

FOR PUBLICATION

IN CONFIDENCE

HIE 4/05
HIE 2004/02226

HIGHLANDS & ISLANDS ENTERPRISE

MINUTES OF THE MEETING OF THE BOARD HELD ON TUESDAY 28 JUNE 2005 AT 0900 IN DALIBURGH SOUTH UIST

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

IN ATTENDANCE: Forbes Duthie (Director – Corporate Services)
Douglas MacDiarmid (Director – Global Connections)
Jackie Wright (Director - Growing Businesses)
John Watt (Director - Strengthening Communities)
Donnie MacAulay (Western Isles Enterprise) (Items 7 and 8)
Anne Muirden (Executive Office)

1 CONGRATULATIONS

The Chairman congratulated Susan Torrance on her appointment as Chief Executive of the Highland Housing Alliance from 8 August 2005.

2 DECLARATION OF INTEREST

In relation to Item 5 – Scottish Year of Highland Culture 2007 - Grant Sword declared an interest as the Director appointed by HIE to represent the Network on the board of the company. In line with the Conflicts of Interest policy Mr Sword took part in discussion of the paper but not in the decision. With regard to Item 3 – Matters Arising – Centre for Health Sciences - Susan Torrance drew attention to her position as Managing Director of Tulloch Homes Express Ltd.

3 MINUTES OF THE MEETING HELD ON MONDAY, 16 MAY 2005 (HIE 3/05)

These Minutes were approved.

4 MATTERS ARISING

First 2 sentences removed for reasons of commercial interest. Referring to Item 5 - A Smart Successful Highlands and Islands – the Chairman thanked all those involved in the formation and recent launch of the refreshed Strategy. With regard to Item 6(3) – Aquaculture – the Chief Executive reported that, under the arrangement with the Scottish Executive to provide assistance

to companies in this sector, a sub-group of the Board had met on 16 June to consider 2 applications for assistance but both had been rejected as they failed to meet the normal criteria for Network assistance. Expressing disappointment but agreeing with the outcome, Board Members urged the executive to consider how best to help the industry. It was agreed that the Chief Executive and Jackie Wright, along with Drew Ratter, Stewart Graham and Duncan MacInnes should consider whether there were options other than commercial loans which could be applied within State Aid rules and discuss further with SEERAD.

At this point Susan Torrance left the room.

Regarding Item 7 – Centre for Health Sciences – Douglas MacDiarmid reported that the Capital Investment Group of the Scottish Executive Health Department had approved funding on 6 June and that the project was progressing satisfactorily.

At this point Susan Torrance returned to the room.

5 CHAIRMAN’S AND CHIEF EXECUTIVE’S UPDATES

The Chief Executive informed the Board that he had attended a meeting of the International Advisory Board on 23 June when issues relating to energy and life sciences were discussed.

The Chief Executive reported that staff had been in discussion with the Scottish Executive about the possible relocation from Edinburgh to the Inner Moray Firth of a small public service unit and a decision was expected soon. On a question from Board Members about our links with Scottish Development International, Douglas MacDiarmid undertook to arrange for a presentation to be delivered at a future Board meeting.

The Chief Executive informed the Board of a change to the Pension Fund Managers to take effect from 1 July. This would involve Standard Life looking after 65% of the portfolio and Alliance Bernstein looking after the remaining 35%, replacing Deutsche Asset Management whose performance had been disappointing. The Trustees were unanimous in accepting Mercers’ recommendation to the alteration and the Board welcomed the proposed restructuring.

The Board welcomed the announcement that a new Chief Executive had been appointed to Ross and Cromarty Enterprise. Maitland Hyslop, formerly with One NorthEast, would take up his post on 1 August.

The Chairman referred to meetings which he and the Chief Executive had had with new MPs following the elections to the UK Parliament. A productive meeting had also been held with the Transport Minister, Nicol Stephen MSP, and other meetings were scheduled with Malcolm Chisholm MSP, Minister for Communities, and Ross Finnie MSP, Minister for the Environment and Rural Affairs. A dinner with Highlands and Islands MPs was scheduled for 2 November in Westminster.

6 NETWORK ASSISTANCE

(1) SCOTTISH YEAR OF HIGHLAND CULTURE 2007 – PRINCIPAL BUDGET

This paper sought approval for funds of £3 million towards the Highland 2007 project. The Board noted that a company had been established, limited by guarantee, comprising a Board representing the 3 core partners of the Scottish Executive, HIE and the Highland Council, and a project team of 5 staff. The original budget had not anticipated support for areas outwith the Highland Council area, but because of the strategic nature of the project and the prospects for long-term sustainability of the arts and heritage sector in the Highlands and Islands, it was now proposed that HIE should establish funds which would be available to non-Highland LECs also. It was agreed, therefore, to approve expenditure of £3 million

towards the Highland 2007 budget to be debited from the Partnership Projects budget, £450,000 in 2005/2006, £1,137,000 in 2006/2007, £1,157,000 in 2007/2008 and £256,000 in 2008/2009 subject to the conditions set out in the paper. Grant Sword took part in the discussion but left the room before the Board came to a decision.

7 RENEWABLE ENERGY

(1) ROYAL SOCIETY OF EDINBURGH - INQUIRY INTO ENERGY ISSUES FOR SCOTLAND – HIE RESPONSE

It was noted that the Royal Society of Edinburgh had established an independent Committee to look into issues associated with supply and demand of energy in Scotland. This paper provided the Board with a draft response to the Committee's Inquiry in advance of the Chairman giving evidence in Stornoway on 19 July.

The Board noted the key issues which staff had highlighted in the proposed response, in particular the appropriateness of considering energy needs on a UK rather than a Scotland only basis given the way in which the market operated. The Board recommended that the response should be strengthened to emphasise the need to loosen the constraints on the current grid system to increase its efficiency, and to seek additional Government support for the emerging industries such as offshore and biomass. The Chief Executive agreed to circulate to the board the recent Scottish Executive FREDS report and to invite Jim MacDonald, Professor of Electronic and Electrical Engineering at Strathclyde University to speak at a future renewable energy event in the HIE area. Board Members urged the executive to seek to influence Government at the highest level on the issues raised in the response.

(2) WIND SUPPLY CHAIN ANALYSIS

This paper provided the Board with the key findings and recommendations of a recent wind supply chain analysis undertaken by Garrad Hassan. The Board had asked staff to commission a study focusing on issues and opportunities for wind supply chain businesses operating in the Highlands and Islands following the recent downturn in orders. In reviewing the paper, the Board noted the consultants' recommendations as to how the Network might contribute to the longer term success and sustainability of supply chain businesses. In endorsing the recommendations, the Board suggested that HIE should provide assistance to businesses in terms of market monitoring, familiarisation and preparation of bids and in funding short-term advisors in the fields of market analysis, manufacturing methods or quality in order to eliminate some of the problems being experienced by Highlands and Islands businesses. Douglas MacDiarmid undertook to pursue these matters.

8 *Paragraph removed for reasons of commercial interest.*

9 HIE COMMITMENT REPORT 2005/06

This report examined HIE's commitment of financial resources and highlighted progress on a number of key projects. The position at the end of May indicated that commitment for the financial year was in line with available resources. However, the key area to be targeted related to major projects over £500,000 as these provided the greatest impact in both economic and financial terms. The Board welcomed the report and asked the executive to bring forward a further more detailed report in 3-6 months time so that the Board could measure more accurately commitment against the Network's strategic objectives.

10 MONITORING REPORTS

(1) General Update

This paper was noted. In relation to Transport issues, it was agreed to try to arrange a meeting between the Board and the Board of Highlands and Islands Airports Ltd following the appointment of a new Chief Executive to HIAL, Inglis Lyon.

(2) Financial Statement: 2 Months to 31 May 2005

This paper was noted.

(3) Write Off Cases

This paper was noted. It was agreed to write off equity of £500,000 involved and to seek the consent of SEETLLD to write off £715,725 in grants and loans plus any interest accrued to date of authorisation

(3) Debt Report as at 31 March 2005

This paper was noted, the Board being particularly encouraged by the decrease in loan and rent arrears across the Network during the 6 month period to 31 March.

(4) Draft Minutes of the Audit Committee Meeting held on 17 May 2005

This paper was noted.

11 OTHER BUSINESS

(1) Draft Programme for the August Meeting in Caithness and Sutherland

The draft programme was agreed. The Chief Executive requested that interaction with Careers Scotland should be included in the programme of Board visits where possible.

The Chairman suggested that when the draft schedule of meetings for 2006 was submitted to the Board in August, the opportunity should be taken to consider the format of the 2-day visits. It was agreed to set aside time at a future meeting to discuss the issue more fully, taking on board some of the suggestions which Board Members had made in discussion.

(2) Western Isles Enterprise

The Board agreed that, following their visit to the Western Isles and engagement with the board of WIE, consideration be given to enhancing the Network's strategic approach and resource allocation, thus making the Western Isles a more globally connected area.

A C Muirden
25 July 2005