



Shetland Islands Council

MINUTE

A & B

**Special Shetland Islands Council
Council Chamber, Town Hall, Lerwick
Thursday 20 October 2005 at 12.15 p.m.**

Present:

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| F B Grains | B Cheyne |
| C B Eunson | B P Gregson |
| L G Groat | I J Hawkins |
| J H Henry | J A Inkster |
| W H Manson | G G Mitchell |
| J P Nicolson | W A Ratter |
| F A Robertson | J G Simpson |
| W N Stove | T W Stove |
| W Tait | |

Apologies

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| A J Cluness | L Angus |
| R G Feather | J C Irvine |
| E Knight | |

In attendance (Officers):

M Goodlad, Chief Executive
J Riise, Head of Legal and Administration
A Cogle, Service Manager – Administration

Also:

N Grant, General Manager – Shetland Development Trust.

Chairperson

Mrs F B Grain, Vice-Convener of the Council, presided.

Circular

The circular calling the meeting was held as read.

Mrs F B Grains moved, Mr W N Stove seconded, and the Council resolved, in terms of the relevant legislation, to exclude the public during consideration of certain information contained within the appendices to the following report, and that no appendices be made available to the public at this time.

159/05 **Investment in Smyril Line**

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

Before proceeding to consider the report, Mr L G Groat said he was concerned that when sitting as the Council, Members who were trustees of the Shetland Development Trust [SDT] were also present.

Mr Groat said that he was of the view the Members of the SDT should not have a vote on this matter.

The Chief Executive advised that Mr J Simpson, who was also Chairperson of the SDT, would be making a statement clarifying the matter. The Chief Executive went on to say that there was commercially confidential information contained in the appendices, but he saw no other elements that could not be referred to within public debate and, in general terms, he was comfortable with the matter being discussed in public. However, he reminded Members that if an element of exempt information was to be discussed, the Council would have to move into private. Members concurred with the views expressed by the Chief Executive.

Mr L G Groat declared an interest, as Chairman of Lerwick Port Authority, and stated that he would take no further part in the meeting, and that he would leave the Chamber.

[Mr L G Groat left the meeting.]

Mr J G Simpson said that as Chairperson of the SDT, he had looked into the question of declaration of interests, and because Members have to register their membership of the Trust, that requires them to declare their interest in the Chamber. However, the Standards Commission had granted a dispensation where councillors are members of outside bodies as a result of an appointment by their Council, and that dispensation enables the councillors to take part in the consideration, discussion of, and to vote upon any matter relating to the Trust. Therefore, on behalf of himself and the three other Trustees present today [Mr T W Stove, Mr W A Ratter, Mr J Henry], Mr Simpson declared their interests for the record, and confirmed that they would be able to take part in full in the debate and, if necessary, voting.

A Member referred to the decision made by the SDT being based upon recommendations from within the Trust. However, it was suggested that as the report presented today was a Council report, it was not understood why Council officers were not making a recommendation.

The Chief Executive said that delegated authority was put in place in February 2004. He said that prior to that the SDT had made decisions within their own powers. However, subsequently, it had been agreed that any investment decisions over £250,000 should be agreed by the Council, and this had been acceptable to the external auditors in terms of 'following the public pound'. The Chief Executive confirmed that the process agreed by the Council was that Executive Committee would first consider any such matters, and make recommendation to the Council to approve or not. However, in this particular instance, given the timescale involved, it was not possible to gain a recommendation from the Executive Committee. The Chief Executive concluded by saying that all the relevant information was contained in the papers presented to Members today, and a recommendation from Council

officers was not required, and it was open to Councillors to debate and reach a decision.

Mr J Simpson said that his personal views on this matter was well known since he became a councillor, but although he believed in the venture, problems with winter time scheduling, etc. were well recognised. He went on to say that he believed the report addressed the problem, and that the independent report, even taking the lower figures, would result in a substantial income for Shetland. Mr Simpson said this matter had been discussed at length by Trustees, and having taken on board all the information, he moved that the Council ratify the decision made by the SDT. Mrs F B Grains seconded.

Considerable discussion followed, during which the General Manager, SDT, provided Members with a detailed overview of the investment, as considered by the SDT. In particular, he pointed out eight pre-conditions to the investment which were agreed by the SDT.

Mr C B Eunson said he was not impressed with the proposals, and questioned the viability of taking a risk at this time. Accordingly, Mr Eunson moved as an amendment that, until the Council gets better information on everything connected with this, that no loans should be made at the moment. Mr A Inkster seconded.

Comment was made that the intention to turn around the profits of the company within two to three months, was viewed as being totally impossible and difficult to sustain, particularly given the highly competitive market. However, comment was made by Members that the returns from the investment, and from increased marketing, would particularly benefit the local tourism industry, and resultant knock-on effects on the economy of Shetland, with there being no developments or benefits if the investment did not proceed. It was recognised that as the freight distribution service was developed, this had potential for further income. Members noted that the investment would only proceed provided all of the 8 pre-conditions were met.

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

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| Amendment (C B Eunson) | 2 |
| Motion (J G Simpson) | 14 |

CONVENER