

BOARD MEETING
COINNEAMH BÙIRD

**MINUTE OF THE HIE BOARD MEETING HELD ON THURSDAY 11 MAY 2017,
AT 45 GORDON STREET, GLASGOW, AND BY TELECONFERENCE**

PRESENT: Lorne Crerar (Chair)
Charlotte Wright (Interim Chief Executive)
Alistair Dodds (by phone)
Ailsa Gray
Donald MacRae
Belinda Oldfield
William Swann (by phone)

IN ATTENDANCE:

Carroll Buxton	Director of Regional Development (by phone)
Douglas Cowan	Director of Strengthening Communities
David Oxley	Acting Director of Business and Sector Development
Sandra Dunbar	Head of Business Improvement and Internal Audit (by phone)
Chris Roberts	Head of Corporate and Media Relations
Donna Chisholm	Regional Head of Sectors, Innovation and Programmes, items 3.2, 3.3
Felix Spittal	Senior Project Manager, Northern Innovation Hub, items 3.2, 3.3
Alastair Nicolson	Head of Planning and Partnerships, item 4.1 (by phone)

1 STANDING ITEMS
CUSPAIREAN COTHROMACH

1.1 Welcome and apologies

The Chair welcomed everyone to this additional meeting of the HIE Board. Apologies had been received from Board members Amanda Bryan, Paddy Crerar, Donald MacDonald, Robert McIntosh and Iseabail Mactaggart, and from Head of Human Resources Karen Moncrieff and Head of Finance Andrew Jenkins.

1.2 Declarations of interest

There were no declarations of interest concerning any items on the meeting agenda.

1.3 Minute of the Board meeting held on Tuesday 11 April 2017

HIEA 2017/00646

The minute of the Board meeting held on Tuesday 11 April 2017 was approved.

1.4 Minute of the Board meeting held on Tuesday 25 April 2017

HIEA 2017/00719

Some clarifications were noted and it was agreed that a revised minute for Tuesday 25 April 2017 would be brought back for consideration at the next Board meeting.

1.5 Matters arising

There were no matters arising from the minutes of 11 April 2017 or 25 April 2017 that would not be covered elsewhere on the agenda.

2 UPDATES CUNNTASAN AS ÙR

2.1 Chair and Interim Chief Executive update

HIEA 2017/00720

The Interim Chief Executive informed the Board that HIE's draft Operating Plan 2017/18 had been completed and submitted to the Cabinet Secretary for the Rural Economy and Connectivity. The plan would be published after the Cabinet Secretary's approval was obtained.

HIE's new Director of Finance and Corporate Services, Nick Kenton, would be taking up his post at the start of July. Interim arrangements were in place to manage the timely production of HIE's annual accounts, and external auditors Audit Scotland had been informed of these.

The Board's decision, at its last meeting, to approve changes to the purpose of a previously agreed loan to Cairngorm Mountain Ltd (CML), had generated mainly positive media coverage. HIE was also processing Freedom of Information requests seeking more detail of CML's plans.

[Paragraph withheld from publication, as disclosure at this time could have a negative impact on third party commercial interests.]

Plans to develop the Regional Science Skills Academy (SSA), backed by funding from the Inverness-Highland City-Region Deal, were continuing to move forward. The Interim Chief Executive had attended a productive meeting with a leader of the team behind Norway's Newton Rooms, a concept that SSA will be adapting in the Highlands and Islands.

Following the recent council elections in May, the Board noted that most local authorities in the Highlands and Islands would have new leaders. It was agreed that early contact would be made with all new council leaders, and the Board stressed the importance of establishing and maintaining strategic relationships between HIE and local authorities across the region.

Cycling promotion charity Sustrans had confirmed it would make a funding contribution to support construction of the proposed North Bridge at Inverness Campus, which had been discussed and approved at the HIE Board meeting on 11 April 2017.

HIE and Wave Energy Scotland had again taken an active role in promoting the region's renewable energy and low carbon opportunities at the annual All Energy Scotland conference, held in Glasgow.

Scotland House, a new business base established by the Scottish Government in London, had opened in April, attracting a great deal of interest. The facility's membership scheme was already oversubscribed, with strong representation from the Highlands and Islands, and HIE planned to make proactive use of the London location for business engagement.

The Interim Chief Executive, Director of Regional Competitiveness, and Director of Strengthening Communities were all due to give evidence to the Rural Economy and Connectivity Committee in the Scottish Parliament on 24 May.

[Paragraph withheld from publication, as disclosure at this time could have a negative impact on third party commercial interests.]

In Inverness, Johnson and Johnson's review of its global diabetes operations was continuing to affect LifeScan Scotland. The net effect was now expected to be a reduction of 30 jobs overall, with the loss of 60 existing posts being partially offset by the creation of 30 new ones.

Liberty Group was continuing to make good progress in implementing very significant expansion plans for the aluminium smelter in Fort William, with HIE playing an active role in the local delivery group.

The Chair noted that he had held a productive appraisal meeting with the Scottish Government Director-General Economy, who had expressed positive views in relation to HIE's performance. Professor Crerar had asked that the recently-begun second terms of three HIE Board members – Paddy Crerar, Alistair Dodds, and Donald MacRae – be extended to three years as originally requested, now that the future of the HIE Board was no longer in question (next item refers).

The Chair updated the Board on the progress of the Scottish Government's Enterprise and Skills Review. As the Cabinet Secretary had informed the Scottish Parliament, the recommendations put forward in Professor Crerar's governance review had been accepted, including the retention of individual boards for HIE, Scottish Enterprise, Skills Development Scotland and the Scottish Funding Council. Professor Crerar had attended a meeting of the Ministerial Review Group on 10 May which had focused on progress of the various workstreams in the Review. An interim strategic board was expected to be established shortly, for which the Scottish Government would recruit an independent chair.

Professor Crerar noted that work would commence shortly to prepare for the recruitment of new Board members, as the terms of Donald MacDonald, Iseabail Mactaggart and William Swann would all come to an end on 31 March 2018.

2.2 Enterprise and Skills Review update

HIEA 2017/00009

a Enterprise and Skills Review project plan

The Interim Chief Executive introduced an update on the Scottish Government's Enterprise and Skills Review, including summaries of HIE's input to all of the Review workstreams. The Board noted that the Review's phase two report was expected to be published in June, and that HIE would continue to be deeply engaged as the process moved into implementation phase.

In detailed discussion, Board members raised a number of questions concerning HIE's role in the Review. It was recognised that, while the programme of work was continuing to make demands on HIE resources, the staff taking part were committed to continuing their active participation in order to achieve a successful set of outcomes for the region and for Scotland. The Chair noted that HIE had already played a significant influencing role, and that the government had signalled its appreciation of the agency's input.

The Board agreed that continuing participation in all workstreams would be vital, noting in particular that the Data and Evaluation workstream would play a key role in setting the performance measures and evaluation methodology that would guide future strategic planning and delivery across Scotland's enterprise and skills system.

It was agreed that further briefing on progress would be brought to the next HIE Board meeting on 6 June, and that the Enterprise and Skills Review would remain a standing item on Board agendas for the time being.

3 INVESTMENT PROPOSALS **MOLAI DHEAN AIRGEAD-TASGAIDH**

3.1 Property factoring and consultancy budget 2016/17 (Homologation)

HMS 9355479

The Board homologated a decision by the Director of Regional Development to increase the Property Factoring and Consultancy budget 2016/17 by £110,000 to £4,382,500 (gross). The increase was largely required to meet the cost of electricity consumption at one location, which had been significantly higher than expected. This cost was recoverable, however, and HIE would be reimbursed by the tenant. As a result, the forecast final net position for the budget remained unchanged at £1.8m.

3.2 HIE support for business innovation in the Highlands and Islands

HIEA 2016/00100

Donna Chisholm and Felix Spittal joined the meeting.

The Regional Head of Sectors, Innovation and Programmes introduced a short presentation on HIE's support for business innovation, which the agency is committed to developing as a key driver of productivity and economic growth in the Highlands and Islands. HIE's support for innovation had increased since 2013 and the topic was one of the four 'I's highlighted as priorities in Scotland's Economic Strategy. Numbers being supported to innovate in the Highlands and Islands have been growing year on year, stimulated by targeted promotional campaigns led by HIE. Innovation support had become an integral part of HIE's account team approach, and advice, expertise and support were also being offered to the wider business base throughout all parts of the region. Working with partners, HIE was now keen to build on the momentum established to date and help increase the number of innovative businesses of all sizes in the Highlands and Islands which, recent research has shown, was proportionately lower than Scotland and the UK.

The Board strongly welcomed the approach being taken to embed innovation support as a core HIE service, with Donald MacRae emphasising the importance of winning hearts and minds in order to encourage more businesses to innovate. Ailsa Gray highlighted new research, indicating that a focus on shareholder reward could present a barrier to innovation in some companies, and offered to share this with the HIE team. She also recommended examining structural factors that might be inhibiting Scotland's innovation performance, and seeking to learn from the experience of other countries that were successfully pursuing inclusive growth. Alistair Dodds suggested that impact on wage levels should be regarded as one of the positive outputs driven by innovation, and it was agreed that this would be added to the list of measures included in the paper.

3.3 Northern Innovation Hub (Inverness-Highland City-Region Deal)

HMS 9360366

The Regional Head of Sectors, Innovation and Programmes presented a paper requesting that the Board provide framework-level approval for HIE to be a conduit for funding the Northern Innovation Hub, a key element of the Inverness-Highland City-Region Deal. This would involve committing a total of £16m, comprising £11m from the City-Region Deal; £3m from the European Regional Development Fund, and £2m HIE grant-in-aid to design and deliver a transformative innovation programme that would operate across Highland for at least seven years from June 2017. HIE's investment would be targeted specifically towards establishing a new food and drink technology centre, and the agency would be responsible for overall management of funds and delivery of the full Northern Innovation Hub programme.

[Paragraph withheld from publication, as disclosure at this time could have a negative impact on the effective conduct of public affairs.]

The Board discussed the proposals in depth, welcoming in particular the focus on achieving benefits for young people, and using digital technology as one means of extending the reach of the hub's activities across Highland. Members highlighted the importance of effective governance,

and it was agreed that the Risk and Assurance Committee would examine and agree proposed systems to manage and deliver the programme. In response to Board questions, staff confirmed that the programme would be audited independently through Audit Scotland, and also evaluated independently. Board members also stressed the importance of HIE itself leading by example in taking an innovative approach, and the team confirmed that work was ongoing to enhance the culture of innovation across the organisation.

The Board approved the funding request, noting that each project within the Northern Innovation Hub would be subject to separate appraisal at the appropriate level of delegated authority. It was also agreed that procurement could be started for contracts within the hub.

Donna Chisholm and Felix Spittal left the meeting.

4 ITEMS FOR DISCUSSION **CUSPAIREAN AIRSON BEACHDACHADH**

4.1 HIE Business Panel Survey – April 2017

HIEA 2012/00771

Alastair Nicolson joined the meeting by phone.

The Head of Planning and Partnerships presented the findings of HIE's latest quarterly survey of the Highlands and Islands Business Panel, which had included specific questions on European markets and the free movement of people. In common with the previous two surveys conducted during 2016 and 2017, around four in five respondents reported that their own businesses had either performed well or steadily, and the majority were optimistic about their own prospects for the next 12 months. Economic confidence in general was relatively low however, although businesses that were account managed by HIE tended to be more optimistic. Businesses that took part in qualitative interviews conducted as part of the survey commonly expressed the view that the UK leaving the European Union would have a negative effect on business performance. While businesses in the tourism sector were generally performing well, others in the food and drink sector expressed concern over their ability to access export markets as effectively in future.

The Board welcomed the latest survey. In discussion, it was agreed that investment plans would be included as a future survey topic, and that a paper consolidating the research findings over a full year would be presented once the relevant data had been collated and analysed.

Alastair Nicolson left the meeting.

4.2 Engaging and influencing HIE stakeholders

HIEA 2017/00792

The Board welcomed a paper from HIE's Head of Marketing and Head of Corporate and Media Relations, summarising current activity being undertaken across the organisation to engage with a broad range of stakeholders, including businesses, communities, umbrella organisations, community planning partnerships, parliament and government, print and broadcast media, and the general public. It was noted that the forthcoming advent of the new national strategic board as an outcome of the Enterprise and Skills Review would place increased emphasis on the importance of partnership and collaborative working, and that HIE was widely regarded as an agency that practised engagement and collaboration effectively.

The Chair requested that a forward-looking plan for stakeholder engagement and collaboration be brought back to the next meeting in June 2017. This should cover HIE's rationale for a co-ordinated and proactive approach to engagement and collaboration, the positive outcomes that such activity was expected to produce, and ways in which performance could be measured.

5 ITEMS FOR INFORMATION
CUSPAIREAN AIRSON FIOSRACHADH

5.1 Any other business

There was no other business.

5.2 Forthcoming Board dates

The following dates were noted:

- 5 June – Meet shortlisted candidates for Chief Executive / dinner, Inverness
- 6 June – HIE Board meeting, An Lòchran, Inverness
- 7 June – HIE Risk and Assurance Committee, An Lòchran, Inverness
- 23 August – HIE Board meeting, Moray
- 21/22 September – National Strengthening Communities Conference, Aviemore

Chris Roberts
11 May 2017
HIEA 2017/00720