

PUBLICATION

HIGHLANDS & ISLANDS ENTERPRISE

HIE 05/12

BOARD MEETING – TUESDAY 30 OCTOBER 2012, 09.00, BOARD ROOM, COWAN HOUSE, INVERNESS

MINUTES

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

IN ATTENDANCE:

Forbes Duthie	Director of Finance and Corporate Services
Carroll Buxton	Director of Regional Development
Rachael McCormack	Director of Strengthening Communities
Sandra Dunbar	Head of Business Improvement and Internal Audit
Karen Moncrieff	Head of Human Resources
Calum Davidson	Director, Energy and Low Carbon (item 3.1)
Martin Johnson	Area Manager, Inner Moray Firth (item 3.1)
Alastair Nicolson	Head of Planning and Partnerships (items 4.1 and 5.5)
Ruaraidh MacNeil	Project Director Inverness Campus (item 5.2)
Steven Dodsworth	Head of Life Sciences (item 5.3)
Stephanie Andrew	Senior Development Manager - telehealthcare (item 5.3)
Anna Miller	Leadership Support Manager

1 STANDING ITEMS

1.1 Apologies

Apologies were received on behalf of Charlotte Wright, Director of Business and Sector Development

1.2 Declaration of interest

It was noted that Directors would leave the room for item 4.6 Pensions update and had not received a copy of the paper.

1.3 To approve the minute of meeting on Tuesday 22 August 2012 (HIE 2004/02226)

The minute of the meeting on 22 August 2012 was approved.

1.4 Matters arising

Item 1.4 Internationalisation and inward investment

The Board was advised that the SDI international all staff day took place on 5 October 2012 with a number of HIE staff in attendance. It was agreed that the engagement was

very successful. The SDI quarterly economic report would also be circulated to Board members in due course.

Item removed for reasons of commercial interest.

Item 5.1 Tourism – HIE’s support for sectoral development

The Board noted that a further paper on HIE’s sectoral approach to Tourism would be presented to the Board at their next meeting in December 2012.

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

2 UPDATES

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

The Chief Executive outlined a meeting with the Scottish Funding Council and Skills Development Scotland on 13 September at which it was agreed to develop a Highlands and Islands regional plan to address skills issues across the region. The Chief Executive, Chairman and Board members Steve Thomson and Mary Bownes attended the very positive meeting.

Turning to sectoral development, the Chief Executive described activity surrounding the Life Sciences sector and in particular within the sub sector of Digital Health. It was highlighted that the region’s reputation as a leading area in the field of medical diagnostics was growing and a cluster of highly innovative, professional companies and individuals was forming along the Inverness to Elgin corridor.

The Chief Executive met with Bruce MacLeod, Managing Director of the business process outsourcing company Capita on 24 September. Discussions centred around the company’s growth plans within the region and the Board noted that HIE continued to support the organisation through account management.

HEROts an Aviemore base call centre closed at the end of September with the loss of 85 jobs. However, the Board welcomed the news that a number of staff had already secured new employment with Capita and Cap Gemini.

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

It was noted that a paper would be presented at the next meeting of the Board in December regarding the roll-out of superfast Broadband within the region. HIE’s negotiations with BT were nearing completion with only a small number of outstanding issues to be finalised. The Board sought further information regarding the future of Connected Communities across the Western Isles and the Chief Executive confirmed that HIE would continue to operate the service.

The Chief Executive updated the Board that Stuart Robertson, Area Manager of the Shetland Team, had been appointed to the post of Director of Digital and that recruitment was underway for a new Area Manager for the Shetland office.

The Chairman summarised recent meetings and engagements during September and October and highlighted the forthcoming Westminster event with MPs which would take place on 31 October. It was also agreed that the Board would benefit from greater opportunity to meet with partner agencies such as VisitScotland, Scottish Natural Heritage and Calmac to discuss common issues and shared objectives.

In conclusion, the Chairman congratulated HIE on positive feedback from the Energy North Awards event on 12 October at which almost every award winner was a company account managed by HIE.

3 INVESTMENT PROPOSALS

3.1 Energy Infrastructure (HIE 2003/00173)

The Director of Energy and Low Carbon presented the paper which detailed the future infrastructure needs of the energy and fabrication industries in the Highlands and Islands. It was recognised that between 2010 and 2013, approximately £73m had been invested in ports and port related fabrication facilities around the Highlands and Islands. The Board noted the range of opportunities across the region's ports from those located around the Moray and Cromarty Firth, to Hatston in Orkney, Machrihanish in Campbeltown and Buckie on the East coast. It was agreed that HIE, in partnership with the Scottish Government, must lead the way in developing the infrastructure necessary to support the development of the off-shore wind industry around Scotland. The Board recognised that investment in ports and harbours infrastructure would capture new inward investment and associated supply chain benefits in addition to the creation of significant opportunities in the wider energy, oil and gas markets. The longer term timing and development of projects was considered and the resulting demands for skilled labour in the industry. In discussing youth employment, the Board underlined the need to reinforce the message that the Highlands and Islands is a leading region in the development of the energy sector and to demonstrate the scale and range of career opportunities available to young people. It was agreed that HIE should continue to work with Skills Development Scotland to consider opportunities for the development of skills and training in the energy sector and that the needs of the industry must feature as part of the regional skills development plan.

Turning specifically to Nigg, the Board discussed the proportion of work and activity in the oil and gas markets and noted that demand for the use of the Nigg dry dock was confirmed for the next two years. The Board agreed that the opportunities in oil and gas were short to medium term and a balanced portfolio was necessary to capitalise on future activity in the renewables sector.

Following discussion, the Board agreed that HIE's investment to date was delivering results and ambitions should remain high for the sector. The Board encouraged that HIE continue to review emerging opportunities across the region, recognising the anticipated timeline and demands for investment and labour. The Board endorsed the recommendation that the consenting and planning process for the Ardersier port be taken forward and that HIE continue to work with the Global Energy Group regarding renewable energy opportunities at Nigg.

4 RESOURCES AND GOVERNANCE

4.1 Half Year review 2012-13 (HIEA 2012/00553)

The Head of Planning and Partnerships presented the half year review which detailed the out-turns achieved by HIE at the mid point in the financial year 2012-13. The Board welcomed the report and recognised the excellent progress made towards the key measures and delivery of HIE's four operational priorities within the Operating Plan 2012-15. The report emphasised the breadth of HIE's activity across the region with businesses, social enterprises and public sector partners and also recorded the high level of development and creation of infrastructure at HIE's own hand. The Board congratulated staff on the work to date and excellent results at the half year stage which were all on course to achieve the year end target.

4.1a) Update on HIE activities on Bute

The Director of Strengthening Communities provided the Board with an update regarding HIE's continued focus and delivery of regeneration activities on the island of Bute. The Board discussed the range of social and economic challenges present and the role of HIE and the wider public sector in addressing the issues. The Board agreed that HIE had a role in influencing partners including the Local Authority and the Chief Executive highlighted that he would meet with leader Roddy McCuish in the new year. The Board discussed the Scottish Government's Regeneration Working Group lead by the Deputy First Minister and reflected that it could provide a route to gain greater Scottish Government support.

4.2 Financial Statement to 30 September 2012 (HIE 2009/00338)

The Director of Finance and Corporate Services presented the Financial Statement for the half year period to 30 September 2012. Grant in Aid income anticipated for 2012-13 was noted to have increased from £48.8m to £68.3m which reflected the confirmed shovel ready capital allocation of £15.5m and two allocations totalling £4m for investment in energy related projects. The Board was advised that the Scottish Government had also granted flexibility around the prioritisation of the Shovel Ready funds, provided that the full amount was committed to capital spend in the current year and project commitment was delivered in subsequent years. The Board welcomed the position and recognised that this removed the immediate funding pressure on the Campus and created capacity to meet HIE's contribution of £1.6m towards the Scottish Government's savings plan.

Total expenditure to 30 September 2012 amounted to £34.6m against an indicative opening budget of £41.4m which represented 41.8%. Specifically, Block A discretionary spend was 56% and top sliced spend was 33%. Block B spend was noted to be slightly behind, however the Board acknowledged the potential impact of pay pressures and travel and subsistence costs, which would require close scrutiny.

4.3 Risk management (HIEA 2012/00218)

The Head of Business Improvement and Internal Audit introduced the risk register which recorded the highest risks facing HIE. The Board noted that Business Improvement and Internal Audit had liaised with staff across the organisation to ensure the risks identified on the register appropriately reflected the key opportunities and challenges to deliver HIE's outcomes. The Board noted the new risk SR 14/13 regarding HIE's ability to maximise benefit from additional funding such as shovel ready monies. The Head of Business Improvement and Internal Audit also described work underway to consider the measurement of HIE's regional outcomes and the creation of an outcome framework by the end of the financial year 2012-13.

4.4 Draft Risk and Assurance Committee minutes 18 September 2012

Board member Steve Thomson, Chair of the Risk and Assurance Committee introduced the minutes of the Risk and Assurance Committee meeting on 18 September 2012.

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

It was also highlighted that the Committee would consider an annual effectiveness review at their next meeting in December 2012. The Chairman congratulated the Committee and HIE Finance staff on Audit Scotland's praise for the efficient handling of the HIE annual accounts 2011-12.

4.5 Aviemore Highland Resort write off (HIE 2005/02371)

The Board approved the paper and recommendation to seek Scottish Government consent to formally write off equity of £2,400,000 following the dissolution of the Aviemore Highland Resort company in September 2010. On 19 June 2009, Aviemore Highland Resort entered into Administration and was acquired by MacDonald Aviemore Highland Resort on a going concern basis from the Administrators. The price achieved for the sale was insufficient to make payment to any creditor other than the secured creditors. HIE's legal department confirmed that all necessary steps had been taken with regard to the recovery of outstanding sums due and the paper recommended the debt be written off. The Board agreed that HIE's investment package in 2004 in the resort had ensured the successful redevelopment of Aviemore and the high quality facilities remained for the benefit of the local community. It was noted that provision had been made in previous year's HIE financial accounts and there would be no impact on the current financial year. The Board requested that lessons learned from the project be captured.

4.6 Item removed for reasons of conflicts of interest.

5 PAPERS FOR DISCUSSION

5.1 Lochboisdale Port project update (ING 2010/00067)

The Director of Strengthening Communities presented the paper which provided the Board with an update on progress towards the development of the Lochboisdale port. Following Board approval of £5,053,050 in November 2010, a number of significant changes within the project had taken place. It was confirmed that none of the changes would affect the social or economic impacts of the investment, however the project was recognised to be at a critical stage with detailed design close to completion and the scheme progressing to tender stage imminently.

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

5.2 Inverness Campus update (IEH 2007/01788)

The Director of the Inverness Campus joined the meeting to present an update on progress towards the development of the Inverness Campus and to provide some detail in advance of the Board's visit to the Campus site following the meeting. Progress with the Campus main infrastructure contract remained on target for completion by the contracted date of 8 May 2013. The Inverness Campus Development Strategy was noted to be at final draft stage and would be presented to the next meeting of the Inverness Campus forum on 19 November 2012. A draft Campus Marketing Strategy was in development and would be presented to the Leadership Team on 12 November for consideration. Specific projects including wayfinding and signage and sport and community facilities were on track in addition to preparation of design and tender detail regarding ongoing facilities management. Turning to Inverness Campus partners, the Board discussed the Inverness College, the Scottish Rural College (SRUC), UHI and Calbyn and agreed that HIE should continue to work closely with each group. The Board discussed proposals for 'Eolas', an inter-disciplinary Research Centre and reflected on the significant ongoing fundraising requirements and need for high value equipment and facilities. It was advised that the Inverness Campus forum in November would consider the project and surrounding factors in more detail. The Board welcomed the paper and noted the progress.

5.3 Digital Healthcare (HIE 2012/00407)

HIE's Head of Life Sciences and Senior Development Manager joined the meeting to present the paper and set of development initiatives to progress the digital healthcare sector within the Highlands and Islands. Four proposals were outlined including: the development of a Hub Company to act as a conduit between Highlands and Islands businesses and the global market place; a digital health incentive programme aimed at accelerating the growth of the cluster; a virtual innovation network that would connect lead innovators from industry, academia and service provision; and an academic accelerator project to support collaborative, multidisciplinary research involving universities and health boards. The Board welcomed the proposals which would work together to align and develop the digital health sector. The Board queried the location of the proposed Hub Company and it was confirmed that the location would likely be within the Inverness to Elgin area. The Board reflected on the potentially significant value to the area following commercialisation of new and innovative technology and noted that over 40 highly regarded organisations were already active within the region. In addition, it was noted that strong partnerships were growing between the industry, NHS bodies and academia. Following discussion the Board agreed that the sector provided an exciting opportunity for the region and endorsed the proposals within the paper. It was noted that the detail of the proposals and associated financial requirements would be finalised within the delegated authority of the Leadership Team.

5.4 Youth Employment (HIE 2004/02226)

In February 2012, the Board considered a paper on the Scottish Government's Youth Employment agenda and HIE's role in supporting this. The Chief Executive presented a further paper, updating the Board on the activities underway and future proposals. The Board welcomed the news that the TalentScotland Graduate Placement programme had supported 94 graduate placements in the Highlands and Islands over 2011 and 2012, with a retention rate of 40-50%. Within HIE, senior management had set an aspiration to employ 10% of HIE's total workforce as young people and the Board welcomed the news that a further seven graduate placement positions had been recently approved. The Board agreed that deepening the relationship between business and schools was important, to communicate the career opportunities available. The Chief Executive highlighted that a regional skills investment plan was being developed for the Highlands and Islands in collaboration with Skills Development Scotland (SDS) and the Scottish Funding Council (SFC) and that youth employment would remain a key priority and ambition for HIE.

5.5 Business Performance in the Highlands and Islands (HIEA 2007/02738)

The Board noted the results of HIE's online business panel survey regarding business performance in the Highlands and Islands. The online panel had been established with a view to helping HIE to understand and respond quickly to the Highland and Islands economy by providing detailed and real time insight into the challenges and opportunities. The survey, distributed in September 2012, assessed business performance, confidence, aspirations for growth, access to finance, labour market supply and overseas trade. The Board welcomed the report which gave a real insight into the mixed fortunes in the current economic climate. While challenging conditions remained, a cohort of businesses and social enterprises appeared to be thriving and remained optimistic about future growth prospects. The Board noted that effort was being made to increase the number of businesses on the sample which would enable further categorisation of the findings by sector and geographical areas including islands.

5.6 Staff Survey (HR 2012/00030)

The Board was presented with a copy of the full staff survey results and accompanying paper which summarised the key findings. 92% of staff had responded to the survey, which was an excellent response rate. Positive views from staff were noted around areas including staff understanding of the organisation, motivated and committed employees and pride in working for HIE. The Board agreed that action planning was the next vital step, to build on the strengths of the organisation and focus on improvement where necessary. The Board congratulated all HIE staff on an excellent result.

6 PAPERS FOR INFORMATION

6.1 HIElights (HIE 2004/02226)

The Board welcomed the paper which was the third edition of HIE's new *HIElights* publication.

6.2 Scottish Land Fund (HIEA 2012/00359)

Noted.

6.3 Gaelic Plan 2012-15 – approved version (HIEA 2012/00088)

The Board congratulated staff on an excellent plan which had been approved by Bord na Gaidhlig. It was agreed that the Board would be given further opportunity to comment on the brief for the research to be conducted into the economic and social impact of using Gaelic as an asset in the Highlands and Islands.

6.4 Equality Framework (HIE 2007/02439)

The Board welcomed the paper and agreed to endorse the framework.

6.5 Property Activity Report 2012 – 13 Q2 (HIE 2008/00768)

The Board noted the report which detailed activity surrounding HIE's property portfolio including rent arrears, sales and vacancy rates during the period 1 July to 30 September 2012. It was advised that HIE's property sales target would be reviewed in the coming weeks. The Board noted the increase in the level of rent arrears and were informed that the figure included a significant rental due which was being actively pursued. The Director of Finance and Corporate Services agreed to review property sales with an asset value of zero.

6.6 Quarterly Economic report – October 2012 (HIEA 2012/00027)

The Board welcomed the informative report and agreed that it should be passed to the secretariat for the Convention of the Highlands and Islands.

6.7 HIE significant approvals July to September 2012 (HIE 2004/02226)

The Board noted the summary of significant financial approvals by HIE for the period July to September 2012.

6.8 Scottish Parliament EETC written evidence (HIE 2008/00983)

The Board noted the paper which had been submitted to the Scottish Parliament Economy Enterprise and Tourism Committee in advance of the appearance of both the Chief

Executive and Director of Finance and Corporate Services before the Committee on 31 October 2012.

6.9 Board member updates (HIE 2004/02226)

The Chairman thanked Board members for their activity and input over the previous weeks and months as detailed within the paper.

6.10 Board calendar 2013-14 (HIE 2004/02226)

The Board welcomed the programme of dates for the year 2013-14 and increased emphasis on opportunities to visit areas of the Highlands and Islands region. It was highlighted that arrangements were currently underway to enable more engagement with Boards of relevant partner organisations. The schedule would be circulated by email to Board members and amended where possible to accommodate any diary clashes.

6.11 AOB

None.

6.12 Forthcoming Board Dates

The Board noted engagement in Caithness and Sutherland on 13 and 14 November 2012 and the next meeting of the Board on 11 December in Cowan House.

Anna Miller
22 November 2012
(HIE 2004/02226)