



## BOARD MEETING – TUESDAY 23 AUGUST, AN LÒCHRAN, INVERNESS DRAFT MINUTE

**PRESENT:**

Lorne Crerar (Chairman)  
 Alex Paterson (Chief Executive)  
 Amanda Bryan  
 Paddy Crerar  
 Alistair Dodds  
 Ailsa Gray  
 Donald MacDonald  
 Robert McIntosh  
 Donald MacRae  
 Iseabail Mactaggart  
 Belinda Oldfield  
 William Swann

### IN ATTENDANCE:

Charlotte Wright	Director of Business and Sector Development
Forbes Duthie	Director of Finance and Corporate Services
Carroll Buxton	Director of Regional Development
Douglas Cowan	Director of Strengthening Communities
David Oxley	Area Manager, Moray
Sandra Dunbar	Head of Business Improvement and Internal Audit
Karen Moncrieff	Head of Human Resources
Chris Roberts	Head of Corporate and Media Relations
Alastair Nicolson	Head of Partnerships and Planning, item 3.3
Colin MacBeath	Senior Manager, Business and Sector Development, item 4.1
Tim Hurst	Director, Wave Energy Scotland, item 4.2
Susan Smith	Head of Business Development, item 4.3
Keith Bryers	Head of Property and Infrastructure, item 4.3
Sandra Holmes	Community Assets Sector Lead, item 5.2
Nicola Douglas	Head of Client Management, item 5.3
Katrina Wiseman	Head of Business Growth, Shetland, item 5.3

## 1 STANDING ITEMS

### 1.1 Welcome and apologies

The Chairman welcomed everyone to the meeting. No apologies had been received.

### 1.2 Declaration of interest

It was noted that Iseabail Mactaggart had a previously declared third party interest in matters concerning Wave Energy Scotland, and would leave the meeting while item 4.2 was being considered.

### 1.3 Minute of meeting: 21<sup>st</sup> June

HIE 2004/02226

The minute of the HIE Board meeting of 21 June was approved.

### 1.4 Matters arising

There were no matters arising from the minute that were not covered elsewhere on the agenda.

## 2 UPDATES

### 2.1 Chairman's and Chief Executive's update

HIE 2004/02226

*[Paragraph removed as disclosure at this time could have a detrimental effect on commercial interests.]*

The Scottish Government's annual spending review was under way and HIE was working closely with government officials to secure a positive outcome.

The Chief Executive had joined Finance Secretary Derek Mackay and senior staff of LifeScan Scotland to announce further HIE investment to strengthen the life sciences company's presence in Inverness. HIE funding was supporting Scotland as the multinational company's global centre for research and development in diabetes testing.

HIE's approach to human resources had gained national recognition through accreditation as a Living Wage Employer, and attainment of a Carer Positive award as an organisation that recognises the particular challenges faced by staff who have caring responsibilities.

The Director of Business and Sector Development updated the Board on the current situation regarding Rio Tinto Alcan's intention to cease smelting operations in Lochaber following a strategic review. The company was assessing bids from a number of parties interested in acquiring its assets in Fort William and Kinlochleven, and a decision from the RTA board was anticipated around the middle of October. In response to a question from Robert McIntosh, it was noted that only one of the bidders had signalled an intention to keep the smelter in operation.

*[Paragraph removed as disclosure at this time could have a detrimental effect on commercial interests.]*

The Chairman confirmed that HIE's evidence to the Scottish Government's Enterprise and Skills Review, which had been the subject of a special Board meeting on 16 August, had now been submitted. Several meetings had also been held with senior civil servants and with the Cabinet Secretary for Economy, Jobs and Fair Work, Keith Brown, who is chairing the Ministerial Review Group. The Director of Business and Sector Development added that HIE had been asked to provide further information on topics including its overall approach to development, internationalisation, and specific issues relating to development in a rural context. Further announcements from government were expected towards the end of September. Alistair Dodds and Donald MacRae, who had also taken part in meetings with the Scottish Government confirmed that these had been positive, and stressed the importance of putting forward a balanced picture of HIE's combined economic and community development role.

The Director of Regional Development introduced a paper summarising progress achieved by HIE's Digital Highlands and Islands initiative. This showed that HIE's investment in infrastructure with BT had now enabled superfast broadband to be accessed by 186,677 premises across the region, around 77% of the total. This included a large majority of 137,277 premises that would not have been served by a commercial rollout alone. The project was on course to exceed its target of 84% coverage through phase one, with the current forecast being 87% by the end of 2017. Although the remaining locations would be the most challenging to deliver, HIE was working with the Scottish Government to support its commitment to achieve 100% coverage across Scotland by 2021.

Community Broadband Scotland was now actively working on projects valued at more than £2.5m with 75 communities in the hardest-to-reach locations throughout the country, and supporting a further 115 pipeline projects. As part of the Inverness City/Region Deal, HIE was working with the Highland Council on a £20m digital initiative with the ambition of making Highland the best connected digital region in Europe. Over 3,000 businesses had now benefited from workshops and one-to-one support from the digital engagement service, now branded *Digital Boost*, delivered in the region by HIE and Business Gateway. Scotland's first digital demonstration centre, *#hellodigital*, based at Inverness Campus, was proving very popular. HIE was also progressing work with mobile phone network operators to establish current and future rollout plans for improved network coverage, including 4G in the region.

In discussion, Board members stressed the need for HIE and BT to maintain clear and regular communications activity that would keep the public informed of progress while also managing expectations, particularly regarding the limitations of cabinet upgrades that would not reach entire communities. Amanda Bryan drew attention to the UK Government's recent announcement that it would consider applying a universal service obligation to broadband, and noted Ofcom's interest in exploring issues affecting the Highlands and Islands. Ailsa Gray suggested that Community Broadband Scotland could investigate the potential of Vodafone's Investing for Good programme. The Director agreed to explore these points further.

### **3 RESOURCES AND GOVERNANCE**

#### **3.1 Financial statement to 31 July 2016**

HIE 2009/00611

The Director of Finance and Corporate Services presented HIE's latest financial report, covering the four months to 31 July 2016.

This showed that spend to date, particularly for regionally significant investments and other top sliced projects, was at a lower level than at the same point in the previous year. Primarily, this was due to differences in phasing, with several large projects that were planned for 2016/17 being programmed towards the end of the financial year. Careful monitoring would be implemented to ensure commitment was converted into spend over the coming months. Discretionary commitment was judged to be at a healthy level to ensure full budget utilisation during the year.

*[Paragraph removed as disclosure at this time could have a detrimental effect on the effective conduct of public affairs.]*

#### **3.2 Verbal update from Risk and Assurance Committee**

Alistair Dodds, as Chair of HIE's Risk and Assurance Committee, gave a short verbal report on matters discussed at its most recent meeting, held immediately before this Board meeting. The committee had focused on HIE's 2015-16 annual accounts, which had been fully audited by Audit Scotland, and were now able to be signed off by HIE's outgoing Chief Executive prior to his departure. Mr Dodds thanked the Director of Finance and Corporate Services and his team for achieving an excellent result in challenging times, and also highlighted HIE's low rate of staff absence as a positive indicator for the organisation. The Chairman added his congratulations to the team.

The 2015/16 accounts will now be forwarded to the Scottish Government, to be laid in parliament on schedule by 30 September.

### **3.3 Corporate Report**

HIE 2013/00841

*Alastair Nicolson joined the meeting.*

The Head of Planning and Partnerships presented the latest HIE Corporate Report, summarising progress towards achievement of performance measures at August 2016.

The region's economy continued to perform well in a climate of uncertainty around the EU referendum. HIE's latest business panel survey, which would be published shortly, showed that confidence had fallen in the aftermath of the referendum, although most businesses that had taken part remained optimistic for their own prospects. Key HIE business investments had included research and development funding for LifeScan Scotland in Inverness, and support for the Machrie Hotel on Islay, which would boost the island's tourism sector and strengthen the economy of a fragile area.

Good progress had been recorded towards most performance measures. The Chief Executive noted that, even without the investment in LifeScan, the figures recorded for increase in turnover, growth in international sales, and jobs created and supported remained very strong. It was also noted that pro rata levels of investment and job creation were higher in fragile areas, demonstrating HIE's commitment to achieving inclusive growth to benefit all parts of the Highlands and Islands. Progress had been slower under the strengthening communities priority, but a strong pipeline of projects later in the year indicated that this situation was expected to improve. Lastly, it was noted that Audit Scotland's recent review of support for Scotland's economy delivered by the Scottish Government and its enterprise agencies had concluded that HIE and Scottish Enterprise were both performing well.

The Board welcomed the corporate report, noting increased levels of client engagement in internationalisation and innovation in particular, and expressed interest in the questions and methodology used in the business panel survey, as well as the results. It was agreed that the questions would be shared with Board members following the meeting.

*Alastair Nicolson left the meeting.*

### **3.4 Risk Register**

HIEA 2014/00216

The Head of Business Improvement and Internal Audit (BIIA) presented the most recent update of the HIE corporate risk register. This showed that, in August 2016, HIE had identified a total of 24 risks (15 strategic and 9 tactical) which were being tracked and treated across the organisation. This compared with a total of 22 risks identified in June, and had been compiled following review of business unit registers, discussions with key individuals and consideration of matters raised at the last Board meeting and senior managers' event.

### **3.5 Highlands and Islands and leaving the European Union**

HIEA 2014/01290

The Director of Regional Development presented a paper outlining implications for the Highlands and Islands following the UK referendum decision to leave the EU. This included a summary of what we know, what remains uncertain, and important issues to be considered for the Highlands and Islands through the exit process and into the post-exit environment. In discussion, Board members agreed it was important for HIE to adapt to change and seek to win positive outcomes for the region, including by working to influence emerging policy, both at Scottish and UK levels. Protecting Scotland's £11bn worth of annual trade across the single market, and maintaining efforts to attract people to live and work in the Highlands and Islands would be key goals.

### **3.6 Additional item: University of the Highlands and Islands**

At the Chairman's invitation, Iseabail Mactaggart, who is HIE's representative on the court of the University of the Highlands and Islands, introduced a short discussion on UHI. The university, which had been supported by HIE since its inception, was currently undertaking an internal review that would inform its future direction, and would be the focus of a session at the forthcoming Convention of the Highlands and Islands.

The Board's discussion emphasised the need for HIE to do all it could to ensure that UHI is able to fulfil its considerable potential as a major driver of economic growth across the Highlands and Islands through creating jobs and educational opportunities, driving research and generating spin-out businesses and other commercial prospects. It was agreed that HIE would continue to work closely with the university, and to engage with partners and stakeholders including the Scottish Government and Scottish Funding Council to maximise UHI's input to regional economic development.

## **4 INVESTMENT PROPOSALS**

### **4.1 Growth and Development Support Framework 2016-20: Specialist Advice**

HIEA 2016/00717

*Colin MacBeath joined the meeting*

The Director of Business and Sector Development introduced a paper recommending approval of HIE cash funding of up to £2,025,000 for a business growth and development support framework that would form part of a £4,287,000 total framework award proposal. This would enable HIE to allocate resources for specialist advice provision to clients from a range of quality assured professional advisers, as a follow on to the current specialist advice framework which has been running since July 2013 and will conclude in November 2016. As at present, the new framework would be used to complement advice provided by HIE staff in circumstances when clients require more specialist input on a range of subjects.

It was noted that HIE had run a one-stage restricted OJEU procurement process which had produced one response, from the incumbent provider PA Consulting. In line with recognised best practice, the consent of HIE's Chief Executive had then been obtained to continue the procurement process with the sole bidder through non-competitive action.

In discussion, Board members were assured that the procurement process had been robust and had brought forward the best the market could offer. It was also confirmed that the framework would be used diligently to obtain specialist advice for clients through accessing skills and knowledge in specific areas that were beyond the range available in-house through HIE's own staff.

The Board approved the funding request, and agreed the award of the specialist advice framework to PA Consulting for three years, with an option to extend for a further year if appropriate. It was agreed that updates should be provided to HIE's Risk and Assurance Committee for oversight during the period covered by the framework.

*Colin MacBeath left the meeting.*

*Iseabail Mactaggart left the meeting, having declared a related party interest in the following item.*

#### **4.2 Wave Energy Scotland PT01 to PT02 transition** WES 2016/082

*Tim Hurst joined the meeting.*

The Director of HIE subsidiary Wave Energy Scotland presented a paper recommending cash funding totalling up to £2,485,388 for the second stage of the Wave Energy Scotland (WES) power take off (PTO) technology programme. This would allow up to five of the 10 currently funded, stage one projects to move to stage two, and was in line with the original budget allocation.

Power take-off technology had been chosen for the first WES call as it was consistently identified in marine technology assessment plans at national and international levels, as being a key priority and supported by the WES Advisory Group. Eight of the 10 participants in this competition had put forward applications to move to stage two, and five of these had been judged by the WES assessment panel to be of sufficiently high quality projects to proceed.

The Board noted that projects supported by WES would be expected to carry out testing in Scotland, as long as suitable facilities could be identified. One of the five PTO projects chosen for stage two had indicated it did not plan to carry out testing in Scotland, and WES's offer would therefore be made conditionally. Should this company choose not to proceed with testing in Scotland, the Board agreed that WES's offer should be withdrawn, and only four projects would proceed to stage two.

*Tim Hurst left the meeting.*

*Iseabail Mactaggart rejoined the meeting.*

#### **4.3 Cairngorm Mountain Ltd** HIEA 2016/00005

*Susan Smith and Keith Bryers joined the meeting*

*[Item removed as disclosure at this time could have a detrimental effect on commercial interests, and on the effective conduct of public affairs.]*

*Susan Smith and Keith Bryers joined the meeting*

## **5 DISCUSSION PAPERS**

#### **5.1 Strengthening Communities and Fragile Areas – Refocus** HIEA 2016/00683

The Director of Strengthening Communities presented a paper outlining HIE's current approach to strengthening communities and fragile areas, and suggesting options to refocus

in the context of current economic trends and policy drivers. The paper included an analysis of HIE's achievements and current approach to this area of work, and put forward discussion points on a range of key topics. These included resource prioritisation to achieve inclusive growth; the need to create the right conditions for young people in all parts of the region; communities' role in delivering local services; the importance of small and medium sized towns; specific sectoral opportunities in fragile areas, and a wish to identify innovative models of private sector involvement to help address underlying infrastructure issues.

The paper generated a great deal of interest and discussion. Housing was highlighted as a key issue for strong communities, although it was recognised that HIE did not have a direct role as a provider. It was agreed that clarity was required to define HIE's role in supporting community enterprises that might take over local services, while recognising that it should not fall to HIE to fund provision that was currently the responsibility of other organisations, including local authorities. The Board also welcomed the principle that strengthening communities requires a 'whole agency' approach, and is not limited to fragile areas, although a more proactive supporting role might be applied in these places. It was recognised that communities and social enterprises with growth potential exist across the Highlands and Islands and that, just as businesses meeting HIE's growth objectives are supported across the region, this approach should equally apply in the communities context.

There was discussion around what constitutes a fragile area, and recognition that HIE's definition should be able to change over time, for example to reflect lack of digital connectivity, or ensure continued alignment with the government's inclusive growth and equalities agendas. Finally, it was suggested that, in reviewing and planning future support for communities, it would be sensible to work in partnership with public and third sector organisations, local authorities that engage with communities, groups that HIE supports, and those that aren't currently account managed, to identify wider support needs and possible new priorities that may not have been captured in the internal review. Robust prioritisation measures would need to be put in place.

The Board thanked the director for his paper. Further work will be carried out over coming months to fully define the fresh approach to strengthening communities and fragile areas, and a further paper will be brought back to the Board in December.

## **5.2 Community Empowerment (Scotland) Act and Land Reform (Scotland) Act**

HIEA 2012/00359

*Sandra Holmes joined the meeting.*

HIE's Community Assets Sector Lead presented an overview and commentary on the key provisions of two recent pieces of Scottish Government legislation - the Community Empowerment (Scotland) Act 2015, and the Land Reform (Scotland) Act 2016 – focusing on their likely impacts on HIE and the Highlands and Islands in particular.

In discussion, it was noted that the Community Empowerment Act had greater implications for HIE, and was expected to lead to increased demand for HIE services to support issues such as asset transfer, land ownership, and community management and delivery of local services. The new Scottish Land Fund, which HIE administers nationally with the Big Lottery, was already receiving increased enquiries after extending its reach to urban areas.

While support to acquire assets was important, HIE's experience over many years showed that in many cases, the most significant challenges for communities would often arise after gaining ownership, and the need for effective aftercare would be an area of continued focus for the agency. The Board welcome the update.

*Sandra Holmes left the meeting.*

*Nicola Douglas and Katrina Wiseman joined the meeting.*

The Head of Client Management updated the Board on progress achieved to date in delivering HIE's refreshed approach to account management, which had been introduced following external review in 2014. The Head of Business Growth, Shetland, provided an area team perspective on the changes the new arrangements had made and how they are working in practice.

Their presentation covered the criteria and processes that were being applied to bring companies into HIE account management, which lies at the heart of HIE's approach to accelerating business growth across the region. During 2016, emphasis had been placed on establishing intensive and challenging relationships with clients, and a shift had been discerned in their requirements, with requests for monetary assistance having decreased. A new segmentation process was now fully embedded, and the client portfolio had become more fluid, with 33 new clients coming into account management and 65 exiting in the six months from January to June 2016. This demonstrated progress made by account managers in gaining insights into when HIE can support growth, and when it may be right to disengage for a period of time to focus resource on those clients that appear most likely to achieve the greatest impact.

Shetland had piloted a highly successful Lean Learning/Business Improvement Academy programme, run by HIE and the Scottish Manufacturing Advisory Service, to implement enhanced performance and culture change in account managed businesses. Ten participants from four local manufacturing and engineering companies had taken part in the programme, which included practical workshops, class-based learning, and a visit to BAE Systems in Glasgow, followed by three months of work to deliver projects on site. Feedback had been unanimously positive, with some of those who were initially reluctant participants becoming advocates for the approach. One company that had taken part was forecasting £1m worth of savings as a direct result of the programme.

The Board welcomed the presentation and requested an opportunity for a further update at a future meeting, with more time allocated for questions.

## **6 PAPERS FOR INFORMATION**

### **6.1 HIElights**

The latest issue of HIE's e-newsletter was circulated in draft form for information. This issue of HIElights would be published in September.

### **6.2 Economic Briefing - August 2016**

HIEA 2014/01290

The Board welcomed the latest economic briefing for the Highlands and Islands from HIE's Planning and Partnerships team.

### **6.3 Property Activity Report April-June 2016)**

HIEA 2008/00768

The latest property activity report was noted.

### **6.4 HIE Publication Scheme: Quarterly Approvals April-June 2016**

HIEA 2015/00584

The Board noted the latest quarterly approvals list, which had been published on the HIE website.

### **6.5 Any other business**

The Chairman led Board members in paying tribute to HIE Chief Executive Alex Paterson, who was leaving the organisation to take on a similar role with new organisation Historic Environment Scotland. Professor Crerar praised Mr Paterson for his outstanding

contribution to HIE, the region and its people over 15 years, six of them as Chief Executive. The Board expressed their gratitude to Mr Paterson and wished him well in his important new role.

**6.6 Forthcoming Board dates:**

HIE Board: 25<sup>th</sup> and 26<sup>th</sup> October 2016, including Inner Moray Firth area visit  
Risk and Assurance Committee: 13<sup>th</sup> September

Chris Roberts  
23 August 2016