

RISK AND ASSURANCE COMMITTEE
COMATAIDH CHUNNART AGUS SGRÙDAIDH

**MINUTE OF THE MEETING HELD ON TUESDAY 01 DECEMBER 2020 AT 0915
BY TELECONFERENCE**

PRESENT

Donald MacRae (Chair)
Angus Campbell
Belinda Oldfield
Calum Ross

IN ATTENDANCE:

Charlotte Wright	Chief Executive
Carroll Buxton	Deputy Chief Executive (from 0935)
Sandra Dunbar	Director of Business Improvement and Internal Audit (BIIA)
Nick Kenton	Director of Finance and Corporate Services
Jessie Laurie	Head of Sponsorship and Better Regulation, Scottish Government
Gordon Smail	Audit Director, Performance Audit and Best Value, Audit Scotland
Maggie Bruce	Senior Audit Manager, Audit Scotland
Chris Roberts	Head of Corporate and Media Relations
Louise Macmillan	Compliance and Risk Manager
David Oxley	Director of Business Growth, items 2.2b, 2.3
Martin Johnson	Director of Strategy and Regional Economy, items 2.2a, 2.6a
Janie Sheridan	Head of Business Transformation, item 2.5
Marie Mackintosh	State Aid Manager, item 2.6b
[Sentence removed in the interests of the effective conduct of public affairs.]	
Emma Stevenson	Financial Systems Accountant, item 3.4

1 STANDING ITEMS
CUSPAIREAN COTHROMACH

1.1 Welcome and apologies

The Chair welcomed everyone to the meeting. There were no apologies.

1.2 Declarations of interest

Calum Ross noted an interest in the hotel sector, but this was not considered to present a conflict with any item on today's agenda.

1.3 To approve the minute of the Risk and Assurance Committee meeting held on 23 September 2020

The minute was approved with two amendments.

1.4 Matters arising from the Risk and Assurance Committee minute and action note from the meeting

of 23 September 2020

1.4a Signing of HIE annual accounts

With reference to *item 4.3a – Accounts*, the Chief Executive confirmed that she had signed HIE’s 2019-20 annual accounts following the last Risk and Assurance Committee.

1.4b Data protection

With reference to *item 4.1 – Information Systems*, the Director of Finance and Corporate Services reported that a framework had been procured to provide data protection advice for HIE, its subsidiaries and the Orkney Research and Innovation Campus. Recruitment was under way for an in-house HIE data protection officer.

1.5 Matters arising from the HIE Board meeting held on 27 October 2020

It was agreed that all matters arising from the HIE Board meeting on 27 October 2020 were covered by items on today’s agenda.

2 CURRENT AND EMERGING ISSUES CÙISEAN LÀITHEIL

2.1 Cairngorm Mountain update

The Director of Business Improvement and Internal Audit (BIIA) presented an update on progress with several complementary workstreams involving Cairngorm Mountain.

Following approval of the full business case by the HIE Board and Scottish Government, contract negotiations for funicular reinstatement works had concluded successfully and a team from Balfour Beatty had mobilised in November. HIE subsidiary Cairngorm Mountain (Scotland) Ltd had lodged its first set of accounts and was now planning for the winter snowsports season that was scheduled to get under way on 19 December. The Cairngorm masterplan was close to being finalised and due to be submitted to the Cairngorms National Park Authority early in the new year.

Legal claims that HIE was pursuing against the previous operator at Cairngorm and its majority shareholder, and against the original contractor / design team for the funicular railway remained ongoing.

Funicular reinstatement works had started well and strong project management arrangements were in place. HIE also recognised the need to ensure regular and effective communications and engagement with a broad range of stakeholders. It was noted that the present operating company would require ongoing support and that operating and governance models would be reviewed. COVID-19 remained a significant risk and government guidance would continue to be monitored and applied at Cairngorm.

The Committee welcomed the update, noting that the masterplan would create a set of strategies to inform future business cases and planning applications, and could play a key role in attracting future investment to Cairngorm and the wider area.

[Sentences removed in the interests of the effective conduct of public affairs, and due to commercial sensitivity.]

The Chair thanked all involved in the Cairngorm team for the progress being achieved.

2.2 Space updates

2.2a Space programme

Martin Johnson joined the meeting.

The Director of Strategy and Regional Economy updated the Committee on progress with HIE's ambitions to generate significant socio-economic benefits for Scotland through the establishment of a new space sector in the region. The update included an overview of vertical launch opportunities being developed on Unst in Shetland and North Uist in the Western Isles, and plans for horizontal launch from Machrihanish in Argyll and Prestwick in Ayrshire. HIE's plans to develop launch capability at Space Hub Sutherland were the subject of a separate paper.

HIE had commissioned RSM and SpaceTec Partners to carry out independent due diligence to inform options and a business case for Space Hub Sutherland, along with wider research to assess the market opportunity and economic impact of the sector as a whole, including other potential spaceports. The market assessment would be shared with the Scottish Spaceport Alliance once completed. Initial findings indicated the potential for launch capability to generate billions of pounds in GVA and thousands of jobs in Scotland over the next 25 years.

It was noted that European competition in the space sector was intensifying, with Norway, Sweden and Portugal each developing launch capability, led by substantial public investment. HIE staff were positively engaged with ministers and senior civil servants in the Scottish and UK Governments to ensure that potential economic benefits can be captured as fully as possible, recognising that achieving sectoral growth will depend on key strategic decisions being taken at national level.

The Committee welcomed the update and endorsed the approach being taken by HIE staff.

2.2b Space Hub Sutherland

David Oxley joined the meeting.

The Director of Business Growth presented an update on the development of Space Hub Sutherland, the planned vertical launch site for satellites at Melness on the A' Mhoine peninsula, highlighting risks associated with the project and actions to mitigate these. The report showed good progress on a number of workstreams, with due diligence by RSM and SpaceTec Partners highlighting the scale of the regional opportunity arising from launch capability.

HIE had made an application to the Scottish Land Court and expected a hearing to take place by spring 2021. In addition, Wildland Ltd had petitioned for a judicial review of the process leading to the Highland Council's decision to award planning approval. This was expected to be considered initially within a similar timescale but the length of time for the legal process to reach a conclusion was unknown. In discussion, it was clarified that the subject of the judicial review was the Highland Council, and that HIE and the Scottish Government were named as interested parties.

[Paragraph removed in the interests of the effective conduct of public affairs.]

[Paragraph removed in the interests of the effective conduct of public affairs.]

[Paragraph removed in the interests of the effective conduct of public affairs.]

[Paragraph removed in the interests of the effective conduct of public affairs.]

[Paragraph removed in the interests of the effective conduct of public affairs.]

In response to a question from the Chair, Audit Scotland highlighted the need for HIE to ensure a clear audit trail is maintained, providing a clear record of an organised pathway to decision making that demonstrates the Board is receiving full and accurate information, including business cases and risk assessments.

Martin Johnson left the meeting.

2.3 [Section removed in the interests of the effective conduct of public affairs.]

2.4 Nigg Court case update

The Director of BIIA provided an update on the current court case concerning a project supported by HIE at Nigg. *[Sentence removed in the interests of the effective conduct of public affairs.]*

The Committee welcomed this update and expressed their appreciation to HIE staff and legal advisers who had presented a strong case. *[Sentence removed in the interests of the effective conduct of public affairs.]*

2.5 Business transformation programme update

Janie Sheridan joined the meeting

Technical problems meant that Calum Ross was unable to be present from 1030 to 1050.

The Head of Business Transformation described progress in delivering HIE's business transformation programme, which aimed to improve delivery of support services for customers and staff, enabled by the effective use of digital systems.

It was noted that HIE's programme had been the subject of positive outcomes from assurance reviews and benchmarking exercises highlighting the strength of the organisation's vision and approach. HIE was continuing to play an active role in the national business support partnership and enabling projects including the Findbusinesssupport online service, and had led on development of the partner data strategy.

A key area of focus was developing a Microsoft 'power platform', MyHIE. Phase 1 was focused on delivering significant new functionality driven by business and customer needs while also enabling decommissioning of a legacy environment. A client portal had been successfully set up, but the pace of progress had been affected by challenges outwith the control of the programme. These included a Microsoft deployment issue that had affected delivery timescales, and the need to avoid overburdening busy staff with change management, particularly when the organisation was deeply engaged in responding urgently to the unprecedented challenges presented by the COVID-19 pandemic. An options appraisal was therefore under development to consider routes forward and would be presented to HIE's Leadership Team in December.

In discussion, it was noted that the programme's relatively high risk rating reflected a range of factors, including the Microsoft deployment issue and a need to increase capacity in the team, both of which were addressed in the options appraisal that Leadership Team would consider. The Director of BIIA stressed the benefits that the programme was seeking to deliver for HIE and its customers, with digital technology being used to deliver business improvements that had the potential to unlock capacity within the organisation in future and support greater collaboration between HIE and partner organisations.

Calum Ross rejoined the meeting.

The Committee also underlined the need for HIE to be fully prepared for cultural changes that stem from business improvement. The Head of Business Transformation provided assurance that this aspect was recognised and described a range of actions to address it, including customer forums, internal communications and webinars.

The Chair thanked the team for the progress achieved to date and asked for a further update at the next

Committee meeting.

2.6 Brexit implications

2.6a Brexit general update

Martin Johnson and Marie Mackintosh joined the meeting.

The Director of Strategy and Regional Economy updated the Committee on matters related to the UK's exit from the European Union. With the current transition period due to end on 31 December 2020, the outcome of negotiations for a trade deal remained uncertain and HIE was continuing to engage in a collaborative approach within the region and across Scotland to ameliorate potential impacts.

Feedback from HIE's business panel was continuing to provide valuable insights, and the organisation was focused on a set of actions including collaborating on the evolution of online platforms for advice and support and raising awareness of issues and available assistance through marketing and communications activity.

2.6b State aid update

The State Aid Manager presented information on the forthcoming UK Internal Market Bill and future subsidy regime/s once the country ceases to be bound by EU State Aid laws on 21 December 2020. This highlighted areas of current concern and actions being taken by HIE to mitigate Brexit risks. Activities were focused on managing project approvals and grant awards; understanding the legal basis for aid awards from January 2021; preparedness to interpret and implement forthcoming UK Government guidance, and working with Scottish stakeholders to influence a fair Assisted Areas map as part of a new UK subsidy regime.

The Committee thanked the State Aid Manager, and endorsed the approach being taken. Members underlined the importance of HIE using its influence to ensure the needs of the Highlands and Islands are put forward strongly and recognised in all relevant discussions, including the future Assisted Areas map.

Martin Johnson and Marie Mackintosh left the meeting.

2.6c Data protection

The Director of Finance and Corporate Services updated the Committee on actions being taken to mitigate the risk of an adverse impact on data flows arising from Brexit. A key potential issue will be a lack of a legal basis for transferring data from the EU to the UK (though this will not be an issue in the opposite direction) until the EU is satisfied that the UK is an 'adequate' state for data protection.

The Chair raised a question on potential impacts on MyHIE, a key element of HIE's business transformation programme that had been discussed under item 2.5. It was noted that the platform supporting MyHIE would be hosted in the EU, and this would be recognised in HIE's risk register.

2.7 Hotel support programme

The Director of BIIA summarised HIE's approach to due diligence for the Hotel Support Programme. This programme had been introduced by the Scottish Government as an urgent response to the threats facing the sector as a result of COVID-19 and was being administered by HIE in the Highlands and Islands. Meeting programme objectives had required a change to HIE's normal due diligence processes by accepting a higher level of risk in order to expedite support for the sector in exceptional economic circumstances.

The Committee welcomed steps that HIE was taking to administer the programme effectively and as speedily as possible. However, concern was expressed at the pace with which the programme was being implemented across Scotland, with no payments having yet been made. The Committee asked whether HIE processes

might be presenting an obstacle to some applicants, but were assured it was the intent to keep processes as proportionate as possible in line with the national agreed approach.

The Deputy Chief Executive acknowledged that support was required urgently and assured the Committee that HIE was doing all it could to respond to the sector's needs while employing adequate diligence. More than half of the eligible applications submitted to HIE had now been approved while the remainder would be concluded once final details had been received from applicants.

3 PLANNED ACTIVITY **GNÌOMHACHDAN PLANAICHTÈ**

3.1 Information systems

3.1a Cyber maturity consolidated report

3.1b Action plan from cyber security work

Items 3.1a and 3.1b were taken together.

The Chief Information Officer, EIS, presented a consolidated cyber maturity review carried out across partners organisations by Scott Moncrieff during summer 2020. This followed a HIE-specific review, the findings of which had been presented to the Committee in September 2020, and highlighted issues that were common among the EIS partners.

[Paragraph removed in the interests of the effective conduct of public affairs.]

In discussion, the Committee indicated a need for future updates on information technology and security to be drafted and delivered very clearly and succinctly to ensure key points were capable of being fully understood by a non-technical audience. It was agreed that the Director would discuss this with EIS and the presentation of information on technical subjects would be reviewed.

3.2 Corporate risk register at November 2020

The Committee noted the contents of the latest HIE Corporate Risk Register, highlighting current areas of key risk that were being managed by the organisation. Members welcomed the revised approach being taken to indicate risks clearly, including presentation of new risks that had been added to the register and the use of trending arrows.

[Paragraph removed in the interests of the effective conduct of public affairs.]

The Chair welcomed the new approach being taken to presenting corporate risks and expressed their appreciation to the Business Improvement Manager.

3.3 Assurance plan progress report

The Committee welcomed a report showing progress in delivering HIE's 2020-21 Assurance Plan from 1 April to 31 October 2020. The report was presented clearly and the use of key performance indicators was recognised as a valuable tool. In response to a question, the Director of BIIA confirmed that a lessons learned exercise was being carried out in relation to preparing the annual accounts, which had been affected this year by COVID restrictions, and that work was under way with Audit Scotland and internal teams.

The Chair asked whether the Finance team was now adequately resourced, both in terms of overall headcount and accounting expertise. The Director of Finance and Corporate Services agreed that additional resource which had been provided this year had been beneficial, but noted that COVID had presented additional challenges that could not have been foreseen.

3.4 Public Service Reform Act report

Emma Stevenson joined the meeting.

The Committee welcomed the 2019-20 statement of expenditure in certain categories that HIE, along with other public bodies, is required to publish under the terms of the Public Services Reform (Scotland) Act 2010. The Chair requested assurance that the terms of what HIE was required to disclose remained unchanged from the previous statement. Subject to that being confirmed by staff, the 2019-20 statement will be made available online on the HIE website.

Emma Stevenson left the meeting.

3.5 Customer service update

The report noted the contents of the latest HIE customer services report, covering the period 1 April to 30 September 2020.

3.6 National Fraud Initiative 2020-21 approach and action to date

The Committee noted a report on HIE's participation in the biennial National Fraud Initiative, coordinated by Audit Scotland. The report highlighted actions that HIE had taken to implement recommendations made by Audit Scotland in the 2018-19 initiative, which was included as item 4.2 in the meeting papers. It also included a self-appraisal checklist outlining how HIE had planned for and was participating in the current exercise.

3.7 Any other business

There was no other business.

3.7a RAC effectiveness session feedback

The findings of a self-assessment review and development session in which the Committee had participated in October 2020 were noted. The review was designed to identify areas with scope for improvement, in line with good practice that was specified in the Scottish Government *Audit and Assurance Committee Handbook*.

Members welcomed improvements to Committee papers which, as an outcome of the session, were now being presented with a helpful summary attached. It was requested that this format should become standard for all Board papers and that HIE consider adding an indication of significant issues that might be raised by each paper. The Director of BIIA agreed, and acknowledged the input of Audit Scotland in this exercise.

3.7b RAC training and development requirements

The Director of BIIA confirmed that future sessions were currently being planned for 2021 and would focus on issues including fraud, project appraisal and business transformation.

4 ITEMS FOR INFORMATION **CUSPAIREAN AIRSON FIOSRACHADH**

4.1 Audit Scotland Report – National Fraud Initiative 2018-19

The contents of this report were noted in conjunction with item 3.6.

4.2 Date of next meeting

The next meeting of the Risk and Assurance Committee is scheduled for Tuesday 2 March 2021. An additional development meeting will be scheduled as soon as diaries allow.

Chris Roberts
Head of Corporate and Media Relations
01 December 2020