

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

**MINUTE OF THE HIE BOARD MEETING HELD ON TUESDAY 30 APRIL 2019**  
**DARK ISLAND HOTEL, BENBECULA**

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

**IN ATTENDANCE:**

Morven Gibson	Shadow Board Member
Douglas Cowan	Director, Communities and Place
Nick Kenton	Director, Finance and Corporate Services
Sandra Dunbar	Director, Business Improvement and Internal Audit
Karen Moncrieff	Director, Human Resources
Rachel Hunter	Director of Service Delivery
Adrian Kitson	Head of Executive Support
Alison Sharp	Corporate Planner, items 2.3 and 2.4
Lorna Gregor-MacLeod	Head of Planning and Partnerships, items 2.3 and 2.4
Paul Dzialdowski	Property Portfolio Manager, items 3.1, 3.3 and 3.5
Ruaraidh MacNeil	Project Director Inverness Campus, item 3.2
Greg Youngson	Property Development Manager, item 3.4
Graeme Harrison	Area Manager Orkney, Item 3.6
Janie Sheridan	Head of Business Transformation, item 3.7
Keiron Scott	Information Systems Strategy Manager, item 3.7
David Oxley	Director, Business Growth, item 4.2
David Howie	Regional Head of Technology and Innovation, item 4.2
Morven Cameron	Head of Universities, Education and Skills, item 4.3
Martin Johnson	Regional Head of Sectors, II and International Trade, item 4.3a
Elaine Jamieson	Head of Food and Drink, item 4.3a

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

**1.1 Welcome and apologies**

The Chair welcomed everyone to the meeting. Apologies were noted for Board Member Paddy Crerar, Mary McAllan, Director of Economic Development, Scottish Government and from David Oxley Director, Business Growth. Amanda Bryan's plane was also delayed, and she was unable to attend the meeting.

## **1.2 Declarations of interest**

The Chair noted that Alastair Dodds had identified a non-financial interest in relation to the University of the Highlands and Islands (UHI). UHI is mentioned in item 3.2 Inverness Campus - Centre for Health Science Phase 2. It was noted that Alastair is a Member of the Court of the University of the Highlands and Islands and it was agreed that there was no Conflict of Interest. Angus Campbell noted an Interest in item 4.2 Space Hub Sutherland. It was noted that Angus is Deputy Chair of Scottish Natural Heritage (SNH) and it was agreed that there was no conflict of interest. Rachel Hunter is conflicted in relation to Space Hub Sutherland and it was agreed that she would leave the room when this item is discussed.

## **1.3 Minute of Board meeting held on 12 February 2019**

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

## **1.4 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. In relation to the action grid, it was noted that there was nothing to report yet on the Nigg Court case. An update will be provided to the Board as soon as the outcome of the interim hearing is known.

## **1.5 Chair and Chief Executive update – April 2019**

The Interim Chief Executive reported that both Cairngorm Mountain and Space Hub Sutherland were taking up much staff time noting that Space Hub Sutherland project has been strengthened with the addition of 2 new members of staff, and a Technical Advisory Group has been established.

BiFab has been awarded a new contract to produce 100 monopiles as part of the Moray East Offshore Windfarm development. It is expected this will secure 80 jobs in Stornoway over the contract period

HIE contributed information to a Scottish Parliament debate on the space sector, and to assist the Cabinet Secretary for the Rural Economy in answering topical questions about Cairngorm.

HIE is currently liaising with the Scottish Government to identify opportunities for ministers to visit HIE projects during the summer recess. This includes seeking potential announcements that could be made by the First Minister.

The Enterprise and Skills Strategic Board continues to take up a lot of staff time. Strategic Board Mission implementation plans are being progressed with HIE leading on Business Creation and Growth and potentially involved in all missions.

A further version of our strategy and operating plan has been issued to Scottish Government. Initial feedback on alignment of plans across the four enterprise and skills agencies has been received and is under consideration.

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

The Chair provided an update on Cairngorm, outlining that the organisation was devoting as much resource as necessary. Two Board sub groups have been set-up, one is a Sub Group made up of Lorne Crerar (Chair), Alistair Dodds, Donald MacRae and Paddy Crerar which meets weekly and the other is an Advisory Group made up of Paddy Crerar (Chair), Freda Newton and Calum Ross. Both groups are there in a supportive role with the sub group providing support re operational matters, stakeholder engagement and communication, funicular, legacy issues and forward strategy. The Advisory Group provide advice to HIE Executive team on operational matters. These groups will continue for the foreseeable future. It was noted that an email had been received from the Chair of CMSL thanking him for the support received from HIE.

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

The Chair updated on the Strategic Board highlighting that there was to be a quarterly meeting of enterprise Chairs for Scottish Enterprise, Highlands and Islands Enterprise and South of Scotland Enterprise to ensure a consistent approach across all organisations. Lorne Crerar will Chair this group. The Chairs of Skills Development Scotland and the Scottish Funding Council have also asked to join another five-way meeting.

At the Convention of the Highlands and Islands (CoHI) meeting held in Orkney on 4<sup>th</sup> March, the Chair had been very complimentary towards the work of HIE and noted that the Orkney Research and Innovation Campus (ORIC) was spectacular.

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

### **2.1 Financial Statement**

The Director of Finance and Corporate Services presented a report summarising the draft outturn for the 12 months to 31<sup>st</sup> March 2019 noting that this is subject to final adjustments and final audit by Audit Scotland.  
*Paragraph removed in the interests of the effective conduct of public affairs.*

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

In conclusion, a balanced position has been achieved with all available resource utilised subject to the final accounts process and external audit. The final quarter proved a challenge, but the organisation responded positively to enable a balanced outturn to be achieved.

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

### **2.2 2019/20 Budget Paper**

The Director of Finance and Corporate Services presented a paper seeking formal Board approval of opening Resource and Capital Budgets for 2019/20 financial year.

*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 approved the opening resource and capital budgets.

### **2.3 End Year Review**

*Lorna Gregson-MacLeod and Alison Sharp joined the meeting.*

HIE's Corporate Planner presented a paper describing the out-turns achieved by HIE at the end of March 2019, against the Key Measures and Priorities in HIE's Operating Plan 2018/19.

Despite significant headwinds in the wider economy, we have exceeded our target ranges against our in-year measures. Our interventions, financial and non-financial, supported businesses, social enterprise and communities to deliver a wide range of projects across the region.

*[Sentence removed in the interests of the effective conduct of public affairs]*. On international sales, working with SDI we have seen a significant boost in performance and it is particularly pleasing to be within range on jobs in fragile areas. *Sentence removed in the interests of the effective conduct of public affairs*.

The out-turn relating to turnover in the social economy is exceptionally high this year. *[Sentence removed in the interests of the effective conduct of public affairs]*.

The Board welcomed the report noting the positive achievements and requested some further information and updates on the following. 1) Breakdown of jobs supported / created; 2) An update to be provided at a future Board meeting on Client Management and different interventions and 3) Paper to a future Board meeting on what could be done better.

## **2.4 HIE Strategy / Operating Plan 2019 – 2022**

The Head of Planning and Partnerships presented a paper providing an update on the new 3 year strategy and associated one year operating plan annex for HIE and seeking approval of the Board to delegate authority to approve the final version for ministerial approval to the HIE Board Chair, the Interim Chief Executive and Board members Amanda Bryan and Calum Ross.

The Strategy has been refined following further internal, Board and initial Scottish Government Sponsorship Team feedback. This has included a reordering of the chapters with the Strategic Policy Context moved to the start (at the request of the Scottish Government) although the introduction and foreword is consciously placed after this context. Other sections have been slightly refined to bring out sustainable development, variety of partnership and roles, clarity on the inclusive growth weighting work and its importance, and the Operating Plan.

The Scottish Government Sponsorship Team and Analytical Unit are still assessing the plans with all four drafts being considered in tandem during the next few days. We have received initial feedback and consider the majority of the points to have been covered in the most recent draft. This feedback is being considered collectively by the enterprise and skills agencies (a number of points are common to all) and it is hoped that only minor amendments will be required.

The Board sought clarification on several points and approved the delegation of authority to the HIE Board Chair, the Interim Chief Executive and Board members Amanda Bryan and Calum Ross to approve the final version for ministerial approval.

*Lorna Gregson-MacLeod and Alison Sharp left the meeting.*

## **2.5 Risk Register**

The Board noted the paper and had no additional comments.

## **2.6 Risk and Assurance Committee draft minute, 5 March 2019**

The Chair of the Risk and Assurance Committee provided an update to the Board on the meeting held on 5 March 2019 noting that the agenda reflected many of the issues being discussed at this meeting. Items covered included Cairngorm and Space, Wave Energy Scotland (WES) governance, Priority investment approach and gateway review, Finance and budget, Investment portfolio, Risk and cyber security, areas for Committee development and Audit Scotland annual audit plan.

It was noted that Space and Cairngorm are both high risk and HIE are working with the Scottish Government Sponsor Team to mitigate the risk. It was also noted that the Committee had put in place a development plan and would also present an annual report to the next Board meeting.

The Board thanked the Committee for the work undertaken.

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

**3.1** *Section removed in the interests of the effective conduct of public affairs.*

#### **3.2 Inverness Campus – Centre for Health Science Phase 2**

*Ruaraidh MacNeil joined the meeting.*

The Project Director Inverness Campus presented a paper to the Board outlining the overall Centre for Health Science Phase 2 project and seeking approval for the following:

- 1) Approval of HIE GIA of £3,987,460 to build the “shell & core” of Centre of Health Science 2;
- 2) Approval in principle of HIE GIA funding of £800,000 towards specialist fit-out of the building to match fund an application for £800,000 for ERDF which has been submitted, together this would provide a £1,600,000 contribution towards the fit out. This would only be required should ERDF application be successful, and it is recommended that authority to approve should be delegated to HIE Leadership Team. A separate approval paper for the fit out would then be presented to the HIE Leadership Team for the fit-out in due course. (The total cost of the development, including fit out is £5,587,460 with recoveries (if ERDF is successful) of £800K to procure an area of some 1,469m<sup>2</sup> of floor-space within the Centre for Health Science 2<sup>1</sup> project.);
- 3) *Paragraph removed in the interests of the effective conduct of public affairs.*
- 4) *Paragraph removed in the interests of the effective conduct of public affairs.*

The ‘Centre for Health Science 2 (CfHS2)’ will create an innovative human health and life sciences multidisciplinary clinical care, research, and commercial centre serving the Highlands and Islands region. This collaborative project is being taken forward by three partners: NHS Highland (NHS); the University of the Highlands and Islands (UHI); and Highlands and Islands Enterprise (HIE). It will be set within a jointly owned building which will extend to approximately 10,495m<sup>2</sup> in total on Plots 3, 4 and 5 of Inverness Campus, at a total cost of around *[sentence removed in the interests of the effective conduct of public affairs]* net of VAT. This will be a national exemplar project, integrating academic healthcare research, delivery of clinical care to patients, and the creation of new commercial opportunities, products and services in health science and technology.

The Board approved the recommendations made in the paper noting the wider collaboration with other Health Boards. if ERDF funding is not successful, the specialist fit-out would not go ahead immediately and would be carried out at a later date.

*Ruaraidh MacNeil left the meeting.*

#### **3.3 Centre for Health Science Facilities Management Services**

*Paul Dzialdowski joined the meeting.*

Following-on from an earlier paper *[sentence removed in the interests of the effective conduct of public affairs]*, the Property Portfolio Manager presented a paper seeking approval to award the facilities management contract to Robertson Facilities Management at a cost of £572,845.79 per annum / £1,145,691.59 plus VAT for an initial 2-year contract period with an option to extend by a further 2-years (1+1). *[Sentence removed in the interests of the effective conduct of public affairs]*.

On open OJEU procurement process was undertaken through Public Contract Scotland (PCS), managed by HIE Procurement team with input from Legal colleagues. Seventeen organisations registered an interest, five organisations attended a site visit and two compliant bids were received by HIE and evaluated, with a clear recommendation for award to Robertson Facilities Management.

The Board approved the recommendation to award the facilities management contract to Robertson Facilities Management [*sentence removed in the interests of the effective conduct of public affairs*].

*Paul Dzialdowski left the meeting.*

### **3.4 Factoring and Consultancy 2019/20**

*Greg Youngson joined the meeting.*

The Property Development Manager presented a paper to the Board recommending HIE cash funding totalling £4,949,636 gross for Property Factoring & Associated Consultancy in 2019/20.

Staff estimate that the net cost to HIE for Factoring in 2019/20 will be £2,231,595 following deduction of income via recoveries. In considering the funding sought, account needs to be taken of the size and diversity of HIE's property portfolio and the non-recoverable costs associated with it. This is set against the income received from rent and the economic benefits associated with properties being leased to tenants, as well as those unoccupied that provide an option for businesses looking to expand or locate within the Highlands & Islands.

Every effort is made to minimise/reduce costs where practicable within the bounds of sound estate management practice for a public agency. Spend projections are a qualified prediction of required spend based on previous years but with some known and expected variation. Some savings in Factoring costs are being realised for example those associated with the sale and leasing of properties. However, there are substantial costs – primarily due to business rates - associated with management of unoccupied properties. Staff are making every effort to promote HIE's vacant offices and encouragingly have seen a recent increase in demand for such facilities, in particular from the Finance & Business and Life Science Sectors.

The Board approved the recommendation for funding.

*Greg Youngson left the meeting.*

### **3.5 Factoring and Consultancy 2018/19 Amendment**

*Paul Dzialdowski joined the meeting.*

The Property Portfolio Manager presented a paper seeking approval to increase the property factoring and consultancy budget for 2018-19 from the original approval of £4,252,805 gross and £1,880,561 net of tenant recoveries. To accommodate necessary non-recoverable expenditure toward year end, staff now request that the gross budget is increased by £583,000 (13.7% gross) and the net outturn by £160,000 (3.7% net) giving a new gross budget of £4,835,805 and £2,040,561 net of recoveries.

The expenditure and income relating to the management of HIE's commercial property portfolio are variable and reactive to changes in circumstances when dealing with payment of utilities, rates, building repairs/maintenance and unforeseen works. Although the 2018/19 budget was based on qualified assessment, this has proved to be slightly under the revised year end forecast requirement. [*Sentence removed in the interests of the effective conduct of public affairs.*]

The Board approved the increase the property factoring and consultancy budget for 2018-19.

*Paul Dzialdowski left the meeting.*

**3.6** *Section removed in the interests of the effective conduct of public affairs.*

### **3.7 Business Transformation Procurement**

*Janie Sheridan and Keiron Scott joined the meeting.*

The Head of Business Transformation and the Information Systems Strategy Manager presented a paper recommending that the HIE Board agree to delegate authority for award of contract for the implementation partner and contract resource to the HIE Leadership team. This would be within the Phase 1 budget of £1.4m agreed on 11 December 2018 by the HIE Board. Any contract extension following Phase 1 would require HIE Board approval as this would then exceed HIE Leadership team delegated authority.

On seeking approval to go to market, it was indicated to the HIE Board that there would be a presentation early in the year following the tendering exercise, to seek approval for the appointment of the implementation partner. Since this time, work has continued with Sopra Steria Ltd and the HIE Procurement team to refine the procurement strategy and to develop the ICT Investment plan in terms of further refining costs. In addition, emerging work in the Enterprise and Skills Business Support Partnership programme has clarified scope and wider partnership opportunities that require to be reflected in the procurement scope(s).

Tenders for the implementation partner and contract resource were issued on 20 February 2019 and the tender deadline was 25 March 2019. Feedback was received from the market that the timescale for response was not long enough and HIE received a formal request for a significant extension on the tender. The Director of Regional Development and Director of Finance and Corporate Services agreed that there was a significant risk that we would not receive any suitable bids or be we would be unable to demonstrate value for money and agreed an extension to the timeline to 23 April 2019. These extended deadlines mean that if HIE Board approval prior to award of contract is required, the earliest this could be presented to the HIE Board is 25 June 2019 which would mean a delay in the programme of up to 2 months.

The Board approved the request delegating authority for award of contract for the implementation partner and contract resource to the HIE Leadership team.

*Janie Sheridan and Keiron Scott left the meeting.*

## **4 UPDATES** **CUNNTASAN AS ÙR**

### **4.1 Cairngorm**

The Director of Business Improvement and Internal Audit presented an update to the Board on the current activity in relation to Cairngorm Mountain and the guarantee position.

The extremely challenging operating context at Cairngorm Mountain required HIE to review its approach to ensure this reflects and addresses the changing circumstances and risks. Against this background, on 1 March 2019, the HIE Executive Team and the HIE Cairngorm Board Sub-Committee (which was established to support the HIE process to establish a new subsidiary and acquire the CMSL assets) met to reflect and agree HIE's response. The following actions were agreed: 1) New Board sub-committee to be created as an advisory group to support the Cairngorm programme board, sub-committee to be chaired by Paddy Crerar, with additional members of Calum Ross and Freda Newton; 2) HIE Cairngorm Project Director Susan Smith to work with the CMSL board on a short-term project (with the agreement of the CMSL board) to accelerate the stabilisation and turnaround of CMSL and support implementation of any short-term actions. Susan to continue to be involved in the wider Cairngorm Programme; 3) Executive programme team arrangements to be reviewed and updated to ensure current needs are supported; 4) New enhanced approach to strategic

engagement and communication to be put in place with clear strategy and updated action plan – the Head of Corporate and Media Relations will lead on the development of the approach and 5) *[Sentence removed in the interests of the effective conduct of public affairs.]*

Since 01 March the following action has been taken: 1) The Cairngorm Advisory sub-group has been formed and is meeting regularly; 2) The HIE Board sub-group is meeting weekly and 3) Susan Smith completed an initial review period and following agreement of the HIE Board sub-committee has now been seconded from HIE to be Interim Chief Executive of CMSL for an initial 6 month period.

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

HIE staff are currently undertaking due diligence on the business plan, this is being informed by input from the HIE Cairngorm Advisory Group. A number of specific questions relating to the business plan have been raised directly with CMSL with the intention being to approve the summer product request.

We have kept the Scottish Government informed about funding requirements in the short and medium term as we look to stabilise CMSL operations and consider longer term options. We have noted that the actual outturn of the operating company will be dependent on factors outwith HIE control and not possible to predict. Funding to 31 March 2020 will require a business case to be approved by HIE and the Scottish Government and we are considering funding options available.

*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 engaged in detailed discussion noting that this is a difficult situation and damaging to the reputation of HIE. The Board are assured that HIE is doing the best that it can, with the creation of the Board sub-group and with the Board advisory group set-up to help with operational advice to the Leadership team and HIE. With the support provided by HIE and the advisory group, the CMSL Board are positive. Scottish Government involvement is key. The Board welcomed *[sentence removed in the interests of the effective conduct of public affairs]* and the progress being made with regards the summer offering on the mountain.

The Board acknowledged and thanked both the sub group and advisory group recognising the enormous undertaking and that HIE is in a much better place to make informed decisions.

The Board also thanked the Chair, recognising the additional time that he had input to this issue.

## **4.2 Space Hub Sutherland**

*David Oxley and David Howie joined the meeting.*

The Executive Director for Business Growth and the Regional Head of Technology and Innovation joined the meeting to provide an update on the Space Hub Sutherland project.

The Interim Chief Executive updated the Board that since the paper had been prepared, there had been some significant changes. David Howie (Regional Head of Technology) had joined the team in a project lead role to provide senior project management experience and responsibility for delivering the project plan. *[Sentence removed in the interests of the effective conduct of public affairs]*. The design and location of the Spaceport needs to be finalised over next few months to allow planning permission submission by September 2019. *[Sentence removed in the interests of the effective conduct of public affairs]*.

The Executive Director for Business Growth highlighted that the Highlands and Islands is still a good place to launch satellites however due to the risks identified with the project, HIE are meeting with Scottish Government who are supportive of the wider project issues with a view to the project now being treated as

a National as opposed to Regional project. *[Sentence removed in the interests of the effective conduct of public affairs]*.

The purpose of the launch site is for commercial purposes *[Sentence removed in the interests of the effective conduct of public affairs]*

The Board discussed this in detail noting that project management on the ground is still ongoing with nothing stopping whilst this is being reassessed with Scottish Government with the understanding that the decision falls to others where this is a policy decision. *[Sentence removed in the interests of the effective conduct of public affairs]*. There is a need to update Scottish Government on the factors that HIE is aware of. This would seem better suited to a national project where the site and sector are still good *[Sentence removed in the interests of the effective conduct of public affairs]*. Following discussions with Scottish Government and other strategic partners, the Board to be fully apprised on the outcome of discussions.

*David Oxley and David Howie left the meeting.*

### **4.3 Scotland's Innovation Centre Programme**

*Morven Cameron, Martin Johnson and Elaine Jamieson joined the meeting.*

The Interim Chief Executive and the Head of Universities provided an update to the Board on the wider Scotland Innovation Centre programme highlighting that in partnership with the Scottish Funding Council (SFC) and Scottish Enterprise (SE). HIE has supported the Innovation Centre (IC) programme since its inception. The development of the ICs was staggered with the first two commencing recruitment in 2013 with the other six evolved during 2013-2014. Direct investment was limited in Phase One, given that SFC were there the main funder and HIE's role was to support directly any business R & D projects that were established.

Phase Two is built around a multi-partner funding model which is a significant development reflecting a stronger and more strategic partnership which has evolved from phase one, and a shared vision that ICs should be supported jointly to ensure they can achieve their full economic potential. The SFC continues to be a core funder for the programme but will only fund, as a matter of principle, an IC in partnership with another appropriate body or bodies where the strategic case for business growth and wider impacts has been agreed to be robust. Phase Two aims to fund the ICs for a further 5 year period.

**4.3a** *Section removed in the interests of the effective conduct of public affairs.*

### **4.4 Gaelic Plan – Annual Review**

*Rachel MacKenzie joined the meeting.*

The Area Manager for Innse Gall presented a paper to provide the HIE Board with an update on HIE's work related to Gaelic through HIE's Gaelic Language Plan and wider agenda.

The Plan sets out HIE's aims, ambitions and commitments for Gaelic over the following five years and details how these will be achieved through specific actions. The Plan is a legislative requirement and HIE is tasked with developing an annual delivery plan for our actions and reporting annually. It should be noted that a further iteration of the National Gaelic Plan has also been issued since HIE published the plan which both underlines the approaches HIE had adopted and acknowledges and promotes the role of community and the economic and social value of Gaelic.

The Board thanked the Area Manager for the update, highlighting the practical elements of the plan and the importance of encouraging and supporting Gaelic. The Board noted the difference made over the last 20 years and the significant difference compared to 5 years ago.

*Rachel MacKenzie left the meeting.*

### **5.1 Equality Mainstreaming Report**

The report was noted.

### **5.2 Business Panel Survey and Infographic**

The Board welcomed the findings of the latest Business Panel survey noting that this was good to do with the date being frequently used and good value.

### **5.3 Any other business**

**DC - Strengthening Communities Conference:** Plans are at an advanced stage for delivering the national conference over 27/28 May in Aviemore. 250 delegates spaces are available and over 200 are already booked, representing a good mix of community and supporting organisations

### **5.4 Forthcoming meeting dates**

- 4 June – Risk and Assurance Committee, An Lòchran, Inverness
- 25 June – HIE Board Meeting, An Lòchran, Inverness
- 2-4 September – HIE Board Meeting and visit to Sutherland
- Note: All Staff Event 10-11 September

Adrian Kitson  
Head of Executive Support  
30 April 2019