

**BOARD MEETING**  
**COINNEAMH BÙIRD**

**MINUTE OF THE HIE BOARD MEETING HELD ON WEDNESDAY 4 OCTOBER 2017**  
**ORKNEY COLLEGE UHI, EAST ROAD, KIRKWALL**

**PRESENT:** Alistair Dodds (Chair, deputising for Lorne Crerar)  
Charlotte Wright (Chief Executive)  
Paddy Crerar  
Ailsa Gray  
Donald MacDonald  
Donald MacRae  
Belinda Oldfield

**IN ATTENDANCE:**

Carroll Buxton	Director of Regional Development
Douglas Cowan	Director of Strengthening Communities
David Oxley	Director of Business and Sector Development
Nick Kenton	Director of Finance and Corporate Services (by phone)
Sandra Dunbar	Head of Business Improvement and Internal Audit
Karen Moncrieff	Head of Human Resources
Chris Roberts	Head of Corporate and Media Relations
Roy Kirk	Area Manager, Caithness and Sutherland, item 4.2
Graeme Harrison	Area Manager, Orkney, item 4.3
Harvey Stevenson	Head of Strategic Projects, Orkney, item 4.3

**1 STANDING ITEMS**  
**CUSPAIREAN COTHROMACH**

**1.1 Welcome and apologies**

Mr Dodds welcomed everyone to the meeting, which was being held following a well-attended, informal breakfast meeting with local stakeholders.

Apologies had been received from Lorne Crerar, Amanda Bryan, Robert McIntosh Iseabail Mactaggart and William Swann.

**1.2 Declarations of interest**

There were no declarations of interest.

**1.3 Minute of the Board meeting of 24 August 2017**

The minute of the Board meeting of 24 August 2017 was approved, with one correction to the list of attendees.

## 1.4 Matters arising

### a Strengthening Communities national conference, 21 and 22 September

The Director of Strengthening Communities gave a verbal report on the first national strengthening communities conference that HIE had organised in Aviemore over two days in September. The conference had been fully subscribed, and the mix of presentations, workshops, panel discussions and plenary sessions had received very positive feedback from delegates. Post event survey work was under way and would include investigating the merits of holding further conferences of this kind. The Chair expressed the Board's appreciation to the HIE teams that had been involved, and congratulated them on organising a highly successful event.

## 2 UPDATES CUNNTASAN AS ÙR

### 2.1 Chair and Chief Executive update

The Chief Executive reported that Professor Crerar had chaired the final meeting of the Enterprise and Skills Implementation Board and enjoyed a positive first meeting with Nora Senior, who had been appointed by the Cabinet Secretary for the Economy to chair the new Strategic Board.

The Board congratulated David Oxley on being appointed as HIE's Director of Business and Sector Development on a permanent basis, and welcomed the appointment of Donna Chisholm as Area Manager, Moray.

The sale of Dingwall-based life sciences company Inside Biometrics to GlucoRx was welcomed as a positive outcome for the company and the sector.

Highly ambitious plans by GFG / Liberty House to expand aluminium smelting and manufacturing in Lochaber were continuing at pace. HIE had established a good relationship with the company and was planning to appoint a dedicated project manager to co-ordinate the agency's input and lead effective engagement with multiple stakeholders.

Plans to attract a developer to establish and run a high quality hotel on Inverness Campus were progressing well and the opportunity was now being marketed.

*Paragraph removed due to commercial sensitivity.*

The Chief Executive confirmed that it was planned to hold a strategic planning session for the Board before its next scheduled meeting in December 2017, and that this would be designed as a highly participative event, focused on future priorities for HIE and the region. A planned meeting to receive and discuss strategic direction with the Cabinet Secretary for the Rural Economy and Connectivity was also being rescheduled.

The next meeting of the Convention of the Highlands and Islands would be in Oban on 30 October 2017, chaired by Deputy First Minister John Swinney. Both the Chair and Chief Executive of HIE would attend.

The Chief Executive had met conveners of Highlands and Islands local authorities during the last week in September, when discussion had focused on tourism. While acknowledging that rising levels of

visitors were creating challenges in some areas, the sector remained a highly successful contributor to the region's economy.

The Board requested an update on the current position regarding Cairngorm, which had been the focus of substantial press and social media comment recently, and was also the subject of a potential community purchase. The Chief Executive explained that HIE's decision to remove disused chairlifts, on safety grounds, as part of a clear-up exercise on the mountainside, had prompted a wave of negative publicity, as well as correspondence from politicians and several Freedom of Information requests.

HIE would learn lessons from this experience and was planning a programme of local stakeholder engagement to share understanding and build better relationships. The Board urged staff to continue to be ambitious for Cairngorm, including developing a clear strategic plan that would focus on delivering its potential as a world class visitor attraction and economic asset for Scotland. The importance of managing a productive relationship with the operator, Natural Retreats, which also runs a number of other tourism ventures in the region, was of key importance.

Staff from HIE's Community Assets Team were advising Aviemore and Glenmore Community Trust Ltd on their plans to prepare a bid to purchase Cairngorm Estate, and appropriate arrangements had been put in place to ensure there would be no conflict of interest arising from HIE's dual roles as landowner and advisor to the community group.

The Board welcomed the update.

## **2.2 Enterprise and Skills Review update**

The Chief Executive reported that an interim strategic plan to guide the early stages of the new Enterprise and Skills Strategic Board, led by Scottish Enterprise (SE), was progressing well. The interim plan focused on a series of collaborative actions between the four enterprise and skills agencies: HIE, SE, Skills Development Scotland, and the Scottish Funding Council. HIE had responded to a request to submit nominations for Strategic Board membership, and an announcement was expected shortly. The Board welcomed this update and affirmed HIE's support for the Strategic Board as a new means of strengthening collaboration that would deliver positive economic outcomes for Scotland.

## **2.3 HIE interim performance review to 31 August 2017**

The Director of Regional Competitiveness presented an interim performance review describing HIE's progress towards achievement of its 2017/18 key measures and priorities over the five months from April to August 2017. During this period, HIE had approved £27.9m of grant-in-aid funding to support 290 projects with a total value of £69m. This included £12m HIE funding to accelerate the growth of businesses and social enterprises.

HIE investment was expected to help generate an additional £11.6m in international sales, and create or safeguard almost 380 full-time equivalent jobs across the region, including over 40 in fragile areas, with an average wage of just over £24,000. Three inward investment projects had been attracted to the Highlands and Islands, and 10% of the agency's investment in third party projects had been in fragile areas. The number of premises with access to next generation broadband had increased to 210,000. In summary, satisfactory progress was being made and the pipeline of future projects was strong, giving staff confidence that HIE would be able to deliver positive out-turns, in line with annual measures, by the end of the financial year, 31 March 2018.

Board members discussed the results in detail. Differences between the challenges and opportunities present in the various local areas that make up the region were noted, and it was agreed that this would be examined at a special meeting focused on strategic planning. There was agreement that performance measures should be set at levels that were ambitious as well as achievable.

More detail was requested on the progress of next generation broadband, including the relationship between Community Broadband Scotland, which is administered by HIE for the Scottish Government, and the national R100 ('Reaching 100%) initiative. It was agreed that an update on broadband, which was due to be presented to the Convention of the Highlands and Islands in October, would form the basis for a report to the HIE Board meeting in December.

The Chair thanked the Director for her report, and acknowledged the work of HIE staff in achieving these interim results.

### **3 RESOURCES AND GOVERNANCE** **GOIREASAN IS RIAGHLACHAS**

#### **3.1 Financial statement to 30 September 2017**

The Director of Finance and Corporate Services presented HIE's latest financial statement, covering the six months from April to September 2017. This showed that, although the agency's spend was running behind a straight-line profile, that was not unusual, and the position at the end of September was ahead of the equivalent period in the previous year.

*Sentence removed due to commercial sensitivity.* The Board also highlighted another priority investment, the creation of the new Orkney Research and Innovation Campus, and the Director confirmed that arrangements were in place to ensure this budget would be managed effectively. It was noted that Wave Energy Scotland expenditure was expected to increase in the latter half of the year. The Director confirmed that discussions were under way with the Scottish Government over the level of baseline grant-in-aid funding that would be allocated to HIE in 2018/19, and progress would be described in future reports.

#### **3.2 Risk register – September 2017**

The Head of Business Improvement and Internal Audit presented HIE's latest Corporate Risk Register, which is designed as a strategic tool to inform effective decision making by the organisation. This included a short summary of five 'top risks' facing HIE and the region, which were currently being addressed. More detailed reports would be provided to the Leadership Team, in line with a previously agreed schedule.

It was noted that risk evaluation and treatment was a continuous improvement activity for HIE, being developed with input from staff, the Board and the Risk and Assurance Committee. HIE also was liaising with relevant partners to benchmark its approach to risk management and adopt best practice. The paper included a request for Board representation on a new sub-group to develop HIE's approach to risk appetite in support of delivering strategic outcomes, and it was agreed that Ailsa Gray and Belinda Oldfield would participate in this.

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

### **3.3 Draft Risk and Assurance Committee minute, 5 September 2017**

Alistair Dodds, as Chair of the Risk and Assurance Committee, introduced the draft minute of the most recent meeting. Minutes of the Risk and Assurance Committee are routinely presented to the HIE Board prior to approval, so that emerging issues can be brought to the attention of the full Board in a timely manner.

### **3.4 Risk and Assurance Committee annual report 2016/17**

The Board welcomed the annual report of the Risk and Assurance Committee, detailing its activities during financial year 2016/17, and thanked the Committee members for their commitment throughout the year.

Discussion focused on the processes HIE applies to guide its investment decisions. It was noted that these align with HM Treasury guidance, known as 'green book', which was applied diligently and consistently. HIE also conducts its own internal audit reviews to provide assurance that effective governance is being applied, and is subject to independent external review through Audit Scotland.

## **4 INVESTMENT PROPOSALS** **MOLAIIDHEAN AIRGEAD-TASGAIDH**

### **4.1 Project clarification: Solasta House, Plot 8, Inverness Campus**

The Director of Regional Development referred to a decision made by the Board in April 2017, to approve funding of £6,693,635 and procurement for the construction and fit out of a second advance unit for life sciences, to be called Solasta House, on Plot 8 of Inverness Campus. It was now requested that authority to award the construction contract at the end of the procurement process should be delegated to HIE's Leadership Team, provided the chosen bid was within the agreed financial approval for the project. The Board noted that this change to the original approval would enable the project to proceed swiftly and draw down the maximum funding available from the European Regional Development Fund (up to 40% of eligible costs). The request for delegation, subject to the successful tender being within the original financial approval, was agreed.

### **4.2 Vertical launch**

*Roy Kirk joined the meeting.*

The Director of Business and Sector Growth presented an update on HIE's engagement with the UK Space Agency (UKSA) and private companies, concerning the possible development of a vertical launch site for commercial satellites near Tongue in Sutherland. *Sentence removed due to commercial sensitivity.* HIE was working with the Scottish Government, Scottish Development International and Scottish Enterprise to maximise the economic gain to Scotland from potential opportunities in the space sector, including the potential to attract significant inward investment and develop local supply chains.

The Board welcomed the update, noting that the project had the potential to support hundreds of jobs in a part of the region that would continue to be affected in coming years by the ongoing rundown of the former nuclear power facilities at Dounreay. Issues raised by the Board in discussion included

the need to take full account of potential environmental impacts, alongside partner agencies such as the Scottish Environmental Protection Agency, the Highland Council, and Scottish Natural Heritage. The challenges of transport connectivity to reach a relatively remote rural location were also highlighted.

It was noted that formal approval was not being sought at this stage, but HIE staff considered it important that the Board should have early sight of this ambitious project, which could present a major opportunity for a fragile area and put the region at the forefront of a niche area of science and technology.

The Board agreed the strategic outline case for the project, enabling it to proceed to due diligence, with development activity at a funding level that could be approved by Leadership Team. Following this, it was intended that a strategic business case would be presented to the Board for consideration by the end of the present financial year. It was also agreed that HIE should continue discussions with other organisations to seek potential capital funding. A procurement strategy and State Aid approach would also continue to be developed and brought back to the Board for approval.

*Roy Kirk left the meeting.*

#### **4.3 Orkney Research and Innovation Campus – update on progress**

*Graeme Harrison and Harvey Stevenson joined the meeting.*

The Orkney Area Manager presented an update on progress towards establishing the Orkney Research and Innovation Campus (ORIC) in Stromness, an innovative partnership project with Orkney Islands Council, which members of the Board had visited the previous day. The £6.65m development will establish a multi-disciplinary academic and business campus, capitalising on Orkney's international marine energy and sustainability expertise. In 2016, HIE and the council agreed to form a joint venture (Limited Liability Partnership) to develop property in Stromness, and own and operate the resultant campus facilities.

The joint venture proposals, and funding package for a first-phase property development were approved by the HIE Board and the full council in December 2016. HIE required Scottish Government approval to take 50% of the joint venture, and a decision on this was expected imminently from the Cabinet Secretary for the Rural Economy and Connectivity.

HIE was now acting as the developer and had issued a formal OJEU construction tender, with a view to being able to award a contract in December 2017. At the same time, the process of formally establishing the limited liability partnership that will own and operate the campus was being progressed, and it was expected that this would also be in place by December, prior to contract award.

HIE representation on the ORIC board had been discussed at the June 2017 meeting of the Risk and Assurance Committee, when it was agreed that this should comprise: one current HIE Board member; one past HIE Board or senior staff member with Orkney knowledge, and a current member of the HIE Leadership Team. It was confirmed that these positions would be filled, respectively, by Belinda Oldfield, former HIE Area Manager Ken Grant, and Director of Regional Development Carroll Buxton.

The HIE Board welcomed the progress being made towards establishing the joint venture and commencing construction on the campus. The importance of maximising community benefit from the project was stressed, and staff confirmed that this had been factored into the current procurement exercise.

Assurance was sought and given that the potential risks involved in advancing different workstreams simultaneously – Cabinet Secretary approval, construction procurement, and formal establishment of the joint venture – had been assessed. It was agreed that the critical factor would be the Cabinet Secretary’s decision, and that a report would be provided to the next meeting of the Risk and Assurance Committee, on 5 December. Lastly, the Board approved a request for award of the construction contract to be delegated to the HIE Leadership Team, provided that the winning tender was within the funding amount that had been approved by the Board in December 2016, and the legal structure for the limited liability partnership was in place.

*Graeme Harrison and Harvey Stevenson left the meeting.*

## **5 ITEMS FOR DISCUSSION** **CUSPAIREAN AIRSON BEACHDACHADH**

### **5.1 Stimulating housing development in the Highlands and Islands**

The Director of Strengthening Communities introduced a paper summarising the findings and recommendations of research commissioned by HIE into stimulating housing development in the Highlands and Islands. Carried out by Ipsos MORI, the research had been undertaken in recognition of the importance of housing to the region’s economic wellbeing and inclusive growth.

The findings identified several priority areas for HIE and its partners to support the stimulation of housing supply in the Highlands and Islands. It noted that HIE’s role would be through influence of policy and practice, working through a place-based approach with each of the seven local authorities and other private and public sector partners involved in housing supply planning and delivery. The report would be made public, and had already been shared with a broad range of partners and stakeholders to inform future policy and actions.

The Board welcomed the research as an important contribution to the understanding and development of a key factor underpinning economic and community growth across all parts of the Highlands and Islands and further afield. Members expressed the view that, while individual local authorities and other bodies had good knowledge of housing supply and demand in their own areas, the report had established a comprehensive, region-wide picture that would broaden understanding and debate, hopefully leading to progress in dealing with deep-seated challenges.

A broad range of issues arising from the research were explored and discussed in depth by the Board. These included land availability and supply, and the need for collaborative planning and action between organisations with different areas of responsibility, including planning authorities, utilities providers, and regulatory bodies, as well as housing developers of all types and sizes.

The importance of there being provision of affordable and social housing in smaller rural communities was highlighted, with members stressing the need for HIE to support communities to deliver for themselves, and to engage with smaller scale property developers who play a significant role across the region, as well as major housing providers. The use of innovative building materials and practices, such as offsite construction, was also identified as an area that HIE could seek to influence directly. It was noted that this could produce a range of benefits, including reducing fuel poverty in some areas. There was also potential to link housing supply with actions to develop the region’s forestry and timber technologies sector. Members stressed the potential for the report to prove influential within

national government as well as local, and HIE staff were encouraged to ensure that its findings would be shared as widely as possible.

The Board recommended that the report should be submitted for presentation and discussion at a future meeting of the Convention of the Highlands and Islands, where many of the most influential players in housing and planning across the region would be present.

## **6 ITEMS FOR INFORMATION** **CUSPAIREAN AIRSON FIOSRACHADH**

### **6.1 HIE Business Panel survey – September 2017**

The Board welcomed the results of the latest survey of HIE's Business Panel. It was noted that consideration was being given to potential changes to the format, such as a thematic approach, and adjusting the frequency of the exercise to address the risk of survey fatigue among the panel members. The Board recommended that HIE staff explore the potential to convene a smaller number of panel members as an online forum to discuss key issues

### **6.2 Any other business**

It was suggested that succession planning in HIE could be considered as part of the Board's forthcoming strategic planning day. The Head of Human Resources highlighted the organisation's leadership programme which had proven successful in its aims to create a pool of talent and develop future leaders in the organisation.

The Chair thanked the Board members for their attendance and participation in today's meeting.

### **6.3 Forthcoming Board dates**

The next meeting of the Risk and Assurance Committee was scheduled to take place on 5 December 2017. It was planned to hold a training session for members of the Risk and Assurance Committee on 11 December, and the next full Board meeting the following day, 12 December. All meetings were due to be held at An Lòchran, Inverness.

Chris Roberts  
4 October 2017  
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