

## PUBLICATION

HIGHLANDS & ISLANDS ENTERPRISE

HIE 07/11

BOARD MEETING – TUESDAY 23 AUGUST 2011, 10.00 COWAN HOUSE, INVERNESS

### MINUTES

**PRESENT:** William Roe (Chair)  
Alex Paterson (Chief Executive)  
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
Alastair Nicolson	Head of Planning and Partnerships (item 3.2)
Martin Johnson	Area Manager – Inner Moray Firth (item 4.1)
Ruaraidh MacNeil	Project Director – Inverness Campus (item 4.2)
Anna Miller	Leadership Support Manager

## 1 STANDING ITEMS

### 1.1 Apologies

Apologies were intimated on behalf of Professor Mary Bownes and Professor Lorne Crerar.

### 1.2 Declaration of interest

There were no declarations of interest.

### 1.3 To approve the minute of the meeting on Tuesday 14 June 2011 (05/11) (HIE 2004/02226)

The minute of the meeting on Tuesday 14 June 2011 was approved.

### 1.4 Matters arising

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

## **2 UPDATES**

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

The Board noted the Chief Executive's meetings with Robin Callander, Rural Land Adviser and the Chief Executive of Forest Enterprise. It was agreed that HIE had a role in supporting the growth aspirations and economic benefit from land based activities, which was currently supported as part of HIE's activities in the food and drink and tourism sector.

The Board were updated on the range of work and activity during a particularly busy summer period for the organisation. Significant areas included inward investment opportunities, the refreshed Government Economic Strategy, Scottish Government Spending Review and engagement with Ministers and MSPs.

The Chair noted the one year anniversary of the Chief Executive's appointment and wished to formally acknowledge the Chief Executive for the accelerated pace, depth and range of progress made across the organisation. The Board offered thanks to the Chief Executive for his excellent leadership and positive impact.

### **2.2 Defence Review update (HIE 2009/01565)**

The Board considered a paper outlining the current defence position in the Highlands and Islands, following the outcome of the Basing and Estate review undertaken by the Ministry of Defence (MoD). Regional implications included the retention of RAF Lossiemouth, conversion of RAF Kinloss to an Army barracks, retention of Fort George as a working Army barracks and continuation of the Hebrides Ranges as an operational missile test and evaluation base. The Board gave recognition to the commitment and efforts of Calum MacPherson, Area Manager Moray and the wider team of HIE staff that had been heavily involved over the previous months. The overall outcome to Moray and the Highlands and Islands was positive, however there was recognition that the loss of RAF Kinloss would be considerable and maintaining momentum to diversify the economy was essential.

Jim Royan, HIE Board member, provided an update as Chair of the Moray Economic Partnership and outlined the group's focus on diversification of Moray and the potential economic impact of the Army relocation to Kinloss. The Board agreed that it was vital that any lessons learned were captured and that the Highlands and Islands was well prepared for the next defence review in 2015.

### **2.3 Wind Towers Ltd (HMS 74038/335318)**

The Board noted the update following conclusion of the negotiations on 8 July 2011 for HIE's investment of £3.4m in Wind Towers Ltd (WTL). HIE had acquired 19.9% of the ordinary share capital of the business, with Marsh Wind Technology and Scottish and Southern Energy each owning 40.05%. The Board congratulated HIE staff in successfully concluding the detailed and technical negotiations and welcomed the start of a new and positive relationship with the company.

## **3 RESOURCES AND GOVERNANCE**

### **3.1 Financial Statement to 31 July 2011 (2004/02226)**

The Director of Finance and Corporate Services summarised the financial position for the four month period to 31 July 2011. Total expenditure was £18.3m representing 27% against a straight line target of 33%. Discretionary spend was ahead of target at 37% and Regionally Significant Investments were behind target at 22%. Across all business units, discretionary commitment was 169% which would meet the demands for existing budgets

and absorb any additional funding, should it become available as the year end approached. Turning to Block B, the figure was within budget. The introduction of a pay freeze for staff earning more than £21,000 per annum would mean that pressure on salaries which occurs every August would be minimised this year. The Board welcomed the report and agreed that commitment would require careful monitoring to ensure conversion to spend.

### **3.2 Corporate Report August 2011 (HIEA 2011/00338)**

The Head of Planning and Partnerships presented the Board with the Corporate Report which had been aligned to match the priorities, targets and outcomes from the HIE Operating Plan 2011-14. Outputs were categorised under tactical and strategic headings and were underpinned by effective and efficient delivery and impact. Discussing in-year measures, the Board noted good progress towards increased turnover, international trade and jobs supported. Under jobs supported, it was however recognised that a significant proportion of the figure could be attributed to HIE's investment in two large projects, Wind Towers Ltd and the Edinburgh Salmon Company. Under regionally significant investments, the Board discussed the availability and importance of alternative sources of funding to meet project funding gaps. It was requested that a breakdown of jobs supported within areas of employment deficit be included in the report at the October meeting.

### **3.3 Risk management (HIEA 2011/00298)**

The report was noted. Amendments to the layout of the report included the tracking tool appearing at the front of the paper and removal of the target risk column. These changes had been discussed and agreed by the Risk and Assurance Committee at their meeting on 15 June.

*Item removed for reasons of commercial interest.*

### **3.4 Risk and Assurance Committee Draft Minutes: 15 June 2011 (HIE 2004/02226)**

Noted.

### **3.5 Risk and Assurance Committee Annual Report 2010-11 (HIE 2004/02226)**

The annual report was presented to the Board as part of the Risk and Assurance Committee reporting arrangements. The Board welcomed the report and breadth of activity carried out by the Committee during the year 2010-11. It was agreed that the Committee plan for the present year, 2011-12, would be circulated to Board members for information.

## **4 INVESTMENT PROPOSALS**

### **4.1 Global Energy Nigg Ltd (IMF 2011/00021)**

Martin Johnson, Area Manager Inner Moray Firth, outlined the proposal to invest in Global Energy Nigg Ltd for the redevelopment of the Nigg Fabrication Yard for use in the energy sector. It was highlighted that the Global Energy Group had yet to conclude purchase of the site from existing owners KBR and The Wakelyn Trust and some actions were required before missives could be concluded.

Interest from third party renewable energy developers was still strong, however it was noted that the outstanding change in ownership of the site and timescale for the site to be ready for operation was an important factor. The Board underlined that HIE had a pivotal

role, along with partners including Scottish Development International, to work with Global Energy Nigg to attract ambitious and large scale investors to the site. With regard to training, the Board highlighted the need for UHI to seize the opportunity to provide tailored and specific training to meet the needs of the anticipated labour market demands, which could reach up to 1,500 jobs.

The Board welcomed the opportunity to create a leading site for the energy market and to unlock the potential for the Highlands and Islands. Taking all points into consideration, the Board approved a funding contribution of £1,844,340 towards the development of the site, stating clearly that this was not for use towards the purchase of the site.

*Section removed for reasons of commercial interest.*

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

### **4.3 Arnish re-cladding: Project Amendment (HMS 9281384)**

The Board was provided with a progress report on the re-cladding of the 12,000m<sup>2</sup> main fabrication workshop at Arnish, Stornoway, and a request for Board approval of a cost increase of £271,000. Board members were reminded that on 14 April 2010 the Scottish Government provided additional funding of £3m to HIE for investment in the Arnish yard. Work was tendered and an estimated cost of £2,999,000 received. The Board homologated the decision to invest at their Board meeting on 22 June 2010.

Following the administration of ROK late in 2010, the work was re-tendered and awarded to Roberston Construction Highland as part of the SCAPE Framework. The cost including prime consultant fees, risk and a 2.5% contingency was circa £3.1m which was approved by the Board in April 2011. As work progressed, BiFab the current tenant at Arnish, was awarded a significant contract and consequently access by Robertson Construction to the workshop was restricted due to activity on site. The resulting contractor downtime, change in method to conclude the works and associated technical issues, created an estimated additional cost of £271,000.

The Board welcomed the news that BiFab work and activity had increased and agreed that the re-cladding work should not inhibit activity at the yard. It was reflected that the cost increase was due to a number of reasonable technical factors and the Board approved the project cost increase of £271,000, bringing the total project cost to £3,371,000.

## **5 PAPERS FOR DISCUSSION**

### **5.1 The Crown Estate: Framework response to Consultation**

The Director of Strengthening Communities presented the Board with an update on the current issues relating to the Crown Estate and sought Board approval of the lines to take in HIE's submission of evidence to current Parliamentary committees. In the coming weeks, HIE would submit written and oral submissions to the Scottish Parliament's Scotland Bill committee, and the UK Parliament's Scottish Affairs Committee.

In February 2011 the Scottish Government undertook a major consultation into 'Securing the benefits of the next energy revolution' which played an important role in defining the Scottish Government's current position with regard to the Crown Estate Commission. The Board discussed areas of aquaculture, marine tourism, the development of ports and harbours, the growth of marine renewables and the recently announced Coastal Communities Fund. The fund was to be financed by the Treasury from the Crown Estate Commission's revenue from marine activities and the Highlands and Islands stood to

receive 50% of the revenue, giving a fund of £1.9m for 2012-13. The money would be dispersed via a grant scheme operated by the BIG Lottery which would be based on bids from charities, businesses, social enterprises and local organisations which supported economic development of the community. The Board encouraged that HIE explore the opportunity to act as the administrator and distributor of the fund.

The Board discussed the area of community access to piers and foreshores and recognised the challenges faced by Highlands and Islands communities in raising the finance to pay the Crown Estate rental for leases. It was agreed that free access to piers and foreshores could have a significant positive impact.

The Board considered the issue of proximate benefit to coastal communities affected by the development of marine renewable offshore, and agreed that communities must be provided with a benefit relative to the revenue generated by the utility companies.

The Board endorsed the principles of the paper and suggested that it would be useful to meet with the Scottish Crown Commissioner to discuss the issues further and identify opportunities for the future.

## **5.2 Review of Snowsports in Scotland**

The Board was provided with a report undertaken by HIE and Scottish Enterprise which outlined issues facing the sector and scale of the challenge in Scotland regarding future financing of skiing and snowsports infrastructure. It was agreed that the growth of the snowsports sector in Scotland was uncertain and the Board underlined the need for centres to diversify in order to operate profitably in the future. The role of VisitScotland was critical in supporting the centres and identifying opportunities for summer recreation on the mountains. HIE was working closely with four of the five snowsports centres in Scotland, with each centre being an account managed client and, in the case of Cairngorm Mountain, a subsidiary of HIE. The Board approved the recommendations of the paper: that HIE brief the Scottish Government, Scottish Enterprise and VisitScotland on the report; that HIE recommend to the Scottish Government that a framework approach be established to create buy-in from other stakeholders; that a mechanism be put in place to allow ski centres and partners to discuss the report and actions required; and that HIE with the ski centres, explore further the likely impact of a decline in snowsports and identify mitigating actions.

## **5.3 Digital Highlands and Islands (SHE 2011/00015)**

The Director of Regional Development presented the paper which provided an update on digital Highlands and Islands developments and a summary of the new HIE Broadband and Digital team focus. Implementation of the BDUK project was moving forward with funding in place for the first phase. £69m had been allocated to the Scottish Government, of which £10m was ring-fenced for use in the Highlands and Islands. Procurement for the Next Generation Broadband contract had commenced and pre-qualification questionnaires were currently being evaluated. It was anticipated that the BDUK project board would approve the next stage of procurement in the coming weeks, which would see bidders invited to participate in dialogue. The HIE team were working closely with the Scottish Government to take forward an ICT Business and Community Support Programme to boost small business and social enterprise participation in the digital economy and the Leadership Team would shortly consider a paper to commence the recruitment process for delivery of the programme. The Board welcomed the update and noted the breadth of activity by the team and with partner agencies to achieve a competitive digital region.

## **6 PAPERS FOR INFORMATION**

### **6.1 Marketing Strategy and Communications Plan (2004/02226)**

Noted.

### **6.2 HIE Property Activity Report (HIEA 2008/00758)**

Noted.

### **6.3 Economic Report (HIEA 2009/01585)**

The Board welcomed the informative report and discussed areas of unemployment and tourism spend. It was agreed that anecdotal evidence suggested that spend per visit was lower, despite good visitor numbers.

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

Noted.

### **6.5 AOB**

#### **a) Board engagements to end December 2011 (HIE 2004/02226)**

The dates were noted.

A Miller  
10 September 2011  
(HIE 2004/02226)