

BOARD MEETING
COINNEAMH BÙIRD

MINUTE OF THE HIE BOARD MEETING HELD ON TUESDAY 28 AUGUST 2018 AT AN LÒCHRAN, 10 INVERNESS CAMPUS

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

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
Peter Guthrie	Head of Digital Development, item 2.1
Ruaraidh MacNeill	Project Director, Inverness Campus, items 2.2, 3.1
Rachel Mackenzie	Area Manager, Innse Gall, item 3.2
Graeme Harrison	Area Manager, Orkney, item 3.3
Harvey Stevenson	Head of Strategic Projects, Orkney, item 3.3
Lorna Gregson-MacLeod	Head of Planning and Partnerships, item 5.1
Alison Sharp	Corporate Planner, item 5.1
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 to the meeting. Apologies had been received from Belinda Oldfield and Carroll Buxton.

1.2 Declarations of interest

There were no declarations of interest.

1.3 Minute of Board meeting held on 26 June 2018

The minute was approved with one correction to item 1.2, *Declarations of interest*. This clarified that Amanda Bryan had a conflict of interest in item 4.2, *Stornoway Port Authority*, arising from her role as Chair of Crown Estate Scotland, and would have no involvement with this item.

1.4 Matters arising from the Board minute

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

It was requested that the tracker document appended to the Board minute be developed to cover matters that were currently in progress following Board discussion, and to indicate upcoming topics that were planned to be presented to the Board at future meetings.

Following a question from the Board, the Head of Business Improvement and Internal Audit confirmed that the Innse Gall Area Manager's declared interest in Hebridean Seaweed Ltd had been considered, with external advice, and was judged not to present a conflict relating to item 4.2, *Stornoway Port Authority*.

All other matters arising from the minute were covered within the meeting agenda.

1.5 Chair and Chief Executive update – August 2018

The Chief Executive noted that UK Space Agency funding for HIE's project to establish a vertical launch centre for small satellites in Sutherland had been announced by the Prime Minister on 16 July, and that this had been followed immediately by HIE's own funding announcement. The news had generated a great deal of positive media interest at national and local levels.

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

Following the Board's approval in June to support a major investment by Cromarty Firth Port Authority, the Chief Executive reported that the outcome of an application to the European Regional Development Fund was expected shortly. The Port Authority's plans were continuing to progress, and the Board would be kept updated.

The regional Science Skills Academy was making good progress, with Scotland's first Norwegian-style Newton Room due to be established in Thurso.

Construction of the Orkney Research and Innovation Campus (ORIC) in Stromness was proceeding well, as was the appointment of an independent Chair. A detailed update would be delivered under item 3.3.

The Director of Regional Development reported that HIE was continuing to work with the Scottish Government on plans to deliver the R100 programme that aims to ensure superfast broadband reaches 100% of Scotland's homes and businesses by the end of 2021.

The Board welcomed confirmation that HIE's 2017-18 annual accounts had been signed off on schedule, and with an unqualified audit opinion. The Chief Executive thanked staff of HIE and Audit Scotland, who had delivered an accelerated timeline this year to align with planned budget scrutiny by the Scottish Parliament's Economy, Energy and Fair Work Committee.

The Head of Business Improvement and Internal Audit updated the Board on a current court case concerning HIE funding awarded to support development plans at Nigg by Global Energy Group. A debate was scheduled in court for mid-December, with a prior hearing expected to be held in September. HIE was preparing to defend its position robustly.

The Chief Executive reported that HIE had supported several Scottish Government ministerial visits to the region during July, and that she had held a positive first meeting with Ivan McKee MSP, Minister for Trade, Investment and Innovation. It was noted that Kate Forbes MSP, who represents Lochaber, Skye and Badenoch, had recently been appointed as Minister for Public Finance and Digital Economy.

Sentence removed due to commercial sensitivity.

The Chair had held several productive meetings with Fergus Ewing MSP, Cabinet Secretary for the Rural Economy, and agreed that the Crofting Commission would be invited to be represented at meetings of the HIE Board when matters relating to crofting were due to be considered. This presented an opportunity to strengthen further the relationship between HIE and the Crofting Commission, and arrangements were being put in place for the Commission to attend the next HIE Board meeting, on 30 October.

The Cabinet Secretary continued to show strong interest in Cairngorm, including progress with the current review of uplift infrastructure. The Chair noted that a detailed update would be presented to the HIE Board at its next meeting.

Regular meetings between the Cabinet Secretary, the Chair and the Chief Executive were being planned, and a meeting in early October would also involve Derek Mackay MSP, recently appointed as Cabinet Secretary for Finance, Economy and Fair Work.

The Chair's most recent meeting with the Scottish Government Director of Economic Development had been positive. Matters discussed had included both HIE's performance and the Enterprise and Skills Strategic Board, which was currently developing its strategic plan, due for publication in October 2018. The next meeting of the Strategic Board was scheduled to take place at Inverness Campus on 19 September, and HIE would host an informal networking event the evening before.

Arrangements were being made for a meeting between the Chair and Steve Dunlop, the new Chief Executive of Scottish Enterprise. It was noted that the present Chair of Scottish Enterprise had indicated he would step down at the end of his current three-year term.

Professor Crerar's role as Co-chair of the National Council of Rural Advisers was drawing to a close, and the council's final report would be used to inform the forthcoming Programme for Government.

It was noted that a rural planning summit with Mr Ewing was due to take place in Inverness in early September, and would include sessions to discuss developing rural communities and population.

The Chair had visited Shetland in August, and met the new Chief Executive of Shetland Islands Council. Matters discussed included the Islands (Scotland) Act which came into force in July, and the importance of HIE and island authorities working together to maintain strong relationships.

On Islay, the Chair had met the owners of the Machrie Hotel, which had received HIE support towards a significant investment on the island.

The appointment of three new HIE Board members was currently being finalised and would be confirmed shortly by the Scottish Government. Details of the new members, who were due to be appointed for three years from 1 September 2018, would be circulated. The Chair confirmed that all three new members live and work in the Highlands and Islands, and noted that he was also progressing plans to appoint a shadow Board member, with details to follow.

2.1 Kyles of Bute Community Broadband

Peter Guthrie joined the meeting.

The Head of Digital Development presented an overview of the Kyles of Bute Community Broadband project, which had begun in 2016 and was focused on exploring the possibility of establishing community-owned broadband infrastructure delivering speeds of 30 mbps to 624 premises.

A procurement exercise conducted by the Kyles of Bute Community Broadband Company (KCB) had received only one bid, which was currently being clarified so that HIE could complete due diligence to inform its decision on whether it could be supported with public funds. However, an opportunity had also arisen for the KCB to become part of the Scottish Government's R100 programme, instead of continuing to pursue its original model of community ownership.

The deadline for KCB to apply for inclusion in R100 was mid-September, so it would be helpful for the community to know HIE's decision regarding the single bid it had received before that date. The Board was now being asked to delegate authority to the Chair and Chief Executive of HIE to decide whether the agency was able to support the single bid received for a community-owned model. While due diligence was yet to be completed, HIE staff had significant concerns over several aspects of the bid, including sustainability of the model, the challenge of achieving state aid compliance, and the burden of risk that would be placed entirely on KCB and HIE.

The Board discussed the project in detail, stressing the need for HIE staff to continue to support delivery of the community's digital aspirations while ensuring best use of public funds. It was noted that the Head of Digital Development would be meeting the community soon, and recognised fully the challenge they faced in appraising their two choices. It was agreed that the Board would receive a further update following HIE's planned meeting with KCB, and be given an opportunity to comment before the Chair and Chief Executive made their decision.

Peter Guthrie left the meeting.

2.2 Inverness Campus North Bridge

Ruaraidh MacNeil joined the meeting.

The Director of Regional Development updated the Board on progress that had been made following its decision in April 2017 to approve £2.25m funding for the construction of a new pedestrian, cyclist and public transport bridge to link Inverness Campus with Inverness Retail and Business Park. Following procurement, HIE now wished to appoint a design and build contract to Wills Bros Civil Engineering Ltd.

Prices submitted by all bidders had been higher than expected, and costs associated with risks that were presented by constructing a bridge over a railway line had also risen during project development, with £650,000 now proposed to be allocated for this purpose. As a result, the Board was being asked both to approve the recommendation to award the contract to Wills Bros, and to amend its previous approval of £2.25m to £2,676,752.06 – an increase of £426,000. Once recoveries were received from Sustrans (£856,000) and the Highland Council (£88,000), it was noted that the cost to HIE would reduce to £1,732,502.06.

In discussion, the Board noted that the Highland Council's planning approval for phase one of Inverness Campus in 2011 included a condition requiring HIE to build a public transport bridge at this location prior to the occupation of 50,000 square metres of development. Total development completed at Inverness Campus currently stood at just over 33,000 sq m, with a further 15,000 sq m currently in development.

Other matters discussed included the need to achieve agreement with Network Rail, and to relocate a population of badgers on the site of the bridge before the end of November.

The Board approved the award of this contract to Wills Bros Civil Engineering Ltd, and agreed that the employers risk register of £650,000 could be used to address risks as they develop, at the discretion of the project manager and project officer. It was also agreed that a compound area could be leased to Network Rail at a peppercorn rent for 175 years. The project budget will be top sliced.

3 **UPDATES** **CUNNTASAN AS ÙR**

3.1 Inverness Campus development strategy

The Project Director, Inverness Campus, presented a new, draft strategy to guide development of the project from 2018 to 2023. This reflected a change of emphasis from infrastructure development to benefits realisation, building on the strong partnership that had been a central feature of the project from its inception, and reflecting the importance of Inverness Campus as a regional asset within Scotland's international offering. The strategy was informed by recommendations from an external evaluation of Inverness Campus, carried out for HIE by Ekosgen in 2017.

Board members welcomed the new approach, and the progress made to date in developing Inverness Campus. In finalising the 2018-23 development strategy, care should be taken to use clear and precise language, avoiding unnecessary jargon. Strong imagery should also be chosen to reflect the diverse range of activities, and people delivering them, that the Campus would enable.

Members backed the importance of HIE staying true to the original campus vision as a high quality development with unique selling points that should be clearly articulated in marketing materials and actions. Sports provision was recognised as playing a vital role, particularly in attracting students, and the Board encouraged the Project Director to continue dialogue with the Highland Council and SportScotland on this issue.

The positive role played by the Inverness Campus Partnership Forum, chaired by the Deputy First Minister, was highlighted, and it was agreed that this will be referenced in the strategy.

Ruaraidh MacNeil left the meeting.

3.2 Stornoway Trust/Arnish: update

Rachel Mackenzie joined the meeting.

The Area Manager, Innes Gall, updated the Board on progress regarding a proposed extension to HIE's ground lease with the Stornoway Trust for Arnish Business Park, and on the current position of HIE's tenant Burntisland Fabrications (BiFab), following the company's acquisition by D F Barnes Ltd in April 2018.

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

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

Sentence removed due to commercial sensitivity. The company had stated that Arnish was a critical site for its business, and had signed a 10-year lease with HIE, with an option to extend for a further five years. HIE was engaged with the BiFab account team in Scottish Enterprise and the area team would keep the Board informed of developments.

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

Rachel Mackenzie left the meeting.

3.3 Orkney Research and Innovation Campus

Graeme Harrison and Harvey Stevenson joined the meeting.

The Orkney Area Team presented an update on progress with establishing Orkney Research and Innovation Campus (ORIC), which is currently being developed in Stromness as a joint venture between HIE and Orkney Islands Council (OIC). A multi-disciplinary academic/business campus, ORIC aims to capitalise on Orkney's acknowledged expertise in marine energy and sustainability. Both HIE and OIC had approved a £6.65m funding package (including £1.48m ERDF) for a first phase property development in December 2016.

Orkney-based contractor R Clouston had been awarded the construction contract through a procurement exercise, and the development phase of the project began on 26 March. Works were currently on schedule, and progressing well. The area team confirmed that monthly meetings were being held with tenants, and proving constructive. Interviews for an independent Chair of the ORIC Board had taken place on 16 October, and an appointment was imminent.

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

Graeme Harrison and Harvey Stevenson left the meeting.

4 RESOURCES AND GOVERNANCE **GOIREASAN IS RIAGHLACHAS**

4.1 Financial statement to 31 July 2018

The Director of Finance and Corporate Services presented the latest Financial Statement, summarising HIE's financial position for the four months from 1 April to 31 July 2018. This showed that overall spend was strong for the time of year, and the overall level of commitment was in line with expectations.

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

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

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

4.2 Risk Register – August 2018

The Head of Business Improvement and Internal Audit presented the current HIE Corporate Risk Register) and a summary of the movement of risks over time. The register had been updated to reflect risks included in business unit registers and through Leadership Team discussions.

The Board welcomed the update, noting that an annual review and refresh of the register had begun in June 2018 and was currently ongoing. The strategic planning session at today's Board meeting would be used to inform the refresh and ensure that HIE continues to use risk management effectively as a valuable tool to inform strategy, decision making and actions.

4.3 Risk and Assurance Committee draft minute, 13 August 2018

Alistair Dodds, as Chair of the Risk and Assurance Committee, presented the draft minute of the meeting held on 13 August, which had focused primarily on the 2017-18 annual accounts of HIE and its subsidiaries, which had been approved without qualification.

The accounts had been produced within a shorter timeframe than in past years, in order to align more closely with the budget review schedule of the Scottish Parliament's Economy, Energy and Fair Work Committee. Board members joined Mr Dodds in expressing their thanks to the Committee members, and to staff of HIE and Audit Scotland for their work in achieving the earlier deadline.

Other items at the most recent meeting had included reports on HIE's significant transactions, cyber security, and Cairngorm Mountain, which will be the subject of discussion at the next HIE Board meeting, on 30 October.

5 STRATEGIC PLANNING **DEALBHACHADH ROI-INNLEACHDAIL**

5.1 Strategic planning workshop

Lorna Gregson-MacLeod, Morven Cameron and Alison Sharp joined the meeting.

The Chief Executive introduced an interactive workshop, designed to inform the preparation of HIE's next five-year strategic plan by generating discussion on key issues affecting the region, on HIE's priorities and aspirations, and on future actions to achieve progress. It would be important that HIE's plan was closely aligned with Scotland's Economic Strategy and with the forthcoming Strategic Plan of the Enterprise and Skills Strategic Board, and that it recognised the value of continuing to work collaboratively with a range of partners in the public, private and third sectors. A key feature would be setting ambitious performance measures that would stretch the organisation, deliver significant impacts across all parts of the region, and contribute positively to Scotland's economic performance, with a focus on driving improvements in productivity. Draft visions for both the Highlands and Islands and HIE in 2023 had been developed through previous strategic planning sessions with the Board and HIE staff, and these were shared to focus discussion.

The Head of Planning and Partnerships then gave a presentation that provided an outline of the four missions developed by Enterprise and Skills Strategic Board members, including HIE (*business growth and creation; business models and workplace innovation; exporting, and future skills*). This presentation also described the current economic context of the region and the wider national and international landscape; updated the Board on the present year's performance by HIE, and highlighted key research findings that would inform HIE's strategic planning. As an example of a thematic approach, the Head of Universities, Education and Skills focused on a new approach that HIE is developing to maximise the region's marine economy, focusing on aquaculture, marine biotechnology and energy, as a key asset for Scotland.

Board members then divided into two groups to discuss key themes, including the need to pursue both increased productivity and inclusive growth, and the challenge of defining and measuring return on investment that properly reflected the breadth of HIE's remit. The outcomes of these workshops will be developed and contribute to strategic planning discussions at future meetings before the plan is finalised for publication in spring 2019.

6 ITEMS FOR INFORMATION **CUSPAIREAN AIRSON FIOSRACHADH**

6.1 Business Panel survey

The Board welcomed the results of the latest survey of HIE's Business Panel, analysing the views of 1,000 businesses and social enterprises across the region on key issues affecting their current performance and future planning. In addition to core tracking questions on business performance, economic optimism and growth aspirations, the most recent survey, conducted during June 2018, explored skills. A specific theme was the importance of young talent to businesses, including steps businesses are taking to find and retain young people, and the characteristics they are seeking.

6.2 Any other business

6.2a Beatrice Offshore Windfarm

Amanda Bryan commented positively on the regeneration of Wick Harbour, which is currently benefiting from work associated with the Beatrice Offshore Windfarm project. *Sentence removed in the interests of the effective conduct of public affairs.*

6.3 Forthcoming meeting dates:

The next meetings of the HIE Board will be on 30-31 October (board meeting in Oban, followed by area visits and stakeholder engagement), and on 11 December in Inverness.

Chris Roberts
28 August 2018

APPENDIX: Board action tracker

The following table shows the current list, in October 2018, of items that will be brought forward for consideration at future board meetings. Dates are indicative and may be subject to change.

Date	Subject	Action
11/12/2018	Stornoway Port Authority	Investment decision
	Stornoway Trust / Arnish	Investment decision
	European Marine Science Park phase II	Investment decision
	Scottish Aquaculture Innovation Service	Investment decision
	International Highlands and Islands programme	Investment decision
	HIE specialist advice framework	Investment decision
	International trade and investment (SDI)	Presentation / discussion
	Digital: including broadband and mobile / digital economy / HIE business transformation	Update
	HIE strategic plan (draft)	Presentation / discussion
12/02/2019	Inverness Campus: Centre for Health Science II	Investment decision
	Northern Innovation Hub	Update
	Lochaber	Update
	HIE strategic plan (draft)	Discussion to agree final draft
	University of the Highlands and Islands	Update
	Tourism strategy	Presentation / discussion
30/04/2019	2018-19 year-end review	Presentation / discussion