

## PUBLICATION

HIGHLANDS & ISLANDS ENTERPRISE

HIE 01/11

**BOARD MEETING – TUESDAY 08 FEBRUARY 2011, 10.00 COWAN HOUSE,  
INVERNESS**

### MINUTES

**PRESENT:** William Roe (Chair)  
Alex Paterson (Chief Executive)  
Mary Bownes  
Lorne Crerar  
Angus Mackenzie  
Craig Spence  
Steve Thomson  
William Swann  
Jim Royan (from item 3.5)

### 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 (from item 7)                             |
| Keith Bryers      | Head of Property and Infrastructure (item 2.2)                    |
| Alastair Nicolson | Head of Planning and Economics (item 3.1, 3.2, and 7.3)           |
| Calum Davidson    | Head of Key Sectors and Inward Investment (item 4.1)              |
| Donnie Macaulay   | Director of Competitive Region (by vc, item 4.1.1)                |
| Archie MacDonald  | Area Manager – Inne Gall (by vc, item 4.1.1)                      |
| Douglas Cowan     | Area Manager - Argyll and the Islands (by vc item 4.2)            |
| David Smart       | Head of Business Growth - Argyll and the Islands (by vc item 4.2) |
| Ruaraidh MacNeil  | Project Director - Inverness Campus (item 4.3)                    |
| Karen Thomson     | Development Manager – Inverness Campus (item 4.3)                 |
| Alison Sharp      | Planning and Economics (item 7.3)                                 |
| Helen Rice        | HIE Secretary   |
| Anna Miller       | Leadership Support Team   |

Following the appointment by the Scottish Government of three new HIE Board members, William Swann, Iseabail MacTaggart and Donald MacDonald, the Chair welcomed William Swann to his first HIE Board meeting. The appointments would run from 1 February 2011 to 31 March 2014. The Chair highlighted that from 31 March 2011, there would be a total of ten HIE Board members with four from the Islands and two fluent Gaelic speakers.

## 1 STANDING ITEMS

### 1.1 Apologies

Apologies were received on behalf of Iseabail MacTaggart and Donald MacDonald. It was noted that Jim Royan would join the meeting later in the morning.

### 1.2 Declaration of interest

Due to his membership of the Inverness Harbour Trust Board, Angus Mackenzie declared an interest in relation to item 4.1 *prioritising port and harbour investment for offshore*

*renewables*. Angus did not receive a copy of the paper and would be asked to leave the room for the duration of the discussion.

The Chair declared an interest in relation to item 1.4 and the verbal update on HIE's position with Atos-Origin and the delivery of information services.

### **1.3 To approve the minute of Monday 07 December 2010 (HIE 2004/02226)**

These minutes were approved.

### **1.4 Matters arising**

The Chief Executive advised the Board that the pension recovery plan provided to the pension regulator had now been approved.

In relation to item *3.4 delivering information services*, the Chief Executive advised the Board that authority had been delegated to the Chief Executive to clarify the remaining cost elements of the arrangement with Atos-Origin and at no point did the Chair have any involvement with Atos-Origin or Skills Development Scotland (SDS).

## **2 UPDATES**

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

The Chief Executive updated the Board on the new HIE Leadership Team which included the Director of Finance and Corporate Services, Director of Regional Development, Director of Business and Sector Development, Director of Strengthening Communities, Head of Human Resources, and Head of Business Improvement and Internal Audit.

The Board were advised that Skykon Machrihanish filed for bankruptcy on 24 December 2010, following suspension of payments in Denmark. Ernst and Young were the appointed administrators and HIE and SDI continued to work closely with Skykon to identify future options for the operation. The Board praised the work undertaken by the HIE area team in Argyll and the Islands.

The Chief Executive outlined the news that Scottish firm Global Energy Group had been named preferred bidder for the Easter Ross Nigg fabrication yard, currently owned by KBR and the Wakelyn Trust. The Board agreed the site was a valuable asset for the Highlands and Islands as a key strategic site in the development of renewable energy.

The Board welcomed the news of UHI Millennium Institute being awarded full University title on 2 February 2011. The Board reflected that the establishment of a University of the Highlands and Islands was an essential step towards improving the region's ability to build a globally-competitive economy.

The Chief Executive gave recognition to the number and range of positive announcements in the Highlands and Islands which had been reported in the media over the previous weeks.

The Chair reflected on HIE's appearance before the Scottish Parliament Economy, Energy and Tourism Committee on 19 January and thanked HIE staff for the excellent preparation and briefing. The Committee's report was anticipated late February.

The Chair advised that he had attended the Hebridean Task Force meeting in Benbecula on 4 February. 2010 had been very busy at the range and the future appeared positive. Further work was currently underway to identify options for the West Camp area of the operation.

## **2.2 Rok update (HIE 2004/02226)**

The Head of Property and Infrastructure updated the Board on the contracts previously awarded to Rok under the terms of HIEs framework agreement, that were affected following administration of Rok in November 2010. The Board discussed the ten building contracts with Rok at the time of administration including the European Marine Science Park (EMSP), Raasay House, Hatston Units in Kirkwall and Machrihanish. The Board were advised of progress with each project and recognised the complexity of the individual contracts which required a tailored response. In relation to the former Rok employees, the Board were informed that a total of 419 staff and 52 apprentices had been made redundant. Seven apprentices had yet to be placed and 145 people were currently registered with JobCentre Plus.

The Head of Business Improvement and Internal Audit advised the Board that a paper regarding the lessons learned from the administration of Rok would be discussed at the next meeting of the Risk and Assurance Committee on 10 March.

## **2.3 Moray update (HIE 2004/02226)**

The Director of Regional Development updated the Board on the ongoing campaign to retain RAF presence in Moray. HIE was playing a key role in the Moray Task Force, along with partners from the community, private businesses and the public sector. The Board noted the level of activity which primarily focussed on two areas: the case for retaining the RAF in Moray, and wider support to the economy during the run down of RAF Kinloss. It was underlined that the Scottish Government remained committed to the Moray Task Force and additional resource from HIE, Scottish Government and Scottish Development International (SDI) was in place to support the work and maintain the campaign profile. It was understood that an announcement would be made regarding the future of RAF Lossiemouth following the Scottish Parliamentary Elections.

## **2.4 CairnGorm Mountain Ltd (HIEA 2009/01267)**

The Director of Business and Sector Development updated the Board on the progress of work strands relating to CairnGorm Mountain. Oversight of the current operating company and its delivery of an enhanced revenue model was progressing well with the Inner Moray Firth area team supporting the account management relationship. Work was also underway towards the creation of a specification and the procurement of a new operating model and operator.

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

The complexities of the work to take forward the procurement were emphasised and the significant amount of HIE staff time and resource that would be required.

## **3 RESOURCES AND GOVERNANCE**

### **3.1 Corporate report presentation (HIEA 2010/01406)**

The Head of Planning and Economics presented the Board with the Corporate Report which detailed HIE's progress against a range of tactical and strategic measures. Looking at the economic context, the Board discussed the possible impact of the predicted public sector cutbacks and reduction in defence budgets and the potential for significant job losses across the Highlands and Islands. HIE's breadth of activity in the fragile areas was noted, with 29%

of volume and 28% of value of HIE's total commitment currently invested in fragile areas. Under strategic resources, the challenge remained to manage commitment and spend profiles towards year-end and to ensure rigorous prioritisation of budget in the delivery of the 2011-14 Operating Plan. The impact of the administration of Rok was evident across transformational project investments, with spend at £11.2m against the Operating Plan profile of £21.2m for the financial year. The Board welcomed the report and reflected that it provided a succinct and broad overview of the organisation's performance and focus.

### **3.2 Progress against targets (HIEA 2010/01406)**

The Board noted the paper which listed HIE's progress across eight specific growth targets as specified within the Operating Plan. Progress to date had broadly exceeded the targets, however the Board discussed the suitability of individual targets and their ability to effectively capture and measure the impact of HIE's investment.

### **3.3 Financial statement to 31 December 2010 (HIE 2009/00611)**

The Director of Finance and Corporate Services presented the Board with the financial position for the nine month period to 31 December 2010. Total expenditure to date amounted to £40.6m for the period against an indicative budget of £54m, representing 56% of the current budget. Commitment of discretionary budget across all business units to date was 119% which would ensure spend targets were delivered, provided this was converted to actual investment. The Board's attention was drawn to appendix five of the report which detailed anticipated areas of spend for the remainder of the financial year to 31 March 2011. The Finance Team would closely monitor and manage spend to ensure year-end targets would be achieved. The Board requested that during the period of pressure prior to year-end, that HIE staff continue to adhere to the necessary governance and policy requirements.

*At this point Angus Mackenzie left the room.*

### **3.4 Write off cases (HIE 2005/02371)**

The Board approved the write-off figures within the Board's delegated levels of authority, as detailed within the paper. The Board noted that HIE would seek Scottish Government consent to write off amounts in excess of £250,000 as per the paper.

*At this point Jim Royan joined the meeting and Angus Mackenzie entered the room.*

### **3.5 Risk Management (HIEA 2010/00420)**

The Head of Business Improvement and Internal Audit outlined the risk register which summarised the highest risks faced by HIE as assessed by HIE management. A total of 18 risks were itemised, categorised into 12 strategic and six tactical.

*Paragraph removed for reasons of commercial interest.*

The Board noted the report.

### **3.6 Risk and Assurance Committee draft minutes: 9 December 2010 (HIE 2004/02226)**

The Board noted the draft minutes and reflected on HIE's investment of significant staff time and resource following the administration of Rok in late 2010. The Board requested further information regarding the provision of an executive-led Health and Safety committee, following the wind-up of the former non-executive Board committee. The Director of Strengthening Communities, Chair of the executive Health and Safety committee, advised

that a paper would be submitted to the next meeting of the Risk and Assurance Committee providing a register of health and safety related issues along with a progress report.

### **3.7 Delegated levels of authority (HIEA 2010/01247)**

The Head of Business Improvement and Internal Audit outlined the revised delegated levels of authority document which had been amended to better align with HIE's main operational activity. The Board noted the amendments and approved the recommendations as set out in the paper.

### **3.8 Audit Scotland report – The role of Boards (HIE 2004/0226)**

The Board noted the paper which outlined the main findings from the Audit Scotland report titled The Role of Boards. It was agreed that each Board member would be provided with the self-assessment questionnaire for completion, in order to identify any areas within the operation of the Board that required further investigation and improvement. In discussion, the Board agreed that further thought should be given to enhance where practically possible the visibility and transparency of activity undertaken by the Board. It was agreed that the Chair would meet with each individual Board member to discuss their roles and contribution to the organisation.

## **4 INVESTMENT PROPOSALS**

*At this point Angus Mackenzie left the room.*

### **4.1 Prioritising port and harbour investment for offshore renewables: HIE approach (HIEA 2010/00112)**

The Head of Key Sectors and Inward Investment outlined the paper which provided guidance for the prioritisation of HIE funding for the current and future N-RIP (National Renewables Infrastructure Project) and energy port infrastructure proposals. The Board were informed that of the eleven NRIP sites, five were in the HIE area, as were a range of ports that would support the wave and tidal industry. The Board recognised the extent of opportunities across the Highland and Islands in manufacturing, construction and deployment of offshore wind projects, which would largely be determined by the availability of port infrastructure. The Board agreed that it was vital that HIE demonstrated industry support in order to build market confidence and that HIE should provide a leadership role while working with relevant partners. Market demand would be a key driver in the pace of development and it was agreed that a strategic view was necessary when considering each investment as part of the national scene.

*At this point Angus Mackenzie returned to the room.*

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

### **4.2 Upgrade to Ugadale and Royal Hotels, Kintyre – project amendment (HMS 303694)**

In November 2009 HIE approved a total of £1,860,000, including £743,000 from the European Regional Development Fund (ERDF) and £1,117,000 HIE funding, towards the Kintyre Development Company Limited (KDL) for the renovation of the Ugadale and Royal Hotels. Over the previous 15 months KDL had worked towards securing bank funding and refining their business plans and HIE area staff had recently been advised that the project would no longer proceed without additional financial support. The Board's attention was drawn to appendices three and four of the paper which outlined the uplift in costs in finance,

construction, fixtures, fittings, equipment, professional services, site developments and pre-opening costs. The Board were advised that additionality of HIE's funding was absolute and the development would not proceed without assistance. In discussing the proposal, the Board underlined the need for the project to provide local employment opportunities and a commitment to the Kintyre community. Recognising this and the key contribution the development would make to the economy of the Kintyre area, the Board approved the investment of a further £418,726 made up of £143,490 ERDF and £275,236 HIE grant in aid, bringing the total project costs to £2,278,726, with funding to be drawn down on receipt of works undertaken.

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

## **5 PAPERS FOR DISCUSSION**

### **5.1 Bute agenda for action**

The Board welcomed the paper. It was agreed that the item would be further discussed at a subsequent meeting of the HIE Board.

### **5.2 Access to finance survey report**

The Board welcomed the excellent report which provided a solid basis for strategic discussion with the banks.

### **5.3 Planning for the election**

The Chair invited Board members to pass any comments or points regarding the paper and its proposals to the HIE Chief Executive.

## **6 PAPERS FOR INFORMATION**

### **6.1 Economic report (HIEA 2009/01585)**

Noted.

### **6.2 General update (HIE 2004/02226)**

Noted.

### **6.3 Project approvals from 30 November 2010 to 25 January 2011 (HIEA 2010/00476)**

Noted.

### **6.4 Property activity report from 1 October 2010 to 31 December 2010 (HIE2008/00768)**

Noted.

## **7 HIE GOING FORWARD**

### **7.1 Organisational change update**

The Chief Executive outlined the new membership of HIE's Leadership Team, following recruitment of Carroll Buxton as the Director of Regional Development and Charlotte Wright as the Director of Business and Sector Development. The Head of Business Improvement

and Internal Audit and the Head of Human Resources would also now formally join HIE's Leadership Team. The Board were presented with information covering seven areas of work within the organisation with a renewed and reinforced focus, including: defining and articulating HIE's purpose and priorities; planning, prioritisation and performance; financial management; strategic engagement; marketing and communications; and, continuous improvement. The changes were underpinned by the need for a flexible resourcing approach and organisational structure.

## **7.2 Priorities and structures**

The members of the Leadership Team each provided the Board with a presentation which outlined the range of workstreams under the new organisational priorities. The organisational structure for each of the four Directorates: Regional Development; Business and Sector Development; Strengthening Communities; and Finance and Corporate Services were presented, as were the priorities and structures of the Business Improvement and Internal Audit team and the Human Resources team. The Board welcomed HIE's new priorities, direction, focus and refreshed organisational structure.

## **7.3 Draft Operating Plan 2011-2014**

Alastair Nicolson and Alison Sharp presented the Board with the latest draft of the HIE Operating Plan for 2011-14 which incorporated feedback from the Board meeting in December and from HIE staff. The Board welcomed the new approach to the document which had been redesigned to also provide a marketing publication. In particular the Board noted the addition of graphics and case studies which illustrated the range and depth of activity undertaken by HIE. The Board were advised that, following approval, the Operating Plan would form the agreement between the Scottish Government and HIE. A more specific second layer of business plans would subsequently be created for each of the Directorates and Business Units of HIE and would contain more detailed objectives and targets. The Board gave recognition to the work undertaken by the Strategic Planning team and in particular the efforts of Alison Sharp. The Operating Plan 2011-14 was expected to be launched in the middle of March 2011.

## **7.4 Resource Prioritisation Framework (HIEA 2010/01225)**

The Chief Executive outlined the paper which presented a resource prioritisation framework for HIE, to guide decision making and resource allocation at a time of reduced budgets and increasing demands. The Board noted that work was currently underway across the organisation to scrutinise the budget commitment figure, in order to achieve an accurate picture of the budget challenge and known demand. The paper highlighted a number of responses which included the supplement of grant-in-aid via income from other sources, the consideration of selling some key HIE property assets, exploration of different financial packages and funding mechanisms and a drive to maximise investment income in respect to operating costs. The Board discussed the key areas of focus under the four organisational priorities and agreed that it represented a strategic and sensible approach. It was underlined that clear communication of HIE's priorities and focus would be important, and that HIE staff should be the first audience to receive the message.

## **8 AOB**

### **8.1 Risk and Assurance Committee Chair**

The Chair informed the Board that Lorne Crerar had accepted the position of Chair of the Risk and Assurance Committee. Lorne would take up the role following the conclusion of Angus Mackenzie's appointment on 31 March 2011.

## **8.2 Angus Mackenzie, term of appointment**

The Chair noted the meeting was the final formal Board meeting at which Angus Mackenzie would be present. The Board thanked Angus for his exceptional commitment and input to the Board, organisation and Highlands and Islands region. In particular the Board gave deep recognition to Angus's invaluable role as Chair of the Audit Committee in which his knowledge and skill had guided the organisation on a number of occasions. The Board wished Angus well in his future.

A Miller  
15 February 2011  
(HIE 2004/02226)