

PUBLICATION

HIGHLANDS & ISLANDS ENTERPRISE

HIE 03/11

BOARD MEETING – TUESDAY 05 APRIL 2011, 10.00 COWAN HOUSE, INVERNESS

MINUTES

PRESENT: William Roe (Chair)
Alex Paterson (Chief Executive)
Mary Bownes
Lorne Crerar
Donald MacDonald
Jim Royan
Craig Spence
William Swann
Steve Thomson

IN ATTENDANCE:

Forbes Duthie	Director of Finance and Corporate Services
Carroll Buxton	Director of Regional Development
Charlotte Wright	Director of Business and Sector Development
John Watt	Director of Strengthening Communities
Sandra Dunbar	Head of Business Improvement and Internal Audit
Karen Moncrieff	Head of Human Resources (items 1 to 3.6)
Alastair Nicolson	Head of Planning and Partnerships (item 3.1)
Clare Conway	Caithness and Sutherland team (item 4.2)
Douglas Cowan	Area Manager - Argyll and the Islands (item 4.3-5.1)
Ruaraidh MacNeil	Project Director - Inverness Campus (item 5.2)
Susan Smith	Head of Business Development (item 5.3 and 5.5)
Robert Muir	Area Manager, Lochaber, Skye and Wester Ross (item 5.4)
John Mason	Director of Business, Scottish Government
Anna Miller	Leadership Support Manager

1 STANDING ITEMS

1.1 Apologies

Apologies were received on behalf of Iseabail MacTaggart.

1.2 Declaration of interest

Lorne Crerar declared an interest in relation to *item 5.5 HIE ventures* on the basis of Harper MacLeod's previous involvement with the organisation. Lorne Crerar would leave the room for the duration of the discussion.

1.3 To approve the minutes of Tuesday 8 February and Wednesday 16 March (HIE 2004/02226)

The minutes of Tuesday 8 February 2011 (01/11) and Wednesday 16 March 2011 (02/11) were approved.

1.4 Matters arising

There were no matters arising.

2 UPDATES

2.1 Chair and Chief Executive's updates (HIE 2004/02226)

The Chief Executive confirmed that on 31 March HIE met all budget targets for the year 2010-11. The Board recorded their thanks to the Leadership Team and staff for their efforts in achieving an excellent result.

The HIE selective voluntary scheme (SVS) was now complete, with twelve staff members leaving the organisation under the scheme by 31 March 2011. In particular, the Board thanked staff from Human Resources and Finance and Corporate Services for effectively and efficiently managing the process.

The HIE Operating Plan 2011-13 was officially launched by the Cabinet Secretary for Finance and Sustainable Growth, John Swinney, on 8 March 2011. Carroll Buxton, Director of Regional Development, and HIE staff involved in the development of the plan were commended for the work undertaken and the new and fresh approach to the document.

From 1 April 2011, HIE staff in the Information Services team (IS) had been transferred to the new outsourced arrangement with Atos Origin. The transfer had gone very smoothly and Atos Origin was now supporting HIE information systems across all HIE offices.

The Chief Executive noted the significant number of press releases and communications which had been issued over the previous period. Coverage of HIE activities included the Kintyre Hotels development, John O'Groats Highland Ltd, Bute Fabrics, Loch Duart Salmon, the Smart Exporter Scheme and improvements in Broadband speeds in the Outer Hebrides.

In relation to the work underway following the administration of construction firm Rok in 2010, the Chief Executive advised that each HIE project affected was now moving forward. The majority of cases had required a specific approach, and the Board gave recognition to HIE staff who had worked through a very complex situation to identify a positive way forward.

The Scottish Parliament Economy Energy and Tourism Committee (EETC) report regarding the review of Enterprise Networks, was published on 28 February 2011. Overall the outcomes were positive and HIE staff were now taking forward relevant actions. Two key areas had been highlighted including leadership and HIE's distinctive Strengthening Communities role. John Mason, Director of Business at the Scottish Government, commented on the EETC report and advised that the Cabinet Secretary on behalf of the Scottish Government had responded to the report outlining how each of the recommendations of the report would be taken forward. It was agreed that the report would be circulated to the HIE Board for information.

Turning to the Scottish Parliament elections, John Mason drew the Board's attention to two key areas which featured in the party manifestos, energy and tourism, and advised that the Scottish Government was undertaking work on each area.

3 RESOURCES AND GOVERNANCE

3.1 End of Year Performance Report 2010-11

The Head of Planning and Partnerships provided the Board with a presentation on HIE's performance and outturns at the year end 2010-11. Under growth measures, the Board

noted the number of account managed businesses at 375 and social enterprises at 129, against a target of 350 and 60 respectively. Key outputs against each of the transformational projects and key sectors were also described, along with development and progress in fragile areas and areas of employment deficit.

The Board welcomed the excellent report which detailed an impressive set of outturns at the year end. The Chief Executive described work underway to take forward HIE's marketing plan and it was agreed that communications should be prepared to promote HIE's achievements, progress and activities. The Chair underlined the importance of HIE engaging with its customers and stakeholders and reflected on the need to intensify this work following the election in May.

3.2 Financial statement to 31 March 2011 – verbal update

The Director of Finance and Corporate Services outlined the financial position at 31 March 2011. Year end targets had been met and Block A investment had been fully utilised. A total of £72million had been spent, during a challenging year impacted by the administration of Rok. Targets to reduce Block B spend had been achieved, with provision for the HIE selective voluntary scheme (SVS) being drawn from this budget. In respect of the Resource Allocation Budget (RAB), discussions were currently taking place with the Scottish Government. It was noted that in financial year 2011-12, the new accounting model, AME, would be adopted which would simplify the effects of RAB on HIE. The Director of Finance and Corporate Services recorded his thanks to the finance team and colleagues across the organisation for a tremendous outturn at the year end.

The Board requested further information regarding the significant areas of spend in the final month of the financial year 2010-11. It was noted that payments to Loch Fyne Oysters, Arnish re-cladding, Scrabster Harbour and a contribution to the pension fund had all been allocated in the final months of the year. It was noted that further steps to review and plan HIE budget commitment and pipeline projects were in place for the year 2011-12, which aimed to minimise the volume of large investments in the final quarter. It was agreed that an update would be brought to the Board in June relating to the HIE pension fund.

3.3 Debt report to 31 December 2010 (HIE 2005/02371)

The quarterly debt report detailed loan and rent arrears due to HIE at 31 December 2010. The loan capital balance was £2,115,239 which represented 16 loan cases and an increase of £33,000 over the previous three months. Industrial and commercial rents outstanding, per agents Graham and Sibbald, amounted to £578,765, representing a decrease in £291,000 in the previous three months. The Board welcomed the report and agreed that the proactive management of the rental arrears was producing valuable benefits.

3.4 Risk management (HIEA 2010/00420)

The Head of Business Improvement and Internal Audit introduced the risk register, which summarised the highest risks faced by HIE as assessed by HIE management. The Board noted the addition of three new strategic risks and discussed each in turn. It was agreed that strategic risk SR 12/10 would be revised to reflect the improved international trade opportunities across the region.

The Board were informed that the risk register was currently being revised to align with the new Operating Plan 2011-14 and Corporate Reporting mechanism. It was also explained that a review was being carried out regarding the format and use of *item 6.1 Economic Report*, and how the information could be used to provide business intelligence and trends which could better inform the risk register.

John Mason raised that the Scottish Government had recently undertaken a refresh of their risk register process and sought to achieve greater commonality across the VisitScotland, Scottish Enterprise and HIE risk register documents. Included in the new approach was the addition of a target against each risk which reflected the desired outcome.

3.5 Draft Risk and Assurance Committee draft minutes: 10 March 2011 (HIE 2004/02226)

The Board noted the draft minutes of the Risk and Assurance Committee meeting on 10 March 2011. Turning to item 12, the Board sought assurance that the new Health and Safety committee arrangements were in place and working well. Lorne Crerar, newly appointed Chair of the Risk and Assurance Committee, advised that the Committee were satisfied that suitable arrangements were in place and that the HIE accountable officer would be provided with a report annually.

3.6 Conflicts of interest – prior approval process as at 1 April 2011 (HIE 2004/02226)

The HIE Board noted the paper which listed Board member and senior HIE staff interests, as detailed on their register of interests. The interests had been categorised into low and high-risk, with all those under high-risk requiring to be dealt with as stated in the prior approval policy. Board members were reminded of their own responsibility to ensure that arrangements were in place with the organisations listed as high-risk interests, to make certain that they are alerted by these organisations each time there is a transaction with HIE. Following the update to the register of interests documents in April 2011, the paper would be brought back to the Board highlighting any changes.

4 INVESTMENT PROPOSALS

4.1 Re-cladding of main fabrication shed at Arnish – Homologation (HMS 281384)

The Board homologated the decision taken by the Chair and Chief Executive on 22 February 2011 to approve an increase in the project costs for the re-cladding of the main fabrication shed at Arnish by £100,000 to £3,100,000. Increases in cost resulted from the administration of Rok in 2010 and the procurement via the SCAPE construction framework agreement for the remainder of the work.

4.2 Item removed for reasons of commercial interest.

4.3 Item removed for reasons of commercial interest.

5 PAPERS FOR DISCUSSION

5.1 Item removed for reasons of substantial prejudice to the effective conduct of public affairs.

5.2 Inverness Campus update (HIE 2011/0001)

The Inverness Campus Director joined the meeting to provide an update on progress for the period from November 2010 to March 2011. The Board were provided with a presentation which described the project vision, partnership forum, infrastructure and planning programme, and key activities going forward. The Board noted the excellent progress of the Inverness Campus Partnership Forum chaired by the Cabinet Secretary. In discussion it was underlined that community benefit should be integral to the Campus and it was welcomed that this formed a key ambition of the Highland Council, including elements such as sports

provision and community library. In discussing the vision, the Board agreed that the project was evolving to become a multi-purpose, internationally recognised academic collaboration which could potentially include the presence of the University of the Highlands and Islands, Inverness College, University of Stirling, University of Aberdeen, Scottish Agricultural College and Glasgow School of Art. It was agreed that it was important to ensure that branding and communication of the Campus clearly defined the vision and aspirations. Turning to public art, the Inverness Campus Director outlined the proposed use of arts throughout the site, which would be a window for promoting art, culture and Gaelic for the Highlands and Islands. It was agreed that the *Wider Benefits Review* commissioned by Colin Warnock Associates would be brought to the Board at their meeting in June, along with a possible visit and tour of the Campus site.

The Chair outlined that new Board member William Swann had agreed to take on the role of Inverness Campus champion, which would draw on William's previous experience and skills in fields of higher education and project development.

5.3 CairnGorm Mountain Ltd (HIEA 2009/01267)

This paper sought guidance on how best to take forward the next stage in the procurement of a new operator for the Cairngorm Mountain Funicular and associated facilities and presented the Board with the range of options.

Paragraph removed for reasons of commercial interest.

The Chief Executive informed the Board that he had recently met with CairnGorm Mountain Ltd and visited the mountain. Following two excellent ski seasons, the company was energised and focussed on a number of exciting future opportunities to improve and enhance the tourism product. The Board agreed that HIE staff should investigate leading examples from across the world which successfully operate a mountain funicular tourism destination, in both winter and summer seasons. Following consideration, the Board agreed that options A and C should be taken forward – to retain the current operating company, CML; and to tender for a concessionary operator who would carry the risk of responsibility for maintenance and infrastructure. It was also agreed that HIE should pursue initial market testing to seek variable solutions.

The Board acknowledged that there would be continued need for sharing of costs across the private and public sectors to ensure that the important asset continued to benefit the local and regional economy.

Sentence removed for reasons of commercial interest.

5.4 Orbost (HMS 276057)

This paper provided the Board with an update on the HIE owned Orbost estate and outlined options for its future management and ownership. The Skye, Lochaber and Wester Ross Area Manager provided a brief history of the key events following HIE taking ownership of the estate in 1997. The original objective of transferring ownership of the estate to the community had been hampered by the failure to identify a feasible transfer mechanism which would comply with the Scottish Government's stance on the disposal of publicly-owned assets. The Board discussed the various options for the future of the estate and agreed that HIE should retain ownership of the estate for a minimum period of five years. This action would demonstrate commitment to the area, support further development and provide greater confidence to the residents of the estate regarding their long-term future.

At this point Lorne Crerar left the room.

5.5 *Item removed for reasons of commercial interest.*

At this point Lorne Crerar re-entered the room.

5.6 Account management review (HIE 2007/01323)

The Head of Business Development described proposals to evolve HIE's account management programme, with a view to accelerating the economic impact from HIE's intervention and engagement with businesses and social enterprises. Proposals also aimed to achieve a better utilisation of staff resource across HIE in the deployment of account management activity. A new stratification model had been developed which would be applied to HIE account managed companies with a view to targeting resources into the right areas. A gradient of engagement and interaction would be delivered, appropriate to the category within the stratification model. The Board underlined the importance of Business Gateway and the need to effectively communicate the different roles delivered by Business Gateway and HIE. The Board endorsed the new approach to account management and agreed that it should be rolled out across the organisation.

5.7 Scottish Development International strategy

Board members were provided with a copy of the recently published Scottish Development International (SDI) strategy. HIE had contributed to the strategy development and the Board welcomed the progress made in deepening the level of engagement between HIE and SDI. It was agreed that an invitation should be given to SDI to meet with the HIE Board later in the year.

6 PAPERS FOR INFORMATION

6.1 Economic report (HIEA 2009/01585)

Noted. Board members were advised that the format and purpose of the economic report was being reviewed to provide greater and more useful business intelligence.

6.2 General update (HIE 2004/02226)

Noted. Board members were encouraged to contact the relevant member of HIE staff to discuss any specific areas of interest.

7 AOB

7.1 Board member roles

The Chair updated the Board on two recent appointments awarded to HIE Board members. Craig Spence had been appointed as the Chair of Children's Hearings Scotland, effective from 18 April 2011, and Jim Royan had been appointed as Chair of the Programme Board of the Moray Economic Partnership. The Board congratulated both on their new roles and their positive input to the region and beyond.

A Miller
19 April 2011
(HIE 2004/02226)