

FOR PUBLICATION

HIE 3/06

HIGHLANDS & ISLANDS ENTERPRISE

MINUTES OF THE MEETING OF THE BOARD HELD ON TUESDAY, 23 MAY 2006 AT 0900 IN THE TUN EDINBURGH

PRESENT: William Roe (Chairman)
Sandy Cumming (Chief Executive)
George Campbell
Wilma Campbell
Lyn Forbes
Stewart Graham
Duncan MacInnes
Angus Mackenzie
Drew Ratter
Andy Rogers
Susan Torrance

IN ATTENDANCE: Sandy Brady (Director - Strategy Group) (Items 1-5)
Forbes Duthie (Director – Corporate Services)
Douglas MacDiarmid (Director – Global Connections)
Susan Myles (Director – Human Resources)
Alex Paterson (Director - Developing Skills) (Items 1-7)
Jackie Wright (Director – Business Growth and Research)
Douglas Yule (Director – Area Operations)
Alastair Nicolson (Strategy Group) (Items 1-5)
Andrew Ross (Secretary)
Helen Rice (Strategy Group)
Stan Arnaud (Strategy Group)
Anne Muirden (Executive Office)

1 APOLOGY

An apology was intimated on behalf of Grant Sword.

2 DECLARATION OF INTEREST

In connection with Item 8 - Cairngorm Estate – George Campbell, Andy Rogers and Susan Torrance declared a potential interest. The paper had not been sent to them.

3 MINUTES OF THE MEETING HELD ON 21 MARCH 2006 (HIE 2/06) (HIE 2004/02226)

These Minutes were approved.

4 MATTERS ARISING

Referring to Item 6 – Chairman’s and Chief Executive’s Updates – the Chief Executive thanked George Campbell, and LEC Chief Executives Donnie MacAulay and Ken Abernethy for their recent evidence to the Environment and Rural Development Committee’s scrutiny of the Crofting Reform Bill. The Board wished to reiterate their strong support for the Bill particularly as some of its more important aspects were consistent with HIE’s strategic objectives. e.g. the creation of new crofts and interposed lease issues.

In respect of Item 8 – Strengthening our Island Communities – it was agreed that an approach should be made as soon as possible to our local authority partners to arrange meetings over the summer period to take forward plans for the initiative.

Duncan MacInnes reported that, as regards Item 11 – General Update, the BBC and the Gaelic Media Service had agreed in principle to establish a Gaelic Media Service with very significant opportunities for locations outwith Glasgow, particularly in the Highlands and Islands.

5 NETWORK YEAR-END REVIEW 2005/06 (HIE 2005/01379)

Alastair Nicolson presented a review of the Network's achievements against its targets for the year 2005/06. The results demonstrated excellent progress against a majority of the Key Measures of Progress. All 8 Primary Measure targets had been exceeded.

Turning first to the Strategic Projects and Key Measures of Progress, Mr Nicolson drew attention to the progress of several key projects:

- The Community Energy Company, launched in May 2005, had made a significant impact, 33 capital projects having been approved. The PURE project on Unst had hit a number of the Network's key targets and was leading the way in terms of renewable hydrogen development in Europe.
- A company had been formed to deliver Scotland's Year of Highland Culture 2007 and good progress had been made to establish the regional and internal event programme.
- UHI was making steady progress along the route to title which was expected to culminate in 2007.
- On renewable energy, the focus had been on developing strong partnerships with local organisations, including local authorities in order to increase the effectiveness of our representation on national policy issues.

Turning next to Operating Themes and Primary Measures, Mr Nicolson reported all targets had been exceeded in the area of Strengthening Communities. Prominent among these was the assistance to 28 communities to acquire land and buildings including some large estates in peripheral areas. Several initiatives had been launched to enhance the area's cultural heritage sector.

Developing Skills targets had all been exceeded both in the area of supporting people to move towards and into sustainable employment and supporting businesses to engage in developing the skills of those in work. Careers Scotland had exceeded the target set for members of the working age population to engage in career planning activities.

Excellent levels of new business starts were achieved under the Growing Businesses heading particularly among women, in emerging sectors and by young people. The target for business starts had been increased during the year from 400 to 500 but this target had still been exceeded by 15%.

On the Global Connections front, the target of providing broadband for every community was met by December 2005. As well as dealing with provision for those remaining customers still outwith service range, the Network's focus had now turned to re-assessing the area's future technology requirements. The number of businesses engaging in International Business Development had shown a marked increase, reflecting a good performance across the Network as a whole.

Mr Nicolson also referred to achievements under the headings of Network Delivery and Milestones, and Effective External Relationships. In particular, the new Strategy and Organisational Review had led to new areas of activity being identified and changes made to

target resources more effectively. A significant number of opportunities were created throughout the year for HIE to engage with a wide range of parliamentarians and others.

Mr Nicolson then summarised progress in relation to the macro indicators of success defined in our Strategy – population, place, productivity, pay and prospects. In some areas, progress was faster than in other parts of Scotland, e.g. population growth was showing an increase except within the Argyll local authority area. However, productivity was failing to keep pace with the rest of Scotland and the UK and this was a particular challenge for the Network. Average earnings too reflected the productivity picture, still 10% below Scotland and 15-16% behind the UK.

In discussion, the Board considered a number of issues arising from the Performance Review. Referring to the chart on productivity, Board Members asked why productivity levels among HIE-assisted businesses appeared not to have risen at the same pace as Scottish and UK levels. While acknowledging that this was a difficult area to measure, it was agreed to consider in more depth how this indicator could be more rigorously measured, how businesses could be helped towards greater productivity and whether more might be accomplished with the help of other European programmes. Recalling that last year's Strategy consultation had identified a perception of the Highlands and Islands as an area experiencing growth, it was also agreed that consideration should be given to measuring General Well-being as a performance indicator.

Noting that all targets had been met and exceeded in all the areas of Growing Businesses, Global Connections, Developing Skills and Strengthening Communities, the Board asked why certain projects under the Key Measures of Progress such as Arnish, ABSL and Janetstown Trials and Test Facility had shown slower progress than expected. It was explained, however, that while the Network had created the conditions for these projects to go forward, progress had been hindered largely due to circumstances outwith the Network's control.

In relation to the Network's performance against financial targets, the Board recognised the significant complexities and inadequacies of the Resource Accounting and Budgeting target being set as a primary financial target for an agency involved in economic development.

In conclusion, the Board wished to thank the Chief Executive and Network staff for an outstanding result in 2005/06. The Chairman wished also to record the Board's thanks to those responsible for fostering HIE's external relationships, e.g. with parliamentarians, public sector partners and the media, and those responsible for developing leadership within the organisation. It was evident that such sustained effort over a period of time was reaping dividends. The Chief Executive said that the Year-End results would be disseminated to staff in the week beginning 29 May and a media briefing would take place on 30 May in Cowan House.

6 CHAIRMAN'S AND CHIEF EXECUTIVE'S UPDATES

The Chairman reported that on 18 May he and the Chief Executive had met Patricia Ferguson, Minister for Tourism, Culture and Sport, when a significant number of topics were covered including the opportunities which might arise for the Highlands and Islands from the Olympic and Commonwealth Games. The Board welcomed the news that there had been recent contact with Tom McCabe, Minister for Finance and Public Service Reform, and that there were plans to develop that relationship further. A productive meeting had been held with Matthew MacIver, the new Chair of Bord na Gaidhlig, when it was agreed that the Chairman and Mr MacIver should seek a meeting with Peter Peacock, Minister for Education, to air Gaelic issues.

The Chairman expressed satisfaction with progress in implementing the Organisational Review. Two new LECs were operational with new chairs and boards. Of the 25 new posts, 13 had been filled, with a significant ratio outwith Cowan House. LEC Chief Executives would take on line management responsibilities of Careers Scotland staff from 1 October. On a question about

efficiency savings flowing from the organisational review, the Chief Executive undertook to provide a report to the Board at the Half Year Review stage.

The Chief Executive reported that there had been delays in finding an acceptable way of transferring Orbst Estate to community ownership but a number of options were being considered and a paper would be brought to the Board in due time.

7 NETWORK ASSISTANCE

(1) CAMCAL LTD (FOR HOMOLOGATION) (WIE 006/00034)

This proposal related to a request by Camcal Ltd to amend earlier approvals of assistance and to subscribe to additional shares in the company. It was noted that, following a recommendation of the Management Group on 27 March, the paper had been submitted to the Board electronically and the recommendation agreed. The Board therefore homologated the decision to approve the following assistance:

- 1 The reversal of the August 2005 decision to charge the acquisition of the paint and blast facility and steel rolls against the original grant approval and instead to treat the total cost of £784,500 as a direct charge to the HIE property budget.
- 2 The construction of the foundations for the yard crane at a total cost of up to £400,000 to be funded from the existing Arnish phase 1 approval for craneage.
- 3 The subscription of £559,400 for 559,400 £1 shares on the same terms as the existing Network 8% Preference Shares and the amendment of the original approval so that the total cash cost of the Preference Share investment might be offset against the balance of the approved grant of £1,005,000.

The proposed pre-conditions set out in the paper were also approved.

(2) EMEC TIDAL (FOR HOMOLOGATION) (HIE 2003/00176)

This proposal related to a request to meet up to £1 million of additional costs on the EMEC tidal project. Following a recommendation of the Management Group on 3 April, a paper had been submitted to the Board electronically. It was reported to the Management Group on 10 April that the Board had agreed extra funds of £1 million until such time as partners agreed to contribute up to £750,000, making the Network's net contribution in the region of £250,000. The Board homologated the decision to approve the assistance.

8 MAJOR PROJECTS UPDATE

At this point George Campbell, Andy Rogers and Susan Torrance left the room.

CAIRNGORM ESTATE – THE FUTURE (HIE 2005/00512)

Introducing this paper, Douglas MacDiarmid reported that very positive discussions had taken place with Forestry Commission Scotland with a view to transferring ownership of the estate. It was proposed to sign off the transfer by December 2006 followed by a Ministerial announcement in January 2007. However, some legal and financial issues remained to be resolved, specifically relating to HIE's obligations under the ERDF contract, the Funicular Railway Section 50 planning agreement and the lease to Cairngorm Mountain Ltd, all as outlined in the paper. The Board noted the actions proposed. Mr MacDiarmid undertook to keep the Board informed of progress.

At this point George Campbell, Andy Rogers, and Susan Torrance returned to the room.

9 MONITORING REPORTS

(1) GENERAL UPDATE (HIE 2004/02226)

This paper was noted. Board Members complimented the Chief Executive and staff on the success of the Network Annual Conference held on 11/12 May. On a question about the economic impact of salmon farm mergers, particularly in the Western Isles, the Chief Executive said that we would be discussing the issue with the companies concerned and raising the subject with the Minister, Rhona Brankin MSP, that week. The Chief Executive also reported on ongoing discussion with the Scottish Executive on the Pay Remit from 1 August 2006 to 31 July 2009.

(2) FINANCIAL STATEMENT: 12 MONTHS TO 31 MARCH (HIE 2005/01305)

This paper was noted. Forbes Duthie reported that a balanced income and expenditure position for the year had been achieved with an overall expenditure outcome of £107 million. Financial targets in terms of Grant in Aid draw down had been met but the Resource Accounting and Budgetary target was still being finalised and was expected to meet the target set by the Scottish Executive. The Chairman wished to thank Mr Duthie and his team for their very able management of resources to bring about such a positive result.

(3) RISK MANAGEMENT AS AT 31 MARCH (HIE 2005/01522)

This paper was noted.

(4) DRAFT MINUTES OF THE HEALTH AND SAFETY COMMITTEE MEETING – 7 MARCH 2006 (HIE 2005/01410)

This paper was noted. On a question from the Chief Executive about Paragraph 6 – Business Travel Policy – Susan Torrance, as Chair of the Committee, agreed to consider re-wording the reference to staff travelling in bad weather conditions to reflect the fact that guidance already existed to protect the safety of staff at all times.

10 OTHER BUSINESS

(1) DRAFT PROGRAMME FOR JUNE MEETING IN HIE INVERNESS AND EAST HIGHLAND AREA (HIE 2004/02226)

The draft programme for the June meeting was agreed.

(2) PARLIAMENTARY ENGAGEMENT

Helen Rice gave a presentation on the Network's dialogue with the Parliaments. Ms Rice introduced Stan Arnaud, shortly to take up the post of Parliamentary Manager. Parliamentary engagement had been undertaken at a variety of different levels – written and oral evidence to Committee inquiries, policy dialogue, regular meetings with Highlands and Islands MPs/MSPs, a programme of meetings with Scottish and UK Ministers, and responses to consultations. With increased resource on the parliamentary side, there were plans to: assess interaction with parliamentarians across the Network; build stronger relationships with Ministers, advisors and officials; increase engagement with the European Parliament; train staff to appear at Committees; and prepare for the outcome of the Scottish Parliament elections in 2007. The Board welcomed the further development of this aspect of our influencing role, and the Chief Executive agreed to raise with Scottish Enterprise their future

plans for the Tun which had proved to be a useful base for contact with the Scottish Parliament. The Board also recommended that consideration be given to measuring satisfaction with our service among MPs/MSPs.

(3) PREPARATION FOR MEETING WITH DEPUTY FIRST MINISTER

Andrew Ross outlined the format of the meeting with Nicol Stephen, Deputy First Minister, to be held over lunch at the Tower Restaurant in the Museum of Scotland. The Chairman intended to cover the Year End Results, the Organisational Review and our commitment to accountability, after which Board Members would lead on specific topics – UHI, Population, Renewables, European Audit, Broadband and Public Sector Reform.

A C Muirden
5 June 2006