

## HIGHLANDS AND ISLANDS ENTERPRISE

HIE 07/14

## BOARD MEETING – TUESDAY 10 FEBRUARY 2015, NATURAL RETREATS, JOHN O’GROATS

## DRAFT MINUTES

**PRESENT:**

Lorne Crerar (Chairman)  
 Alex Paterson (Chief Executive)  
 Paddy Crerar  
 Alistair Dodds  
 Giles Hamilton  
 Donald MacDonald  
 Donald MacRae  
 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     |
| Sandra Dunbar    | Head of Business Improvement and Internal Audit |
| Karen Moncrieff  | Head of Human Resources                         |
| Belinda Oldfield | Shadow Board Member                             |
| Chris Roberts    | Head of Communications                          |

|                          |
|--------------------------|
| <b>1. STANDING ITEMS</b> |
|--------------------------|

**1.1 Welcome and apologies**

Apologies were received from Iseabail Mactaggart and Rachael McCormack. The Chairman noted that Craig Spence was unable to be present at the start of the meeting, but was expected to join later.

**1.2. Declarations of interest**

The Chairman declared a conflict of interest relating to item 2.4a, relating to the acquisition of assets from Pelamis Wave Energy Ltd.

Steve Thomson declared an interest in another wave energy company, however it was agreed that this did not present a conflict of interest with any matter on the agenda.

**1.3 Minutes of the meeting held on 9 December 2014**

The minutes of the Board meeting held on 9 December 2014 were approved. It was noted that the Risk and Assurance Committee would take place on 10 March, not 11 March as stated.

## 1.4 Matters arising

It was confirmed that Inverness Campus would be officially opened by the Deputy First Minister on 15 May 2015, and that HIE would host an all staff conference, its first in nine years, on 26 and 27 May 2015.

## 2. UPDATES

### 2.1 Chairman's and Chief Executive's update

HIE 2004/02226

The Chief Executive welcomed Board members to John O'Groats, noting that the masterplan to develop the town, led by HIE's Caithness and Sutherland area team, had already achieved considerable success. This included significant investment from the private sector, with tourism operator Natural Retreats working well with local suppliers and helping to make John O'Groats an attractive destination.

Mr Paterson said that several events were being planned during 2015 to mark the fiftieth anniversary of the founding of the Highlands and Islands Development Board.

It was noted that HIE was one of the first major public agencies in Scotland to achieve accreditation as an Investor in Young People, reflecting its role as an employer. A new intake of graduates is currently being recruited.

HIE directors had participated in workshops and consultative events organised by the Scottish Government to communicate the new Programme for Government and help shape a new economic strategy for Scotland. HIE's Chairman and Chief Executive had also discussed the Programme for Government and HIE's plans for its new Operating Plan as part of a very positive meeting with the Deputy First Minister during a visit to Inverness in January.

Board members joined Mr Paterson in congratulating Professor Crerar on being re-appointed as Chairman for a further three years from March 2015. The Chairman said he was honoured to have been reappointed, and reported that he had formally requested one year extensions for both Steve Thomson and Craig Spence, which were expected to be confirmed shortly.

The Chairman reported that he and the Chief Executive had taken part in the latest meeting of the Inverness Campus Partnership Forum, chaired by the Deputy First Minister, and regarded as a model of collaborative working.

The Chief Executive had held a productive meeting in Inverness with Alex Neil MSP, Cabinet Secretary for Social Justice, Communities and Pensioners' Rights, focusing on HIE's role in strengthening communities.

The Board noted that the Highland and Islands had scored a notable success in this year's Scottish Life Sciences awards, with businesses based in the region winning three out of the eight national categories. Congratulations were expressed to the winners: Frontier Science, Inverness; Tactical Wireless, Forres, and BASF Pharma (Callanish), Lewis.

Following an earlier HIE Board approval, Fergus Ewing MSP, Minister for Business, Energy and Tourism, had announced a funding package from HIE and Scottish Enterprise to upgrade aging ski lift infrastructure at Glencoe, Nevis Range, the Lecht and Glenshee.

*[Sentence removed as disclosure at this time could have a detrimental effect on commercial interests and could prejudice the effective conduct of public affairs.]*

Professor Crerar reported that Board to Board meetings were currently being sought with VisitScotland and Scottish Funding Council. Steve Thomson suggested that a similar meeting with the Board of Caledonian MacBrayne would also be productive and the Chairman agreed this opportunity should be pursued at an appropriate time.

The Chairman also reported that he had held a meeting with Scottish Government officials leading on the development of the Scottish Business Development Bank. A further meeting was planned and an update on HIE's relationships with banks will come to a future Board meeting.

## **2.2 MeyGen Tidal Project: Phase 1a**

**HMS 9346948**

The Director of Business and Sector Development presented an update on progress with the MeyGen tidal energy project, for which the Board had approved £3.31m funding in April 2014. The Director reported that a £2m funding gap which had existed at the time of the HIE Board's approval, had now been resolved and the £54m project was now fully funded. The Board welcomed the update and agreed that these changes were within the existing scope and funding approval for this project, enabling HIE funding to be released.

**2.3** *[Item removed as disclosure at this time could have a detrimental effect on commercial interests and could prejudice the effective conduct of public affairs.]*

## **2.4a Wave Energy Scotland: Acquisition of Pelamis**

**HIE 2014/01229**

*Professor Crerar declared an interest and left the meeting. Steve Thomson chaired this item.*

The Director of Business and Sector Growth presented a paper describing the actions which HIE had taken to establish and operate Wave Energy Scotland (WES), the new research and development body for the wave energy industry. The establishment of WES as part of HIE and fully funded by Scottish Government, had been announced in the Scottish Parliament in November 2014, and confirmed in a letter from the Energy Minister to the HIE Chief Executive the following month. The paper focused in particular on HIE's successful acquisition of certain assets of wave energy developer Pelamis Wave Power, including intellectual property, from administrators KPMG, which had concluded in January 2015.

The Board welcomed the update, and congratulated HIE staff involved for completing a very challenging task in a demanding timescale. It was noted that HIE was in the process of capturing lessons learned from this exercise, which would be applied in any future case of a similar nature.

*Professor Crerar rejoined the meeting and resumed the chair.*

## **2.4b Wave Energy Scotland: Operational progress**

**HIE 2014/01229**

The Director of Business and Sector Growth provided the Board with an update on progress in establishing Wave Energy Scotland (WES) as part of Highlands and Islands Enterprise. The report described the general operating and governance arrangements and technical delivery processes which had been put in place to enable WES to perform effectively as a Scottish Government-funded research and development body for the wave energy sector which would be fully compliant with State Aid regulations. HIE's Director of Finance and Corporate Services, and Director of Business and Sector Development had been appointed interim Directors, and HIE's Head of Legal Services was acting as company secretary. All

contracts and approvals to date had been approved by the HIE Chief Executive, a project board with representatives of the Scottish Government and Scottish Enterprise had met regularly, and an internal HIE project team was meeting weekly. While much of WES's initial focus had necessarily been devoted to acquiring certain assets from Pelamis Wave Energy, a business plan was also in development. A member of HIE's Energy Team was acting as Interim Director of WES, and excellent support had been contributed by the Carbon Trust and the University of Edinburgh.

The Board welcomed the progress report and asked for it to be presented to HIE's Risk and Assurance Committee, which was due to consider another paper setting out detailed governance and accountability arrangements for WES in March. It was also agreed that HIE's Joint Head of Energy, Elaine Hanton, and the Interim Director of WES, Tim Hurst, would present a further update to the HIE Board at its next meeting, on 28 April 2015

### 3. RESOURCES AND GOVERNANCE

#### 3.1 Financial Statement to 31 December 2014

HIE 2009/00611

The Director of Finance and Corporate Services presented the Financial Statement, summarising HIE's income and expenditure position for the nine months to 31 December 2014. The overall position was very positive, although property sales remained a challenge. HIE's Finance Team was continuing to work very closely with budget managers across the organisation to ensure that all financial commitments and targets would be managed and delivered for the financial year end on 31 March 2015. In a verbal update covering January, the Director informed the Board that overall spend had risen to 70% of budget, and expressed confidence that HIE's financial targets for 2014/15 would be met in full.

#### 3.2 Corporate Report

HIEA 2013/00841

*Including comment on Global Ambition*

The Director of Regional Development presented the Corporate Report for February 2015, detailing HIE's progress in delivering its four priorities set out in the Operating Plan 2014-17. This showed that good progress was being made towards achieving all performance measures, with a strong pipeline of projects coming through to sustain progress during the rest of the year.

With Inverness Campus due to be officially opened by the Deputy First Minister on 15 May 2015, the Chairman requested an update on this project at the Board's April meeting.

#### 3.3 Priority Progress Report:

HIE 2014/02393

**Developing growth sectors, particularly distinctive regional opportunities**

The Director of Business and Sector Development presented a report on progress made in delivering HIE's priority: *Developing growth sectors, particularly distinctive regional opportunities*, one of four complementary priorities identified in the 2014-17 Operating Plan. The report described current activities in six of the seven sectors identified in the HIE Operating Plan and the Government Economic Strategy as having the greatest impact on national growth, namely: energy, life sciences, food and drink, finance and business services, tourism, and creative industries. (HIE's role in growing the universities sector had been reported to the Board at its last meeting.) A 'Forward Focus' section under each sector heading also described actions which HIE is planning to take to continue to develop opportunities and tackle challenges affecting the economy.

The Board welcomed the report, and requested an update focusing on the tourism sector in particular, to be presented at its next meeting.

### **3.4 Risk Register**

**HIE 2014/00216**

The Head of Business Improvement and Internal Audit presented HIE's Corporate Risk Register, which had been compiled from review of business unit registers and discussions with HIE staff. This described 13 strategic risks and six tactical risks which HIE had identified in January 2015, and the actions which were being taken to address them. It was agreed that the risks associated with the oil and gas sector would be reviewed to ensure sufficient prominence.

### **3.5 Draft HIE Risk and Assurance Committee Minute: 10 December 2014**

**HIE 2004/02226**

Steve Thomson, as Chairman of the Risk and Assurance Committee, presented the draft committee minute from December 2014. Minutes of the Risk and Assurance Committee are presented to the HIE Board in draft form for information, prior to being considered for approval by the Committee itself.

In response to a request from the Board Chairman, the Director of Finance and Corporate Services updated the Board on implementation of a contingency plan regarding new arrangements with external contractors to manage HIE's IT infrastructure as part of a shared services agreement with Skills Development Scotland and Scottish Enterprise. Mr Thomson confirmed that the Committee was assured that arrangements to activate the new contracts were appropriate. The Board also noted that a target was expected to be set at the next Risk and Assurance Committee for staff uptake of HIE's electronic document and records management system.

### **3.6 Programme for Government and Strategic Guidance For HIE 2014/16**

**HIE 2004/02225**

The Chief Executive presented the letter of guidance received from the Deputy First Minister which will inform HIE's new Operating Plan 2015-18, and drew the Board's attention to particular areas of emphasis, including the themes of internationalisation, innovation, investment, and inequalities which are highlighted in the letter and run through the recently published *Programme for Government*. Mr Paterson reported that a new Government Economic Strategy was currently in preparation and expected to be published in the spring.

The Chairman noted that the letter had been received before he and the Chief Executive had met the Deputy First Minister in January, and had formed the basis for their discussions.

### **3.7 Draft Operating Plan 2015-18**

The Chief Executive presented the Board with an early draft of Building our Future: HIE's Operating Plan 2015-18, which is scheduled to be finalised and published before the end of March 2015. The Operating Plan will again focus on delivery of HIE's four priorities, as defined in the current plan, and reflect areas of importance highlighted in the national economic strategy, currently being developed by the Scottish Government.

#### 4. INVESTMENT PROPOSALS

##### 4.1 ScotGrad Highlands and Islands

HMS 9346957

The Director of Business and Sector Development presented a paper recommending HIE cash funding totalling £3,068,454 over three years, comprising £1,841,472 HIE grant-in-aid and £1,227,381 EU funding, to ScotGrad Highlands and Islands. This refreshed graduate and student placement programme will focus on growth through innovation, internationalisation and capacity building, and be based on the successful delivery of previous programmes delivered by HIE which had provided a range of benefits for both graduates and employers. ScotGrad Highlands and Islands would operate through five strands: graduate placement; summer placement; Gaelic summer placement; knowledge exchange, and community enterprise placement. Up to 345 placements were expected to be delivered between April 2015 and March 2018. In line with recommendations set out in the Scottish Business Pledge, the minimum salary for all strands would be the living wage. HIE's intervention rate would be 50% for the majority of placements, with higher levels available for those in fragile areas (70%) and community enterprises (80%).

The Board approved the programme, noting HIE's successful track record in placements, which play an important role in retaining and attracting young people to the region.

#### 5. DISCUSSION PAPERS

##### 5.1 Oil and Gas: Implications of global cost reduction

HIEA 2014/01290

The Director of Regional Development presented a discussion paper focusing on implications for the Highlands and Islands economy on the recent drop in the price of oil, considering the medium to long term implications of current trends on both the energy sector and the wider regional economy. The Board welcomed the report and requested updates at future meetings.

##### 5.2 Mobile Connectivity in the Highlands and Islands

HIE 2014/00005

The Director of Regional Development presented a paper describing the present level of provision of mobile phone connectivity across the Highlands and Islands, and putting forward proposals to improve provision. With 85 million mobile phones currently in the UK, and 4.8 million connections through laptops and tablet computers, mobile connectivity had become an essential part of modern life for businesses and residents, yet services across many parts of the Highlands and Islands do not meet expectations. The report noted that improvements led by mobile operators and currently-planned public investments would not move as quickly or extensively as HIE would wish to make a substantial positive difference. The organisation therefore planned to take a more proactive approach which would be complementary to its current work to deliver access to next generation broadband in all parts of the region.

The Board agreed that improvements to mobile connectivity was a priority for HIE, and looked forward to receiving updates at future meetings.

##### 5.3 Sustainable Construction Policy and Plan

HIE 2007/01685

The Director of Regional Development presented a draft update of HIE's Sustainable Construction Policy, which aims to play a part in transforming resource use and stimulate the

growth of a more circular and prosperous economy. The policy was approved, and will be reviewed annually and revised as appropriate by HIE's Head of Property and Infrastructure.

## **6. PAPERS FOR INFORMATION**

### **6.1 HIElights**

The latest edition of HIElights, the organisation's newsletter, was welcomed.

### **6.2 Economic Briefing: January 2015**

The Board welcomed the Economic Briefing for February 2015.

### **6.3 Gaelic as an Asset: Letter from Nova Scotia**

A letter was welcomed from the Gaelic Affairs Minister in the Canadian province of Nova Scotia, congratulating HIE on its initiative in leading a partnership to undertake recently-published research into the use of Gaelic as an asset.

### **6.4 2015: Scotland Year of Food and Drink**

The Board noted a programme of activity planned by HIE to capitalise on opportunities arising from Scotland's Year of Food and Drink 2015.

### **6.5 50 Years delivering economic and community development Across the Highlands and Islands**

Plans to mark the fiftieth anniversary of the establishment of HIE's forerunner, the Highlands and Islands Development Board, were described by the Chief Executive. The Board welcomed this and suggested that a leadership/mentoring scheme could be considered as part of the anniversary programme.

### **6.6 Q3 2014/15 Property Activity Report**

**HIE 2008/00768**

The report was welcomed. The Board noted that commentary to explain fully the situation regarding rent arrears would be useful and the Director of Regional Development agreed to include this in future reports.

### **6.7 AOB**

There was no other business.

### **7.2 Forthcoming Board dates:**

10 March 2015: Risk and Assurance Committee, Inverness

17/18 March 2015: Chair and Chief Executive Area office visit: Moray

28 April 2015: Board meeting, Inverness

15 May 2015: Opening of Inverness Campus

26/27 May 2015: HIE All Staff Conference to mark 50th anniversary and launch of Operating Plan, Inverness

09 June 2015: Risk and Assurance Committee, Inverness

Chris Roberts  
10 February 2015  
HIE 2004/02226