

Elected Member Briefing – Rural Retail Services Scheme Briefing Note

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About this Briefing Note

Briefing by: *Thomas Coutts, Executive Manager - Economic Development*

Date: 01 October 2025

Subject: Shetland Rural Retail Services Scheme

Public / ~~Exempt~~ / Confidential

if exempt or confidential explain risks and consequences.

Purpose

This briefing note is to provide a summary of the Shetland Rural Retail Services Scheme.

Background

The Shetland Rural Retail Services Scheme provides grant funding to improve the facilities and amenities of local shops to improve their sustainability and ensure they continue to provide vital local services to their communities. The Scheme is financed from funds made available through the UK Government's Shared Prosperity Fund (UKSPF).

There have been two rounds of the scheme, the first from August 2023 to February 2025, and the current scheme, which opened in April 2025 and runs to 28 February 2026. The Scheme provides grants of up to 75% of costs for eligible projects, up to a maximum grant of £10,000, to shops outside of Lerwick.

Key points

- This scheme has been welcomed by rural shops and made real impacts toward their sustainability.
- While shops are reporting good sales for 2025, some are still struggling to break even.
- Rural shops would welcome the continuation of the scheme, but its future funding is not clear due to uncertainty on the future of external government funding programme.

Overview

To date, £166,762.62 has been awarded to 27 projects, attracting £134,226.81 of match funding, largely from investment of shop businesses own funds.

When the scheme launched in August 2023, there were 31 rural shops in Shetland. Every shop was contacted directly and all but five have either engaged with us, changed management or closed.

Projects supported include:

- Installation of energy efficient lighting, heating and cooling,
- Upgrade/installation of new fridges and freezers,
- Building adaptations and installation of shelving to expand retail space/products on offer,
- Purchase of new equipment to expand services and products available to customers.

Feedback

Grant funded projects are followed up and supported by post-funding monitoring. Recent monitoring visits have shown the scheme is very much appreciated, with nearly all shops stating the works undertaken would either not have happened, been significantly delayed or reduced if the grant had not been available.

All shops stated they would apply again if they had a suitable project and many are considering applying to the current scheme, if they have not already.

Business benefits include saving on energy bills, better display of products and expanding product ranges and services to attract new and increase current custom. There has also been very positive feedback from customers, seeing/appreciating investment in their local shop. In addition, over 20 tonnes of CO₂ will be saved per year due to energy saving measures implemented.

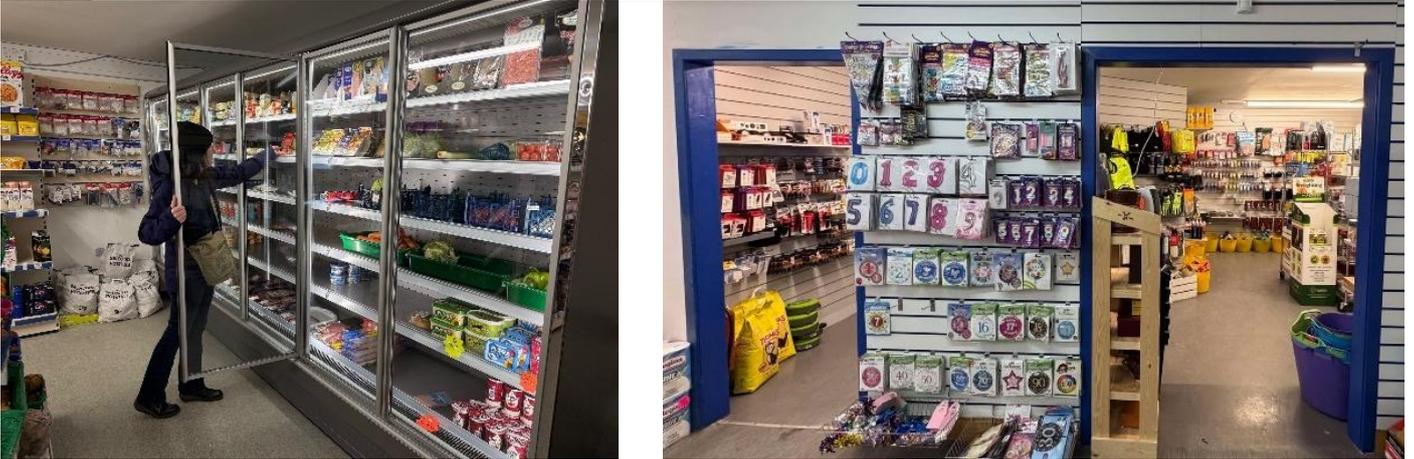
Nearly all the shops stated that this has been a very good summer in terms of sales. One shop said this was the first time in years it felt like the shop was going good, and another said the improvements made through the grant had nearly doubled income.

We have referred many of the shops to Business Energy Scotland for energy audits, to identify potential savings. We also encouraged two shops, tied into high energy tariffs, to renegotiate which nearly halved their rates. For both, this should move them from an annual loss to profit.

Some shops are still struggling to breakeven, and we are supporting these further through Business Gateway and other services.

Future

The future of the Scheme is currently not clear, as decisions on the future of UKSPF, or a successor programme, have yet to be confirmed by the UK Government for the period from 01 April 2026 and on, so currently no budget can be confirmed for future years.



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