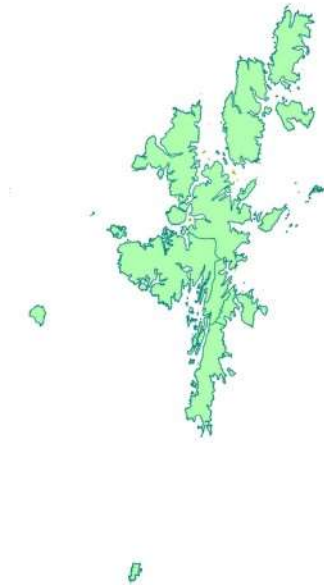




Sustaining & developing Shetland communities

Shetland Today



An initial discussion document about the opportunities and challenges facing Shetland's communities.....

..... and about how the Viking Community Fund can contribute to a better tomorrow for Shetland!

September 2022

ABOUT SHETLAND COMMUNITY BENEFIT FUND AND THE VIKING COMMUNITY FUND

Shetland Community Benefit Fund (SCBF) is a non-charitable “Society for the Benefit of the Community” which was established by the Association of Shetland Community Councils as an independent body to manage community benefit agreements with commercial renewable energy developers in the islands. Each of Shetland’s 18 community councils nominates a director of SCBF who sits on the management committee.

SCBF has in place a “Heads of Terms” agreement with Viking Energy Wind Farm and its major shareholder, SSE Renewables, which sets out the framework for payments to be made from the Viking Community Fund, which SCBF will administer. An agreement is already in place for a payment of £400,000 per year from Viking Community Fund to SCBF until 2024, or when the Viking Energy Wind Farm becomes operational; these initial funds are to be used to operate a grant scheme for projects supported by one of the islands’ communities and to develop a long-term business plan for the use of the SCBF.

Approval of this long-term business plan by Viking Energy Wind Farm will be the basis of a future agreement for the release of Viking Community Fund payments of approximately £2,215,000 per year (index linked) for the lifespan of the development, currently estimated to be 25 years. This will be the largest onshore community benefit scheme in the UK.

That is where this initial “Shetland Today” briefing document, and our planned programme of consultation comes in!

ABOUT THIS CONSULTATION AND THE DEVELOPMENT OF THE BUSINESS PLAN

Following a competitive tendering process undertaken in 2021, IBP Strategy and Research were appointed to undertake an extensive and independent programme of consultation to inform the development of the business plan for the use of these future Viking Community Fund payments.

IBP is an experienced research and strategy development consultancy and has brought together an extended team to work on the project, including experts in areas such as economic development, skills, poverty and inequality, and place-making and environmental issues. IBP formally began work on the project in April 2022.

IBP have produced this Shetland Today document to help set the scene for the subsequent programme of stakeholder consultation, which will take place from September 2022 onwards.

The document draws on a wide range of published documents about life in Shetland. In particular, we have drawn on Shetland's Partnership Plan 2018-2028, which is the Shetland Community Partnership's Local Outcomes Improvement Plan, and which adopts four key priorities in relation to participation, people, place and money. A wide range of other reports and statistical information have also been reviewed. A full bibliography is included at the end of the document. In addition, IBP have undertaken a number of additional "scoping" discussions with public agencies and third sector stakeholders across Shetland, with a view to ensuring that all relevant issues are identified and can be addressed in the subsequent consultation process. These initial discussions have been of particular value in highlighting emerging issues that are not always obvious in the published information, especially given the timing of published information, and the changes that continue to be brought about by the Covid pandemic and its aftermath.

This document sets out Shetland's very significant strengths as a place and as an interlinked set of communities. It goes on to comment on a number of opportunities and challenges in relation to Shetland's people and population, its economy, the challenges of poverty and inequality in the Islands, housing, health, connectivity (both physical and virtual), and Shetland's environment and the challenge of climate change.

It is a summary document to prompt and aid subsequent dialogue. Its purpose is not to provide answers but to make sure that the correct issues are raised. With that in mind, each section ends with a "challenge question" (or questions), which are intended to inform discussions for the next stage of the consultation.

The latter part of the document sets out an overview of this planned consultation process and the immediate next steps, summarising how Shetland's people and communities will be involved in this process.

A significant benefit of this programme of community benefit funding is its flexibility - the key issue is to focus on those things that communities value most and which will have a long-term legacy. At the same time, it will be important to recognise where the use of the Viking Community Fund can add specific value.



Credit: Unite the Union

SHETLAND'S STRENGTHS



Credit: Charles Tait

Shetland is already a great place to live and work, with characteristics that would be the envy of many communities:

- Magnificent scenery and landscapes.
- A population with a high level of life expectancy.
- Active and engaged communities.
- An immensely vibrant third sector with over 100 social enterprises operating in Shetland, according to the Shetland Partnership Plan.
- A strong economy, with a diverse range of businesses.
- High levels of income and workforce participation.
- Relatively low rates of crime and high clear-up rates

There are significant economic opportunities for Shetland in the future areas such as oil and gas decommissioning, carbon capture and storage, aerospace, and the visitor economy.

Due to the energy boom of the 1970's onwards, Shetland has benefited from significant levels of funding of community activities and business support. This has left it with a legacy of high quality community resources, especially in the sports, leisure and cultural areas. Significant local funding streams, including those through Shetland Charitable Trust and the Crown Estate, continue to represent a significant asset for the community .

These significant strengths, however, mask a number of risks and challenges in relation to the wellbeing of Shetland and its people, whilst new opportunities are also emerging for the islands. These issues are explored in the following sections.



Credit: VisitScotland

SHETLAND'S PEOPLE



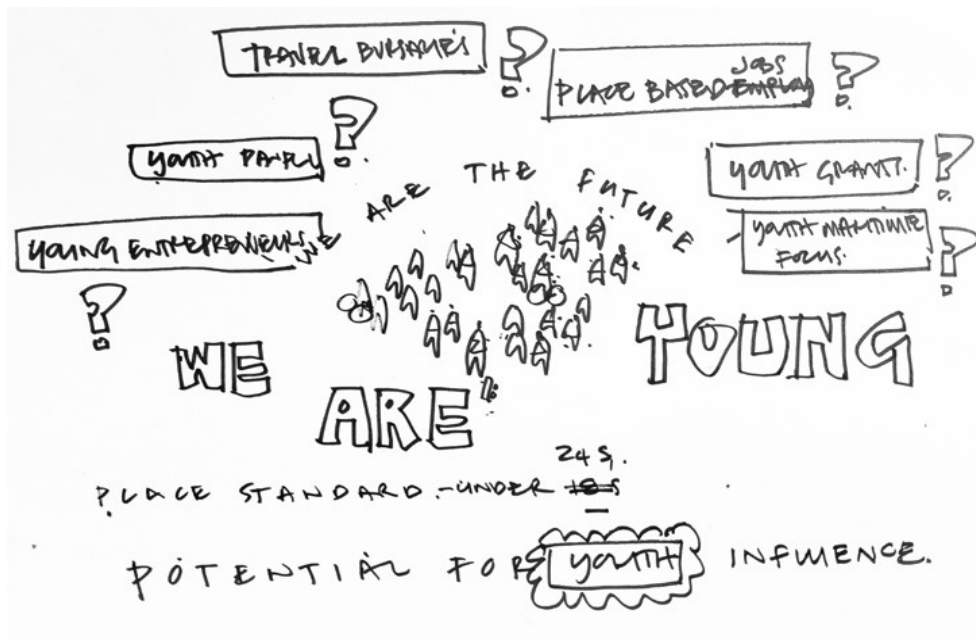
Credit: Dave Donaldson

A significant challenge for Shetland is its falling population, and its significantly ageing population. National Records of Scotland data shows that, despite a period of growth between 2000 and 2010, Shetland's population fell by 0.2% between 2019 and 2020 and is projected to decrease by a further 0.7% by 2028. 19% of the population is aged 65 or over (up by 4% a decade ago) and 18% is aged 16 and under (down by 2%).

The “dependency ratio” in Shetland of people reliant on the support of the working age population is projected to increase from 62% to 68%, according to National Records of Scotland data.

The islands continue to suffer from depopulation and a particular issue is the need to retain, and attract back, young people to the islands, who often move to the Scottish / UK mainland to further their education or for work, and who often do not return to Shetland on a permanent basis.

There is a particular trend for more rural areas within the islands to suffer depopulation in favour of more populous areas.



The research that has already been undertaken with young people suggests that, in narrow terms, they would like to have more and better facilities that are dedicated to their needs whilst, more broadly, they sometimes feel like they lack a sense of ownership of Shetland and its success.

How can the Viking Community Fund address the issue of an ageing population and, especially, what can be done to retain and attract back younger people to Shetland?

SHETLAND'S ECONOMY



Credit: Shetland Flyer Aerial Media

According to the Shetland Islands Key statistics, published by Highlands & Islands Enterprise, the top 3 employment sectors in Shetland are agriculture and fishing (19% of jobs), human health and social work (14%) and wholesale and retail (11%); together, these account for around 7,000 jobs across the islands. Other significant employment sectors include construction (8%), education (8%), transport and storage (6%), accommodation and food services (6%), arts and entertainment (6%), public administration and defence (6%) and manufacturing (5%). Of course, a significant element of these occupational classifications form part of Shetland's energy sector.

“The water around the 100 islands of Shetland is the lifeblood of its economy, from a seafood industry worth £300m a year to the leading aquaculture and oil industries.” Highlands & Islands Enterprise, Shetland Islands Profile

Shetland has many of the ostensible characteristics of a strong and thriving economy:

- A low rate of unemployment at 2.1% compared to a national average for Scotland of 3.9%.
- A high level of participation of young people in the economy, at 96.1% (Office of National Statistics).

There are some big opportunities for the Shetland economy:

- The oil and gas industry remains strong and there are emerging opportunities that it is well placed to exploit in areas such as hydrogen production, decommissioning and carbon capture and storage.
- Renewable energy, both onshore and offshore, is a significant opportunity.
- The Saxavord spaceport anticipates its first launch later in 2022 and there are expected to be significant supply chain and wider economic benefits from this.
- Shetland has a strong visitor offer, with 80,000 visitors being attracted in 2019; it is now firmly established on the Cruise Ship circuit (although views differ as to the benefits of this and to how widely these benefits are shared). In the most recent Shetland Visitor Survey, 90% agreed that Shetland was a place worth visiting more than once.
- Shetland’s reputation in its crucial seafood and aquaculture sectors remain very strong.

The Orion Project has received £5m through the Island’s Growth Deal to promote economic and low-carbon gains across Shetland through community-level hydrogen generation.

There are significant challenges, however.

Across a range of sectors, businesses report significant, and worsening, skills shortages, which are exacerbated by the more limited availability of migrant workers following the UK’s exit from the European Union (Shetland was ranked as the 2nd most exposed Local Authority area to Brexit). This is reflected in the Office of National Statistics figures to March 2022 for “Job Density”, which is the ratio of total jobs to adults aged 16-64. For Shetland, this figure was 1.21, compared to 0.80 for Scotland as a whole.

Capacity constraints present a significant risk to businesses’ ability to grow and develop and to exploit the opportunities that are open to them. This can also lead to a “bidding up” of costs in the local economy, which impacts on a number of other issues mentioned in this document such as housing and affordability generally.

Businesses also face the challenge of operating and competing effectively in the digital economy (and new ways of delivering services represent opportunities and challenges for public and third sector service providers as well as for the private sector). A number of sectors are also being faced with the particular challenges of the transition to “net zero”.



Credit: Lerwick Port Authority / Gareth Easton

The risk of “leakage” from Shetland’s economy is a very real one, whereby investment in the local economy in the local economy cannot be satisfied locally.

How can the Viking Community Fund help to maximise wealth creation in Shetland and ensure that the benefits of this are widely shared across Shetland’s people and communities?

THE POVERTY AND INEQUALITY IN OUR COMMUNITIES

Ostensibly, Shetland is one of, if not the, wealthiest areas in Scotland, with median income being 11% higher than the Scottish average. At 65%, the proportion of working households is the highest in Scotland. On the basis of the published statistics, 15.8% of children are living in poverty, ostensibly the lowest level in Scotland.

However, these figures mask significant problems!

There is a significantly uneven distribution of income. In some areas of Shetland, incomes are 29% higher than the Scottish average, whilst in other areas they are 13% lower. This creates the apparently paradoxical situation whereby households living in poverty live alongside people that are much better off, which only serves to make the lived experience of poverty even more acute for people.

By August 2022, Shetland Foodbank had already issued 952 food parcels during the year, compared to 920 for the whole of 2021. The foodbank estimates that the level of support it provides will increase by 50% during 2022.

Incomes alone are not the best indicator of poverty within Shetland. People across the islands, but particularly in more rural and remote areas face higher costs in relation to items such as food, clothes, household goods and travel. Fuel costs are also high, with the islands' absence from the gas grid, and its cold climate, being significant contributors to fuel poverty. 20% of homes do not have central heating systems according to the Scottish House Condition Survey.



Credit: Shetland Community Benefit Fund

The Ipsos MORI report “Living Well in a High Cost Economy, In-work poverty in Shetland”, published in 2017, suggested that the cost of living in Shetland was 20% higher than the Scottish average. This leads to a situation where 49% of households in Shetland do not meet a defined Minimum Income Standard, compared to 36% of households in Scotland as a whole.

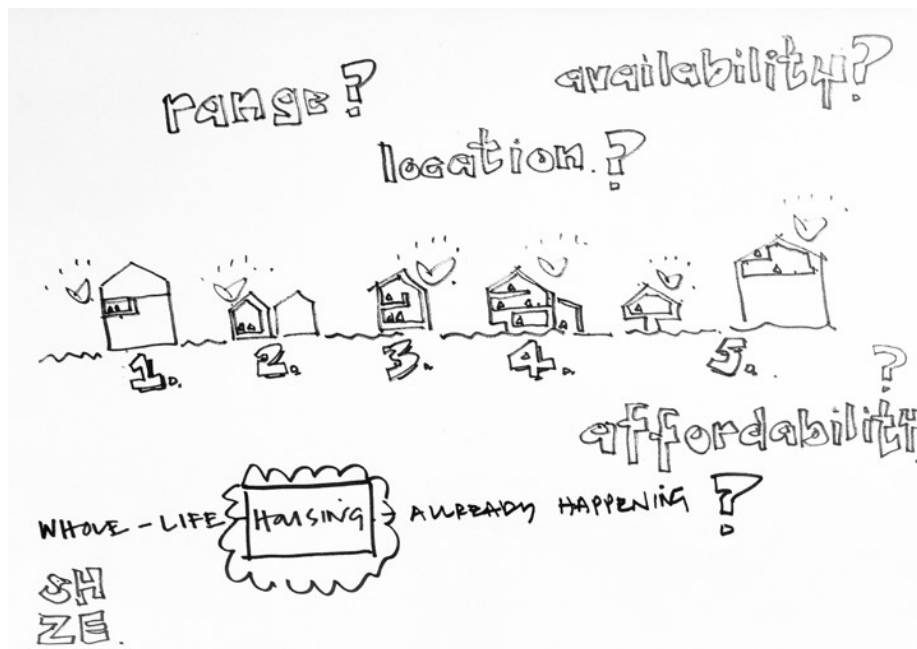
Shetland Islands Council has recently published “Shetland’s Household Energy Situation in Numbers”, which suggests that, by April 2023, 96% of Shetland’s households could be in fuel poverty, this being down to a combination of higher fuel costs, the higher cost of living in the islands generally, poor insulation of many homes, and Shetland’s cold climate.

Shetland Citizens’ Advice Bureau’s Annual Report for 2021/22 notes that they supported 1,627 clients over the course of the year. They had 7,703 client contacts over the course of the year, which was an increase of 36% on the previous year. The numbers seeking advice in the first 7 months of 2022 are higher than in the first 7 months of 2021: a 45% increase in the number of people seeking income maximisation advice, a 99% increase in the number of people seeking energy advice, and a 7-fold increase in the number of people approaching it about their fuel debt.

Some of the above figures are drawn from published information which predates both the pandemic and the significantly increased costs of living that households are now facing, especially in relation to fuel costs. It seems almost certain that these challenges will have become even more acute. This does not relate only to fuel poverty. As an example of this, Shetland Foodbank indicates that many of those they are now dealing with have ongoing challenges in feeding their families and require more than just “emergency” support. Both the Foodbank and Shetland CAB have noted that an increasing proportion of people coming to them are facing in-work poverty.

What can be done through the Viking Community Fund to help address issues of affordability, poverty, and social and economic inequality in Shetland?

HOUSING IN SHETLAND



Shetland's Local Housing Strategy identifies a number of challenges in relation to each of:

- **Housing supply** - in relation to affordable housing, there are four applicants for each home that becomes vacant.
- **Housing condition** - the local Housing Officer notes the need to address issues of fuel poverty and energy efficiency.
- **Housing type** - household sizes are reducing and Shetland has fewer smaller houses, suggesting an emerging mismatch of demand and supply.
- **Housing costs** - more than 40% of households in Shetland cannot afford to access the housing market, even at market entry level.

The figures suggest that 40% of people are not in a financial position to access the privately owned housing market and the privately rented sector is very small (and generally unaffordable to many).

Supply shortages in the social rented sector are very apparent and the capacity issues within the local construction sector have acted as a significant barrier in relation to the expansion of the supply of social rented homes. The cost of social housing construction is 34% higher in Shetland than elsewhere in Scotland.

Supply shortages, and costs, are also acting as a constraint to the growth of privately owned housing supply and is driving up costs in the private sector.



Credit: Dave Donaldson

These challenges in relation to housing are important in their own right but they also impact on some of the other challenges set out in this document, especially in relation to population retention and labour / skills supply.

How can the Viking Community Fund help to address issues of housing supply and affordability in Shetland?

A HEALTHY SHETLAND

Shetland has above average life expectancy (quoted in the Shetland Partnership Plan at 81.9 years for women and 78.1 years for men). Healthy life expectancy is also above average at 68.4 years for women and 66.6 years for men.

However, certain health challenges are apparent with the following figures being drawn from the Shetland Partnership Plan and its Annual Report for 2020/21:

- 82% of people in Shetland engage in some form of physical activity, a decrease from 84% in 2017.
- 14.7% of children in Primary 1 are not a healthy weight.
- 20% of people drink at potentially harmful levels, compared to 17.4% for Scotland as a whole.
- The proportion of child protection cases involving alcohol and drug misuse is 3 times the national average.



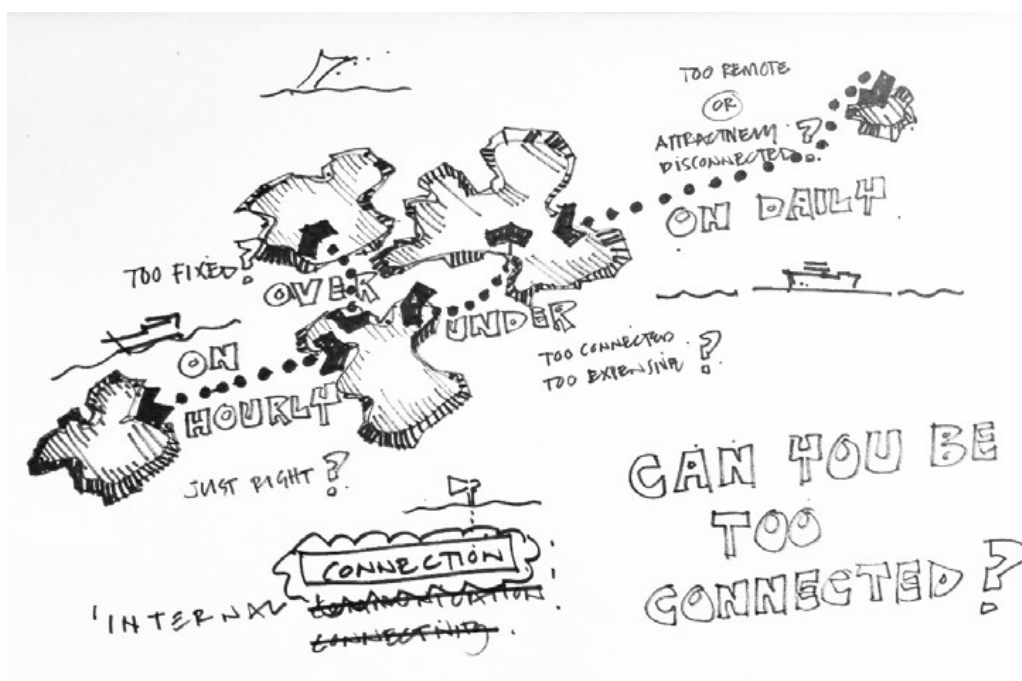
Credit: Dave Donaldson

While firm statistical evidence has yet to become apparent, our initial discussions suggested that mental health issues had become increasingly apparent in the wake of the Covid pandemic, this having heightened people's sense of anxiety and insecurity about the future.

It is important not to see these issues in isolation; health professionals are clear that wider issues of poverty & inequality, the environment, and the social and economic opportunities available to people, are significant influences on health and wellbeing.

What could be done through the Viking Community Fund to address issues of physical and mental wellbeing in Shetland?

A CONNECTED SHETLAND



Our initial "scoping" consultations highlighted challenges in relation to the availability and cost of transport to and from Shetland, which have an impact on islanders' cost of living, on visitors' experiences, and on the islands' economy generally. We noted, however, the common view that it would be difficult for the Viking Community Fund to have any real involvement in addressing issues of transport between Shetland and the mainland, given the scale of the fund and likely scope of activities it could support.

Transport within the islands (including inter-islands ferry transport) was also identified as an important issue in these scoping discussions. Whilst recognising that connections do exist, many felt that that options were limited, leading to challenges in terms of accessing work, education and services, and being one of the contributory factors in a higher cost of living, due to people needing to run a car.

Travel in this sense is not only about the car or public transport. There is an apparent lack of quality infrastructure in relation to cycling and walking, which impacts on connectivity directly, as well as on wider issues such as health and the environment.

Broadband connectivity and mobile phone coverage have also been identified as important issues.

A 2019 study for the magazine Which? identified Shetland as being amongst the four worst Local Authority areas in Scotland for quality of broadband connection. It suggests that "internet users in these areas could struggle to carry out online banking or to use streaming services due to slow internet".

Investment in Shetland's broadband connectivity is under way, through the Scottish Government's R100 scheme, being delivered by BT Openreach. However, even with the expansion of this scheme announced in August 2022, only 2,429 Shetland premises will be covered by this, by the time of its completion in 2028. Those in more remote locations will still lack reliable, superfast broadband.

A study for the mobile phone retailer, Fonehouse, drawing on data from Ofcom's Connected Nations 2021 report, along with coverage checker tools from the main mobile phone providers, ranked Shetland overall as the second worst Local Authority area for mobile phone coverage in Scotland. The situation in rural and remote areas is even poorer.

Again, investment in mobile phone coverage in rural areas of Scotland, including Shetland, is underway through the Shared Rural Network programme being run by O2, Three and Vodafone, but the extent and timing of the impact of this on Shetland's communities remains unclear.

What could be done through the Viking Community Fund to address issues of PHYSICAL connectivity and transport within Shetland?

What could be done through the Viking Community Fund to address issues of VIRTUAL connectivity within Shetland, including both broadband connectivity and mobile phone coverage?

OUR COMMUNITY LIFE



Credit: VisitScotland

The vibrancy and attractiveness of community can be looked at under two headings: places and people.

The resources that become available to Shetland through the oil boom from the 1970s onwards, particularly through the Shetland Charitable Trust, have led to substantial investment in the places that are important in fostering community life - especially in relation to arts, recreation and other community amenities.

This investment has included very substantial and high quality facilities, in Lerwick and elsewhere, that would be the envy of similarly sized communities anywhere else in the UK. There has also been investment in smaller scale facilities across the Islands, especially in the form of community halls, which have been an important driver of civic pride and community cohesion.

Our scoping discussions suggested, however, that despite the ongoing the revenue funding available to support certain facilities, there are emerging concerns over their financial and operational sustainability (at least at their existing scope and quality standards) and challenges in relation to the necessary upgrading of facilities (including to meet energy efficiency and net zero targets).

The published statistics (quoted in the Shetland Partnership Plan) suggest that Shetland benefits from very strong levels of civic participation. 56% of people say they are involved in volunteering against a national average of 27%, and 92% of community council seats in Shetland are filled. Again, however, there are emerging concerns, including a worry that there is a narrow, ageing and dwindling pool of volunteers who are able and willing to give their time to foster the sorts of activities that help to sustain a strong sense of community.



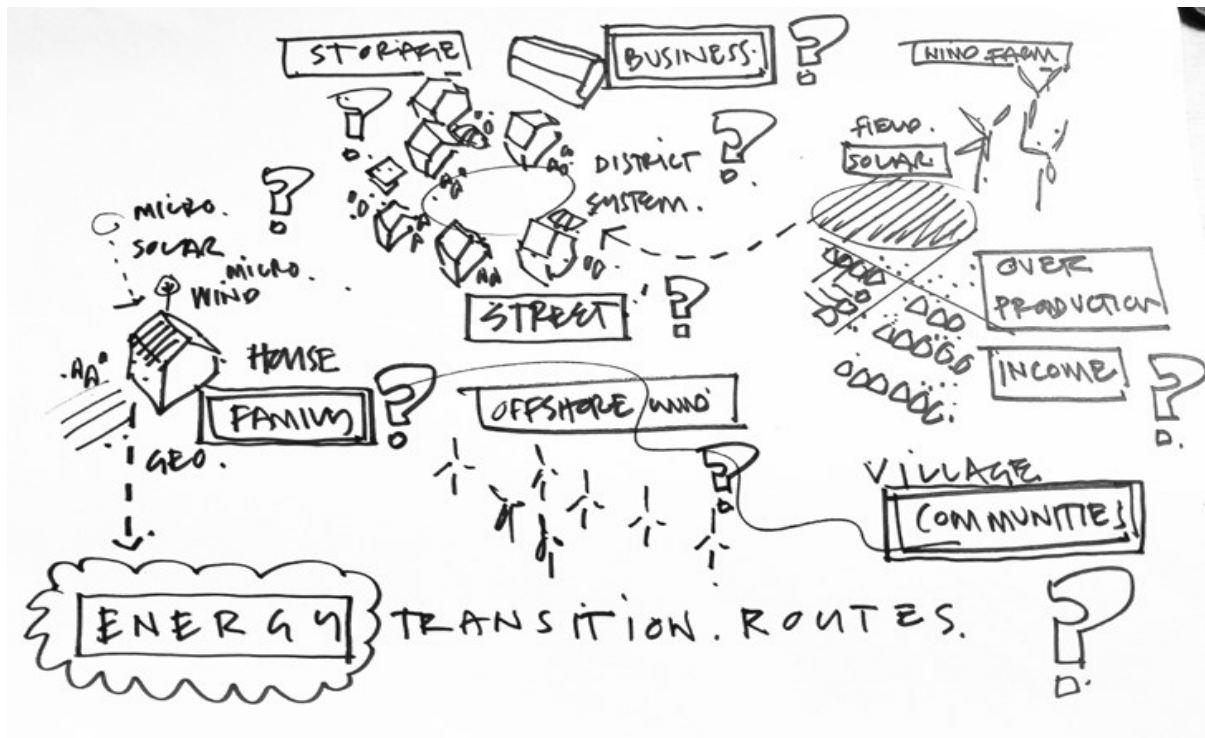
Credit: Voluntary Action Shetland

Whilst the Shetland Partnership's Annual Report for 2020/21 identified that 90% of people felt part of their community, only 27% felt that they could influence decisions affecting their local area.

How could the Viking Community Fund contribute to ensuring that the right community facilities are available to meet the needs of Shetland's communities?

What could be done through the Viking Community Fund to foster community participation and volunteering across Shetland's communities?

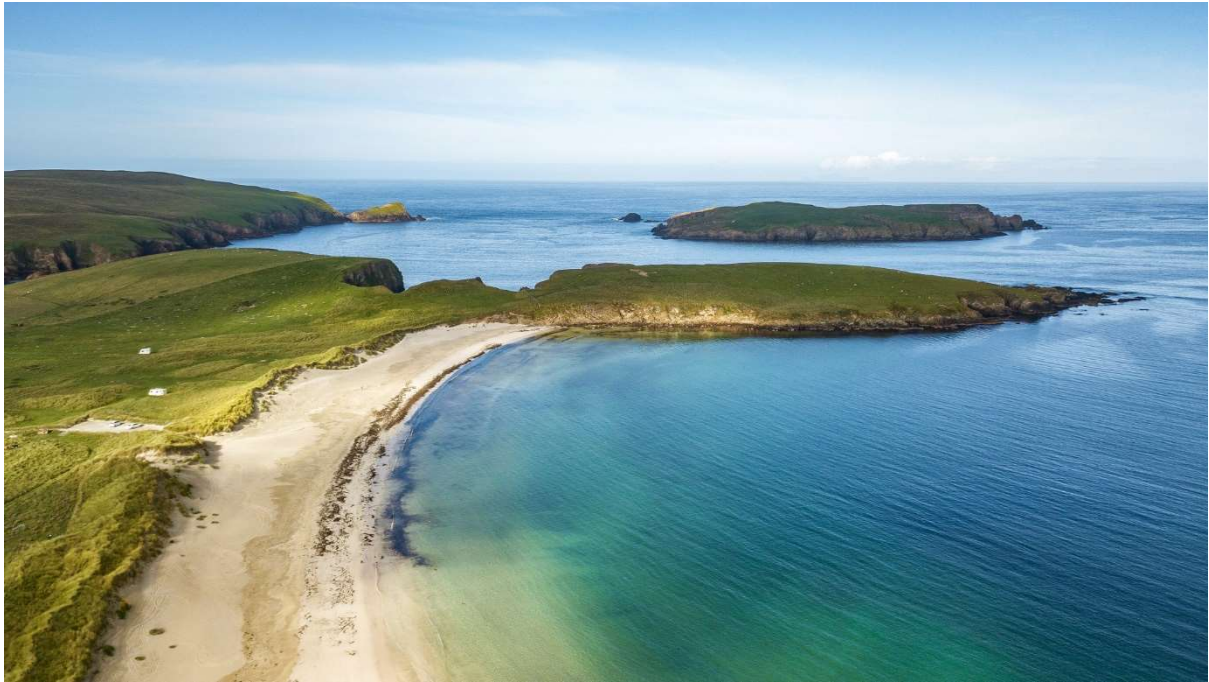
OUR ENVIRONMENT AND OUR CLIMATE



Shetland's natural heritage is a unique and precious strength. Numerous areas on the islands are set aside to protect the local flora and fauna, including a number of important nesting sites. The islands are home to a number of internationally important animal breeds. Air pollution is low, the quality of freshwater and coastal waters is high, and the islands have substantial peat-based soils, which can perform an important role in the ecosystem as a "carbon sink" (though it is recognised that these have sometimes been degraded due to over-grazing).

Lerwick's District Heating Scheme was established in 1991 and heats homes and commercial properties from waste that would otherwise have gone to landfill. It now serves 6,000 people per day in homes, hospitals, council offices, schools and leisure facilities. It is run on a not-for profit basis by Shetland Heat Energy and Power.

Despite Shetland's many natural attributes, only 59% of people in the Shetland Place Survey rated Shetland's natural spaces highly, with areas of improvement identified including the need to better protect the environment and natural resources, and to improve the path and access infrastructure.



Credit: VisitScotland

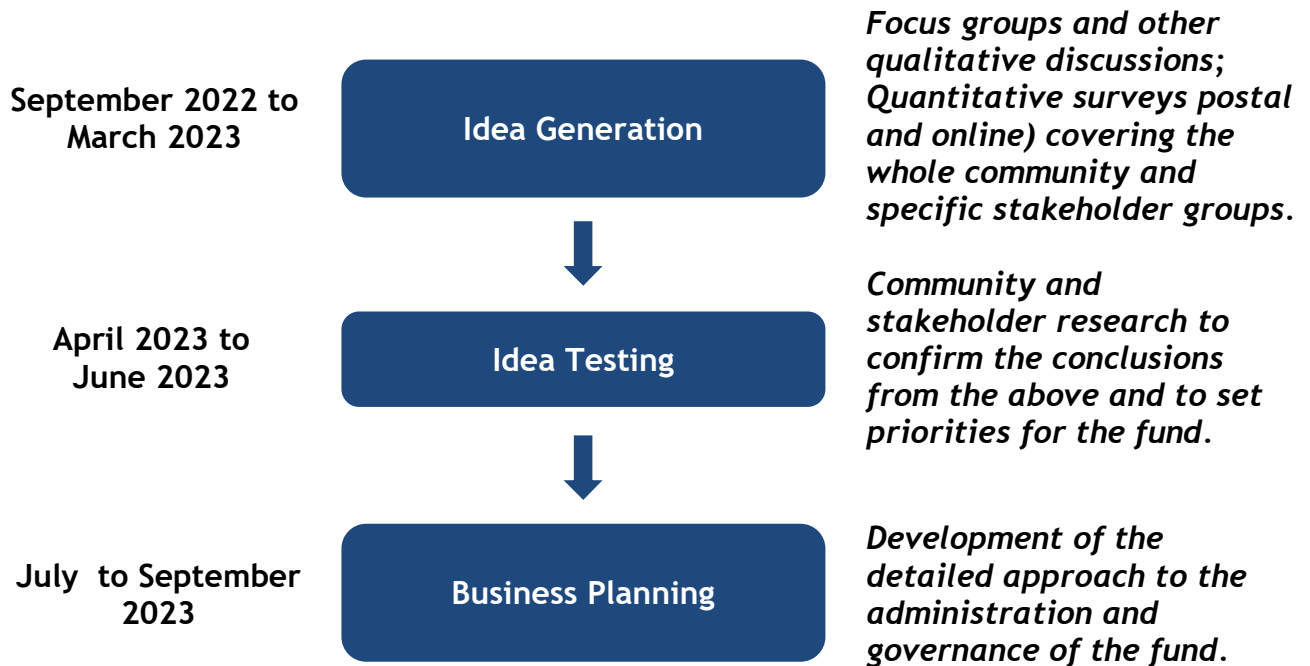
Carbon emissions in Shetland are 73% higher than the Scottish average, which is in large part a function of industrial emissions, including internal transport and travel. The islands' reliance on private motor vehicle transport and the need to improve energy efficiency of homes is also likely to have a significant bearing on this.

How can the Viking Community Fund help ensure that Shetland's natural environment is preserved for future generations and that we can contribute to a transition to "net zero".

TAKING THE CONSULTATION FORWARD

OVERALL APPROACH

The overall programme of consultation is aimed at arriving at an agreed business plan, based on demonstrable community priorities, by September 2023. The overall process and timescale are shown below.



NEXT STEPS

The immediate next phase of the consultation will comprise focus groups and other qualitative discussions with a range of stakeholders across Shetland. Details of this programme of consultation will be published widely. Consultation with individual residents of Shetland will be a central element of this, alongside engagement with business, third sector (including community councils) and institutional stakeholders.

A key element of these initial discussions will be responses to the “challenge questions” that we have highlighted above (and, of course, the consultation may reveal other significant issues that are not already identified). We want this to be a creative process where innovative ideas can be put forward for further consideration in subsequent parts of the consultation. At the same time, it is important to recognise that, whilst the funding available is significant, there will be issues and challenges where the level of funding required is beyond the realistic scope of the fund.

In setting priorities, we need to know what things people most value but also where they think the priorities **for the fund** ought to be. In this next stage, we will consult with people as to the **basis** on which ideas should be prioritised. This might include discussion of how the fund sits alongside other sources of funding and support, as well as consideration of which priorities are most **immediate** -it is likely that an initial set of priorities will be adopted for the early years of the fund, which will be subject to continuing review over the lifetime of the fund.

We also intend that this next stage of the consultation will invite comment on some of the key issues about how the fund might operate. This could include things like:

- How best to ensure that the fund makes a real difference, generating activity and outcomes that are additional to existing private, charitable and public sector investment.
- How the fund can best leave a legacy but also one that is sustainable in both financial and operational terms.
- What principles might be applied to decision making in relation to the fund?

There is a lot to discuss and we will be putting in place a range of consultation sessions, some of which will focus on the issues and questions set out generally, some of which will focus in depth on specific themes, and some of which will explore the issues of particular relevance to specific groups (such as young people, the business community, and people living in Shetland’s most remote islands).



CONTACT

Further information about the consultation can be found at our web pages at: www.ibp.eu.com/VCFconsultation

We welcome comments on this briefing document and about any aspect of the consultation process or development of the business plan. These can either be submitted by email to VCF@ibp.eu.com or by completing the Contact form on our web pages at: www.ibp.eu.com/VCFconsultation/contact

To join our mailing list and ensure you are included in future communications about the consultation, please complete the relevant form on our web pages, which can be found at: www.ibp.eu.com/VCFconsultation/take-part

SELECTED BIBLIOGRAPHY

- A Minimum Income Standard for Remote Rural Scotland, HIE, 2017
- Business Register and Employment Survey (Office of National Statistics)
- EWR Focus Groups with Young People, Summary Report, 2021
- Living Well in a High Cost Economy, In-work poverty in Shetland, Ipsos MORI, 2017
- NHS Shetland Annual Child Poverty Action Report 2020-21
- On Da Level, Achieving a Fairer Shetland, 2016
- ONS, Official Census and Labour Market statistics
- Open Project, Open Space Consultation Report, 2021
- Regional Skills Assessment, Rural Scotland, Skills Development Scotland, 2022
- Scottish House Condition Survey, 2019
- Scottish Crime and Justice Survey 2020, Local Authority level Information for Shetland
- Scottish Household Survey 2020, Local Authority level information for Shetland
- Scottish Index of Multiple Deprivation (SIMD 2020) information for Shetland
- Shetland Arts, Knab Masterplan and Creative Strategy
- Shetland Islands Citizens Advice Bureau, Annual Report, 2021-2022
- Shetland Islands Council Area Profile (National Records of Scotland)
- Shetland Islands Council: Economic Development Strategy 2018-2022
- Shetland Islands Council: Local Housing Strategy, 2022-27
Shetland News - various articles
- Shetland Islands Key Statistics, HIE, 2019
- Shetland Islands Visitor Survey, 2019

Shetland News - various articles

Shetland Our Place: Place Standard Final Report, 2017

Shetland Partnership Plan, 2018

Shetland Partnership Annual Report 2020/21

Shetland Partnership Integrated Impact Assessment

Shetland Partnership Strategic Environmental Assessment

Shetland's Household Energy Situation in Numbers, Shetland Islands Council, August 2022

Shetland Times - various articles

Shetland Tourism Strategy, 2018-2023

Shetland Wikipedia page

Various additional news websites

Websites of various Shetland groups and organisations

We would also like to thank the individuals from Shetland's public agencies and third sector organisations that contributed to the initial scoping discussions.

ADDITIONAL CREDITS

Cover illustration: Shetland Partnership Plan, 2018

Illustrations by Colin Ross Workshop (colinrossworkshop.com)