-----------------|
| March 2017 | Current status of the “preferred option” and direction of further work by Arch Henderson and others on tender package for that option or not. | OBC rerun with updated data set. Preferred option confirmed | John Smith | Closed May 2017 |
| March 2017 | Current status of the “preferred option” and initiation of any planning consents for it. | AH lodged planning application for preferred option | Arch Henderson | July 2017 |
| March 2017 | Temporary decant – status of preferred option – how many options to assess – what level to assess them at? – (full 5 case or BJC?) - how to present that option appraisal (updated OBC, part of FBC or separate reports?) – Who should do that assessment? | BJC produced for temporary decant option by Estates Services | Michael Leftwich | July 2017 |
| March 2017 | Procurement route reasoning requires further explanation – To what level – Who should do that. | AH recommendations contained | Arch Henderson | July 2017 |

| Date | Issue | Resolution | Issue Owner | Review Date |
|------------|---------------------------------------------------------------------|-------------------------------------------------|-------------|-------------|
| | | within FBC | | |
| March 2017 | Qualification of scale, likely hood and impact of EMFF contribution | Continued update of progress to Marine Scotland | John Smith | July 2017 |

10 Communication Management Strategy

In order to successfully deliver this ambitious project it is essential that all key stakeholders are engaged in the process throughout. Good communication is crucial both locally, regionally and nationally to assist in good design and implementation.

A Project Board and a Project Team with experience and expertise in relevant construction and operations has been established. In addition the following groups need to be communication with regularly and clearly:

Staff & Internal Colleagues

- Scalloway Harbour Staff through project team meetings
- Other P & H staff through regular staff briefings
- Relevant Council colleagues via project team, Infrastructure DMT, CMT
- Port partners and external service users
- Technical Working Group
- External regulators & scrutineers
- Lloyds & MCA through periodic audit etc.

Local Businesses

- TBC - Through the relevant community planning groups.

Harbour Board / Policy & Resources Committee / Shetland Islands Council

- Informal Harbour Board briefings.
- Through regular reports on progress to relevant committees and boards.

Stakeholder Engagement Group Structure

| Stakeholder Engagement | Membership | Frequency |
|-------------------------|---------------|-------------------------|
| Harbour Board | 8 SIC members | Quarterly + as required |
| Wider Stakeholder Group | See below | Quarterly + as required |

| | | |
|--|--|--|
| | | |
|--|--|--|

Wider Stakeholder Group Membership

- **Council Ports and Harbours**
 - P&H Management Team
 - Scalloway Small Ports Officers
- **Council Economic Development**
 - Neil Grant – Development Services Director
 - Douglas Irvine – Development Services Executive Manager
 - Sheila Keith – Development Officer
- **Council Planning Services**
 - Dale Hunter – Planning Officer
- **Council Environmental Services**
 - Patti Dinsdale – Environmental Health Officer
 - Dawn Manson – Environmental Health Officer
- **Council Building Services**
 - Carl Symonds
 - Michael Leftwich
 - Rhona Tait
- **Lerwick Port Authority**
 - Sandra Laurensen
 - Victor Sandison
 - Callum Grains
- **Other Interested Parties**
 - Martin Leyland – Shetland Seafood Auctions
 - Simon Collins – Shetland Fisherman’s Association
 - Brian Isbister – Shetland Fish Producers Organisation
 - Gary Spence – LHD Ltd
 - Hamish Balfour – Shetland Transport
 - David Goodlad – Net Services Shetland
 - Neville Martin – SHEAP
- **Fish Buyers**
 - Karl Simpson – Simpson and Ward
 - Gordon Johnson – QA Fish
 - Laurence Williamson – L Williamson Ltd
 - James John Shearer – Blydoit Fish
 - Earl Anderson

11 Project Plans and other relevant documentation.

- Business Case

Appendix 1

- Project Timeline
- Project Drawings
- Project Costings
- Risk Register
- Issues Register

Ends.....



Scalloway Fishmarket Outline Business Case

This Outline Business Case has been prepared (and updated) to determine the best value option for the future of the Scalloway Fishmarket.

It has been developed using the agreed standards and format for Business Cases, as defined in "Shetland Islands Council - Gateway Process for the Management of Capital Projects – June 2016". This will mean best value has been demonstrated between the options, and that decisions can be taken on a well-informed basis.

Best value is not simply about financial factors. In order to achieve the outcomes to which the Council aspires, there is a need to consider other direct and indirect benefits. The Five Case Model understands and supports that.

The key areas which must be evaluated in the Five Case Model are;

- the **strategic case**. This sets out background, and explains the reasons why it is appropriate to consider change at this time. Part of that is understanding and documenting the investment objectives for the area under consideration.
- the **economic case**. This demonstrates that the Council has properly evaluated and selected the most economically advantageous option, the one which optimises value for money. This evaluation has to take into account both the Council's direct costs and benefits, and wider community costs and benefits.
- the **commercial case**. This sets out the content of the service required; and whether we can find a supplier or partner who can deliver the option the Council wants.
- the **financial case**. This describes the funding arrangements for the preferred way forward and confirms the affordability of that for the Council.
- the **management case**. This examines what the Council will have to do to deliver the preferred option and confirms how that will be managed.



1 The Strategic Case

A project was initiated in 2015 to review the Council's options for the future of Scalloway Harbour. That project considered a wide range of possibilities and concluded that determining what should be done with Scalloway Fishmarket was the most important matter to resolve.

A Scalloway Fishmarket "Option Appraisal" study was initiated in March 2016 to consider options and prepare an Outline Business Case to select and support the preferred option. Progress on that study was reported to the Council's Harbour Board in June 2016 – Appendix 1a – Interim Option Appraisal.

1.1 Objective

The Council is committed to being a properly led and well-managed organisation making sure resources are used in the most effective way possible.

The primary objective of this Outline Business Case is:

"to ensure that the best value option for the future of Scalloway Fishmarket, or alternative arrangements, is identified taking into account value for money and wider economic issues and benefits"

The context within which the Council needs to consider this business area is framed by the competing and challenging factors that exist for the Council and all local authorities at this time. It is important that all Council decisions taken are based on evidence and supported by effective assessments of options, costs, benefits and issues.

1.2 Background and Strategic Context

Scalloway Harbour and Scalloway Fishmarket is owned by the Council and operated by its Ports & Harbours Service.

The Council understands that the provision and operation of harbours or fish markets are not statutory obligations. Where the Council chooses to deliver discretionary services like this it must take particular care to demonstrate those services meet important needs, address market failure and/or deliver benefits to the Council and/or the community that justify the level of investment or funding required.

Widespread understanding and agreement exists that fisheries is a key sector in the Shetland economy. There is also agreement that to support and sustain that, fishing boats need to be able to land, store and sell their catches in good



condition and in a way that meets customer demands. Further details of the impact of Shetland Fisheries can be found in Appendix 1b.

This Outline Business Case is focused on the specific question of whether and how a fish market at Scalloway makes a contribution to sustaining and maximising benefits to the Council and the wider community from that sector, balanced against the cost of how that is done.

1.3 Links to Policy and Priorities

The following sections outline how the Scalloway Fishmarket service links to policy and priorities including the Council's, Corporate Plan, Economic Development Policy and Community Plan, through to sectoral Strategies and Scottish Government and National Strategy.

Council's Corporate Plan - "Our Plan"

"Our Plan" recognises that Shetland's future prosperity is dependent on maintaining a sustainable economy. Whilst Shetland is currently in a strong position in terms of employment, earnings, output and growing population, this is likely to be affected in future as the energy industry boom passes and the public sector continues to contract.

Shetland is a group of islands and "Our Plan" identifies transport links to and from, and within, the islands as our lifeblood. Shetland's ports and harbours are the conduit for much of that activity. People, products, goods and supplies go in and out of Shetland and move around the islands by sea. If we do not have the right ports & harbours infrastructure and services in place that cannot happen and new business opportunities and wealth creation cannot take place.

If we are to enjoy a strong economy with well-paid jobs, we have to make sure that we have the port infrastructure and services required to support key business sectors, especially those depending on the utilisation of local resources, meet individual and business needs and deliver economic growth.

The following Economy & Housing objectives are also detailed in the Corporate Plan:

"We have an economy that promotes enterprise and is based on making full use of local resources, skills and a desire to investigate new commercial ideas."

"We will be investing development funds wisely to produce the maximum benefit for Shetland's economy."

Council Economic Development Policy



Fish marketing supports the following objective within the current Economic Policy Statement:

“Develop the economic health of local communities and a more diverse business base, through encouraging innovation and sustainable growth”.

Community Plan

The Community Plan aims to structure how the Shetland Partnership members will work together for the benefit of Shetland. The Council is an important member of the Shetland Partnership which recognises the link between economic success and strong communities.

The Community Plan incorporates the Local Outcome Improvement Plan (LOIP), which was endorsed by the Shetland Partnership Board in March 2016 and will now be considered for approval by the partner agencies. The Plan details how partners will achieve over and above what each partner could achieve as individual organisations. The most relevant outcomes within the LOIP are:

“D2: Make the best use of existing assets, infrastructure and human capital for sustainable socio-economic development”

“D3: Supporting the development of a digital, diverse and innovative business base.”

National Strategy and Outcomes

In supporting economic growth the Council is contributing to National objectives as outlined in Scotland’s Economic Strategy published by the Scottish Government in 2015. The overarching objective is:

“to focus government and public services on creating a more successful country, with opportunities for all of Scotland to flourish, through increasing sustainable economic growth.”

Scotland’s Economic Strategy outlines four priority areas – investment, innovation, inclusive growth and internationalisation. Within the ‘investment’ priority, the ‘business investment’ strategy is to encourage business growth and competitiveness and targeting assistance in areas where the market fails to step in.

Shetland’s economic performance also forms part of the overall economic performance of Scotland. The National Performance Framework details a



range of socio-economic indicators and outcomes against which economic performance is measured.

Whilst not a major consideration for the Council, economic benefits derived from supporting successful local businesses extend to other UK businesses who supply or receive goods/services from Shetland. Shetland businesses also contribute to UK targets (GDP, jobs, exports etc).

Scottish Government strategic framework for the Scottish sea fishing industry, states at the heart of the strategic agenda must be the sustainability of fish stocks. Supporting that central objective, further themes are identified as providing the means by which sustainability of the fish stocks, the marine environment supporting those stocks, and the fishing industry itself might best be achieved.

These are as follows:

- Support for fishing communities
- An economically competitive industry
- A focus on quality
- An inclusive approach to fisheries management.

Under the focus on quality, aims include to encourage and give priority in financial support to initiatives to add value to fish products landed in Scotland.

Marine Scotland European Maritime & Fisheries Fund ("EMFF") Guidance concerning projects in line with strategic priorities and eligible for grant funding, includes investments in fishing ports, landing sites, auction halls and shelters. For the purpose of increasing the quality, control and traceability of the products landed, increasing energy efficiency, contributing to environmental protection and improving safety and working conditions, the EMFF may support investments in improving infrastructure of existing auction halls.

Local Sectoral Strategies

The relevant local sectoral guidance is the "Strategy for Shetland Seafood". It includes several priorities relevant to this project including:-

Business development, in order to develop viable businesses, assistance will be targeted towards commercially viable projects which contain elements of: innovation; market driven business expansion; diversification of product, process or market; fishing fleet improvements; new technologies or new production methods.



In order for Shetland's seafood producing companies to achieve greater success there is a need for a range of successful on-shore support services, e.g. marine engineering and port facilities, etc. Investment in these areas, and other fisheries infrastructure, will provide collective benefit to the whole seafood industry.

Promote best practice, sharing information on best practice and providing evidence of the benefits achieved will create incentives to increasingly pursue higher standards in all areas of seafood development. Where best practice schemes already exist, businesses should be encouraged to participate i.e. Responsible Fishing Scheme, Code of Good Practice for Scottish Finfish Aquaculture, etc.

Quality; In a highly competitive global market place improvements in product consistency and reliability through improved quality control and monitoring can enhance a product's attractiveness.

Quality improvements should be encouraged at all stages in a product life cycle e.g. new catching methods; vessel improvements; better handling of farmed species; hygiene and food safety upgrades; improving the conditions in which products are harvested, landed, processed, stored and auctioned.

Efficient and effective operational techniques, research and investment into new techniques can be targeted to secure improvements to operational efficiency and energy use within the industry that can help to mitigate the high costs of production in Shetland. This can lead to improved productivity and therefore profitability.

Modernisation of equipment and facilities investment is crucial to the growth and development of an industry. In a global market place remaining competitive requires being up-to-date. For example, technological advancements, non-statutory health and hygiene improvement, increasing environmental responsibilities etc. require ongoing investment in equipment and facilities.

1.4 Background on Shetland Whitefish fishmarkets –

Both Scalloway and Lerwick have longstanding involvement in Shetland fisheries and by the 20th century had become the focus for whitefish landings, sales and processing. Over the decades fish storage and sales facilities have developed as the demands of the industry has grown. Cover facilities were built, and then fitted with doors and eventually chill facilities.

As individual merchants' sheds were no longer able to provide the scale and quality of services required, the port owners became the owners and providers



of the then modern facilities built in the 1980s. The use of these facilities was paid for through a levy on fish landings at the port.

Port ownership of fish markets remains the common operational model in Scotland.

1.5 Background on Service Demand – Historic, Current and Projected Whitefish Landings

Historic and Current Whitefish Landings

Demersal (whitefish) landings are the mainstay of the fisheries activity at Scalloway, accounting for around 95% of all annual landings. The Council receives 2.5% of sale prices for fish landed at Council owned and operated ports as landing fees.

There has been long-term growth in terms of the volume, quality and value of fish landed both in Shetland and at Scalloway Fishmarket. Volumes and value of fish landed in Shetland as a whole has more than doubled since 2003/4 to 2014/15.

Between 2010 and 2014, total fish landings at Scalloway Fishmarket have risen by 1,814 tonnes (60%) from 3,030 tonnes to 4,844 tonnes. The annual value of this fish has risen by £3.3m from £4.8m in 2011/12 to £8.8m in 2015/16. The value of landings for 2016/17 is projected to show further growth, and be in the order of £11m from the full financial year.

The number of boxes landed into Shetland including Scalloway has increased significantly, as have both the average sizes of daily landings and peak box landing numbers. Between 2003 and 2006 Scalloway Fishmarket had only one market day per year exceeding 1,000 boxes and there were no days where more than 2,000 boxes were landed in Shetland overall.

The total number of boxes landed into Scalloway has risen year on year, from 13,619 in 2004, to 96,652 in 2015, an increase of 610%. Total whitefish box landings for 2016 increased to almost 150,000 at Scalloway, an increase of some 50% on 2015 and 10 times the volume 15 years ago.

This is also reflected in the proportionate share of overall Shetland box landings being made into Scalloway and associated Council ports, which has risen from a low of 10% in 2004 to 40% for 2016.

In 2014 there were 24 days where over 1,000 boxes were landed at Scalloway, including one day with over 2,000 boxes and in 2015 there were 21 days. Daily



peaks throughout 2016 were both higher (the largest daily landing was 2,225 boxes) and more frequent (there were 47 days with over 1,000 boxes and 16 days above 1,400 boxes).

It should also be noted that the increase in landing figures to the market may still not reflect the true level of demand for Scalloway as a landing port, as vessels are sometimes turned away, due to a lack of capacity. Therefore actual demand at peak times may well be higher than indicated by these figures.

Scalloway and Lerwick Fishmarkets operate in a complimentary manner offering landing sites on the west and east side of the Islands. Increased landings into both Lerwick and Scalloway underline their continued and growing strategic importance to the Scottish fishing industry. Initiatives such as the Electronic Auction and Shetland Whitefish Improvement Scheme have helped to push these advances forward.

A review of quality policies and procedures was jointly undertaken for both Lerwick and Scalloway Fishmarkets last year, including the development of a service framework for a complete quality control system. This quality control system is being further developed within a second phase project, which is currently being undertaken. Both these projects have been jointly funded by Seafish Scotland and local industry.

However, in order to retain and improve on these advances and keep pace with customer requirements and consumer demands, modern and enlarged fish market facilities are required at both these ports.

Plans for a new fish market in Lerwick are at an advanced stage, and this facility has been designed assuming that a complimentary facility will continue to be in operation in Scalloway.

Projected Whitefish Landings and future Customer Requirements

Whitefish catches and landings are subject to fluctuation over time in terms of both volume and price. Forward projections are very difficult as there are many variables. Various landing volume scenarios can be generated depending on assumptions applied to factors external to any choice about fish market arrangements such as; fish stocks, quotas and licensing, the size and structure of the fishing fleet, and consumer markets and demands for fish. Different combinations of how these factors develop will influence the eventual validity of choice of projection.

Industry advisors suggest that given current and projected stock and quota levels, the size and capability of the local fleet and their investment plans and the level of catch being taken from adjacent waters by boats not currently



landing at Scalloway then future landing levels would be more likely to grow than reduce.

Brexit is also a very uncertain factor in how fishing arrangements around Scotland and Shetland may develop over the coming years. The consensus of professional opinion is that succeeding arrangements should create more opportunities than risks, therefore landing levels would be more likely to be higher than lower.

It is also difficult to estimate the internally generated impact on Scalloway and/or Shetland landing volumes that a better Scalloway Fishmarket (more space/more modern), a degrading Scalloway Fishmarket (congested space/being left behind by modern quality demands) or no Scalloway Fishmarket (fish landed at other ports/transhipped to Lerwick or transhipped out of Shetland) would make. The tendency of each of these alternatives to generally increase or reduce landing volumes and values can however be identified. A modern high quality facility with increased capacity should tend to attract higher volumes than otherwise.

Previously quantitative cost/benefit calculations have used 2015 volumes and values as a baseline. However, 2017 quota allocations and professional advice suggest that projected landings are expected to be in line with 2016 if not higher. Therefore, updated calculations have used 2016 volumes (150,000 boxes) and values (£11.6m) as their baseline.

The trend of long-term whitefish volume and value growth is paralleled by increasing quality premiums and obligations. The whitefish industry is now entering a phase similar to that already seen in the aquaculture industry, where customer demands are leading to greater requirements for quality assurance and independent verification. This means that both the current market, and any new developments in Scalloway, will have to keep pace with change in order to both satisfy increased quality assurance demands and remain competitive.

For the purposes of the quantitative cost/benefit calculations in this Full Business Case, fish prices have been assumed to increase by 2.5% due to a price improvement premium enabled by enhanced fish handling facilities.

1.6 Background on current service provision - the existing Scalloway Fishmarket

The current Fishmarket was built in 1984 as part of the Blacksness pier development which also provided safe and sheltered berthing for the local fleet, an extension was added in the early 1990s. The Fishmarket is a portal frame



structure with concrete slab floors. Walls are block and dash rendered to the ground floor with profile sheeting at first floor level.

The roof has profile sheeting and the building is double-glazed throughout. Sectional doors are situated along the east and west elevation with solid timber doors for pedestrian access and egress. The ground floor provides storage of just below 600m² and the first floor provides storage of 450m² and also has offices.

The current Scalloway Fishmarket can cope reasonably satisfactorily with the storage, grading, presentation and shipping of up to about 1,000 boxes of mixed whitefish. That storage efficiency is also affected by the number of boats landing and the nature of their catch on any given day. Each boat's catch needs to be managed individually and each species of fish graded and presented separately. Therefore, more boats with mixed catches need more space.

On a typical landing day in recent years there are likely to be up to 50+ species/grade combinations sold which can be multiplied by three to seven boats. Beyond 1,000 boxes, facilities become increasingly strained and box stacking levels, grading operations and general movement becomes more and more problematic. At times grading and movement operations having to be conducted outside the doors of the market and therefore outside controlled conditions.

The fabric of Scalloway Fishmarket is now aged and reaching the end of its serviceable life without significant work. Its facilities are unlikely to be up to the standards required in future years for the increasingly demanding requirements of any food handling and distribution business.

The Fishmarket is currently running with various defects to the building. The roof has surpassed its economic life and has water ingress at the south end of the building. Some of the window frames have failed with water ingress to some of the units.

With increased landings, the floor space does not always allow walkways, with building users having to walk over fishboxes at times. This congestion and changes in industry processes have meant that the space is often very constrained which has contributed to damage being caused by logistic operations suffering collisions with doors and walls.

The electrics throughout the building will need to be replaced shortly; a building electrical test was carried out and reported a list of emergency and urgent faults. The electrics have had the emergency faults addressed, but the urgent faults are still to be rectified.



The building has various gaps and fire breaches throughout contributing to cold air leakage. These gaps should be sealed in walls, ceilings and doors for air leakage and to help prevent the spread of fire.

Bays are currently washed down with a hose and all waste transfers to the sea. Current practices means there should be a drain inside the property that leads to a separator tank before being drained away.

General security needs to be improved; the current operation allows un-supervised access to the building. A CCTV system is being installed, but further management of access to the property should be provided to better control access and egress.

1.7 Investment objectives

The justification for any spending by the Council on non-statutory services such as a fishmarket at Scalloway must demonstrate how that spending provides value for that cost. For Scalloway Fishmarket that means contributing to sustaining and maximising benefits to the Council and Shetland from the Shetland Fisheries sector balanced against the cost of how that is done.

Investment objectives that allow that to be tested for this Outline Business Case were established through reference to the overall objective for this Outline Business Case;

“to ensure that the best value option for the future of Scalloway Fishmarket, or alternative arrangements, is identified taking into account value for money and wider economic issues and benefits”

Extensive consultation was then undertaken with stakeholders, examination of Council and sectoral strategic plans, and the application of the principles of best value to translate that overall objective into;

- Support businesses (existing and/or emerging and/or new) to be more competitive by helping improve quality, improve access to new product lines or markets, take opportunity of increased volumes etc. (economy).
- All services and facilities the Council provides must be of good quality and resilience. i.e. fit for purpose, meet reasonable customer expectations, can cope with changes to legislation etc. (effectiveness).
- Any investment of public money must be done as efficiently as possible in value for money terms, whole life costs and impacts etc. (efficiency).



Further discussion of investment objectives and critical success factors is set out in the Scalloway Harbour Strategic Outline Case.

1.8 Main benefits

If investment in a non-statutory service like Scalloway Fishmarket is to be demonstrated to deliver best value then the benefits of that investment need to be identified and quantified. Non-quantifiable benefits also need to be identified so they can be considered when comparing options.

The table below sets out main benefits against the investment objectives identified.

| Investment objectives | Main benefits criteria |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Investment objective 1 (economy) - supports businesses (existing and/or emerging and/or new) to be more competitive by helping improve quality, improve access to new product lines or markets, take opportunity of increased volumes etc. | Cash releasing (£s) <i>Better prices for improved quality of product</i> <i>Able to cope with bigger volumes more quickly</i> Non cash releasing (£s) <i>Improved fish handling systems</i> Qualitative <i>Better staff welfare facilities</i> |
| Investment objective 2 (effectiveness) - services the Council provides must be of good quality and resilience. i.e. fit for purpose, meet reasonable customer expectations, can cope with changes to legislation etc. | Cash releasing (£s) <i>Reduced maintenance</i> <i>Reduced need for reactive investment</i> <i>Reduced electricity consumption</i> Non cash releasing (£s) <i>Improved health and safety</i> Qualitative <i>Improved public and community image</i> <i>Able to comply with legislative and quality accreditation criteria.</i> |
| Investment objective 3 – (efficiency) - any investment of public money must be done as efficiently as possible both in initial costs, whole life costs and impacts etc. | Cash releasing (£s) <i>Lower maintenance costs</i> <i>Lower running costs</i> <i>Reduced environmental impact</i> <i>Increased income to Council and primary producer</i> Non cash releasing (£s) <i>Improved management</i> |



1.9 ‘Dis-benefits’

As well as considering benefits from any continued service provision or enhancement, it is important to understand “dis-benefits” from its reduction or removal.

Degraded or removed facilities at Scalloway could lead to reduced fish quality and landings (or a failure to exploit an opportunity for growth) and therefore lose income to both the Council and primary producers. Other dis-benefits could include increased transport costs and double handling, inability to meet quality and legislative requirements and ultimately loss of profitability or employment.

Quantifying the potential scale of these dis-benefits is difficult but a significant factor would undoubtedly be the availability or lack of alternative facilities to provide the same service within Shetland (i.e. at the Lerwick Fishmarket) or whether those services would have to be obtained outside Shetland (boats landing to Scotland or trans-shipping to Scottish markets or buyers).

At this time Lerwick Fishmarket has similar capacity problems as Scalloway, typically has its peak demands at the same time, and cannot accept fish from Scalloway when those peaks occur. The new facility which Lerwick Port Authority are planning will have additional capacity but will also have to cater for more space-demanding fish handling obligations as future quality demands and regulations rise.

1.10 Main risks

The main business and service risks associated with the potential scope for this project are shown below, together with their counter measures.

A risk evaluation of each option is set out below and risk management arrangements for delivery of the preferred option is included in Appendix 6a – Project Initiation Document.

| Risk | Risk Management Actions |
|------------------------------------------------------------|-------------------------------------------------------------------------------------------------------|
| Current fishmarket fails before replacement is available | Active management of current facility, prompt progress with replacement |
| Replacement project cannot be done technically | Ensure preferred option is relatively straightforward, affordable and mainstream |
| Replacement project mis-matches need over medium/long term | Good industry advice with some options for expansion or contraction available. |
| External funding is not available | Ensure proposal is within funding guidelines and applications are made early enough to meet deadlines |



1.11 Constraints and Dependencies

The constraints placed on this project include the current expected lifespan of the existing facility, and time limits for both applying for and accessing EMFF funding.

Marine Scotland have stated that they would be willing to consider a 50% grant bid for the capital elements of a suitably qualifying project which would be very significant in determining whether the internal economic case for the Council shows a positive return.

The closing date for the next round of EMFF was 16th September and an application was submitted for the preferred option – Appendix 2 – EMFF Outline Business Case.

Following his announcement in August, which guaranteed funds for projects signed up until the Autumn Statement, the Chancellor has now extended this guarantee to confirm that the Government will guarantee EU funding for structural and investment fund projects signed after the Autumn Statement and which continue after we have left the EU.

He was clear, while the UK is still a member of the EU, British businesses, farmers and other organisations must be entitled to apply for EU funds.

Funding for projects will be honoured by the Government, if they meet the following conditions:

- they are good value for money
- they are in line with domestic strategic priorities

As a result, British businesses, farmers and other organisations will have additional certainty over future funding and should continue to apply for EU funding while the UK remains a member of the EU.

Each Government department will take responsibility for the allocation of money to projects in line with these conditions and the wider rules on public spending.

Where the devolved administrations sign up to structural and investment fund projects under their current EU budget allocation prior to Brexit, the Government will ensure they are funded to meet these commitments.

The structural and investment subject to HM Treasury's assurances include:

- European Agricultural Fund for Rural Development – CAP Pillar 2



- European Social Fund
- European Maritime and Fisheries Fund
- European Regional Development Fund - including European Territorial Co-operation

The main dependency for Scalloway Fishmarket is the arrangements for the other fishmarket in Shetland, which is at Lerwick. These two facilities currently operate in partnership with Shetland Fish Auctions to store and then sell Shetland's whitefish landings online to local, national and international markets.

The plans for a new fishmarket in Lerwick are at an advanced stage. While this new facility should offer some increase in capacity and a general upgrade in quality control, it has been designed assuming that a complimentary facility will continue to be in operation in Scalloway.



2. The Economic Case

2.1 Introduction

This section documents and evidences that the most economically advantageous option has been selected as the preferred option, which best represents public value to the wider economy.

2.2 Critical success factors

The following critical success factors (CSFs) have been identified in relation to achieving the overall objective for this Outline Business Case and have been used to assess the short-list of options for the future of Scalloway Fishmarket.

- Support businesses (existing and/or emerging and/or new) to be more competitive by helping improve quality, improve access to new product lines or markets, take opportunity of increased volumes etc. (economy).
- All services and facilities the Council provides must be of good quality and resilience, i.e. fit for purpose, meet reasonable customer expectations, can cope with changes to legislation etc. (effectiveness).
- Any investment of public money must be done as efficiently as possible both in initial costs, whole life costs and impacts, etc. (efficiency).

A long-list of options for Scalloway Harbour was developed from workshops held with stakeholders and reported to the Council in February 2016.

That review considered a wide range of possibilities and concluded that determining what should be done with Scalloway Fishmarket was the most important matter to resolve.

2.3 The short- list from the Strategic Outline Case.

- **Option 1** - Demolish the Scalloway Fishmarket and tranship fish to other markets
- **Option 2** - Replace the Scalloway Fishmarket with a new build on an adjacent but existing site.
- **Option 3** - Build a new West Quay and a new fishmarket on that site
- **Option 4** - Redevelop and extend the Scalloway Fishmarket on the existing site

This list was re-visited in the original Outline Business Case.

For completeness the second “do minimum” option was added, “1b - Maintain the existing Scalloway Fishmarket through rolling repairs”.



In this updated Outline Business Case, Option 4 – “Redevelop and Extend the Scalloway Fishmarket on the existing site” has been replaced with the Option to “Redevelop the existing Fishmarket site by demolishing the existing Fishmarket and building a new and larger Fishmarket on same site“. Utilising the current structure was found to be technically unfeasible following review work done by Arch Henderson.

This is referred to as the “Redevelop and Extend the Scalloway Fishmarket on the Existing Site”.

Option 2 - - Replace the Scalloway Fishmarket with a new build on an adjacent but existing site has also been removed as it has found to be technically unfeasible following review work done by Arch Henderson. No other alternative existing site could be identified within Scalloway Harbour.

Further details of the Arch Henderson review can be found in the appendix - “Proposed Redevelopment of Scalloway Fish Market Survey of Existing Building Structure – Report & Recommendations”

The new short-list.

- **Option 1** - Maintain the existing fishmarket through rolling repairs
- **Option 2** - Demolish the Scalloway Fishmarket and tranship any fish landed to other markets.
- **Option 3** - Build a new West Quay and a new fishmarket on that site
- **Option 4** - Redevelop and extend the Scalloway Fishmarket on the existing site

Option 1 would seek to continue operation of the current Fishmarket at its current size through a programme of rolling repairs. While the need and costs of periodic building fabric replacement can be reasonably estimated, it is more difficult to price fundamental upgrades of matters such as the chilling system or waste water management facilities. It is also difficult to be clear about what limits might have to be brought in to contain volumes to allow safe, quality controlled operation as restrictions, and obligations continue to grow.

Option 2 would mean the closure of Scalloway Fishmarket and its demolition. It would then become the responsibility of the boat landing fish, or their agents, to arrange onwards transport to some other market for any fish still landed at Scalloway.

Options 3 and 4 have been evaluated on the same design of an expanded fishmarket size and adapted layout, which would offer additional capacity and would have a range of modern facilities designed in.



These options would provide:

- Increased floor capacity to be able to handle increased peak landings on individual days, and carry out logistics, grading and fish management operations safely and efficiently.
- A widened fishmarket to cope with the introduction of palletisation and electric forklifts. The current fishmarket is very narrow which leads to restricted movement of both pallets and forklifts within the building, and this has been highlighted as a safety issue.
- Additional room to house grading machinery. A pilot project of grading fish both pre and post-sale has recently begun at the market, as a quality control and value adding exercise. This appears to be operating well, however it is taking up floor space within the building, which is already very cramped, and a dedicated grading area for this machinery would be required within a modernised facility.
- The introduction of a transport corridor. This has become imperative due to the introduction of palletisation of fish. A transport corridor would allow for the safe and controlled storage for onward movement of palletised fish, in conjunction with covered loading bays.
- Dedicated overnight forklift charging points. Currently there are no specific charging points for forklifts, and this has led to congestion within the building.
- The introduction of covered loading bays. Fish are currently loaded into trucks outside the fishmarket, which can lead to potential temperature control and contamination issues. This is not considered appropriate for a modern fishmarket facility, and has been highlighted as a potential quality and food safety issue. Covered loading bays would solve these issues.
- The upgrading of welfare facilities for fishmarket workers and visitors, including a washing and shower room, tea room, laundry, drying room and changing area. None of these facilities are currently available at the fishmarket.
- The use of a renewable energy source, from photovoltaic roof panels to help power chilling within the fishmarket. This will not only result in reduced environmental impact, but could also reduce the overall electrical running costs of a modernised fishmarket by a third.



Option 4 will require a transitional plan to manage fish landings during the period between the demolition of the existing market and the completion of the redeveloped building.

The options for those transitional arrangements include adapting and utilising an existing building, erecting a temporary building or erecting a permanent building, which could then be utilised for another purpose once the new fishmarket is in place. An indicative cost of £0.5m for this transitional arrangement has been used for cost comparison purposes.

The costs, risks, resourcing and timescale implications of transitional arrangements will be fully appraised, as part of the Full Business Case for Option 4 should that be the preferred option taken forward to that stage.

2.4 Economic appraisal

2.4.1 Introduction

This section provides a detailed overview of the main economic costs and benefits associated with each of the selected options. Importantly, it indicates how they were identified and the main sources and assumptions.

Further information on Costs can be found in appendices 3a, 3b and 4a. Further information on benefits is contained in appendix 4a.

2.4.2 Estimating costs

Capital costs used are in accordance with estimates developed by the Estate Operations service.

Operational costs have been based on the variation of current values supplied by Ports & Harbours Operations and Estate Operations services.

2.4.3 Comparison of Costs for Each Option

The costs for each of the short-listed options have been calculated and shown in Appendix 4a along with a list of assumptions made.

The following is a summary of the total costs for each of the short-listed options:



| | Option 1 | Option 2 | Option 3 | Option 4 |
|---------------------|-----------------|---------------------|------------------------|-------------------------------------------------------|
| Option | Rolling Repairs | Demolish & Tranship | New Build / New Quay | Redevelop Current Site (including temporary facility) |
| Capital Cost | £2m | £0.2m | £15m | £5.6m |
| Annual Revenue Cost | £100k | £3k | £100k reducing to £90k | £100k reducing to £90k |

2.4.4 Estimating benefits

The benefits include the direct benefit to the Council in terms of income and the wider economic benefit to Shetland and beyond.

It is recognised that there are both quantitative and qualitative benefits from the options being considered, as separated below:

2.4.5 Quantifiable Benefits

These are benefits, which can be measured, and take account of all wider benefits to the UK, not just benefits to Shetland or the Council. It is recognised that not all benefits can be expressed in monetary values but as far as possible, a monetary value has been given to benefits in order to enable a comparison between options to be achieved.

The quantifiable monetary benefits that have been identified are as follows:

- Increased income to the Council from the percentage levied on the increased value of whitefish landings once an upgraded market is in place.
- Increased income to fishing boats, Shetland Seafood Auctions and any other directly associated business from increased value of whitefish landings.

The core driver of monetary benefits from any fishmarket activity is the value added (or sustained) due to the use of that facility. The value of whitefish is a product of volume x market price. Under current arrangements harbour dues for whitefish landed at Council ports is 2.5% of value. The remaining 97.5% is shared between the boat, Shetland Fish Auctions and any other direct service providers: agents, lumpers, graders, haulage companies etc.



Monetary benefit value calculations for the options have used the following price, volume and harbour landing dues assumptions.

- Option 1 – No immediate change to level of landing dues. Gradually reduced landing volume and gradually reduced product price. It assumes that a maintenance programme that delivers appropriate service quality will maintain current landing levels and relative price for a period of time but as other markets are modernised and undergo quality improvement both will gradually reduce.
- Option 2 - 50% reduction in landing volume, as some fishing boats choose to land their catches at other ports, no change in price obtained when fish is sold but a 50% reduction in the level of whitefish landing charge levied by the Council due to the reduced service offered.
- Options 3 and 4- No change in landing volume, no change in the level of landing and a 2.5% increase relative to current price achieved through a quality improvement price premium.

2.4.6 Qualitative Benefits

As outlined in the strategic case, the benefits associated with each option are wider than those which can be quantified by income generation; economic growth; job creation; leverage or exports.

Rather than attempting to evaluate these benefits in monetary terms, which may be necessary in some outline business cases, this study assessed these benefits as qualitative only. This was to manage the workload of generating the Outline Business Case and a reflection of the strength of the direct monetary case.

The wider benefits associated with each option were identified during discussions with the stakeholders in order to ascertain a full picture of the future options for the facility, consultation was undertaken with a number of stakeholders and interested parties.

See Appendix 6a – Project Initiation Document for a list of stakeholders consulted.

The benefits identified fell into the following main categories.



| Benefit type | Direct to Council | Indirect to Wider Community / Organisation(s) |
|-----------------------------------|--------------------------------------------------------------------------------------------|-----------------------------------------------------------------------|
| Quantitative (or quantifiable) | Higher volume and/or value generating additional income to Council Potential EMFF grant | Additional income to primary producer and Shetland Seafood Auction |
| Cash releasing | Reduced electricity costs | |
| Non-cash releasing | Ability to comply with quality assurance and legislative requirements | Ability to comply with quality assurance and legislative requirements |
| Qualitative (or non-quantifiable) | Improved welfare facilities Image and reputation | Improved welfare facilities |

2.4.7 Qualitative benefits appraisal

The benefits associated with each option were identified during discussions with the stakeholders in order to ascertain a full picture of the future options for the facility.

The appraisal of the qualitative benefits associated with each option was undertaken by identifying the benefits criteria relating to each of the investment objectives as follows:

- Quality of facility - (direct link to achieving any price premium, being fit for purpose and operational efficiency)
- Location of facility - (direct link to sustaining landing volumes and efficiency of associated logistics)
- Provision of staff/visitor amenities - (linked to fit for purpose)
- Capability to achieve quality accreditation - (direct link to fit for purpose and achieving any price premium)
- Disruption to service - (direct link to sustaining landing volumes and value during any period of disruption)

Allocating a weight to each benefit with reference to the relative importance attached to it by stakeholders.

Scoring each of the short-listed options against the benefit criteria on a scale of 0 to 9, 0 not delivering any benefits to 9 delivering the greatest value of benefits.



This was informed by the analysis by stakeholders of how that option would deliver against that benefit.

Benefits scores were allocated and agreed by discussion to confirm that the scores were fair and reasonable.

The results of the qualitative benefits appraisal are shown in the following table:

| Factor | Weight | Option 1 Rolling Repairs | | Option 2 Demolition | | Option 3 New Quay/ New Build | | Option 4 Redevelop | |
|-----------------------------|------------|--------------------------------|-------|------------------------|-------|------------------------------------|-------|-----------------------|-------|
| | | Score | Total | Score | Total | Score | Total | Score | Total |
| General quality of facility | 30 | 5 | 150 | 0 | 0 | 9 | 270 | 9 | 270 |
| Location of facility | 20 | 9 | 180 | 0 | 0 | 6 | 120 | 9 | 180 |
| Staff/ visitor amenities | 25 | 0 | 0 | 0 | 0 | 9 | 225 | 9 | 225 |
| Quality accreditation | 15 | 3 | 45 | 0 | 0 | 9 | 135 | 9 | 135 |
| Disruption to service | 10 | 9 | 90 | 0 | 0 | 9 | 90 | 7 | 70 |
| Total | 100 | | 465 | | 0 | | 840 | | 880 |

The key considerations that influenced the scores achieved by the various options were as follows:

Option 1 – Rolling Repairs

- This option ranks 3
- It provides a good location with no disruption to service, however the facilities are not of sufficient quality for a modern fishmarket, are unlikely to achieve quality accreditation, and contain no welfare amenities.

Option 2 – Demolition

- This option ranks 4
- This option would result in the complete removal of the facility.

Option 3 – New Build/New Quay

- This option ranks 2
- It provides a good quality facility which would be likely to achieve quality accreditation, and contain adequate welfare amenities. It would not result in



disruption to service due to its location, but is not in as suitable a location as the current fishmarket.

Option 4 – Redevelop Current Site

- This option ranks 1
- It provides a good quality facility which would be likely to achieve quality accreditation, and contain adequate welfare amenities. It will result in some disruption to service during construction which is mitigated by temporary cold storage facilities, however it is the most suitable location for a fishmarket.

Qualitative benefits appraisal conclusions:

- Option 1 – 3
- Option 2 – 4
- Option 3 – 2
- Option 4 – 1

The preferred option from this benefits appraisal is therefore option 4, to redevelop and extend on the existing site.

2.4.8 Net Present Value analysis

The detailed economic appraisals for each option are attached as Appendices 4a and 4b together with detailed descriptions for costs and benefits, and their sources and assumptions.

- Capital costs of each option is taken from the cost estimates for its provision.
- A lifespan of 30 years has been assumed for the facility.
- All NPV calculations have been presented with a +20%, optimistic scenario and a -20% pessimistic scenario as offsets from the realistic baseline.
- Breakeven and 30 year NPVs for all options including Council and wider benefits are evaluated.
- EMFF grant scenarios are presented for relevant options.
- A 3.5% discount rate is used across NPV calculations.

Determination of realistic costs and income for each option.

Within Scenario 1, Council operational costs have been reduced by 10% from year 3 on due to electricity and maintenance savings, a reduction of 2.5% in landings has been assumed during the construction period due to capacity and operational issues (note a temporary chilled facility will be available during this time), and a 2.5% quality improvement price premium has been assumed following completion of the project.



Scenario 2 consists of the same assumptions as Scenario 1, with inclusion of additional income to Lerwick Fish Market during construction, and a 2.5% quality improvement price premium to both the primary producer and the auction company, less the 2.5% already accounted for under Council benefits.

Scenario 3 is as per scenario 1, with the addition of a 50% EMFF grant assumption.

Scenario 4 is as per scenario 2, with the addition of a 50% EMFF grant assumption

| NPV Calculations (monetary values rounded to (£000) positive / £000 negative) | | | |
|--------------------------------------------------------------------------------------|-------------------|------------------|--------------------|
| <u>Option 1 Rolling Repairs</u> | Optimistic | Realistic | Pessimistic |
| Breakeven in Years | | | |
| Scenario 1 No Grant Council Benefits Only | 0 | 0 | >30 |
| Scenario 2 No Grant Inc Wider Costs/Benefits | >30 | >30 | >30 |
| NPV @ 30 Yrs | | | |
| Scenario 1 No Grant Council Benefits Only | (2,663) | (1,198) | 268 |
| Scenario 2 No Grant Inc Wider Costs/Benefits | 6,208 | 11,279 | 16,162 |
| <u>Option 2 Demolition</u> | Optimistic | Realistic | Pessimistic |
| Breakeven in Years | | | |
| Scenario 1 No Grant Council Benefits Only | 1 | 1 | 1 |
| Scenario 2 No Grant Inc Wider Costs/Benefits | >30 | >30 | >30 |
| NPV @ 30 Yrs | | | |
| Scenario 1 No Grant Council Benefits Only | (1,401) | (1,085) | (769) |
| Scenario 2 No Grant Inc Wider Costs/Benefits | 10,316 | 15,629 | 20,835 |



| <u>Option 3 New Quay</u> | Optimistic | Realistic | Pessimistic |
|-----------------------------------------------|-------------------|------------------|--------------------|
| Breakeven in Years | | | |
| Scenario 1 No Grant Council Benefits Only | >30 | >30 | >30 |
| Scenario 2 No Grant Inc Wider Costs/Benefits | >30 | >30 | >30 |
| Scenario 3 50% Grant Council Benefits Only | >30 | >30 | >30 |
| Scenario 4 50% Grant Inc Wider Costs/Benefits | 3 | 3 | >30 |
| NPV @ 30 Yrs | | | |
| Scenario 1 No Grant Council Benefits Only | 6,613 | 12,600 | 19,326 |
| Scenario 2 No Grant Inc Wider Costs/Benefits | 1,323 | 8,192 | 15,800 |
| Scenario 3 50% Grant Council Benefits Only | 809 | 4,500 | 8,559 |
| Scenario 4 50% Grant Inc Wider Costs/Benefits | (4,578) | 10 | 4,968 |
| <u>Option 4 Redevelop and extend</u> | Optimistic | Realistic | Pessimistic |
| Breakeven in Years | | | |
| Scenario 1 No Grant Council Benefits Only | 2 | >30 | >30 |
| Scenario 2 No Grant Inc Wider Costs/Benefits | 0 | 2 | >30 |
| Scenario 3 50% Grant Council Benefits Only | 0 | 2 | >30 |
| Scenario 4 50% Grant Inc Wider Costs/Benefits | 0 | 0 | 2 |
| NPV @ 30 Yrs | | | |
| Scenario 1 No Grant Council Benefits Only | (732) | 2,385 | 5,778 |
| Scenario 2 No Grant Inc Wider Costs/Benefits | (6,394) | (2,333) | 2,004 |
| Scenario 3 50% Grant Council Benefits Only | (2,935) | (669) | 1,734 |
| Scenario 4 50% Grant Inc Wider Costs/Benefits | (8,597) | (5,388) | (2,040) |



Option 1 - Maintain the existing fishmarket through rolling repairs

- This option ranks 2
- This provides a moderate return for the Council, but has a significant negative outcome when wider benefits are taken into consideration. In addition it does not allow either the Council nor primary producers to access the benefits which could be gained from a fit for purpose facility.

Option 2 - Demolish the existing fishmarket and tranship fish

- This option ranks 3
- This does not provide an adequate return for the Council, and also has a significant negative outcome when wider benefits are taken into consideration. In addition it does not allow either the Council nor primary producers to access the benefits which could be gained from a fit for purpose facility.

Option 3 – Build a new West Quay and a new fishmarket on that site

- This option ranks 4 with or without EMFF grant
- This provides a significant negative return for the Council, even when wider benefits are taken into consideration. Please note due to time restraints no EMFF funding would be available for this option.

Option 4 – Redevelop and extend on the existing fishmarket site

- This option ranks 1
- This provides a good return for the Council if EMFF grant funding is secured. In addition it also has significant positive wider benefits.

NPV Analysis:

The table below summaries the results of the 30 Year NPV Analysis, the first section compares “Council Only” costs and benefits, the second section sets out a “Wider Shetland” impact including the Council but also other affected businesses, mainly fishing boats and their associated support services in this case.

| "Council Only" 30 Year NPV Summary | | | |
|------------------------------------|------------------------------|-----------|------------|
| | 000 - (Positive) / -Negative | | |
| Option | Pessimistic | Realistic | Optimistic |



| | | | |
|--------------------------------------------------------|------------------------------|-----------|------------|
| Repairs | -268 | (1,198) | (2,663) |
| Demolish | (769) | (1,085) | (1,401) |
| New Quay | -19,326 | -12,600 | -6,613 |
| Redevelop & Extend | -5,778 | -2,385 | (732) |
| Redevelop & Extend + EMFF | -1,734 | (669) | (2,935) |
| "Wider Shetland including Council" 30 Year NPV Summary | | | |
| | 000 - (Positive) / -Negative | | |
| Option | Pessimistic | Realistic | Optimistic |
| Repairs | -16,162 | -11,279 | -6,208 |
| Demolish | -20,835 | -15,629 | -10,316 |
| New Quay | -15,800 | -8,192 | -1,323 |
| Redevelop & Extend | -2,004 | (2,333) | (6,394) |
| Redevelop & Extend + EMFF | (2,040) | (5,388) | (8,597) |

"Council Only" Analysis

In ranking sequence, the programme of rolling repairs is projected as the most cost effective investment from a Council financial perspective using the "realistic" assumption set, under pessimistic assumptions demolition would be proffered, with optimistic assumptions the redevelop and extend option (with EMFF grant) ranks highest.

The implication of pursuing any other option than the strictly most cost effective from the Councils perspective needs a judgement to be taken that the wider benefits from that investment at least balance the alternative value that could be obtained from that investment in another service area, or retaining funds in its reserves.

The range between options for "Council Only" analysis is quite narrow, on the order of £500,000 NPV separation between competing options across the scenarios. In this review that provides a scale of the "opportunity cost" for other activities which the Council has to consider against the wider benefits of this project.

"Wider Shetland Including Council" Analysis



The “Redevelop & Extend” option, with or without EMFF Grant, is significantly the highest ranking option when wider benefits are considered. There is consistently at least a £10million + benefit to the wider Shetland economy projected under those options than any other.

Overall Analysis

It is clear that on balance NPV analysis concludes that “Rebuild” is the preferred option in terms of the “better Business Case” methodology, even when direct Council benefits are weighted more heavily than wider Shetland benefits

NPV appraisal conclusions:

- Option 1 – 2
- Option 2 – 3
- Option 3 – 4
- Option 4 – 1

The preferred option of NVP appraisal for this project is therefore 4, Redevelop and extend the existing facility.

2.5 Risk appraisal

Quantifiable risks have been costed and factored into the shortlisted options therefore the net present values assessed are risk adjusted.

There are other risks which are more difficult to quantify but remain relevant to the options. A workshop attended by members of the project team was held to identify the main risks and allocate scores for each option.

The following table shows those main risks and their scores as assessed against their likelihood and potential impact as allocated from the participants’ judgment and assessment of previous procurements

Further details of the risk management approach for the implementation of the preferred option is set out in Appendix 6a – Project Initiation Document

| Risk | Impact | Option 1 Rolling Repairs | | Option 2 Demolish/ Trans-Ship | | Option 3 New Quay | | Option 4 Redevelop/ Extend | |
|---------------------------------------------|-----------------------------------|-----------------------------------------|-------------|----------------------------------------------|-------------|------------------------------|-------------|-------------------------------------------|-------------|
| | | P x I | Tot. | P x I | Tot. | P x I | Tot. | P x I | Tot. |
| Current fishmarket fails before replacement | fishmarket service stops suddenly | 5x4 | 20 | 2x4 | 8 | 5x4 | 20 | 2x4 | 8 |



| | | | | | | | | | |
|------------------------------------------------------------------|----------------------------------------------|-----|----|-----|----|-----|----|-----|----|
| is available | | | | | | | | | |
| Replacement project cannot be done technically | Project is aborted and new solution required | 4x4 | 16 | 4x4 | 16 | 3x4 | 12 | 1x4 | 4 |
| Replacement project does not match needs over medium / long term | Over or under supply of service | 5x3 | 12 | 4x4 | 16 | 3x3 | 9 | 1x3 | 6 |
| Quality price premium is not achieved | Cashflow benefit is not achieved | 5x2 | 10 | 5x2 | 10 | 2x3 | 6 | 2x3 | 6 |
| Total | | | 58 | | 50 | | 47 | | 24 |
| Rank | | | 4 | | 3 | | 2 | | 1 |

P = Probability – from 1 very Low to 5 Very High and I = Impact using the same scale.

Risk Appraisal Results

Option 1 – Rolling repairs

- This option ranks 4
- Key considerations influencing its score are the difficulty of maintaining an already ageing building providing a demanding service level to cope with increasing volumes and rising quality requirements. This option would not be likely to qualify for external funding.

Option 2 – Demolish and Trans-ship

- This option ranks 3
- Key considerations influencing its score are the uncertainty whether a high volume/ high quality trans-shipment service is capable of being organised when the only other local market is regularly at full capacity. This option would not be likely to qualify for external funding.

Option 3 – New Build on a New Quay

- This option ranks 2
- Key considerations influencing its score are the substantially higher cost, complexity and timescale of the construction project on a site less favoured by users for its seaward access. This project would be unlikely to meet external funding timetables.



Option 4 – Redevelop/Extend on current site.

- This option ranks 1
- Key considerations influencing its score are a relatively well understood construction project and on the same site which has preferred seaward access and known landward access arrangements.

Risk appraisal conclusions:

- Option 1 – 4
- Option 2 – 3
- Option 3 – 2
- Option 4 – 1

The preferred option of NVP appraisal for this project is therefore 4, refurbishment of the existing facility.

Summary of Economic Appraisal

| Evaluation Results | Option 1 Maintenance | Option 2 Demolition | Option 3 New Quay | Option 4 Redevelop / Extend |
|---------------------------|---------------------------------|--------------------------------|------------------------------|--------------------------------------------|
| Economic appraisals | 2 | 3 | 4 | 1 |
| Benefits appraisal | 3 | 4 | 2 | 1 |
| Risk appraisal | 4 | 3 | 2 | 1 |
| Overall Ranking | | | | 1 |

2.6 Sensitivity analysis

The table below summarises the results of increasing uncertain costs by 20% and reducing uncertain benefits by 20% for the benchmark option (1 - maintenance) and the preferred option (4 – Redevelop and extend) and re-running NPV calculations.

Table 14: Summary of results applying sensitivity analysis

| | Option 1 – benchmark | Option 4 – the preferred option | New order in ranking Option 1 | New order in ranking Option 4 |
|-----------------------------|---------------------------------|------------------------------------------------|----------------------------------------------|----------------------------------------------|
| Scenario 1 No Grant Council | 268 | 5,778 | | |



| | | | | |
|------------------------------------------------|--------|---------|---|---|
| Benefits Only | | | 2 | 3 |
| Scenario 2 No Grant Inc Wider Benefits | 16,162 | 2,004 | 3 | 1 |
| Scenario 3 50% Grant Council Benefits Only* | 268 | 1,734 | 1 | 2 |
| Scenario 4 50% Grant Inc Wider Benefits* | 16,162 | (2,040) | 3 | 1 |

*Note – there is no EMFF grant available for option 1 therefore the values of scenarios 1 and 2 have been repeated.

With the pessimistic outcome factored into this sensitivity analysis it can be seen that when only Council benefits are taken into account the Rolling Maintenance option ranks ahead of the Extend and Redevelop option. However when the wider benefits are considered the preferred Extend and Redevelop option remains ranked at number 1.

2.7 Preferred option

Following a full cost benefit analysis including risk assessment, and taking into account sensitivity testing, the preferred option is to Redevelop and extend the Scalloway Fishmarket to a high quality, modern standard on the existing site.



3. The Commercial Case

3.1 Introduction

The purpose of this section is to describe how the deal for the preferred option will be procured and comment on the likely commercial appetite for such a deal and any associated issues.

3.2 Services required to deliver the preferred option

Detailed design of the rebuilt and extended facility, construction and equipment services, temporary chill facility.

3.3 Potential for risk transfer

The general principle is that risks should be passed to 'the party best able to manage them', subject to value for money.

This section provides an assessment of how the associated risks might be apportioned between the Council, the suppliers of the refurbished facility and operating partners.

Risk transfer matrix

| Risk Category | Potential allocation | | |
|---------------------------------------|-----------------------------|----------------|---------------|
| | Public | Private | Shared |
| 1. Design risk | ✓ | | ✓ |
| 2. Construction and development risk | | | ✓ |
| 3. Transition and implementation risk | | | ✓ |
| 4. Availability and performance risk | | | ✓ |
| 5. Operating risk | ✓ | | |
| 6. Variability of revenue risks | ✓ | | |
| 7. Termination risks | ✓ | | |
| 8. Technology and obsolescence risks | | | ✓ |
| 9. Control risks | ✓ | | |
| 10. Residual value risks | ✓ | | |
| 11. Financing risks | ✓ | | |
| 12. Legislative risks | ✓ | | |
| 13. Other project risks | ✓ | | |

3.4 Personnel implications (including TUPE)



It is anticipated that the TUPE – Transfer of Undertakings (Protection of Employment) Regulations 1981 – will not apply to this investment as outlined above.

3.5 Procurement strategy and implementation timescales

The procurement strategy for the preferred option of Redevelop on the existing site would be through contracts placed following open tender with appropriately experienced design and construction companies.

The preferred method of procurement will be finalised following advice from Capital Programme Service but is likely to be a Traditional Lump Sum arrangement. Other procurement approaches include;

- Traditional Lump Sum - In a lump sum contract the contractor prices the work based on drawings and written specification prepared by the design team but supported with measured bills of quantities prepared by the quantity surveyor. The BQ items are priced individually by the contractor and incorporated into the contract.
- Design and Build - initial design work may be undertaken by the client before transfer to the design and build contractor. Thereafter the contractor would take single-point responsibility for the design and construction.
- ECI/Target Cost essentially involves putting additional resources into the crucial early planning phase in order to maximise the benefits and cost savings that can be achieved during the later construction phase. Its innovation comes from the selection process; the interaction between the client, contractor and designers during the early stages; and the resultant strong relationship-based interaction during the construction phase.

Assuming a Lump Sum approach continues to be the preferred approach the construction project would be project led within the Council supported by architectural design and engineering advisors also appointed via tender.

During the period between commencement and completion of the fishmarket construction, a temporary chilled facility at Scalloway Harbour would be provided through a further competitive procurement exercise.

Section 6.3.3 outlines the key milestones throughout the project and appendix 6b sets out a project timeline for the preferred option, Redevelop and Extend.

The design, specification and site management contractor will need to be appointed first to finalise main contractor tender documents and apply for the building warrant.



A pre-contract meeting is to be in place to introduce the project team and organise proceeding with the project.

The temporary chilled facility will need to be complete before the main contractor begins demolition so there is no disruption in service.

3.6 Accountancy treatment

The preferred option of Redevelop and extend the Scalloway Fishmarket would result in the completed asset being held on the Council's balance sheet as a non-current asset under International Accounting Standard (IAS) 16 - Property Plant & Equipment and International Public Sector Accounting Standards Board (IPSAS) 17 - Property Plant & Equipment.



4. The Financial Case

4.1 Introduction

The purpose of this section is to set out the forecast financial implications of the preferred option.

4.2 Cashflow

The anticipated payment stream over the contract period for the preferred option is set out in the following table:

| | 2016/17 £000 | 2017/18 £000 | 2018/19 £000 | Total £000 |
|--------------------------------|-------------------------|-------------------------|-------------------------|-----------------------|
| Capital Expenditure | 112 | 4,424 | 1,064 | 5,600 |
| Net Revenue Operating Position | (190) | (161) | (161) | (512) |
| Total | (78) | 4,263 | 903 | 5,088 |
| | | | | |
| Funded by: | | | | |
| EEMF | (56) | (2,212) | (532) | (2,800) |
| SIC | 134 | (2,051) | (371) | (2,288) |
| Net Total | 78 | (4,263) | (903) | (5,088) |

*Net Revenue Operating Position includes operating expenditure offset by operating income

4.3 Impact on the Council's Annual Accounts

The impact on the Income & Expenditure Account will be additional debt charges for the Council's capital expenditure of approximately £166k per annum.

There will be an increase in the value of Long Term Assets for the new building of approximately £5m and an increase in Long Term Liabilities for the increase in borrowing on the Balance Sheet of £2.8m.

4.4 Overall affordability

The proposed capital cost of the project is £5.6m over the construction project, but it is envisaged that 50% of these costs will be funded externally from EMFF, therefore, the total capital cost to the Council is anticipated to be £2.8m. In line with Council's Medium Term Financial Plan and Borrowing Policy these costs would be funded by borrowing and would add to the Council's external debt.



Under the Local Government in Scotland Act 2003 there is a requirement that local authorities should adhere to The CIPFA Prudential Code for Capital Finance in Local Authorities. The Prudential Code seeks to concentrate primarily on ensuring that local authorities' capital spending plans are affordable.

The Council's approved Prudential Indicator for its authorised limit for external debt, which should not be breached, is £40.4m and the Council's total external debt is currently £37m, therefore this proposal would not breach the Council's authorised limit and is within affordable limits.



5. The Management Case

5.1 Introduction

This section addresses the 'achievability' of the scheme by setting out the actions that will be required to ensure the successful delivery of the scheme in accordance with best practice.

5.2 Project management arrangements

The project will be managed in accordance with PRINCE 2 methodology.

5.2.1 Project management arrangements for the preferred option.

Further details of project management arrangements are described in appendix 6a - Project Initiation Document.

5.2.2 Outline Project Timetable

| Milestone Activity | Week No. |
|-----------------------------------------------------------------------------|-----------------|
| Design, specification and site management contractor tender | 0 |
| Design contractor accepted | 5 |
| Design & specification finalised and building warrant application submitted | 17 |
| Bill of Quantities completed and Main Contractor tender advertised | 23 |
| Tenders received and building warrant accepted | 27 |
| Tenders checked and Main Contractor accepted | 30 |
| Pre-contract meeting and temporary building ordered | 31 |
| Site setup | 34 |
| Temporary building complete and taking down start | 37 |
| Taking down complete | 47 |
| New build structure complete | 72 |
| Internals complete | 91 |
| Electrical installations complete | 101 |
| Building commissioned and temporary building deconstructed | 103 |

5.3 Use of Special Advisers



| Specialist Area | Adviser |
|------------------------|--------------------------------------------------------|
| Financial | Finance Services |
| Technical | Estate Operations + External |
| Procurement and legal | Capital Programme Service and Governance & Law Service |
| Business assurance | Ports & Harbours Operations |
| Other | Fishmarket users and Key Stakeholders |

Design consultants would be an asset to help towards a successful building for now and the future. They would have experience with this type of building that would ensure that it would meet all legislation and modern procedures.

5.4 Outline arrangements for change and contract management

The strategy, framework and plan for dealing with change and associated contract management will follow normal Council contract standards.

5.5 Outline arrangements for benefits realisation

Completion of the project will be managed by the Project Team reporting progress periodically to the Project Board who will update the relevant Council Services and Committees at least quarterly.

The main benefits that this project will deliver are set out in the table below along with targets and dates.

Following completion and commissioning, initial performance of the new arrangements will be monitored by Ports & Harbours Operations through consultation and joint activity with operational management staff and key market users.

The results of this monitoring will be reported to relevant stakeholders quarterly as part of performance reporting activity.

| Description | Measurement | Target | Date | Cost |
|------------------------------------------------------------|-----------------------|---------------|-------------|-------------|
| Price premium due to quality preservation and value adding | Price for fish landed | 2.5% increase | 2019 | £0 |
| Landing levels maintained at current levels | Fish landed | As current | 2019 | £0 |



| | | | | |
|----------------------------------------------------|--------------------------------|------|------|---------|
| Ability to accommodate all vessels wishing to land | Vessels Turned away | 0 | 2019 | £0 |
| Reduction in electricity costs | Electricity costs paid | -32% | 2019 | £-5,000 |
| Reduction in maintenance costs | Maintenance costs paid | -10% | 2019 | £-2,000 |
| Value adding grading services accommodated | Level of fish graded pre-sale | 10% | 2019 | £0 |
| Recognition of quality enhancement | Quality accreditation achieved | 1 | 2020 | £10,000 |

5.6 Outline arrangements for risk management

Further details of risk management arrangements are described in appendix xxxx – Project Plan

5.7 Outline arrangements for post implementation review and post project evaluation

The outline arrangements for post implementation review (PIR) and project evaluation review (PER) have been established in accordance with standard Prince 2 practice.

5.8 Gateway review arrangements

All gateway reviews will be conducted using the agreed standards and format as set out in Shetland Islands Council - Gateway Process for the Management of Capital Projects - June 2016

5.9 Contingency plans

In the event that this project fails, the following arrangements will have to be put in place for continued delivery of the required services and outputs

While the detailed nature of contingency arrangements would depend on the particulars of why the project had stalled / failed, options include;

- Ongoing rolling repairs and ad-hoc actions to continue operation of the existing market.
- Provision of an extended temporary chill facility



- Liaison with LPA about accelerating their new build project and / or the possibility of obtaining use of their old facility
- Investigation of support for trans-shipment of catches to mainland Scotland markets or support for boats to land catches out with Shetland.

All of these options would be likely to involve additional costs and disruption to the local whitefish catching sector and associated businesses.

| |
|------------------------------------------------------|
| <i>Signed: John Smith</i> |
| <i>Date: 20th April 2017</i> |
| <i>Executive Manager Ports & Harbours</i> |

SHETLAND ISLANDS COUNCIL REDEVELOPMENT SCALLOWAY FISHMARKET PROGRAMME

[illegible]

SHETLAND ISLANDS COUNCIL

SCALLOWAY FISHMARKET

DEMOLITION OF EXISTING MARKET AND CONSTRUCTION OF NEW MARKET

ELEMENTAL COST PLAN - SUMMARY

Jun-17

Revision 3 - based on returned Lerwick tenders

| £ | | |
|-------------------------------------------------------------------|----|-----------|
| <u>New Fishmarket</u> | | |
| 1 Builderswork incl Demolition Works | | 2,041,000 |
| 2 Mechanical Services | | 222,000 |
| 3 Electrical Services | | 370,000 |
| 4 Refrigeration Services - reduced based on m2 | | 480,000 |
| <u>External Works</u> | | |
| 5 Siteworks, incl Drainage & Services | | 575,000 |
| 6 Sub total | | 3,688,000 |
| 7 Preliminaries and General Items | | 675,000 |
| 8 Sub total | | 4,363,000 |
| 9 Contingency and Risk Items | 5% | 218,000 |
| 10 Sub total | | 4,581,000 |
| 11 Inflation (allowance meantime until programme dates confirmed) | 1% | 46,000 |
| 12 Total Indicative Cost Budget | | 4,627,000 |

SHETLAND ISLANDS COUNCIL

SCALLOWAY FISHMARKET

DEMOLITION OF EXISTING MARKET AND CONSTRUCTION OF NEW MARKET

ELEMENTAL COST PLAN - SUMMARY

Jun-17

Revision 3 - based on returned Lerwick tenders

Notes, Exclusions and Assumptions

Assumed all infrastructure (access roads and Services) to remain unchanged
 Demolition works are limited to demolition of existing Fishmarket building and existing hardstandings
 No allowance has been made for provision of temporary market and chilling facilities
 No allowance for phased construction
 No allowance for any enabling or decant works other than demolition stated above
 M&E costs provided by CCDP
 Refrigeration costs provided by CCDP
 Costs exclude VAT
 Costs exclude Professional Fees
 Costs exclude Planning and Warrant Fees
 Costs shown above have been benchmarked against similar current Fishmarket projects.

Drawings: Arch Henderson Project Ref. 162057

25 rev B - Existing Site Plan
 100 rev C - Location & Site Plan
 101 rev E - Proposed Floor Plan
 102 rev D - Proposed Elevations
 103 rev D - Proposed Accommodation
 104 rev D - Roof & Site Drainage
 105 rev C - Proposed Sections
 106 - Drainage Schematic
 107 - Reception Desk Details
 108 rev A - Window Schedule
 109 rev A - Misc Details Sheet 1
 110 rev A - Chillzone Details
 111 rev A - Finishes Schedule
 112 rev A - Furniture & Fittings
 113 rev A - Door Schedule
 114 rev A - Market Door Schedule
 115 rev A - Specification
 116 - Misc Details Sheet 2
 201 rev A - Typ Cross Section Thru Ex Market
 202 rev A - Typ Cross Section Thru Prop Market
 210 rev A - External Surfacing Layout
 220 rev A - External Surfacing Details
 230 rev A - Drainage Details Sht 1 of 2
 231 rev A - Drainage Details Sht 2 of 2
 240 rev A - Internal Slab Joint Layout
 241 rev A - Internal Slab Details
 301 rev A - Proposed Foundation Layout
 302 rev A - Proposed Retaining Wall
 303 rev A - Proposed Foundation Details

SHETLAND ISLANDS COUNCIL

SCALLOWAY FISHMARKET

DEMOLITION OF EXISTING MARKET AND CONSTRUCTION OF NEW MARKET

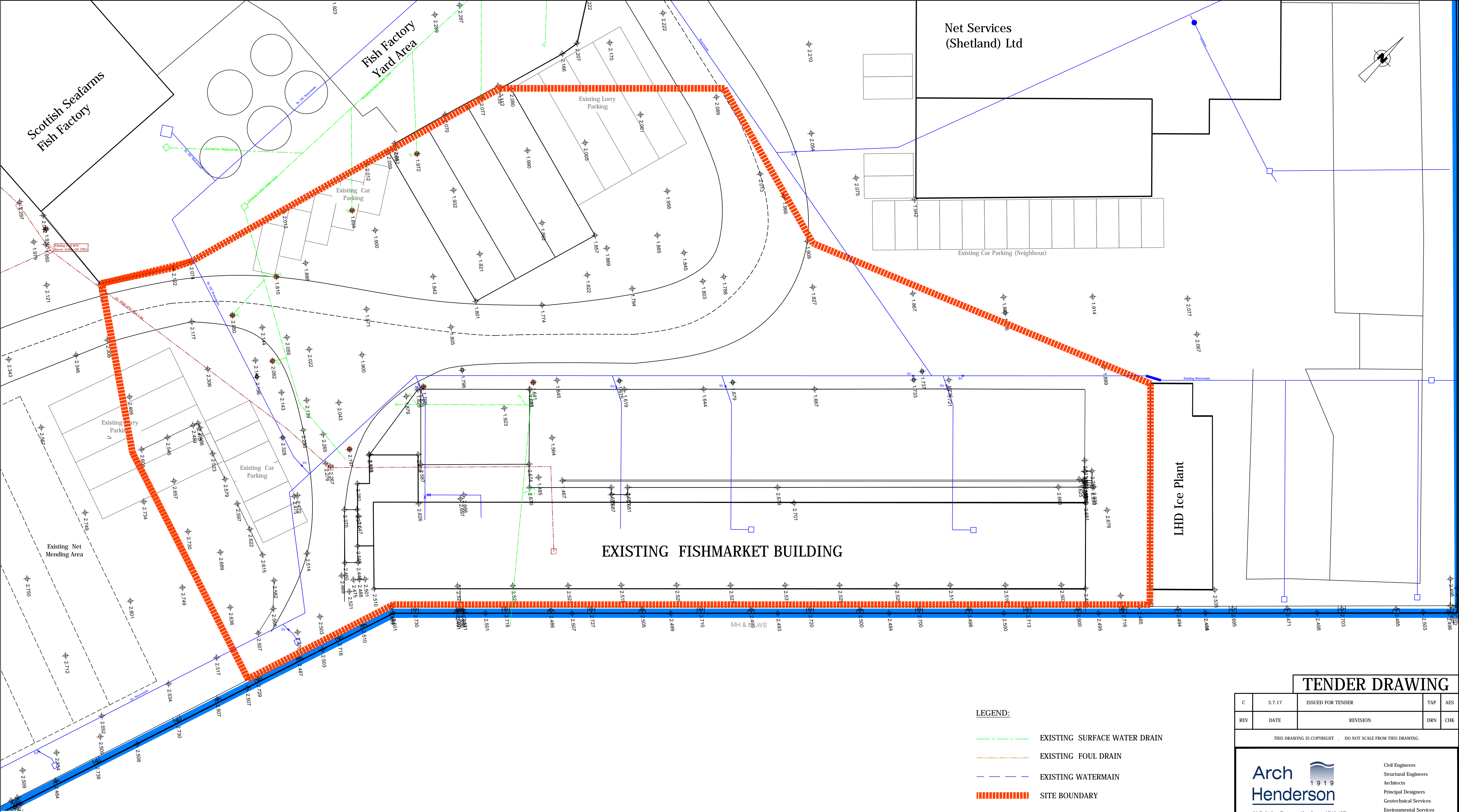
ELEMENTAL COST PLAN - SUMMARY

Jun-17

Revision 3 - based on returned Lerwick tenders

Drawings; Arch Henderson Project Ref. 162057 (continued.)

304 rev A - Proposed Retaining Wall Details
306 rev B - Proposed Loading Bay Details
319 rev A - Proposed Masonry Details
321 rev A - Proposed Column Layout
322 rev A - Proposed Steelwork Roof Plan
331 rev B - Cross Section
332 rev B - Proposed Steelwork Elevations



EXISTING SITE PLAN
SCALE 1:200

- LEGEND:
- EXISTING SURFACE WATER DRAIN
 - EXISTING FOUL DRAIN
 - EXISTING WATERMAIN
 - SITE BOUNDARY

- NOTES:
- ALL LEVELS TO ORDNANCE DATUM (UNLESS NOTED).
 - LOCATION OF SERVICES TO BE CONFIRMED ON SITE PRIOR TO EXCAVATION.

SCALE 1:200



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PROJECT :
SHETLAND ISLANDS COUNCIL
SCALLOWAY FISH MARKET

TITLE :
EXISTING SITE PLAN

| | | | |
|---------------------------|--------------------|----------------------------|--------------------|
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| SCALE : (A1) 1:200 | | DRAWING STATUS : TENDER | |
| DRAWING No : 162057-25 | | REV : C | |



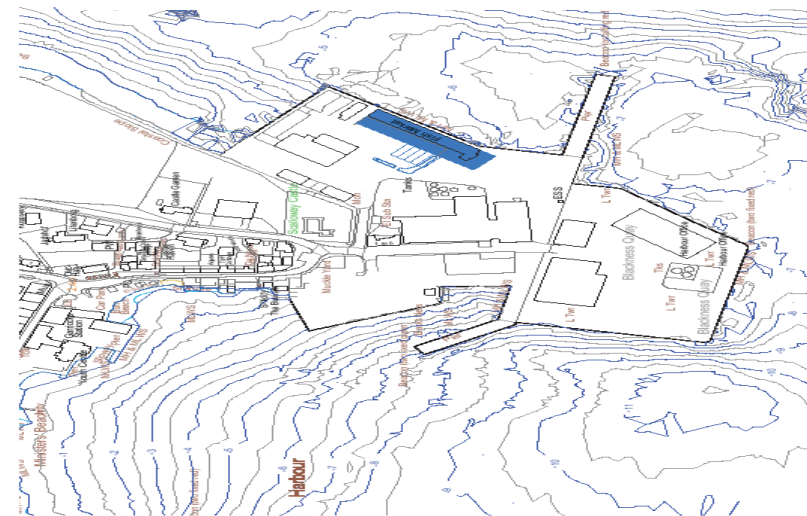
A New Fish Market for Scalloway



Architect's impression of the new market

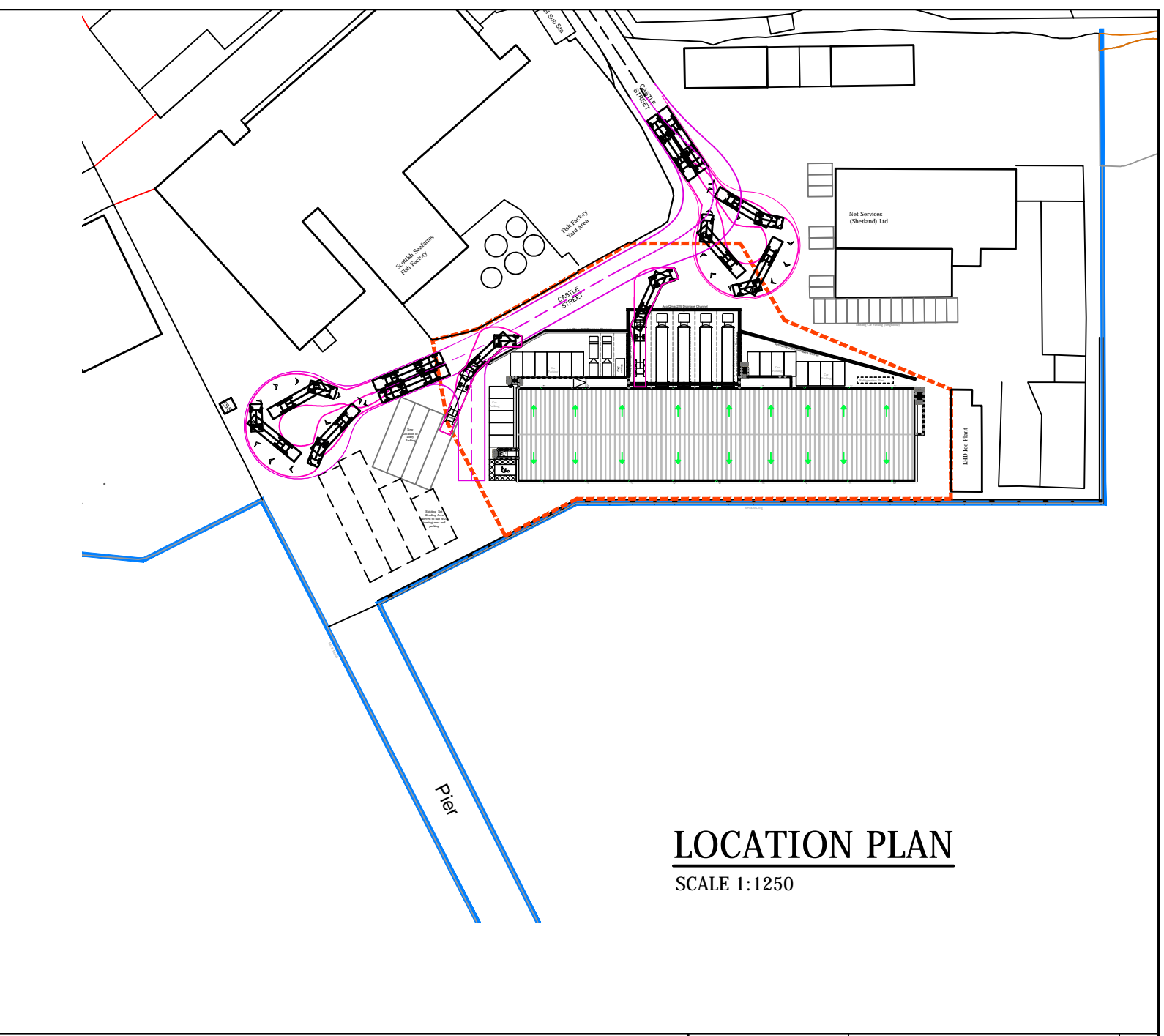
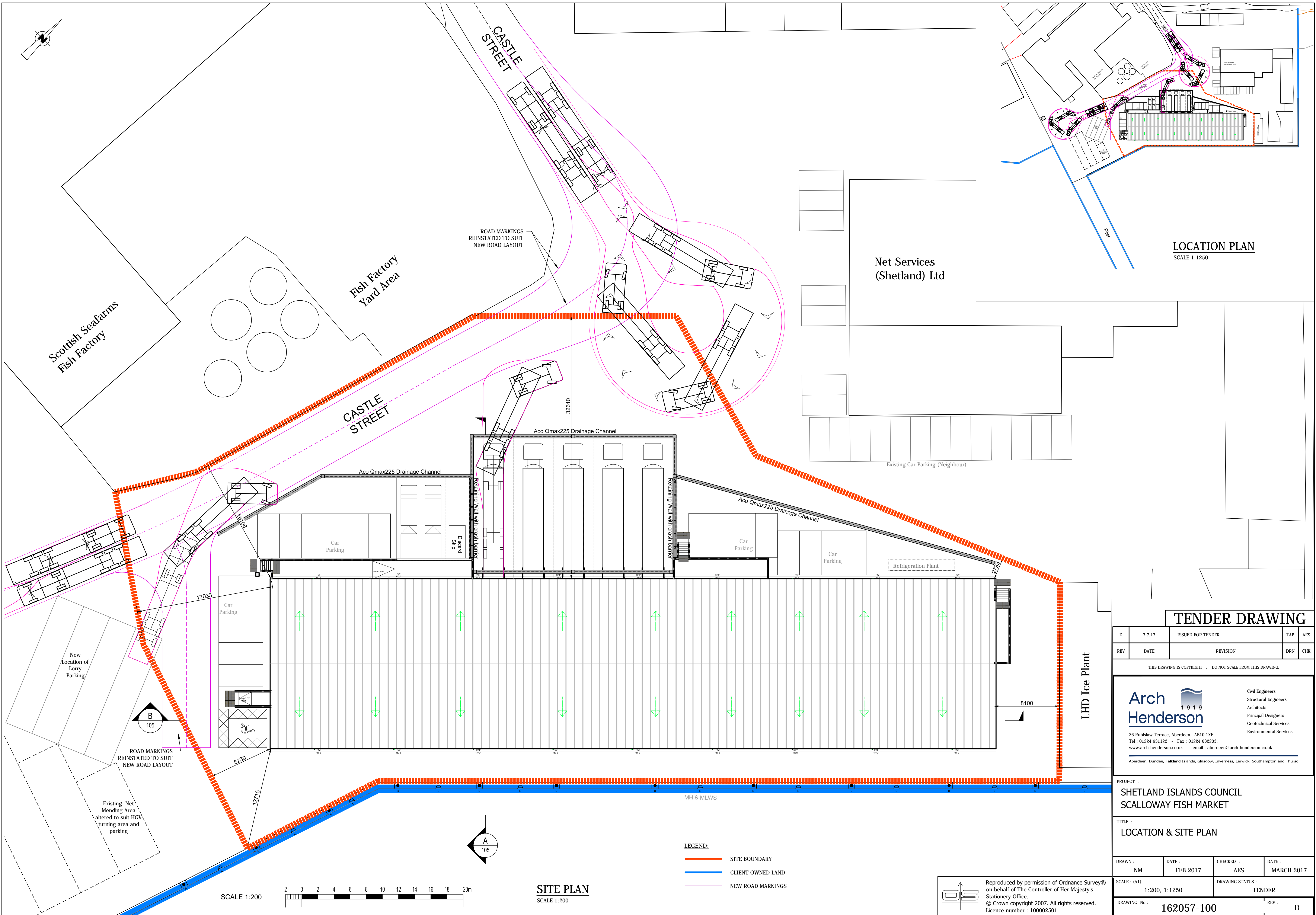


Scalloway harbour showing location of the market



Key features includes:

- Substantial increase in capacity for fish boxes compared to existing market
- Improved layout of fish boxes allowing for safer handling and easier inspection
- Larger landing area alongside the quay for safer access to the market
- More reliable and efficient static plate cooling system will not dry out fish
- Easier to clean and would avoid washdown of waste into sea
- Mechanisation for moving fish boxes rather than manual handling
- Larger market floor will accommodate larger fish landings
- Would support increased grading of fish which adds value at sale
- Improved welfare facilities and changing area for staff and visitors
- 125% increase in overall floor space compared with existing market



LOCATION PLAN
SCALE 1:1250

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PROJECT :
**SHETLAND ISLANDS COUNCIL
SCALLOWAY FISH MARKET**

TITLE :
LOCATION & SITE PLAN

| | | | |
|---------------|--------------------|------------------|----------------------|
| DRAWN : NM | DATE : FEB 2017 | CHECKED : AES | DATE : MARCH 2017 |
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SCALE : (A1)
1:200, 1:1250

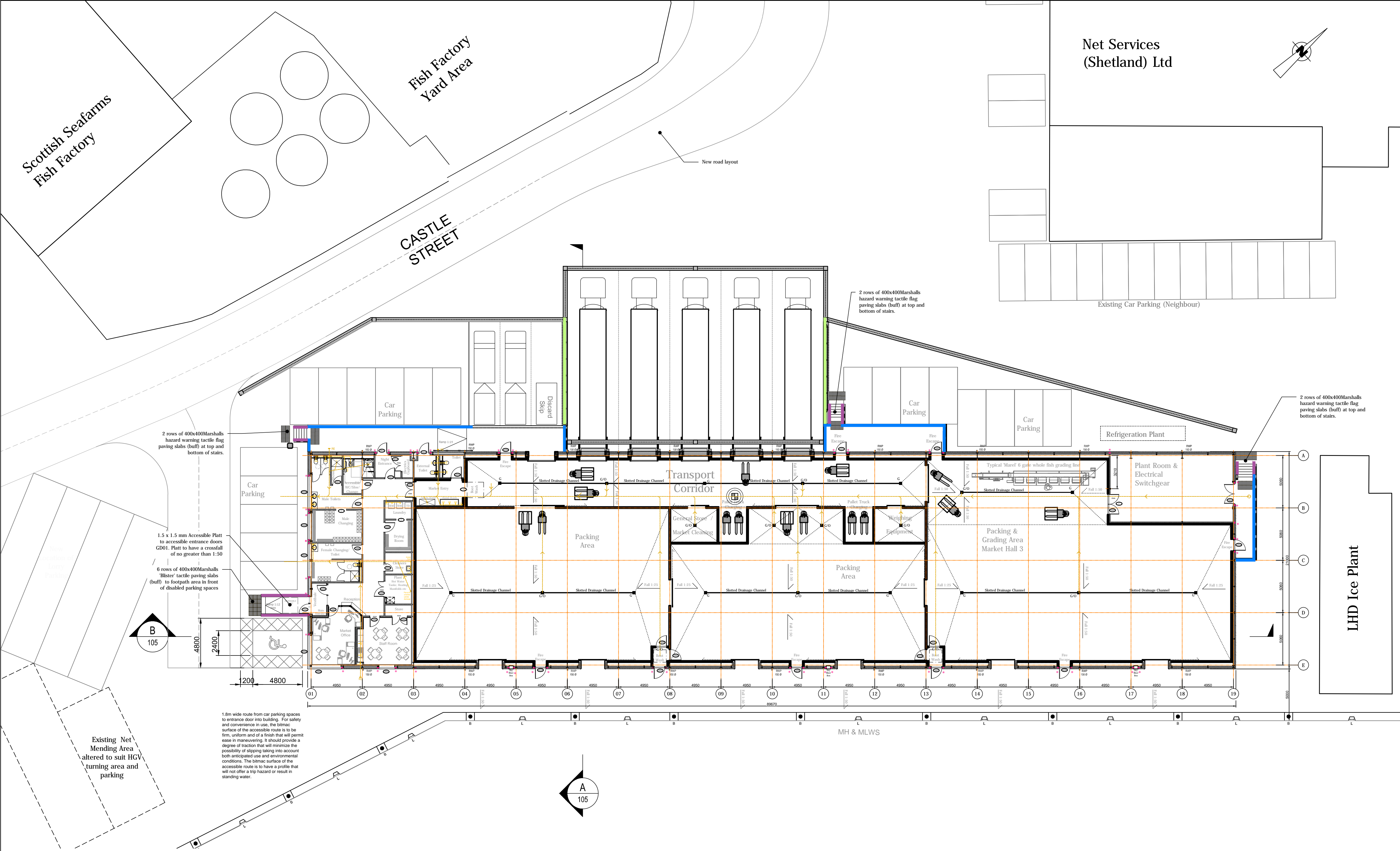
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- LEGEND:
- SITE BOUNDARY
 - CLIENT OWNED LAND
 - NEW ROAD MARKINGS

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SITE PLAN
SCALE 1:200



FLOOR PLAN
SCALE 1:200

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 3. ACCESSIBLE ROUTE TO GD01 AND GD07 WILL BE IN ACCORDANCE WITH SCOTTISH BUILDING STANDARDS - TECHNICAL STANDARDS REGULATIONS 4.1.1/2/3/4/7 & 9
 4. ALL LEVELS TO CHART DATUM.
 5. CAVITY BARRIERS TO BE SPACED MAX. 20m HORIZONTALLY AND VERTICALLY AND AROUND ALL EDGES OF A CAVITY INCLUDING HEADS, JAMBS, AND CILLS OF WINDOWS AND DOORS.

- KEY:**
- 1100mm BALUSTRADE GALVANIZED STEEL
 - HANDRAIL 950mm HIGH
 - VEHICLE CRASH BARRIER 760mm HIGH
 - DENOTES POSITION OF VERTICAL CAVITY BARRIER
- CAVITY BARRIERS TO BE SPACED 20M MAX (10M WHERE WITHIN ULTRATEMP WALLS) HORIZONTALLY AND VERTICALLY INCLUDING HEADS, JAMBS, AND CILLS OF WINDOWS AND DOORS. CAVITY BARRIER ALSO TO BE INSTALLED AT JUNCTION OF ULTRATEMP WALL PANELS AND TOP OF BLOCKWORK.

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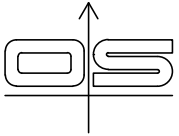
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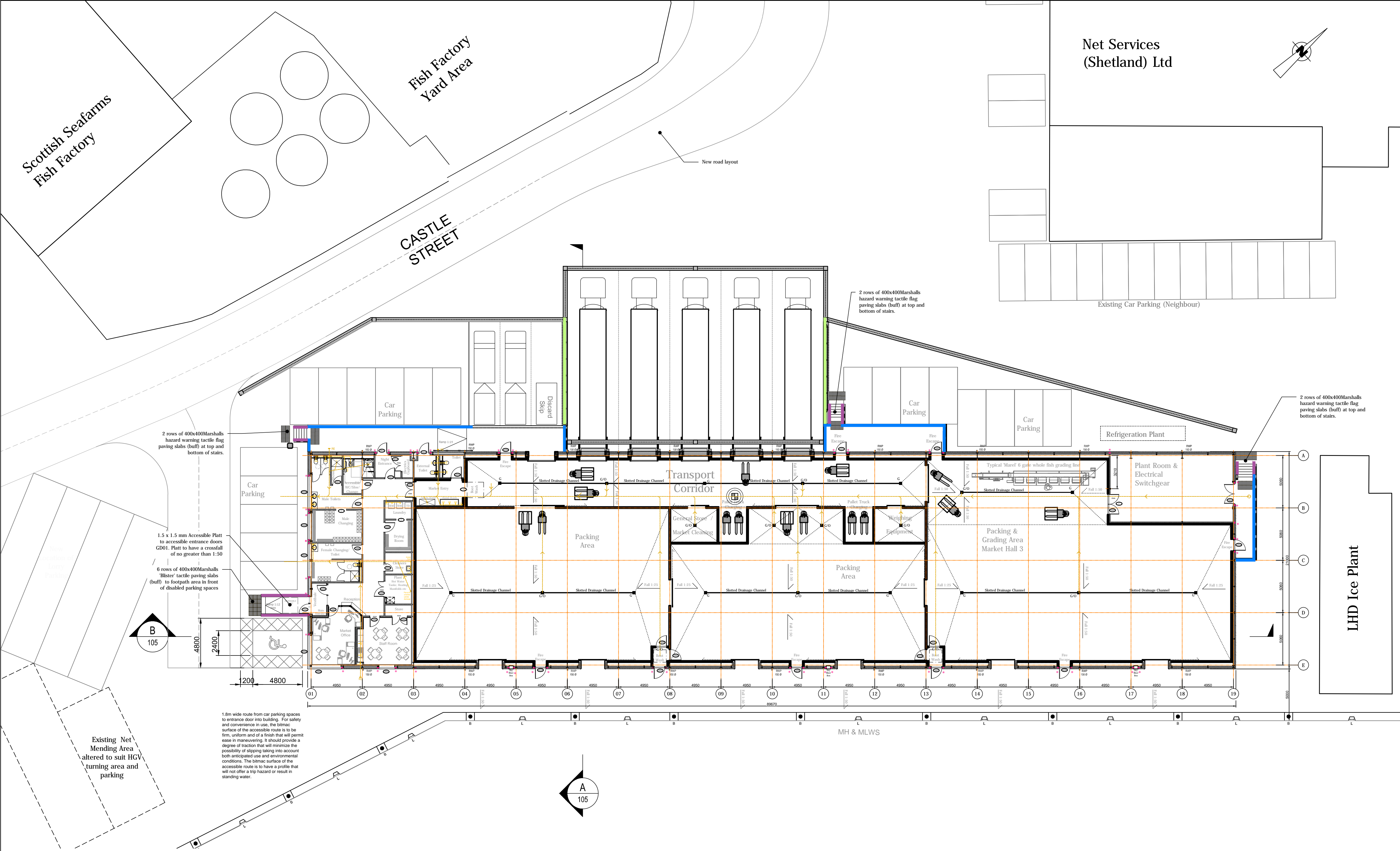
PROJECT :
**SHETLAND ISLANDS COUNCIL
SCALLOWAY FISH MARKET**

TITLE :
PROPOSED FLOOR PLAN

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FLOOR PLAN
SCALE 1:200

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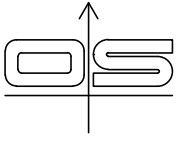
PROJECT :
SHETLAND ISLANDS COUNCIL
SCALLOWAY FISH MARKET

TITLE :
PROPOSED FLOOR PLAN

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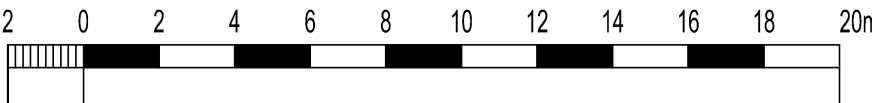
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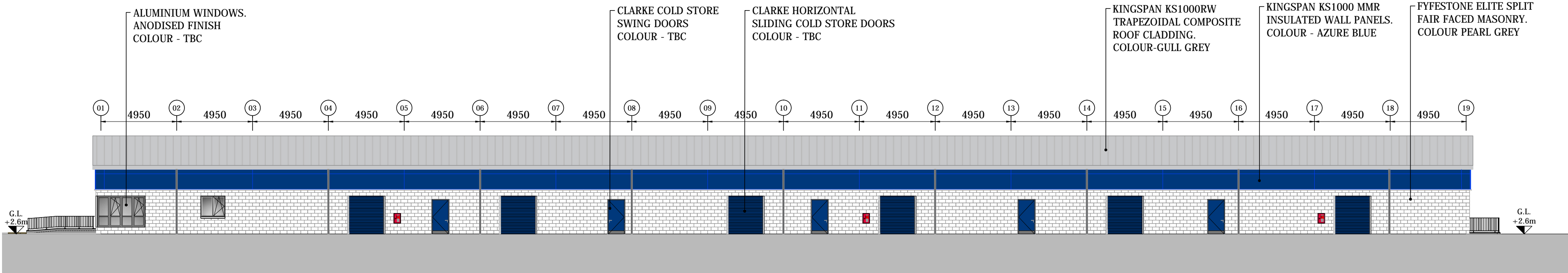
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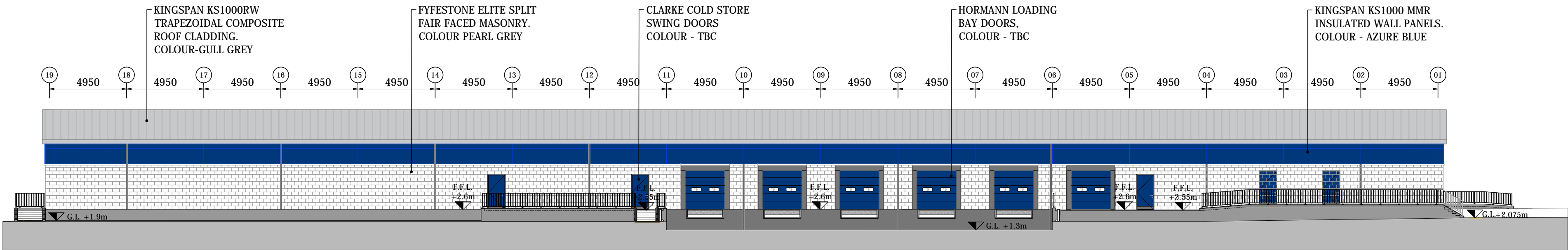
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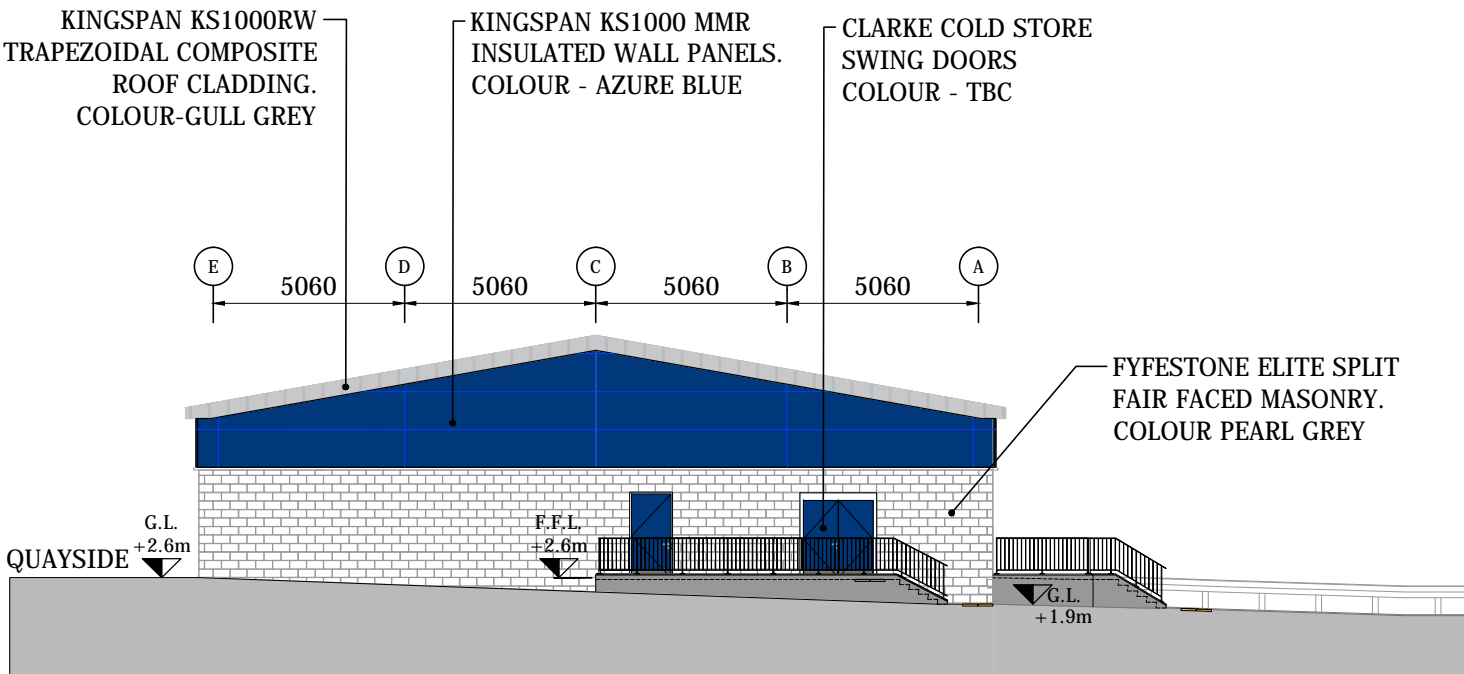
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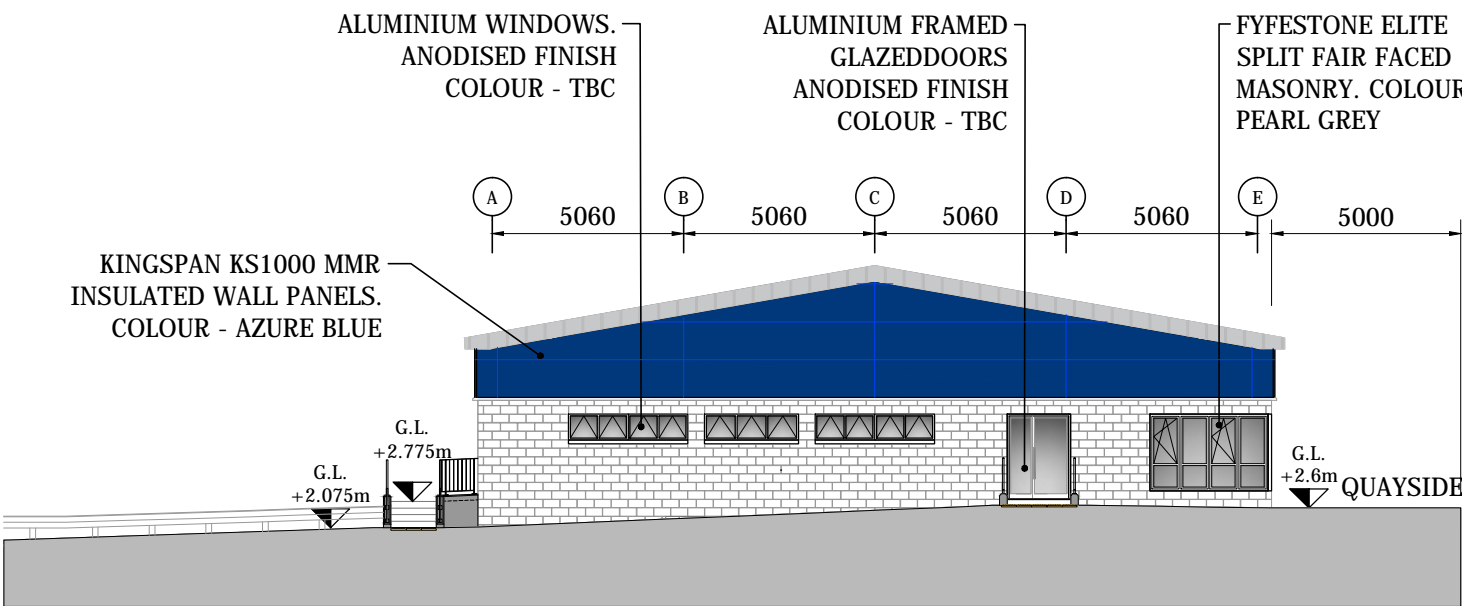
NORTH WEST ELEVATION

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NORTH EAST ELEVATION

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SOUTH WEST ELEVATION

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ROOF
KINGSPAN KS1000RW TRAPEZOIDAL COMPOSITE ROOF CLADDING.
AT 10 DEGREE PITCH.
COLOUR - GULL GREY, BS18B17

RAINWATER GOODS
PPC ALUMINIUM GUTTERS AND DOWNPIPES.
COLOUR- TBC

WALLS
FYFESTONE ELITE SPLIT FAIR FACED MASONRY TO MARKET HALL &
ACCOMMODATION BLOCK AT GROUND FLOOR LEVEL.
COLOUR - PEARL GREY

KINGSPAN KS1000 MINI MICRO RIB INSULATED WALL PANELS.
COLOUR - AZURE BLUE BS18C39

WINDOWS
METAL TECHNOLOGY ANODISED ALUMINIUM DOUBLE GLAZED UNITS
COLOUR- TBC

ACCOMMODATION BLOCK EXTERNAL DOORS
METAL TECHNOLOGY ANODISED ALUMINIUM DOUBLE GLAZED DOORS
COLOUR- TBC

LOADING BAY DOORS
HORMANN SECTIONAL OVERHEAD DOORS WITH DOCK LEVELLER AND
CUSHION SEAL.
DOOR COLOUR - TBC

QUAYSIDE DOORS
CLARKE DOORS HORIZONTAL SLIDING COLD STORE DOORS
COLOUR - TBC

PERSONNEL DOORS TO MARKET HALL
CLARKE DOORS HORIZONTAL SLIDING COLD STORE DOORS
COLOUR - TBC

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Civil Engineers
Structural Engineers
Architects
Principal Designers
Geotechnical Services
Environmental Services

PROJECT :
**SHETLAND ISLANDS COUNCIL
SCALLOWAY FISH MARKET**

TITLE :
PROPOSED ELEVATIONS

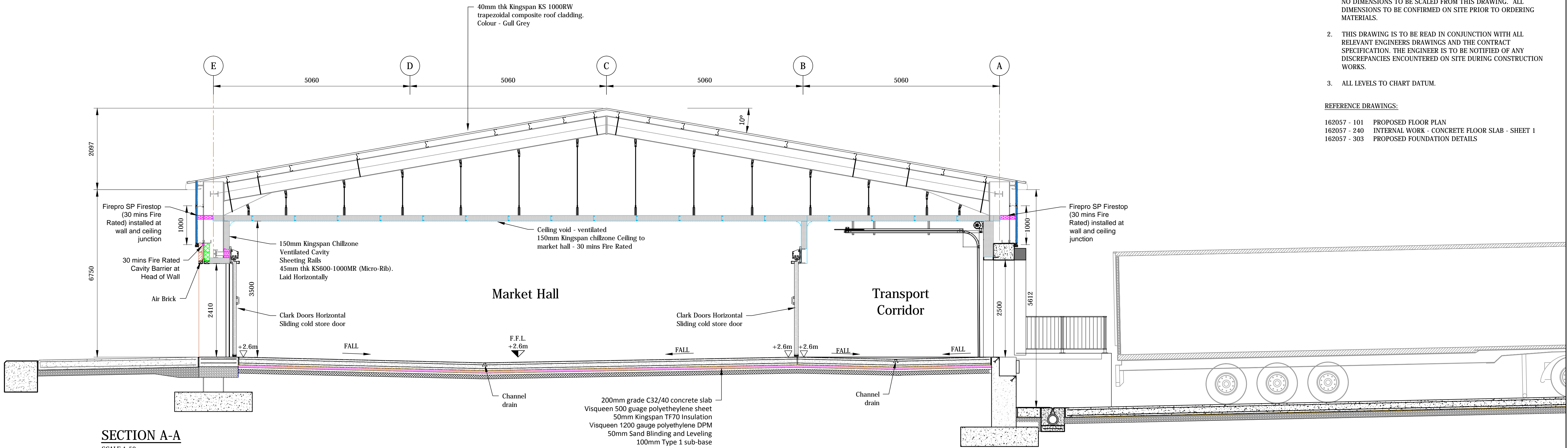
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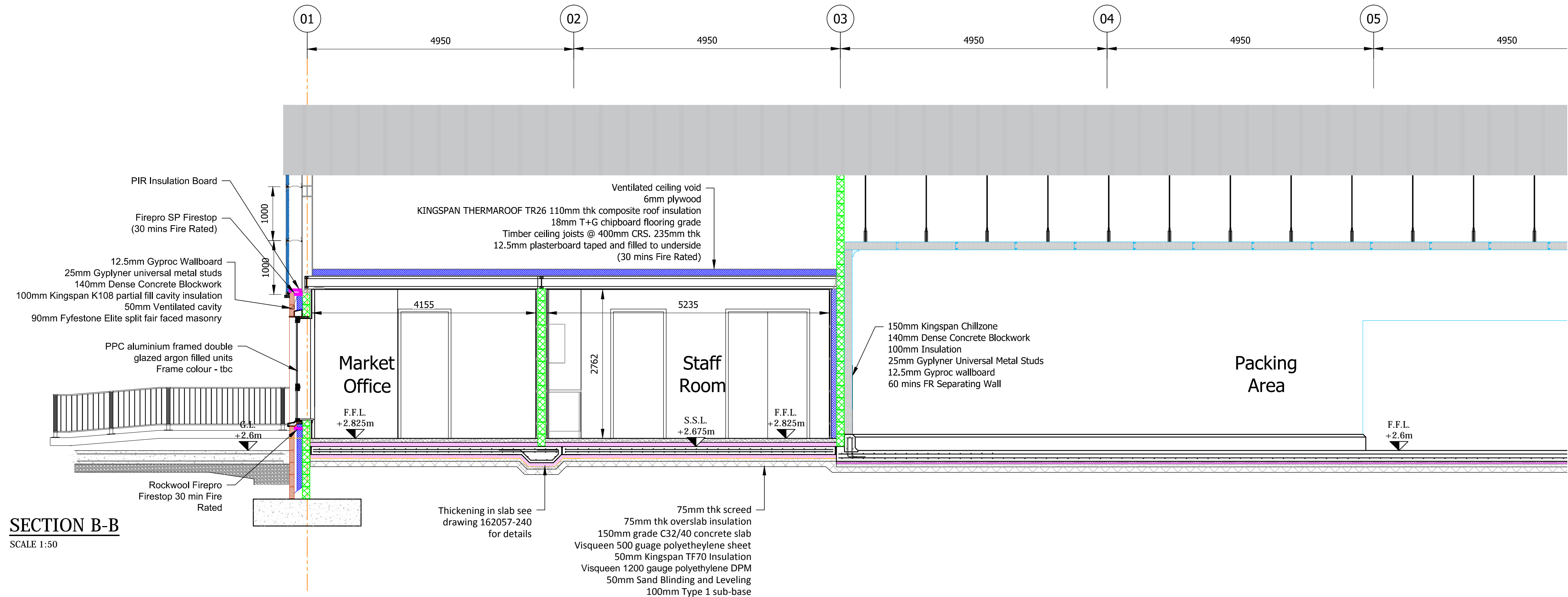
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SECTION A-A
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SECTION B-B
SCALE 1:50

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 - ALL LEVELS TO CHART DATUM.
- REFERENCE DRAWINGS:**
- 162057 - 101 PROPOSED FLOOR PLAN
162057 - 240 INTERNAL WORK - CONCRETE FLOOR SLAB - SHEET 1
162057 - 303 PROPOSED FOUNDATION DETAILS

TENDER DRAWING

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PROJECT :
**SHETLAND ISLANDS COUNCIL
SCALLOWAY FISH MARKET**

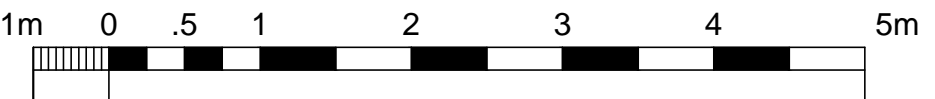
TITLE :
PROPOSED SECTION A-A & B-B

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Shetland Islands Council

Option Appraisal Report

Temporary Facility for Landing Fish Blacksness Pier, Scalloway, Shetland



Report By:

Michael Leftwich ICIOB
Building Maintenance Officer

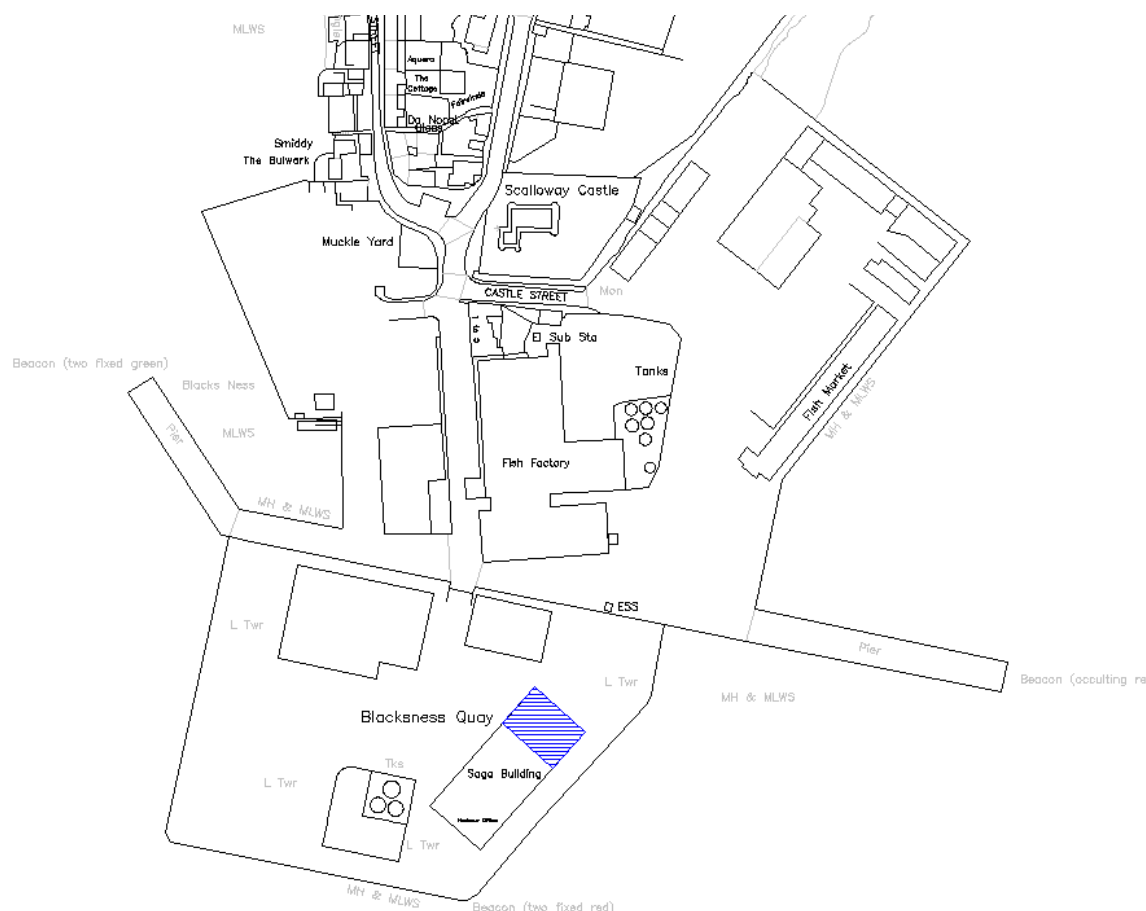
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Gremista
Lerwick
Shetland ZE1 0PX

Introduction

There is a requirement for a temporary facility to land fish if the redevelopment of the fish market proceeds. There are four options that have been considered and they are all located at Blacksness Pier in Scalloway.

Options

Option 1 – East Commercial Quay, Saga Building, North Unit



| Advantages | Disadvantages |
|--------------------------------------------|--------------------------------------------|
| Potential box capacity of 2,080 | Building work required to box in electrics |
| No requirement for planning permission | Require mechanical aids for handling |
| The boats can still berth in the same area | Needs to be surplus to Scottish Sea Farms |
| One door to land and another to load | Facility manager may be required |
| Good access for loading trucks | |
| Short lead time | |

This option requires communication with Scottish Sea Farms who are the owners of the building. They may still require the use of this part of the Saga Building which would then rule out this option. The estimate for this option is **£198,000** with a 1-2 month lead time to be operational. This estimate includes the building works, hire of the unit and refrigeration hire.

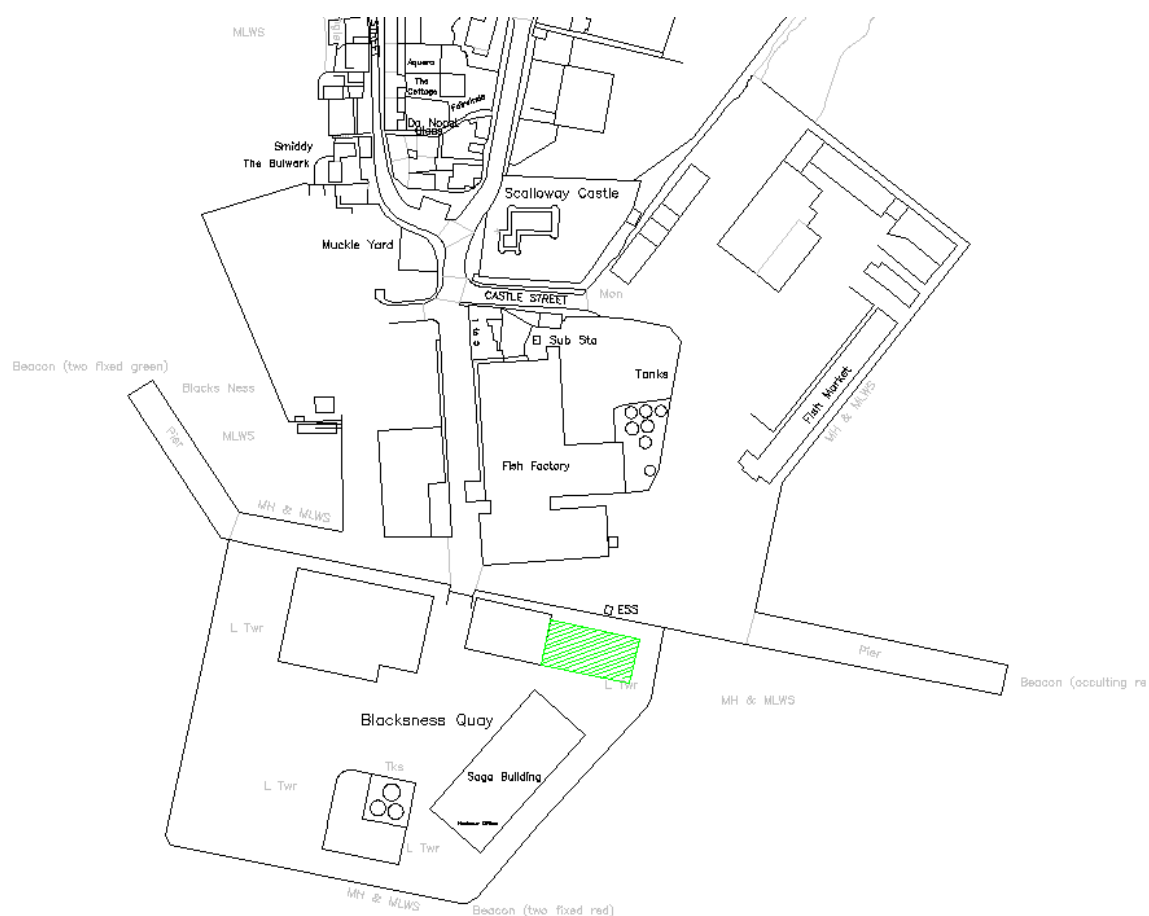
The map shows the Blackness Quay area with various buildings and landmarks. Key features include:

- Top Left:** MLWS (Maritime Lifeboat Station), Smiddy The Bulwark, Muckie Yard.
- Top Center:** Scaillway Castle, Castle Street, Mon.
- Center:** Fish Sub Sta, Tanks, Fish Factory, Fish Market, Pier.
- Bottom Left:** Beacon (two fixed green), Blacks Ness, MH & MLWS, L Twr, Blackness Quay, Tks, Saga Building, MH & MLWS, Beacon (two fixed red).
- Bottom Right:** Beacon (occluding red), MH & MLWS.

A red hatched area is marked with 'Q ESS'.

The building would take up area currently used for net mending. There is a fence to the north which would restrict access to the south and there is limited space. It also has a lead time of 6-8 months to be operational. The estimate for this option is **£313,000** which includes the building works, hire of the structure and the hire of the refrigeration.

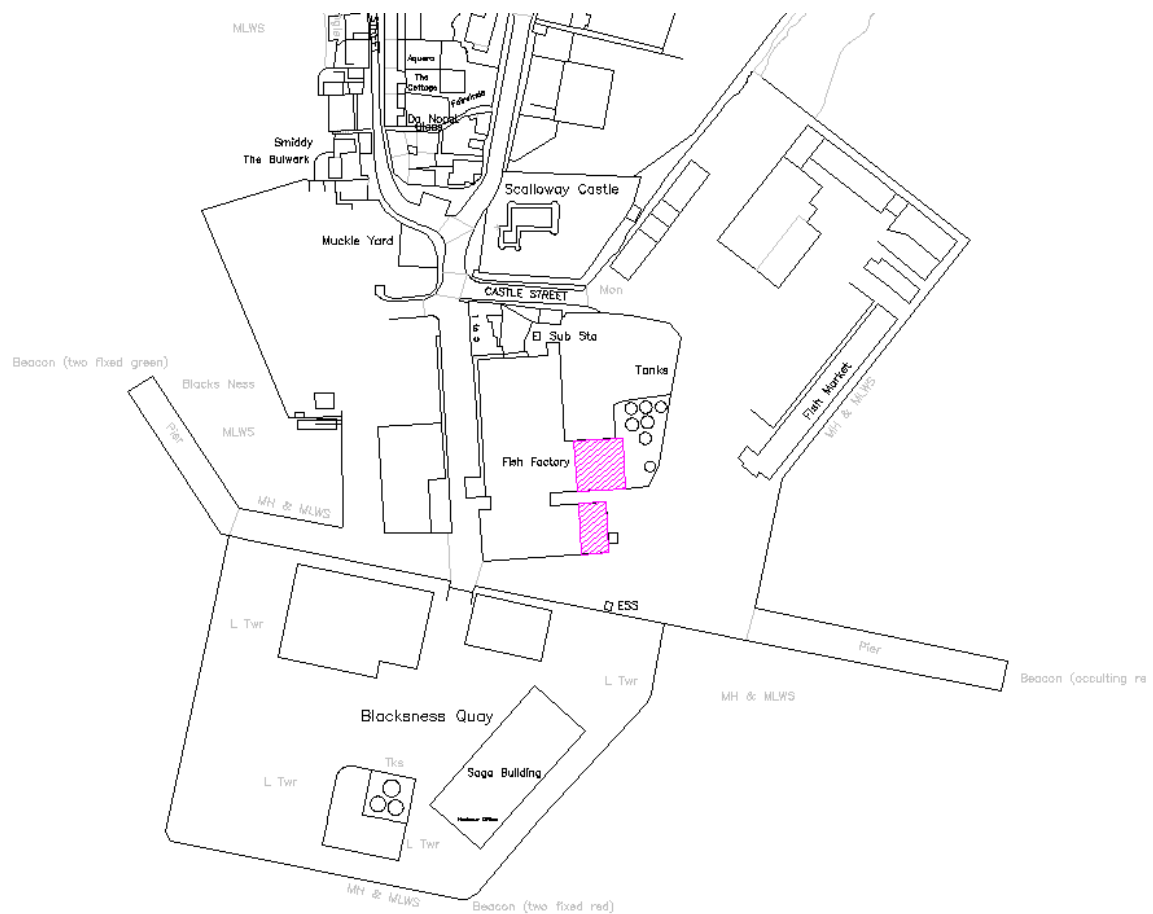
Option 3 – New Build Extension to Oil Spill Building



| Advantages | Disadvantages |
|--------------------------------------------|----------------------------------------|
| Potential box capacity of 2,080 | Requires planning permission |
| Adequate provision of doors | Restricted access & egress |
| Can be used as a store after its chill use | Long lead time |
| | Access would be restrictive for trucks |

This option would be another sizable project in itself with a lead time of 1 year to become operational. It is the most expensive option at an estimate of **£487,000**, but it would be a Council asset and have a future storage use at Blacksness Pier. It has the same access issue as the temporary chill facility with tight space from the south.

Option 4 – Saga Factory



| Advantages | Disadvantages |
|----------------------------------------------------|-------------------------------------|
| Unit in the factory is already a hygienic facility | Two sets of refrigeration required |
| Potential box capacity of 2,018 | Facility manager may be required |
| No requirement for planning permission | One access and egress door |
| | Works required to one of the stores |

The two units at the factory offer enough space, but the split may be an issue. Both stores have one sectional door to provide access and egress. There would be room for the trucks to load, but this would mean being parked on the net mending area. Money will need to be spent to refurbish the second store which in the end is an asset for Scottish Sea Farms. This option has a lead time of 2-4 months and an estimate of **£238,000**.

Conclusion

There are not many days throughout the year where more than 2,000 boxes are landed and so all options could cope with daily landings, if they were managed correctly.

A disadvantage that has been noted and affects all options is the change to using mechanical aids rather than the typically manual procedures. However, this will be the normal procedure for transporting boxes in the redeveloped fish market and the building users should be familiar with this by the time the premises is operational.

The north unit of the Saga Building is the most advantageous with having good access and egress and the boats being able to land nearer to the facility than any other option.

The temporary building would have ample sectional doors for good access and egress, but for the quantity of funds required will not ultimately be a Council asset.

An extension built in the same location would be a Council asset. This option has a long lead time, which delays the main project of the redevelopment and costs nearly half a million pounds.

The two stores at the fish factory offers adequate space, but are split and each store only has one door for access and egress. It is the furthest from the quay meaning a longer transport between the boat and the landing facility. Also, one of the stores requires money spent for a refurbishment which will be a Scottish Sea Farms asset.

Recommendation

The preferred option would be option 1. It is the cheapest and provides the shortest distance between the boats and the facility. It is not a Council asset, but does not require any refurbishment, just some minor work to protect the building's distribution boards.

Option 3 would be the following choice if the north unit was not available. It is the most expensive option and has the longest lead time, but the Council will be left with an asset for all the money it was spending on it.

Options 2 and 4 would be the least favourable. Both require larger sums to provide the facility and they do not belong to the Council.



| | | |
|----------------------------|-------------------------------------------------------------------------------------|------------------------------------------------------|
| Meeting(s): | Development Committee Policy and Resources Committee Shetland Islands Council | 3 October 2017 23 October 2017 1 November 2017 |
| Report Title: | Participation Requests Policy | |
| Reference Number: | DV-49-17-F | |
| Author / Job Title: | Brendan Hall/ Partnership Officer, Community Planning and Development | |

1.0 Decisions / Action Required:

- 1.1 That the Development Committee RECOMMENDS that the Policy and Resources Committee approves the Participation Requests Policy.
- 1.2 That the Policy and Resources Committee RECOMMENDS that the Council RESOLVES to adopt the Participation Requests Policy, in the terms proposed.

2.0 High Level Summary:

- 2.1 A Participation Requests Policy has been developed in line with the Council's obligations under Part 3 of the Community Empowerment (Scotland) Act 2015 (the Act) – Participation Requests. This Part of the Act is now in force, as of 1 April 2017.
- 2.2 Development of the policy has been overseen by a Project Board, chaired by the Director Corporate Services and involving Executive Managers from relevant Council Services. There have been a number of opportunities for stakeholders across the Shetland Partnership to learn about the requirements under the Act including presentations in Shetland by Scottish Government officials (27 May 2016).
- 2.3 The Policy sets out the steps that the Council will take when a community body makes an enquiry about starting a dialogue about Council services. The Policy contains a high degree of detail; this is due to participation requests being a brand new provision under the Act and the need to give Members insight into how the Council is meeting its obligations in this regard. A similar level of detail was included in the Policy agreed under Part 5 of the Act – Asset Transfer.
- 2.4 A Participation Request allows a community organisation to make a request to a public service authority to permit the body to participate in an outcome improvement process. The Community Empowerment (Scotland) Act 2015 confers rights on eligible community bodies to make these requests where they feel there is a need for outcomes to be improved.

2.5 An outcomes improvement process is a process established or to be established by the Council with a view to improving an outcome that results from, or is contributed to by virtue of, the provision of a public service. Agreeing to a request is an agreement to a dialogue on improving the outcome as set out by the community participation body – i.e. this dialogue is a major part of the outcome improvement process and will include discussion of changes to service design and delivery where appropriate. It is for the Council, following the outcome improvement process, to decide whether to make any changes to existing service delivery arrangements.

2.6 The Policy process is summarised below:

- When a community body makes an enquiry regarding a Participation Request, they will be directed to the Community Planning and Development Service who will begin a process of informal dialogue between the community body and the relevant service lead(s) to discuss the identified needs and ways forward. It may be possible at this stage to resolve any issues without recourse to the formal process.
- If a formal request is to be pursued and when all parties are happy to proceed, a formal Participation Request will be submitted. Once the validity of the application is confirmed a time limited process is initiated for a decision to be taken (30 days from the validation date).
- Decisions on whether to approve or reject Participation Requests will be taken by the relevant service lead(s); giving consideration as to whether the proposed outcome improvement is likely and achievable. Under the Act, the Council must agree to the request unless there are reasonable grounds for refusing it
- A decision notice will be issued within the 30 day period and will explain the Council's decision and the reasoning behind it. Where a Participation Request has been accepted, the decision notice will also include details of the outcomes improvement process that has been (or will be) established – the community body can request changes to the proposed outcomes improvement process within 28 days of the decision notice being issued.
- The outcomes improvement process must be established and started within 90 calendar days of the decision notice being issued. Once underway, the Council must maintain the process to completion, unless any modifications are agreed in consultation with the community body. When an outcome improvement process has been completed the Council must publish a report on the process.

2.7 The full Policy is attached at Appendix A.

3.0 Corporate Priorities and Joint Working:

3.1 The Policy directly supports several of the priorities identified under the 'Community Strength' section of the Council's Corporate Plan; namely:

- Communities will be supported to find local solutions to issues they face.
- People in Shetland will be feeling more empowered, listened to and supported to take decisions on things that affect them, and to make positive changes in their lives and their communities.

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| 3.2 | Several local partners are covered by Part 3 of the Community Empowerment (Scotland) Act 2015. In 2015, the Shetland Partnership Board agreed an approach whereby the Council would lead on local policy development (Minute reference 30/15). The Shetland Partnership Board have received regular updates on progress. The Council's Community Planning and Development Service will act as a single point of contact for community bodies in Shetland, co-ordinating initial dialogue with all partner agencies. This simplifies the process for community bodies and ensures that the benefits of joint working can be maximised from the earliest opportunity. |
| 4.0 Key Issues: | |
| 4.1 | <p>The Development Committee and Policy and Resources Committee are asked to discuss the Policy and recommend to the Council that the Policy be agreed and adopted by Shetland Islands Council. Key issues to consider include:</p> <ul style="list-style-type: none"> • The Council's obligations under the legislation and the Policy's role in ensuring that these are upheld • The potential for all parties to benefit from community participation where a well-structured outcomes improvement process is put in place • The links to wider programmes such as the Business Transformation Programme and the implementation of Part 2 of the Act – Community Planning |
| 4.2 | Designing the outcomes improvement process will be the responsibility of the relevant service lead(s), with support where required from staff in the Community Planning and Development Service. |
| 4.3 | Community Participation is also a key theme being developed as part of the refreshed Local Outcomes Improvement Plan (part of the implementation of Part 2 of the Act – Community Planning). This will articulate how community bodies will participate in the work of the Community Planning Partnership and will be shared by all Community Planning partners. The Local Outcomes Improvement Plan will form the basis for an ongoing consistent effort to improve and mainstream community participation in service design, service delivery and public decision-making. |
| 4.4 | The legislation contained in Part 3 of the Act is part of a clear shift in how public authorities and communities engage with one another. |
| 5.0 Exempt and/or Confidential Information: | |
| 5.1 | None. |
| 6.0 Implications | |
| 6.1 Service Users, Patients and Communities: | The Policy sets out how communities in Shetland can exercise their rights under Part 3 of the Community Empowerment (Scotland) Act 2015 and how the Council will fulfil its duties in this regard. The focus of the Act and the Policy is the improvement of outcomes and, as such, communities and the Council will benefit from Participation where there are clearly |

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| | identified needs. The Policy and associated procedures set out clearly what is expected of community bodies and what Council Services will do to support them before, during and after the submission of a Participation Request. |
| 6.2 Human Resources and Organisational Development: | Participation Requests will be handled on a case-by-case basis. The implementation of the Policy will be monitored to address any issues as they arise. Briefings will be provided to officers as relevant to ensure that all are familiar with the legislation, the Policy and their roles in delivering the Council's duties. On-the-job training and support will be provided by the Community Planning and Development Service as required. |
| 6.3 Equality, Diversity and Human Rights: | An integrated impact assessment has been completed for the policy. The policy itself has no implications for any particular groups or outcomes as the rules for eligibility are set out in legislation and designed to be inclusive and the purpose of the Policy is that outcomes will be improved as a result of community participation. The implementation of the Policy will be monitored to address any issues as they arise. The integrated impact assessment is attached at Appendix B. |
| 6.4 Legal: | <p>The Policy sets out the Council's approach to meeting its legislative duties under Part 3 of the Community Empowerment (Scotland) Act 2015. The policy draws on Part 3 of the Act and the regulations below:-</p> <ul style="list-style-type: none"> • The Participation Request (Procedure) (Scotland) Regulations 2017 <p>The full legislation is linked under Background Documents, below.</p> |
| 6.5 Finance: | <p>There are no direct financial implications arising from this report.</p> <p>There are potentially financial implications associated with the involvement of community bodies in Council decision-making and service delivery. Each Participation Request will be considered on a case-by-case basis as to whether resource implications are significant. It is for the Council, following the outcome improvement process, to decide whether to make any changes to existing service delivery arrangements – financial implications can be addressed through this process.</p> |
| 6.6 Assets and Property: | <p>It is conceivable that community bodies may wish to use this Policy in conjunction with the Community Asset Transfer Policy where community bodies wish to both take ownership of Council-owned land or buildings and seek to improve the services delivered from the premises. Scottish Government guidance does not recommend using both provisions together:</p> <ul style="list-style-type: none"> • "If the community body wants to take over running a service which is tied to the particular premises, and does not want to use the premises for any other purpose, this can be addressed through a participation request. Usually |

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| | <p>this would apply to services which will be delivered under a contract or agreement with the relevant authority. A lease or other arrangement in relation to the premises can be negotiated as part of the agreement to provide the service.</p> <ul style="list-style-type: none"> • If the community body wants to take control of an asset in order to deliver services on its own terms or use the property for other purposes, this should normally be addressed through an asset transfer request. • An asset transfer request can be accompanied by negotiations for the public authority to contract with the community body to continue to provide a service, as a source of income.” (Participation Requests under the Community Empowerment (Scotland) Act 2015, Guidance: Scottish Government, 2017). <p>Dialogue during the pre-application stage will help guide both staff and community body representatives as to what piece of the Community Empowerment Act legislation (and therefore which Council Policy) is best to follow to improve identified outcomes.</p> |
| 6.7 ICT and New Technologies: | <p>The Policy and additional information will be hosted on the Community Planning and Development Service’s website. This will include contact details and signposting to support available for community bodies. Notices regarding Participation Requests will also be posted on the website.</p> |
| 6.8 Environmental: | <p>The Policy has no direct environmental implications and no Strategic Environmental Impact Assessment is required. Community bodies may have to have regard to environmental impact when considering participation and outcomes improvement depending on the service involved. See Appendix B.</p> |
| 6.9 Risk Management: | <p>As per paragraph 3, above, the Policy supports the Council’s priorities identified under the ‘Community Strength’ section of the Corporate Plan. The Community Planning and Development Service’s risk register includes risks under this heading, the most pertinent of which concerns deadlines – this is currently rated as 6 (Medium). Part 3 of the Community Empowerment (Scotland) Act 2015 came into force on 1 of April 2017; having a policy in place at the earliest possible opportunity after this date will help prepare the Council to receive any Participation Requests and will make it clear to community bodies what is required for them to submit a valid request. Including the pre-application stage also ensures that dialogue can take place to keep all parties informed of any issues that may arise with the outcome improvement process or the readiness and ability of of the community body concerned to participate – this will help to improve the chances of a positive outcome for all parties being delivered by the process.</p> |

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| | <p>Compliance with the legislation is another clear risk and, to this end, the policy has been prepared with professional input from staff in Governance and Law to ensure that the Council policy delivers both the requirements and the intended benefits of the legislation. The Project Board has also overseen the development of the Policy to ensure that it meets the needs of both the Council and the wider Shetland community.</p> <p>Implementation of the Policy will be monitored to identify any issues that may arise and to ensure that policy and procedures are fit for purpose when used in real situations.</p> | |
| 6.10 Policy and Delegated Authority: | <p>This Policy is submitted for consideration in the first instance by the Development Committee in terms of its remit to advise the Policy and Resources Committee and the Council in the development of service objectives, policies and plans concerned with service delivery within its functional areas, including Community Planning and Development. The new provisions contained in the Policy cover all Council services and, therefore, the Policy is submitted for consideration by the Policy and Resources Committee in terms of its role in advising the Council in the development of its strategic objectives, policies and priorities. Determination of new Policy requires a decision of Council [Scheme of Administration and Delegations, Part C, Section 2].</p> | |
| 6.11 Previously Considered by: | <p>Shetland Partnership Board</p> <p>Shetland Partnership Seminar with Scottish Government</p> | <p>17/09/2015 02/06/2016 25/10/2016 21/06/2017</p> <p>27/05/2016</p> |

Contact Details:

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brendan.hall@shetland.gov.uk

Date: 25 September 2017

Appendices:

Appendix A: Shetland Islands Council: Participation Requests under the Community Empowerment (Scotland) Act 2015 – POLICY

Appendix B: Shetland Islands Council: Participation Request Policy Integrated Impact Assessment

Background Documents:

Part 3 of the Community Empowerment (Scotland) Act 2015 can be accessed here:

<http://www.legislation.gov.uk/asp/2015/6/part/3>

Shetland Islands Council: Participation Requests under the Community Empowerment (Scotland) Act 2015 – POLICY

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| Document Information | |
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| Document Name/Description | Shetland Islands Council: Participation Requests under the Community Empowerment (Scotland) Act 2015 – POLICY |
| Version Number e.g. V1.1 | V1.0 |
| Author | Brendan Hall |
| Lead Officer/Manager | Brendan Hall |
| Final Approval Date | |
| Approved by – <i>Council/Committee/Group/Manager</i> | |
| Review Frequency | Annual |
| Date of next planned review start | October 2018 |

| Summary of changes to document | | | |
|--------------------------------|-----------------|--------------------|------------------------------|
| Date | Version updated | New version number | Brief description of changes |
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1. Introduction

- 1.1 Shetland Islands Council (the Council) recognises the importance of giving the wider Shetland community opportunities to get involved in decisions about the delivery of services, objectives and outcomes.
- 1.2 The development of a Participation Request Policy is an acknowledgement of the role communities can play in enhancing service delivery and the role of enhanced participation in delivering community empowerment and sustainability.
- 1.3 This Policy sets out the Council's approach to meeting its legislative duties under Part 3 of the Community Empowerment (Scotland) Act 2015 (the Act). This policy draws on Part 3 of the Act and the Participation Request (Procedure) (Scotland) Regulations 2017.
 - The full text of Part 3 of the Act can be viewed at the following link:
<http://www.legislation.gov.uk/asp/2015/6/part/3>
 - The full text of the regulations can be viewed at the following link:
<http://www.legislation.gov.uk/ssi/2017/39/contents/made>
- 1.4 This Policy acknowledges the rights afforded to community bodies under the Community Empowerment (Scotland) Act 2015 and the Council commits to promote, support and uphold these rights in the spirit of the legislation.

2. Procedures

- 2.1 The accompanying procedures to this Policy detail the roles and functions to be carried out by Managers and employees of the Council in order to fulfil the obligations set out in the legislation and this Policy.

3. Definition of a Participation Request

- 3.1 The Act states that a community participation body may make a request to a public service authority to permit the body to participate in an outcome improvement process. There are a range of possible uses of Participation Requests which can be broadly divided into four categories as follows:
 - To help people start a dialogue about something that matters to their community, through highlighting needs, issues or opportunities for improvement.
 - To help people have their voice heard in policy and service development, through contributing to decision-making processes.
 - To help people to participate in the design, delivery, monitoring or review of service provision, through contributing to service change or improvement.
 - To help people challenge decisions and seek support for alternatives which improve outcomes.
- 3.2 An outcomes improvement process is a process established or to be established by the Council with a view to improving an outcome that results from, or is contributed to by virtue of, the provision of a public service.
- 3.3 Agreeing to a request is an agreement to a dialogue on improving the outcome as set out by the community participation body – i.e. this dialogue is a major part of the outcome improvement process and will include discussion of changes to service

design and delivery where appropriate. It is for the Council, following the outcome improvement process, to decide whether to make any changes to existing service delivery arrangements.

4. Principles

- 4.1 The Policy is based on the following principles:
- Informal dialogue to establish shared understanding of needs, circumstances and ways forward is the foundation upon which successful community participation is built;
 - Proposed outcomes improvements should support Local Outcomes Improvement Plan outcomes, and should not be to the detriment of other strategies and policies;
 - The process for making, receiving and approving/declining participation requests will be carried out in a transparent, equitable and accountable way;
 - All Council services will support the Council's Policy on the participation requests and assist in delivering the aims and objectives contained in this Policy;
 - The Council will proactively seek to promote participation requests as a means for the most vulnerable and least vocal parts of the Shetland community to get involved in outcomes improvement, and;
 - The Council will seek to continuously improve the opportunities for people in Shetland to pro-actively participate in improving outcomes for themselves and their community.

5. Eligibility

- 5.1 To make a participation request, the community organisation needs to be a "community participation body". This is defined in section 20 of the Act. It can be either:
- a community controlled body (defined in section 19 of the Act);
 - a community council;
 - a community body without a written constitution (set out in section 20(4) of the Act); or,
 - a body designated by the Scottish Ministers.
- 5.2 A community controlled body must fulfil certain requirements when it wants to make participation request. A community organisation does not need to be defined as a "community controlled body" to be able to make a participation request. However, it will need to meet similar requirements as a community controlled body. These are set out below.
- 5.3 A community controlled body means a body that has a written constitution which includes:
- (a) **A definition of the community to which the body relates** (whether geographic or a community of interest¹),
 - (b) **Provision that membership of the body is open to any member of that community** (the body must be open to anyone who is a member of the community defined above; there must be no additional requirements. Where membership is based on a fee, this should be affordable to anyone from the defined community),
 - (c) **Provision that the majority of the members of the body is to consist of members of that community** (people (and organisations) who are not members

¹ Communities of interest could include faith groups, ethnic or cultural groups, people affected by a particular illness or disability, sports clubs, conservation groups, clan and heritage associations, etc.

of the defined community may be allowed to join the body, but the governing documents must require that those who are members of the community must always be in the majority. This can be accomplished by providing for Ordinary Members and Associate Members or Junior Members – the number of Ordinary Members should always exceed the number of other members),

- (d) **Provision that the members of the body who consist of members of that community have control of the body** (having “control of the body” means that the members of the community are in charge of the decisions made by the body. This may be arranged by providing that only Ordinary Members can vote at General Meetings, a majority of the Board must be made up of Ordinary Members and the Chair and Vice-Chair must be Ordinary Members, where they have a casting vote),
- (e) **A statement of the body's aims and purposes, including the promotion of a benefit for that community** (the aims and purposes may include activity that goes wider than the defined community, such as raising money for charity, promoting their interest to other people or sharing experience with communities in other areas; however, at least one of the purposes of the body must clearly be for the benefit of the community they represent), and
- (f) **Provision that any surplus funds or assets of the body are to be applied for the benefit of that community** (any money or property the body has, after covering its running costs, must be used to benefit the community as a whole. Bodies incorporated as co-operatives, which distribute their profits or dividends to members of the body, are not eligible to make requests for ownership).

- 5.4 Community Bodies without a written constitution are also eligible to make participation requests under certain circumstances where the community participation body is constituted of a more loosely associated group of people. Under section 20(4) of the Act the community group must have similar features to that provided by a community controlled body as set out above but without a written constitution.
- 5.5 It will be for the Council to determine whether a group meets the requirements under the Act. But it will be for the community group to provide such information as the Council needs to be satisfied. This can be worked out during the pre-application stage in discussion with the service lead(s).
- 5.6 The Scottish Ministers can also designate a body to be a community participation body. They will do this by making an order.

6. Pre-application stage

- 6.1 In accordance with Scottish Government guidance and in order to maximise the benefits afforded by this Policy, the Council has designed a pre-application stage for prospective community participation bodies wishing to consider the possibility of making a participation request. This process will be administered by the Council's Community Planning and Development Service, acting as a single point of contact for community participation bodies to discuss their proposals at an early stage.
- 6.2 The pre-application stage is designed to help community participation bodies understand the requirements of the legislation and to assess their readiness and eligibility to submit a competent application. It will also allow for informal dialogue with the relevant service lead(s) to explore opportunities for outcomes improvement without recourse to a formal request.

- 6.3 Community participation bodies are strongly advised to contact the Council's Community Planning and Development Service and discuss their proposals at the earliest opportunity and before any formal request is submitted.

7. Submitting a formal Participation Request

- 7.1 Participation requests can be made to the Council for outcomes that result from (or are contributed to by virtue of) the provision of a Council service (or Council services) or a service delivered on behalf of the Council.
- 7.2 Requests should be made in writing to the Council and must:
- state that it is a participation request made under Part 3 of the Community Empowerment (Scotland) Act 2015;
 - specify an outcome that results from (or is contributed to by virtue of) the provision of a service provided to the public by or on behalf of the authority
 - set out the reasons why the community participation body considers it should participate in the outcome improvement process
 - provide details of any knowledge, expertise or experience the community participation body has in relation to the specified outcome
 - provide an explanation of the improvement in the specified outcome which the community participation body anticipates may arise as a result of its participation
- 7.3 A statutory form is provided to guide community participation bodies in submitting a formal request; this is included at Appendix A of this Policy.
- 7.4 Further information and guidance are available from the Council's Community Planning and Development Service and are included in the procedures.

8. Receiving Participation Requests

- 8.1 Requests received by the Council will be checked to ensure they have come from an eligible community participation body and are valid, containing the correct information. In the event that a request is not valid, or required information is missing, the Council will write to the community participation body to inform them what is missing and how to complete their request. This will happen only once. If a valid, completed request is not received after this or a completed request is found to be ineligible, then it is not a participation request and no further action need be taken.
- 8.2 Once a completed request is submitted, the Council will issue an acknowledgment to the community participation body. The acknowledgement will include:
- the validation date for the request – this is the date on which the last of the required information was received by the Council (the date the request was received if it was complete). This is the date from which other time limits will be calculated
 - the time period for the Council to notify the community participation body of its decision – this is 30 working days from the validation date, unless additional public service authorities are involved or an extended timeline is agreed to by the community participation body.
- 8.3 Should the community participation body include a request that more than one public service authority should participate in the outcome improvement process then the Council, as the lead authority (to who the request was made), should:
- notify the additional public service authorities of the request
 - inform the additional public service authorities of the validation date

- send a copy of the participation request and the information provided by the community participation body to each additional public service authority
- 8.4 Within 15 working days upon of receiving notification the additional public service authorities must inform the Council whether they wish to participate and if it does not, the reasons for that decision. The 15 days will not count towards the time period for notifying the community participation body of the decision, effectively meaning that the time period for decision can be extended in these circumstances to up to 45 working days.

9. Repeat requests

- 9.1 Section 27 of the Act allows the Council authority to choose not to consider a request which is the same or very similar to a previous request. This applies if the new request relates to matters as a request made in the previous two years. It does not matter if the new request is made by the same body or a different one.
- 9.2 Where a repeat request is declined, the public service authority should write to the community participation body to advise them of the situation and the reason for declining the request.

10. Decision Making

- 10.1 Where a participation request is made by a community participation body to the Council, the Council must decide whether to agree to or refuse the request – under the Act, the Council must agree to the request unless there are reasonable grounds for refusing it.
- 10.2 The decision regarding the request will be taken by the relevant service lead(s) – i.e. Executive Manager or Team Leader – giving consideration as to whether the proposed outcome improvement is likely and achievable. The framework to assist service leads in making decisions is outlined in procedures.

11. Decision notice

- 11.1 Having made its decision, the Council must issue a decision notice to the community participation body, setting out its decision and, if it refuses the request, the reasons for the decision. This must be done within 30 working days from the validation date or 45 working days if more than one public service authority is involved. Note that this is the period during which both the decision on whether to accept the request and how best to proceed with the outcomes improvement process should be taken.
- 11.2 A longer period for the decision notice to be issued is possible, where this is agreed between the Council and the community participation body. Note that it is for the community participation body to agree any extension to the statutory time period.
- 11.3 The decision notice will be sent to the community participation body and posted on the Council's website www.shetland.gov.uk
- 11.4 Where a participation request has been accepted and the Council service(s) involved have already established an outcomes improvement process, the decision notice will include the following details:
- how the process operates;

- what stage the process has already reached
 - how the community participation body will participate, and;
 - how any other parties will participate.
- 11.5 Where a participation request has been accepted and the Council service(s) involved have not already established an outcome improvement process then the decision notice will:
- describe how the outcome improvement process will operate
 - explain how the community participation body is expected to participate
 - describe how any other parties are expected to participate in the process
- 11.6 Outcomes improvement processes should be designed in accordance with the Council's shared Community Participation Strategy (in development).

12. Agreeing the Outcome Improvement Process

- 12.1 Once a decision notice has been given agreeing to a participation request, an outcome improvement process must be discussed and agreed. The outcome improvement process is a process that will improve the outcome set out by the community body.
- 12.2 The community participation body will consider the contents of the decision notice describing the existing or proposed outcomes improvement process. The community participation body can, within 28 days of the decision notice being issued, propose changes to the outcome improvement process. These must be taken into account by the Council.
- 12.3 In practice, the relevant service lead(s) are encouraged to continue dialogue with the community participation body and involve them as far as possible in directly designing the outcomes improvement process.
- 12.4 The final details of the outcomes improvement process must be provided to the community participation body within 28 days of the ending of the initial period of 28 days from the decision notice (i.e. within a maximum of 56 days from the decision notice being issued).
- 12.5 At this point, details of the outcomes improvement process must be published on the Council website (www.shetland.gov.uk), namely:
- the names of the community participation bodies and public service authorities which are involved in the outcome improvement process
 - the outcome to which the outcome improvement process relates
 - how the outcome improvement process is to operate
 - the timescale for the completion of the outcome improvement process

13. Setting up and maintaining the Outcomes Improvement Process

- 13.1 The outcomes improvement process must be established and started within 90 calendar days of the decision notice being issued. Once underway, the Council must maintain the process to completion as per the details set out in paragraph 12.5.
- 13.2 The Council can modify the process, following consultation with the community participation body. Where a process is modified, the following details should be published in the same manner as set out in paragraph 12.5:

- the names of the community participation bodies and public service authorities involved in the modified outcome improvement process
- the outcome to which the modified process relates
- identify the process which has been modified
- how that process has been modified
- how the modified process is to operate

14. Reporting

- 14.1 When an outcome improvement process has been completed the Council must publish a report on the process. The report must summarise the outcome of the process, including whether the outcome to which it related has been improved, and describe how the community participation body that made the request influenced the process and outcomes. It must also explain how the Council will keep the community participation body and others informed about changes in the outcomes of the process and any other matters relating to the outcomes.
- 14.2 The report will be prepared by the relevant service lead(s). A reporting template is included in the procedures.
- 14.3 In preparing the report, the Council must seek the views of the community participation body that made the request and any other community participation bodies involved.
- 14.4 Quarterly reports will be presented to the Policy and Resources committee to update Elected Members on live participation requests and any outcomes improvement processes that have commenced during the preceding quarter.
- 14.5 An annual report on participation requests will be published by the Council to include for that year:
- the number of requests received
 - the number of requests agreed and refused
 - the number of requests which resulted in changes to a service provided by, or on behalf of, the Council
 - any action taken by the Council following an outcomes improvement process
- 14.6 Annual reports will cover the period 1st April to 31st March and must be published by 30th June in the following financial year.

Appendix A: Participation Request under Part 3 of the Community Empowerment (Scotland) Act 2015 – statutory form

1 Details of Community Participation Body

| | |
|---------------------------|--|
| Name of Community Body: | |
| Contact Name: | |
| Contact address: | |
| Contact Telephone number: | |
| Contact Email: | |
| Website (if available): | |

Please ensure that you include a copy of your written constitution or governance documentation if available.

2 Name of the public service authority to which the request is being made:

Note 1 (see page following form)

3 Name of any other public service authority which the community participation body requests should participate in the outcome improvement process:

Note 2

4 The outcome that community participation body want to improve:

Note 3

5 The reasons why the community participation body should participate in an outcome improvement process:

Note 4

6 Knowledge, expertise and experience the community participation body has in relation to the outcome:

Note 5

7 How the outcome will be improved because of the involvement of the community participation body:

Note 6

8 What type of community participation body are you?

a) A community controlled body

b) A community council

c) A body designated by the Scottish Ministers as a community participation body

d) A group without a written constitution

Note 7

9 Additional Information

Note 8

Notes

1. Specify the public service authority to who the request is being made. The authorities to whom a request can be made in Shetland are:
 - Shetland Islands Council
 - NHS Shetland
 - Highlands and Islands Enterprise
 - Police Scotland
 - The Scottish Environmental Protection Agency
 - The Scottish Fire and Rescue Service
 - Scottish Natural Heritage
 - Zettrans
2. Insert the name(s) of any other public service authority which the community participation body requests should participate in the outcome improvement process.
3. Specify an outcome that results from, or is contributed to by virtue of, the provision of a service provided to the public by or on behalf of the authority. Outcomes are the changes, benefits, learning or other effects that result from what the public service authority makes, offers or provides.
4. Set of the reasons why the community body believes it should participate in the outcome improvement process.
5. Provide details of any knowledge, expertise and experience the community body has in relation to the outcome specified under paragraph 3, supported with relevant evidence where possible.
6. Provide an explanation of the improvement in the outcome specified under paragraph 3 which the community body anticipates may arise as a result of its participation in an outcome improvement process.
7. To make a participation request the Community Empowerment (Scotland) Act 2015 provides that certain bodies can do so. The community participation body should provide the necessary information to the Council to show that they are a valid body who can make a participation request. If the community participation body is one without a written constitution, this should be raised as soon as possible during pre-application.
8. Any other information in support of the participation request can be included in this section or attached separately should the community body wish to do so. It may be helpful for the community participation body to outline if they have previously been in contact with the Council regarding the outcome. The community participation body may also want to provide information on any additional support they may require to be able to participate in an outcome improvement process.

Integrated Impact Assessments

What is Integrated Impact Assessment?

Everything that the Council does affects people in Shetland. Some decisions can have different effects on different groups in the community. This can make it harder for some people to use a service or to be part of their community.

An Integrated Impact Assessment (IIA) is a way to look at how a proposal could affect communities and if different groups within the community will be affected differently.

If an IIA is done while the proposal is being developed, we can look at the needs of different groups and think about how the proposal will affect them. Some of these impacts will be positive and some negative. We can then think about ways to reduce the negative impacts so that everyone will be able to benefit from the proposal. This guidance will help you to complete an IIA.

An IIA should be part of the development of any new policy or practice. It should also be done when a policy or strategy is being reviewed.

Shetland's Integrated Impact Assessment focuses on the following areas:

- **Social –**
 - Equality & Diversity
 - Social Inequalities
 - Health
- **Environmental**
- **Rural proofing**
- **Economic**

By reviewing social, economic and environmental assessments together we can make sure what we do is sustainable in the widest sense.

Legal Requirements

There are also statutory duties for local authorities that need to be met:

- We have to give due regard to the need to eliminate discrimination, advance equality and foster good relations between people. We need to do this before we make final decisions concerning policy or practice. If we fail to do this, and operate policies and practices that adversely affect a section of the community disproportionately, we could be subject to legal challenges and financial penalties (Equality Act 2010).
- We have to ensure that development projects, plans and strategies with a spatial dimension are screened for their requirement for an Environmental Impact Assessment. If you're unsure of the requirement for one of these assessments, contact Planning.

Who Carries Out an Impact Assessment?

Carrying out an IIA is a group exercise. The IIA group should include those involved in developing the proposal and bring together different perspectives on the topic being discussed. A good understanding of what is being proposed is essential to allow the IIA to be completed successfully.

Gathering Evidence

Gather existing evidence on the proposal and how it may affect different groups. You can use the table on the following page to help you. The completed table can then be circulated to all participants in the group exercise before the IIA meeting, so that it can inform the discussion and be reviewed.

During the meeting, the group should consider whether further evidence is needed to understand impacts and inform recommendations. In this case you should identify how this evidence can be collected.

Evidence Table

| Evidence | Available? | Comments: what does the evidence tell you? |
|--------------------------------------------------------------------------|------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Population data | N/A | The policy does not depend on an evidence base in itself as it represents the local arrangements for enacting national legislation. However; when the policy is applied, community bodies will have to demonstrate – through evidence such as that listed here – that they have a sound understanding of the needs they have identified, the outcomes they want to improve and the impacts that will result. |
| Data on service uptake/ access | N/A | As above |
| Data on equality outcomes | N/A | As above |
| Research/ literature evidence | N/A | As above |
| Public/ patient/ client experience information | N/A | As above |
| Evidence of inclusive engagement of service users & involvement findings | N/A | As above |
| Evidence of unmet need | N/A | As above |
| Good practice guidelines | N/A | As above |
| Environmental data | N/A | As above |
| Risk from cumulative impacts | N/A | As above |
| Other (please specify) | N/A | As above |
| Additional evidence required | N/A | As above |

Identifying Impacts – the IIA Meeting

Once the evidence has been collected the group should get together to go through it and identify possible impacts. The group needs to critically consider the possible impacts on different groups in the community. Your comments should focus on how the proposal will meet the needs of and impact on different groups and circumstances. There is a checklist on the following page to help you.

Before going through the checklist, consider:

What do you think will change as a result of this proposal?

Now consider impacts on different groups of people:

Which groups will be affected?

Now, go through the checklist to identify how different people could be affected differentially, and possible areas of impact.

Think about:

Who is likely to be directly affected by the proposal?

Who is likely to be indirectly affected by the proposal?

Is it likely that some people might be excluded from the proposal?

Impacts Checklist

| Group | Differential Impacts |
|-------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Diversity | |
| Age (consider across age ranges. This can include safeguarding, consent & child welfare) | <p>The policy itself has no implications for any particular groups as the rules for eligibility are set out in legislation and designed to be inclusive – this is reflected in the policy. Community bodies pursuing a participation request will be encouraged to give consideration to any negative impacts that may arise from their proposal. Support will be offered to community bodies through the Community Planning and Development Service to assist them in considering impacts and taking steps to mitigate any that may arise.</p> <p>Furthermore, when the policy is applied and a participation request agreed to, the participation of the community body in the outcomes improvement process will be with a view to improving the lives of people from that community. This offers a further safeguard that differential impacts will not be experienced as this would preclude the outcomes improvement process going ahead.</p> |
| Disability (consider attitudinal, physical & social barriers) | See above |
| Ethnic Minority (consider different ethnic groups, nationalities, language barriers) | See above |
| Gender | See above |
| Gender Reassignment (consider transgender & transsexual people. This can include issues such as privacy of data & harassment) | See above |
| Lesbian, Gay & Bisexual | See above |
| Marriage & Civil Partnership | See above |
| Pregnancy & Maternity (consider working arrangements, | See above |

| | |
|------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| part-time working, infant caring responsibilities) | |
| Religion & Belief (consider people with different religions, beliefs or no belief) | See above |
| Economic | |
| Education, Skills & Lifelong Learning | There are potentially many significant benefits to community bodies and their members to develop skills and gain valuable knowledge by exploring a participation request. The pre-application stage includes support for this through Community Learning and Development and community bodies are encouraged to think about their skills development needs from the outset. |
| Employment | Participation requests can extend to any aspect of public service delivery, including economic development. Outcomes improvement in this area could extend to improving employment opportunities in a community where the community body can help to achieve this. |
| Business Development | Participation requests can extend to any aspect of public service delivery, including economic development. Outcomes improvement in this area could extend to improving business development in a community where the community body can help to achieve this. |
| Encouraging Investment | Participation requests can extend to any aspect of public service delivery, including economic development. Outcomes improvement in this area could extend to encouraging investment in a community where the community body can help to achieve this. |
| Financial Inclusion | Inequalities are one of key the factors community bodies should take consideration of when thinking about participation requests – financial inclusion could be improved as a result of community participation in service delivery or decision making |
| Environment | |

| | |
|---------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Transportation | Community participation in service delivery or decision making could have positive implications for community transport and other areas where co-production models can operate. |
| Waste Minimisation | Community bodies can use participation requests as a means of improving their local environment and explore solutions to issues such as waste. |
| Energy & Climate Change | Community bodies can use participation requests as a means of improving their local environment and explore solutions to issues such as climate change and community energy solutions. |
| Health | |
| Mental Health & Wellbeing | When the policy is applied and a participation request agreed to, the participation of the community body in the outcomes improvement process will be with a view to improving the lives of people from that community. Mental Health and Wellbeing outcomes would be good candidates for community bodies to come together with services to plan improvements to services. |
| Physical Activity | As above |
| Substance use (tobacco, alcohol or drugs) | As above |
| Affordable food & a healthy diet | As above |
| Sexual Health | As above |
| Those vulnerable to falling into Poverty | |
| Young people whose parents are not able to ensure they can access opportunities | <p>Inequalities are one of key the factors community bodies should take consideration of when thinking about participation requests. Reducing inequalities would therefore be supportive of a successful application. Support will be offered to community bodies through the Community Planning and Development Service to assist them in considering impacts and taking steps to mitigate any that may arise.</p> <p>Furthermore, when the policy is applied and a</p> |

| | |
|----------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | participation request agreed to, the participation of the community body in the outcomes improvement process will be with a view to improving the lives of people from that community. This offers a further safeguard that differential impacts will not be experienced as this would preclude the outcomes improvement process going ahead. |
| Adults with low self-esteem and/or poor mental health | As above |
| Physically disabled or with a long-term illness & their carers | As above |
| Young families without access to their own transport (particularly in remote areas) | As above |
| Older people who are unable to access opportunities | As above |
| People of no fixed address, homeless or in temporary accommodation | As above |
| Ethnic minorities (consider cultural, employer barriers, degrees of social exclusion for white incomers to Shetland) | As above |
| Rurality | |
| Is the policy likely to have a different impact in different areas / communities? | The policy will be applied consistently across communities both geographic and of interest. Implementation of the policy will be monitored to ensure that communities are not disadvantaged by any characteristic. |
| Will the impacts be significant in rural areas? | It remains to be seen whether the implications of this policy will be different in urban and rural settings. Implementation of the policy will be monitored to ensure that communities are not disadvantaged by any characteristic. |

| Staff | |
|------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Full-time | Participation requests will be handled on a case-by-case basis. The policy sets out that it is the service lead(s) responsible for the service in question who will receive and respond to the participation request and initiate the outcomes improvement process. No capacity or competency issues have been raised to date. The implementation of the policy will be monitored to address any issues as they arise. |
| Part-time | As above |
| Shift workers | As above |
| Staff with protected characteristics | As above |
| Staff vulnerable to falling into poverty | As above |

Summary of Impacts

Having considered the evidence and critically considered the potential impacts, the group should decide whether it needs further evidence to determine likely impacts or make recommendations –

- If further evidence is to be gathered, this could be marked as an interim IIA and be finalised when this evidence has been gathered.
- If the evidence is considered to be sufficient the group should discuss and agree a summary of the positive and negative impacts identified and recommendations.

Look again at any negative impacts and think about:

What actions are required to improve the proposal as a result of the IIA?

How will the proposal be monitored after full implementation and how will you ensure that the recommendations made in the IIA are effective?

Have you planned reviews of the proposal? If so, how often and who will be responsible?

Remember - If the proposal shows actual or potential unlawful discrimination you will only be able to meet your legal obligations under the duties by stopping, removing or changing the policy.

Then complete the IIA report form on the following page. This report must be included as an appendix to any Council report.

Please note that all IIAs are required to be published on the Council's website and so once completed, the report should be sent to Anna Sutherland.

IIA Outcomes Report

| | |
|----------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Name of Proposal | Community Asset Transfer Policy |
| Description of Proposal | A Participation Requests policy has been developed in line with the Council's obligations under Part 3 of the Community Empowerment (Scotland) Act 2015 – Participation Requests |
| Lead Organisation / Partnership | Shetland Islands Council |
| IIA Lead Person | Brendan Hall |
| Date of IIA | September 2017 |

| |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Recommendations from IIA |
| <p>Positive Impacts</p> <p>The policy itself has no implications for any particular groups or outcomes as the rules for eligibility are set out in legislation and designed to be inclusive and the purpose of the policy is that outcomes will be improved as a result of community participation. A number of positive impacts are identified in a range of areas where communities and service providers can benefit from the improvement in outcomes that can result from community participation.</p> |
| <p>Negative Impacts</p> <p>No direct negative impacts are identified for the policy itself. Community bodies pursuing a participation request will be encouraged to give consideration to any negative impacts that may arise from their proposal. Support will be offered to community bodies through the Community Planning and Development Service to assist them in considering impacts and taking steps to mitigate any that may arise.</p> <p>Furthermore, when the policy is applied and a participation request agreed to, the participation of the community body in the outcomes improvement process will be with a view to improving the lives of people from that community. This offers a further safeguard that differential impacts will not be experienced as this would preclude the outcomes improvement process going ahead.</p> |
| <p>No Impacts</p> <p>The policy itself has no implications for any particular groups or outcomes as the rules for eligibility are set out in legislation and designed to be inclusive and the purpose of the policy is that outcomes will be improved as a result of community</p> |

participation.

Issues arising from IIA

There is a clear need to monitor the implementation of the policy and to provide support to community bodies to ensure that no unintended negative consequences arise. Community bodies and service leads will be encouraged to use the IIA to assess the impact of their proposals and design the outcomes improvement process as best practice.



Shetland Islands Council

Agenda Item

6

| | | |
|----------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|
| Meeting(s): | Development Committee Policy and Resources Committee | 3 October 2017 23 October 2017 |
| Report Title: | Future Support to Association of Shetland Community Councils | |
| Reference Number: | DV-51-17-F | |
| Author / Job Title: | Neil Grant, Director – Development Services Department | |
| 1.0 | Decisions / Action Required: | |
| 1.1 | <p>That the Development Committee RECOMMENDS that the Policy & Resources Committee RESOLVE to:</p> <ul style="list-style-type: none"> a) Approve that administration support to Association of Shetland Community Councils (ASCC) be provided by Shetland Islands Council's Community Planning and Development Service (CP&D) from October 2017. b) Approve that the Council designate the External Funding Officer, CP&D, as the Community Council Liaison Officer (CCLO). | |
| 2.0 | High Level Summary: | |
| 2.1 | <p>This report provides an overview of current working arrangements in relation to the Council's support to the ASCC, and makes recommendations regarding future support. The attached appendices provide information regarding the consultation with Community Councils, the ASCC and Voluntary Action Shetland (VAS) that has been carried out regarding this matter.</p> | |
| 3.0 | Corporate Priorities and Joint Working: | |
| 3.1 | <p>This report delivers on a number of priorities specified in the "Community Strength" section of the Council's Corporate Plan, namely:</p> <ul style="list-style-type: none"> • Communities will be supported to find local solutions to issues they face; • People in Shetland will be feeling more empowered, listened to and supported to take decisions on things that affect them, and to make positive changes in their lives and their communities; • The strengths of individuals and communities will be built on, with increased levels of volunteering across Shetland where possible. | |
| 3.2 | <p>Shetland Islands Council has a long history of working with Community Councils on a range of local projects and activities. CP&D is well placed to take on the role of CCLO and already works closely with Community Councils. Providing the resources, both human and financial, to support the ASCC to facilitate its meetings will ensure the ASCC can function in an effective and efficient manner.</p> | |

| 4.0 | Key Issues: |
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| 4.1 | Community Councils were created by the Local Government (Scotland) Act 1973. The Act required Local Authorities to introduce Community Council schemes for their area outlining various arrangements including elections, meetings, boundaries, and finance. Local Authorities have statutory oversight of Community Councils and, in consultation with their Community Councils, the freedom to tailor schemes to the particular circumstances of their area. |
| 4.2 | Local authorities and other bodies consult with Community Councils on issues affecting the community. These issues depend to a large extent on what is important to each community, however, local authorities are required to consult Community Councils on planning applications and many choose to involve them in the Community Planning process. Community Councils bridge the gap between local authorities and communities, and help to make public bodies aware of the opinions and needs of the communities they represent. |
| 4.3 | In order to facilitate the effective functioning of Community Councils, the Local Authority must have a Scheme of Establishment and is expected to designate an official to act as a CCLO. Unless there is a specific agreement or an issue is a specific departmental issue, all correspondence between the Local Authority and Community Councils should in the first instance, be directed through the CCLO official. |
| 4.4 | Following dialogue with the Scottish Government it has been identified that the CCLO role is not a specific requirement under legislation. However, it is an interpretation of the legislation arising from necessary implication and is best practise. All other Local Authorities have a named CCLO. |
| 4.5 | When the Council first introduced a Community Council scheme, the Council established its own arrangements to support Community Councils. Funding for Community Councils was administered by the Council's Finance Service, with advice over governance and legislation, including election duties, provided by the Council's Governance & Law Service. An agreement was put in place, which meant that effectively the CCLO role was shared between VAS, and the Finance and Governance & Law Services. VAS also provided administration support to the ASCC. |
| 4.6 | Since the agreement was first put in place, VAS has received funding from the Council to carry out the duties as detailed above. In 2016/17, VAS was paid grant assistance of £12,743. |
| 4.7 | During 2013-15, Community Council budgets and responsibility for Community Councils transferred to the CP&D. This was considered the most appropriate location for Community Council activities within the Council as CP&D already managed the Council's community grant schemes and Community Development services. |
| 4.8 | The Scottish Government asked the Council to provide a named CCLO contact, as it is expected that each local authority designate an officer to the CCLO role. In response, the External Funding Officer (EFO), CP&D was assigned this responsibility, and in addition to acting as a first point of contact and providing advice and support to Community Councils, the EFO participates in both the national and a regional CCLO network. |

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| 4.9 | It should be noted that in addition to taking on budgets and responsibility for Community Councils, CP&D has been engaged in a number of new activities and areas of work such as Participatory Budgeting and the implementation of changes arising from the Community Empowerment (Scotland) Act 2015. In addition to routine engagement and support, this has required CP&D to work much more closely with Community Councils and has enabled stronger relationships to be developed. |
| 4.10 | During 2016/17, CP&D carried out a desktop appraisal of the current CCLO arrangements and conducted a review of the existing administration support to the ASCC. The latter included carrying out consultation with Community Councils to determine their preferred option for future administration support to ASCC. |
| 4.11 | The desktop review identified that there is a lack of clarity over the Council's CCLO responsibilities and the support provided by VAS. The review has also highlighted that there is an increased risk of duplication between the Council and VAS in relation to supporting Community Councils. Consolidating the CCLO role and administration support to the ASCC would provide greater clarity for Community Councils and ensure a single point of contact for support or advice. |
| 4.12 | The consultation results demonstrated that the majority of Community Councils would prefer the Council to provide administration support to ASCC in-house. Taking on the CCLO role in full and providing administration support to ASCC would help further strengthen ties and relationships between the Council and Community Councils. |
| 4.13 | The feedback from the Community Council consultation exercise is attached as Appendix A. Also attached is a response to the consultation from VAS as Appendix B. |
| 4.14 | While the review and Community Council consultation was ongoing, the Council awarded VAS grant aid of £6,317 to provide the status quo up to 30 September 2017. |
| 4.15 | The proposed changes outlined present an opportunity for the Council to achieve recurring efficiency savings whilst also developing stronger links and relationships with Community Councils by taking the CCLO role and administration support to ASCC in-house. |
| 5.0 Exempt and/or Confidential Information: | |
| 5.1 | None. |
| 6.0 Implications | |
| 6.1 Service Users, Patients and Communities: | CP&D carried out a consultation exercise with all Community Councils and the ASCC to clarify the expectations around the CCLO role, and to ascertain their preferred method of providing admin support to the ASCC. Engagement also took place with members of the Joint Liaison Group. |

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| 6.2 Human Resources and Organisational Development: | Having carried out a desktop review of the CCLO role and administration support to the ASCC it is considered that these duties can be carried out in-house within existing resources. Some training may be required to the relevant officer involved, which also can be provided and delivered in-house. The Governance and Law Service would remain responsible for overseeing Community Council elections. |
| 6.3 Equality, Diversity and Human Rights: | <p>There are no direct implications on individual Community Councils arising from this report as existing funding and direct support from CP&D will not be affected. The assessment confirmed that there will be no impacts on the ASCC either as the Council will deliver at least the same level of support that it has previously received from VAS.</p> <p>The implementation of the proposed changes of administration support to the ASCC will be closely monitored. Any issues identified with the new arrangements will be addressed if/as they arise.</p> |
| 6.4 Legal: | <p>The Local Government (Scotland) Act 1973 requires Local Authorities to introduce Community Council schemes for their area. The scheme shall set out a number of arrangements including elections, boundaries, governance and finance.</p> <p>In order to facilitate the effective functioning of Community Councils, the Local Authority is expected to designate an official to act as a Community Council Liaison Officer (CCLO).</p> |
| 6.5 Finance: | The Council continues to seek out all efficiencies and savings as part of its Medium Term Financial Plan budget objectives. It is anticipated that the proposed changes in this report can be carried out within existing resources. Transferring the ASCC admin support from VAS to CP&D will achieve recurring savings of up to £10,000 per annum. |
| 6.6 Assets and Property: | None. |
| 6.7 ICT and New Technologies: | <p>CP&D aims to make the best use of ICT and new technologies. CP&D already uses on-line application forms and the bulk of its communication with Community Councils is electronic based.</p> <p>CP&D officers have delivered social media training to a number of Community Council clerks and plan to roll out this training further over the coming year.</p> <p>CP&D is working to develop its web pages and to create a menu of on-line template documents to support Community Councils wherever possible.</p> |
| 6.8 Environmental: | None. |

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| 6.9 Risk Management: | <p>There is a risk of relationships between the Council and Community Councils being damaged because of this review and the changes proposed. However, CP&D has listened carefully to the consultation feedback and has taken steps to ensure that the level of support provided to the ASCC will not decrease.</p> <p>The EFO within CP&D will take on the CCLO role and become point of contact for ASCC. The EFO will work closely with the ASCC chair and vice chair to embed this change.</p> <p>With three Community Councils having left the ASCC, there is a risk that the ASCC becomes increasingly unrepresentative as a consultative forum. CP&D will liaise closely with all 18 Community Councils and work to re-establish full membership. This could start by carrying out a self-assessment and determining what Community Councils and stakeholders need from the ASCC.</p> <p>There is a risk that failure to approve the recommendation in this report could lead to continued duplication of effort with regard to CCLO duties.</p> | |
| 6.10 Policy and Delegated Authority: | <p>Under section, 2.3.1 of the Scheme of Administration and Delegation the Development Committee has the remit for matters relating to Community Councils, and has responsibility for monitoring and reviewing the achievement of key outcomes in the Service Plan as part of its Planning and Performance Management Framework.</p> <p>The Committee also has responsibility for advising Policy and Resources Committee in the development of service objectives, policies and plans concerned with service delivery (2.3.1(i))</p> <p>The Policy and Resources Committee has delegated authority for development and operation of the council as an organisation and all matters relating to organisational development and staffing (2.2.1(8)).</p> | |
| 6.11 Previously Considered by: | None. | |

Contact Details:

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Date: 25 September 2017

Appendices:

Appendix A: Consultation Results
Appendix B: Voluntary Action Shetland – Consultation Response

Background Documents:

None

| Community Council | 4.1.1 – Voluntary Action Shetland provides ASCC admin support to facilitate meetings – with a reduced level of grant aid | 4.1.2 – The ASCC nominates an existing Community Council clerk to provide admin support for a grant payment – either on a permanent or rotating basis | 4.1.3 – The Community Council of the ASCC Chair provides admin support for a grant payment – this would change with each Chair appointment | 4.1.4 – The Council provides ASCC admin support in house | 4.1.5 – The ASCC proposes another solution to ensure ongoing admin support i.e. contract task to a Third Part, employs own clerk etc. |
|---------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Aithsting & Sandsting | | | | 1st | |
| Bressay | | | | 1st | |
| Burra & Trondra | | | | 1st | |
| Delting | | | | 1st | |
| Dunrossness | | | | 1st | |
| Fetlar | | | | 1st | |
| Gulberwick, Quarff & Cunningsburgh | | 1st | | | |
| Lerwick | | | | 1st | |
| Nesting & Lunnasting | | | | 1st | |
| Northmavine | | | | | 1st |
| Sandness & Walls | 1st | | | | |
| Sandwick | | 1st | | | |
| Scalloway | | | | 1st | |
| Skerries | | | | 1st | |
| Tingwall, Whiteness & Weisdale | | | | 1st | |
| Unst | | | | 1st | |
| Whalsay | | | | | 1st |
| Yell | | | | | 1st |
| Association of Shetland Community Councils (Chair's group) | | | | 1st | |
| TOTAL | 1 | 2 | 0 | 13 | 3 |

**VAS – response to report on Review of Community Councils
Executive Manager Community Planning & Development dated 25th March 2017**

From: Executive Officer VAS supported by VAS Board

Background

Shetland Council of Social Services (now Voluntary Action Shetland - VAS) was approached by Shetland Islands Council to consider providing the support and liaison on behalf of the Association of Community Councils. At that time there had been a comparison done with Orkney Islands Council who had appointed a Community Council Liaison Officer (CCLO), it was felt that if the SIC were to go down that route they would need to employ another 2 members of staff. Therefore for best value it was decided that it would be beneficial for VAS to take on this role. An additional benefit was that it would be independent from the SIC, which would ensure impartiality.

VAS have continued deliver the statutory CCLO role for the past twenty plus years, during times of reduction in funding and has continued to support the Association both in human and in financial terms over and above the grant awarded by the SIC.

In 2007, a Service Level Agreement was agreed between VAS (SCSS) and the Association this stated the eleven points of service expected from VAS:-

1. Administration support to ASCC meetings (2 per year)
2. Administration support to Joint Liaison Group (3 per year)
3. Financial Administration in liaison with representatives of the ASCC
4. Financial Monitoring and Planning in liaison with representatives of the ASCC
5. Liaison with Statutory Agencies in liaison with representatives of the ASCC
6. Representation at Forums and Meetings in liaison with representatives of the ASCC
7. Support to Community Clerks
8. Policies and Procedures – ASCC
9. Project and Staff Management
10. Policies and Procedures – SCSS
11. Accommodation and I.T. Systems

Local Context – Comments

In a new report from the SIC dated 25 March 2017 they are proposing a number of changes which will directly affect Community Councils and VAS. The report states the need for a Community Council Liaison Officer. As previously noted this idea is not original this statutory role has been around since Community Councils were created but was discounted locally. The sudden need for this CCLO role within the SIC seems to be that the support for the Community Councils has been transferred from legal and admin to community planning and development. During a recent meeting we were informed that community councils are increasingly contacting SIC officers for support and therefore the need for VAS to supply this type of role is no longer required.

We are unsure about where the discussion on the value of the ASCC took place as it is not included in any minutes of ASCC or Joint Liaison Group, we do have notes in minutes referring to self evaluation not a review.

We are unsure about the statements in 3.16 of the report considering the amount of consultation we have been involved in regarding the possibility of Community Councils taking on local services, this has not lead to a positive outcome for community councils or communities.

Proposals

4.1.1. VAS cannot continue to support the ASCC if reduced grant was offered.

Other options would be for individual community council to decide.

Conclusions

VAS have considered the content of the SIC report and are disappointed that it does not show the liaison, support and training we have given community councils and their clerks.

Our role has been much more than an administration service with not only the secretary role, but the executive officer and team leader have also supported and represented the ASCC.

There is no evidence to support the implications in the report that Community Workers will provide a better or cheaper support service than that currently provided by VAS.

Dependant on the outcome of this review we could be in a position where VAS is unable to continue its liaison and support role to the ASCC.