



Highlands and Islands Enterprise
Iomairt na Gàidhealtachd 's nan Eilean

BOARD MEETING
COINNEAMH BÙIRD

MINUTE OF THE HIE BOARD MEETING HELD ON TUESDAY 24 AUGUST 2017
HORIZON SCOTLAND, THE ENTERPRISE PARK FORRES

PRESENT: Lorne Crerar (Chair)
Charlotte Wright (Chief Executive)
Amanda Bryan
Alistair Dodds
Ailsa Gray
Donald MacDonald
Robert McIntosh
Donald MacRae
Belinda Oldfield

IN ATTENDANCE:

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| Carroll Buxton | Director of Regional Development |
| Douglas Cowan | Director of Strengthening Communities |
| David Oxley | Acting Director of Business and Sector Development |
| Nick Kenton | Director of Finance and Corporate 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 – 3.1, 4.2 |
| Paul Lewis | Director, Scottish Development International (SDI), item 2.3 |
| Martin Johnson | Regional Head of International Trade and Investment, item 2.3 |
| Ruaraidh MacNeil | Project Director, Inverness Campus, items 5.1, 5.2 |
| Karen Thomson | Senior Development Manager, Inverness Campus, items 5.1, 5.2 |

1 STANDING ITEMS
CUSPAIREAN COTHROMACH

1.1 Welcome and apologies

The Chair welcomed everyone, including Nick Kenton, who was attending his first Board meeting. Apologies had been received from Paddy Crerar, Iseabail Mactaggart and William Swann.

1.2 Declarations of interest

The Chair declared a potential conflict of interest regarding item 4.2, *Research, Appraisal and Support Framework*. It was agreed that Professor Crerar would leave the meeting while this matter was discussed, and Alistair Dodds would take over chairing duties.

1.3 Minute of the Board meeting of 25 April 2017

The minute of the Board meeting of 25 April 2017 was approved.

1.4 Matters arising

There were no matters arising that would not be covered elsewhere on the agenda.

1.5 Minute of the Board meeting of 6 June 2017

Subject to minor corrections, and revision to capture more fully points that Amanda Bryan had raised during discussion of item 5.1, *Strengthening Communities and Fragile Areas Refocus*, the minute of the meeting of 6 June 2017 was approved.

1.6 Matters arising

There were no matters arising that would not be covered elsewhere on the agenda.

2 UPDATES CUNNTASAN AS ÙR

2.1 Updates from the Chair and Chief Executive

The Chief Executive informed the Board that a review of the activities of Community Broadband Scotland, which HIE delivers on behalf of the Scottish Government, was now under way. Findings will be presented and discussed at a future meeting of the Risk and Assurance Committee.

Johnson and Johnson was continuing to seek a new owner for its LifeScan Scotland business in Inverness. HIE understood that this process was expected to take at least a year, and remained confident that a positive outcome would be achieved. .

Growth plans by Dingwall-based life sciences company Inside Biometrics Ltd were being reconsidered, as the company was facing challenges raising capital. The situation was developing rapidly, and the Board would be updated once the company's position was clearer.

Paragraph removed due to commercial sensitivity.

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Plans by Liberty House for a significant expansion of its aluminium smelter business in Lochaber were continuing to move forward. The Chief Executive was jointly chairing a new steering group, along with the Highland Council's Director of Development and Infrastructure.

Following Charlotte Wright's appointment as HIE Chief Executive, recruitment was under way to fill her former post of Director of Business and Sector Development.

HIE had appointed a new Head of Tourism. Anna Miller had previously held a number of roles in the agency, most recently in the Life Sciences team.

Ms Wright had accompanied 21 businesses from the Highlands and Islands to the Aqua Nor 2017 aquaculture technology exhibition in Trondheim, Norway. HIE and Scottish Development International had established the first Scottish stand at the event, which is the biggest of its kind in the world.

The Board formally consented to a request from the Chief Executive that all roles and responsibilities previously held by Forbes Duthie, as HIE's former Director of Finance and Corporate Services, should transfer to the new incumbent, Nick Kenton.

The Chair of HIE reported that he had started work in an additional role as the joint Chair of the new Council of Rural Advisors, which had recently been established by the Scottish Government. The council would be creating a strategy for Scotland's rural economies that would be relevant to the work of HIE and to the Strategic Board being established by the Enterprise and Skills Review.

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

Professor Crerar had spoken at the official opening of new warehousing and other facilities to improve productivity at BASF (Callanish) Ltd, an international life sciences company based in HIE premises at Breasclate on the Isle of Lewis. The company was now employing around 90 highly skilled people in a fragile island community.

The Chair had hosted a reception for the High Commissioner for India in Inverness, and had also been invited by the Deputy First Minister to meet the Premier of Nova Scotia, with whom he had discussed the potential for region-to-region collaboration with the Highlands and Islands.

2.2 Enterprise and Skills Review update

Alastair Nicolson joined the meeting.

The Chief Executive introduced a paper updating the Board on the Scottish Government's Enterprise and Skills Review, in which HIE is continuing to engage positively. Ms Wright highlighted progress in developing a national strategic plan that would reflect the importance of both inclusive growth and a place-based approach to development. Performance measurement and evaluation was being considered alongside strategic planning, and a first draft of the plan was expected in September. A new evaluation unit, being established as part of the Enterprise and Skills Review, was expected to be led by a senior Scottish Government official.

Directors reported on individual workstreams to which they and their teams were contributing, and Board members raised a number of questions for discussion. It was noted that specific areas in which greater collaboration among agencies was expected included innovation, internationalisation, business support, and skills, in particular to align more closely the needs of businesses with labour supply. There was interest in the new South of Scotland agency, which will draw on HIE as a model and include community development powers. The Chief Executive acknowledged that participation in the Review was placing demands on HIE's resources, but emphasised that achieving successful outcomes continued to be a priority for the agency and its partners.

Professor Crerar reported that the Implementation Board, which he is chairing as an interim arrangement while the new Strategic Board is being established, had held two meetings to date, and was making good progress. The Chair of the Strategic Board was expected to be announced very soon.

2.3 International update

Paul Lewis and Martin Johnson joined the meeting.

The Director of Scottish Development International (SDI) and HIE's Head of Internationalisation presented an update on progress, covering both agencies' roles in supporting businesses to export, and efforts to attract foreign direct investment into the Highlands and Islands in particular. There was positive news on existing exports, with increasing numbers of companies across Scotland diversifying and entering new markets. Encouraging more companies to become exporters was proving more challenging, and a sharper focus was now being developed to identify and support those businesses that would be able to move most quickly into becoming exporters. The latest survey by EY showed that Scotland was maintaining its position as the top ranking UK location for inward investment

outside London, although projects were tending to be smaller than in previous times, and competition from other EU locations was strong.

All HIE account managers were undertaking new training in international trade, and working closely with colleagues in the International team and in SDI to develop client opportunities. Work was under way to ensure chambers of commerce members were aware of services that HIE and SDI offer to support internationalisation, and greater collaboration was being pursued with Business Gateway, including collocation of staff in some offices. The new London hub, Scotland House, was providing a good showcase for Scotland and Scottish businesses, and proving particularly valuable as a convenient location to highlight opportunities to potential inward investors visiting the UK capital. Other hubs in Berlin, Dublin and Brussels were also very active.

Board members were very interested in the report and discussed a number of points, focusing on inward investment in particular. Donald MacRae noted that relatively small inward investment projects, such as those currently being delivered could generate long term returns. Donald MacDonald asked what more could be done to attract investors to the Highlands and Islands, and Mr Lewis stressed the importance of developing strong marketing propositions. In response to a question on destination marketing from Ailsa Gray, Mr Lewis noted the success of a pilot to support small food and drink firms to achieve scale through collaboration, and noted that more regional export partnerships were likely to be encouraged as an outcome of the Enterprise and Skills Review. Mr Johnson added that HIE had supported a number of destination organisations, although the need to achieve State Aid compliance could make this challenging.

The Chair thanked Mr Lewis and Mr Johnson for their contribution to the meeting.

Paul Lewis and Martin Johnson left the meeting.

3 RESOURCES AND GOVERNANCE **GOIREASAN IS RIAGHLACHAS**

3.1 Corporate performance report – including focus on innovation

The Head of Planning and Partnerships delivered a presentation on HIE's latest corporate performance report, demonstrating progress towards achieving a set of measures for 2017/18 that had been agreed with the Scottish Government. This showed that, at this point in the financial year, HIE's Leadership Team was comfortable that satisfactory progress was being delivered against all measures. The report included a focus on HIE's activities to support companies across the region to improve productivity, turnover and growth through a range of products and services that promote innovation.

The Board discussed the report in depth, noting in particular the need for HIE, government and other agencies to stay abreast of the various ways in which the UK's decision to leave the European Union is currently affecting businesses in the region, and is likely to do so in future. Mr Nicolson noted that HIE was gathering data through its business panel to monitor the impact of leaving the EU, among other issues, and was using and sharing this information to inform strategy and actions at both regional and national levels.

Alistair Dodds highlighted the need for robust data on regional and Scottish trade with the rest of the UK, and suggested this was an issue that the new Strategic Board should pursue. Donald MacRae commented that improving productivity remained a challenging issue, and it was important for HIE to ensure that a broad range of businesses was being supported so that achievement of performance measures did not rely on the success of a small number of very high performing companies.

The Board thanked Mr Nicolson for his presentation.

Alastair Nicolson left the meeting.

3.2 Financial statement to 31 July 2017

The Director of Finance and Corporate Services presented a report summarising HIE's financial performance in the four months from 1 April to 31 July 2017. This showed that HIE was overall in a strong position to achieve a balanced out-turn by the end of 2017/18, with both expenditure and commitment at healthy levels for this stage in the financial year. The position would continue to be monitored and reviewed carefully, with regular updates presented to the Board.

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

3.3 Risk register – July 2017

The Head of Business Improvement and Internal Audit presented HIE's latest corporate risk register, dated August 2017. This showed risks allocated against a number of agreed themes, and included information to track the movement of risks over time. The report highlighted a small number of 'top risks', along with descriptions of measures that were in place to manage them. HIE's approach to monitoring risk had recently been refreshed and was continuing to be reviewed and refined, with input from management, the Risk and Assurance Committee, and the full Board.

In discussion, it was agreed that it would be helpful for the Board to receive reports on progress towards benefits realisation from certain priority investments that had received Board approval. It was noted that a revised approach to priority investments was being developed and would be considered at the December 2017 meeting of the Risk and Assurance Committee.

The impact of General Data Protection Regulation, to be introduced in 2018, was being assessed and had been included in a forward plan considered by the Risk and Assurance Committee. The Board noted that responsibility for health and safety oversight lay with an executive committee chaired by the Director of Strengthening Communities. A health and safety policy review was currently under way and its outcomes would be presented to the Risk and Assurance Committee.

3.4 Draft Risk and Assurance Committee minute, 7 June 2017

Alistair Dodds, as Chair of the Risk and Assurance Committee, presented the draft minute of its most recent meeting, held on 7 June 2017. Minutes of the Risk and Assurance Committee are routinely presented to the full Board in draft form to enable early consideration to be given to any urgent issues that may have been identified.

3.5 Property activity report for Quarter 1, 2017/18

The Director of Regional Development presented HIE's property activity report for the first quarter of 2017/18. It was noted that vacancy rates compared well with national averages, and that the marketing of available premises was being reviewed, including the potential to develop the use of social media. An update on plans to achieve HIE's annual property sales target would be presented to the Leadership Team later in the year.

4 INVESTMENT PROPOSALS **MOLAIDHEAN AIRGEAD-TASGAIDH**

4.1 Project amendment: Enterprise Park Forres units 10 and 11

The Board approved a request from the Moray area team to award an additional £18,250 (0.6% of the original approval) towards the construction costs of two advance properties (units 10 and 11) at the Enterprise Park Forres. Costs had risen slightly above the anticipated level due to unforeseen circumstances, including hard ground conditions that had

not been detected despite industry-standard testing having been applied. The total project cost was now £2,855,457. Both premises had been completed successfully, and let to tenants.

4.2 Research, appraisal and support framework 2017/20

Lorne Crerar left the meeting, having declared an interest in this issue. Alistair Dodds took the chair for this item.

Alastair Nicolson rejoined the meeting.

The Director of Strengthening Communities, as Senior Responsible Owner for this project, introduced a paper recommending top sliced cash funding up to a maximum £4,533,000 over four years to support the delivery of HIE projects through a new Research, Appraisal and Support (RAS) framework. The proposal would merge three existing frameworks to establish a more streamlined and efficient mechanism, guided by a cross-organisational steering group, for HIE staff to procure external specialist support in three subject areas: economic impact assessment; project management consultancy, and research and evaluation services.

The framework had been tendered as three lots through Public Contracts Scotland, and it was proposed to come into effect on 1 October 2017. Lot 1, *Finance and Technical Support*, would include three suppliers. Lot 2, *Project Development, Appraisal and Review*, would have six, and Lot 3, *Research*, would have seven.

Alistair Dodds raised the issue of potential conflicts of interest concerning Board members, and the Chief Executive explained that legal services company Harper MacLeod, which is chaired by Professor Crerar, was not a supplier within the framework, but had been put forward as a nominated sub-contractor. Professor Crerar had therefore declared an interest, and would play no part in any Board decision relating to the framework.

The Board approved the award of the new framework to the successful bidders, at a cost of up to £4,533,000 over four years, as recommended. It was also agreed that projects could be set up for an initial six-month allocation, covering October 2017 to March 2018, as Lot 1 £117k; Lot 2 £200k, and Lot 3 £220k. Authority to finalise contractual matters was delegated to the Chief Executive.

Alastair Nicolson left the meeting.

Lorne Crerar rejoined the meeting and resumed the chair.

5 ITEMS FOR DISCUSSION **CUSPAIREAN AIRSON BEACHDACHADH**

5.1 Inverness Campus: interim evaluation by ekosgen

Ruaraidh MacNeil and Karen Thomson joined the meeting.

The Project Director, Inverness Campus, presented the findings of an interim evaluation of the project carried out by independent consultants ekosgen. Designed as a transformational development for the region, Inverness Campus had opened in May 2015 and currently hosted a number of private businesses, as well as Inverness College UHI, HIE, the University of the Highlands and Islands, and Scotland's rural College. As one of HIE's most significant capital investment projects, it put academia and research at the centre of economic development, creating opportunities to attract population, including young people.

The Board welcomed the evaluation, which summarised both challenges and achievements associated with infrastructure and physical development, along with economic and environmental benefits; inward investment; collaboration; community and social benefits, and strategic added value.

In discussion, Amanda Bryan stressed the importance of obtaining quantitative data on social and community benefits, in addition to qualitative results that were included in the report. It was noted that plans to attract a hotel developer were progressing well, with HIE expecting to go to market around the end of October. Alistair Dodds raised the topic of sports facilities, which have been part of the Campus masterplan since its inception and had potential to attract SportScotland funding. *Sentence removed in the interests of the effective conduct of public affairs.*

Board members also highlighted the need for strong strategies to guide communications and inward investment, with a clearly defined USP for the campus. It was agreed that the Campus team would look to reinforce messages that the campus is a location for business as well as education, including considering options to convey HIE's role more strongly in site signage.

5.2 Inverness Campus proposal by SRUC to create a Centre for Excellence for Digital Agriculture and Animal Health

The Project Director, Inverness Campus, presented an initial strategic assessment, outlining a proposal by Scotland's Rural College (SRUC) to create a centre for excellence for digital agriculture and animal health at Inverness Campus. The paper sought the Board's approval in principle for HIE to proceed with discussions with SRUC regarding the possible sale of part of Plot 17 at Inverness Campus, extending to 0.72 of an acre, for this purpose.

The project would include the relocation of SRUC's veterinary surveillance facility from the residential area of Drummondhill, Inverness, to new, custom-built premises with trunk road access. Mr MacNeil and HIE's Director of Property and Infrastructure had visited the present facility, and both had formed the view that the proposed centre for excellence would be an appropriate development at Inverness Campus, providing opportunities for academic collaboration and possible expansion of research capacity.

The Board gave its approval in principle to the proposals. It was agreed that a detailed paper would be considered once the SRUC's plans were fully developed and HIE had completed due diligence. There was likely to be public interest in the proposed relocation, and HIE and SRUC staff would work together to ensure an effective communications plan was put in place.

Ruaraidh MacNeil and Karen Thomson left the meeting.

5.3 HIE Board strategic planning day, 29 September – draft agenda

The Board reviewed proposals for a strategic planning day scheduled to be held in Inverness on Friday 29 September, and including an opportunity to discuss national and regional priorities with the Cabinet Secretary for Rural Economy and Connectivity. Members expressed a wish to fully understand and explore how budget is allocated and spent against strategic priorities, including geographical and sectoral impacts. It was agreed that background information would be circulated prior to the event, including research that had been used to inform the Enterprise and Skills Review.

6 ITEMS FOR INFORMATION

CUSPAIREAN AIRSON FIOSRACHADH

6.1 Quarterly approvals list from April to June 2017

The Board noted the latest list of funding approved by HIE to support economic and community development across the region.

6.2 Economic Briefing – August 2017

The most recent update on the current state of the Highlands and Islands economy, prepared by HIE's Planning and Partnerships team, was welcomed.

6.3 A year of the HIE Business Panel summary reports

The Board welcomed a report summarising the rationale, process and findings of quarterly surveys of the Highlands and Islands Business Panel in 2016/17.

6.4 Scottish Land Fund update, August 2017

An update on the progress of the Scottish Land Fund, which HIE administers jointly with the Big Lottery Fund, was noted.

6.5 Strengthening Communities national conference – agenda

The Director of Strengthening Communities confirmed that the first Strengthening Communities Scotland conference, which HIE was planning to hold in Aviemore in September, was expected to achieve full attendance. The Board welcomed the agenda for the two-day event.

6.6 Community Empowerment Act, part 2

The Board welcomed an update on part two of the Community Empowerment Act, which relates to community planning in particular.

6.7 Any other business

There was no other business.

6.8 Forthcoming Board dates

The following dates were noted:

- 21, 22 September – Strengthening Communities National Conference, Aviemore
- 29 September – Strategic planning day, An Lòchran, Inverness
- 3, 4 October – Board meeting and visits, Orkney

Chris Roberts
27 August 2017
HIEA 2017/00954