

BOARD MEETING
COINNEAMH BÙIRD

**MINUTE OF THE HIE BOARD MEETING HELD ON TUESDAY 12 FEBRUARY 2019
AT AN LÒCHRAN, INVERNESS CAMPUS**

PRESENT: Lorne Crerar (Chair)
Charlotte Wright
Amanda Bryan
Angus Campbell
Paddy Crerar
Alistair Dodds
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
Adrian Kitson	Head of Executive Support
Lorna Gregson-MacLeod	Head of Planning and Partnerships, item 3.1
Alison Sharp	Corporate Planner, item 3.1
Morven Cameron	Head of Universities, Education and Skills, item 4.2
Stuart Robertson	Director of Digital, item 5.1
Theresa Swayne	Senior Development Manager, item 5.1
Roy Kirk	Project Director, Space Hub Sutherland, item 5.3
Susan Smith	Head of Business Development, item 5.4
Dave MacLeod	Head of Property and Infrastructure, item 5.4
Sandra Holmes	Head of Community Assets, item 5.5
Ian Philp	Account Manager, item 5.6

1 STANDING ITEMS
CUSPAIREAN COTHROMACH

1.1 Welcome and apologies

The Chair welcomed everyone to the meeting. Apologies were noted for Board Member Ailsa Gray and from Mary McAllan, Director of Economic Development, Scottish Government.

1.2 Declarations of interest

The Chair noted that Alastair Dodds had identified that at item 7.3 - HIE Publications Scheme October 2018 to December 2018, a funding approval was listed for the Elsie Normington Foundation for the ScotGrad Graduate Placement Programme – Strategic Marketing Development. It was noted that Alastair is a Trustee of the Elsie Normington Foundation and it was agreed that there was no Conflict of Interest.

1.3 Minute of Board meeting held on 11 December 2018

The minute was approved as a true and accurate record of the meeting.

1.4 Cairngorm Sub-Group decision 11 January 2019

The note from the Cairngorm Sub Group of 11 January 2019 was approved.

1.5 Matters arising from the minutes and Action Grid

There were no matters arising from the minute that were not covered in the agenda items for the meeting. The Action Grid was noted.

1.6 Chair and Chief Executive update – February 2019

The Chief Executive reported that Caldive, a Dingwall-based company has acquired the assets of the former Underwater Centre operation in Fort William. *Sentence removed in the interests of the effective conduct of public affairs.*

It was reported that DF Barnes are close to signing an agreement for the manufacture of 100 monopiles for the Moray East offshore wind farm. This would secure 100 jobs at Arnish, Stornoway over the contract period.

HIE held a two-day automation and robotics showcase event on 6-7 February with a range of workshops highlighting opportunities for businesses in the region. Exhibitors and presenters included Mitsubishi, the Advanced Forming Research Centre, CENSIS and CSIC. Over 100 businesses attended. The Board offered congratulations to the team for their organisation and delivery of the event.

The closure of the Talk Talk Stornoway call centre was unexpectedly announced on 29th January which will result in the loss of 59 Jobs in July. HIE is liaising with the company and working with local partners through partnership action for continuing employment (PACE) which helps to minimise the impact for people and businesses facing redundancy. The Deputy First Minister is going to visit when in Stornoway to open the Port. This follows the news of Abellio closing its Fort William call centre.

The new £100m strategic centre at RAF Lossiemouth – a joint venture between Boeing UK (BUK) and the UK Government - has now “topped out” and BUK are recruiting in Moray for maintenance staff for the fleet of Poseidon P-8A aircraft due for deployment from 2020. BUK will increase their presence in Moray over three years as they prepare for a multinational fleet of aircraft operating out of Lossiemouth.

HIE has been named as finalist in the family friendly working Scotland 2019 Scottish Top Employer award.

HIE’s staff pay remit proposal for 2019-20 has been formally submitted for approval.

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

The Board were also updated on Norbord, a manufacturer of wood-based panels and the world's largest producer of Oriented Strand Board (OSB), who had highlighted 2018 as their best year ever. They have

announced further investment at the plant at Dalcross which will double current production and result in an increase of 3 ½ times the original size.

The Chief Executive also outlined the plan to refresh of the organisation which provides an opportunity to refresh the vision and priorities. The plan will also be set in the current landscape of guidance from Scottish Government and will respond to the priority "missions" set out in the Enterprise and Skills Strategic Board Plan. HIE's plan will be structured around Business, Place and Communities, with Inclusive growth at the core.

The Chair reported that the Scottish Government had recognised the importance of the report by the National Council of Rural Advisors which he co-chairs, and the need to create a Rural Economy Action Group to ensure the creation of a robust rural economic strategy. The Cabinet Secretary for the Rural Economy is to announce this and the Chair of HIE will sit on the group.

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

It was agreed that an update on space and access to previous papers relating to the Space Port would be provided to the new Board Members.

2 FINANCE IONMHAS

2.1 Financial Statement

The Director of Finance and Corporate Services summarised HIE's financial position for the 10 months to 31st January 2019. This reported that an application had been made to the Scottish Government to secure a £3m transfer of resources from capital to revenue and confirmed that the Scottish Government has agreed to a £1.5m transfer. *Paragraph removed in the interests of the effective conduct of public affairs.*

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

The Board congratulated HIE on achieving the capital to revenue transfer and for the Scottish Government cover provided for the revenue risks around Cairngorm. *Sentence removed in the interests of the effective conduct of public affairs.*

2.2 Financial Outlook 2019/20

The Director of Finance and Corporate Services presented the Financial Outlook for 2019/20, the purpose being to inform the Board of the outcome of the draft 2019/20 Scottish Government budget and the implications for HIE. *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.

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

The Board welcomed the update, noting the challenges, and it was agreed that an update would be provided by the Director of Finance and Corporate Services to the Risk and Assurance Committee in March and to the next HIE Board meeting in April when the Board is due to receive the formal budget for approval.

3 STRATEGIC PLANNING **DEALBHACHADH ROI-INNLEACHDAIL**

The Director of Regional Development provided a brief update on the in-year measures for 2018-19 to confirm that all were in range and that all should be able to be met.

3.1 Draft strategy document

Lorna Gregson-MacLeod and Alison Sharp joined the meeting.

The Head of Planning and Partnerships and HIE's Corporate Planner delivered a presentation to the Board to provide an update on the current planning process. There will be two plans, a high level longer term strategy (3 to 5 years) and a one-year operating plan. There is joint planning with Enterprise and Skills agencies, the timetable for which is currently under discussion, though provisionally looking at the end of March for the launch of the strategy and the end of April for the operating plan with a complex set of strategic frameworks setting the context.

The current draft aims to ensure that the distinctive role of HIE and the region come through more strongly, weaving the people and place theme throughout. Leadership, implementing, facilitation and enabling role to be clear showing partnership at varying levels and types and not just with Enterprise and Skills partners. The use of common text with other agencies where appropriate and tone of voice to ensure the use of simple and direct language, avoidance of jargon and use of infographics to explain messages.

Board members welcomed the update, particularly greater clarity of language and tone of voice and the use of infographics. It was also noted that the regional picture needs to be stronger, and to add more in relation to communities so that there is an understanding of what HIE does in relation to community development and the impact this has on economic development. Need also to show alternative sources of funding, how HIE encourages investment into the area and how HIE collaborates with key stakeholders to lever funding.

It was agreed that an updated version of the plan would be ready for the Enterprise and Skills Strategic Board meeting on 28th February with a further telephone call to be set up with the Board to agree the final version, making sure it is aligned with the Strategic Board.

Lorna Gregson-MacLeod and Alison Sharp left the meeting.

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

4.1 Breasclote Factory, Isle of Lewis: Phase 3 Works – amendment

The Director of Strengthening Communities presented a paper seeking Board approval to increase the original project approval for the BASF Pharma (Callanish) Ltd Breasclote Factory phase three works. The total project cost borne by HIE has increased from £2,760,000 per the original approval paper to £2,851,825, representing an increase of £91,825. With attribution and re-allocation to other budgets, the overall increase directly attributable to the project budget is £71,286. This translates into a requirement for a further approval to cover proposed expenditure of £71,286. Lessons have been learned from this project which will be built in to future projects to minimise the risk of this occurring again.

The Board approved the increase of £71,286 to the original approval to cover the increased costs, noting the lessons learned.

4.2 Glasgow School of Art (GSA) – update

Morven Cameron, Head of Universities, Education and Skills for HIE, joined the meeting to provide an update. Professor Irene McAra-McWilliam, Director, and Gordon Hush, Head of the Product Design Department at GSA, then joined the meeting to deliver a presentation.

The Head of Universities, Education and Skills provided a short introduction to the Board prior to the representatives from the Glasgow School of Art (GSA) joining the meeting. This provided a recap of the previous paper that was presented at the October 2018 Board. HIE funding of £1,486, 580 was sought against a total project cost of £2,333,404, effectively supporting two further years of GSA’s presence in Forres, after which point GSA will sustain the Campus. The Board had agreed in October 2018 to fund the first year but were keen to hear directly from GSA in relation to their longer-term plans for Forres, and how they were addressing the key challenges and opportunities presented there.

The Chair welcomed Professor Irene McAra-McWilliam and Gordon Hush to the meeting and congratulated Professor McAra-McWilliam on becoming the Director of the Glasgow School of Art.

GSA outlined their commitment to the area and to the Forres campus, confirming that they were in Moray for the long term, are committed to a 20-year lease and the Forres campus is ingrained into the GSA’s business model. They would ensure the future sustainability of the Campus with investment in people/region/academic programmes that are regionally appropriate, over 40 places for international students and research projects for the next 5 years plus. Funding would be sought from the Scottish Funding Council for funded places to support home/EU students. GSA are confident that the Forres Campus will be self-sustaining within the next two years. Student accommodation has been identified as an issue although a local building company is developing plans for student halls backing onto the campus.

The Board thanked GSA for the update noting the challenges and issues faced and the commitment to be self-sustaining in two years and the great opportunities for GSA in relation to Health and Public Service reform. GSA is already involved with NHS Grampian and Moray Health integration with the opportunity to move outwards with other NHS Boards across Scotland. The potential for displacement was discussed with GSA providing assurances that care had been taken in building relations with the University of the Highlands and Islands (UHI) to ensure that there was no duplication of effort.

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

Morven Cameron, Professor Irene McAra-McWilliam and Gordon Hush left the meeting.

5 UPDATES **CUNNTASAN AS ÙR**

5.1 Broadband and Digital Engagement

Stuart Robertson and Theresa Swayne joined the meeting.

The Director of Digital and Senior Development Manager updated the Board on digital connectivity and engagement. Since the last update over 12 months ago, there has been steady progress but no fundamental changes in HIE’s strategic approach or day-to-day activities, other than the digital engagement function being transferred to Business and Sector Development in recognition of the increasing need to deliver this type of support as part of our standard range of services. The infrastructure elements of digital connectivity remain with Regional Development.

In the next 12 months much will change as the current Digital Scotland Superfast Broadband project will come to an end and the procurement of the Scottish Government’s Reaching 100% project (R100) will reach

its conclusion and implementation will begin. There is also a growing emphasis within the Government on developing the digital economy.

The importance of excellent digital connectivity and high-quality business support on digital issues has not diminished so it is essential that HIE is well prepared to retain its influence over these key developments as they affect the Highlands and Islands.

Over the last five years HIE has successfully developed and managed the project to deliver superfast broadband across the Highlands and Islands, seeing coverage rise from 4% of homes and businesses to 86%. Alongside the provision of improved broadband, HIE has run a comprehensive programme of demand stimulation and digital engagement activities to maximise take-up and encourage efficient business use of digital technologies.

This current phase of activity is coming to an end but a new phase is beginning with larger budgets and greater complexity. It is essential that HIE continues to play a central role in these developments to ensure that our region has the infrastructure it needs to compete and our businesses have the support they require to maximise the benefits of digital technology.

The Board welcomed the update on all that is being done.

Stuart Robertson and Theresa Swayne left the meeting.

5.2 Brexit

The Director of Regional Development and the Director of Business and Sector Development provided an update on HIE's preparations for Brexit. In just under 2 months, the UK is set to leave the European Union and will start to develop new relationships with the EU and other global trading markets. In any Brexit scenario, there will be fundamental changes in the economic environment for the region's businesses, communities and individuals. The nature, scale and timing of these changes will depend on what the Brexit deal looks like and that remains unclear.

The UK political situation remains uncertain. The most prominent options are currently a modified Withdrawal Agreement, revised to address Parliamentary concerns, principally about the Irish backstop, while still being acceptable to the EU, or a no-deal Brexit.

The no-deal scenario has immediate, serious and negative implications for Scotland and the Highlands and Islands. It is a priority therefore to support businesses in preparing for its implications. HIE has worked very closely with the Scottish Government, partner agencies and regional stakeholders since the EU Referendum in July 2016, to ensure we help the Scottish economy adapt to this fundamentally new operating environment.

The intra-Scotland **Prepare for Brexit** (PfB) campaign provides support to any company anywhere in Scotland, offering support on a wide range of Brexit impacts including business planning, workforce and skills, supply chains and finance/legal/regulatory issues. An online diagnostic tool helps businesses identify their key issues before signposting them to online articles, expert advice and (as appropriate) financial support.

HIE has promoted the Prepare for Brexit campaign with an exercise via area teams to ensure contact with all account managed clients.

The Board were keen to understand if the Prepare for Brexit website analytics provide HIE with an insight into the key issues for businesses. The Director of Business and Sector Development undertook to provide analytics from the website and via account manager engagement.

5.3 Space Hub Sutherland

Roy Kirk joined the meeting.

The Director of Business and Sector Development and the Project Director, Space Hub Sutherland delivered a presentation providing an update on progress to date. The three key areas are to 1) Update HIE Board on the progress with the UKVL project, (now renamed Space Hub Sutherland), 2) Provide a progress report on the approval of funding as per the May 2018 Board decision and 3) Seek Board approval for the Project Management and Environmental Surveys costs of £1.66m and seek overall Board approval for anticipated development costs of £3.965m.

Substantial progress has been made in a number of areas. These include resourcing of the Project team, External professional support, Governance, Project Delivery and Community and Stakeholder engagement.

A dedicated project team is now in place and a support contract for professional services has been awarded to Gardiner and Theobald (G&T) for a period of 12 months (commencing January 2019) with options for extension for three years beyond this initial support. There has also been engagement with the Scottish Futures Trust who have provided helpful advice with regards to access to other funding options and other financial opportunities.

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

A number of public open days have been held in the Melness and Tongue area. These have been supported by Lockheed Martin Space Systems and Orbex staff. Over 150 people have attended the public meetings to date. It is intended that these meetings will continue and dates for all of 2019 have been published online. We have also developed a community and stakeholder engagement plan to intensify our efforts in this area.

Paragraph 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 noted a long list of items in approvals. It was noted that this remained a high risk project and that there was a need to actively pursue a funding strategy and engage with stakeholders to secure funding as part of the consideration of the full business case. It was agreed that an update report would be presented to the April Board meeting including breakdown of costs.

Due to complexity of the project, it was agreed that a briefing would be provided for the new Board members. It was also requested that a site visit be arranged alongside the Board meeting in September planned to take place in Sutherland.

The Board then discussed the paper seeking Board approval for the Project Management and Environmental Surveys costs of £1.66m and seeking overall Board approval for anticipated development costs of £3.965m. HIE cash funding totalling £1,660,150 would go towards the Space Hub Sutherland project to cover the cost of employing a multidisciplinary team of professional advisors and surveys. It is recommended the HIE Board approve these costs in full but note that the contract contains a break clause which could end the contract at Dec 2019, i.e. at the time of HIE Board consideration of the full business case. This would reduce costs to £1,199,150. At December 2019 a full business case will be presented to the HIE Board which will contain all the remaining costs to complete the project.

The Board were content and approved the funding. *Sentence removed in the interests of the effective conduct of public affairs.* It was agreed to proceed with the surveys that need to be done ensuring diligence with spend. An update will be provided to the Risk and Assurance Committee.

Roy Kirk left the meeting.

5.4 Cairngorm Mountain

Susan Smith and Dave MacLeod joined the meeting.

The Head of Business Development and the Head of Property and Infrastructure gave an update to the Board. CML (Cairngorm Mountain Ltd) went into Administration on 29 November 2018. Following an intensive period of due diligence, HIE established a subsidiary company Cairngorm Mountain (Scotland) Limited (CMSL) to be the operator of the Cairngorm Mountain facility. On 14 December 2018 HIE acquired the assets of the previous operator CML. This enabled HIE to transfer staff of CML under the Transfer of Undertakings (Protection of Employment) Regulations (TUPE) and for operations to continue at Cairngorm Mountain. HIE also appointed a 'turnaround expert', to act as interim Chief Executive of CMSL, through its Framework arrangements with Scott Moncrieff.

It was noted that operating conditions had been challenging. The snow factory units have enabled skiing to take place from 27 Dec 2018, offering a modest slope for beginners from the base station. This has enabled up to 50 snow sports participants to access the slope each day. In temperatures below -2 degrees the snow cannons can operate and are starting to make a difference with the collection of snow which can then be groomed and pisted.

The staff have been busy 'operationalising' the business in terms of establishing a new IT system; website; banking and credit card facilities; establishing suppliers etc. Activity has also progressed to address issues raised by the Health and Safety Executive.

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

The structural report on the funicular undertaken by specialist engineers COWI had been received. Mott MacDonald have been commissioned to undertake a peer review and this is due to take eight to nine weeks from now to complete. It was noted that the peer review should confirm that options are viable.

The Board noted that HIE has done everything that it can and continues to do so, key stakeholders are being kept informed, the Area Team is involved and they are assured on all that is happening.

Susan Smith and Dave MacLeod left the meeting.

5.5 Community Asset Ownership

Sandra Holmes and Ian Philp joined the meeting.

The Head of Community Assets provided the Board with an overview of the community assets sector, HIE's influential role supporting and developing this, and how the wider policy and legislative environment has, and continues to, evolve. It also highlights how community ownership contributes to land reform and how these two agendas – community ownership and land reform – are also relevant to HIE's own property portfolio, particularly with respect to our two estates; Orbost and Cairngorm.

The Board were asked to note:

- HIE's continuing role and presence within the growing, and evolving, community asset sector.
- The work of HIE in delivering the Scottish Land Fund (SLF), directly and indirectly contributing to HIE's annual measures, and the SLF investment of £11.6m in our region since 2016.
- The challenges associated with post-acquisition funding, community capacity, and the growing number of community asset initiatives.

The Board welcomed the report, confirming their agreement and support and thanking the Head of Community Assets for the comprehensive update.

5.6 Orbst Estate

The Account Manager from the Lochaber, Skye and Wester Ross area team provided an overview of various options available to HIE in relation to Orbst Estate which was purchased in 1997. The original objectives of the purchase were to encourage resettlement, provide access to land to stimulate the local economy, provide access to affordable housing, enhance the local environment and pave the way for community ownership.

Following the initial disappointment of the failure to transfer the ownership of the estate to a community group in the early 2000s, HIE undertook to continue to explore ways in which the estate could be transferred to either a community group, another part of the public sector, or a conservation organisation more suited to the management of a largely agricultural asset.

Four options have been explored as possible routes to exit from the estate. These are:

1. Transfer the whole estate to a more suitable public-sector landlord
2. Sale of the whole estate on the open market
3. Sale of the farm and smallholdings to the sitting tenants, sale of the remainder on the open market
4. Conversion of smallholdings to crofts with subsequent sale to tenants, sale of the farm to tenant, sale of the houses to tenants or LSHA, sale of forestry on the open market.

The Board recognised the practical challenges of breaking-up the land due to geography. It would be important to ensure that the community and tenants are supportive and that HIE being an exemplar organisation is going through due process and is open and transparent. The Board were supportive of option 4 being the right process and approved to proceed.

Sandra Holmes and Ian Philp left the meeting.

5.7 Shared Services for Information Communications and Technology

The Director of Finance and Corporate services updated the Board on the current position relating to the arrangements for sharing Information Communications and Technology (ICT) services. HIE is currently part of a shared services arrangement hosted by Skills Development Scotland (SDS), branded as Enterprise Information Services (EIS) and providing services to SDS itself, Scottish Enterprise (SE) and HIE. The EIS arrangement is regarded as a good example of sharing resources within the public sector and chimes with the Enterprise and Skills Strategic Board's view that enterprise agencies should share resources, align processes etc. There is a working assumption that the new South of Scotland Agency will join the arrangement.

The Director recommended that the Board formally approve the extension of HIE's membership of the IT service hosted by SDS (branded as EIS), together with a consequent indicative budget of £8,433,009 over 5 years - delegating to the Chief Executive the authority to finalise these arrangements.

The Board noted that much work had been had been undertaken in improving the relationship with EIS and were keen to ensure good collaboration and appropriate performance management is in place. The Board approved the Director's recommendation. It was noted that forward strategy for EIS should be aligned with other activity to ensure that benefits were maximised.

6 RESOURCES AND GOVERNANCE **GOIREASAN IS RIAGHLACHAS**

6.1 Risk Register

The Board noted the paper and had no additional comments.

7 ITEMS FOR INFORMATION **CUSPAIREAN AIRSON FIOSRACHADH**

7.1 Year of Young People - overview

The report was noted.

7.2 Business Panel report – Survey Findings

The Board welcomed the findings of the latest survey of HIE’s Business Panel.

7.3 HIE Publication Scheme – Approvals List 1 October to 31 December 2018

The Board noted the latest quarterly list of HIE funding approvals, which will be published on the agency’s website.

7.4 Any other business

There was no other business.

7.5 Forthcoming meeting dates

- 5 March – Risk and Assurance Committee, An Lòchran, Inverness
- 30 April – HIE Board visit to Innse Gall

Adrian Kitson
Head of Executive Support
12 February 2019