

BOARD MEETING
COINNEAMH BÙIRD

**MINUTE OF THE HIE BOARD MEETING HELD ON TUESDAY 26 JUNE 2018 AT
AN LÒCHRAN, 10 INVERNESS CAMPUS**

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

IN ATTENDANCE:

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
Russel Griggs	South of Scotland Economic Partnership
Rob Dickson	South of Scotland Economic Partnership
Martin Johnson	Regional Head of Sectors, Inward Investment and International Trade, item 2.4
Tim Hurst	Managing Director, Wave Energy Scotland, item 2.5
James Gibbs	Area Manager, Inner Moray Firth, item 3.1
Audrey MacIver	Director of Energy and Low Carbon, item 3.1
Alistair McMillan	Senior Development Manager, Inner Moray Firth, item 3.1
Karla Sam-Sin	ScotGrad Programme Manager, Highlands and Islands, item 3.2
Ruaraidh MacNeil	Project Director, Inverness Campus, item 4.1
Rachel Mackenzie	Area Manager, Innse Gall, item 4.2

1 STANDING ITEMS
CUSPAIREAN COTHROMACH

1.1 Welcome and apologies

The Chair welcomed everyone to the meeting. Apologies had been received from HIE Director of Regional Development Carroll Buxton and from Mary McAllan, Director of Economic Development, Scottish Government.

1.2 Declarations of interest

The Chair noted that Iseabail Mactaggart had declared a standing, third party interest in matters relating to Wave Energy Scotland, and would leave the meeting for item 2.6, *Wave Energy Scotland – progress report*.

Amanda Bryan declared an interest arising from her role as Chair of Crown Estate Scotland in relation to items 3.1, *Cromarty Firth Port Authority*, and 4.2, *Stornoway Port Authority*. It was agreed that she would leave the meeting when these items were discussed.

1.3 Minute of Board meeting on 24 April 2018

The minute of the meeting held on 24 April 2018 was approved.

1.4 Minute of Board meeting on 15 May 2018

The minute of the meeting held on 15 May was approved, with three amendments.

A reference to 'Mr Crerar' in item 1 was corrected to 'Professor Crerar'. In item 6, a note that wider interests in space activity would be represented in HIE's new project board was corrected to say 'programme board'. In the same item, it was clarified that a proportion of stage one funding for the proposed spaceport was expected to be contributed by HIE itself, in addition to external sources.

1.5 Minute of Board meeting on 25 May 2018

The minute of the meeting held on 25 May was approved.

1.6 Matters arising from the Board minutes

As noted in the minute of 24 April 2018, Professor Crerar confirmed that he had written to the Minister for Business, Innovation and Energy concerning Scottish Government funding for Wave Energy Scotland.

2 UPDATES – 1 CUNNTASAN AS ÙR

Professor Russel Griggs and Rob Dickson joined the meeting.

2.1 Enterprise and Skills Strategic Board

The Board welcomed an update on the Enterprise and Skills Strategic Board, including contributions to workstreams and missions by HIE and partner agencies. Members endorsed HIE's approach in continuing to prioritise resources to help inform the new board and shape its strategic direction.

2.2 South of Scotland Economic Partnership

The representatives of the South of Scotland Economic Partnership gave a presentation on progress made to establish the new vehicle, which had been created as an outcome of the Scottish Government's Enterprise and Skills Review. As a rural initiative, the partnership was looking to learn from HIE's considerable experience, and thanks were expressed to HIE staff for their valuable contributions to date. Strategy would be determined by a board that was still to be formed, but an early priority was the creation of a vehicle that would be both innovative and creative to build a stronger future for the region. Areas of focus included regional profile, inward investment, transport and digital connectivity. Like HIE, the new vehicle would include community development as an integral feature of its approach.

The Board welcomed the presentation and discussed a range of topics common to both regions, such as the need for affordable housing and the importance of attracting and retaining population, including young people. The roles of universities and creative industries were highlighted, along with the value of collaborative working with local authorities and other organisations in the public, private and third sectors. It was noted that the positive relationship between HIE and the South of Scotland Economic Partnership was an asset for both organisations that would prove valuable in learning and sharing knowledge, experience and ideas in the coming years.

The Chair thanked Professor Griggs and Mr Dickson for a clear and informative presentation and contribution to the discussion.

2.3 Strengthening communities and fragile areas – policy update

The Director of Strengthening Communities presented an update on progress made to enact proposals to refocus HIE's Strengthening Communities priorities that had been presented to the Board in June 2017, and discussed at subsequent meetings.

Designed to be client-centred, collaborative, and place-based, the new approach sought to deliver economic development and rural and social regeneration and address long-term fragility through a targeted, place-based approach across the region, with an increased focus on more remote rural and island areas. It aimed to create opportunities for HIE to work more intensively and responsively with a smaller number of account managed clients, and to deliver a greater number of one-off interventions. Working collaboratively with others, HIE would also play an active role in implementing Scotland's Social Enterprise Action Plan.

The Board welcomed the report and discussed several issues that it raised. Members stressed the need to ensure that HIE's role and services were well promoted and accessible to communities that could benefit. Strategic planning and resourcing should be based on current and future needs of communities across the region, and not tied too closely to historic spending patterns. The importance of putting in place strong systems to measure performance in meaningful ways was highlighted. It was recognised that this was a challenging area, particularly when seeking to deliver long-term benefits, and noted that experience gained in other countries such as Scandinavia, could be valuable.

Strong linkages between local development officers (LDOs), community organisations and HIE itself were seen as vital to ensure the most effective interventions were made and that communities were able to derive best value from receiving LDO support. The Board also stressed the importance of post-acquisition support for communities running their own assets, and encouraged HIE to ensure that this area of work was properly resourced.

The Chair thanked everyone for their input to the discussion.

Professor Russel Griggs and Rob Dickson left the meeting.

2.4 Chair and Chief Executive update – June 2018

The Board welcomed a high-level summary of HIE activities in the period since the last Board meeting, including engagement activities led by the Chair and Chief Executive.

Sentence removed due to commercial sensitivity.

Sentence removed due to commercial sensitivity.

Opportunities to develop the economic potential of the region's marine resource had been highlighted in a science and innovation audit, and would form part of discussion at a strategic planning workshop, to be held at the next Board meeting, in August.

The Board welcomed news that HIE had been named as *Best Public Sector Employer* in the UK Working Families awards.

Discussions were continuing with D F Barnes, the new owners of Burntisland Fabrications, over the potential to restart renewable energy manufacturing at Arnish.

Belinda Oldfield, as the HIE Board's representative on the new board of the Orkney Research and Innovation Campus, gave a verbal update. Issues that were highlighted included the need to ensure strong governance of the new joint venture between HIE and Orkney Islands Council, the importance of maintaining pace and remaining on budget during construction, and the importance of moving ahead quickly with appointing an independent chair. These points were noted and it was agreed that the area team would attend the next meetings of the Risk and Assurance Committee and the HIE Board to report on progress.

Amanda Bryan reported on working with the Director of Strengthening Communities to explore and treat risks concerning community asset ownership. Discussions were planned with community sector representatives to share knowledge and take stock on key themes that present risk, and to use this information to inform HIE's vision and strategy. Wider engagement would follow these initial discussions, and the Board would be updated at a future meeting.

The Chief Executive informed the Board that the Scottish Parliament's Economy, Jobs and Fair Work Committee had published its report on Scotland's Economic Performance. A copy would be made available to Board members as part of the briefing pack for the strategic planning workshop, due to take place at the next Board meeting in August.

The Chair reported that interviews for three upcoming vacancies on the HIE Board had taken place in Inverness, and names of recommended appointees had been passed to the Cabinet Secretary for the Rural Economy. It was also proposed to appoint a shadow Board member. Details would be shared with Board members once the Cabinet Secretary's decision was known.

In his capacity as joint Chair of the National Council of Rural Advisers, Professor Crerar had given a presentation to the Scottish Cabinet, which had been well received, prompting much debate on the rural economy as a whole.

The most recent meeting of the Enterprise and Skills Strategic Board had agreed terms of reference, and received an outline strategic plan which will be developed over the summer and finalised for publication in October. The Strategic Board would be meeting in Inverness in September, when HIE would host a stakeholders' reception and deliver a short presentation on the agency's role and activities.

The Chair had joined members of HIE's Leadership Team to give a presentation on operating plan priorities to a cross-party group of MSPs in Edinburgh in May, and to discuss a broad range of issues affecting the region.

The Chair had also spoken at the annual All Energy conference, and had accepted an invitation to be an independent member of the interview panel for the next Chief Constable of Scotland.

The importance of collaboration had featured in a meeting with Comhairle nan Eilean Siar when the Chair and Chief Executive visited Stornoway. The main topic of discussion had been the *Our Islands Our Future* campaign, involving the Outer Hebrides, Orkney and Shetland.

2.5 Space opportunities – verbal update

Martin Johnson joined the meeting.

The Director of Business and Sector Development gave a verbal update on matters relating to emerging space sector opportunities in the Highlands and islands.

It was noted that the Scottish Government, having previously agreed that plans for a vertical launch site for satellites in Sutherland should be classed novel and contentious, had now approved HIE's decision to support this project. The UK Space Agency (UKSA), to which HIE had submitted a funding bid for the Sutherland spaceport, was expected to announce its decision at the Farnborough Air Show in mid-July, subject to ministerial and Treasury approval. HIE was planning communications and engagement activity around this date, in anticipation of a positive decision from the UKSA. Contractual arrangements with UKSA were also being progressed, and detailed consideration was being given to governance arrangements and resourcing for the space opportunity.

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

Martin Johnson left the meeting.

2.6 Wave Energy Scotland – progress report

Iseabail Mactaggart left the meeting.

Tim Hurst joined the meeting.

The Managing Director of HIE subsidiary Wave Energy Scotland (WES) presented an update on progress and the delivery of projects over the past six months. These had included selecting one project to advance to stage three of its power take off development programme; choosing three projects to advance to stage two of its advanced controls systems programme, and selecting a further three projects for stage two of its structural materials programme. Design reviews had been conducted with all participating wave developers, and the EU-funded Horizon 2020 design tools ocean project had been initiated. WES had now worked with 177 organisations from industry and academia on 77 projects. It had committed £28.8m funding and was now established as the world's biggest wave technology innovation programme.

Work was under way, as planned, to refine the operating agreement between HIE and WES, and it was agreed that this would be considered by the Risk and Assurance Committee as part of a review of WES governance arrangements. The Board also noted that efforts continued to be made to obtain clarity on the Scottish Government's future funding commitment to WES. Issues raised in discussion included the challenge of attracting private investment to the wave industry at a time when offshore wind was more competitive.

The Board thanked the Director for his presentation.

Tim Hurst left the meeting.

Iseabail Mactaggart rejoined the meeting.

3 INVESTMENT DECISIONS **CO-DHÙNAIDHEAN AIRGEAD-TASGAIDH**

3.1 Cromarty Firth Port Authority

Amanda Bryan left the meeting.

James Gibbs, Alistair McMillan and Audrey MacIver joined the meeting.

The Area Manager, Inner Moray Firth, introduced an appraisal paper recommending Board approval of £5.75m funding to Cromarty Firth Port Authority (CFPA) to support a £23m project that would develop 4.5

hectares of industrial land and 215m of new quayside. These developments would form phase 4 of an ambitious investment programme by CFPA, building on previous infrastructure projects at the port and enabling the applicant to pursue growth opportunities in the renewable energy, oil and gas decommissioning and cruise market sectors.

Sentence removed due to commercial sensitivity. The project was expected to support 143 full-time equivalent jobs across the region, including the creation of four jobs in CFPA itself.

The Board discussed the proposals in detail, noting that the development was dependent on CFPA securing a large manufacturing contract relating to the Moray East Offshore Wind energy project. Discussions on this contract, which would drive significant supply chain opportunities in the Highlands and Islands, were well advanced, and a positive conclusion was anticipated. *Sentence removed due to commercial sensitivity.*

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

The Board approved the project. Progress will be reported to future meetings.

*James Gibbs, Alistair McMillan and Audrey MacIver left the meeting.
Amanda Bryan rejoined the meeting.*

3.2 ScotGrad Highlands and Islands programme (HI-Grads 4)

Karla Sam-Sin joined the meeting.

The Director of Business and Sector Development introduced a paper recommending HIE funding of £3,428,66 (comprising £1,089,871 ERDF and £2,560,164 HIE grant-in-aid) to continue the delivery of HIE's successful ScotGrad Highlands and Islands graduate and student placement programme for a further three years, from November 2018 until October 2021. It was expected that the programme would deliver approximately 141 graduate placements and 75 student placements during that period, and leverage a further £2,560,164 of private contributions.

The Board welcomed the proposals, noting that previous programmes had achieved positive out-turns in supporting business competitiveness and innovation, and attracting and retaining skilled and talented people of working age in the Highlands and Islands. Discussion stressed the importance of achieving impacts in rural areas across the region, and staff were urged to ensure strong promotion of the opportunities presented by ScotGrad. Members highlighted the value the programme could add to cultural activities, including those using and developing Gaelic, and it was agreed that opportunities would be discussed with Bòrd na Gàidhlig and other organisations.

The programme was approved.

Karla Sam-Sin left the meeting.

4 UPDATES – 2 CUNNTASAN AS ÙR

4.1 Centre for Health Science, phase II

Ruaraidh MacNeil joined the meeting.

The Project Director, Inverness Campus, updated the Board on progress with Centre for Health Science II, a collaborative project involving NHS Highland, the University of the Highlands and Islands and HIE, which aims to create an innovative human health and life sciences multi-disciplinary centre to serve the whole region. Based at plots 4 and 5 at Inverness Campus, the jointly-owned centre would integrate academic research,

clinical care and commercial opportunities, housing an NHS 30-bed orthopaedics treatment centre, a UHI innovation centre and a business incubator focusing on life sciences and technology.

The cost of the project was currently estimated at £36.11m, with HIE's contribution expected to be £4.97m. This budget included allowances for full fit-out of office and laboratories, fees and contingencies, and advice would be obtained on the extent to which VAT would be recoverable. The project was progressing well, and work was ongoing to determine a final scope and detailed design, along with cost certainty. Issues including vehicle parking and public transport access were being discussed with relevant organisations, including the Inverness Campus Owners Association and bus operators. A formal approval paper was expected to be presented to the Board at a future meeting in 2018-19. Subject to approval, the project could get under way in spring 2019, with an expected 18-month construction programme.

The Board welcomed the update and expressed support for the project. It was noted that a refreshed development strategy for Inverness Campus was being prepared, and would be presented to a future Board meeting.

Ruaraidh MacNeil left the meeting

4.2 Stornoway Port Authority masterplan

Amanda Bryan left the meeting.

Rachel Mackenzie joined the meeting.

The Area Manager, Innes Gall, presented a paper outlining ambitious development proposals by Stornoway Port Authority (SPA), a trust port that currently employs around 26 full-time equivalent posts and whose activities help to sustain approximately 160 jobs in the Outer Hebrides.

SPA had released a port masterplan in 2017, setting out development opportunities in existing and growth markets over 20 years which had the potential to be a major economic driver for the islands. HIE was currently part-funding a post of development manager to support delivery of the plan, which focused principally on a new marina / business development and proposals for a deep water quay with multiple uses, including freight and cruise markets, and linkages with renewable energy manufacturing opportunities at Arnish. The masterplan was considered to have the potential to deliver between 80 and 130 direct and indirect jobs over a three-to-five-year period.

Two sentences removed in the interests of the effective conduct of public affairs. The Board welcomed the update, and approved the Area Manager's request to proceed to due diligence. A further update will be presented to the next Board meeting.

Rachel Mackenzie left the meeting.

Amanda Bryan rejoined the meeting.

5 RESOURCES AND GOVERNANCE **GOIREASAN IS RIAGHLACHAS**

5.1 Financial statement to 31 May 2018

The Director of Finance and Corporate Services presented the HIE financial statement for the first two months of the 2018-19 financial year. This showed that spend for the year to date was strong. Evidence from both discretionary and top-sliced budgets showed over-commitment that would be monitored closely. The Director underlined the importance of ensuring that spend, commitment and slippage were tracked separately for both capital and revenue projects, in order to secure a balanced out-turn. Commitment levels for revenue projects were currently much higher than for capital, and this would need to be addressed.

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

5.2 Risk appetite – creating an environment which supports our ambitions

The Board welcomed a paper proposing the development of a risk appetite environment to support HIE’s decision making and resource choices. Enhancements to HIE’s risk management arrangements had been developed with significant input from Board members Ailsa Gray and Belinda Oldfield, and refined following discussion at the Risk and Assurance Committee. Benchmarking had also been carried out with other organisations.

The Board welcomed the update, noting that HIE staff would liaise with the Risk and Assurance Committee regarding implementation, and undertake an annual review to ensure HIE’s risk appetite remained relevant to the wider strategic and operating environments. Risk would also feature as part of a strategic planning workshop at the next Board meeting in August.

5.3 Corporate risk register – June 2018

The Head of Business Improvement and Internal Audit presented the latest version of HIE’s corporate risk register, which had been informed by review of current business unit registers and consideration by the HIE Leadership Team and senior managers. It was noted that, in line with best practice, HIE undertook an annual wholesale review and refresh at corporate and business unit levels. This exercise was currently under way, and there would be an opportunity for the Board to input at the August meeting, as part of wider strategic planning.

The Board welcomed the update.

5.4 Risk and Assurance Committee draft minute, 5 June 2018

The Chair of the Risk and Assurance Committee presented the draft minute of the most recent committee meeting. Issues that had been discussed included progress with preparing HIE’s annual accounts, Cairngorm, Orkney Research and Innovation Campus, and GDPR. Minutes of the committee are routinely presented to the Board in draft form to provide early sight of emerging issues affecting HIE.

The Committee Chair expressed his gratitude to Donald MacDonald, a long-standing member of the Committee who was retiring from the HIE Board following today’s meeting. Mr MacDonald had provided valuable professional input and his contributions to the Committee’s work over many years was greatly appreciated. The Board joined the Committee Chair in expressing their thanks to Mr MacDonald.

6 ITEMS FOR DISCUSSION **CUSPAIREAN AIRSON BEACHDACHADH**

6.1 Board tracker

The Board welcomed a short paper indicating upcoming topics for discussion and decision that were planned to be featured in future Board agendas. It was agreed that a tracker would be added to Board minutes from now on, (see Appendix below) showing actions that were being taken or planned as an outcome of each Board meeting.

7 ITEMS FOR INFORMATION **CUSPAIREAN AIRSON FIOSRACHADH**

7.1 Quarterly approvals list: January – March 2018

The Board welcomed the latest list of funding approvals that had been agreed by HIE, noting that this information is routinely made publicly available on the HIE website.

7.2 Any other business

a

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

b Tributes to retiring Board members

The Chair noted that today's meeting was the last to be attended by three retiring Board members: Donald MacDonald, Iseabail Mactaggart and William Swann. Each had given years of unstinting service to HIE, and the Board expressed their sincere gratitude to all three for their many contributions to the organisation and dedication to the development of the Highlands and Islands.

7.3 Forthcoming meeting dates

A meeting to focus on financial planning will be held on 27 August 2018, and the next full meeting of the Board will be the following day, Tuesday 28 August.

Chris Roberts
26 June 2018

APPENDIX: Tracker of actions agreed at the HIE Board meeting, 26 June 2018

Date of meeting	Subject	Request	Action	Due
26/06/18	ORIC	Update to go to next RAC, then HIE Board	Update delivered to RAC on 13 August, and scheduled for HIE Board, 28 August	28/08/18
<i>Item removed in the interests of the effective conduct of public affairs.</i>				
	Inverness Campus	Update on progress	Development strategy to be presented to HIE Board, 28 August	28/08/18
	New Board members	Board to be informed of new members once Cabinet Secretary approval is confirmed	Note to be issued by email, expected late August	TBC
<i>Item removed in the interests of the effective conduct of public affairs.</i>				
	Stornoway Trust	Update	Paper to be presented to August meeting	28/08/18
<i>Item removed in the interests of the effective conduct of public affairs.</i>				
	Strategic planning	Board workshop	Plan workshop for next Board, ensuring sufficient time in agenda	28/08/18
	Cromarty Firth Port Authority	Update	Keep Board informed of progress	TBC
	ScotGrad	Ensure effective promotion of placement programme, including targeting rural areas and Gaelic interests	Plan promotional activities, consulting Bòrd na Gàidhlig and other organisations	Ongoing
<i>Item removed in the interests of the effective conduct of public affairs.</i>				