

**BOARD MEETING – TUESDAY 15 DECEMBER 2015  
BOARD ROOM, FRASER HOUSE, INVERNESS**

**DRAFT MINUTE**

**PRESENT:** Lorne Crerar (Chairman)  
Alex Paterson (Chief Executive)  
Paddy Crerar  
Alistair Dodds  
Donald MacDonald  
Iseabail Mactaggart  
Donald MacRae  
Craig Spence  
William Swann  
Steve Thomson

**IN ATTENDANCE:**

Forbes Duthie	Director of Finance and Corporate Services
Carroll Buxton	Director of Regional Development
Rachael McCormack	Director of Strengthening Communities
Charlotte Wright	Director of Business and Sector Development
Sandra Dunbar	Head of Business Improvement and Internal Audit
Karen Moncrieff	Head of Human Resources
Tim Hurst	Wave Energy Scotland Director (item 2.2)
Shona Austin	Bank of Scotland Secondee
Chris Roberts	Head of Communications
Sheila Campbell Lloyd	Shadow Board Member
Alastair Nicolson	Head of Planning and Partnerships (items 3.2 and 3.4)
Rachel Mackenzie	Area Manager, Innse Gall (item 4.1)
Irene McAra-McWilliam	Director, Institute of Design Innovation, GSA (item 5.1)
Nicola Douglas	Regional Head of Client Management (item 5.2)
Nicola Ewing	Regional Head of Strengthening Communities (item 5.2)
Morven Cameron	Head of Academic Development (item 5.3)

**1. STANDING ITEMS**

**1.1 Apologies and welcome**

No apologies were received. The Chairman welcomed Shona Austin to the meeting.

**1.2. Declarations of interest**

The Chairman noted that Iseabail Mactaggart had registered a related party interest with regard to Wave Energy Scotland (item 2.2) and would leave the meeting during this item.

It was noted that, while Iseabail Mactaggart is currently HIE's appointee to the Court of the University of the Highlands and Islands, this arrangement specifically permits her to participate in HIE Board discussions relating to the university.

Sheila Campbell Lloyd noted an interest in the area of leadership training (item 5.4), but this was not considered a conflict.

### **1.3 Minute of the meeting held on 27 October 2015**

**HIE 2004/02226**

The minute of the Board meeting held on 27 October 2015 was approved, with one typographic correction.

### **1.4 Matters arising**

An appraisal paper on the proposed development of Ardyne Business Park, Argyll (item 4.3 on 27 October) was now expected to come to a later Board meeting, and not December 2015, as indicated.

Other matters would be covered as part of the agenda.

## **2. UPDATES**

### **2.1 Chairman's and Chief Executive's updates**

**HIE 2004/02226**

The Chief Executive drew the Board's attention to a significant rise in the numbers of businesses appearing on HIE's Business Monitoring Register, and of community groups experiencing significant challenges. This increase reflects wider economic conditions across the country, and is being closely monitored and addressed through HIE interventions by teams across the region.

HIE staff had been working closely with the Scottish Government to achieve a good outcome from the annual Spending Review, the results of which were due to be announced by the Deputy First Minister in the Scottish Parliament on 16 December.

*[Item removed as disclosure at this time could harm the effective conduct of public affairs.]*

Both the Chief Executive and the Director of Finance and Corporate Services had given evidence to the Economy, Energy and Tourism Committee of the Scottish Parliament on 11 November.

*[Item removed as disclosure at this time could have a detrimental effect on commercial interests.]*

HIE was continuing to address the issue of mobile connectivity across the region, following constructive discussions with operators at the last Convention of the Highlands and Islands. As well as continuing to hold dialogue with operators, HIE was exploring planning issues at senior level within local authorities. It was clear that making progress on this issue would be a natural follow-on to HIE's role in delivering next generation broadband, and as significant. A detailed paper on this issue will be brought to the Board in the first half of 2016.

The Chief Executive noted changes in HIE's senior management, with Douglas Cowan becoming Director of Strengthening Communities, and James Gibbs appointed as Area Manager for Inner Moray Firth. Both would take up their new posts in January.

The Chairman reported that the recent HIE Board recruitment exercise had produced an excellent result with 80 applications received for the three positions available. Efforts to attract a more diverse range of applicants had resulted in a 50:50 gender balance being

achieved. Interviews would take place in January and the new members were expected to begin their three-year terms in April.

Professor Crerar had also participated in the appointment of the new Chair of Scottish Enterprise, Bob Keillor, Chief Executive of the Wood Group. The two chairmen planned to meet in January.

## **2.2 Wave Energy Scotland update**

**HIE 2009/01229**

*Tim Hurst joined the meeting.*

*Iseabail Mactaggart left the meeting, having declared a third party related interest in matters concerning Wave Energy Scotland.*

The Director of Wave Energy Scotland (WES) updated the Board on progress made by the new company, which is a subsidiary of HIE funded by the Scottish Government, including key activities during its first year of operations. During the past two months, WES had focused on contract completion for its first two competitive project calls to identify and support developers of innovative wave energy systems which would strengthen the sector in Scotland. Staff recruitment had progressed well, with eight permanent positions now filled. Strategy had been developed with the WES Advisory Group, and decommissioning the Pelamis PR wave energy convertor, which WES had acquired along with intellectual property and other assets from the firm's administrator, was progressing well. WES had ensured that dismantling of P2 would take place in Orkney and it was likely that local firms would bid for this work.

In discussion, Board members highlighted the need for WES to continue to engage with the Offshore Renewable Energy Catapult, an organisation with which it shares many objectives, once its current contract ends. It was noted that administrators of Aquamarine Power would be seeking bids for intellectual property and WES was monitoring this situation. The WES budget had been revised and would be covered in the Financial Statement (item 3.1).

It was agreed that a detailed progress report, including the vision and strategic direction for WES and international market analysis, would be presented to the Board at its next meeting, in February 2016.

*Tim Hurst left the meeting.*

*Iseabail Mactaggart rejoined the meeting.*

## **2.3 Cairngorm Mountain Ltd (CML)**

The Director of Business and Sector Development presented an update on progress by Natural Retreats during its first full year as operator of Cairngorm Mountain Ltd, which it acquired from HIE on 11 June, 2014. The update showed performance achieved against six service level indicators which had been agreed between HIE and NR, and which were considered key to understanding the performance of the operator.

The Board welcomed the update. In response to a question on customer satisfaction, the Director informed the Board that the Glenmore Partnership, in which HIE is a member, would be carrying out a visitor survey, and that NR was also collecting feedback from its customers.

## **2.4 Bank of Scotland Secondment update**

The Chairman introduced Shona Austin, who had been working with HIE as a secondee from the Bank of Scotland, with the aim of improving mutual understanding and fostering

greater collaboration between HIE and the financial services sector to help achieve the shared objective of economic growth in Scotland. Outcomes had been agreed between HIE and the bank and greater engagement was already taking place between HIE account managers, bank officials and specific clients and projects, including community enterprises. The two organisations were also sharing knowledge and experience on systems, including their approaches to due diligence.

The Board welcomed the update.

### **3. RESOURCES AND GOVERNANCE**

#### **3.1 Financial Statement to 30 November 2015**

**HIE 2009/00611**

The Director of Finance and Corporate Services presented HIE's latest Financial Statement summarising the organisation's overall financial position to 30 November 2015, and including a financial statement for Wave Energy Scotland (WES). This showed spend progressing well and continuing to keep pace with the straight line target. Following review, budgets across HIE were well aligned to commitment in anticipation of the final quarter of the financial year and cash flow monitoring was under way to ensure financial targets would be successfully delivered.

The Director also gave a verbal update on the most recent position, including a successful property auction in December, which had achieved £400,000. Further auctions were planned for January and February. Following discussion with the Scottish Government, it had been agreed to revise the WES 2015-16 budget from the indicative figure of £13m, which had been set before the company was established, to a new total of £6.8m, with the balance being retained by the Scottish Government. In line with public spending challenges across the country, it was expected that HIE's grant-in-aid allocation from the Scottish Government would reduce slightly in 2016-17. In response to questions, the Director confirmed that HIE would be pursuing other opportunities to attract income, including European non-structural funds.

#### **3.2 Corporate Report**

**HIEA 2013/00841**

*Alastair Nicolson joined the meeting.*

The Head of Planning and Partnerships presented HIE's latest Corporate Performance Report, including a summary of economic factors affecting the region, in-year progress towards performance measures agreed with the Scottish Government, and actions to deliver HIE's four priorities, as outlined in the Operating Plan.

Key findings included very high rates of economic activity and employment across the region, higher than both the Scottish and UK levels. Claimant count unemployment was similarly well below national levels, at a historic low of 1.0% in October 2015. A survey of HIE's business panel reported that 74% of respondents had no staff earning less than the national living wage. However, almost half (46%) of the respondents in the accommodation and food services sector reported that more than 25% of their staff did earn below that level.

Rollout of next generation broadband across the Highlands and Islands was now almost two-thirds complete, with over 100,000 premises which would not have been reached through commercial rollout now able to access superfast broadband as a direct result of HIE's input. It was also noted that Community Broadband Scotland, operated by HIE across the country, was now delivering five aggregated projects, including two outwith the Highlands and Islands.

Discussion highlighted sustained support in internationalisation from HIE account managed clients, and it was agreed that the next Corporate Report would explore factors behind this positive outcome. Concern was also expressed that the introduction of a national living wage could have a disproportionate effect on particular sectors, including food and drink and tourism, and in fragile areas. HIE will continue to monitor this and consider appropriate actions.

### **3.3 Risk Register**

**HIE 2015/00462**

The Head of Business Improvement and Internal Audit presented HIE's Corporate Risk Register, which had been updated in December 2015. This showed a total of 23 corporate risks (15 strategic and 8 tactical) which were being monitored and treated.

### **3.4 Draft Operating Plan**

**HIEA 2515877**

The Head of Planning and Partnerships introduced HIE's draft Operating Plan 2016-19, which is currently in development. The three-year plan is refreshed annually to reflect strategic guidance from the Deputy First Minister, Scotland's Economic Strategy and the present challenges and opportunities affecting the Highlands and Islands. Board members were invited to comment on balance, and submit views and comments directly to the Head of Planning and Partnerships. A revised draft will be brought back to the Board in February 2016 and will include budget information, following the outcome of the Spending Review. It is intended that the plan will be published in March, before campaigning gets under way for elections to the Scottish Parliament.

*Alastair Nicolson left the meeting.*

## **4. INVESTMENT PROPOSALS**

### **4.1 Arnish: Proposals from SSE**

**HMS 9352830**

*Rachel Mackenzie joined the meeting.*

[Item removed as disclosure at this time could have a detrimental effect on commercial interests.]

*Rachel Mackenzie left the meeting.*

## **5. DISCUSSION PAPERS**

### **5.1 Creative Futures Partnership**

**MOR 2014/00051**

*Professor Irene McAra-McWilliam joined the meeting*

The Board welcomed Irene McAra-McWilliam, Head of Design with the Glasgow School of Art, and Director of GSA's Institute of Design Innovation, based in the Horizon Centre, Forres. Professor McAra-McWilliam gave a presentation on the Creative Futures Partnership (CFP), an innovative collaboration between GSA and HIE, which the Board had approved in July 2014, and which was formally launched by Deputy First Minister John Swinney in January 2015.

Delivering a dynamic portfolio of projects across the region, the CFP is focusing on five key areas: young people; a creative region; digital innovation strengthening communities and businesses; tackling inequalities, and resilient rural communities. Several GSA staff were based in Forres, PhD students were being recruited, and the institution was working to attract research funding to enable it to match HIE's £5m contribution to the partnership. The development of campus premises at Altyre Estate, Moray, was fully funded and well under way, with an anticipated completion date of spring 2016 for occupancy in the summer. A monitoring system had been developed to define and track agreed performance indicators across the portfolio.

*Professor McAra-McWilliam left the meeting*

## **5.2 HIE Account Management**

**HIE 2004/02226**

*Nicola Douglas and Nicola Ewing joined the meeting.*

The Regional Head of Client Management and the Regional Head of Strengthening Communities presented an update on HIE's refreshed approach to, and delivery of, account management, which lies at the heart of HIE's engagement with businesses, social enterprises and communities across the region. The paper provided a strategic overview of progress and detailed the renewed emphasis and focus placed on the quality of relationships that HIE's cohort of account managers develop with their clients, working together to ensure consistency across the portfolio. A priority for account managers was to focus on client contact and building sustainable and valued, trusted relationships with clients, while driving economic and social growth within the region.

Discussion focused on the need to ensure that HIE was taking a consistent approach across the region and obtaining feedback on the new approach from clients themselves. While it was accepted that there were several different routes through which a business, social enterprise or community could become account managed, and that HIE's selection was discretionary, it was agreed that general guidance on the process should be made available through the HIE website. The Board welcomed the significant progress made to date in implementing HIE's new approach to account management and endorsed the organisation's priorities and direction of travel. A further update will be delivered at a future Board meeting.

*Nicola Douglas and Nicola Ewing left the meeting.*

## **5.3 SFC Board meeting follow up discussion**

**HIE 2004/02226**

*Morven Cameron joined the meeting.*

The Head of Academic Development presented a verbal update on issues arising from a recent Board to Board meeting held between HIE and the Scottish Funding Council (SFC). The Board welcomed the update, noting that steps were under way to arrange a follow-up meeting between the two boards in spring 2016, and stressed the importance of the region capitalising on the role that the University of the Highlands and Islands (UHI) could play in helping deliver HIE's ambitions for economic growth. It was agreed that UHI Principal Clive Mulholland should be invited to address a future meeting of the HIE Board, particularly to outline and discuss the future strategic direction of the university and its potential as an engine of growth across the Highlands and Islands.

*Morven Cameron left the meeting.*

## **5.4 HIE Leadership Development Programme**

The Head of Human Resources gave a presentation on HIE's new Leadership Development Programme, including a short video featuring four members of HIE staff who had participated. The programme draws on latest approaches and best practice in leadership development and has been designed to provide a tailored experience that delivers maximum impact for the business while also developing the potential of individuals. The overall aim is to develop a pool of talent for the next generation of senior leaders in HIE. Already, four of the first cohort of 12 participants are leading on major change in the organisation.

## **5.5 Consultation on Provisions for a Future Islands Bill**

**HIE 2014/01290**

*Alastair Nicolson rejoined the meeting.*

The Head of Planning and Partnerships explained the background to Scottish Government consultation on a future Islands Bill which would aim to empower island communities, and invited the Board to comment on HIE's draft response, which was due to be submitted on 23 December. Discussion sought to clarify 'island proofing' as defined in the consultation, and stressed the need to reflect that remote rural communities on the mainland can face similar issues to islands. Board members were invited to send any further views and comments directly to the Head of Planning and Partnerships in advance of the deadline for submission.

*Alastair Nicolson left the meeting.*

## **6. PAPERS FOR INFORMATION**

### **6.1 HIElights**

The latest issue of HIE's e-newsletter, HIElights, was tabled for Board members, and will be distributed in December.

### **6.2 PR Activity around our 50 years**

The Board welcomed a report summarising the outcomes of public relations activity to commemorate the 50<sup>th</sup> anniversary of the founding of the HIDB and promote the present day Highlands and Islands.

### **6.3 Economic Briefing: December 2015**

The latest economic briefing, summarising the health of the regional economy, was noted.

### **6.4 HIE Publication Scheme – Quarterly approvals list**

**HIE 2015/00584**

The Board noted the latest quarterly approvals list, which will be published online.

### **6.5 Any other business**

#### **a) Audit Scotland review of the role of Scotland's economic development agencies**

The Head of Business Improvement and Internal Audit provided a verbal update on the progress of Audit Scotland's current review of the role of Scotland's economic development agencies in supporting economic growth. Three case study themes had been chosen and refined to enable Audit Scotland to obtain clear insights into HIE's work. These were: the energy sector; major infrastructure project Inverness Campus, and Harris Tweed. In each case, care was being taken to ensure that HIE's strengthening communities remit and pursuit of wider benefits was reflected. Several meetings had taken place between HIE and Audit Scotland, and a further workshop was planned, involving external organisations which work with HIE. It was expected that Audit Scotland's initial findings would be discussed early in the new year and the review published in summer 2016.

**b) Director of Strengthening Communities**

Addressing Rachael McCormack, who would be leaving HIE in December, the Chairman expressed the Board's appreciation for the contribution she had made as Director of Strengthening Communities during three years in post, noting that her input was reflected in the high regard in which HIE continued to be held across the country for its role in strengthening communities. Board members wished the Director well in her future career.

Professor Crerar also thanked Shona Austin for her attendance at the Board meeting.

**6.5 Forthcoming Board dates:**

9/10 February 2016: HIE Board meeting, Lochaber, Skye and Wester Ross

29 March 2016: Risk and Assurance Committee, Inverness

Chris Roberts  
15 December 2015  
HIE 2004/02226