



MINUTE OF THE HIE BOARD MEETING HELD ON WEDNESDAY 26 OCTOBER 2016, AVIEMORE HIGHLAND RESORT

PRESENT:

Lorne Crerar (Chairman)
Charlotte Wright (Interim Chief Executive)
Amanda Bryan
Alistair Dodds
Donald MacDonald
Robert McIntosh
Donald MacRae
Iseabail Mactaggart
Belinda Oldfield
William Swann

IN ATTENDANCE:

Forbes Duthie	Director of Finance and Corporate Services
Douglas Cowan	Director of Strengthening Communities
David Oxley	Acting Director of Business and Sector Development
Sandra Dunbar	Head of Business Improvement and Internal Audit
Karen Moncrieff	Head of Human Resources
Chris Roberts	Head of Corporate and Media Relations
James Gibbs	Area Manager, Inner Moray Firth
Alastair Nicolson	Head of Planning and Partnerships, item 3.3
Alison Sharp	Corporate Planner, item 3.3

1 STANDING ITEMS

1.1 Welcome and apologies

The Chairman welcomed everyone to the meeting. Apologies had been received from Board members Paddy Crerar and Ailsa Gray, and from Director of Regional Development Carroll Buxton.

1.2 Declaration of interest

It was noted that Charlotte Wright had declared an interest in respect of item 4.1, Redevelopment of former Fort William Primary School, and would leave the meeting when this was being considered.

Amanda Bryan declared that she had contributed to the Minimum Income Standards refresh that was included as a paper for information. It was agreed, however, that this did not form a conflict of interest.

1.3 Minute of meeting: 16 August 2016

HIE 2004/02226

The minute of the HIE Board meeting of 16 August 2016 was approved.

1.4 Minute of meeting: 23 August 2016

HIE 2004/02226

The minute of the HIE Board meeting of 23 August 2016 was approved with one revision (see item 1.5 below).

1.5 Matters arising

With reference to item 3.6, University of the Highlands and Islands, Iseabail Mactaggart reported that UHI's governance review appeared to be progressing well, and an update would be delivered at the next Convention of the Highlands and Islands.

Alistair Dodds requested an update on item 4.2, concerning funding awards by Wave Energy Scotland, and it was agreed that details would be provided at the next scheduled Board meeting, on 13 December.

Amanda Bryan suggested a revision to the minute to clarify points that had been raised with regard to item 5.2, Strengthening Communities and Fragile Areas Review. This was agreed.

There were no other matters arising from the minutes that were not covered elsewhere on the agenda.

2 UPDATES

2.1 Chairman's and Interim Chief Executive's update

HIE 2004/02226

The Chairman reported that, following publication of the outcomes of phase one of the Enterprise and Skills Review, he had received verbal assurance from the Scottish Government that recruitment of a permanent HIE Chief Executive would be able to proceed.

[Sentence removed, as disclosure at this time could be detrimental to the conduct of public affairs.]

Regarding Rio Tinto Alcan's decision to dispose of its assets in Lochaber, it was noted that a preferred bidder had now been selected and that the Scottish Government was engaged with HIE to try to deliver a positive conclusion for the workforce and the wider community.

The Director of Strengthening Communities reported that Community Broadband Scotland (CBS) was continuing to address challenges, including geographical scoping and sustainability, and to develop new delivery models. The Scottish Rural Action working group had delivered a report on broadband in remote and rural areas to the Scottish Rural Parliament, and its recommendations were broadly in agreement with HIE's views. An update on CBS would be delivered at a future Board meeting.

[Paragraph removed, as disclosure at this time could be detrimental to the conduct of public affairs.]

[Sentence removed, as disclosure at this time could be detrimental to the commercial interests of a third party.]

The Chairman informed the Board that he would be writing to congratulate Zoe Laird, Director of Community Broadband Scotland, and Stuart Robertson, HIE's Director of Digital

Highlands and Islands, on their teams' success in winning national economic development awards.

Board members were saddened to hear that Calum Davidson, HIE's Director of Energy and Low Carbon, would be retiring soon on health grounds. The Chairman led tributes to the Director for his outstanding contribution to the development of the energy sector in the Highlands and Islands over several years, and confirmed that he had written to Calum to express the Board's sympathy and its immense gratitude for all that he had achieved.

At the most recent meeting of Inverness Campus Partnership Forum, the Deputy First Minister had confirmed that he would continue to chair this grouping and expressed a wish for the forum to meet more frequently than once a year.

The Interim Chief Executive gave a short presentation on her immediate priorities until the end of the calendar year. These would include obtaining Board and senior management input to HIE's next three-year operating plan, and an active programme of engagement to maintain positive relationships with a broad range of partners and other stakeholders. The presentation detailed specific actions to strengthen communities, create business growth and develop the regional asset base, while also committing to nurture a strong organisational culture.

The Chairman noted that he and the Interim Chief Executive would be attending the next meeting of the Convention of the Highlands and Islands, to be held in Inverness on Monday 31 October.

Professor Crerar also reported that a briefing event for Highlands and Islands MSPs, held in Edinburgh earlier in October, had been well attended and productive.

During a visit to Orkney, the Chairman and Interim Chief Executive had met several HIE clients that were managed by the local area team, and visited the European Marine Science Centre, the site of the proposed Orkney Research Campus in Stromness, and the island of Papa Westray.

2.2 Overview from James Gibbs, Inner Moray Firth Area Manager

The Chairman introduced James Gibbs, HIE Area Manager, who gave a presentation on current opportunities and challenges being addressed by the Inner Moray Firth team, which covers the largest area by population within the HIE region. Topics covered by the presentation included the importance of transport and digital connectivity, the role of Inverness as the region's largest centre of population, and issues affecting growth sectors.

Discussion focused on challenges facing small towns in particular, and the potential for community asset ownership, social enterprises and private investment all to play roles in regeneration. The Board thanked the Area Manager for his presentation.

3 RESOURCES AND GOVERNANCE

3.1 Financial statement to 30 September 2016

HIE 2016/00442

The Director of Finance and Corporate Services presented HIE's latest financial report, covering the six months to 30 September 2016. This showed that, while spend at the mid-year point was behind both the straight-line profile and the equivalent point in the previous year, this was primarily due to a number of top-slice projects being profiled to achieve spend towards the year end. These projects would continue to be carefully monitored, and any

necessary budget adjustments made to achieve a balanced result by the end of the financial year. Discretionary spend and commitment were both robust.

The Board noted that a recent cut in interest rates had resulted in a negative impact on pension scheme deficits across the country, with HIE being no exception. The situation would continue to be monitored, and it was noted that the associated need to ensure that the organisation maintained a healthy assets register could affect the organisation's property sales ambitions.

Discussions were under way with the Scottish Government over HIE's 2016/17 budget, and an announcement was expected in mid-December. Before this, on Wednesday 6 December, both the Director and the Interim Chief Executive would appear alongside other agencies in the Scottish Parliament, to give budget evidence to the Economy, Jobs and Fair Work Committee.

3.2 Risk register – October 2016

HIEA 2016/00314

Alastair Nicolson and Alison Sharp joined the meeting.

The Head of Business Improvement and Internal Audit (BIIA) presented the most recent update of the HIE corporate risk register. This showed that, in October 2016, HIE had identified a total of 27 risks (16 strategic and 11 tactical) which were being tracked and treated across the organisation. This compared with a total of 24 risks identified in August, and had been compiled following review of business unit registers, discussions with key individuals and consideration of matters raised at the last Board meeting and senior managers' event.

[Sentence removed, as disclosure at this time could be detrimental to the conduct of public affairs.]

3.3 Draft Risk and Assurance Committee minute – 23 August 2016

HIE 2013/00841

Alistair Dodds, as Chair of the Risk and Assurance Committee, presented the most recent draft minute. These minutes are routinely presented to the Board in draft form to ensure that members obtain early sight of any important issues concerning risk and assurance. The draft minute will be taken back to the next meeting of the committee for approval.

3.4 Half-year review 2016/17

HIEA 2016/00644

The Head of Planning and Partnerships presented the half-year review of corporate performance to the end of September 2016, showing progress towards annual measures for 2016-17 that were included in the HIE Operating Plan. Mr Nicolson noted that the country was currently experiencing a period of economic uncertainty in the wake of the UK referendum on EU membership, and that investor confidence was low. Against this context, HIE had invested £12.3m in growth projects since April, including £3.25m (26%) in fragile areas. A total of 953.25 jobs had been supported (429.25 created and 524 retained) through HIE support, including 106 in fragile areas.

A new *International Highlands and Islands* programme to promote and grow exporting activity was now fully operational, and high levels of activity were being generated through a new innovation support programme. The HIE-led rollout of next generation fibre broadband was providing access to 77% of premises across the region, and the Scottish Land Fund, administered by HIE with the Big Lottery Fund, had been extended to cover the whole country. Support from Community Broadband Scotland had enabled a total of 4,264 premises in 16 hard-to-reach project areas to benefit from broadband access.

The Board welcomed the report, and the Chairman thanked HIE staff for an excellent performance at this point in the year. The internationalisation figures were particularly encouraging, although it was acknowledged that the region's performance under this heading was dependent on a relatively small number of businesses.

Alastair Nicolson and Alison Sharp left the meeting.

3.5 Discussion: Enterprise and Skills Review phase one outcomes

In view of the fact that the Scottish Government had published the outcomes of phase one of the Enterprise and Skills Review the previous day, the Board agreed to hold a discussion on this matter, and to postpone the scheduled workshop on HIE's vision and priorities. At the Chairman's request, it was agreed that this discussion should initially involve only the non-executive directors.

Charlotte Wright, Forbes Duthie, Douglas Cowan, David Oxley, Sandra Dunbar, Karen Moncrieff and Chris Roberts left the meeting.

In considering the Review in detail, Board members were very pleased with the positive comments in respect of the performance of HIE. It was noted that the success of HIE formed the underpinning argument for the creation of a new vehicle to meet what the report called, "the Enterprise and Skills needs of the South of Scotland". At the beginning of the report (para 3), the Board was pleased to note the fundamental principle that, for the Highland and Islands region, "we (the Scottish Government) will maintain dedicated support which is locally based, managed and directed by HIE".

It was noted that the report stated that a Statutory Board would be set up, the constitution and make up of which would be determined during phase two of the Review. The present HIE Board would be very active in the consultation going forward to ensure that the envisaged Statutory Board would have a focus upon the operations of HIE and its continuing engagement with all of its key stakeholders across the region. *[Sentence removed, as disclosure at this time could be detrimental to the conduct of public affairs.]*

While HIE's corporate governance arrangements would change, the Board recognised that there was an opportunity to capitalise upon the very positive views of HIE and its operations to ensure that the very ambitious focus the organisation has for its businesses, communities, and region would be undiminished once the Review was completed.

The Chairman invited Charlotte Wright to rejoin the meeting.

It was agreed that the Chairman and Interim Chief Executive would seek meetings with the appropriate senior civil servants, government ministers and cabinet secretaries to discuss the Review, noting that it was expected to be a topic of great interest to the Convention of the Highlands and Islands, which was due to meet in a few days. In addition, the Cabinet Secretary for Rural Economy and Connectivity would be invited to join Board members for a special meeting in December to offer strategic direction and participate in discussion to inform HIE's vision and priorities, as they would be presented in the organisation's next Operating Plan.

Forbes Duthie, Douglas Cowan, David Oxley, Sandra Dunbar, Karen Moncrieff and Chris Roberts rejoined the meeting.

4 INVESTMENT PROPOSALS

4.1 Redevelopment of former Fort William Primary School for proposed HIE/Highland Council collocation HIEA2016/01071

Charlotte Wright left the meeting, having declared an interest in this item.

The Director of Finance and Corporate Services presented a paper recommending that HIE pursue an option to secure title to offices within a redeveloped Fort William Primary School at an estimated cost of £465,000 plus VAT (with a 10% contingency). This would enable area team staff based in the town to relocate from their present offices at St Mary's House to shared premises with Highland Council, and it was also proposed that HIE would meet its own fit out costs of £50,000, and exit dilapidation costs of £50,000. In addition to offering improved public access to collocated public services in a town centre location, the move would bring a brownfield site back into economic use. Direct benefits to HIE itself would include cutting annual occupation costs from £114,000 to around £30,000, and efficiency gains through substantial reductions on both floor area and desk space.

The Board welcomed the proposal, and noted that the Highland Council, which was leading the redevelopment, had already gained planning consent. It was suggested that collocation with Business Gateway would be beneficial, and the Board agreed that this option should be pursued.

Formal approval will now be sought from the Scottish Government, and HIE's Leadership Team will review final costs before approval is granted. The Interim Chief Executive, who has declared an interest, will play no part in this decision.

Charlotte Wright rejoined the meeting.

5 DISCUSSION PAPERS

5.1 EU Structural Funds: current position HIEA 2015/00724

The Interim Chief Executive presented an update on progress in obtaining funding from the 2014-20 European Structural Funds programmes (ERDF and ESF). These programmes had allocated €193m to the Highlands and Islands, including €49m for business competitiveness and Innovation, where HIE is one of the lead partners. The paper showed that HIE had gained approval for ERDF of £4,623,887 towards total project costs of £11,092,226 for initiatives including: International Highlands and Islands; ScotGrad; Creative Industries; Leadership programme, and Innovation service.

It was noted that the UK Government had guaranteed that funds approved before the date of exiting the EU (currently expected to be March 2019) would be honoured, although there was as yet no certainty that further application rounds would take place after 12 October 2016. As a result, HIE had submitted a further round of applications to maximise its use of available EU funding. These applications amounted to £5,522,430 ERDF towards total project costs of £12,979,575 relating to: Entrepreneurship programme; Orkney Research Campus; Inverness Campus Life Sciences Units; Northern Innovation Hub, and Calanais Visitor Centre.

It was noted that the most recent applications had been submitted prior to formal HIE approval in order to meet the 12 October deadline and ensure that this, possibly final, opportunity to secure EU funds was seized. The Board welcomed the update and endorsed the approach being taken.

5.2 International Highlands and Islands - update

HIEA 2012/00359

The Acting Director of Business and Sector Development presented an update on progress with HIE's International Highlands and Islands programme, covering the seven months from March to September 2016. The programme has two complementary aims: to encourage more Highlands and Islands businesses to undertake international trade, and support those that are already engaged in this activity to do more. It is delivering its objectives by offering advice and information (both one-to-one and online), delivering events, and providing funding. The programme was fully aligned with HIE's account management approach, and HIE staff were working closely with Scottish Development International to ensure integration.

Key performance indicators had been put in place for 2016, 2017 and 2018, and the programme aimed by the end of this period to have supported 350 unique enterprises, awarded 170 grants, and delivered non-financial support to 300 enterprises. Although progress to date was below expectation, it was noted that the EU-funded programme had started later than planned and that staff were confident that actions were in hand to achieve the measures that had been set.

In discussion, Board members stressed the importance of continuing to work in collaboration with SDI to ensure that HIE's activities at its own hand were complementary, and avoid the risk of duplication. The inclusion of case studies in the report was welcomed, and it was suggested that it would be helpful for future updates to report on outcomes achieved by participating businesses, in addition to recording HIE's progress towards the agreed performance indicators.

5.3 HIE's Gaelic Plan - update

HIEA 2012/00088

The Director of Strengthening Communities presented an update on progress towards gaining approval from Bòrd na Gàidhlig for the latest HIE Gaelic Plan. The latest draft had been delivered to the Bòrd in May 2016, and had received broadly positive feedback, with some suggested amendments that HIE had taken into account before resubmitting. Once a formal determination had been received from Bòrd na Gàidhlig, it was intended to bring the final version of the plan back to the HIE Board for approval.

Board members welcomed the update, and endorsed HIE's continuing stress on pursuing an approach that recognises the importance of Gaelic as an economic asset as well as a cultural one, particularly in sectors such as creative industries and tourism. It was also suggested that HIE could explore options to increase Gaelic content on its website by making greater use of video, which was likely to prove more appealing to most Gaelic speakers than written text.

6 PAPERS FOR INFORMATION

6.1 HIElights

The latest issue of HIE's e-newsletter was circulated in draft form for information prior to online publication and distribution.

6.2 Economic Briefing – October 2016

HIEA 2014/01290

The Board welcomed the latest economic briefing for the Highlands and Islands from HIE's Planning and Partnerships team.

6.3 Refresh of Minimum Income Standard for remote rural Scotland

HIEA 2008/00768

The Board welcomed this update, noting that, although fuel costs had decreased since the original survey had been undertaken, the benefits to remote rural areas were minimal and had broadly been offset by price rises affecting other goods and services.

6.4 Property activity report 1 July – 30 September 2016

HIE 2008/00768

The latest property activity report was noted.

6.5 HIE's equality mainstreaming interim report 2016

HIE 2006/02079

The Board noted the content of HIE's latest equality mainstreaming interim report. Mainstreaming reports are published on the HIE website once completed.

6.6 Any other business

The Chairman observed that the Board's visit to Badenoch and Strathspey, which had included company engagement and a business breakfast in Aviemore, had been very worthwhile, and expressed his appreciation to the Inner Moray Firth area team for organising and hosting.

6.6 Forthcoming Board dates:

Forthcoming dates of the Board and Risk and Assurance Committee were noted.

Chris Roberts
26 October 2016