

BOARD MEETING
COINNEAMH BÙIRD

MINUTE OF THE HIE BOARD MEETING HELD ON TUESDAY 6 JUNE 2017
AN LÒCHRAN, 10 INVERNESS CAMPUS

PRESENT: Lorne Crerar (Chair)
Charlotte Wright (Interim Chief Executive)
Amanda Bryan
Paddy Crerar
Ailsa Gray
Donald MacDonald
Robert McIntosh
Donald MacRae
Iseabail Mactaggart
Belinda Oldfield
William Swann

IN ATTENDANCE:

Carroll Buxton	Director of Regional Development
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
Alastair Nicolson	Head of Planning and Partnerships, items 2.2, 3.2
Tim Hurst	Managing Director, Wave Energy Scotland, item 2.3
Andrew Jenkins	Head of Financial Services, item 3.1
Ruaraidh MacNeil	Project Director, Inverness Campus, item 4.1
Nicola Douglas	Regional Head of Client Management, item 4.2
Nicola Ewing	Head of Communities Portfolio, item 5.1
Sandra Holmes	Community Assets Sector Lead, item 5.1
Roy Kirk	Area Manager, Caithness and Sutherland, item 5.2
Chris Taylor	Head of Tourism, item 5.2

1 STANDING ITEMS
CUSPAIREAN COTHROMACH

1.1 Welcome and apologies

The Chair welcomed everyone to the meeting. Apologies had been received from Alistair Dodds.

1.2 Declarations of interest

Iseabail Mactaggart had noted a standing interest in matters relating to wave energy, and would leave the meeting during delivery of the Wave Energy Scotland update (item 2.3).

The potential for Paddy Crerar to have an interest in the proposed sale of land at Inverness Campus for a hotel development (item 4.1) was considered. As Mr Crerar would not gain any competitive advantage from participating in Board discussions, and had already noted that he had no commercial interest in this project, it was agreed that no risk of conflict of interest was present.

1.3 Minute of meeting of 11 May 2017

HIEA 2017/00720

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

1.4 Matters arising

It was noted that the Scottish Government had confirmed the reappointment of six current Board members. Paddy Crerar, Alistair Dodds and Donald MacRae were being reappointed for a further three years from 1 April 2017, and Donald MacDonald, Iseabail Mactaggart and William Swann's terms were being extended for one year from the same date.

2 UPDATES CUNNTASAN AS ÙR

2.1 Chair and Interim Chief Executive update

HIEA 2017/00646

The Interim Chief Executive informed the Board that a planned review of operations at LifeScan Scotland Ltd in Inverness by parent company Johnson and Johnson had resulted in a smaller net impact than had originally been forecast. Although around 65 posts had been shed, another 50 or so had been recruited.

Paragraph removed due to commercial sensitivity.

Paragraph removed due to commercial sensitivity.

Dingwall-based life sciences company Inside Biometrics Ltd was moving forward with a programme of research and development, including HIE funding that had been approved by Leadership Team, following previous Board discussion. It was anticipated that the company would submit an application for equity funding from HIE, and that this would be brought to a future HIE board meeting.

International group Liberty House was implementing its plans to develop and expand the aluminium smelter in Fort William. The Board will be kept updated regularly on progress with this highly significant project.

Turning to staffing matters, it was noted that Nick Kenton had been appointed Director of Finance and Corporate Services, and Audrey MacIver as Director of Energy. Recruitment would shortly get under way for the post of Head of Tourism.

HIE was developing plans to maximise opportunities for the Highlands and Islands arising from Scotland House, the Scottish Government's new innovation and investment hub in London. Information would be presented at a future Board meeting.

The Interim Chief Executive, Director of Regional Development, and Director of Strengthening Communities had given evidence to the Rural Economy and Connectivity Committee of the Scottish Parliament for the first time on 24 May.

Plans to establish Shetland as a leading centre for oil and gas decommissioning had taken a step forward with news that an oil production vessel, Buchan Alpha, would be dismantled and recycled at Dales Voe, Lerwick. HIE had previously supported deep water quayside development at the port, and the Energy team had played a significant role in securing this project.

The Head of Business Improvement and Internal Audit confirmed that a case currently before the Court of Session, and a European Commission enquiry, both concerning HIE investment at Nigg Energy Park, remained ongoing. Further updates will be provided as these cases progress.

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

Professor Crerar reported that interviews for the position of HIE Chief Executive had taken place as planned in Inverness on 5 June. A recommendation had been forwarded to the Cabinet Secretary for Rural Economy and Connectivity, and a swift response was anticipated.

The Chair updated the Board on progress regarding the Scottish Government's Enterprise and Skills Review. It was expected that the conclusions of the second and final phase of the review would be presented to the Scottish Parliament by the end of June. The Board expressed strong support and gratitude to Professor Crerar for his role in conducting a detailed review of future governance arrangements for Scotland's enterprise and skills system, which it was hoped would be accepted in full by the Cabinet Secretary for the Economy, Jobs and Fair Work. With the review itself nearing conclusion, the Board agreed that HIE must be ready to play its full part and work alongside other agencies in delivering improved outcomes for the Scottish economy.

2.2 Enterprise and Skills Review update

HIEA 2017/00009

Alastair Nicolson joined the meeting.

The Board welcomed an update from the Corporate and Media Relations team, reporting on recent progress in the Scottish Government's Enterprise and Skills Review, and related parliamentary activity. The report included information on the proposed structure of the new national strategic board, and covered HIE's input into individual workstreams that had been established as part of the review. These focused on: data, performance and evaluation; regional partnerships; enterprise and business support; South of Scotland enterprise and skills vehicle; skills alignment; innovation, and international.

The Director of Regional Development was involved in the regional partnerships workstream, and explained that this had highlighted a number of barriers to development, including skills shortages and underemployment, and was considering ways in which these could be overcome. The Acting Director of Business and Sector Development reported on the enterprise and business workstream, which had made good progress towards improving customer journeys, with input from Business Gateway as well as the four agencies covered by the Enterprise and Skills Review. As HIE's representative on the South of Scotland Vehicle workstream, the Director of Strengthening Communities outlined progress that had been made towards establishing a regional focus similar to HIE's, and considering options to create the most effective organisational structure.

Board members welcomed the update, and examined outputs from the data, performance and evaluation workstream in particular. The Head of Planning and Partnerships explained that a new evaluation unit was to be set up to co-ordinate these activities across government and its enterprise and skills agencies. Donald MacRae emphasised the need to ensure that the metrics to be used by the new unit would continue to be relevant to the specific economic conditions of the Highlands and Islands and reflect the priority to pursue inclusive growth which is particularly significant in addressing the needs and opportunities of fragile areas. This point was endorsed by other Board members, who stressed the importance of delivering and measuring social impacts generated by HIE investments, as well as economic ones. It was agreed that the Board would be kept regularly informed of progress with the Review until the process concludes.

Alastair Nicolson left the meeting.

2.3 Wave Energy Scotland – progress update

WES 2015/00084

Iseabail Mactaggart left the meeting, and Tim Hurst joined.

The Managing Director of Wave Energy Scotland (WES) updated the Board on progress made by the HIE subsidiary over the past six months in particular. Mr Hurst noted that WES was now operating the largest wave energy research and development programme in the world, having worked with 150 companies on 56 projects, and committing £25m in funding.

Recent activity had included selecting the best projects to progress through the clearly defined stages of two development programmes: power take off systems (moving from stage 2 to stage 3), and novel wave energy converters (stage 1 to stage 2). New innovation calls targeting developers of structural materials and controls systems were now under way. The WES business plan was

currently being updated for submission to the Scottish Government, which funds the company through HIE and which had confirmed that its budget for 2017/18 would be £8m, with the opportunity to acquire further funding up to £2m should the need be demonstrated.

Recent recruitment had brought both the WES team and advisory group up to strength. The company had held a successful first annual conference in December 2016, and was now planning its next one. WES had also occupied a stand at All Energy in May 2017, where it demonstrated a new online knowledge management library that would be launched later in the year.

Paragraph removed due to commercial sensitivity.

The Board welcomed the update and thanked Mr Hurst for his attendance.

Tim Hurst left the meeting, and Iseabail Mactaggart rejoined.

3 RESOURCES AND GOVERNANCE **GOIREASAN IS RIAGHLACHAS**

3.1 Financial statement for the two months to 31 May 2017

HIEA 2017/00727

Andrew Jenkins joined the meeting.

The Head of Financial Services presented a report summarising HIE's financial position at 31 May 2017, and including a separate report for Wave Energy Scotland. This showed discretionary spend at a satisfactory level of 11%, which was broadly in line with the same period last year. Commitment was also at a manageable level of 128%, and would be carefully monitored. Spend on regionally significant and top sliced projects was in line with expectations at this early stage in the financial year.

Donald MacRae noted that the profile of total monthly expenditure differed from previous years. Mr Jenkins explained there were several reasons for this, including timing of some significant payments and cash flow to and from debtors and creditors.

The Chair confirmed that HIE's new Director of Finance and Corporate Services, Nick Kenton, would be in post shortly and was expected to present an updated financial statement at the next Board meeting, on 24 August.

Andrew Jenkins left the meeting.

3.2 Corporate performance measurement – June 2017

HIEA 2011/00806

Alastair Nicolson joined the meeting

The Head of Planning and Partnerships outlined a new approach to performance measurement in HIE that had been designed to better demonstrate the range and impact of the agency's activities and interventions, and their alignment with Scottish Government priorities. Keeping the number of measures to a manageable quantity, the revised measurement framework would provide clear reporting on factors including client growth, cost of outputs delivered (including jobs and increases in turnover), and workforce gender balance. A new system of performance 'ladders' would show progress made by account managed clients in particular in developing international trade, innovation, digital maturity, business values, and social enterprise capacity and growth. Benefits to be generated by the new approach included: greater understanding of client needs and opportunities; high quality information to shape HIE product and programme design; improved alignment with national priorities, and well-informed, evidence-based decision making. The paper concluded with a short performance summary for the period 1 April to 26 May 2017.

In response to a question from Professor Crerar, Mr Nicolson confirmed that the new framework would enable HIE to align performance measurement closely with the Scottish Government and partner agencies covered by the Enterprise and Skills Review. The Chair welcomed this assurance, and emphasised the importance of HIE continuing to be able to target support towards

early stage and small businesses with growth potential, particularly in fragile areas. Paddy Crerar asked what steps HIE was taking to encourage appropriate businesses to become account managed. The Interim Chief Executive explained that this activity was led by area teams, and that HIE was continuing to pursue opportunities pro-actively to bring new clients into the portfolio.

The Board welcomed and endorsed the new approach.

Alastair Nicolson left the meeting.

3.3 Risk Register – June 2017

HIEA 2017/00652

The Head of Business Improvement and Internal Audit (BIIA) presented the most recent HIE corporate risk register, which had been redesigned following discussion at the April Board meeting. The new approach aimed to provide greater clarity on: top corporate risks or themes; accountability and visibility on actions taken; use of risk management as a decision-making tool, and risk appetite. Further involvement of HIE management, Risk and Assurance Committee and Board would develop the approach fully over coming months.

Against 11 defined themes, the report had identified a total of 23 risks being treated across the organisation (15 strategic, 9 tactical). Six 'top risks' had been judged by Leadership Team to merit particular interest and focus from the Board.

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

3.4 Property Activity Report for Quarter 4, 2016/17

HIEA 2008/00768

The Director of Regional Development presented HIE's latest property activity report, covering the final quarter of 2016/17, and including information on rental income, vacancy rates, leases, sales, factoring and construction works. The Director noted that, as previously reported to the Board, it was proving increasingly challenging to obtain income from property sales at levels that had been achievable in earlier years. The annual property sales target had been reduced during the year to reflect current market conditions, and HIE had succeeded in meeting the revised target of £1.08m.

In response to a question from Donald MacRae, the Director confirmed that a property strategy was in preparation and would be brought to a future Board meeting. *Sentence removed in the interests of the effective conduct of public affairs.*

4 INVESTMENT PROPOSALS **MOLLAIDHEAN AIRGEAD-TASGAIDH**

4.1 Inverness Campus – proposed marketing of plots 11 and 12 for hotel development

HIEA 2008/00768

Ruaraidh MacNeil joined the meeting.

The Inverness Campus Project Director updated the Board on proposals that had first been presented in December 2016 to market two plots for sale, with the aim of attracting a commercial, business class hotel. Since the earlier Board meeting, HIE staff had explored State Aid compliance, considered alternative legal models, and investigated ways to maximise the potential to derive social benefits from a hotel development at the campus. Following analysis with Scottish Development International (SDI) and consultants, HIE had concluded that a hotel of the scale and quality proposed was likely to prove attractive to the market, particularly at the present time.

It was now recommended that HIE should invite offers for the lease or purchase of plots 11 and 12 at Inverness Campus, extending to 3.16 acres gross, to develop an upper/mid-scale hotel of 4-star quality. Professional advice would be obtained to ensure HIE was able to achieve maximum value for money, including reflecting any potential premium for a high quality hotel development. Working with SDI's hotel investment service, HIE would aim to secure a deal by the end of 2017/18, enabling construction to begin in 2019 and the hotel potentially to open in late 2020.

Board members welcomed the update and affirmed strong support in principle for a project that would generate social benefits as well as achieving a good sale price and complying with State Aid regulations. Paddy Crerar stressed the need to obtain excellent professional advice, and carefully to consider whether inviting bids or setting a fixed price would be most likely to yield the best result. It was noted that the timing of going to market could prove critical. Mr Crerar offered to share his extensive experience in the sector with the Campus team, and this was accepted. The Board approved the recommendation to proceed with plans to market the two plots as described.

Ruaraidh MacNeil left the meeting.

HMS 9346957

4.2 ScotGrad Highlands and Islands – project amendment

Nicola Douglas joined the meeting.

The Board approved a recommendation from the Regional Head of Client Management to adjust out-turns that were expected to be generated by the ScotGrad Highlands and Islands graduate and student placement programme. The proposed changes reflected the cost of delivering quality placements in more rural areas in particular and would see the overall number of placements being delivered reduce from 285 to 240. The overall budget of £3,068,454 would not be affected.

Amanda Bryan suggested that a matchmaking service to link graduates and businesses could be helpful, and it was confirmed that plans were under way to develop this. In response to a question from Donald MacRae, Ms Douglas stressed the team's commitment to ensuring that both the volume and quality of placements created through the programme were being delivered well. The project amendment was approved.

Nicola Douglas left the meeting.

5 ITEMS FOR DISCUSSION **CUSPAIREAN AIRSON BEACHDACHADH**

5.1 Strengthening communities and fragile areas – refocus

HIEA 2016/00683

Nicola Ewing and Sandra Holmes joined the meeting.

The Director of Strengthening Communities introduced the Head of Communities Portfolio and the Community Assets Sector Lead, who jointly presented a set of proposals to refocus the delivery of HIE's priority to strengthen communities and fragile areas. HIE's unique remit integrates economic and community development to achieve sustainable growth in every part of the Highlands and Islands, and is as relevant today as when the agency's forerunner was established in 1965. HIE had pioneered community-led development, led the establishment of a strong social enterprise sector, and attracted international recognition.

The refocus would aim to maximise HIE's impact, working with partners and clients, to create the social infrastructure that would enable communities to flourish and realise their potential. Particular emphasis would be laid on developing a client-centred response to needs and opportunities, greater collaboration, and a place-based approach to economic development and regeneration that would lead to more interventions in fragile areas.

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

The Board welcomed the presentation. William Swann stressed the value of working with established community organisations, such as grazings committees, and highlighted the growing role of social enterprises in providing access to health and social services. Amanda Bryan commented that HIE's good reputation rested on the quality of its staff, and welcomed moves to broaden support beyond account managed clients. It would be important to evaluate the scale of opportunity, be clear on which partner organisations were best suited to collaboration with HIE, and articulate a vision for communities themselves. Clarity on outcomes and outputs from community account management, and on future resource allocation, would also be important.

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

The Chair thanked the three presenters and the Board members for a very helpful and positive discussion. A wider HIE strategic planning session was due to be held at the end of September, and this would provide a further opportunity to explore these matters.

Nicola Ewing and Sandra Holmes left the meeting.

5.2 Impact of the North Coast 500 – overview and update

CAS 2015/00079

Roy Kirk and Chris Taylor joined the meeting.

The Area Manager for Moray and the Head of Tourism presented an overview and update of the impact of the North Coast 500 initiative, a 516-mile touring route around the north Highlands that had been developed by the North Highland Initiative (NHI). HIE had provided support for an initial feasibility study, and to help NHI attract private sector investment.

The route had proven highly popular, rapidly gaining international acclaim, establishing a strong brand, generating around £9m for the region, and providing an opportunity to create around 200 jobs. HIE had formed a multi-agency working group to focus on optimising the route's growth potential and addressing negative impacts, while also exploring ways in which the experience gained from the project could be harnessed to benefit other parts of the region. NHI was focusing efforts on monetising the brand through establishing a new business, North Coast 500 Limited.

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

Roy Kirk and Chris Taylor left the meeting.

5.3 HIE collaboration and stakeholder engagement

HIEA 2017/00792

Anna Allan joined the meeting.

The Head of Marketing and the Head of Corporate and Media Relations presented a paper describing the large volume of collaboration and engagement initiatives that HIE undertakes with stakeholders throughout the region and at national level, along with recommendations to develop a more strategic and measurable approach. They outlined steps that HIE aimed to take during 2017/18 to plan and co-ordinate engagement and collaboration at multiple levels between HIE and its external stakeholders; maximise the benefits of these activities for customers; and, ultimately, drive better outcomes for the Highlands and Islands economy.

In discussion, the Board agreed it was important for HIE to maintain a broad range of co-ordinated engagement activity to raise awareness and understanding of the organisation and of the region among key businesses, communities and individuals. Belinda Oldfield stressed the importance of defining the purpose of specific relationships and working to make them sustainable, with clear outcomes in mind. Amanda Bryan highlighted the value of collaboration with other bodies whose responsibilities underpin economic development, such as those responsible for housing, transport and education. The potential for Board members to be ambassadors, and also provide information back into HIE from their external activities was mentioned by William Swann.

The board welcomed the paper, and noted that the theme of engagement and collaboration would be revisited at the forthcoming strategic planning day in September.

Anna Allan left the meeting.

6.1 Quarterly approvals list from January to March 2017

HIEA 2016/00322

The list of funding approved between January and March 2017 was noted, and will be published on the HIE website.

6.2 Economic briefing – June 2017

HIEA 2014/01290

The Board welcomed the latest economic briefing prepared by HIE's Planning and Partnerships team.

6.3 Any other business

There was no other business.

6.4 Forthcoming Board dates

The following dates were noted:

- 7 June – HIE Risk and Assurance Committee, An Lòchran, Inverness
- 23/24 August – HIE Board meeting and area visit to Moray
- 5 September – HIE Risk and Assurance Committee, An Lòchran, Inverness
- 21/22 September – National Strengthening Communities conference, Aviemore
- 29 September – Strategic planning day, An Lòchran, Inverness
- 3/4 October – HIE Board meeting and area visit to Orkney

CLOSE DÙNADH

Chris Roberts
6 June 2017
HIEA 2017/00646