

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

**MINUTE OF THE HIE BOARD MEETING HELD ON TUESDAY 11 DECEMBER 2018  
AT AN LÒCHRAN, INVERNESS CAMPUS**

**PRESENT:** Lorne Crerar (Chair)  
Charlotte Wright  
Angus Campbell  
Alistair Dodds  
Ailsa Gray  
Donald MacRae  
Robert McIntosh  
Freda Newton  
Belinda Oldfield  
Calum Ross

**IN ATTENDANCE:**

Morven Gibson	Shadow Board Member
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
Sandra Dunbar	Head of Business Improvement and Internal Audit
Karen Moncrieff	Head of Human Resources
Chris Roberts	Head of Corporate and Media Relations
Rachel Mackenzie	Area Manager, Innse Gall, item 2.1 (by teleconference)
Bill McMillan	Head of Business Growth, Innse Gall, item 2.1 (by teleconference)
Morag Goodfellow	Senior Development Manager, item 2.2
Tim Hurst	Managing Director, Wave Energy Scotland, items 2.4, 3.1
Alastair Nicolson	Programme Manager, Lochaber, item 3.2
Susan Smith	Head of Business Development, item 3.3
Lorna Gregson-MacLeod	Head of Planning and Partnerships, item 5.3

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

**1.1 Welcome and apologies**

The Chair welcomed everyone, including new Shadow Board Member Morven Gibson, who was attending her first meeting. Apologies were noted from Board members Amanda Bryan and Paddy Crerar, and from Mary McAllan, Director of Economic Development, Scottish Government.

**1.2 Declarations of interest**

The Chair noted that Amanda Bryan had declared an interest in item 2.1, Stornoway Port Authority, and had not been sent the appraisal paper.

It was noted that Douglas Cowan, Nick Kenton and David Oxley were HIE's appointees as interim directors of the board of new subsidiary company Cairngorm Mountain (Scotland) Ltd, and therefore had a particular interest in item 3.3. The Board agreed, however, that there was no conflict of interest present.

### **1.3 Minute of Board meeting held on 30 October 2018**

The minute was approved with one correction, adding Belinda Oldfield to the list of those present.

### **1.4 Minutes of Board meetings held in November 2018**

- a) Minute of meeting 21 November**
- b) Minute of meeting 23 November**
- c) Minute of meeting 26 November**

The minutes of the meetings held on 21, 23 and 26 November 2018 were all approved.

### **1.5 Matters arising from the minutes**

It was agreed that representatives of the Crofting Commission would be invited to attend the HIE Board meeting in April 2019, or a later meeting.

All other matters arising would be covered elsewhere on the agenda for today's meeting.

### **1.6 Chair and Chief Executive update – December 2018**

The Chief Executive reported that the administrator of the Underwater Centre, Fort William, was making progress, with the business and associated assets attracting private sector interest. HIE would not place a bid itself, but would stand ready to work with new owners.

The Board expressed concerns over the volume of businesses in the region currently facing challenges. It was noted that the Risk and Assurance Committee had examined this issue the previous day, and that it was also highlighted in the Risk Register (agenda item 4.1 on today's Board agenda).

There was no further news to report on progress by D F Barnes, owner of BiFab, regarding its aim to win new orders for renewable energy manufacturing at Arnish. The Board would continue to be kept informed.

HIE's latest research into the attitudes of young people towards the Highlands and Islands had produced positive results, generating strong interest from partner organisations and widespread media coverage.

The Director of Business and Sector Development reported on the latest developments with UKVL, HIE's project that aims to create a vertical launch site for satellites in Sutherland. Following a positive ballot of its members, landowner Melness Crofting Estate was now progressing arrangements to agree a lease with HIE for the proposed launch site. There was a need for HIE to engage pro-actively with a range of stakeholders, including the local community, and efforts would be stepped up to deliver this. As well as providing clear information and dispelling myths around the project, it was important to understand concerns that some were expressing. Work was also ongoing to build HIE's relationships with the UK Space Agency, and with prospective launch operators Lockheed Martin and Orbital Express.

It was noted that a briefing on the UKVL project was being prepared for the Secretary of State for Scotland, who had expressed this at a one-to-one meeting in London with the Chair of HIE. The Board will receive an update on the project at its next meeting, in February 2019.

The Director of Regional Development reported that HIE was awaiting a response to its application to the Industrial Strategy Strength in Places Fund to support the Maximar project to maximise the economic impact of the region's marine resource.

The Board welcomed news that the Cromarty Firth Port Authority (CFPA) had been successful in winning a major contract from wind energy company EDPR for the Moray East Offshore Windfarm. This followed the Board's decision in October to invest up to £7.75m to support the port's development plans. It was also noted that CFPA was no longer planning to take forward plans for ship-to-ship oil transfers in the Moray Firth.

The Enterprise and Skills Strategic Board had published its Strategic Plan, and copies were distributed to HIE Board members at the meeting. The Chair informed members that he would be meeting the Strategic Board Chair, Nora Senior, the following day to discuss the plan and HIE's role in its implementation.

The Chair reported that he had attended a constructive meeting with the Cabinet Secretary for Finance, Economy and Fair Work, and held positive one-to-one meeting with Highlands and Islands MPs in Westminster.

Changes were noted at partner organisations, including the appointment of a new Chief Executive at the Scottish Funding Council and a new Chair at Skills Development Scotland. The Scottish Government was currently seeking a new Chair for Scottish Enterprise, and Professor Crerar was a member of the recruitment panel.

## **2 INVESTMENT DECISIONS** **CO-DHÙNAIDHEAN AIRGEAD-TASGAIDH**

### **2.1 Stornoway Port Authority**

*Rachel Mackenzie and Bill McMillan joined the meeting.*

The Area Manager, Innse Gall, gave a short presentation seeking approval for up to £3.5m cash funding or 41% of eligible costs (whichever is lower) to support ambitious plans by Stornoway Port Authority (SPA), a trust port and HIE account managed client. HIE funding would contribute towards total project costs of £11,009,068 (including £8,516,660 eligible costs) to develop Newton Basin, delivering a 70-berth marina, a marine engineering workshop, and infrastructure to support a new building for the Food Standards Agency.

Impacts generated through this investment would include an increase in SPA turnover of almost £2m and 10 jobs created directly in the Outer Hebrides. However, an economic impact assessment had highlighted significant wider economic benefits for the islands, and this was a key factor in the area team's rationale for recommending support.

The SPA had committed its own funding, and attracted support from the Scottish Government's Regeneration Capital Grant Fund. An application to the European Marine Fisheries Fund (EMFF) was awaiting decision.

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

In discussion members welcomed the proposals, agreeing that the port masterplan could be transformational for Stornoway and Lewis. HIE support at the level being sought was judged essential for the project to go ahead and fulfil its potential. In response to a question from the Chair, the Director of Finance and Corporate Services confirmed that the capital costs of HIE supporting Newton Basin were affordable.

The Board approved grant funding of £3.5m or 41% of eligible costs (whichever is lower) to support SPA to develop Newton Basin. HIE support would be conditional on SPA also gaining funding from EMFF for this project, *sentence removed in the interests of the effective conduct of public affairs*. This will be classed as a priority investment for HIE.

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

### **2.3 HIE business transformation**

*Janie Sheridan and Keiron Scott joined the meeting*

The Head of Business Improvement and Internal Audit presented an initial strategic assessment describing HIE's ambition to drive forward a significant programme of business improvement activity, and outlining the wider context and strategic rationale. The central aim was to deliver a step change in improving the delivery of support services to HIE customers and staff, enabled by digital. In addition, it would establish stable, resilient platforms on which future phases would be built, and enable HIE to decommission legacy platforms that were no longer optimal. The programme was designed to be in line with the Scottish Government's strategic direction to HIE, and to contribute to a key work strand arising from the Enterprise and Skills Strategic Board, in which HIE was currently collaborating and playing an influential role with partners.

The next phase of the programme would include implementation of a core customer relationship management (CRM) system, an online customer portal, data warehouse and business application. Discovery work would be undertaken around data, performance measurement and finance. HIE's current enterprise management system, HMS, would be decommissioned. HIE and its partners in the Enterprise and Skills system would implement a shared entry point for customers, new data strategy, future operating model and global design language. A new HIE website would be designed and delivered, and HIE would continue a programme of process re-engineering, and work with IT shared services provider EIS to shape future services and support. It was important for HIE to continue to lead by example in practising innovation in service delivery. Cyber security would also be enhanced.

Board members welcomed the paper and requested clarification on a number of points. It was confirmed that HIE was seeking to implement a new CRM that would reflect the agency's specific remit and deliver defined capabilities, while also aligning with the wider public sector, particularly organisations delivering enterprise and skills services. The single digital entry point would be based on the principle of 'no wrong door' for customers, who would experience a similar language and visual appearance across service providers, although individual branding would continue to identify each partner clearly. It was intended that organisations would be able to share customer information, leading to easier access and transactions for clients.

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

The Board agreed that HIE will go to tender for an implementation partner, technical and security assurance, and discovery work, at an estimated total value of approximately £1.4m, noting that costs would be refined during procurement, and capitalised wherever possible. Approval was also given to progress with identifying and securing internal programme resource, within the current staff complement, to support delivery.

Progress with procurement will be reported to the Board in February 2019, and an update provided to the Risk and Assurance Committee in March.

*Janie Sheridan and Keiron Scott left the meeting*

## 2.4 Wave Energy Scotland novel wave energy converter programme

*Tim Hurst joined the meeting.*

The Managing Director, Wave Energy Scotland (WES), presented a paper recommending approval of cash funding totalling £6,645,946 plus VAT to proceed with stage three of the Novel Wave Energy Converter (NVEC) technology programme. This funding would be awarded to two applicants, Mocean Energy and AWS Ocean Energy, enabling them to take forward two projects that were currently funded at stage two to proceed to the next phase, developing scaled, seagoing prototype converters that were expected to be tested in a real Scottish sea environment. Mocean would receive £3,324,720 for its hinged raft project, while AWS Ocean Energy would receive £3,321,226 for its submerged point absorber technology.

The NVEC programme had been designed to respond to key industry priorities in marine technology and WES was committed to support the development of devices that could demonstrate a credible, step change reduction in energy costs. Eight technologies had been funded through stage one, four of which had proceeded to stage two. The third stage afforded greater opportunities for collaboration between WES and the developers. All four companies participating in stage two had submitted applications to progress, and these had been subject to rigorous evaluation covering six areas: cost; health and safety and environmental management; project management; scope of work; future commercial offering, and technology development. The evaluation panel had been chaired by the WES Programme Manager, and comprised WES project engineers and project managers who had worked with all applicants, and external and independent assessors who had been sourced through open procurement.

Progress that WES and the developers were making towards commercialisation of new technologies was welcomed. In response to questions, the Managing Director informed members that fabrication for the successful stage 3 projects would take place in Scotland – AWS in Invergordon, and Mocean in Leith.

The Board approved the recommended funding to £6,645,946 plus VAT to enable these projects to progress to stage three of the WES NVEC programme.

### 3 UPDATES CUNNTASAN AS ÙR

#### 3.1 Wave Energy Scotland

The Managing Director of Wave Energy Scotland (WES) updated the Board on progress made by the Scottish Government-funded HIE subsidiary during the previous six months. The Board noted that it was almost exactly four years since WES was set up in December 2014. A great deal had been achieved in that period, with several innovative projects making progress towards testing in real sea conditions. In addition to selecting two projects for stage 3 of the NVEC programme (item 2.4 above) key activities in the second half of 2018 had focused on selection and award of three projects for stage two of the Structural Materials and Manufacturing Processes programme, and real sea testing of CorPower Ocean power take-off technology.

WES had succeeded in obtaining EU Horizon 2020 funding, and was continuing to engage on the delivery of Wave Energy Europe, which had appointed Tim Hurst as a board member. Staffing was at a healthy level, and plans were in place to recruit an additional, EU-funded project engineer on a fixed-term contract to support DT Ocean Plus. WES had held its annual conference the previous week, with Paul Wheelhouse MSP, Minister for Energy, Connectivity and the Islands, giving the opening address. This year's conference had again attracted a strong turnout and generated positive feedback.

An economic impact assessment had concluded that WES had, to date, added value of over £6.6m to the Highlands and Islands, and £23m to Scotland as a whole. An updated WES business plan 2018-21 had been approved by the WES board and would be considered again by the HIE Board once Scottish Government commitment to financial support to 2021 had been clarified.

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

In discussion, Board members raised a number of issues. On the question of rate of return for investors in wave energy, compared with offshore wind, the Managing Director stressed the need for effective national incentives to support wave technology. With an Energy White Paper due in 2019, it would be important to demonstrate viable technology as an argument in support of setting tariff at an appropriate level. A key difference that WES had made was to ensure that key elements of projects were being rigorously tested mathematically and in tanks, before being judged ready to go to sea testing. This had greatly reduced the level of risk attached to sea testing, and would hopefully result in making projects at that stage more attractive to investors. The Board noted the importance of keeping the composition of the WES Advisory Group under review as projects developed, and welcomed recent changes. Public relations, both within and beyond the energy sector, was also identified as an area for future focus.

The Board thanked the Managing Director for his update.

*Tim Hurst left the meeting.*

### **3.2 Lochaber**

*Alastair Nicolson joined the meeting.*

The Programme Manager, Lochaber, gave a presentation on progress made by Liberty British Aluminium since purchasing the Fort William smelter and assets in November 2016, and outlined wider regional infrastructure development that were either planned or under way in Lochaber. These investments were intended both to support Liberty to achieve growth ambitions and provide capacity for economic and social development.

The company's plan to develop an alloy wheel factory next to the smelter in Fort William had acted as a catalyst for an ambitious programme of infrastructure investments with the potential to transform the town and the wider economy of the West Highlands. Benefits were expected to include more high-paying jobs, tackling of fuel poverty, developing a high value-added manufacturing base, and improving prosperity and quality of life. The project also presented challenges, including the need to secure around 400 skilled workers in a local economy where the labour market was currently at or near full capacity.

Pro-active partnership working at both national and local level was proving instrumental in creating the conditions for Fort William to capitalise on the opportunity. A strategic-level Lochaber Delivery Group, chaired by the Cabinet Secretary for the Rural Economy, was meeting quarterly, with members including HIE, the Scottish Government, Highland Council, Skills Development Scotland, Transport Scotland, Scottish Natural Heritage, the Scottish Environmental Protection Agency, the University of the Highlands and Islands, and Liberty's parent, the Gupta Family Group. At operational level, the Lochaber Project Board was meeting every six weeks, co-chaired by the HIE Chief Executive and Highland Council's Director of Development and Infrastructure. The project board was overseeing five workstreams: planning / masterplanning; skills and talent attraction (led by HIE); housing; energy, and transport.

The Programme Manager reported that housing projects were well advanced, planning permission for a new college building would be submitted shortly and NHS Highland was progressing plans for a new hospital. Public consultation was ongoing and the partners would present a delivery plan to the Highland Council early in 2019. The scale of infrastructure development necessary to maximise benefits at local and regional levels would be considerable, requiring sustained input from regional and national agencies for some time to come.

The Board welcomed the update, noting the role that HIE was playing in leading and collaborating in a complex, place-based development that had the potential to transform Fort William. Points raised through discussion included the importance of energy supply, and it was recommended that gas and electricity company innovation schemes should be explored to support the development of an energy strategy.

The Chair thanked the Programme Manager for his participation, and asked for arrangements to be put in place for a future Board visit to Lochaber.

*Alastair Nicolson left the meeting.*

### **3.3 Cairngorm**

*Susan Smith joined the meeting*

The Head of Business Development updated the Board on the latest position regarding Cairngorm, where HIE was working with administrators in an attempt to acquire the assets of Cairngorm Mountain Ltd (CML) through a new subsidiary, Cairngorm Mountain (Scotland) Ltd (CMSL). HIE was planning to operate Cairngorm Mountain resort through CMSL, securing business continuity and employment while taking a measured approach to review options to secure long-term sustainability.

The Board were reminded that the Cairngorm funicular railway had been out of service since 5 September, following an inspection that identified safety concerns, and the operating company (CML) had gone into administration on 29 November. A Funicular Response Group, established by HIE with local stakeholders, was performing well. Following approval by the HIE Board in October, snow making equipment had been purchased. This had recently arrived on site and was now producing snow, enabling lower levels to be used for skiing by beginners. Ski tows would operate to higher levels once real snow arrived.

HIE had identified a business turnaround expert to serve as interim chief executive of the new company for four months. It was intended that all staff of CML would transfer to CMSL through TUPE. The situation continued to attract high levels of media interest and enquiries, including a substantial volume of Freedom of information requests.

A specialist engineers' report on the structure of the funicular was expected to be delivered before the end of December. This would require careful analysis to understand all the issues and determine next steps, including the need to secure additional budget to address this situation. It was anticipated that the funicular would remain out of service through the winter. The vision for Cairngorm, described in the recently completed uplift review, would be revisited in light of the challenges affecting the funicular.

The Head of Business Improvement noted that the Scottish Government consent would be required to enable HIE to acquire CML and its assets through CMSL, and the project was judged novel and contentious.

The Board welcomed the update and expressed their gratitude to HIE staff and members of the Board sub-group for their considerable efforts towards achieving the positive outcome that was now anticipated to secure jobs, continued operations and wider economic impacts in Badenoch and Strathspey. In response to questions, it was noted that approximately 1,000 skiers a day could be accommodated through surface lifts, compared with around 1,600 on the funicular.

It was agreed to delegate authority to the Chief Executive to conclude a deal with the administrators of CML.

The Chair asked for the Board to be updated on the outcomes of the specialist engineers' report, and to receive a communications plan, including clear lines describing HIE's position.

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

### **4.1 Risk Register – December 2018**

The Head of Business Improvement and Internal Audit presented the latest HIE Corporate Risk Register, along with a summary of the movement of risks over time. The report included a review of risks currently affecting a number of key investments and projects, and feedback from project managers and senior responsible owners had been used to update corporate risks and actions.

*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 Board welcomed the risk register.

### **4.2 Risk and Assurance Committee 10 December – verbal update**

Alistair Dodds, as Chair of the Risk and Assurance Committee, gave a verbal update on matters discussed at the most recent committee meeting, which had taken place the previous day.

The Committee had approved a recommendation to increase the employer's contribution to the HIE pension scheme by one per cent a year for each of the next three years. The pension fund would also be reviewed annually. The significant amount of staff resource required to deal effectively with significant challenges at Cairngorm had been discussed, with the Committee stressing the need to ensure that the internal team was at an appropriate level. The Director of Business and Sector Development had delivered an update on the UK Vertical Launch project.

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

A draft minute of the Committee meeting will be presented for information to the next Board meeting, on 12 February 2019.

### **4.3 Financial statement to 30 November 2018**

The Director of Finance and Corporate Services summarised HIE's financial position for the eight months to 30 November 2018. Paragraph removed *in the interests of the effective conduct of public affairs.*

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

### **5.1 Financial planning**

The Director of Finance and Corporate Services presented an estimated financial outlook for 2019-20, and an overview of the approach to budget setting. It was noted that HIE had three financial targets, each of which required to be met. These were to remain within: a resource limit (RDEL); a capital limit (CDEL), and a cash limit. Given the nature of HIE's work, it was not uncommon for decisions made in one year to lead to expenditure in later years, adding to the complexity of financial planning.

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



It was expected that the Scottish Government would soon announce a draft budget, subject to parliamentary approval, and this would inform HIE's budget setting, which would be brought to the Board in April 2019.

The Chair thanked the Director for his paper.

## **5.2 Corporate performance to 30 November 2018 – presentation**

The Director of Regional Development gave a presentation on HIE's progress towards achieving its in-year operating plan measures for 2018-19. Most out-turns were at or close to the expected position for this point in the financial year. However, efforts would continue to maintain a strong pipeline for the remainder of the year.

The Board welcomed the update, noting that HIE's current position appeared to reflect national economic challenges, including uncertainty, lack of confidence, and sluggish growth. Smaller businesses in fragile areas faced particular difficulties, and it was noted that HIE's approach enabled the agency to target support to these places.

## **5.3 Strategic planning discussion**

*Lorna Gregson Macleod joined the meeting.*

The Director of Regional Development and the Head of Planning and Partnerships gave a presentation to inform strategic planning discussions. This highlighted the current strategic planning environment with which HIE needed to align its own plans, including Scotland's Economic Strategy, the Programme for Scotland, the National Performance Framework, and the Strategic Plan of the Enterprise and Skills Strategic Board, and more. In 2019, HIE would be producing both a high-level, five-year strategic plan and a one-year operating plan.

The presentation also reported on the outcomes of HIE's recent survey into the attitudes of young people towards the Highlands and Islands, focusing on the roles of HIE and its partners in enhancing features that make the region an attractive place to live, work and study.

It was felt that HIE's overall vision remained valid, though this would be reviewed. Work would be carried out to refresh the range of measures used by HIE, aligning with the Enterprise and Skills Strategic Board. It would be important to use measures that accurately reflect the real impacts achieved by HIE. Weighting to measure inclusive growth was being considered, as was the potential to tailor measures and targets according to local needs and opportunities in different areas. Themes that would remain key to HIE's approach included collaboration, inclusive growth and place-based development.

In discussion, Board members stressed the importance of working with local partners across the region on issues such as housing, transport and health care that can play a key role in economic prosperity and community sustainability.

More detailed plans will be presented for discussion at the next meeting of the Board, on 12 February 2019.

*Lorna Gregson Macleod left the meeting.*

### **6.1 National Strengthening Communities Conference**

The Board welcomed a paper describing the vision and outline agenda for the second national Strengthening Communities conference, which HIE will host in Aviemore on 27 and 28 May 2019. All Board members are invited to attend.

### **6.2 Preparing for Brexit – HIE International Team discussion paper**

The Board noted a presentation that the Head of Inward Investment and International Trade had given to Enterprise and Skills Strategic Board.

### **6.3 HIE Publication Scheme – Approvals List 1 July to 30 September 2018**

The latest HIE approvals list was noted. These lists are prepared quarterly and published on the HIE website.

### **6.4 Any other business**

There was no other business.

### **6.5 Forthcoming meeting dates**

The next Board meeting is scheduled for 12 February 2019, at An Lòchran, Inverness.

The next meeting of the Risk and Assurance Committee is scheduled for 5 March, at An Lòchran, Inverness

Chris Roberts  
11 December 2018