

MINUTE

‘A’ & ‘B’

Special Development Committee
Council Chamber, Town Hall, Lerwick
Thursday 26 February 2009 at 9.15am

Present:

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

Apologies

J Budge	A G L Duncan
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In Attendance (Officers):

N Grant, Head of Economic Development
J Dunn, Agricultural Development Officer
W Shannon, Assistant Chief Executive
J R Riise, Head of Legal and Administration
A Cogle, Service Manager - Administration
L Adamson, Committee Officer

Also:

N McDougall, Financial Controller - 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 declared an interest, as her uncle was a Member of the SLMG Ltd. She added that as this was a remote interest, she would take part in the debate.

Mr A T Doull advised of an interest as a member of the SLMG.

Mr C L Smith advised that he had noted the reference to a donation from SLMG to the Shetland CLAN House Appeal, and declared an interest as a Committee member of CLAN.

In order to avoid the disclosure of exempt information, Mr J G Simpson moved, and Mr C L Smith seconded, to exclude the public in terms of the relevant legislation during consideration of the following item of business.

Mrs C H J Miller said that as the current situation with the SLMG had brought about a great deal of public concern and debate, she suggested that some discussion should be held in public, with the financial debate taken in private. In response, the Chairperson advised that the sensitive information in the appendices would prompt most of the discussion. However, Mr A J Cluness said he considered that the matter had been so widely circulated and covered, and therefore the report should not be taken in private. Mr Cluness accordingly moved as an amendment that the Committee agree for the report to be considered in public. Mrs C H J Miller seconded.

After hearing the Head of Legal and Administration explain that technically the matter should be debated in private, as there was already a ruling on the related issue from the Council to that effect, Mr Cluness advised that as this was a report on a different issue his amendment stood.

Voting took place by a show of hands, and the result was as follows:

Amendment (Mr A J Cluness)	10
Motion (Mr J G Simpson)	5

(Mrs F B Grains, Mr G Robinson, and Mr F A Robertson attended the meeting).

20/09

Shetland Livestock Marketing Group

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

The Chairperson apologised to the Committee for the late circulation of the report.

Mr R C Nickerson moved that the Committee approve the recommendations in the report.

Mr Nickerson advised that he had received criticism from a number of his constituents following his attendance at a meeting with Cllr A G L Duncan to discuss the situation with the SLMG, which he had attended in order to become better informed about the agricultural sector in the south mainland. Following that meeting, he had received a letter advising of support for the SLMG from over 60 of his constituents. Mr Nickerson explained that his position has always been to enhance, promote and support the agriculture sector in Shetland, and he fully acknowledged that the current model of the SLMG was not working, and he supported this window of opportunity for the Company to come forward with more appropriate proposals for the future. Mr Nickerson said it should be noted that any State Aid issues for the funding to be paid back would remain with SLMG.

Mr G Robinson seconded.

Mr L Angus said that he supported Mr Nickerson's sentiments. Mr Angus reported that he had supported the initial support for the SLMG in 2003, for the group to be the bond to hold the rural community together. He advised that the group had never been profitable, and given its present structure, has only been able to trade through subsidy from the Council. The purpose of the Group was to market Shetland's agricultural produce; however he added that there was still some uncertainty about what was to be marketed.

Mr Angus reported that the Group has been linked with abattoir provision in Shetland, and he advised on the current situation, and some proposals for future provision. He said that for generations the Council's support for the agriculture sector had been through the Government's grant and loan schemes, however the future of the agriculture industry was a mystery, but with the involvement of the EDU's Agricultural Development Officer, it was hoped that a robust policy could be developed for the benefit of the agriculture industry in Shetland.

Mrs C H J Miller referred to Recommendation 10.1(ii) and enquired whether as an alternative to the proposed grant, whether the Council could consider providing a loan to SLMG. The Head of Economic Development explained that a loan would be feasible, however it would not change the State Aid perspective unless the loan was at full market rates. He added that with the company's current uncertainty, he would advise that the SLMG should not take on a loan commitment at this stage, and that grant funding would be more appropriate.

In referring to Appendix 2, to the e-mail from Mr Rosie dated 20 February, Mrs I J Hawkins highlighted the reference of the possibility that an individual may complain to the Commission if any payment is made to SLMG, and also that this would be the first time this particular measure would be used for assisting the agricultural sector, and that the views of DG AGRI should be sought. The Head of Economic Development advised that the views of DG AGRI had not been sought as the advice of the Council's lawyers was that provided the Council had a strong and robust case it should proceed, and the view was that the Council did have a strong case.

Mrs Hawkins then referred to the final sentence of Section 4.4 in the report, and noted that the risk was based on whether it can be established that the company was in financial difficulties before 1 July 2008, and reported that there was some evidence that the company may have been in difficulty before that date. Mrs Hawkins asked for clarification that should it be found that the Council has gone against State Aid rules that it would be the SLMG Members that would have to pay back the funds. The Head of Economic Development advised that should a complaint be upheld, the SLMG would have to repay the funds to the Council.

Mrs B L Fullerton said she welcomed any review for the future of the agricultural industry in Shetland. Mrs Fullerton referred to Mr Angus' earlier report about abattoir provision, and commented that she had some problems with the proposal for an abattoir to be located in Scalloway.

Mrs Fullerton said that with one quarter of crofters/agriculturalists in Shetland being members of the SLMG it was a significant influence from the industry. She then referred to Mrs Miller's earlier comments regarding the possibility of providing SLMG with a loan, as should the company fold the grant would be lost, and a grant could also set a precedent for the future. SLMG could be the first of many small businesses suffering financial difficulties and she would expect that other businesses would have to receive similar treatment.

Mrs Fullerton moved as an amendment, that the Committee agree to immediately provide SLMG with an unsecured loan of £20,000 to allow the group to continue to run the business, to agree to Recommendation 10.1(i) in the report, and that the EDU draw up criteria to assist individual companies under the temporary scheme who find themselves in financial difficulties. Mrs C H J Miller seconded.

The Chairperson commented that although it had been difficult to get definite clarification the information in Appendix 2 on the State Aid implications was different to the information provided at the Council meeting on 18 February when a decision could not be made. However this information was the best that could be provided at this stage. He went on to say that the EDU had put a significant amount of work into this report to get it to Committee today. The Chairperson added that he had been very annoyed at the comments made by T Scott, MSP regarding state aid compliance.

Mr A J Cluness stated that the state aid situation was a very complicated and complex issue. However state aids was not the only problem when considering assistance for the SLMG, as there had also been some concern as to whether the SLMG was the right body for the funding. He stated a business case was therefore essential, and the business plan would allow the Council to consider the wider picture for the future of the agricultural industry.

Mr Cluness said it was unfortunate that Cllr Duncan had been unable to attend the meeting today, as had he been present, he would possibly have confirmed his regret for some of his comments made at the Council meeting on 18 February.

Ms L F Baisley reported that as far as she was aware, the general view within the community was that the SLMG should be retained, and that the group deserves to be supported. It had to be accepted however that the Group was not perfect, but it was essential for underpinning smaller producers. Ms Baisley stated that it was essential to incorporate a robust monitoring process to ensure sound management and that the correct procedures are being followed. Regarding abattoir provision, Ms Baisley said that she was of the opinion that the Laxfirth slaughterhouse was the better system, and added that she was aware of strong praise for staff at Laxfirth.

Mr A J Hughson reported that he has consistently voiced his concerns over the State Aid issues, and it was important that the proposed funding to SLMG was done right. Referring to the latest information from the State Aid Unit it would appear content to agree with the recommendation for the Council to provide the support, however he still had some unease. Mr Hughson said that if assurance cannot be given that the SLMG were not in financial difficulty prior to the crucial date of 1 July 2008, there was the possibility that the Council could be reported to the Commission. Mr Hughson referred to a previous meeting of the Agriculture Panel where he believed the Chairperson had declared that SLMG was in market failure, and this may also be ammunition for reporting the Council to the Commission.

Mr W H Manson said that both the motion and the amendment proposed that the Council assist SLMG. He explained that SLMG need the money now to run the company, and the grant would become an asset for the company, to be used as working capital, however a loan would be a liability, which would have to be paid back.

Mr A S Wishart commented that he was pleased that the information on State Aids had been sorted. Mr Wishart said that the proposals for funding for the SLMG had been a very controversial and passionate issue, and the division in the agricultural industry was highlighted by the earlier comments from Mr Duncan, then the report of the letter with the 60 signatories supporting the Group. Mr Wishart said he supported the motion, and he would like to think the study would allow the industry

to mould together. Mr Wishart clarified that the Council's assistance to the SLMG would not be helping just one individual company, but would be supporting the whole agricultural industry in Shetland.

In response to a question from Mr Wishart, the Head of Legal and Administration advised that unless the Committee wished to debate the decision at Council for part funding of a business plan to be prepared, it would not be necessary to suspend Administrative Regulations.

The Head of Economic Development clarified that the role of the EDU was to get the best deal for the agricultural sector in Shetland. However, he said that SLMG was not the only agricultural company, and any other agricultural companies seeking assistance would be treated in the same manner.

Mr G Robinson said that the SLMG needed confidence to move ahead, and for the Council to agree to the lifeline grant would give that assurance. There needed to be confidence in the review and the subsequent business plan, and for SLMG to be able to proceed in a fair and transparent fashion. Regarding Abattoir provision in Shetland, Mr Robinson said he would prefer the abattoir to be at the Marts site. He went on to say, that planning issues aside, he was aware that some SLMG members were of the view that the proposals for an abattoir in Scalloway was not the best option. He added that lessons should be learned from past attempts, whereby when a proposal was not right at the start, it would not be right in the long-term.

In response to a question, the Head of Economic Development clarified that the Committee had delegated authority to make the decision on the recommendations in this report.

Mr A T Doull said he appreciated the amount of work that had gone into preparing the report, and he fully supported the recommendation. He added that future applications from companies in financial difficulties should be considered on their individual merits.

Mr C L Smith referred to Recommendations 10.1(i) and 10.1(ii) and asked for clarification on how SLMG was proposing to fund the £10,000, being 50% of the estimated cost for the business review and business plan to be produced. The Head of Economic Development advised that the method of raising the funds was still to be agreed by SLMG. In response to a question, the Head of Economic Development clarified that the revised estimate to carry out the review and produce the business plan was £19,000, and therefore the decision at Development Committee for the Council to pay 50% would reduce the contributions from £12,500 to £10,000. He added that the £20,000 lifeline funding was for very specific criteria to be evidenced by SLMG.

In response to questions from Mr J H Henry, the Head of Economic Development explained that SLMG would be required to produce a very clear business plan on how the company can progress into the future, and the EDU are tasked to provide a better overlay on how the company would fit into the overall viability of the agricultural sector in Shetland.

Mr A T J Cooper said he was aware that some crofters/farmers would be willing to contribute to refinance the SLMG. Mr Cooper advised that he was a crofter, and although he was neither a member nor shareholder of SLMG he used both the

marts and the abattoir facilities. To some extent a proportion of the agricultural industry also take these facilities for granted, and should perhaps contribute in some way, which could help to finance the group.

Mr Cooper referred to the comments made by T Scott, MSP, regarding the State Aid issue, and proposed that Mr Scott be provided with a copy of the e-mail trail, which was attached as Appendix 2, to show how officers in the EDU have reached their conclusions, and to publicly recognise what the Council has done.

Mr R S Henderson said that there was nothing to stop SLMG members contributing towards the organisation. Mr Henderson suggested that the facilities should not be available to individuals unless they were members of the group, and that all crofters/farmers who use the facilities should pay a fee.

Mrs F B Grains said that a robust plan was required for the group, and that regular monitoring was vital to ensure that the industry does not lurch from one crisis to the next. In response to a question from Mrs Grains, Mr Doull advised that annual memberships were paid in April each year.

Mr F A Robertson said that marketing was one of the most important aspects for promoting Shetland agriculture, however the crofting industry particularly has lacked focus. Mr Robertson referred to Orkney's marketing approach with their unified marketing body as a comparison. Mr Robertson said that the current Scottish Rural Development Programme (SRDP) was very complicated, and both the Single Farm Payment scheme and SRDP were fairly difficult to access. He said that SLMG's vision and focus had been marketing, to attract markets, and to run the marts, however the problems were sourcing niche markets for lamb and gaining confidence in the industry to be able to supply stock.

In response to a question from Mrs Fullerton, the Head of Economic Development clarified that the proposal was that the £20,000 lifeline grant would be paid out on a weekly basis, following the submission of evidence from SLMG. Mrs Fullerton said that having received clarification on the lifeline grant, she would consider withdrawing her amendment, and she asked Mr Nickerson whether he would take on board her proposal for the EDU to draw up criteria to assist businesses in financial difficulties. Mr Nickerson advised that he did acknowledge the need for the criteria to be drawn up, however he suggested that it be taken forward through the Chairperson and EDU Officers. Having received this assurance, Mrs Fullerton advised that she would withdraw her amendment, and this received the consent of her seconder.

Mr Nickerson explained that he could not support SLMG's earlier request for £100,000 funding at the Council meeting on 18 February as there had been insufficient financial information presented at the meeting, and the proposal for the £20,000 lifeline grant would provide the opportunity to undertake the review and business plan. Mr Nickerson wished to acknowledge the work that the SLMG staff had done in keeping the group afloat during the difficult circumstances. He also suggested that SLMG should arrange for an Extraordinary AGM to be held at an appropriate time to approve the business plan before it is submitted to the Council.

The Head of Economic Development advised that one way for SLMG to raise the £10,000, would be for each of their members to contribute £58.

Mr Cooper requested that in providing a copy of the State Aid advice to T Scott, MSP, that Mr Scott is asked to provide a response.

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J G Simpson
CHAIRPERSON