

BOARD MEETING – TUESDAY 19 FEBRUARY 2013, 09.00 APEX CITY HOTEL, EDINBURGH

DRAFT MINUTES

PRESENT: Lorne Crerar (Chairman)
Alex Paterson (Chief Executive)
Mary Bownes
Steve Thomson
Craig Spence
Donald MacDonald
Iseabail Mactaggart
William Swann

IN ATTENDANCE:

Carroll Buxton	Director of Regional Development
Forbes Duthie	Director of Finance and Corporate Services
Charlotte Wright	Director of Business and Sector Development
Rachael McCormack	Director of Strengthening Communities
Sandra Dunbar	Head of Business Improvement and Internal Audit
Karen Moncrieff	Head of Human Resources

1 STANDING ITEMS

1.1 Apologies

Apologies were received from Jim Royan.

1.2 Declaration of interest

It was noted that HIE staff who were members of the HIE pension scheme had an interest in the Pension update paper.

1.3 To approve the minute of meeting on Tuesday 11 December 2012 (HIE 2004/02226)

The minute of the meeting on 11 December 2012 was approved.

1.4 Matters arising

Updates were provided on Ice Tech, Amoebic Gill Disease and Cap Gemini inward investment.

2 UPDATES

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

The Board welcomed the appointment of Rachel Hunter as Shetland Area Manager.

The Chief Executive informed the Board that the company Icetek Freezers Ltd located within Caithness continued to face a challenging situation and HIE continued to work with the holding company to identify options available and identify any potential investment opportunities.

The Board were provided with an update on continued discussions with Capgemini regarding the company's potential business expansion in the Highlands and Islands. It was noted that legal agreements were expected to be concluded prior to the end of February.

The Board welcomed the excellent news that HIE had been able to secure additional funding from the Scottish Government, further information was included in the finance update.

The Chief Executive reported that the first 3 interventions had been approved through the Scottish Land Fund. The importance of this fund as a catalyst for community development was recognised.

Item removed for reasons of commercial sensitivity.

The current challenges of state aid in the context of community led enterprise was highlighted and it was noted that HIE is working proactively with Scottish Government colleagues to ascertain what long term solutions might be pursued including the suggestion that a notified scheme might be pursued.

The Chief Executive reported that in order to help realise the significant economic benefits which will arise from the energy sector Memorandums of Understanding had been entered into with 4 NRIP port sites in the Highlands and Islands. These were announced by the First Minister and will help encourage the infrastructure development required at these sites and will help translate the emerging Inward Investment interest.

The Chief Executive highlighted to the Board some of the existing projects which were near completion including the completion of Unit 6 at Enterprise Park Forres, Scrabster Harbour, European Marine Science Park at Dunstaffnage and the expected signing of the contract which will deliver transformational Next Generation Broadband to the Highlands and Islands. It was also hoped that HIE would be able to announce a significant Life Science Inward Investment in the Inner Moray Firth area in the near future.

The Board were also pleased to note the excellent progress being made by HIE's subsidiary, Cairngorm Mountain Limited, in capitalising on the good snow conditions and exceeding all its KPI's.

The Chairman informed the Board that he is due to meet with the CML Board in February and reminded the Board that HIE is about to begin a procurement process to establish if new operating arrangements could be secured at Cairngorm.

The Board were updated on the visit to the USA undertaken by the Chair, Chief Executive and the Director of Business and Sector Development. The Chair reported on the meetings held with MIT and participants in the Entrepreneurial Development Programme which had been inspiring. He also commented on the very positive meetings with SDI staff in the Americas team and the excellent discussions which had taken place with key stakeholders, including inward investors.

The Chairman also noted that he intended to provide the Board with a report at April Board meeting which will cover his reflections during his first year in office.

3 RESOURCES AND GOVERNANCE

3.1 Corporate performance report (HIEA 2012/0245)

The Director of Regional Development presented the Corporate Report which summarised progress towards the key measures and priorities within HIE's Operating Plan. She reported that good progress was being made against all the strategic and tactical indicators. The summary position was noted as green or amber across all measures. Excellent progress was being made against all the in-year measures with all targets expected to be met or exceeded by the end of the year. The Board noted with interest the population analysis included in the first release of the Census Data. A summary of top level activity under each of the four priorities was provided. With regard to Employment Action Areas, it was noted that action being taken in Bute had resulted in this now being regarded as amber with indications from the account managed client base on Bute that confidence was increasing. It was noted that, in Moray, while good progress was being made including the work of the Moray Economic Partnership and the creation of a Moray Economic Strategy, the sensitivity of the Moray Economy to MOD decisions was key to this continuing to have an amber rating. The Board welcomed the launch of HIE's new entrepreneurship programme and were informed that two Highlands and Islands Businesses had received national recognition at the Scottish Edge competition which supported innovation and entrepreneurial activity. An update was provided on the MOU's put in place with Nigg, Ardersier, Kishorn and Invergordon to help ensure that Highlands and Islands infrastructure is able to benefit from the significant opportunities in the energy sector. The Board noted the excellent progress towards the turnover in the social economy outturn and welcomed updates on a number of Regionally Significant Investments.

3.2 Financial Statement to 31 January 2013 (HIE 2009/00611)

The Director of Finance and Corporate Services introduced the Finance report for the 10 month period to 31 January 2013. He highlighted the excellent in year efforts which had resulted in HIE increasing its Grant In Aid in year by over 50% from the original baseline allocation through securing additional funds for Energy and Shovel Ready projects. Turning to financial performance he highlighted that spend at the end of January represented 69% of budget (81% of original budget) and that the current commitment level was 119%. He noted that £20m remained to be spent prior to the end of the current financial year and that 12 projects accounted for the majority of this expenditure. He highlighted that the finance team would liaise with all business units to actively manage spend to ensure that HIE's budget outturn was met. The scale and complexity of the current portfolio of projects being managed by HIE, particularly new opportunities such as Broadband, were highlighted to the board. The Board encouraged the Director of Finance and Corporate Services to challenge any assumption that HIE's Block B funding should be reduced in this environment and that HIE required appropriate staff resources to deliver a significant budget and a range of complex and transformational projects.

3.3 Risk management (HIEA 2012/00218)

Item removed for reasons of commercial sensitivity.

3.4 Draft Risk and Assurance Committee Minutes: 04 December 2012 (HIE 2004/02226)

The Chair of the Risk and Assurance Committee invited the board to note the content of the draft minutes. The board were informed that the Committee were to have a further discussion on Disaster Recovery at their next meeting and that Atos, the provider of HIE IS

services would be present. It was also noted that further work was required to review HIE's approach to public reporting.

3.5 Operating Plan 2013/14 (HIE 2004/02226)

The Chief Executive presented this paper to the Board and noted that the HIE Operating Plan for 2012 -15 remained in place and continued to set the framework for all HIE activities. The 2013/14 planning document had been prepared to provide an update on context and to ensure appropriate emphasis was placed in key areas. Delivery of the resilient rural community policy particularly in support of the fragile area agenda, the increased importance of internationalisation and the significance of encouraging entrepreneurship and leadership were highlighted as areas of increased focus. The importance of continuing to identify new regionally significant investments which deliver against the ambitious outcomes for the region, while also maintaining a focus on current projects was emphasised. No changes were proposed to the in year measures but the Planning and Partnership Team had been asked to develop a broader performance framework which reflected the range of activity undertaken by HIE. The challenges of continuing to absorb within the existing block b budget the resources required to deliver the significant number of regionally significant opportunities was noted and the requirement for additional support to deliver the range of complex projects was recognised. It was agreed that this challenge should be added to the corporate risk register. Board members were invited to submit comments prior to an updated operating planning paper being presented to the next Board Meeting. The Board welcomed the paper and highlighted the importance of ensuring that this was supported by an appropriate communication approach to promote the significant opportunities in the region.

At this point, Carroll Buxton, Charlotte Wright, Rachael McCormack and Sandra Dunbar left the meeting.

3.6 Pensions Update

The Director of Finance provided an update on the HIE Pension Fund and the triennial valuation. The board recognised the need to progress the proposed recovery plan however asked for further clarity and re-assurance regarding the potential for equal pay claims which may arise from the proposed benefit changes.

At this point, Carroll Buxton, Charlotte Wright, Rachael McCormack and Sandra Dunbar returned to the meeting.

4 INVESTMENT PROPOSALS

4.1 Barmuckity Business Park (HMS 9337886)

The board considered the update paper on the current status of the Barmuckity Business Park, Elgin project. The Director of Regional Development presented this paper and asked that authority be delegated to the Leadership Team to approve funding of up to £2.7m in the form of a loan, subject to satisfactory completion of full due diligence with the client which would also confirm the delivery vehicle. It was noted that this would be funded from additional shovel ready allocation to HIE.

The board were informed that this project had been identified as a strategic priority for Moray and would lead to the development of 28 acres of development land. The development would complement existing provision within Moray such as the Enterprise Park Forres and it was estimated that Phase 1 of the park development could support up to 500 jobs, rising to c1400 on completion of the park over the next two decades. The Board welcomed this project noting the opportunity to unlock a strategic development

opportunity which was being led by the private sector and recognised that loan funding provided a mechanism for HIE resources to be recycled. The board delegated authority to the Leadership team to finalise approval for this project following conclusion of appropriate due diligence.

4.2 EMEC Wave Test Site Expansion (HMS 9341979)

The Director of Business and Sector Development introduced this paper which recommended HIE funding of £3m to fund the further expansion of EMEC's full-scale wave energy test facilities at Billia Croo Stromness, Orkney. An options appraisal of potential developments had been undertaken and the provision of an additional deep water wave test berth at Billia Croo had been identified as best meeting existing and potential developer interest.

The Board welcomed this paper and noted the importance of the company, which employs 23 people, to the Orkney economy and in supporting the delivery of Scotland's ambitions for marine energy. The international recognition which the company had gained as the world's leading test and verification centre for the marine energy industry was commended.

The importance of ensuring that opportunities to secure long term value in Scotland beyond testing activity was recognised as was the need to develop the supply chain and ensure that an appropriate skills strategy was in place. The board approved funding of £3m and encouraged staff to liaise with Orkney Islands Council and the wider COHI to ensure that opportunities were maximised

4.3 Item removed for reasons of commercial sensitivity.

4.3 Specialist Advice

The Director of Business and Sector Development outlined this paper which related to the procurement of a specialist advice resource which was considered an essential tool in support of a number of HIE's priorities and provides HIE's clients with access to a wide range of quality assured advisors.

The paper provided an overview of the outcome of the recent procurement exercise. In order to allow the Leadership Team time to fully explore issues relating to operational impact the Board delegated final approval to the Leadership Team.

4.5 Item removed for reasons of commercial sensitivity.

5 PAPERS FOR DISCUSSION

5.1 HI~Arts (HIE 2011/00994)

The Director of Strengthening Communities introduced this paper which updated the board on the actions undertaken by HIE and Creative Scotland further to the paper tabled at the Board on 11 December 2012.

The board noted the both HIE and Creative Scotland had previously provided transition funding to support HI~Arts in order that the organisation could move to a sustainable business model. The Board were informed that HIE and Creative Scotland had engaged in a number of high level meetings to assess the HI~Arts Operating Plan and to review future support options. Creative Scotland has confirmed that it is unable to make a commitment for ongoing funding to HI~Arts through its foundation funding programme. The HIE transition funding ends on 31 March 2013.

The Board noted that HIE staff had provided HI-Arts with every opportunity to develop its business proposition and to date it had been unable to deliver a sustainable business structure with demonstrable outputs. It was agreed that the HIE Chairman would write to the HI-Arts Chair noting that, subject to Creative Scotland also being prepared to provide funding, HIE would extend its support to HI-Arts for a 3 month period to enable HI-arts to present a sustainable business case. However, the HIE Board is not minded to consider any further funding to HI-Arts beyond that period in the absence of a compelling business plan.

5.2 HIE Ambitious for Culture (HIEA 2013/00090)

The Director of Strengthening Communities presented the HIE Ambitious for culture policy paper. This paper defines the opportunity, and HIE's strategic rationale for participation as well as how capitalising on that opportunity contributes to HIE's operating plan priorities. The policy outlined HIE's strategic rationale for involvement in and support for development of the cultural offer of our region. It recognises the significant potential of our cultural assets to contribute to a dynamic, sustainable region and resilient communities. It describes the contributions made by key partners and places HIE's contributions in context ensuring they are complementary. The paper provided a summary of the activity which will deliver regional impact. The Board welcomed this excellent paper which provided a clear framework and point of reference to inform all HIE activity in this area. The Board indicated that they would welcome further information on the detailed routemap and actual activity undertaken. It was agreed that a Board to Board meeting with Creative Scotland should be arranged and the HIE Chairman agreed to write to the Creative Scotland Chair.

5.3 HIE Accommodation

The HIE Chief Executive introduced this paper to the Board. He noted that the decision by Cap Gemini to expand their operation in Inverness had resulted in them having a need for new property to accommodate this expansion. Cap Gemini had identified the property currently occupied by HIE as a premises which could accommodate this expansion. This exciting opportunity has potential to create significant additional jobs and requires HIE to review options for its future office accommodation, this is seen as an opportunity to consolidate all staff in the Inner Moray Firth area in one location. This will also enable the current occupied accommodation in Dingwall to be released to HIE's Investment portfolio. HIE has commissioned Turner and Townsend to support this review and they are currently undertaking an options appraisal of potential locations. A copy of the final report and recommendation will be presented to the Board.

5.4 Inverness Campus Security and Maintenance (HMS 9304743)

The Director of Regional Development presented this paper which outlined the security and maintenance arrangements required at Inverness Campus post the contract completion in May 2013. It was noted that over time full responsibility will be assumed by the Owners Association as plots are sold to third parties. The paper described the main elements of the project as security services from handover, one years road and hard landscaping maintenance works, 3 year general grounds maintenance, delivery of a maintenance compound, public car park, a CCTV security system and temporary vehicle barriers and a payment to Highland Council in respect of capitalised perpetual maintenance charges over council owned land.

The board endorsed the Leadership Teams' approval of capital costs and revenue costs as set out in the paper, the latter to be met from an enhanced HIE Property Factoring budget.

The Board raised a query regarding the Gaelic nomenclature and staff agreed to review this.

5.5 Tourism including briefing for VisitScotland Joint Board meeting (HIE 2004/02226)

The Director of Business and Sector Development presented the HIE Board with an update on key issues affecting the tourism sector in advance of a joint meeting with the Board of Visit Scotland. The presentation summarised the market context, challenges and industry context. It summarised the overarching and interrelated objectives for HIE in the period to 2016. It also summarised the areas where there was opportunities for HIE and Visit Scotland to work together.

6 PAPERS FOR INFORMATION

6.1 HIElights (HIE 2004/02226)

The Board welcomed the 5th edition of the HIElights publication which provided an excellent summary of activity which HIE had been involved in.

6.2 Entrepreneurship support 2013-15

The Board welcomed the update on the Entrepreneurship Support Programme which provided a summary of the programme of entrepreneurship support activities

6.3 HI-Grads 2 2013-15

The summary of the TalentScotland Graduate Placement Programme was presented. This summarised the impacts from the HI-Grads 1 programme which facilitated 100 graduates and provided information on the HI-Grad 2 programme which had been approved in January 2013.

6.4 Cairngorm Mountain: Procurement update

The Board were provided with an update on progress following approval to proceed to procure a new operator for the Cairngorm Mountain Operating facility. This will be the subject to further discussion at the Risk and Assurance Committee

6.5 Regional Aid Guidelines

The Chief Executive provided an update on current European Commission proposals regarding Regional Aid and their potential impact on the Highlands and Islands. The proposals were currently the subject of ongoing discussion and HIE continued to play a role in providing information to inform this process. It was noted that it was proposed to include this subject on the agenda for a future meeting of Highlands and Islands Chief Executives.

6.6 Board member updates (HIE 2004/02226)

Noted.

6.7 HIE Significant approvals October 2012 to January 2013 (HIE 2004/02226)

Noted.

6.8 Summary of HIE write off cases over £10,000

The Grant, loans, shares and miscellaneous paper which summarised the decisions delegated to Leadership Team was noted. The board were informed that, where appropriate, the papers presented to Leadership team identified any lessons learned.

6.9 Transport Risks

Noted.

7. AOB

a) 50th anniversary of HIDB – verbal update

Board members would consider and forward any proposals.

b) Board Books

To be reviewed after a pilot period.

7.1 Forthcoming Board Dates

The next scheduled meeting of the Board is 30 April 2013, but a separate meeting to consider a specific paper is arranged for 21 March 2013 and will be conducted via teleconference.

Carroll Buxton and Sandra Dunbar
February 2013