



Highlands and Islands Enterprise
Iomairt na Gàidhealtachd 's nan Eilean

BOARD MEETING
COINNEAMH BÙIRD

MINUTE OF THE HIE BOARD MEETING HELD ON TUESDAY 13 FEBRUARY 2018
AN LÒCHRAN, INVERNESS CAMPUS

PRESENT:

Lorne Crerar (Chair)
Charlotte Wright (Chief Executive)
Amanda Bryan
Alistair Dodds
Ailsa Gray (by teleconference)
Donald MacDonald
Donald MacRae
Iseabail Mactaggart
Belinda Oldfield (by teleconference)
William Swann

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 (from item 2.1 onwards)
Chris Roberts	Head of Corporate and Media Relations
Mary McAllan	Director of Economic Development, Scottish Government
Neil Francis	Acting Managing Director, Scottish Development International, item 2.3
Martin Johnson	Head of International Trade and Investment, item 2.3
Zahir Fazal	Chair of Pensions Trustees, item 3.4
Tim Hurst	Director, Wave Energy Scotland, item 4.1
Morven Cameron	Head of Universities, Education and Skills, item 5.1

1 STANDING ITEMS

CUSPAIREAN COTHROMACH

1.1 Welcome and apologies

The Chair welcomed everyone, including Mary McAllan, who was attending her first HIE Board meeting. Apologies had been received from Paddy Crerar and Robert McIntosh.

1.2 Declarations of interest

Iseabail Mactaggart had declared a standing interest in matters concerning Wave Energy Scotland and would leave the meeting during item 4.1.

1.3 Minute of Board meeting on 12 December 2017

The minute was approved, subject to a revision to item 4.4, *Creative Industries support networks - contract extension (homologation)*, to reflect the Board discussion more accurately.

1.4 Matters arising

There were no substantive matters arising from the minute that would not be covered elsewhere on the meeting agenda.

2 UPDATES CUNNTASAN AS ÙR

2.1 Chair and Chief Executive's updates

The Board welcomed an update paper from the Chief Executive, providing a high level summary of key events and activities affecting HIE and the Highlands and Islands in the period since the last Board meeting, held on 12 December 2017.

Difficulties facing BiFab, which operates from Fife and the Outer Hebrides, remained ongoing and were being addressed through a Team Scotland approach, led by the Scottish Government. It was noted that property, plant and equipment used by the company at Arnish were owned by HIE.

Paragraph removed due to commercial sensitivity.

[Sentence removed to protect personal data]. A new Digital Communities team will conclude delivery of existing CBS projects, and develop new projects to utilise digital technology in communities as well as working with the Scottish Government to align HIE's interventions with delivery of the R100 initiative that aims to make superfast broadband available to the whole country. The Board requested an update at its next meeting, including more information on the new team's role and responsibilities.

The Head of Business Improvement and Internal Audit reported that a State Aid complaint to the European Commission against Comhairle nan Eilean Siar, regarding Lews Castle, Stornoway, had been closed, although a separate court case was continuing. State Aid compliance had been a condition of HIE's support for this project.

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

The Chair and the Chief Executive of HIE had held a very positive meeting with the Cabinet Secretary for Rural Economy and Connectivity in late December, as part of the strategic guidance process.

Dingwall life sciences company Inside Biometrics International Ltd had been brought into HIE account management, the Director of Business and Sector Development noted, following its acquisition by GlucoRx.

Paragraph removed due to commercial sensitivity.

The Director of Regional Development reported that HIE was commissioning research into the impact of banking facilities being withdrawn from rural communities, and would liaise with the Scottish Government on this issue. It was expected that the research findings would influence future decision making by HIE and banks.

The Chair had attended productive meetings of the National Economic Forum and the Enterprise and Skills Strategic Board strategy day, both of which had emphasised the importance of effective collaboration among enterprise and skills agencies.

Extensions to the terms of three current HIE Board members had been requested to ensure continuity while new members are recruited. Subject to confirmation from the Cabinet Secretary for Rural Economy and Connectivity, this would mean that Donald MacDonald, Iseabail Mactaggart and William Swann would now serve on the Board until the end of June. A recruitment panel, including

Professor Crerar and independent member Steve Thomson, had been formed and would meet in early March.

Professor Crerar updated the Board on his work as co-chair of the National Council of Rural Advisers, which was currently preparing a paper for the Cabinet Secretary on the elements of a vibrant rural economy. *[Sentence removed in the interest of the effective conduct of public affairs.]*

2.2 Enterprise and Skills Strategic Board – Update and endorsement of Interim Plan

The Director of Regional Development presented an update on progress with the Enterprise and Skills Strategic Board, which had held its first meeting in December 2017, and a planning day in January 2018. Agencies were also due to take part shortly in a workshop on shared values.

The Strategic Board had agreed to adopt an interim plan that had been developed by a short-life strategic plan working group as a bridge between Scotland's Economic Strategy and individual agency operating and business plans. Focusing on enhanced and new collaboration, the plan aspired to help create a dynamic, inclusive, globally-competitive economy, and a high-performing, competitive labour market. The HIE Board agreed to endorse the interim plan, a decision the Chair will report to the Strategic Board.

In discussion, the Chair confirmed that he had met Professor Russel Griggs, Chair of the new South of Scotland Economic Partnership that had been formed as an outcome of the Enterprise and Skills Review. Professor Griggs will be invited to a future meeting of the HIE Board. It was noted that HIE was liaising closely with the South of Scotland partnership, particularly to share experience of effective community development, including the benefits of a place-based approach.

2.3 International operations update (Neil Francis, SDI, attending)

Neil Francis and Martin Johnson joined the meeting

HIE's Head of International Trade and Investment introduced the Acting Managing Director of Scottish Development International (SDI), the international arm of HIE and Scottish Enterprise, who gave a presentation on SDI's current operations and Scotland's performance in international trade and inward investment.

The presentation highlighted national and global factors affecting Scotland's international trade and investment, drawing on research undertaken by SDI. It outlined actions that were being taken or were planned to move Scotland into the top quartile of exporting countries, focusing on the challenge of increasing numbers of new exporters as well as supporting those businesses already engaged in overseas markets. It was noted that Scotland is already in the top quartile for inward investment, and the best performing UK region outside London, but that competition was becoming more intensive. Efforts were under way to raise the country's international profile, and to attract new investors while continuing to work with foreign-owned companies already operating in Scotland.

Board members put forward questions on a range of topics, including actions that could be taken to accelerate decision making for potential investments, and gathering and using international market data as effectively as possible to support Scottish exporters. Mr Francis explained that a three-stage model had been introduced to help new exporters, with assistance focused on access to markets; business capacity and capability, and gaining orders and contracts. Regarding HIE's international activities, Mr Johnson agreed with SDI's approach, and stressed the importance of using social media and peer-to-peer marketing to share the experience of companies that were succeeding in international markets. Recent marketing activity also sought to demonstrate HIE's approachability as a means of encouraging enquiries from companies that may be considering becoming exporters.

The issue of access to finance for business was also discussed, and it was noted that an implementation plan was expected shortly for the new Scottish National Investment Bank, which had been announced in the latest Programme for Government.

The Chair thanked Mr Francis and Mr Johnson for their input to the meeting.

Neil Francis and Martin Johnson left the meeting

3 RESOURCES AND GOVERNANCE **GOIREASAN IS RIAGHLACHAS**

3.1 Corporate performance measurement – February 2018

The Director of Regional Development presented the latest HIE corporate performance report, which showed that good progress was being made towards achieving HIE's Operating Plan measures for 2017-18 by the end of the financial year at 31 March.

This report highlighted activities to develop the region's digital economy in particular. 230,000 premises across the region now had access to next generation broadband and the current programme of infrastructure investment led by HIE and BT would be extended to December 2018, bringing even more into scope. HIE had developed a digital maturity ladder, aligned with the Scottish Government's digital economy maturity index, and was using this to target and track support to account-managed businesses and social enterprises. While digital maturity was clearly supported by fast internet access, business benefit was also dependent on awareness of opportunity and access to skills. HIE would continue to focus effort on these areas, as well as promoting cyber security.

3.2 Operating plan 2018-19

The Director of Regional Development gave a presentation on progress towards finalising HIE's next one-year Operating Plan, covering 2018-19, which was being prepared for publication in April. The present draft incorporated outcomes from a Board strategic workshop and a virtual all-staff conference and reflected the importance of collaboration with other agencies and partner organisations, including through the new Enterprise and Skills Strategic Board. The creation of a one-year plan reflected the need to continue to align closely with partner organisations in the delivery of Scotland's Economic Strategy while the new Strategic Board worked through the early stages of its implementation phase. A longer-term, five-year plan for 2019-24 would be developed during the present year, and would be shaped by discussion at upcoming Board meetings.

The Chair stressed the need for HIE to establish a clearly defined set of organisational values, closely aligned with, and complementary to, partner organisations. Board members also urged staff to be ambitious regarding HIE's role in regional leadership, to ensure that the plan clearly conveyed specific actions that HIE planned to take, and that it was written in language that was accessible, consistent and jargon-free. It was important to continue to set targets that were ambitious as well as realistic, and staff agreed to give careful consideration to the 2018-19 performance measures.

It was agreed that Board members would send any further comments to the director, for inclusion in the final draft, which would be circulated to the Board and shared with strategic partners, including local authorities, before publication and wider distribution.

3.3 Financial statement to 31 January 2018

The Director of Finance and Corporate Services presented HIE's financial statement for the ten months to 31 January 2018, highlighting progress with income and expenditure for HIE and including summary management accounts for its subsidiary Wave Energy Scotland (WES). While spend was behind a straight line position, this was not unusual and was comparable to previous years. Commitment levels were manageable and business units were fully aware of the need to manage demand within budgets while also ensuring capital spend was maintained in order to achieve a balanced financial position at the year end.

Paragraph removed in the interest of the effective conduct of public affairs, and due to commercial sensitivity.

The Chair thanked the Director for his update.

3.4 Pensions update

Zahir Fazal joined the meeting.

The Chair of Trustees of HIE's Superannuation Scheme, presented an update on the scheme's performance, including actuarial advice. In a challenging market, the scheme continued to perform satisfactorily, with a level of risk that was broadly unchanged since the last update in 2015. In common with all pension funds, the HIE scheme was influenced by a range of matters that were outwith the control of trustees, including interest rates, inflation, and life expectancy. Options to increase the level of cash in the scheme could be explored with HIE following receipt of the formal 2018 evaluation, which was expected in April.

Zahir Fazal left the meeting.

3.5 Risk appetite – February 2018

The Head of Business Improvement and Internal Audit introduced a paper on developing a risk appetite environment within HIE, which had been prepared with input from a Board sub-group comprising Ailsa Gray and Belinda Oldfield. The Board agreed that the paper should be presented to the Risk and Assurance Committee before being brought back to the full Board for discussion at a future meeting.

3.6 Risk Register – January 2018

The Head of Business Improvement and Internal Audit presented HIE's latest corporate risk register, noting that this showed no material changes had taken place since the last meeting of the HIE Board in December 2017.

3.7 Risk and Assurance Committee draft minute, 5 December 2017

Alistair Dodds, as Chair of the Risk and Assurance Committee, presented the draft minute of the most recent meeting, held on 5 December 2017. Minutes of the committee are routinely presented to the Board in draft form to provide early sight of any issues on which the full Board may need to be informed. Specific matters that were currently being considered included the procurement of a construction contractor for the Orkney Research and Innovation Campus (ORIC), a joint venture with Orkney Islands Council; and the forthcoming implementation of the General Data Protection Regulation (GDPR), which will affect organisations across the country.

3.8 HIE Board standing orders

The Head of Business Improvement and Internal Audit presented the outcome of a review of standing orders for the HIE Board, which had first been introduced in 1991 and were intended to be updated periodically. The refreshed standing orders had been discussed at the Risk and Assurance Committee, whose comments had been incorporated. Board members highlighted one standing order (22), concerning the powers of the Chair, that appeared to be inconsistent with others in the document, and it was agreed that this would be reviewed. It was agreed that the Chair would sign off the final version.

The Chair noted that the standing orders allowed for a Deputy Chair to be appointed, and informed the Board that Alistair Dodds had accepted an offer to take up this role.

*Iseabail Mactaggart left the meeting.
Tim Hurst joined the meeting.*

4.1 Wave Energy Scotland PTO 2 – 3 transition (second round)

The Managing Director, Wave Energy Scotland (WES), presented a paper recommending HIE cash funding totalling £2,499,960 to WES to enable one successful applicant to progress from stage 2 to stage 3 in its current power take-off technology programme. Each of the four contractors participating in stage 2 had been invited to apply to enter the next stage of the programme, had submitted compliant applications, and been rigorously assessed. The highest scoring applicant, with a value of £2,499,960, was Ecosse Subsea, which was developing an innovative magnetic gearbox. This new project would become one of a total of five power take-off projects now being advanced through WES from an initial 17 that had been considered. As was customary, the output of the evaluation process had been reviewed by the WES Advisory Group.

The Board noted that approval for this project would increase WES's commitment level to 130%, and received assurances from the Chief Executive and the Director of Finance and Corporate Services that this was not unusual in order to ensure that available funding would be fully invested. *[Sentence removed in the interest of the effective conduct of public affairs].*

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

*Tim Hurst left the meeting.
Iseabail Mactaggart rejoined the meeting.*

5 ITEMS FOR DISCUSSION **CUSPAIREAN AIRSON BEACHDACHADH**

5.1 Lochaber Programme - update

Board members welcomed a paper from the Lochaber Programme Manager concerning HIE's role in partnership efforts to maximise benefits and address and minimise risks associated with the highly ambitious plans of Liberty British Aluminium to create hundreds of new jobs in Fort William. It was agreed that detailed discussion on this important topic would take place at a future meeting.

5.2 Regional leadership in talent attraction

Morven Cameron joined the meeting.

The Head of Universities, Education and Skills presented a discussion paper describing the potential for HIE to take a leadership role in a successful and targeted approach to talent attraction to the Highlands and Islands. It was expected that this issue would be a focus for discussion at the next meeting of the Convention of the Highlands and Islands in the autumn, having already been raised at the most recent meeting.

HIE had led on the creation of a regional talent attraction strategy and action plan that had been approved by the Highlands and Islands Regional Skills Investment Plan partners in November 2016. This aimed to increase the numbers of working age people in the region, and reverse a forecast decline in population and attract more young residents through positive net migration. It recognised the needs of businesses to be able to access skilled people, and for a co-ordinated approach across the region to talent attraction and retention. Challenges to be addressed included a tight labour market and limited pool of resources; a deficit of skilled people, particularly 15-39-year-olds, and an out-migration of young people to pursue higher education.

Board members welcomed the paper and discussed the issues raised in some detail. Collaboration between partner organisations was seen as vital to success, and there was recognition that actions needed to be delivered at pace. HIE was well placed to play a leadership role in this important

agenda. However, it had to be recognised that several key factors, including housing, education, skills, and health services, were the responsibility of partner bodies, and outwith HIE's control. The Board's view was that HIE would best exercise leadership through facilitating effective collaboration towards shared goals; commissioning and distributing research, particularly regarding young people who could be retained or attracted to the region, and continuing to focus effort on economic development to create opportunities.

The Board endorsed the approach being taken by HIE and thanked the Head of Universities, Education and Skills for her presentation.

Morven Cameron left the meeting.

5.3 Item removed in the interest of the effective conduct of public affairs

6 ITEMS FOR INFORMATION **CUSPAIREAN AIRSON FIOSRACHADH**

6.1 Approvals: July – September 2017

The Board welcomed the quarterly list of HIE approvals that had been made between July and September 2017, noting that this information was available on the HIE website.

6.2 Approvals: October – December 2017

The Board welcomed the quarterly list of HIE approvals that had been made between October and December 2017, noting that this information was available on the HIE website.

6.3 Creative Industries support networks

The Board received a paper confirming that the modification of a contract between HIE and the IronWorks, Inverness, to enable the short-term extension of a contract to provide a support network for creative industries, had been fully examined and was compliant with regulations. Assurance on this matter had been sought by members at the December 2017 Board meeting.

6.4 Findings from Business Panel survey

Findings from the latest survey of HIE's business panel, conducted in October and November 2017, were presented for information. These findings are regularly published on the HIE website and publicised through traditional and social media.

6.5 Economic Briefing – January 2017

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

6.6 Property Activity Report for Quarter 3, 2017/18

The Board noted HIE's property activity for the period October - December 2017, as managed by the Property and Infrastructure team.

6.7 Summary of write-offs

The Board noted three write-off cases that had been presented for approval to HIE's Leadership Team in January 2018.

6.8 Any Other Business

Board members joined the Chair in offering congratulations to Paddy Crerar, who had been made a Commander of the British Empire in Her Majesty's New Year Honours list, for services to the hospitality industry in Scotland and to charity.

6.9 Forthcoming Board dates

The following dates were noted:

- 6 March 2018 – Risk and Assurance Committee, An Lòchran, Inverness
- 24/25 April 2018, HIE Board, Shetland

Chris Roberts
13 February 2018