

Special Development Committee

Auditorium, Shetland Museum and Archives, Hay's Dock, Lerwick

Tuesday 13 December 2016 at 10am

Present:

A Cooper	M Burgess
B Fox	R Henderson
A Manson	F Robertson
T Smith	

Apologies

G Robinson	M Stout
A Westlake	

In Attendance (Officers):

N Grant, Director of Development Services
D Irvine, Executive Manager – Economic Development
W Grant, Project Manager
S Keith, Project Manager
M Smith, Project Manager – Shetland Telecom
J Thomason, Management Accountant
A Tait, Solicitor
C Anderson, Senior Communications Officer
L Adamson, Committee Officer

Chair:

Mr A Cooper, Chair of the Committee, presided.

Circular:

The circular calling the meeting was held as read.

Declarations of Interest

None

51/16 Shetland Telecom - End of Project Report

The Committee considered a report by the Executive Manager – Economic Development (DV-59-16-F), which presented the end of project report for Shetland Telecom.

The Executive Manager – Economic Development introduced the report. He advised that the Appendix sets out how the Shetland Telecom project was developed and implemented and the benefits that have been achieved.

In response to a question regarding the proposal to extend the fibre network to Tingwall Airstrip, the Executive Manager – Economic Development advised that the proposed extension did not take place as the impending Digital Scotland Superfast Broadband (DSSB) project stopped any further investment by the Council.

In response to comments from the Chair in terms of the benefits from the Shetland Telecom project and income to the Council as illustrated in the graph on Page 9 of the report, the Project Manager – Shetland Telecom advised that the project had

not been set up to make a profit, but had provided significant operational and financial returns way above what could have been expected. The Director of Development Services advised on the return to the Council from Shetland Telecom in excess of £500K per annum, and on the financial benefits following the decision to maintain Pathfinder through Shetland Telecom. He advised on the difficulty to determine the benefit of the public sector network where Shetland Telecom has provided the infrastructure and connections, but that the potential impact on the public sector has been significant.

During the discussion, the Chair said that he welcomed the proposals set out Section 1.1(b) of the report in terms of establishing the working group to look to maintain the assets and maximise future sales from the project. He advised however on the need for clarity on timescales going forward, and on the importance for the next Council to be informed on the proposals for telecommunications provided by the Council. The Director of Development Services advised that the development of a Project Initiation Document would be a priority, and he undertook to present a report to Committee before the end of this Council term.

The Chair said he was delighted to support the decisions required as set out in Section 1 in the report, and stated that the Shetland Telecom project had exceeded all expectations. In that regard, Mr Cooper moved that the Committee approve the recommendations in the report. Mr T Smith seconded, and the Committee concurred.

Decision:

The Development Committee

- Noted the performance of the SHEFA2 Interconnector/Shetland Telecom project, as detailed in Appendix 1 to the report; and
- Instructed the Executive Manager – Economic Development to establish a working group for the purpose of establishing the most cost-effective way to:
 - Maintain the assets of the project;
 - Maximise future sales from the project.

The working group to include the Executive Manager - ICT, the Executive Manager - Estate Operations and the Executive Manager – Finance, or their representatives.

52/16

Preparing a Business Case to Develop Super Fast Broadband Services in the North Isles

The Committee considered a report by the Executive Manager – Economic Development (DV-61-16-F), which encouraged discussion on the use of the Building Better Business Cases method in establishing a preferred option for delivering high speed broadband services to the North Isles (Yell, Unst and Fetlar) at this time.

The Executive Manager – Economic Development introduced the report. He advised on the aim to identify a method of operation that maximises future sales and can be an option for future complementary solutions to the Scottish Government's roll-out.

In response to a question, the Executive Manager – Economic Development reported on the uncertainty on the delivery of the second phase of the Scottish Government's Digital Scotland Superfast Broadband (DSSB) project, and he said that until such time as an announcement is made it is difficult to know how to integrate provision to the North Isles. He advised however that the Scottish Government has made an application for ERDF funding, and that the North Isles is a priority area, which he said was encouraging.

In response to questions, the Project Manager – Shetland Telecom reported that negotiations are continuing with SSE to provide fibre connections across Yell Sound and Bluemull Sound during 2017, and that dialogue is taking place between Ofgen, Ofcom and SSE in terms of benefits and community gain. He confirmed that SSE's approval is required for use of the fibre, and that there did not appear to be any barriers to progress at this time. The Director of Development Services advised on the delegated authority in place to take decisions in terms of the two sub-sea crossings. In terms of the cost to the Council, the Project Manager – Shetland Telecom reported that the whole project employing fibre from Sella Ness across the two islands and sounds to Norwick, Unst, would be in the region of £800K. However, the Director of Development Services advised that the priority was to secure access to the cable, and to present a strong case to SSE that a project exists to use the connections, rather than committing to significant spend at this time. The Project Manager – Shetland Telecom advised that the fibre optic element of the cable goes in as standard, and therefore there is no additional cost to SSE in that regard.

During the discussion, comment was made on the numerous strands to make the case for better digital connections to the north isles, which should include the long-term view on health, social care and educational requirements. During the discussion comments were made that the Universal Service Obligation would support all health care and education basic premise. Reference was made to the outcome from Ofcom's consultation on "Designing the Broadband Universal Service Obligation", and the Project Manager – Shetland Telecom advised that he would follow up on the consultation response.

The Chair advised on the piece of work to provide Digital Scotland with an evidence base to enable high speed fibre connections to Yell, Unst and Fetlar. A second element is whether a business justification can be made to spend money to enable the public sector to get the same level of service and scalability. The Executive Manager – Economic Development advised on the initial requirement to ascertain the needs of, and benefits to, the community. He advised that the first piece of work would be to write up a detailed remit for the research work to help inform the development of a Business Case, which would be put to tender, and reported to Committee in the new Council term. In response to a question, the Executive Manager – Economic Development advised that the detailed policy will be developed when the extent of the Scottish Government funding is known.

During the discussion, Shetland Telecom and Economic Development Service staff were commended for forging ahead to provide solutions for the Government in an exemplary fashion.

In referring to recommendation 1.1(b) in the report, the Chair advised on the need for focus in terms of provision of high speed broadband for the public sector, and in that regard he proposed the amended wording, "..... and focused research

into a need for High Speed Broadband in public services, businesses.....". In that regard, Mr Cooper moved that the Committee approve the recommendations in the report, with the amendment to the wording in 1.1(b). Mr T Smith seconded.

Decision:

The Development Committee delegated authority to the Executive Manager – Economic Development to:

- prepare revisions for the Digital Shetland Strategy to potentially include a programme of works to provide Super Fast broadband services to all communities in Shetland, once the extent of the Scottish Government's investment in these services is known, and if considered to be deficient;
- procure structured and focused research into a need for High Speed broadband in public services, businesses and homes in the North Isles; and,
- maintain continuous contact with the Director of DigitalScotland on the timetable for rolling out phase two of Digital Scotland Superfast Broadband project (DSSB) to Shetland Communities and ensure that discussions are taking place with SSE on interconnector crossings to the North Isles.

53/16

Economic Development Lending Service - Decision Making and Conditions

The Committee considered a report by the Executive Manager – Economic Development (DV-60-16-F) which presented the decision making processes for the Shetland Investment Fund, the setting up of a Shetland Investment Board and details the Deeds of Conditions.

In introducing the report, the Executive Manager – Economic Development outlined the six recommendations as set out in Section 1.1.

The Chair commented that the proposals as presented in the report, encapsulate what was agreed at the last Development Committee, and he commended the Project Managers for the work done to present such comprehensive documents on the lending service.

Reference was made to the decision following the request at Policy and Resources Committee on 24 October 2016, to include a condition requiring borrowers who are employers to pay their employees the living wage. Mr Burgess expressed concern in terms of how the Living Wage condition will be monitored and enforced, particularly in circumstances when foreign nationals are employed within the fishing industry.

The Executive Manager – Economic Development advised on the need to ensure the promotion of equality and fairness in the lending service, and on the importance to have the condition in place to exemplify the standard to be achieved. He said however, that should it be found that a borrower was not providing the Living Wage, discussions would take place to address the issue, however should the condition not be adhered to the loan would be revoked.

During the discussion, Mr Burgess made reference to paragraph 4.6 of the report, where he suggested alternatives to the wording, to include either "an equivalent to the living wage" or "comparable to the living wage". The Chair said that while he acknowledged Mr Burgess' concern, he confirmed that the condition at 4.6 was

legally appropriate and any change to the wording could be down to interpretation of the Law. The Executive Manager – Economic Development confirmed that the wording of the conditions had been provided by the Council's Legal Services, so was the correct wording to use in this regard.

Following further discussion, the Project Manager (S Keith) highlighted the condition at 4.7 of the report, namely, "It should be noted that not all borrowers will be employees and some businesses operate with workers who are self employed or contracted i.e. in the fish catching sector. Such businesses would not be affected by this condition". It was confirmed therefore that when foreign nationals are self employed, the fishing vessel would be exempt from complying with the Living Wage condition.

In response to a question, the Chair advised on the officer representation on the Shetland Investment Fund Board, as set out in Appendix 2, at 5.1. Comments were made on the relatively small membership of the Board, where it was questioned what proposals were in place to manage conflicts of interest on any proposed investment. Following a brief discussion, the Executive Manager – Economic Development referred Members to Section 6.5, where it was confirmed that "Board Members can appoint a depute to act on their behalf".

On the motion of Mr Cooper, seconded by Mr Henderson, the Committee approved the recommendations in the report.

Decision:

The Committee **RECOMMENDED** that the Policy and Resources Committee resolve to:

- Approve the decision making process for the Shetland Investment Fund as detailed in section 4 of the report and further illustrated by the flow chart in Appendix 1 to the report.
- Instruct the Executive Manager – Economic Development to establish a Shetland Investment Board to operate under the terms of reference detailed in Appendix 2 to the report.
- Delegate authority to the Executive Manager – Economic Development to make decisions on lending activity within the Shetland Investment Fund as detailed in Appendix 3 to the report.
- Approve the addition of a condition to the Shetland Investment Fund Lending Policy (as shown in section 4.5 of the report) requiring borrowers who are employers to pay no less than the Living Wage.
- Approve the Deed of Conditions for Shetland Investment Fund loans, attached as Appendix 4 to the report.
- Approve the Conditions for Shetland Investment Fund Hire Agreements with the Option to Purchase, attached as Appendix 5 to the report.

The meeting concluded at 11.25am.

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Chair