



Shetland Islands Council

Economic Development Strategy 2018-2022



SHETLAND ISLANDS COUNCIL ECONOMIC STRATEGY

2018-2022

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Introduction

The SIC Economic Development Strategy forms an integral part of Shetland Islands Council's Corporate Plan, and covers the period 2018 to 2022. The Strategy will act as the policy framework for the work of the Council's Economic Development Service, and will be overseen by the Development Committee.

Shetland is a wonderful and beguiling part of the world. Located over 200 miles north of Aberdeen, we are virtually equidistant between Scotland, Norway and Faroe, and we embrace our history as a part of the Kingdom of Denmark, and our present as the northernmost part of the United Kingdom.

Shetland's location is an intrinsic part of its economic success.

The islands are surrounded by some of the richest fishing grounds in the world, and the island topography creates voes and inlets which are ideal for the development of aquaculture – it is no surprise that fisheries activity is the cornerstone of the local economy.

Also on Shetland's doorstep are abundant oil and gas reserves – decades of extraction activity have seen these reserves decline, but have also led to years of productive economic activity and investment, and new developments continue to provide benefits and opportunities.

Economic activity in Shetland is very strong, with high employment and a productive business base. School leavers overwhelmingly go into positive destinations such as employment, training and higher/further education, and many employers are fully engaged in developing their workforce through training and apprenticeships.

Innovation is one of Shetland's key strengths, and advances in renewable energy and telecommunications have brought substantial benefits to local communities—these must be built on to broaden their impacts and make sure we are always asking 'what's next?'

Our unique local heritage is the foundation for a thriving arts and culture scene, with world renowned music, film and literature festivals, while the name 'Shetland' has become a marker of quality for those exporting food and crafts.

Despite many positive aspects of local life, Shetland's story has always been one of using our strengths to overcome adversity, and there are many challenges facing us. The high cost of living continues to climb as prices increase while most wages remain static, and public services continue to experience reducing budgets, leading to hard choices over spending.

An ageing population will not only put pressure on local services but risks depleting the local labour market. Some sectors, including construction, healthcare and education, report considerable difficulties in recruiting staff, and many of our remote communities struggle to retain their population and face an uncertain future.

The United Kingdom's proposed exit from the European Union is a major source of uncertainty, and has unprecedented implications for our economy, not least in the key areas of fisheries, energy and public services. It is essential that these developments are understood from an economic perspective, and monitored with a view to how opportunities are built upon and threats mitigated.

Economic growth is a fundamental priority of the Council, and this strategy intends to build on our strengths and address our challenges through targeted actions and initiatives.

Background

The last ten years have been an economic success in many ways for Shetland. Developments in oil and gas, the continued high performance of the fisheries sector and growth in areas such as manufacturing have helped the isles to weather many of the worst impacts of the 2008 financial crash.

Economic performance remains strong, with Shetland enjoying the fifth highest Gross Value Added per head of Scottish local authorities, behind only Aberdeenshire and the country's three main cities.

Employment figures continue to be very high, while Shetland has cultivated a reputation as a producer of high quality food and crafts, as well as a visitor destination of choice, and currently enjoys a very high media profile – all of which are positive foundations on which to build for the future.

The effects of the last decade's economic downturn have been felt most keenly in public services, which have had to manage on steadily reducing budgets year-on-year. This has led to difficult funding choices for the Council, and has had impacts on the extent to which the authority can provide interventions in the local economy.

The Shetland Employment Survey 2017 recorded a fall of 4.8% in the number of full-time equivalent jobs in Shetland between 2011 and 2017. Much of this fall can be attributed to the effect of public sector cuts leading to a reduction in services, but there is evidence that other factors are contributing, including the impacts of an ageing population on the local labour market.

The challenge for Shetland Islands Council and its Community Planning Partners is to build on the high performance of our key sectors – fisheries, oil and gas, engineering – while ensuring that the economy diversifies. The creative sector, local food and drink production, new technology and developing new attractions for visitors will be key to this.

We must ensure that growth is inclusive, and promote developments which bring benefits to all communities in Shetland. High transport costs, lack of access to services, fuel poverty and underemployment are issues which hit harder for those in more remote or rural areas, and enabling communities to develop and seize economic opportunities is essential to retaining the fundamental character of Shetland.

This strategy is built on the following guiding principles:

The purpose of our service is to support business and communities to create the ideal conditions for growth.

We will work with the private, public and voluntary sectors, the Scottish and UK governments, with academia and with communities, to ensure that a true partnership is central to how economic developments are taken forward.

We will be proactive rather than reactive—we will not wait for projects to come to us but will engage directly with communities and business to determine priorities and develop projects.

Economic analysis—our facts and figures

In this section we look at some of the key economic facts and figures which illustrate the strengths and weaknesses in the Shetland economy, demonstrating the foundations on which to build and the challenges to address

A selection of key strengths shows the following:



The last Shetland Regional Accounts recorded local economic output at well over £1bn. Our GVA per head is over £27,000, the fifth highest of all Scottish local authorities



There is a degree of optimism in the private sector, with 52% of businesses expecting an increase in turnover in the next three years, and 17% expecting to increase employment



At over 88% of 16-64 year olds, our economic activity rate is the highest in Scotland, and our out-of-work benefit claimant count is the lowest in Scotland, at 0.7%



Over the past 5 years, the rate of volunteering in Shetland has steadily risen and is now over double the rate in the rest of Scotland (56% of adults surveyed in Shetland, compared to 27% in Scotland)



We have a stable and resilient business base, with a 70% survival rate since 2010, compared to 41% nationally



Over 93% of school leavers entered positive destinations (employment, higher or further education, etc.) in 2015/16



Employment in accommodation, catering, wholesale, retail, business services and manufacturing increased by over 19% between 2011 and 2017



There is a high local take-up of Modern Apprenticeships in Shetland— in 2016/17, 11.3% of employed 16-24 year olds in Shetland were in MAs (9% nationally) and the achievement rate for that year was 84% (74% nationally)



Shetland is a major primary producer of seafood, responsible for 74% of Scottish mussel production and 23% of Scottish farmed Atlantic salmon. One-fifth of all fish landed in Britain is landed in Shetland



Recent oil and gas developments suggest that Shetland is likely to benefit from ongoing exploitation of North Sea and West of Shetland reserves for some time to come, while Shetland's location makes North Sea decommissioning work a viable option for the future



Our media profile has increased dramatically over the last few years, with musical exports, advertising campaigns and television series (not least the popular BBC productions *Shetland* and *Island Medics*) generating a great deal of interest in Shetland as a location and destination

Despite the clear strengths demonstrated above, there are many challenges facing Shetland's communities and economic future.

A summary of areas requiring development shows the following:



Shetland's population is ageing—between 2011 and 2016, the over 65 population increased by 17%, compared to an increase of just 2% in those aged 16-29, and a decline of 5% in those aged 15 or younger.



The latest survey of employment showed a decline of 4.8% in full-time equivalent employment in Shetland between 2011 and 2017, with public administration, education and construction among those sectors experiencing decline.



Latest Scottish Government figures (2016) showed that, at 21.3%, Shetland had the highest rate of underemployment (i.e. those in employment who would like more/longer hours given the opportunity) among Scottish local authorities.



The cost of living in Shetland remains substantially higher than in most of the UK—the minimum living costs of a household living in Lerwick are estimated to be one-third above those of a household in a UK city, with commuting distances, higher fuel costs and delivery charges being among the drivers of increased costs. Costs of living in more remote areas are higher still.



Many areas in Shetland do not currently have access to high speed broadband or mobile connectivity, which limits business growth, restricts services and makes those areas less attractive as places to live.



Much of our economy is reliant on high value sectors—particularly fisheries and oil & gas—which are vulnerable to market fluctuations affecting unit prices. The UK's exit from the European Union will create significant uncertainty over export conditions for these sectors.

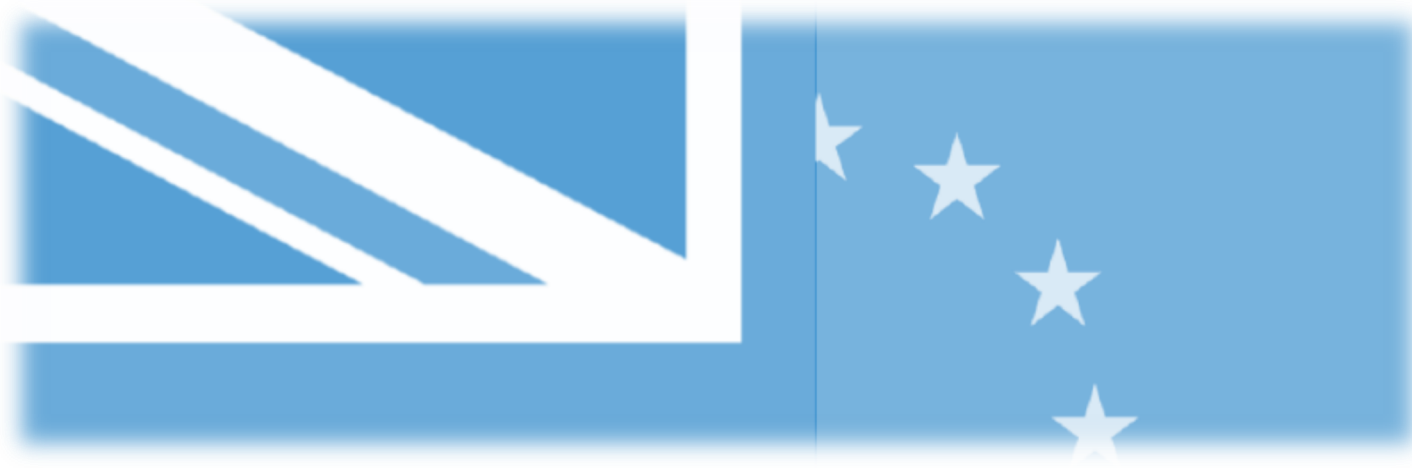


Respondents to the employment survey reported considerable difficulties with local recruitment, with 22% stating that employability of candidates for vacancies is a concern, and 20% stating that they are unable to fill vacancies due to a lack of local labour.



It is estimated that around 53% of households in Shetland are in fuel poverty, defined as spending 10% or more of household income on satisfactory heating.

Our economy outside the European Union



An economic strategy which is embarked upon in 2018 must take into account the potential for enormous economic, social and political upheaval as the date of the UK's exit from the European Union nears.

While new opportunities may arise, what is certain is that our challenges – high cost of living, distance from markets, restricted labour market – will remain, and it is essential that a post-EU settlement is structured in such a way as to build on the positive aspects of the economy, including the strengths of our key industries.

Given their exporting natures, fisheries and agriculture will be particularly vulnerable to changing trade conditions, which may put Shetland's positive trade balance at risk. Impacts on tourism, public services, business services and transportation are all but certain, but the nature and scale of those impacts will only become clear once exit negotiations are finalised.

Changes to the movement of labour are likely to impact on many areas of Shetland life, as our restricted labour market means immigration is essential for continued economic development, and growing our working age population is a central aim of the Shetland Partnership.

Shetland has overcome many challenges in the past, and can continue to thrive in the face of future challenges through hard work and innovation. The right support from the UK and Scottish governments is essential for our future prosperity, and any response to government on a post-EU settlement must include the following:

- ◆ Establishment of successor programmes to EU support mechanisms, including ERDF, LEADER and others
- ◆ Government support aimed at adding value to primary production sectors
- ◆ Acceleration of Islands Deal talks with commitment to key development initiatives which will encourage economic growth
- ◆ Support for higher level collaborative actions between the Council and government agencies where this will promote economic development opportunities

We must be prepared to seize upcoming opportunities and address any challenges arising from a post-EU settlement, and will therefore revisit this strategy in 2019 to reassess priorities following the UK's exit from the EU.

Shetland's Partnership Plan 2018-2028

“Working together to improve the lives of everyone in Shetland.”

The Shetland Partnership is the Community Planning Partnership (CPP) for Shetland and is made up of a wide range of partners and community bodies who work together to deliver our collective ambitions for the future through Shetland's Partnership Plan.

Shetland's Partnership Plan is a plan for all partners and communities in Shetland. It is about working together to improve the lives of everyone in Shetland.

The key focus of the Plan is to reduce inequality of outcome in Shetland – how we will tackle the issues that mean some people and groups have a poorer quality of life than others. To this end, the Plan articulates the following shared vision for 2018-2028:

“Shetland is a place where everyone is able to thrive; living well in strong, resilient communities; and where people and communities are able to help plan and deliver solutions to future challenges”

To realise this vision, the Plan identifies a number of priority areas. It is essential that the Council's economic strategy both recognises and delivers on these priorities, and a brief summary of each priority in relation to the strategy is included below.



Through encouraging entrepreneurship, supporting skills development and enabling communities to realise their ambitions, we will help to reduce poverty, encourage participation in learning and training, and help to make people feel connected to their communities.



The development and regeneration of communities through projects, such as utilising unused assets and developing visitor services, is a key part of our strategy, and will be instrumental in helping communities feel more empowered, and improving the lives within those communities.



We will support ambitious and innovative developments in the private sector which will encourage growth in the working age population and provide the skills local employers require, while making Shetland an attractive place to live and work. Our work in relation to the Islands Deal will develop new economic initiatives while giving Shetland a greater voice in national policy.



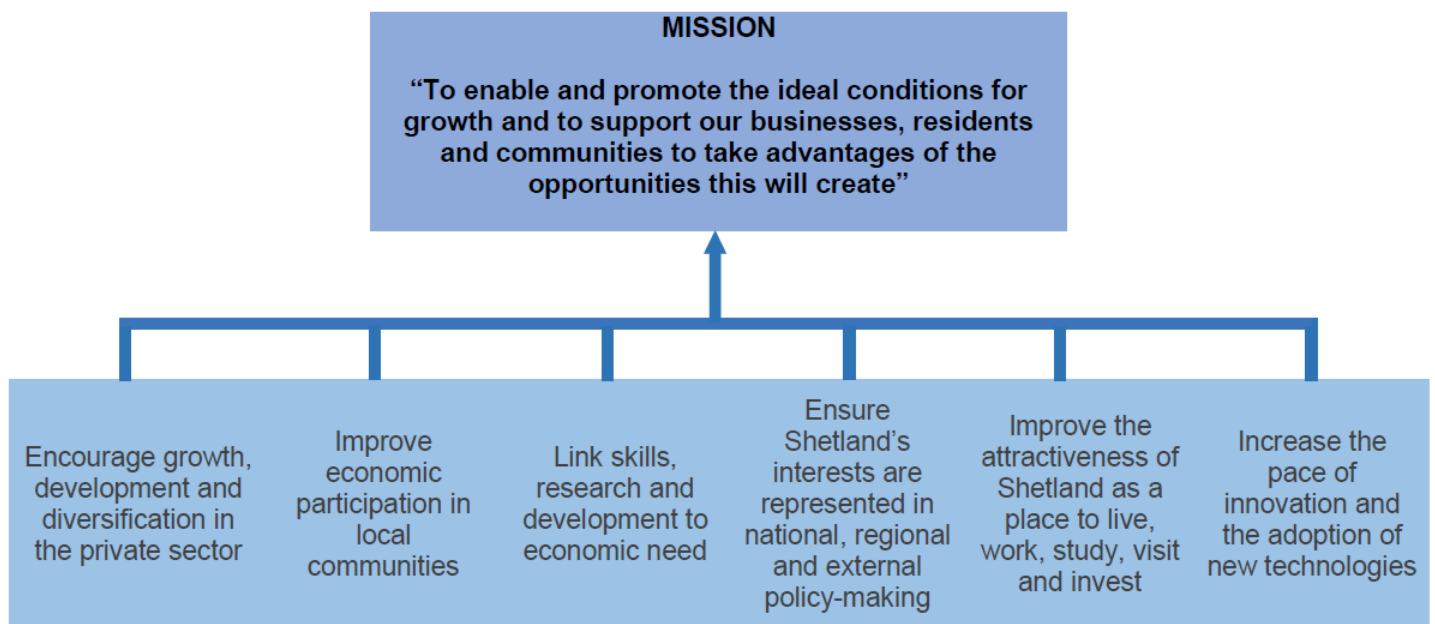
We will work to improve availability of services essential for quality of life and access to well-paid employment, including high speed broadband and childcare. Our work to improve communities, develop businesses and enhance the skills of the local population will address issues such as underemployment and the cost of living.

Our strategy

The mission statement and objectives below form the SIC Economic Development Strategy 2018-2022.

The mission statement represents the fundamental purpose of our service and what we will endeavour to achieve for the benefit of Shetland.

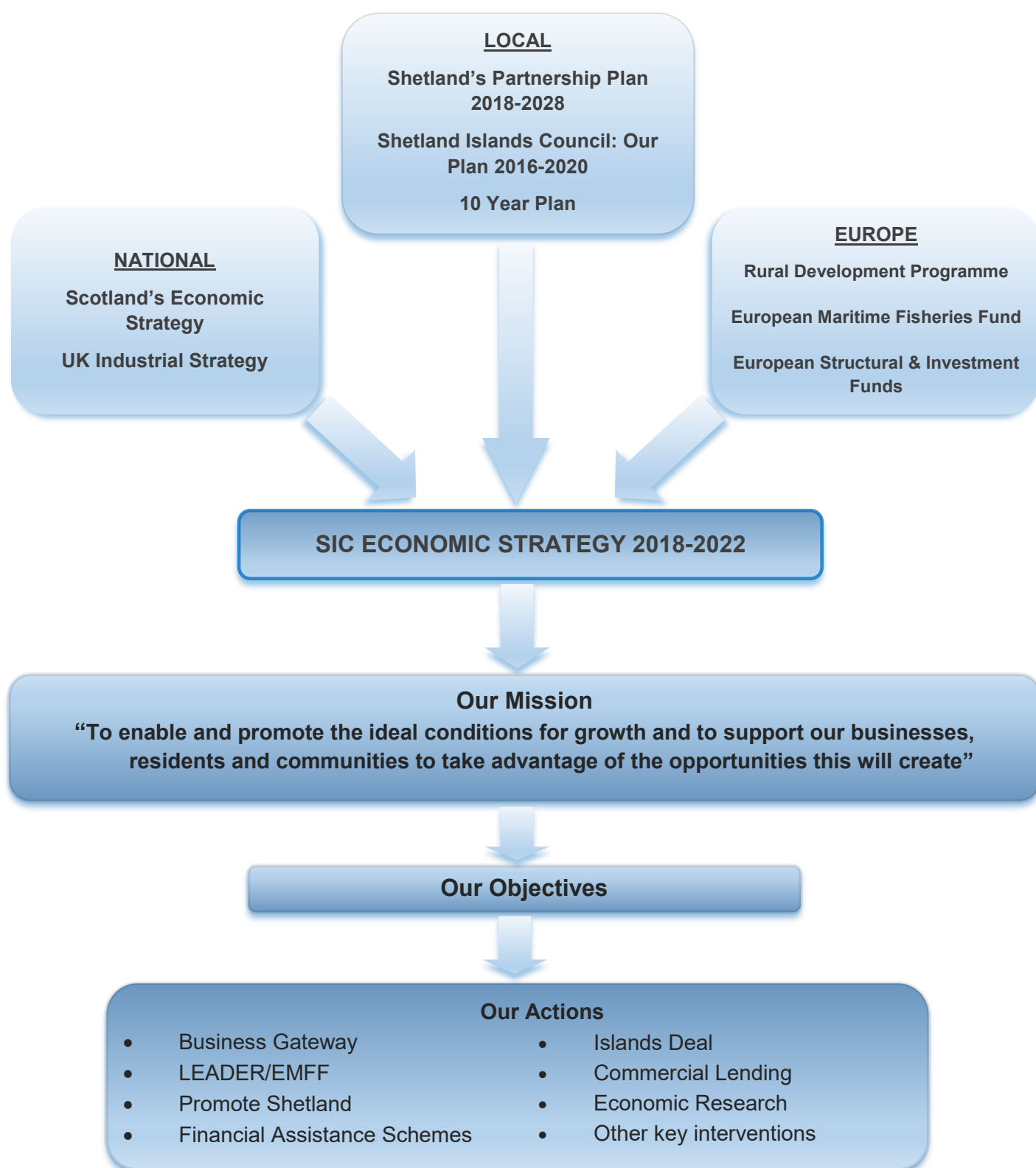
The objectives represent our key areas of development, under which we have drafted a series of actions which will deliver meaningful economic change to Shetland's economy and communities.



Our strategy—in context

Our strategic objectives and actions are driven not only by the functions of our own service but by the requirement to fulfil a range of local, national and European economic policy objectives.

The diagram below shows the key strategies and plans which have informed the direction of our economic strategy and determined the priorities and actions which will realise local economic benefits.





Encourage growth, development and diversification in the private sector

What we want to see...

We will have an economy that promotes enterprise, innovation and entrepreneurship, and is based on making full use of local resources, encouraging new developments and increasing high value opportunities.

What we will do...

We will:

- Manage the Business Gateway service to provide support, information and guidance to those looking to start up or develop and business or social enterprise
- Provide financial assistance to priority projects in key sectors through grant funding or commercial lending
- Add value to local primary production through support for increased local production and processing, and improved marketing
- Develop business and digital skills through targeted training courses



Improve economic participation in communities

What we want to see...

Our economic strategy is based on the principle of inclusive growth—we will ensure that opportunities for growth and development are accessible to all, and that communities are supported in realising their ambitions.

What we will do...

We will:

- Engage with the community empowerment agenda to ensure a co-ordinated approach to community development
- Support community development projects through the LEADER and EMFF funding programmes
- Assist community groups and organisations to develop projects, including developing key community assets such as underused buildings
- Support new provision of childcare



Link skills, research and development to economic need

What we want to see...

We will develop our understanding of the economy and future skills requirements, strengthen employer engagement in the local skills system, and address barriers to participation, in order to meet the skills needs of employers and achieve economic growth.

What we will do...

We will:

- Provide up-to-date research and information on the Shetland economy
- Undertake a strategic approach to developing skills, and provide targeted assistance measures for businesses to fill skills gaps
- Support research and development, and investigate development opportunities for key economic sectors



Ensure Shetland's interests are represented in regional, national and external policy-making

What we want to see...

Our future prosperity depends on decision-making at the highest levels of regional, national and external governance being properly informed of Shetland's priorities and interests, and future settlements—crucially the UK's post-EU settlement and the Islands Deal—taking these into account in the form of appropriate policy-making.

What we will do...

We will:

- Maximise the benefits to Shetland from current engagement with the EU
- Provide support and information towards the lobbying efforts for a UK Islands Deal
- Ensure that Island Communities Impact Assessments are a meaningful part of legislative development as part of the UK Islands Bill
- Prepare for the UK's exit from the European Union by promoting Shetland's interests at all levels of policy-making



Improve the attractiveness of Shetland as a place to live, work, study, visit and invest

What we want to see...

Attracting people to Shetland is at the heart of our economic future. In order to grow our economy we will attract more people here to make their living and raise their families, to study and innovate, and to visit and then spread the word about experiences.

What we will do...

We will:

- Manage and monitor delivery of the Promote Shetland contract
 - Increase the economic impact derived from visitors to Shetland by improving services and activities
 - Increase the value of the creative and cultural sector in Shetland
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Increase the pace of innovation and the adoption of new technology

What we want to see...

We will seek to improve the economic circumstances of communities in Shetland by improving access to high speed communications, while supporting innovation through research and development, and reducing our dependence on fossil fuels.

What we will do...

We will:

- Facilitate delivery of high speed broadband and mobile connectivity across Shetland
- Support research and development which contributes to economic growth
- Reduce dependence on fossil fuels and increase installed renewable energy sources

Our ambitions

Our ambitions for Shetland are clear. By focusing on inclusive growth, by building on our strengths and addressing our key challenges, and by representing Shetland's interests at a national and European level, we intend to achieve a range of positive economic outcomes.

As a result of our actions, and through collaboration with community planning partners, we aim to achieve the following:



250 new private sector jobs by 2022



95% of premises accessing high speed broadband in 2022



The number of businesses struggling to fill vacancies will have reduced to 15% by 2022 (currently 20%)



The number of local residents aged 16-29 will have risen from 16% (2016) to 18% by 2022



Maintain economic activity rate above 90% of 16-64 year olds



Significant and sustained increase in the value of primary processing activity undertaken in Shetland



Carbon emissions reducing faster than the Scottish average



Reduce the rate of local underemployment to below 10%



Increase the economic impact from the local creative sector and from visitors to Shetland