

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

### Service Statement:

The Economic Development Service carries out the following functions:

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

### Summary of Priorities for 2011/12:

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

### In 2011/12 this Service is provided by:

- Staff Summary

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

- Assets Summary

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

- Finance Summary

TOTAL BUDGET 2011/12: **£10,500,000**

**1. Service Standard:**

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


**2. Strategic Service Risk Assessment**


Legislation:



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

## 2.2 Strategic Priorities

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

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

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

source of energy				
<b>W.3 Priority Development: Shetland's reputation for sustainable practices and quality products will be strengthened</b>				
<b>Indicator</b>	<b>Source</b>	<b>Baseline</b>	<b>Long-Term Target</b>	<b>Progress as of March 2011</b>
W.3.1 Accreditation indicators which set standards above the minimum national standards	Industry Action Plans and Progress Reporting	To be developed on an industry by industry basis.	Increase	
W.3.2 % of private sector businesses selling a product or service branded as from 'Shetland'	To be developed	To be developed	Increase	
<b>W.4 Strengthening the Economy: Businesses will be supported to address market failures which if overcome can improve profitability and long-term performance</b>				
<b>Indicator</b>	<b>Source</b>	<b>Baseline</b>	<b>Target</b>	<b>Progress as of March 2011</b>
<b>Enterprise Activity:</b> W.4.1 Number of businesses per 10,000	NOMIS and	569 (2007)	Shetland is already above the average for the Highland & Islands and	Information updated from Shetland Employment Survey due Sept/Oct 2011


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

		new technology  Combined total is 46% of all private sector firms <sup>1</sup>		
W.4.7 Number of FE/HE projects undertaken in collaboration with businesses	EDU/HE-Links	To be developed	To be developed	
Exports: W.4.8 % of private sector businesses only based or with headquarters in Shetland exporting from Shetland <sup>2</sup>	Employers Survey	38% of private sector businesses with their only base or headquarters in Shetland compete for business outside of Shetland (almost half of these, 48%, compete outside of the UK) (2007)	Increase and maintain at over 45% (data available Sept/Oct 2011)	Employers Survey presently being conducted.
Exports: W.4.8 % of private sector businesses only based or with headquarters in Shetland exporting from Shetland <sup>3</sup>	Employers Survey	38% of private sector businesses with their only base or headquarters in Shetland compete for business outside of Shetland (almost half of these,	Increase and maintain at over 45% (data available Sept/Oct 2011)	Employers Survey presently being conducted.

<sup>1</sup> 15% of private sector respondents intended to invest in both new products/services and new technology

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

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

		48%, compete outside of the UK) (2007)		
W.4.9 % of private sector businesses only based or with headquarters in Shetland exporting more than 10% of turnover from Shetland	Employers Survey	18% of private sector businesses with their only base or headquarters in Shetland export more than 10% of their turnover (2007)	Increase and maintain at over 20%(data available Sept/Oct 2011)	Employers Survey presently being conducted.
Education and Skills: W.4.10 % of employers experiencing difficulties due to a lack of skilled labour	Employers Survey	23% (2007)	Decrease and maintain at below 20% (data available Sept/Oct 2011)	Employers Survey presently being conducted
<b>W.5 Strengthening the Economy: Peripheral communities will be assisted to build capacity that strengthens community sustainability</b>				
<b>Indicator</b>	<b>Source</b>	<b>Baseline</b>	<b>Target</b>	<b>Progress as of March 2011</b>
W.5.1 Live Development Plans	SIC/HIE	Not appropriate	Working with at least 2 communities per annum to create/update development plans	<p>➔</p> <p>Currently working with Northmavine (through Northmavine Community Development Company) and Fetlar (through Fetlar Developments Ltd.) to realise development plans for both areas, including provision of core funding under Community Regeneration Policy. In discussion with West Side, Skerries and Unst regarding potential area development</p>

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

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

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

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



<b>W3.2</b>	<b>Lengthen the duration of the tourist season</b>  <b>Target: Support 20 projects</b>	Head of Economic Development	31 March 2012	<b>AMBER</b>  The Shetland Tourism Strategy is presently being refreshed.
<b>W3.3</b>	<b>Develop the role of Promote Shetland as the main promotional tool for Shetland</b>  <b>Target: The service will meet the contract requirements</b>	Head of Economic Development	31 March 2012	<b>GREEN</b>  Service continues to meet contract requirements: Promote Shetland is establishing itself as a very effective means to promote Shetland as a place to Work, Live, Visit, and do business. Development of the Shetland.org site, and external advertising have been effective and recent joint venture with Wild Water Salmon product in Tesco stores looks promising.  The 2011/12 Operating plan and objectives has been issued.
<b>W3.4</b>	<b>Work with the oil industry and other marine sectors to identify future opportunities for Sullom Voe Terminal</b>  <b>Target: Facilitate two significant potential projects</b>	Head of Economic Development, Head of Ports and Harbours	31 March 2012	<b>GREEN</b>  Work has commenced on a potential new business for the port of Sullom Voe. This is currently at an early and sensitive stage.  The Head of Ports and Harbours and the Head of Economic Development are working on the Marine Renewable Energy Project to attract new business to Sullom Voe and Shetland.
<b>W3.5</b>	<b>Encourage business and individual use of the Business Gateway service</b>  <b>Target: 400 clients logged, with 300 using the Business Gateway</b>	Head of Economic Development	31 March 2012	<b>GREEN</b>  Both targets exceeded.  From a survey of Business Gateway clients, 32 new businesses

				<p>have started since the service was established in 2009.</p> <p>Train Shetland short courses for businesses numbers have increased to 145 in 2010/11 from 119 in 2009/10.</p>
<b>W3.6</b>	<p><b>Secure the maximum benefit for Shetland from the European funding programmes and play a full part in key European organisations</b></p> <p><b>Target: Gain approval of £850,000 of European funding</b></p>	Head of Economic Development	31 March 2012	<p><b>GREEN</b></p> <p>SHEFA2 Interconnector Project £367K.</p> <p>Fetlar breakwater and berthing face £300K.</p> <p>ESF Skills Development Scheme £85K.</p> <p>Other applications pending.</p>
<b>W3.7</b>	<p><b>Encourage sustainable fisheries by Shetland vessels under the terms of the Common Fisheries Policy</b></p> <p><b>Target: Support six projects</b></p>	Head of Economic Development	31 March 2010	<p><b>GREEN</b></p> <p>Quota purchase loan scheme in place. Further quota has been purchased under this scheme in 2011.</p>
<b>W3.8</b>	<p><b>Encourage firms operating in Shetland to develop stricter environmental criteria</b></p> <p><b>Target: Maintain high quality environment as part of the Brand</b></p>	Head of Economic Development & Head of Environment and Building Services	Ongoing	<p><b>AMBER</b></p> <p>Encouraged through delivery of the tidy business scheme and direct support and advice. Implementation of Council policy to insist on environmental assessment in all Grants or Loans over £10,000 to be audited. The Shetland Brand pack will be issued in June.</p>
<b>W4.1</b>	<p><b>Development of innovation</b></p> <p><b>Target: Completion of 4 R&amp;D projects in Shetland businesses, including maximising opportunities with relevant</b></p>	Head of Economic Development	31 March 2012	<p><b>GREEN</b></p> <p>NAFC Marine centre are carrying out several research projects with private sector partners.</p>

	<b>higher education bodies</b>			
<b>W4.2</b>	<b>Market Shetland's Brand</b>  <b>Target: Support 30 marketing improvement projects under the Marketing Development Programme</b>	Head of Economic Development	31 March 2012	<b>GREEN</b>  32 individual projects assisted since April 2010.  Anticipate this target will be significantly exceeded.
<b>W4.3</b>	<b>Work with the aquaculture sector to investigate new ways of organising site management and different types of production</b>  <b>Target: Complete a research project</b>	Head of Economic Development	31 March 2012	<b>GREEN</b>  The NAFC Marine Centre has begun work with Hjaltland Seafarms Ltd on feed trials. The recent commissioning of the new NAFC research vessel and work boat will greatly assist the NAFC Marine Centre's capability in winning further research projects. NAFC Marine Centre is also progressing sea lice control trials using Sea Wrasse.
<b>W4.4</b>	<b>Encourage the introduction of more efficient practices in all productive sectors</b>  <b>Target: Assist 6 projects</b>	Head of Economic Development	31 March 2012	<b>GREEN</b>  Hjaltland Hatcheries Ltd. Reinstatement and extensive upgrade of Girlsta hatchery.  Shetland Seafood Quality Control funding for whitefish improvement scheme and salmon inspectorate service.  Shetland Shellfish Management Organisation funding supporting staff to develop MSc accreditation for some inshore species.
<b>W5.1</b>	<b>Assist in development of sustainable communities</b>  <b>Target: Support four community</b>	Head of Economic Development	31 March 2012  31 March	<b>AMBER</b>  Fetlar and North Mavine development projects are progressing well, and projects developed include local housing audits,

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

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

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

## 2.4 Capital Assets:

Fibre optic network in Shetland.

## 2.5 Staffing

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

## 2.6 Systems / ICT

- Broadband developments

## 2.7 Summary of Known Risks

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

## 2.8 Summary of Priorities for Future Years:

Maintain the number of economically active people throughout Shetland