

MINUTE

‘A & B’

Executive Committee

Council Chamber, Town Hall, Lerwick

4 December 2007 at 10am

Present:

A J Cluness	L Angus
I J Hawkins	J G Simpson

Apologies:

E J Fullerton	W H Manson
A S Wishart	

In attendance (Officers):

M Goodlad, Chief Executive
W E Shannon, Assistant Chief Executive
G Johnston, Head of Finance
N Grant, Interim Head of Economic Development
L Gair, Committee Officer

Also

J H Henry	R S Henderson
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Chairperson

Mr A J Cluness, Chairperson of the Committee, presided.

Circular

The circular calling the meeting was held as read.

Declarations of Interest

There was nothing to report.

Members' Attendance at External Meetings

Mr J G Simpson	CoSLA Regeneration & Sustainable Development Executive Group in Edinburgh on 23 November 2007
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Minute

The minute of meeting held on 23 October 2007, was confirmed.

42/07

General Fund Revenue Management Accounts 2007/08 For the Period 1 April 2007 to 30 September 2007

The Committee considered a report by the Head of Finance (Appendix 1).

The Head of Finance briefly introduced the report. He advised Members that in the first half of the year the Council achieved £2 million of the £2.7 million savings required for the year. He said that there was a delay in some costs coming through and it was therefore not expected that the level of savings would be repeated, however he was pleased that good progress had been made.

Mr L Angus advised that the figures did not include £4.6 million received from the Shetland Charitable Trust for the Social Care budget or the £3.9 million received from them for the Sports and Leisure. He said that the public felt that they were not getting the same service and noted that the cuts were already being noticed.

Mrs I J Hawkins said she was pleased with the good news presented by the Head of Finance.

43/07 **Housing Revenue Account/Harbour Account/reserve Fund Revenue**
Management Accounts 2007/08
For the Period 1 April 2007 to 30 September 2007

The Committee considered a report by the Head of Finance (Appendix 2).

The Head of Finance introduced the report and stated that the pattern was generally favourable. He said that there was a minor overspend in the Housing Revenue Account in the first half of the year, but it was expected that it would be on budget by the end of the year. He advised that the Harbour Revenue Account had not achieved the expected traffic levels and the throughput was well short of what was expected. However he said that the cost control was good. The Head of Finance said that the Reserve Fund was low but on budget and on target, adding that the overall financial progress for the first half of the year was very good.

The Chairman allowed Mr J H Henry to comment. Mr Henry advised the Committee that the transfer of oil from the West of Shetland was more technically difficult and that was why the Harbour Account had not met its targets. He said however that a lot of the problems had been resolved and the Chairman added that he hoped that the explorations in Faroese waters would be successful. The Chief Executive referred to the Harbour Account and advised the Committee that the throughput figures were being analysed and dialogue had begun on the long term falling volumes, and also on strategies to increase tariffs to off set an increase in charges on bunkers and forecasts provided.

Mrs I J Hawkins congratulated the Head of Services for his work, and the Head of Service said that credit should also go to Budget Responsible Officers.

44/07 **Update on European Activities**

The Committee noted a report by the European Officer (Appendix 3).

The Interim Head of Economic Development drew attention to paragraph 3.2 of the report and advised that Shetland put forward a bid for £2.7 million of the convergence fund, which will run for the next 6 years, but early indications were that Shetland was likely to receive only £1.2 million. He advised that a panel would meet to advise the Cabinet Secretary on 17 December.

The Interim Head of Economic Development drew attention to paragraph 3.3 and advised the Committee that when the European Fisheries Fund became active, legal state aid opportunities to support the fisheries industries would be aligned to it. He advised the Committee that £12 million over the next 6 years had been granted to the Highland and Islands which was less than the £17 million previously granted. The Interim Head of Economic Development advised that he understood implementation of the EFF programme was expected in April 2008.

Mr L Angus commented on the Leader Funding and said he was aware that the European Officer was pursuing better distribution of the fund within the Highland

and Islands Region. He said that this was a derisory sum of money but there was nothing that could be done about it. The Chairman said that the overall difficulty was that the funds would be given to areas less well off than Shetland, and noted that the UK Government demonstrated how little interest it had in the Scottish Fishing industry.

Mr J G Simpson advised the Committee that he had attended an Aquaculture Workshop whilst in Brussels in October and said that Ireland had been well represented and appeared very optimistic. He said that all speakers said there was a need for more Research and Development and suggested that as the facilities existed in Shetland, there was scope for the Council to attract the work. He said he also had the opportunity to have a discussion with Mr J Borg the Commissioner for Fisheries and Maritime Affairs, and had found it worthwhile.

In response to a query from Mr J H Henry, Mr Grant advised that the different agencies involved had compiled a list of project in preparation of the programme being implemented.

45/07

European Commission State Aid Decisions

The Committee noted a report by the Interim Head of Economic Development (Appendix 4).

The Chairman advised that this decision had been made as a result of an anonymous complaint and said that a decision had been found that these funds had to be repaid. He advised the Committee that as this was to be dealt with by the Scottish Government any appeal would have to be made by them. However if they did not proceed with an appeal, the Council could ask the Scottish Government's permission to make an appeal. The Chairman said it was important to meet with the Scottish Government, the UK Government and the European Government to seek a resolution.

Mr L Angus said that he wished to reiterate that this was as a result of the openness the previous Council. He said that the Council had believed that the funds were exempt from state aids and that was the advice of the lawyers. He said that a decision in 2003 that this was no longer the case because of governance arrangements the Council had to completed a proforma on local industry and because of that the Council was being penalised. Mr Angus concluded by expressing his regret that the Council's reputation may have been damaged by this issue.

The Committee agreed that it was important to work closely with the Scottish and European Government on this issue.

The Chairman said that it was important to be able to invest in our industry and there was still potential to invest in aquaculture in Shetland, but it had to be right for the future.

The Chief Executive drew attention to paragraph 5 and stated that beneficiaries require to be ordered to repay the aid two months after the decision dated 13 November. He advised that it was the UK Government who had an automatic right of appeal and he was in contact with the officials to determine what the position was on this. No response had been received which was of concern due to timescales involved and the resultant time that would be left available for the Council to prepare a response. He said that it was hoped that there could be a pragmatic solution to

this matter, and hoped that the Scottish Government were working on this. The Chief Executive said that he would keep contacting them for a response. The Committee noted that Tavish Scott MSP had raised the matter with Richard Lochhead, Cabinet Secretary for Rural Affairs, for a response on an appeal.

The Chairman advised that Members would be updated on the situation at the Council meeting on 12 December 2007.

The meeting concluded at 10.30 am.

A J Cluness
CHAIRPERSON