

BOARD MEETING
COINNEAMH BÙIRD

**MINUTE OF THE HIE BOARD MEETING HELD ON TUESDAY 30 OCTOBER 2018
AT THE SCOTTISH ASSOCIATION FOR MARINE SCIENCE, DUNSTAFFNAGE**

PRESENT: Lorne Crerar (Chair)
Charlotte Wright
Amanda Bryan
Angus Campbell
Alistair Dodds
Paddy Crerar
Donald MacRae
Robert McIntosh
Freda Newton
Belinda Oldfield
Calum Ross

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
James Gibbs	Area Manager, Inner Moray Firth, item 2.1
Alistair MacMillan	Senior Development Manager, Inner Moray Firth, item 2.1
Gavin MacKay	Head of Energy Industries, item 2.1
Morven Cameron	Head of Universities, Education and Skills, item 2.2
Zahir Fazal	Chair of HIE Pensions Scheme Trustees, item 3.2
Neil Ross	Head of Community Growth, item 3.2
Rod Mackenzie	Convener, Crofting Commission, item 4.1
Bill Barron	Chief Executive, Crofting Commission, item 4.1
David Campbell	Crofting Commissioner
Malcolm Mathieson	Crofting Commissioner
Susan Smith	Head of Business Development, item 4.2
Dave MacLeod	Head of Property and Infrastructure, item 4.2
Paul Dzialdowski	Property Portfolio Manager, item 4.2
Allan McIlwaine	Senior Business Development Manager, item 4.2

1 STANDING ITEMS
CUSPAIREAN COTHROMACH

1.1 Welcome and apologies

The Chair welcomed everyone to the meeting, particularly new Board members Angus Campbell, Freda Newton and Calum Ross. It was noted that apologies had been received from Alisa Gray.

1.2 Declarations of interest

Amanda Bryan and Freda Newton declared interests relating to item 2.1, *Cromarty Firth Port Authority*. It was agreed that both members would leave the meeting when this item was discussed.

The Director of Finance and Corporate Services noted that all HIE employees who were present had a conflict of interest regarding item 3.2, *Pensions update*. It was agreed that the employees would remain present for the update from the Chair of the HIE Pension Trustees, but leave the meeting when the subsequent discussion and decision were to take place.

1.3 Minute of Board meeting held on 28 August 2018

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

1.4 Matters arising from the Board minute

The Chair informed the Board that he had met Paul Wheelhouse MSP, Minister for Energy, Connectivity and Islands, to discuss Wave Energy Scotland.

The tracker of actions arising from Board meetings, attached as an appendix to the minute, was welcomed, although members stressed the importance of ensuring that the document would capture all matters requiring follow-up actions.

1.5 Chair and Chief Executive's updates

The Chief Executive noted a rise in the number of businesses experiencing resilience issues at present. In Fort William, The Underwater Centre was in administration, putting at risk around 50 jobs and a strategic asset for Scotland. HIE staff were working with the Scottish Government and hopeful that a positive outcome would be achieved. In Dingwall, around 300 jobs were at risk following the administration of the Edinburgh Salmon Company, and efforts were being made to help identify and attract a buyer. Another business that was known to be facing uncertainty was CLDB in Invergordon, employing around 47.

Canadian company D F Barnes, which acquired Burntisland Fabrications earlier in the year, had visited manufacturing premises leased from HIE at Arnish, Stornoway. The company had expressed confidence in the facilities and in its prospects to win orders.

A meeting with the Minister for Energy, Connectivity and Islands had been very positive, with the Minister expressing support for HIE's ambitions for Wave Energy Scotland.

Melness Crofters Estate was conducting a ballot of around 70 crofters on the subject of continuing to work with HIE towards heads of terms on a lease of land for the proposed UKVL satellite launch site. The outcome was expected to be known within days.

Scotland's first 'Newton Room', part of the regional Science Skills Academy project to encourage young people's interests in science, technology, engineering and mathematics, was due to open in Caol, Fort William, next June.

Deputy First Minister John Swinney MSP had attended the most recent meeting of the Inverness Campus Partnership Forum on 21 September, and visited life sciences businesses located in HIE's Aurora House. Mr Swinney had expressed his admiration for the project and reaffirmed his commitment to continue as Chair of the Partnership Forum.

HIE had submitted an application to the Industrial Strategy Strength in Places Fund, aiming to secure funding to progress plans to maximise the economic impact of the region's exceptional marine resource.

An independent Chair, marine geochemist Dr Tracy Shimmield of the British Geological Survey, had been appointed to lead the board of the Orkney Research and Innovation Campus (ORIC).

The community in Kyles of Bute had concluded that it would pursue next generation broadband through the Scottish Government R100 initiative, rather than incur the higher risks involved in developing its own initiative.

The Board welcomed the appointment of Eann Sinclair as HIE's Area Manager, Caithness and Sutherland.

HIE had considerable input to the latest meeting of the Convention of the Highlands and Islands, held in Elgin on 22 October, which had focused on the theme of talent attraction.

The Chair informed the Board that the National Council of Rural Advisors, which he co-chaired, had completed its final report to the Cabinet Secretary for the Rural Economy and that rural policy was part of the new Programme for Government. The council had advocated rural development becoming a mainstream part of national economic strategy and HIE had offered to share its knowledge and experience to guide rural policy across Scotland.

The Chair reported that he was a member of the appointments panel for a new Chair of Scottish Enterprise, and had held a positive meeting with the agency's Chief Executive, Steve Dunlop, who had taken up his post in May.

Both the Chair and the Chief Executive had met the Cabinet Secretary for Finance, Economy and Fair Work, and the Cabinet Secretary for the Economy to discuss strategic guidance.

The Enterprise and Skills Strategic Board had published its strategic plan to support greater productivity and sustainable and inclusive growth across Scotland, and had held a meeting at HIE's premises in Inverness, where a presentation on the work of HIE was well received. HIE staff were continuing to build positive and productive relations with the new South of Scotland Economic Partnership.

The Chair had taken part in a highly successful World Social Enterprise Forum, participating both in the main conference in Edinburgh and a fringe event held on Lewis. HIE's work to develop communities through social enterprise had been cited frequently as a very effective example of international best practice.

On Lewis, the Chair and Chief Executive had met representatives of Comhairle nan Eilean Siar, Stornoway Port Authority and the Stornoway Trust to discuss opportunities for future collaboration that would benefit the Outer Hebrides. *Sentence removed in the interests of the effective conduct of public affairs.*

The Board welcomed news that Morven Gibson, General Manager of South West Mull and Iona Community Trust, had accepted an offer to serve for a year as Shadow Board Member, and was expected to attend her first meeting in December.

The Chair noted that the new Islands (Scotland) Act 2018 was an important piece of legislation and its potential implications for HIE's role were continuing to be discussed with the leaders of island authorities. HIE area teams had developed strong collaborative relationships with council partners covering all island groups, including co-location at present with Business Gateway in Orkney and Shetland, and soon to be delivered in the Outer Hebrides.

The Board joined the Chair and Chief Executive in expressing their appreciation to staff across HIE for their unstinting efforts during an extremely demanding period for the organisation, both in terms of workload and the complexity of many current initiatives and issues.

2 INVESTMENT DECISIONS CO-DHÙNAIDHEAN AIRGEAD-TASGAIDH

2.1 Cromarty Firth Port Authority – project amendment

James Gibbs, Alistair McMillan and Gavin MacKay joined the meeting.

The Board considered a recommendation from the Inner Moray Firth area team to increase HIE's funding support for ambitious development plans by Cromarty Firth Port Authority (CFPA) by £2m. Since the Board had first approved HIE funding towards this project in June 2018, the total development cost had risen from an expected £23m to £31m. This was largely due to the need to ensure the planned port infrastructure will meet updated, complex technical specifications for offshore wind towers to be used in the Moray East offshore wind farm.

Under the proposed project amendment, HIE's support would remain at 25%, and the total sum that could be required would rise from £5.75m to a maximum £7.75m. HIE's funding package already included £2.3m from the European Regional Development Fund, and it was hoped that a further £800,000 ERDF could be obtained, which would help to offset the impact on HIE's grant-in-aid budget. As discussed at the Board meeting in June, it was confirmed that CFPA's project would only go ahead if the port authority was successful in winning a major contract from EDPR, the developer of Moray East.

In discussion, the Area Manager stressed the strategic importance of the CFPA project to the region and to Scotland's renewable energy supply chain. The Head of Energy Industries endorsed this point, highlighting that the planned investment would put the port in an excellent position to win future contracts.

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

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

The project amendment was approved, and the Board will be updated on the outcome of the EDPR Moray East contract award.

James Gibbs, Alistair McMillan and Gavin MacKay left the meeting.

2.2

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

3 RESOURCES AND GOVERNANCE GOIREASAN IS RIAGHLACHAS

3.1 Financial statement to 30 September 2018

The Director of Finance and Corporate Services presented a report summarising HIE's financial position for the six months to 30 September 2018.

This showed that spend overall was at the same point as this time last year, 9% behind straight line. Discretionary spend was at 41% and Business Support spend ahead of straight line at 56%, a figure offset by Top Slice spend of 32%. HIE's total over-commitment stood at £4.2m.

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

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

3.2 Pensions update

Zahir Fazal joined the meeting.

The Board welcomed an update paper from the Director of Finance and Corporate Services and the Head of Human Resources concerning the five pension schemes that affect HIE staff. The authors of the paper declared their interest as members of the HIE Pension Scheme.

The Board noted that the majority of staff, ex-staff and pensioners are in the HIE Pension Scheme, which is the only scheme open to new members. However, some others are members of one of four local government pension (LGP) schemes. All five are funded, defined benefit, statutory, occupational pension schemes. Legacy issues associated with the arrangements for all five schemes were complex and merited review.

Following a recent triennial valuation, there was a specific requirement to revisit arrangements in relation to the HIE Pension Scheme. The Chair of the HIE Scheme Trustees described the current position and outlined a proposal to reduce risk and volatility in the scheme and provide more solid financial foundations to reduce the present deficit and support long-term sustainability. Although the trustees were assured by a letter of comfort from the Scottish Government, they continued to be concerned about the financial strength of the scheme and had concluded that more action was required in addition to the current recovery plan. Their proposal was included in a range of options that were presented in the paper for the Board's consideration.

The Board members explored issues with the Director of Finance and Corporate Services, the Head of Human Resources, and the Chair of the HIE Pension Scheme Trustees. It was noted that the Pensions Regulator required schemes to implement effective planning that would reduce their deficits to zero over time. In response to questions, it was confirmed that the HIE Pension Scheme was private, unlike the local government schemes, and that its members were required to be consulted on any proposed changes.

Zahir Fazal, Charlotte Wright, Carroll Buxton, Douglas Cowan, Nick Kenton David Oxley, Sandra Dunbar, Karen Moncrieff and Chris Roberts left the meeting.

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

Charlotte Wright, Carroll Buxton, Douglas Cowan, Nick Kenton David Oxley, Sandra Dunbar, Karen Moncrieff and Chris Roberts rejoined the meeting.

3.3 Risk Register – October 2018

The Head of Business Improvement and Internal Audit presented the latest version of HIE's corporate risk register. The register had been refreshed substantially, with risks informed by consideration of HIE's priorities for 2018-19; review and discussion by the Leadership Team, and outputs from strategic planning sessions held with the Board and all staff. Key themes included Brexit preparedness; ensuring that business models and support meet the needs of the region; having sufficient focus on inclusive growth and place-based delivery; being outcome focused; talent attraction and retention, and ensuring appropriate attention to current challenges, including Cairngorm and businesses facing resilience issues. The Board welcomed the update, and noted the volume of new risks that had been identified and included in the register.

The Chief Executive updated the Board on a current legal action in which the Scottish Government and HIE were defendants. Debate was scheduled to take place in the Court of Session on 13 and 14 December, with

the outcome expected to be known in March. The Risk and Assurance Committee would be provided with factual information at its next meeting, which was due to take place before the Court of Session dates.

Alistair Dodds confirmed changes to membership of the Risk and Assurance Committee, which he chairs. Places vacated by Ailsa Gray and Donald MacDonald would be taken by Angus Campbell and Belinda Oldfield. The Chair thanked the new Committee members for taking on this important responsibility and expressed the Board's gratitude to Ms Gray and Mr MacDonald for their valuable contributions.

4 **UPDATES** **CUNNTASAN AS ÙR**

4.1 Supporting sustainable development in crofting areas

Rod Mackenzie, Bill Barron, David Campbell, Malcolm Mathieson and Neil Ross joined the meeting.

The Chair welcomed the Crofting Commission Convener, Chief Executive and two Commissioners to the meeting. The Commission had been invited to attend the HIE Board to strengthen relations and explore collaborative opportunities to benefit crofters and crofting communities. This was intended to be the first in a series of engagements at Board level between the two organisations.

HIE's Head of Community Growth introduced the session by outlining the agency's role in delivering sustainable development in crofting areas, in collaboration with the Crofting Commission and others. The Crofting Commission then gave a presentation on their work, covering the history of the organisation, the benefits and evolution of crofting, and its potential to play a greater role in rural economic development. The Commission itself was increasingly taking a strong interest in development issues, in addition to its statutory role as a regulatory body.

Discussion highlighted shared ambitions between HIE and the Commission to see land being used productively to strengthen communities, and support economic development in a variety of ways, including attracting and retaining population. Housing was identified as a major issue affecting the development of crofting communities as was connectivity, and both were seen as vital to attract more young people.

HIE Board members noted the Commission's ambition to derive greater financial, social and environmental value from land, and highlighted opportunities for synergy with community landowners. It was agreed that there was an opportunity to use the theme of place-based development as a point of alignment to further productive collaboration between the two organisations. Policy development and reform was another area with strong potential. The Commission expressed a desire to know more about HIE, and the Chair and the Director of Strengthening Communities accepted an invitation to meet commissioners and deliver a presentation on the agency in the new year.

As a follow-up action, it was agreed that staff of both organisations would explore opportunities to design a pilot collaborative project, taking a place-based approach to development and focusing on areas of common interest, such as land use, tourism, community resilience and people attraction.

The Board thanked the Crofting Commission for an insightful presentation and discussion.

Rod Mackenzie, Bill Barron, David Campbell, Malcolm Mathieson and Neil Ross left the meeting.

4.2 Cairngorm Mountain update

Susan Smith, Dave MacLeod, Paul Dzialdowski and Allan McIlwaine joined the meeting.

The Head of Business Development updated the Board on a range of work strands that were under way in relation to Cairngorm Mountain and HIE's operator, CairnGorm Mountain Ltd (CML). HIE had supported development of Cairngorm over many years as a key asset that underpins the wider economy of Badenoch and Strathspey. The update covered a broad range of activities, including service levels between HIE and CML; the status of CML plans that were to be funded by a £4m loan previously agreed by the HIE Board; a request for a further working capital loan from the operator; community engagement, and the high level findings of a comprehensive review of uplift infrastructure that HIE had commissioned from specialist mountain resort planners to inform future planning and investment.

Recently, an already complex situation had become even more challenging with the closure of the Cairngorm funicular railway, owing to safety concerns. A detailed technical inspection was being progressed by specialist engineers, who were expected to deliver findings in early December. In the meantime, HIE had formed the Cairngorm Response Group of interested parties to identify ways to mitigate the impact of this closure on the local economy, particularly if it were to extend into the winter snowsports season.

HIE had funded trials of snow making equipment at three ski centres in 2018: Cairngorm, Glencoe, and the Lecht, with generally positive results. It was now proposed to invest £1,000,000 in a TechnoAlpin SnowFactory and snow guns that would enable lower slopes at Cairngorm to be brought into use for snowsports. In addition to longer term benefits, this equipment would ensure that Cairngorm could offer access for winter sports through the 2018-19 season, even if the funicular were to remain out of service during that period.

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

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

Administration was a highly likely outcome for CML, and the Board discussed the potential for HIE to regain direct control of operational responsibilities from the company. This could potentially be achieved following the company's administration, through a pre-packaged deal agreed with the administrator, or by acquiring assets through share purchase. The key goal would be to ensure a smooth transition that would minimise disruption to the business, its customers, and the local community.

In these circumstances, the following conclusions were agreed:

- HIE would begin negotiations to achieve a managed exit from Cairngorm for CML.
- *Paragraph removed in the interests of the effective conduct of public affairs.*
- HIE would proceed with purchase of snow making equipment, with the aim of maintaining access to snowsports at Cairngorm through the 2018-19 winter season and in future years.
- The Chief Executive and the Head of Business Improvement would meet the directors of CML at the earliest opportunity to inform them of these decisions.
- Given the seriousness and urgency of the present situation, it was also agreed to form a sub-group of the Board to review and make recommendations for appropriate solutions that would be considered by the full Board at the earliest opportunity.

Susan Smith, Dave MacLeod, Paul Dzialdowski and Allan McIlwaine left the meeting.

5 STRATEGIC PLANNING **DEALBHACHADH ROI-INNLEACHDAIL 2**

5.1 HIE Strategic Plan discussion

1430

5.1b Half-year corporate performance review

5.1c Enterprise and Skills Strategic Board update

Discussion of these items was postponed until the next meeting, due on 11 December 2018. In the meantime, all Board members were invited to submit any comments directly to the Director of Regional Development. Amanda Bryan and Calum Ross expressed interest in supporting the Director to develop a strategic plan.

6 ITEMS FOR INFORMATION CUSPAIREAN AIRSON FIOSRACHADH

6.1 Quarterly Approvals List: April – June 2018

The latest HIE quarterly approvals list was noted, and will be published on the HIE website.

6.2 Interim Equality Mainstreaming Report 2018

The Interim Equality Mainstreaming Report 2018 was noted, and will be published on the HIE website.

6.3 Young People and the Highlands and Islands: Maximising opportunities research

6.3b Executive Summary

The Board welcomed the positive findings of HIE's latest survey of young people's attitudes and aspirations for the Highlands and Islands which will be used to inform a range of activities including attracting and retaining talent in the region. The report will be shared widely with stakeholders, including the media, and published on the HIE website.

6.4 Convention of the Highlands and Islands (COHI) paper – Major project identification

This paper, which HIE had presented at the most recent meeting of the Convention of the Highlands and Islands, was welcomed.

6.5 COHI paper – Regional Skills Investment Plan

The Board welcomed an update on the Highlands and Islands Regional Skills Investment Plan, which had been delivered at COHI.

6.6 Any other business

There was no other business.

6.7 Date of next meeting:

The next meeting of the HIE Board will take place on Tuesday 11 December in Inverness.

CLOSE DÙNADH

Chris Roberts
30 October 2018

APPENDIX: Board action tracker

The following table shows the current status, in December 2018, of matters that were identified for action at previous Board meetings, with an indication of when updates are expected. This is very much a live list and scheduled dates may change as priorities evolve.

Board meeting	Subject	Action
11/12/2018	Cairngorm	Update
	<i>Sentence removed due to commercial sensitivity.</i>	Investment decision
	Lochaber	Update
	<i>Sentence removed due to commercial sensitivity.</i>	Investment decision
	Wave Energy Scotland	Update and investment decision
	HIE strategic plan (draft)	Presentation / discussion
12/02/2019	<i>Sentence removed due to commercial sensitivity.</i>	Investment decision
	Digital: including broadband and mobile / digital economy / HIE business transformation	Update
	Northern Innovation Hub	Update
	Scottish Aquaculture Innovation Service	Investment decision
	HIE strategic plan (draft)	Discussion to agree final draft
	<i>Sentence removed due to commercial sensitivity.</i>	Update
	International Highlands and Islands programme	Presentation / discussion
	International trade and investment (SDI)	Investment decision
	Tourism strategy	Presentation / discussion
30/04/2019	2018-19 year-end review	Presentation / discussion
	<i>Sentence removed due to commercial sensitivity.</i>	Investment decision