

FOR PUBLICATION

IN CONFIDENCE

HIE 4/06

HIGHLANDS & ISLANDS ENTERPRISE

MINUTES OF THE MEETING OF THE BOARD HELD ON 27 JUNE 2006 AT 0900 IN THE BEN WYVIS HOTEL STRATHPEFFER

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

IN ATTENDANCE: Sandy Brady (Director - Strategy Group)
Forbes Duthie (Director – Corporate Services)
Douglas MacDiarmid (Director – Global Connections)
Susan Myles (Director – Human Resources)
Alex Paterson (Director - Developing Skills)
Jackie Wright (Director – Business Growth and Research)
John Watt (Director - Strengthening Communities)
Douglas Yule (Director – Area Operations)
Fiona Hampton (Highland 2007) (Item 6)
Bill Sylvester (Strategy Group) (Item 6)
Stuart Black (HIE Inverness and East Highland) (Item 8)
Ruairaidh MacNeil (HIE Inverness & East Highland) (Item 8)
Robert Muir (HIE Skye and Wester Ross) (Item 9)
Bob Stubbs (Business Growth and Research) (Item 13)
Andrew Ross (Secretary)
Anne Muirden (Executive Office)

1 CONGRATULATIONS

On behalf of the Board the Chairman congratulated Wilma Campbell on the award of OBE in the Queen's Birthday Honours List.

2 APOLOGIES

Apologies for absence were intimated on behalf of Stewart Graham and Andy Rogers.

3 DECLARATION OF INTEREST

Susan Torrance asked for it to be noted that she had been employed by the Tulloch Group until August 2005. As the Network's Framework Contractor, Tulloch Ltd had had involvement in both Item 8 – Centre for Health Science and Item 9 – Raasay House. Given the nature of the interest

and the time elapsed, it was not considered necessary for Mrs Torrance to leave the room during discussion of Item 9.

4 MINUTES OF THE MEETING HELD ON TUESDAY, 23 MAY 2006 (HIE 2004/02226)

These Minutes were approved.

5 MATTERS ARISING

Referring to Item 5 - Network Year End Review – it was agreed that further research should be carried out to understand what factors influenced the outcomes so that these could be used to determine future strategic direction.

In relation to Item 10(2) – Parliamentary Engagement – the Chief Executive said that there had been some initial dialogue with Scottish Enterprise about future use of the Tun. Our Strategic Planning and Research team were also considering ways of measuring satisfaction with our service among MPs/MSPs.

On the subject of Salmon Farm Mergers – Item 9(1) – the EKOS-commissioned report was close to completion and would be circulated to any Board Members who wished to see it.

Paragraph removed for reasons of commercial interest

6 SCOTLAND'S YEAR OF HIGHLAND CULTURE 2007

Fiona Hampton, Director of Highland 2007, gave a presentation on progress towards Scotland's Year of Highland Culture 2007. An ambitious programme of events was planned to take place, including 60-80 major events at a cost of £14.3 million. HIE's support focused on community events of which over 300 were scheduled for the Highland Council area. Other partners would be involved in assisting projects which celebrated Highland culture elsewhere in Scotland. On a question about overseas target markets, Ms Hampton said that the main support had come through VisitScotland. It was agreed, however, that contact would be made with Scottish Development International to try and apply some extra effort to this area. It was also agreed that the issue of involving new communities in the Highlands and Islands should be addressed through a forthcoming meeting of the Wellbeing Alliance. Thanking Ms Hampton for an exceptional achievement, the Chairman wished her every success with the launch of the programme. He also acknowledged the important contribution made by Bill Sylvester on HIE's behalf.

7 RESOURCES AND GOVERNANCE

(1) FINANCIAL STATEMENT: 2 MONTHS TO 31 MAY (HIE 2005/01305)

This paper was noted. Forbes Duthie reported that expenditure for the first two months of the financial year was running at 14%, close to the straight line target of 17%. This was an improvement on the previous year and some LECs had already reached the 17% target. Commitment levels were currently robust at 107% and would require careful management to ensure all available resources were utilised.

(2) MINUTES OF THE AUDIT COMMITTEE MEETING – 28 MARCH (HIE 2004/05375)

This paper was noted.

(3) DRAFT MINUTES OF THE AUDIT COMMITTEE MEETING – 30 MAY (HIE 2004/05375)

This paper was noted. Attention was drawn to Item 4 where there was a reference to non-compliance, identified in relation to HISTP funded projects. The Chief Executive explained that a project manager had been engaged to co-ordinate an exercise reviewing all files on European funding and to ensure that all necessary documentation was in place. The Chief Executive would report to the Audit Committee on 8 September on the result of this exercise and would inform the Board of how it was intended to proceed with regard to a new round of European funding.

(4) HIE NETWORK AUDIT COMMITTEE – TERMS OF REFERENCE (HIE 2004/02257)

Angus Mackenzie as Chair of the Audit Committee introduced this paper drawing attention to the roles and responsibilities of the new HIE Network Audit Committee which had been set up following the Organisational Review. Noting that membership of the Committee would comprise both HIE Board Members and LEC Directors, the Board asked that further consideration be given to the detail of HIE/LEC membership, in particular in relation to the positions of Chair and Vice-Chair. With that proviso, the Board approved the Terms of Reference and the appointment to the Committee of Ed Daynes, Angus Campbell, Kathleen Simpson and Colin Gregory as LEC representatives. It was also agreed that minutes of Audit Committee meetings should be circulated to LEC Chairs.

(5) NETWORK COMMITMENT REPORT 2006/07 (HIE 2006/0768)

This report updated the Board on the overall Network commitment position and highlighted current pipeline projects. Of particular note was the expenditure profile on major projects which continued to increase in line with our strategy. The position in terms of approved commitment at 107% was challenging but the Chief Executive assured the Board that adequate resources were available to meet our legal commitment and pipeline projects.

At this point Mrs Torrance left the room.

8 CENTRE FOR HEALTH SCIENCE (IEH 2006/00032)

Stuart Black and Ruaraidh MacNeil presented the Board with an update on progress with the Centre for Health Science and plans for Phase 3 of the project. Dr Black informed the Board that costing information for Phases 1 and II remained close to the original approved budget. The project was proceeding on schedule, with Phase II likely to be completed in September 2007. The First Minister would officially open Phase 1 on 12 January 2007.

Noting that the project was currently managed within HIE Inverness & East Highland by Ruaraidh MacNeil and his team, the Board enquired about future management of the project. Dr Black said that he was acutely aware of the need for tight control as the project proceeded to the next phase. A Business Development Manager had been appointed in January 2006, a number of project groups had been established to manage different aspects of the project and a Facilities Management company was about to be appointed on HIE IEH's behalf. Dr Black also reported that attention was being given to our eventual exit from the project and a strategy for disposal would be brought back to the Board for approval in due course.

The Board enthusiastically welcomed this further development of this strategic project and thanked Dr Black and Mr MacNeil for successfully turning a vision into reality. The Board also acknowledged the role played by Professor Alasdair Munro of HIE IEH's board in championing and scrutinising aspects of the project. The Board therefore approved the recommendations set out in the paper, i.e. adjustments to Phase 1 amounting to £341,000; to Phase II amounting to £1,003,000 and funding for Phase III amounting to £5,920,000, a total of £7.264 million to be debited from Inverness & East Highland's budget in 2007/08.

At this point Mrs Torrance returned to the room.

Paragraph removed for reasons of substantial prejudice to the effective conduct of public affairs

10 CHAIRMAN'S AND CHIEF EXECUTIVE'S UPDATES

The Chief Executive informed the Board of progress being made by the European Commission with the Objective 1 audit. Their findings were expected by October.

Ann Black, Chief Executive of Shetland Enterprise, would be off work on medical grounds for 3 months but a system had been put in place for managing the LEC's business in her absence.

11 ADVICE SUPPLY PARTNERS RE-TENDERING (HIE 2006/0141)

This paper requested the board to delegate authority to the HIE Management Group to award new contracts for the continuation of the delivery of the advice supply partner service until March 2010. Advice Supply Partnering arrangements had been introduced into the Network in 2003 but these contracts were coming to an end and a retendering process in line with OJEU procedures was under way. The Board noted that the project had been one of high risk but this method of procurement was now well established and providing value for money. The results of two evaluation exercises and the experience of the current contracts had given the opportunity to improve the specification and expectations of the service. It was agreed therefore to grant delegated authority to the Management Group to award new contracts with a potential cost of up to £11 million for the continuation of the delivery of the Advice Supply Partner Service until March 2010.

12 RENEWABLE ENERGY PR CAMPAIGN (HIE 2004/02615)

HIE's Renewable Energy team had developed a proposal for a 'hearts and minds' PR programme of activity aimed at increasing public awareness and support for renewable energy. Although there had been some awareness raising activity on the part of the DTI and the Scottish Executive, activity in the Highlands and Islands had been minimal. Meanwhile public opposition to certain elements of renewables continued to increase, often based on inaccurate information. The Board noted that the project fitted well with the Network's objectives – aiming to support the development of a robust, sustainable renewable energy sector in the Highlands and Islands, and approved funds of £240,000 for a renewable energy PR campaign to be debited from the Global Connections budget in 2006/07. It was also agreed that support should be sought from partners, that lessons should be drawn from the experience of other areas in the world such as Navarre, and that independent research on issues such as the impact of windfarms on the environment should be used.

13 RURAL DEVELOPMENT PROGRAMME FOR SCOTLAND 2007-2013 CONSULTATION (HIE 2006/00396)

This paper represented HIE's response to the Scottish Executive Environment and Rural Affairs Department's consultation on the proposed priorities and delivery mechanisms for the next 6 years through the Scottish Rural Development Programme. A wide range of views had been canvassed both within the Network and among partners e.g. Highland Council, Crofters Commission, RSPB and SNH. The Board commended staff for the clarity and directness of the response in which disappointment was expressed that the proposals sought to preserve the status quo rather than demonstrate developmental change in the wider rural economy. The Board approved the proposed response for the Chairman's signature.

14 CODE OF PRACTICE FOR MINISTERIAL APPOINTMENTS TO PUBLIC BODIES IN SCOTLAND (HIE 2004/02226)

Board Members had been issued with their own personal copy of the Code of Practice for Ministerial Appointments to Public Bodies in Scotland. In addition, the Commissioner had made two specific requests. Firstly, she was looking for HIE Board Members to volunteer to have their profiles included on the OCPAS website so that other potential applicants for public service might be encouraged to come forward. Secondly, the Commissioner was asking for volunteers to become 'OCPAS champions', again to encourage greater participation by a wider section of society in public life. All Board Members present agreed to have their profiles included on the website. They were asked to give further consideration to becoming OCPAS champions and to let Andrew Ross know.

15 OPERATION OF THE HIE BOARD – TIMETABLE FOR NEXT STEPS (HIE 2004/02226)

Over the previous few months, as part of the Organisational Review, discussions had taken place about the role of the HIE board and its relationships with executives and non-executives across the Network. This paper set out a timetable from July 2006 until December 2006, indicating how and when these changes might take place. The Board agreed the implementation of the changes as set out in the paper.

16 MONITORING REPORTS

(1) GENERAL UPDATE

This paper was noted. In relation to the Iceland Study Visit held on 12-14 June, it was agreed that key action points arising from the visit should be circulated to the Board. The Board wished to congratulate Strengthening Communities staff on HIE's selection as the successful tenderer for delivery of the Growing Community Assets fund which would provide £50m-£75m over a 3-year period to community groups throughout rural and urban Scotland for acquisition and development of a wide range of assets.

(2) DEBT REPORT: SIX MONTHS TO 31 MARCH (HIE 2005/01305)

This paper was noted. Forbes Duthie reported that loan arrears had shown a slight increase in the last six months but rent arrears had shown a significant improvement having decreased by £449,529 over the period.

17 OTHER BUSINESS

**(1) DRAFT PROGRAMME FOR THE AUGUST MEETING IN ARGYLL (HIE
2004/02226)**

The draft Programme for the August meeting was agreed.

A C Muirden
12 July 2006