

BOARD MEETING
COINNEAMH BÙIRD

MINUTE OF THE HIE BOARD MEETING HELD ON TUESDAY 03 SEPTEMBER 2019
PENTLAND HOTEL, THURSO

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

IN ATTENDANCE:

Morven Gibson	Shadow Board Member
Nick Kenton	Director of Finance and Corporate Services
Douglas Cowan	Director of Communities and Place
David Oxley	Director of Business Growth
Karen Moncrieff	Director of Human Resources
Sandra Dunbar	Director of Business Improvement and Internal Audit
Rachel Hunter	Director of Service Delivery
Marion McCormack	Head of Better Regulation and Enterprise Sponsorship, Scottish Government
Eann Sinclair	Area Manager Caithness and Sutherland
Adrian Kitson	Head of Executive Support
Graeme Harrison	Area Manager, Orkney, item 3.2
Harvey Stevenson	Head of Strategic Projects, Orkney, item 3.2
Dave MacLeod	Head of Property and Infrastructure, item 4.1
David Howie	Project Lead, Space Hub Sutherland, item 4.2
Ruaraidh MacNeil	Project Director Inverness Campus, item 4.6
	<i>removed in the interests of the effective conduct of public affairs]. item 4.7</i>
	<i>removed in the interests of the effective conduct of public affairs]. item 4.7</i>

1 STANDING ITEMS
CUSPAIREAN COTHROMACH

1.1 Welcome and apologies

The Chair welcomed everyone to the meeting. Apologies were noted for Amanda Bryan, Board Member.

1.2 Declarations of interest

No declarations of interest were received.

1.3 Minute of Board meeting held on 25 June 2019

The minute was approved with a minor amendment to Item 3.2a to correct the nature of the conflict of interest raised by Board Member Angus Campbell.

1.3a Correction to Board Meeting Minute of 12 February 2019

A paper was presented outlining that the minute of the 12 February 2019 recording the decision in relation to Item 4.2 Glasgow School of Art (GSA) – update was incorrect. This had been noticed by the Head of Universities, Education and Skills, the Regional Skills Manager and the Director of Communities and Place prior to publishing the approved minute on the HIE website. This was then subsequently discussed between the HIE Chair, the Head of Executive Support, the Head of Universities, Education and Skills, the Regional Skills Manager and the Director of Communities and Place. Following discussion on this item, it was proposed that the wording be amended and then discussed with the full Board at the meeting on 03 September 2019. The proposed revised wording is as follows:

The Board agreed funding to December 2020. The Board also requested regular updates on progress against KPIs, student numbers, financial position and GSAs wider activity beyond this project across the Forres Campus and wider Moray area. The first update is to be given at the September Board meeting.

Following discussion by the Board, it was noted that any inaccuracies should be highlighted at the meetings where the minutes are submitted for approval. The proposed amendment to the minute was approved with the Board receiving assurances that if progress against KPI's was not maintained, claw back of funding was an option.

1.4 Matters arising from the minutes and Action Grid

The Board requested that the Key Performance Indicators relating to Cairngorm Mountain (Scotland) Limited be provided. It was noted that these had been attached to a previous update paper to the sub-group and Risk and Assurance Committee but would be circulated again. There were no further matters arising from the minute that were not covered in the agenda items for the meeting.

1.5 Chair and Chief Executive update – September 2019

The Interim Chief Executive reported that she had attended the opening of the Beatrice Offshore Windfarm. This development is transformational for Wick and is currently the world's 4th largest offshore windfarm. At a cost of £2.5bn it is Scotland's largest ever private sector infrastructure investment. She noted the high regard with which the HIE Energy team are held in by SSE and Scottish Government ministers.

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

Flexible resource discussions have taken place with Scottish Government with regards dealing with Brexit.

It was noted that there had been media interest on Cairngorm and Space following publication of the Annual Report and Accounts.

The spending review for the period 2020 to 2024 was underway with HIE being asked to input and identify new funding initiatives and strands with the Strategic Board.

Recruitment for the Argyll Area Manager post is underway, with 36 applications having been received by the closing date of 2nd September. Recruitment will also be required following the resignation of the Area Manager for Moray who is leaving to take up a new post.

HIE will be giving evidence at two sessions of the Economy, Energy and Fair Work Committee on 10th and 24th September. The HIE all staff conference will take place on 11th September and an MSP briefing session on 17th September.

The Chair provided an update and outlined his thanks to the Board members on the Cairngorm Sub Committee Alistair Dodds, Donald MacRae and Paddy Crerar for their input and support to the weekly meetings and also to the sub group members Calum Ross and Freda Newton for their input and support.

[sentence removed due to commercial sensitivity].

The Chair and the Deputy Chair had a meeting with the Cairngorm Mountain (Scotland) Limited (CMSL) Board and had been given a tour of the Mountain. The CMSL Board members have all signed-up for a further term and the HIE Chair is going to meet staff plus the CMSL Board in December 2019 / January 2020.

With regards the Strategic Board, there had been a positive meeting with the Chairs of Scottish Enterprise and South of Scotland Enterprise which will be followed by a meeting of the Chairs of all five Enterprise and Skills agencies to ensure effective collaboration.

2 RESOURCES AND GOVERNANCE **GOIREASAN IS RIAGHLACHAS**

2.1 Summary of Annual Accounts

The Director of Finance and Corporate Services updated the Board on the Annual Accounts for 2018/19 noting that HIE faced a challenging position staying within Resource DEL during December 2018 and secured £1.5m Capital DEL to Resource DEL transfer from Scottish Government (SG) meeting target at the year end.

[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 Interim Chief Executive highlighted that the timetable for the preparation of the annual accounts was challenging however this was assisted by the positive relationship with Audit Scotland. The Deputy Chair and Chair of the Audit Committee underlined that the capacity of the Finance Team needs to be addressed in light of the significant financial challenges the organisation faces to ensure that finance and governance remains effective. He noted that Audit Scotland had been complimentary with regards to the new report format, also noting that there were opportunities to increase transparency in relation to publishing board agendas and papers and suggesting that a review of papers for publication should be undertaken to increase visibility. This should be taken to the next Risk and Assurance Committee meeting in December 2019.

It was confirmed that unqualified opinions had been given on the statutory financial statements of HIE Ventures, Wave Energy Scotland and Orkney Research and Innovation Campus and for the consolidation pack for Cairngorm Mountain (Scotland) Limited.

The Board noted that the set of unqualified accounts was positive for the Senior Management Team and that the Interim Chief Executive, The Director of Finance and Corporate Services and the Director of Human Resources would be meeting to review resources within the Finance Team and would report to the December meeting of the Risk and Assurance Committee.

2.2 Financial Statement to 31 July 2019

The Director of Finance and Corporate Services presented a report summarising the financial position for the four months of the financial year to 31st July 2019. *[Sentence removed in the interests of the effective conduct of public affairs].*

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

[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 asked if there had been any feedback from businesses in relation to revenue pressures. The Interim Chief Executive highlighted that there was a good level of demand from businesses and approvals were ahead of forecast although this did include a continuation of the pressure from the end of the previous year. Business Panel intelligence indicates that business confidence is still high although this has reduced slightly as approaching Brexit.

2.3 Corporate and Performance Report

The Interim Chief Executive provided a verbal update to the Board outlining the operating plan measures, highlighting the target annual range and comparing the expected straight line position as at 26 August 2019 against the outturn to 26 August 2019. The measures have been realigned with Scottish Enterprise and it was noted that where targets were showing as on track or exceeded, there was a need to review and note whether there was a need to make them more stretching. The number of new international exporters recorded is relatively low, however this is in part due to system entry issues which will be reviewed.

Jobs supported in fragile areas is also behind target and there is a need for increased focus on fragile areas to improve performance. The Board requested that jobs retained or created could be shown separately in the report. It was agreed that this could be done.

It was noted that good progress has been made with regards to increasing turnover in the social economy.

Two of the measures, number of clients newly engaged in fair work practices and number of community organisations with increased capacity have been highlighted as under reporting at this stage, these are new fields to be completed and require review. There is significant interest in Fair Work within Scottish Government, and it is promoted widely via the Scottish Business Pledge. It was also noted that funding conditionality in relation to fair work practices is currently being implemented. An update on fair work practices will be provided to the Board at the October meeting.

It was also confirmed that the Head of Planning and Partnerships and the Head of Corporate Information would attend the next Board meeting to deliver a presentation on Targets and Measures.

2.4 Risk Register

The Director of Business Improvement and Internal Audit provided a brief update highlighting the appointment of a new Business Improvement Manager who will be undertaking a review and refresh of the current risk register and process for recording and managing risk, noting the importance of the risk management strategy in supporting good decision making and resource choices.

It was confirmed that not many changes had been made however actions had been updated to reflect Space, the use of business monitoring surveys and Preparing for Brexit. The Leadership Team also have a strategic session planned in September 2019 at which corporate risks will be reviewed.

The Board asked how Brexit was covered and how far up the risk register it was. The Interim Chief Executive confirmed that it is a key risk in the corporate risk register and covered areas such as people and skills. Talent attraction is going to be a topic for discussion at COHI in October and it was agreed that the paper would be circulated to the Board for information.

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

2.5 Risk and Assurance Committee draft minute, 13 August 2019

The Chair of the Risk and Assurance Committee provided an update to the Board on the meeting held on 13 August 2019. The focus of the meeting had been on the annual accounts which had been covered earlier under Item 2.1 on the agenda. The Audit Scotland Section 22 report on Cairngorm had been neutral and factual. With respect to Cairngorm Mountain (Scotland) Limited it was noted that an independent governance review and follow up of this had taken place which confirmed that positive improvement had been made reported. It was noted that the operating arrangements at CMSL were now well embedded and the Board and staff were working to make this a success.

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

It was recognised that both the Cairngorm and Space projects were putting pressure on senior and middle managers with some of the same staff involved in both projects. Thanks were recorded for the efforts being made by staff on these projects.

An update had been provided on the Orkney Research and Innovation Campus (ORIC), the project is going well with good occupancy levels achieved. Thanks were noted to Board Member Belinda Oldfield for her input and efforts on the ORIC Board.

The ongoing work in relation to Cyber Security was noted. This is ongoing and will continue to be monitored by the Committee.

It was confirmed that the Business Improvement and Internal Audit (BIIA) team had achieved a pass rate against the International Audit Standards. This is good to see and well done to the Director of BIIA and her team.

The HIE Chair noted on behalf of the Board, his thanks to the Risk and Assurance Committee and to the Director of BIIA and her team for the work undertaken and the assurance that this provided to the Board.

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

3.1 Growth and Development Support – Contract Extension

The Director of Business Growth presented a paper seeking HIE Board approval for a one-year extension to the Growth and Development Support Framework 2016-2020 – Specialist Advice and an increase in HIE GIA from £2,025,000 to £2,545,000. This constitutes additional HIE GIA funding of £520,000.

In August 2016, the HIE Board approved the award of the Growth and Development Support Framework. The Framework is a vehicle used by HIE to provide specialist advice to third parties and is a tool that is highly valued by account managers and clients. The original approval was for a procured service for the period of 3-years with an optional 1-year extension (3+1). The original approval covered core support for the management fee

and for the cost of advice delivery to clients and indicated that funding would cover anticipated costs for 3 years and that a further paper would be presented should more funding be required.

This is a popular service with HIE clients with additional capacity having been added for Brexit support.

[Paragraph removed due to commercial sensitivity].

The Board approved the one year extension to the contract.

3.2 Orkney Research and Innovation Campus – project amendment

Graeme Harrison and Harvey Stevenson joined the meeting by Skype for this item.

The Area Manager for Orkney and the Head of Strategic Projects for Orkney presented a project amendment paper seeking HIE board approval for an amendment to the original Orkney Research and Innovation Campus (ORIC) support package agreed in December 2016. This will result in an increase in the total HIE investment in the ORIC Joint Venture (JV) of £85,000.

The request for additional funding represents a relatively small percentage increase in HIE’s overall capital contribution towards the JV/project costs, from £3.17m to £3.255m, (+2.7%), and the reasoning for this additional funding is summarised as follows:

1) At the time of the original approval, the area to be enhanced in the amendment was not allocated for occupancy based on the anticipated level of demand at that point, and as such the proposed level of re-development was minimal, consisting of little more than re-decoration; **2)** The requirement to re-develop these areas to the proposed extent is a direct result of increased demand from the tenants which will result in the ORIC facility being effectively fully occupied well in advance of original expectations; **3)** For a number of strategic reasons, accommodating Aquatera within Block 1 is viewed by ORIC as key to the overall future development of the campus, as it frees up the strategically-placed Block 3 for re-development as part of a future phase; **4)** ORIC intends to accommodate both RGU and Solo within the lower ground floor of the Primary School, which was also initially anticipated to be vacant space (future “Newton Room”) and therefore was designed as an open plan area and **5)** The proposed developments will generate additional gross rental income of c.£39k p.a. for ORIC, therefore improving the financial viability of the JV.

Orkney Islands Council (OIC) officers are currently progressing a similar request to match HIE’s additional investment in the JV, with a paper due to be presented to the authority’s Policy and Resources Committee on 25th September 2019. HIE’s proposed funding will be conditional upon a successful outcome to the OIC deliberations.

The Chair noted the progress being made with the project and how good the Campus was looking with a possible opening event in October 2019.

The Board approved the request for an increase in the total HIE investment in the ORIC Joint Venture (JV) of £85,000, conditional upon matched funding being approved by OIC.

Graeme Harrison and Harvey Stevenson left the meeting.

4 UPDATES **CUNNTASAN AS ÙR**

4.1 Cairngorm – HIE Board Update

4.1a Cairngorm – wider area strategic framework

Dave MacLeod joined the meeting by Skype for items 4.1 and 4.1a.

In introducing the Item, the Chair noted that this was not new for the members of the Board sub group but was a fulsome update for the Board. Belinda Oldfield notified the Chair that [removed due to GDPR] works for Mott MacDonald who are involved in the peer review being undertaken with regards the Funicular Railway. [removed due to GDPR] had no involvement in this project. It was agreed that there was no conflict of interest.

The Director of Communities and Place with input from the Director of Business Improvement and Internal Audit and the Head of Property and Infrastructure, presented two papers, the first providing an update on the HIE activity relating to Cairngorm Mountain, detailing progress to date and the future direction. The second paper (Item 4.1a) outlines the strategic plan for Cairngorm Mountain and the wider area detailing wider challenges, stakeholder activity and actions planned.

The HIE Board approved the Business Case for Cairngorm Mountain in June 2019 which proposed actions and funding to move to the next stage of 1) Articulating a vision and masterplan for Cairngorm and wider area; 2) Putting in place a solution to address the current issues affecting the funicular; and 3) Addressing the requirement to provide ongoing funding to support CMSL during this current challenging period.

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

HIE had also previously agreed with Scottish Government that HIE would consider funding of the request from CMSL for grant towards the summer product offer and associated costs under HIE's normal delegated authority arrangements and as such this fell out with the consideration of the wider business case.

Significant progress has been made towards moving to a Business as Usual governance and monitoring arrangement with CMSL.

Engagement activity with the CMSL board has been significant and includes regular meetings between the HIE programme team and CMSL board, meeting between the HIE Chair, HIE Chief Executive and CMSL Chair, other meetings with CMSL Board members by HIE Chief Executive, Director of Communities and Place, Director of Business Improvement and Internal Audit and attendance at CMSL Board meetings.

The Head of Property and Infrastructure provided an update on activities relating to the Funicular Railway. The peer review by COWI and Mott MacDonald is almost complete, *[Sentence removed in the interests of the effective conduct of public affairs].*

With regards to the procurement strategy following a detailed options appraisal of the compliant routes available it is planned to contract using existing Scottish Government frameworks. This would allow for Early Contractor Engagement and provide a basis to build on the design work already undertaken, allow for continuity and allow for time savings. It was noted that planning consent will be required for the repairs which will require to be factored into the critical path.

The Director of Communities and Place confirmed that the project is nearly at detailed design stage with an aim, subject to business case development and approval, to start repair works in May 2020. This start date would provide the only opportunity of potentially completing works in 2020 otherwise the repairs would most likely be over a longer time period.

The Chair outlined that this is a very complex project and a great deal of work has been undertaken to get to this stage. *[Sentence removed in the interests of the effective conduct of public affairs].*

The CMSL Board and the funding currently in place puts this project in a good place. Communication with multiple stakeholders has been difficult but there is now a wide ranging plan covering all stakeholders. It is also acknowledged that there is frustration at the time it is taking to resolve the Funicular issues. The focus can now move from the Funicular to the wider development issues.

[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 S23 review will be a more in depth report with the aim being to complete this before the end of the financial year.

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

In relation to Scottish Government funding, there is a requirement for a full business case to be prepared and submitted. Repair of the Funicular still currently looks like the optimal option and the SE Group report also highlighted the importance of the Funicular as a key asset in supporting activity at the mountain resort.

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

Engagement with the community was noted as key and would form a key part of the proposed master plan activity. There is an induction meeting with the masterplan contractor planned for this week. The SE Group report is a good position for HIE to progress the masterplan.

Dave MacLeod left the meeting.

4.2 Space Hub Sutherland

David Howie joined the meeting for this item, Rachel Hunter left the room while this item was discussed.

The Director of Business Growth and the Project Lead for Business Growth / Space Hub Sutherland presented a paper to update the HIE Board on progress with the Space Hub Sutherland project. The paper also asks the Board to note the update on the project and to confirm agreement to the key next steps

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

4.3 HIE Space Programme Summary

The Board agreed that due to time constraints that this paper be treated as an information paper and if there were any questions that these could be raised and responded to outwith the meeting. A further update will be provided at the October Board meeting.

4.4 Brexit

The Director of Business Growth provided a brief update on HIE's preparations for Brexit. Key areas of focus for clients has been the Prepare for Brexit website and HIE is now moving towards more practical support with events and webinars running for both clients and HIE staff.

The Board requested an insight on what has already been done, and what they could direct people to, in terms of Brexit and the information / support available.

4.5 Glasgow School of Art - update

The Director of Communities and Place presented an update on Glasgow School of Art (GSA) which has been requested by the Board at half yearly intervals.

Good progress has been made with student numbers up and the number of applications doubled putting the Campus in a stronger position. *[Sentence removed in the interests of the effective conduct of public affairs].*

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

The Digital Health Institute, Moray Integration Project and two Research Projects around ageing in the community are fully funded and increasing staff numbers at the Campus.

HIE staff are content that the project is progressing as planned and sight of final (end of project lifecycle) outputs and outcomes will become visible over the coming months.

[Sentence removed in the interests of the effective conduct of public affairs]. A further update to be provided at the February 2020 Board meeting

4.6 Inverness Campus North Bridge - update

The Project Director, Inverness Campus provided a status update to the Board on progress with the North Bridge project highlighting the various challenges on cost, programme and legal agreements. The North Bridge when completed will connect the Campus to the Inverness Retail and Business Park, providing improved connectivity to the east of Inverness for cyclists, pedestrians and buses.

It was highlighted that the contract for the bridge and associated works was awarded to Wills Bros Civil Engineering Limited (WBCEL) however there had been an issue with progressing the Tri-Partite Bridge Agreement (BA) between the parties, Highlands and Islands Enterprise (HIE), The Highland Council (THC) and Network Rail (NR). This is required to allow HIE to build over the railway line and committed THC to adopting the bridge on completion of the works. HIE is not considered by NR to be a competent roads and bridge authority, and therefore THC were required to adopt the roads and structure on completion. Adoption by THC was anticipated in the original Campus Planning Permission granted by the Council in 2011.

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

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

If the BA is completed, it is hoped that access to the track could be provided on 19 October 2019 to commence works which would allow for a programme completion date of March 2020.

The Interim Chief Executive noted that there are clear lessons to be learned and that these issues had not been encountered before. *[Sentence removed in the interests of the effective conduct of public affairs].* The construction of the bridge is a pre-condition of further development on the Campus.

The Board noted the update and agreed the recommendations made requesting that a further update be provided at the October Board meeting. It was also requested that the lessons learned exercise be undertaken providing a clear timetable of events and that this should be presented to a future Board meeting.

4.7 *[Item removed in the interests of the effective conduct of public affairs].*

5 ITEMS FOR INFORMATION **CUSPAIREAN AIRSON FIOSRACHADH**

5.1 HIE Publication Scheme - Quarterly

The report was noted.

5.2 Business Panel Survey – Latest findings

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 Board Meeting Fort William – Draft Visit Schedule

The draft schedule was noted.

5.4 Any other business

There was no other business.

5.5 Forthcoming meeting dates

- 11 September – HIE all Staff Event
- 25 September – Enterprise and Skills Strategic Board meeting. Glasgow
- 28 October – COHI, Inverness Town House
- 29-30 October – HIE Board meeting and visit to LSWR – Fort William
- 03 December – Risk and Assurance Committee, An Lòchran, Inverness
- 10 December – HIE Board Meeting, An Lòchran, Inverness

Adrian Kitson
Head of Executive Support
03 September 2019