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Development Committee
Council Chamber, Town Hall, Lerwick
Wednesday 5 June 2008 at 10am

Present:

J G Simpson	L Angus
L F Baisley	J Budge
A J Cluness	A T J Cooper
A T Doull	A G L Duncan
F B Grains	I J Hawkins
R S Henderson	J H Henry
A J Hughson	C H J Miller
R C Nickerson	F A Robertson
G Robinson	C L Smith
J W G Wills	A S Wishart

Apologies

B L Fullerton	W H Manson
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In Attendance (Officers):

N Grant, Interim Head of Economic Development
D Irvine, Head of Business Development
A Hamilton, Senior Adviser
N Henderson, Principal Officer - Marketing
S Spence, European Officer
A Cogle, Service Manager - Administration
B Robb, Management Accountant
L Adamson, Committee Officer

Also:

N McDougall, Financial Controller - SDT
F Dally, Communication and Change Management Co-ordinator - SDT

Chairperson:

Mr J G Simpson, Chairperson of the Committee, presided.

Circular:

The circular calling the meeting was held as read.

Declarations of Interests

Mrs C H J Miller gave notice of a pecuniary interest in agenda item 10 as her husband has a loan with Shetland Development Trust, and an interest in Agenda item 12, as she owns a guesthouse.

Dr J W G Wills declared an interest in Agenda items 9 and 10 as he had a business loan from the Shetland Development Trust. He also advised of an interest in Agenda items 12 and 14, as a tourism operator and with his involvement with the website.

In response to a question from Dr Wills, the Interim Head of Economic Development confirmed that agenda items 14 to 19 were identified separately as being Shetland Development Trust

matters, and it was therefore noted that Mrs Miler and Dr Wills would leave the meeting when those items were being discussed.

Minutes

The minute of the meeting held on 24 April 2008, having been circulated, was confirmed on the motion of Mr J G Simpson, seconded by Mr A T J Cooper.

Members' Attendance at External Meetings

Mr A J Cluness Meeting with John Swinney, MSP, Edinburgh - 29-30 May

04/08 Launch of Shetland.org Website

The Committee noted a report by the Principal Officer - Marketing (Appendix 1).

Dr J W G Wills said that the website had been very well designed, and the text was very clear and readable. He congratulated all concerned in developing the website, which would be a good sales tool for Shetland. During the discussion, Members agreed with Mr Wills' comments, and stressed the importance of regularly updating the information on the website.

Mr R C Nickerson referred to a discussion at the recent Members Away Day, where it was agreed that the SIC's website should be reviewed and updated, and suggested that the review could be reported through Development Committee.

05/08 The Shetland Food Directory

The Committee noted a report by the Communications and Change Management Co-ordinator (Appendix 2). (Copies of the directory were tabled at the meeting).

Mr L Angus congratulated the staff involved in producing the Shetland Food Directory. In response to a query from a Member, the Communications and Change Management Co-ordinator advised that a website would be launched in conjunction with the Directory, which would include links to the individual producers.

06/08 Shetland Employment Survey 2007

The Committee noted a report by the Research Assistant (Appendix 3).

The Head of Business Development introduced the report, and drew Members' attention to the information in the factsheets attached as appendices to the report. The Head of Business Development also referred to paragraph 7.1 of the report, which showed that although employment has increased by 95 jobs since 2003, the number of full-time equivalent jobs had fallen by 179, and advised that this could largely be explained by the closure of RAF Saxa Vord, which had resulted in the loss of 114 full-time jobs.

In response to a question from Mrs C H J Miller, the Head of Business Development explained that while the Survey provides a good indicator of employment levels in Shetland, unless each business and individual responds to the questionnaire, it is not possible to give an exact report on the number of individuals employed. There are many individuals who work from home and are therefore difficult to survey.

The Head of Business Development reported that the Survey had found that 34% of business in Shetland cannot recruit suitably skilled staff, and said that this was

very worrying should the population fall as predicted. Mr A J Hughson said that ideally Shetland College would provide training to all school leavers and supply the needs of employers, however courses are limited due to funding constraints. Dr J Wills commented that it was not the Council, Train Shetland, or the College, that failed school leavers/employers but it was the Government who set the quota on the number of apprenticeships it will support. He suggested that the Council should therefore put pressure on the Government to increase its funding for apprenticeships. Mrs C H J Miller proposed that a report be prepared by Economic Development/College staff to address the skills shortage in Shetland. The Interim Head of Economic Development advised that an Industry Panel on skills development and training needs was planned for September involving Shetland College and NAFC. Mr A T J Cooper advised that there had been a very low uptake of ESF funding for training, and this funding should be considered to address the training requirements for Shetland.

During the discussion, Mr R C Nickerson noted that 81% of organisations in Shetland are micro sized, with less than 10 employees, and said that it was necessary to recognise the strengths of smaller businesses, rather than concentrating solely on the larger industry sectors.

In response to concerns raised by Mrs I J Hawkins on the impact of increasing fuel costs on the fishing industry, Mr J G Simpson advised that he would be attending a meeting of the Fisheries Intercom Group in Brussels, which has been specially called to discuss concerns over increasing fuel prices.

In response to requests from some Members, the Head of Business Development agreed to distribute colour copies of the factsheets to all Members.

07/08

Update on European Activities

The Committee noted a report by the European Officer (Appendix 4).

Mr L Angus referred to the visit to Shetland on 16 June by Ms N Schaefer from the EU's Fisheries and Maritime Affairs Directorate, and stated this will be an important opportunity to find out the Commission's views on maritime policy and to understand the implications for Shetland on an EU integrated maritime policy. Mrs I J Hawkins proposed that a number of fisheries representatives should be included in the discussions with Ms Schaefer. The European Officer advised that the programme on the 16 June includes a session on the Marine Spatial Plan and an open session on Maritime Policy to which a variety of interested parties would be invited.

Mr A T J Cooper advised that the Head of the EFF Programme in Scotland, had been in Shetland earlier in the week, and had been very impressed with the electronic auction at the Lerwick Fish Market.

In response to a question from Mrs C H J Miller, the European Officer advised that the report contained information on the main European funding sources relevant to Shetland, however there are numerous other EU funding streams, which involve different application processes and many now involving co-operation with other countries.

Mr R C Nickerson commented that Shetland has been very successful in obtaining Structural Funds assistance, however he requested that other external funding sources should be investigated for social activities. The European Officer said that

it was a question of resources to look at the various programmes, and when looking at individual projects to consider whether any funding would be available, and to find partners. Mr A J Cluness advised that the funds are less now due to the enlargement of the European Union, and emphasis was on partnerships with other areas, with more consideration given to projects with outcomes, rather than processes, and wherever possible joint applications tend to be more likely to succeed. He added that direct funding for social cases are generally more likely to come through national sources.

08/08 **Economic Development Service 3 Year Financial Plan**

The Committee noted a report by the Interim Head of Economic Development (Appendix 5).

The Interim Head of Economic Development summarised the main terms of the report. In response to a question from Mrs C H J Miller, he advised that the 3 year financial plan would be flexible and would be updated regularly.

09/08 **Marketing Shetland: Proposed Members' Workshop**

The Committee considered a report from the Marketing Service, Economic Development Unit (Appendix 6), and approved the recommendations contained therein, on the motion of Mrs I J Hawkins, seconded by Mr G Robinson.

10/08 **Sullom Voe Strategic Plan**

The Committee considered a report by the Assistant Chief Executive (Appendix 7).

The Interim Head of Economic Development summarised the main terms of the report. Mr A J Hughson referred to paragraph 4.4, and said that as Scalloway and Lerwick Harbour were to be included in the Study, he proposed that Mrs I J Hawkins should be included in the In-House Project Team.

Mr R C Nickerson referred to paragraph 4.3, and proposed that appropriate industries should also be drawn on for support. He added that there should also be some synergy between the Council's Study and the work being carried out by Professor Alec Kemp.

During the discussion, Mr A J Cluness said that Sullom Voe was an enormous potential asset for Shetland, and the Study would consider how best to use the space and capacity at Sullom Voe. Mr A T J Cooper said that the steam from the power station at Sullom Voe was another potential asset to be considered.

The Committee approved the recommendations in the report, on the motion of Mr A T J Cooper, seconded by Mr J H Henry.

11/08 **Forums and Industry Panels – Remits and Membership**

The Committee considered a report by the Head of Legal and Administration (Appendix 8).

The Service Manager, Administration, advised that the report would be presented to each of the Committees, with the comments from each Committee incorporated into a further report to Council.

The Service Manager referred to paragraph 3.2 of the report, and suggested that in order to allow the Industry Panels to continue meeting in private if they wished, but

without the constraint of requiring exemptions in relation to access to information legislation, that the final sentence in paragraph 2 of Page 4 of the Best Practice Guidelines could be deleted. Members agreed.

In response to a question from Mr J G Simpson, the Service Manager advised of the proposal to formally appoint three Core Members to the Panels. She added that it was not considered necessary that any additional appointments would be required, as individual Members can be invited to attend Panel meetings.

In response to a question from Mr A T Doull, Mr A T J Cooper advised that should the Chairperson/Vice Chairperson of Development Committee decide that additional Members should be invited to attend Panel meetings, attendance would be classed as an approved duty. Mrs I J Hawkins agreed that the core membership of the Panels and Forums should be limited to allow stakeholders an opportunity to address the meetings and for their views to be taken on board. In response to a suggestion from Mr A J Hughson, Mr Simpson said that he considered that Member representation from each of the wards would result in too much Member involvement on the Panels/Forums.

Mr R C Nickerson said that he had some concern that the constitution of the Industry Panels had been included in the "Best Practice Guidelines for Forums" document. It was noted that non-Councillor attendees had no entitlement to claim expenses from the Council.

Mr L Angus said that the Industry Panels were very successful, and was a unique means for the Council to gain knowledge and experience from industry sectors. Mr L Angus moved that the Committee approve the recommendations in the report, subject to the proposed change as detailed above. Mrs I J Hawkins seconded.

In response to a question from Mrs C H J Miller, the Service Manager advised that Members were allowed to attend and observe at Industry Panel meetings, however they would require agreement from the Chairperson to address the meeting.

12/08 **Council Representation on the Shetland Tourism Association and the Geopark Shetland Liaison Group**

The Committee considered a report by the Area Economic Development/Tourism Officer (Appendix 9).

Mr L Angus proposed that Dr J W G Wills be appointed onto the Shetland Tourism Association, and the Geopark Shetland Liaison Group. Mrs C H J Miller seconded. Dr Wills accepted the appointments.

13/08 **Transfer of Shetland Development Trust (SDT) Assets, and Staff Restructuring**

The Committee considered a report by the Interim Head of Economic Development (Appendix 10).

(Mrs C H J Miller left the Chamber).

The Interim Head of Economic Development introduced the report, and advised of the proposed date of 1 September 2008 for the transfer of SDT staff, surplus cash and white fish quota to the Council, and the proposal that the loans and equity

investments would remain with the SDT in the meantime, but would transfer at some point in the future.

On the motion of Mr J H Henry, seconded by Mr A T J Cooper, the Committee approved the recommendations in the report.

14/08 **Grant Assistance Approved through Delegated Authority**

The Committee considered a report by the Head of Business Development (Appendix 11), and approved the recommendations contained therein, on the motion of Mr A J Cluness, seconded by Mr R S Henderson.

(Mrs C H J Miller returned to the meeting).

15/08 **VisitScotland Management Arrangement**

The Committee considered a report by the Tourism Officer (Appendix 12).

The Head of Business Development summarised the main terms of the report. He advised of the latest proposals for restructuring VisitScotland, and the concerns relating to the loss of local control, and outlined the proposed three options for funding Shetland visitor services and destination marketing.

Dr J W G Wills provided the Committee with some background information on the tourism industry in Shetland. He said it was important to have a locally controlled tourism service, and he therefore supported Option 3 in the report, to phase in a new system, which would include a Service Level Agreement with VisitScotland.

Mrs C H J Miller said that she was aware that some local hoteliers had concerns that their views on marketing Shetland were not being taken on board, and as they have years of experience of marketing Shetland they want a closer working relationship and a more industry led partnership with the Council. Mr J G Simpson advised that local hoteliers are invited to meetings of the Culture and Tourism Panel. Mrs Miller advised that both the hoteliers had resigned from the Panel.

Mr A J Cluness said that he supported Option 3, as the way to proceed was for Shetland to have its own marketing system. Mr Cluness accordingly moved that the Committee approve the recommendations in the report. Mr A T J Cooper seconded.

Mr A S Wishart advised that he supported the recommendation, however he had slight concerns as to how the local Destination Marketing Organisation would operate, as how it is operated would be critical to its success.

16/08 **Shetland Population and Migration Study**

The Committee considered a report by the Policy and Development Assistant (Appendix 13).

The Head of Business Development advised that the findings from the Study were presented to Committee to seek Members' views from an economic development perspective.

During the discussion, Mr L Angus said that this was a very interesting report, with the most important statistic being that jobs and opportunities were the main reason for people staying in Shetland. He added that a huge challenge for the future is the redistribution of jobs from the Local Authority to private industries.

(Mr C L Smith attended the meeting).

In referring to Section 4.3, Infrastructure Issues, Mrs I J Hawkins commented that in migration was hampered by the lack of housing in Shetland. In response to a question from Mrs I J Hawkins regarding the £30m to be spent on housing, Mr A G L Duncan advised that the work has commenced on the housing projects. Ms L F Baisley said that the focus should be on infrastructure generally, on developing business opportunities in rural areas and improving broadband connections throughout Shetland.

Mr A J Cluness said that at some point the Council would have to take decisions to maintain a quality of life in Shetland, and on the motion of Mr Cluness, seconded by Mr A T J Cooper, the Committee approved the recommendations in the report.

(Mrs C H J Miller and Dr J W G Wills left the meeting).

Shetland Islands Council as Trustees of Shetland Development Trust

17/08 Redevelopment of Fair Isle Bird Observatory

The Committee considered a report by the Economic Development Officer (Appendix 14).

Mr A J Cluness said that the proposed new observatory would be an example of high quality provision that the Council could assist, which would be of huge potential in terms of heritage and culture for Shetland, and Fair Isle.

On the motion of Mr R C Nickerson, seconded by Ms L F Baisley, the Committee approved the recommendation in the report.

18/08 Options for the Development of Abattoir Facilities in Shetland

The Committee considered a report by the Agricultural Development Officer (Appendix 15).

The Agricultural Development Officer summarised the main terms of the report. He advised that having sought advice, the Council cannot exceed 50% of the funding of a new Abattoir, and therefore a decision is required on whether to upgrade the existing abattoir facilities in Shetland. He referred to Option C, to build a new abattoir facility, and explained that this option would only be possible if a private developer provides 50% of the cost of a new facility.

Mr A T J Cooper provided the Committee with background information on the Council's earlier decision to provide 100% funding for a new abattoir, and the discussions between the Council, Shetland Development Trust, and the Industry Panel, and he advised on the industry's expectations for the Council to provide an Abattoir.

Mr Cooper suggested that the industry should investigate whether they could fund 50% of a new facility, and the abattoir at Boddam could proceed to update its facilities using de minimis. Mr Cooper moved that the Committee recommends to the Council the following:- (a) the agricultural community be encouraged to establish for themselves whether or not there is a precedent for an abattoir being

built without market failure but receiving public funds greater than 50%, (b) The Council provides funding not exceeding the maximum which can be released under delegated authority by the Development Department for that purpose to an Industry body with available de minimis, (c) In the event that a mechanism as outlined in (a) above is found, the Council provides political support alongside the Industry to achieve Commission approval, and, (d), the Council retains the budget sum of £2.4m for a new abattoir until 31 March 2010 to construct or match Industry funds allocated for that purpose.

In response to a question from Mr J G Simpson, Mr Cooper advised that he had proposed the date of 31 March 2010, as this should allow the agricultural industry sufficient time to come forward with a properly organised proposal.

Mr A J Cluness seconded.

During the discussion, Mr F A Robertson said that he supported Mr Cooper's recommendation. He said that for the last few years Shetland's agricultural industry has existed on the store market, and to develop finishing there is a need to have the facilities.

In response to a question from Mrs I J Hawkins, Mr Cooper advised that he would propose that the budget of £2.4m should remain and that no additional money would be included at this time. Mr G Robinson said that he was content with Mr Cooper's recommendation, however he had concerns that the budget was being retained for 2010, as in that time there may be other projects more needful of the funding. Mr Cooper advised that the proposal to retain the budget should give the agricultural industry confidence that the Council is backing the project.

Mr A G L Duncan stated that he was totally opposed to any slaughterhouse being built. He said that a new abattoir was not needed, would not pay for itself, and would stand empty for a proportion of the year. Mr Duncan said that there was a store market in Shetland for quality lambs and cattle and the trend should continue for finishing to be undertaken on the mainland. He said that the two private slaughterhouses were working just now, which provided competition. Mr Duncan stated that the money earmarked for the new abattoir should be released and used for better deserving projects, for example, infrastructure, care homes and education. Mr Duncan moved as an amendment, that the Committee approve the recommendations in the report.

Mr A J Hughson seconded.

Mr J Budge said that the agricultural industry in Shetland was strong, and hopefully the industry would be able to raise the funds to contribute towards a new abattoir. He added that Mr Cooper's recommendation appeared to be the sensible way to proceed. Mrs F B Grains said that she also supported Mr Cooper's recommendation, and it was important to follow the advice in regards to state aids, and she believed that the time scale of 2010 would provide sufficient time for the industry to come forward with a proposal.

Mr C L Smith agreed with the proposal to retain the £2.4 budget for 2010, which would give the industry sufficient time to research their proposal.

Mr A S Wishart said that he would also support Mr Cooper's motion, however he had some concerns regarding the timescale, and requested that regular update reports are provided to Development Committee.

After summing up, voting took place by a show of hands, and the result was as follows:

Amendment (Mr A G L Duncan)	2
Motion (Mr A T J Cooper)	15

(Mr A J Cluness left the meeting).

In order to avoid the disclosure of exempt information, Mr J G Simpson moved, and Mr A T J Cooper seconded, to exclude the public in terms of the relevant legislation during consideration of the following items of business.

19/08 **Note of Tourism and Culture Panel – 11 January 2008**

The Committee noted the minute of the above meeting.

20/08 **Note of the Agriculture Panel – 27 March 2008**

The Committee noted the minute of the above meeting.

21/08 **Note of the Agriculture Panel – 9 May 2008**

The Committee noted the minute of the above meeting.

22/08 **Activity Report – March-May 2008**

The Committee considered a report by the Interim Head of Economic Development.

The Interim Head of Economic Development introduced the report, and reported on the European Commission's decision on the Fish Processing and Salmon Farming Loan Schemes.

During the discussion, and in response to questions, Officers provided Members with an update on a number of the existing investments.

Mr R C Nickerson referred to Section 3.2 of the report, and suggested the need for a report on the impact of the decision to discontinue the ferry from Rosyth to Zbrugge. It was suggested that the report could be prepared in consultation with the Chairperson of Infrastructure and ZetTrans.

Mr Nickerson suggested that a report be prepared on the Hamefarin for 2010. The Interim Head of Economic Development agreed that the information would either be included in the Activity Report, or in a separate report to Committee.

Mr R Henderson congratulated Mark Anderson and Partners on the purchase of their new vessel. The Council concurred.

23/08 **Millgaet Media Limited – Appointment of Director**

The Committee considered a report by the Financial Controller, Shetland Development Trust.

The Chairperson advised that the Committee were being asked to nominate a person to act as Director for Millgaet Media Limited.

In referring to Section 3.6 in the report, Mr A S Wishart proposed that Mr Bobby Hunter be appointed as Director. Mr R S Henderson seconded.

Mr A T J Cooper nominated Mr James Hutton. Mr G Robinson seconded this nomination, subject to Mr Hutton's acceptance.

Mr A S Wishart, and his seconder, agreed to withdraw their nomination.

Mrs I J Hawkins moved as an amendment, that Mr Bobby Hunter be nominated as Director. Mr A J Hughson seconded.

The Interim Head of Economic Development advised that Mr Hutton and Mr Hunter had both expressed agreement to act as Director.

There being two nominations, voting took place by a show of hands, and the result was as follows.

Amendment (Mrs I J Hawkins)	9
Motion (Mr A T J Cooper)	6

24/08 **COPE – Core Funding for 2008-09 and Beyond**

The Committee considered a report by the Financial Controller, Shetland Development Trust, and approved the recommendations contained therein, on the motion of Mr R C Nickerson, seconded by Mr G Robinson.

In response to a question from Mr A T J Cooper, the Financial Controller advised that the Shetland Spring Water Project at Weisdale had been delayed for a number of reasons, however progress on the project should be reported in the strategic review. In response to a question from Mr A S Wishart, the Interim Head of Economic Development advised that he would seek advice on potential state aid issues associated with this project.

The meeting concluded at 12.50pm

CHAIRPERSON