

PUBLICATION

HIGHLANDS & ISLANDS ENTERPRISE

HIE 06/11

BOARD MEETING – TUESDAY 14 JUNE 2011, 10.00 COWAN HOUSE, INVERNESS

MINUTES

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

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
Graeme Harrison	Head of Energy - Orkney (item 4.1)
Martin Johnson	Area Manager – Inner Moray Firth (item 4.1)
Kathleen Ryan	Head of Operations – Inner Moray Firth (item 4.1)
Chris Roberts	Head of Marketing and Communications (item 5.1)
Lynn Cameron	Marketing and Communications (item 5.1)
Dyan Berry	Carbon Project Officer (item 5.4)
Neil Ross	Head of Community Growth (item 5.5)
Ruaraidh MacNeil	Project Director - Inverness Campus (item 5.6)
Anna Miller	Leadership Support Manager

1 STANDING ITEMS

1.1 Apologies

No apologies were intimated.

1.2 Declaration of interest

In respect of item 3.6, Pension Plan update, the Chair confirmed that HIE Directors, excluding Forbes Duthie, had not received a copy of the paper and would be asked to leave the room for the duration of the discussion.

1.3 To approve the minutes of Tuesday 5 April, Wednesday 4 May and Thursday 12 May 2011 (HIE 2004/02226)

The minute of the meetings on Tuesday 5 April, Wednesday 4 May and Thursday 12 May 2011 were approved.

1.4 Matters arising

Item removed for reasons of substantial prejudice.

2 UPDATES

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

The Board reflected on the extremely busy period in which the Chief Executive had undertaken a number of engagements. Following the election in May, a number of meetings had taken place with the Scottish Government and MSPs across the Highlands and Islands constituencies.

The Chief Executive updated the Board on progress across a number of HIE projects and workstrands including Wind Towers Ltd; BDUK Broadband procurement; inward investment; the All Energy renewables event; and the creative industries event GoNorth. The Board's attention was drawn to the volume and breadth of work recorded in item 6.4 General Update, which reflected an active and dynamic period for HIE and the Highlands and Islands.

2.2 Scottish Government update (HIE 2008/00982)

Following the Parliamentary elections in May 2011, the Chair described the new Scottish Parliament and Scottish Government landscape. Specific changes for HIE included the appointment of Fergus Ewing MSP to the Minister for Energy, Enterprise and Tourism. Early discussions had highlighted two key national themes and priorities: increasing the value of Scotland's overseas exports by 50% within six years, and generating the equivalent of 100 per cent of Scotland's own electricity demand from renewable resources by 2020.

In September 2011 the Scottish Government will publish a budget to 2014 and programme of ambitions for Scotland for the next five years. It was believed that the Government Economic Strategy would remain largely unchanged and that the Enterprise Agencies and 'Team Scotland' would be required to maximise opportunities for collaboration.

3 RESOURCES AND GOVERNANCE

3.1 Budget 2011-12 and Financial report to 31 May 2011 (2004/02226)

The Director of Finance and Corporate Services outlined the Financial Report, which set out the basis of HIE budgets for 2011-12 and also the financial performance for the two months to 31 May 2011. The total budget figure was based on Block B, development support costs, regionally significant investments and other items such as European Regional Development Fund (ERDF) and resource allocation budget (RAB). For internal purposes, HIE had set budgets across the organisation for 2011-12 period, with an indicative budget for 2012-13 to aid business unit planning. The Board noted the income figure for 2011-12 had increased from that published in the HIE Operating Plan, from £75.297m to £79.456m, as a result of an increased property sales target and additional Grant-in-Aid specifically for investment in Scrabster Harbour. The Block B budget had been set at £15.4m for the year, representing a reduction from £17.4m over a two year period. The Block A budget, after regionally significant investments, remaining for discretionary spend was noted at £15.8m for investment in projects across Area Teams and Business Units. Alterations to the budget for 2011-12 included an increase in the discretionary budget commitment ceiling from 120% to 130%, which would further reduce the potential for slippage associated with slow conversion of commitment to spend. A move to two monthly budget reviews with business units had also been introduced as part of enhanced budgetary planning. This approach would provide early indication of areas of potential slippage and opportunities for increased investment. All

HIE Area Teams and Business Units had been informed of their allocated budget in May 2011.

The Board welcomed the report and the new dynamic and active approach to budget setting and financial review for the coming year. It was agreed that HIE must continue to promote the message internally and externally that HIE has budget available for investment in the Highlands and Islands.

Turning to the financial statement to 31 May 2011, spend was noted to be 8% for April and May, which reflected the legacy of significant effort in delivering investment targets in March, and was not unusual for this time of year. The Director of Finance and Corporate Services highlighted that significant spend was forecast in June, which would raise the spend profile. Commitment was currently 146% and work was underway to review the calendarisation of commitment across the financial year. The Director of Finance and Corporate Services was confident that following increased spend in June 2011, the spend profile for the first quarter would represent a good result.

3.2 Corporate Report Approach (HIEA 2011/00338)

The previous corporate reporting framework had been introduced to provide HIE leadership team and the Board with integrated information on organisational performance, financial reporting, assurance information and risk management, as part of a single corporate reporting framework. This reporting mechanism had been used to highlight the organisation's performance against a number of key performance indicators. As a result of significant organisational change and a new HIE Operating Plan with four clear priorities, it was recommended that the corporate report be modified to ensure that it continued to meet the requirements of the HIE Board and Leadership Team. The Board was advised that the report would look broadly similar, using a small number of top level indicators, strategic and tactical strands and the use of traffic light signals to identify priority areas. Under the strategic strand, performance would be measured against each of the four priorities and further work would be undertaken to develop useful management information to confirm progress against each. A key measure of performance would be progress against each of HIE's current 16 Regionally Significant Investments which would underpin delivery of the four HIE priorities and have a significant role in the long term economy of the Highlands and Islands. The Board endorsed the new approach.

3.3 Risk management (HIEA 2010/00420)

The Board was presented with a summary of the highest risks currently faced by HIE as assessed by HIE management. The Head of Business Improvement and Internal Audit described recent changes to the register. Following a request from the Scottish Government, the report had been modified to more closely align with the format of the overarching Sponsor Team register of risks, which included those of Scottish Enterprise and VisitScotland. In addition, the headings of the register had been refreshed to reflect the new operating plan and corporate report. The Board discussed the addition of the target risk column and how this could be used to capture HIE's appetite for risk. It was agreed that the register would be discussed at the Risk and Assurance Committee meeting on 15 June and, in particular, the process to effectively capture HIE's risks. At the next meeting of the HIE Board in August, a more generous amount of time would be provided to enable the Board to discuss the register and the individual risks in more depth.

3.4 HIE Secretary and Standards Officer

Following recent changes to the Corporate Office within HIE, the Board noted that the Director of Finance and Corporate Services had assumed the role of HIE Company Secretary and the Human Resources Services Manager had been appointed HIE's standards officer. The Chair reflected on the importance of both roles within HIE and the

valuable support to the Chair and Chief Executive provided by the Company Secretary position.

3.5 Conflicts of interest – prior approval process – as at 03 May 2011(HIE 2004/02226)

The Board noted the list of organisations which had been reviewed and amended following the recent update to the registration of Board member and Executive Grade interests. It was outlined that the organisations categorised as high risk were subject to the prior approval policy, which required that the Chief Executive give prior approval to any transaction between HIE and the organisation. The Board noted the update.

At this point Charlotte Wright, Carroll Buxton, John Watt, Sandra Dunbar and Karen Moncrieff left the room.

3.6 Pension Plan update (HIE 2004/02226)

The Director of Finance and Corporate Services provided the Board with an update on HIE's current position with the Pension Fund. The Board discussed the recent UK Government's published review of pensions and the public sector union response. It was noted that in April 2011, Zahir Fazal from BEST Trustees had been appointed as an independent professional Chair of the HIE Pension Fund Trustees. Referring to the deficit recovery plan, the Board was advised that with the agreement of the Scottish Government, HIE paid £1.5m in March 2011 towards HIE's pension fund which represented the next three years of the £0.5m deficit annual plan contributions. It was agreed that the HIE Board would welcome a further discussion regarding the pension plan and the specific responsibilities of the Board.

At this point Charlotte Wright, Carroll Buxton, John Watt, Sandra Dunbar and Karen Moncrieff joined the meeting.

4 INVESTMENT PROPOSALS

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

5 PAPERS FOR DISCUSSION

5.1 Marketing Strategy and Communications Plan (2004/02226)

The Head of Communications and HIE's website manager joined the Board to outline HIE's draft marketing and communications plan. The new plan reflected a change in emphasis within the team which gave a greater focus to marketing in addition to corporate communications. The strategy and plan would enable better consistency of approach and co-ordination across the organisation, streamlining HIE's marketing efforts. It was described that the new approach would use marketing research and information to better understand HIE's customer needs and inform HIE's products and processes.

In discussing the basis of the plan which was founded on customer perceptions, it was advised that direct research of HIE's clients had been conducted in addition to information supplied by HIE staff, and in particular area office staff and account managers. HIE's senior research manager had worked closely with the Marketing and Communications staff in the provision of research information and to identify key research requirements for the future. The Board emphasised the need to ensure that HIE's key messages were well understood and adopted by staff and that this must be the first target audience of the marketing plan. The Board discussed the need to communicate with the general public across the Highlands and Islands and beyond, and agreed that local and national media, the HIE website, and new social media provided wide coverage. It was recognised that marketing had a key role in influencing and shaping HIE's approach to ensure that customer needs were being

addressed from the outset. The Board welcomed the new approach and marketing plan and congratulated the team for the work undertaken.

5.2 Research and Evaluation Plan (HIE 2011/0369)

The Board was introduced to the draft Research and Evaluation plan which recommended key areas of research to be taken forward by HIE. The plan was based on research around the four Operating Plan priorities to ensure appropriate use of HIE's resources and best value for the organisation. The plan also recognised that research information was an ever-increasing valuable tool in providing a robust evidence base to underpin decision-making and strategic choices. It was advised that in the coming year a procurement exercise would commence to set up a framework agreement under which all HIE's research activity would be commissioned. This would provide the best value for money and a consistent approach across the organisation.

In discussing the report the Board encouraged that HIE staff seek opportunities to collaborate with partner organisations in the commissioning and sharing of research. The Board endorsed the plan and welcomed the improved clarity of direction.

5.3 Business and Community Engagement (HIEA 2009/00296)

This paper sought to summarise HIE's approach to business and community engagement across the HIE area during 2010-11 and recommended a refreshed arrangement going forward. It was agreed that engagement by HIE senior staff and Board members with businesses and communities across the Highlands and Islands had a vital role in enabling an exchange of information to shape HIE's strategy and direction. To date engagement had been primarily delivered through face-to-face meetings across each area in combination with the use of HIE's online 'access panel', which enabled online research to be carried out across a wide sectoral and geographical range of HIE clients. The Board endorsed the proposed approach which would give greater flexibility to each area team to tailor business and community engagement according to their specific needs and existing arrangements. A minimum of one visit each year would be undertaken by the Chair, Chief Executive and accompanying Board members to each of the areas. The online research would also be developed further. The Board expressed enthusiasm to be more involved in engagements with sectoral forums and wider discussion groups. It was agreed that Leadership Support staff would circulate further information regarding forthcoming events and engagements across the HIE area. In conclusion, the Board endorsed the approach as detailed within the paper and noted that the Strategic Engagement team would provide a collation of key actions and messages following each engagement.

5.4 Carbon Management Plan (HIEA 00167)

HIE's Carbon Project Officer presented the Board with HIE's first Carbon Management Plan which covered areas within HIE's Block B consumption such as business travel, waste, energy and water. Working with the Carbon Trust, HIE had recently completed the plan which set a target of a 20% reduction in carbon emissions by 31 March 2014. The Board was informed that the Carbon Trust had approved HIE's plan and the Board congratulated the Carbon Project Officer and Carbon Champions across the organisation. Referring to the volume of car travel required as part of HIE's work, the Board discussed ways to minimise carbon output including car sharing, using public transport and adopting flexible working from alternative offices or home. The Board encouraged that HIE should be ambitious in seeking further opportunities to reduce the organisation's carbon footprint and should strive to be an exemplar in this area.

At this point Jim Royan left the meeting.

5.5 Gaelic Plan (HIE 2007/01364)

The Head of Community Growth joined the meeting to present year end progress against the targets as set out in HIE's Gaelic Plan 2009-12. HIE's plan was approved by Bord na Gaidhlig in March 2009 and was being implemented across the organisation and steered by an internal staff cohort which regularly met to agree key actions and priorities. In addition, a wider Gaelic Plan practitioners group had been created with representation from a variety of public sector agencies from the Highlands and Islands. In discussing the plan the Board welcomed HIE's progress towards the priorities and agreed that the plan offered a logical framework for HIE. Turning to wider opportunities for Gaelic, the Board reflected on the Gaelic language as a strategic asset and HIE's role in leveraging this asset to create economic and social return. It was suggested that the Gaelic Sectoral Panel, co-ordinated by HIE and representing a number of entrepreneurs using Gaelic in their business, could enter into a new phase to consider significant regional opportunities to maximise the use of Gaelic as an economic development tool. It was agreed that a creative and ambitious approach should be taken to the development of cultural tourism in the Highlands and Islands to derive greater benefit.

5.6 Inverness Campus update (HIE 2011/0001)

The Inverness Campus Director updated the Board on key areas of progress over the period from April to June 2011. The report was accompanied by a financial summary and the recommendations of the Inverness Campus wider benefits review. Referring to roads and infrastructure, the Board noted the requirement for additional road improvements at the proposed entrance to the Campus site.

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

Procurement of a contractor for the Campus infrastructure contract was nearing conclusion, with detailed submissions invited from seven short-listed companies. Final submissions would be received in July, with a selection process completed in early August. The results of the process would be presented to the Board at their meeting on 23 August 2011. The Board welcomed the update and reflected on the beneficial visit to the Inverness Campus site prior to the Board meeting. The Board discussed the Campus and the components of further education, higher education and interdisciplinary research.

5.7 CairnGorm Mountain Ltd (HIEA 2009/01268)

The Board was provided with an update report on the range of work underway regarding CairnGorm Mountain Ltd. At the year end 31 March 2011, the company reported a net profit of £430,744. Although a good result, this represented a drop of £232,378 from the previous year's out-turn, despite record sales of £5.2m. It was noted that higher wages and maintenance costs had been the principle factors in the reduced profit. The Board was advised that the number of summer visitors declined and that the 'revenue enhancement model' would be critical in turning around the summer visitor offering. The Board encourage that HIE continue to work with CairnGorm Mountain Ltd to drive this area of work forward. Turning to the procurement of a new operator for the Cairngorm Funicular and Operating Facilities, expert advice would be taken with regard to the most effective media in which to place a notice to seek expressions of interest and comments regarding a potential new operator.

6 PAPERS FOR INFORMATION

6.1 HIE Property Activity Report (HIEA 2008/00758)

Noted.

6.2 Public Sector Employment Study (HIEA 2009/01585)

The Director of Business and Sector Development drew the Board's attention to the study which had been commissioned jointly by HIE and the Highland Council to assess the impact of the tighter public sector budget settlements on the wider Highland economy. The report highlighted the need for a broad approach to diversify the region's economy for longer-term economic sustainability and growth.

6.3 Economic Report (HIEA 2009/01585)

Noted.

6.4 General update (HIE 2004/02226)

The Board recognised the breadth of activity across the organisation and noted the commitment and input from HIE staff in the delivery of HIE's remit.

A Miller
14 June 2011
(HIE 2004/02226)