

MINUTE

B – PUBLIC

Development Committee
Council Chamber, Town Hall, Lerwick
Wednesday 12 March 2014 at 10.00 am

Present:

A Cooper	T Smith
M Burgess	S Coutts
B Fox	A Manson
F Robertson	M Stout
A Westlake	

Apologies

G Robinson

In Attendance (Officers):

N Grant, Director of Development Services
M Craigie, Executive Manager – Transport Planning
K Duerden, Executive Manager – Ferry Operations
J Gray, Executive Manager – Finance
D Irvine, Executive Manager – Economic Development
T Coutts, Project Manager
W Grant, Project Manager
S Keith, Project Manager
C Anderson, Senior Communications Officer
J MacLeod, Performance and Improvement Adviser
M Mullay, Performance and Improvement Officer
P Sutherland, Solicitor
L Adamson, Committee Officer

Also Present (Members)

R Henderson
D Ratter (by video link)
G Smith
V Wishart

Chair:

Mr A Cooper, Chair of the Committee, presided.

Circular:

The circular calling the meeting was held as read.

The Chair ruled that, in accordance with Section 43(2) of the Local Government Scotland Act 2003, the attendance of Councillor Drew Ratter during the Committee proceedings is permitted by remote video conference.

The Chair ruled that the order of the agenda be changed to allow Councillor Ratter to participate at the start of the meeting, with agenda items 4 and 6 to be considered first.

Declarations of Interest

Mr T Smith, Mr Fox, Mr Burgess and Mr Coutts declared an interest in item 8, “Funding Request for Shetland Fisheries Training Centre Trust (NAFC Marine Centre) for Financial Year 2014/15” as Trustees of the SFTCT. They would take no part in the debate and leave the Chamber.

Ms Westlake declared an interest in item 7 “Support for Shetland Shellfish Management Organisation (SSMO) – Financial Year 2014/15” as a Director of the organisation.

Mr Cooper declared an interest in Item 1, “Common Agricultural Policy Reform – Progress Report” as a crofter, and a beneficiary from the CAP. He advised that as this Committee is not a decision making body in that respect, he would remain in the Chair.

Minutes

The Committee confirmed the minutes of the meeting held on 22 January 2014 on the motion of Mr Stout, seconded by Mr Fox.

The Committee confirmed the minutes of the meeting on 30 January 2014 on the motion of Ms Manson, seconded by Mr Fox.

06/14 Common Agricultural Policy Reform – Progress Report

The Committee considered a report by the Executive Manager – Economic Development (DV014-F), which sought endorsement of the Highlands and Islands Agricultural Support Group’s (HIASG) position on the current Common Agricultural Policy (CAP) consultation exercise being undertaken by the Scottish Government.

The Executive Manager – Economic Development summarised the main terms of the report.

During his introduction, Mr Ratter paid tribute to the excellent work of the Executive Manager – Economic Development who has been involved in the lobbying campaign for Shetland and the co-ordination of the HIASG since 2011, and to the contribution from Mr D MacLeod from Highland Council. Mr Ratter advised that the co-ordinated approach through the HIASG has been very valuable with the work involving very complex modelling over an extended period. He reported on the effort to achieve an increased support payment on rough grazing for the remoter communities or alternatively a dual rate for rough grazing with another rate for stocking density. Mr Ratter advised that HIASG have requested a meeting with the Cabinet Secretary for Rural Affairs and the Environment to gain a better understanding of the proposals in regard to the Direct Payment regulation, and he suggested that the Committee may wish to support HIASG’s request for such a meeting.

The Chair commented on the importance for Members to be kept informed on the CAP Reform process, and on the consequences to the Shetland agricultural industry.

In response to questions, the Executive Manager – Economic Development explained that at the moment the support to Shetland agriculture comes from the Single Farm Payment and through the Rural Development Plan, LFASS and agri-environment schemes, with the total support being around €9m. The Single Farm Payment component of this is around €5.5m so a potential uplift of €2m would be €7.5m. He said that it is difficult to calculate what the Rural Development Plan measures might be worth, however overall it looks like the impact will be generally

beneficial, but will not benefit Shetland's most active farmers or those working the most extensive ground.

In referring to HIASGs request for a meeting with the Cabinet Secretary, the Executive Manager – Economic Development advised that a holding response has been received, however a meeting date has not been confirmed.

Following a brief discussion, Mr Cooper moved that the Committee approve the recommendations in the report, and supports HIASGs request to meet with the Cabinet Secretary for Rural Affairs and the Environment. Ms Manson seconded.

Decision:

The Development Committee **RESOLVED** to:

- note the work being done by the HIASG to rebalance agricultural support towards the Vulnerable Farming Areas of Scotland;
- agree the response being made by HIASG to the stage two consultation exercise for Direct Payments; and
- support HIASGs request for a meeting with the Cabinet Secretary for Rural Affairs and the Environment to take place before the end of March, being prior to the end of the consultation period on the Direct Payment regulation.

07/14

CPMR Workshop on Island Air Services – October 2013: Issues Relevant to Shetland

The Committee considered a report by the Executive Manager – Transport Planning (TP-02-14-F), which summarised the topics covered in the Workshop and sought views on any areas to be researched further.

The Executive Manager – Transport Planning briefly introduced the report, and confirmed that Mr Ratter had represented the Council at the workshop in October.

Mr Ratter reported from the discussion at the Workshop relating to the Air Discount Scheme (ADS), on the potential to extend the scope of beneficiaries of the scheme. He advised that a review of Social Aid to Passengers, which includes the ADS, is to be undertaken next year which would include dialogue with the Scottish Government on how to preserve the ADS for Shetland. During the discussion, reference was made to the financial pressures on businesses locally, on the need to support proposals to extend the ADS to business travellers and the voluntary sector, and to argue what Shetland is entitled to as an island community. The Executive Director – Transport Planning advised that lobbying for the ADS would form part of the agenda for this Committee and ZetTrans and would be included within the refresh of the Transport Strategy.

In response to a question, Mr Ratter advised that there had been a broad discussion in regard to State Aid to Airports, and from informal discussions there did not appear to be any significant concerns, but the issue will remain on the agenda going forward. The Chair said that with the increasing demands on both Sumburgh and Scatsta airport to meet the needs of industry this is an area to be watched. It was noted that State Aid to Airports was an area where ZetTrans can have an increasing role at national level, and to gain an understanding of the devolved and reserved matters to know where to lobby.

The Executive Manager – Transport Planning reported on the airport slots that have already been lost at Inverness airport, and he advised that both Aberdeen and Edinburgh airports are coming under similar pressure. He advised on the need for slots to be protected, on the implications to Shetland, and that this was a current issue for discussion.

The Committee noted the terms of the report, and requested an update report to Committee in June.

Decision:

The Development Committee **RESOLVED** to consider the policy conclusions of the CPMR Islands Commission Workshop on Island Air Services given in Appendix 1 to the report and instructed the Director of Development Services, or his nominee, to provide an update report to Committee in June.

08/14

Development Directorate Plan 2014/15

The Committee considered a report by the Director of Development Services (DV016-F), which presented the Development Directorate Plan for 2014/15.

In introducing the report, the Director of Development Services highlighted the functions that report to Development Committee, the overall vision of the Directorate, the 6 projects relevant to the Committee being managed under the Prince 2 Framework, and he provided a summary of the main achievements completed during the past year. He highlighted to Members the highest ranking risk specific to the Development Directorate, being the complex governance arrangements and the impact on decision making. While advising on the significant reduction from 252-202 FTE staff within the Development Directorate, the Director commented on the need to ensure sufficient resources are available to deliver on the agreed projects. In referring to the risk on the lack of “buy in” to Community Planning, he said it is hugely important that there is a full understanding of the aspiration to deliver at community level and that the aims to be achieved collectively are reflected in the Plan. The Director then advised on progress on a number of the priorities from the Directorate Action Plan, which included a refresh of the Community Benefit Policy.

In response to a question regarding the Digital Shetland Strategy Project, the Director advised on the dialogue taking place with HIE and BT to ensure a full understanding of the proposals for Shetland and the resources required for the future. The Chair asked for an update report on the Digital Shetland Strategy to Committee in May.

During the discussion reference was made to the Risk identified relating to the complex governance arrangements, and how the current system is confusing and takes up a great deal of officer time and resources. A Member said that he was glad that the risk had been flagged up as it highlights that changes have to be made.

A Member advised on a potential omission from the Directorate Plan, being reference to the work of Promote Shetland. The Director confirmed that Promote Shetland features within the Economic Development Service Plan, however he acknowledged that the outcomes of Promote Shetland could sit at a higher level within the Directorate Plan and this would be given further consideration during the

further work required to finalise the Plan. In response to a question regarding the need to ensure opportunities are spread to the outlying parts of Shetland, the Director advised on key outcomes in the Corporate Plan to maintain the economic population throughout Shetland and promote distributed working, and that these will be taken onboard within the Directorate Plan.

In response to comments, the Director advised on the further work to be undertaken to fully populate the Directorate Plan, and on the need to ensure resources are available to deliver on the agreed priorities and targets.

The Chair suggested the following minor changes to the Plan:

- Page 11, 9th bullet point: A requirement for clarity on the references to 'Ministers';
- Page 17, Indicator (4) should be changed to read, "Reduce the proportion of people on out of work benefits.."; and,
- Page 27, Priority 9.1, should be changed to read, "Stick to the Medium Term....".

During the discussion, some Members advised of their concerns on the length of time taken for projects to progress through the Prince 2 methodology, and on the need for the process to be concluded within a shorter timescale. Reference was made to the importance for projects to follow the Prince 2 Framework in order to eliminate risks, and assurance was sought that the training was being disseminated to all Project Managers and other relevant officers within the Council. The Director advised on the extensive training that has already been undertaken to support services and directorates, and confirmed that as a number of projects have already been established the length of time for new projects to go through the process should be significantly reduced.

On the motion of Mr Robertson, seconded by Ms Westlake, the Committee approved the recommendations in the report, with the amendments to the Directorate Plan as suggested during the discussion.

Decision:

The Development Committee **RESOLVED** to:

- Review and discuss the contents of the Directorate Plan and make any suggestions for amendment for further update; and
- Delegate authority to the Director of Development Services to make any necessary adjustments to the Plan to ensure it is fully aligned with the final version of the Corporate Plan approved by Council.

The Development Committee **RECOMMENDED** that the Council resolve to approve the actions, risks and measures in the Plan, as amended.

09/14

Nine Month Performance Overview – Development Services Department

A report by the Director of Development Services (DV017-F) summarised the activity and performance of the Development Services Directorate for Quarter 3 of 2013/14, the nine months up to December 2013.

In introducing the report, the Director informed on the £3.6m budget reduction in the current year, and on the additional savings of £900,000 that is forecast. In terms of progress on the key actions, he highlighted the one remaining red rating, being Fixed Links. He reported that the project is now to form part of the Infrastructure Services Asset Investment Plan project to be taken forward by Infrastructure, Corporate and Development Services.

During the discussion, the Chair commented on the significant progress that has been made against the priorities and commended the staff on the work undertaken.

In making reference to the priority to “Develop Remote Areas” and with pressure on Council resources as this time, it was questioned whether the targets were achievable or whether it would be better not to raise aspirations and include more realistic and achievable goals. A Member made reference to the priority “Home Energy Efficiency Programme”, and it was suggested that the text in the ‘description’ would benefit from rewording.

In referring to the “Fuel Poverty” priority, a Member questioned whether the proposed actions as reported were an appropriate response to tackle the scale of the problem in Shetland. The Director advised on the amount of work to tackle fuel poverty being carried out by the Policy Manager, which he suggested could be pulled together into a report to Members, and better reflected in the Directorate Plan.

After hearing the Director inform on the proposals to take forward the review of Fixed Links, Mr Henderson spoke on his support for fixed links as the only way forward for the Council to provide a service to the outlying areas of Shetland, and on the need for the Council to seek expert advice on this matter.

On the motion of Mr Robertson, seconded by Mr T Smith, the Committee approved the recommendation in the report.

Decision:

The Development Committee **RESOLVED** to note the contents of the report.

10/14

Economic Development Policy Statement 2013-17 – Review 2014

The Committee considered a report by the Business Development Project Manager (DV013-F), which presented a final draft Economic Development Policy Statement 2013-17, following the agreed annual review process undertaken by the Economic Development Service.

In introducing the report, the Project Manager (T Coutts) informed on the main changes made to the Policy Statement as outlined in Section 4.2, and he advised that an update on the targets and outcomes will be reported in subsequent years.

The Committee approved the recommendation in the report on the motion of Mr Stout, seconded by Ms Manson

Decision:

The Development Committee **RESOLVED** to adopt the updated Economic Development Policy Statement 2013-17.

Ferries Review Impact Assessment

The Committee considered a report by the Performance and Improvement Adviser on behalf the Director of Development Services (IP-03-14-F), which informed on the impact on ferry users, staff and operations since the changes were fully implemented six months ago, and provided an update from the Ferry Fares Review.

The Chair advised that the report had been debated fully at yesterday's meeting of the Environment and Transport Committee, and that in addition to the recommendations in the report relevant to the Environment and Transport Committee, an additional recommendation had been agreed for consideration by the Development Committee. The Development Committee is asked to "note the discussion at Environment and Transport Committee with regard to issues surrounding the fares structure in terms of affordability, equality and other socio economic impacts." Mr Stout, Vice-Chair of Environment and Transport Committee, advised that the main concern from Members at yesterday's meeting was in regard to the narrow terms of reference for the Ferry Fares Review.

In introducing the report, the Performance and Improvement Adviser advised on the main changes to the Ferries Service that had been agreed in February 2013, and provided a summary of the findings from the Ferry Users survey. He commented on the narrow remit of the Ferry Fares Review, that is, "to increase fare income whilst maintaining costs for regular users", and asked for feedback in regard to any further impacts to be measured and monitored during the 12 month review.

In response to a question, clarification was given in regard to the remit of the Development Committee, being the strategic impact on users, with responsibility to shape the ferry service and fares policy.

A Member advised of his concern when he heard that residents in the outlying areas are paying £2,000 – £3,000 a year in ferry fares, and are having to consider giving up their job rather than travel out of the isles. He stated that the ferry is a lifeline service for the residents of Yell, Unst and Fetlar, and he made a plea for a reduction in fares for the residents of the North Isles to be looked at as soon as possible.

The Chair commented on the amount of detail reported following the initial ferry users survey, and advised on the need for the Committee to provide clear direction to officers and consider areas where benefit would be achieved from further focused analysis during the next 6 months of the impact assessment exercise.

The Executive Manager – Transport Planning advised that the Ferry Fares Review had been constrained by the definition of the project and he suggested that a broader remit would allow freedom to carry out the review differently to address more issues to better structure the ferry fares and service. The Performance and Improvement Adviser suggested that a widened remit, to allow full consideration of discount structures, would give transport strategists additional scope to undertake the review. The Executive Manager – Transport Planning advised on the proposals for further surveys to take place on the vessels during the summer months, and that following deliberation of the analysis he confirmed that findings could be reported before the next budget setting exercise of the Council.

In response to questions, it was confirmed that there was no existing accurate data on tourist travel to the islands, and very limited information generally on the reasons why people travel to the isles. However, the Executive Manager – Economic Development suggested that data from the Shetland Visitor Survey could be used to

support any early research. The Executive Manager – Transport Planning advised that the survey work onboard the vessels would be at no cost to the Council, as this is to be carried out by a consultant as part of their research into inter-island travel.

During the discussion, and in referring to the feedback received from the users of the ferries during the initial 6 month review, it was suggested that prioritisation for the next part of the review should be given to the areas where particular issues have already been raised.

In response a question, the Executive Manager – Transport Planning advised that with a broader remit for the review the survey work and comprehensive analysis of the results would take longer than 6 months to complete, however he was confident that the information would be provided to Members prior to the budget setting exercise.

On the motion of Mr Stout, seconded by Mr Burgess, the Committee approved the recommendations in the report, and endorsed the additional recommendation from the Environment and Transport Committee.

Decision:

The Development Committee **RESOLVED** to:

- Review the impact that the ferry changes have had on users;
- Recommend any additional monitoring arrangements for future Impact Assessment reports; and
- Endorse the discussion at Environment and Transport Committee on 11 March 2014 in regard to issues surrounding the fares structure in terms of affordability, equality and other socio economic issues.

12/14

Support for Shetland Shellfish Management Organisation (SSMO) – Financial Year 2014/15

The Committee considered a report by the Project Manager (DV009-F), which sought approval of a grant of £48,000 to the Shetland Shellfish Management Organisation (SSMO).

The Project Manager (S Keith) introduced the report.

In response to questions, it was reported that the management position had now been filled on a part-time basis, and that the organisation is sharing facilities with the Producers Organisation which has achieved savings. The Project Manager explained how the Licence fee is set by the SSMO Board and governed through the Shetland Islands Regulated Fishery (Scotland) Order 2012. In response to comments on the need for the allocation and utilisation of licences to be tightened up, the Project Manager confirmed that the Advisory Group are working with the SSMO Board to look into the allocation of future licences.

In response to questions regarding the budget source for the grant funding, the Project Manager advised on the funding allocation that has previously been approved to the SSMO, and she confirmed that this was separate from the budget for the economic grant schemes. In response to a further comment, it was agreed

that an e-mail would be sent to Members to inform on the approved grant budgets for the Economic Development Service for 2014/15.

Ms Manson moved that the Committee approve the recommendation in the report. In seconding, Mr Robertson commended the work of the SSMO, and the MSC Accreditation which he said is the envy of the rest of Britain.

Decision:

The Development Committee **RESOLVED** to approve a grant of £48,000 for the financial year 2014/15 to SSMO to support the management and administration of the Shetland Regulated Fisheries Order, subject to the grant offer conditions detailed in Appendix 1 to the report.

(Mr Coutts, Mr Fox, Mr Burgess and Mr T Smith left the Chamber).

Shetland Islands Council as Trustee of Shetland Development Trust

13/14 **Funding Request for Shetland Fisheries Training Centre Trust (NAFC Marine Centre) for Financial Year 2014/15**

The Committee considered a report by the Executive Manager – Economic Development (DV012-F), which presented an application from the Shetland Fisheries Training Centre Trust (SFTCT) to be a beneficiary of Shetland Development Trust (SDT) surplus funds for the financial year 2014/15.

The Executive Manager – Economic Development confirmed that the list of services provided by the NAFC Marine Centre (at Appendix 1 to the report) has been prepared with the involvement of the Review of Tertiary Education team and staff at the NAFC. In introducing the report, the Executive Manager advised that an award of SDT surplus funding of £644,253.50 would enable the SFTCT to reclaim tax of £527,116.50, providing total funding of over £1.1m.

In response to requests for further explanation in regard to the headings “Other Income” and ‘Other’ within the Income and Expenditure account at Section 5 of the report, the Executive Manager advised that he would provide Members of the Committee with a breakdown of the figures.

Mr G Smith informed the Committee on his concerns at the different funding levels being offered by the Council to the Shetland College and the NAFC. He questioned the strategic rationale for the Council to provide four times the level of funding to the NAFC, being a partner organisation, rather than to the Shetland College, which the Council owns. He questioned why the Shetland College is being disadvantaged, when it is facing a deficit of £500,000 this year while the Review of Tertiary Education is being carried out, and that there is the likelihood of staff reductions, course reductions and the curtailment of learning opportunities. The Director of Development Services responded by confirming that the Council provides funding resources to the NAFC, Shetland College and Train Shetland to achieve their outcomes. He advised on the extent of provision of services carried out by the NAFC; and said that the Shetland College gets a significant amount of external funding from the Scottish Funding Council, while the NAFC receives a smaller allocation. The Director said that with the environment going forward being one of reduced budgets and resources, there will be a need to react on the outcomes from the Review of Tertiary Education when the new structure will be established. The

Executive Manager – Economic Development advised that as the availability of SDT surplus will cease in the near future there is no guarantee of similar funding levels to the NAFC and other beneficiaries in future years, and that future funding allocations will be a key question to be answered from the Review of Tertiary Education. During the discussion, Mr G Smith said that the NAFC should look to be a fundable college, by securing external funding for the non-teaching activity, grant funding for the research elements in addition to funding from the industry sectors.

During the discussion, the Chair referred to the multitude of roles currently carried out by the NAFC, but said that for the period going forward funding decisions will need to take cognisance of the strategic benefits of the whole remit of the NAFC. In moving that the Committee approve the recommendation in the report, Ms Manson acknowledged that significant changes will have to be made in terms of funding following the outcome of the Review of Tertiary Education. Mr Robertson seconded.

Decision:

The Development Committee **RESOLVED** to approve the distribution of £644,253.50 from Shetland Development Trust surplus to the SFTCT during the financial year 2014/15.

(Mr Coutts, Mr Fox, Mr Burgess and Mr T Smith returned to the meeting).

Development Committee

In order to avoid the disclosure of exempt information, Mr Cooper moved, Mr Robertson seconded, and the Committee agreed to exclude the public in terms of the relevant legislation during consideration of the following items of business.

14/14 SSQC Ltd. – Funding 2014/15

The Committee considered a report by the Project Manager, which recommended the provision of a grant of £150,000 to SSQC Ltd for the financial year 2014/15 to undertake the non-commercial activity of the Company.

The Project Manager (W Grant) introduced the report.

Mr Robertson moved that the Committee approve the recommendation in the report. Mr Fox seconded.

Decision:

The Development Committee **RESOLVED** to provide a grant of £150,000 in the financial year 2014/15 towards funding the non commercial activities of SSQC Ltd, subject to the grant offer conditions detailed in Appendix 1 to the report.

15/14 Application for Loan Facility to LHD Ltd for the Purpose of Purchasing Whitefish Quota

The Committee considered a report by the Project Manager, which concerned an application from LHD to extend their existing loan facility of £2,000,000 to purchase whitefish quota to 7 May 2016.

The Project Manager (S Keith) introduced the report.

On the motion of Mr Robertson, seconded by Ms Manson, the Committee approved the recommendation in the report.

Decision:

The Development Committee **RESOLVED** to approve a two year extension to the existing loan facility of £2,000,000 to LHD Ltd for the purpose of purchasing whitefish quota, subject to the terms and conditions contained in Appendix 1 to the report.

16/14 **Loan Application: Guardian Angell Fishing Company Limited – For New Build Fishing Vessel**

The Committee considered a report by the Project Manager, which concerned a loan application from the Guardian Angell Fishing Company Ltd for a term loan of £1,100,000 towards the cost of building a replacement vessel for the mfv Guardian Angell, LK272.

The Project Manager (S Keith) summarised the main terms of the report.

On the motion of Mr Coutts, seconded by Mr Stout, the Committee approved the recommendation in the report.

Decision:

The Development Committee **RESOLVED** to agree the provision of a term loan of £1,100,000 to the Guardian Angell Fishing Company Ltd for the purposes and as per the terms outlined in Appendix 1.

(Ms Manson left the meeting).

Shetland Islands Council as Trustee of Shetland Development Trust

17/14 **Shetland Development Trust Surpluses – COPE Ltd**

The Committee considered a report by the Project Manager, which provided an update on the current position regarding the funding of the Community Opportunities for Participation in Enterprise (COPE) Ltd.

In her introduction, the Project Manager (S Keith) advised that the report had been prepared in consultation with the Council's Executive Manager – Adult Services, who is fully supportive of the funding going forward.

On the motion of Mr Stout, seconded by Mr T Smith, the Committee approved the recommendation in the report.

Decision:

The Development Committee, as sole Trustee of the Shetland Development Trust, **RESOLVED** to approve the proposed distribution of £110,000 from surplus funding to COPE Ltd during the financial year 2014/15.

18/14 **Economic Development Investment Update**

The Committee considered a report by the Project Manager, which provided an update on recent activities concerning specific investments and initiatives which are of a confidential nature.

Decision:

The Development Committee **RESOLVED** that the Executive Manager – Economic Development and the staff of the Economic Development Service continue to act on behalf of the Council accordingly regarding current and future business activities.

The meeting concluded at 1.35pm.

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Chair