



Highlands and Islands Enterprise
Iomairt na Gàidhealtachd 's nan Eilean

BOARD MEETING
COINNEAMH BÙIRD

MINUTE OF THE HIE BOARD MEETING HELD ON TUESDAY 12 DECEMBER 2017
AN LÒCHRAN, INVERNESS CAMPUS

PRESENT: Lorne Crerar (Chair)
Charlotte Wright (Chief Executive)
Amanda Bryan
Paddy Crerar
Alistair Dodds
Ailsa Gray
Donald MacDonald
Robert McIntosh
Donald MacRae
Belinda Oldfield
William Swann

IN ATTENDANCE:

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 (by phone)
Sandra Dunbar	Head of Business Improvement and Internal Audit
Karen Moncrieff	Head of Human Resources
Chris Roberts	Head of Corporate and Media Relations
Tim Hurst	Director, Wave Energy Scotland, item 2.2
Alastair Nicolson	Head of Planning and Partnerships, items 3.2, 3.3
Morven Cameron	Head of Universities, Education and Skills, item 5.1

1 STANDING ITEMS
CUSPAIREAN COTHROMACH

1.1 Welcome and apologies

The Chair welcomed everyone to the meeting and noted apologies from Iseabail MacTaggart, who was unable to attend.

1.2 Declarations of interest

There were no declarations of interest.

1.3 Minute of the Board meeting held on 29 September 2017

The minute of the Board meeting held on 29 September 2017 was approved.

1.4 Matters arising

The Director of Regional Development reported that three developers had responded to HIE's invitation to submit proposals to develop a high quality business hotel on Inverness Campus by the deadline of 17 November. These submissions were now being followed up by the Inverness Campus team.

1.5 Minute of the Board meeting held on 4 October 2017

The minute was approved with one amendment, to reflect more clearly the level of ambition expressed by Board members in relation to the development of Cairngorm Mountain as a tourism asset for Scotland.

1.6 Matters arising

The Chief Executive confirmed that HIE's report, *Stimulating Housing Development in the Highlands and Islands*, which had been discussed in depth by the Board in October 2017, had been distributed to members of the Convention of the Highlands and Islands, as requested. The topic of housing had also been part of a discussion on attracting talent to the Highlands and Islands at the most recent meeting of the Convention.

2 UPDATES CUNNTASAN AS ÙR

2.1 Chair and Chief Executive's update

The Chief Executive reported that discussions were continuing with the Scottish Government concerning HIE's budget allocation for 2018-19, and details would be disclosed in the draft budget statement delivered to the Scottish Parliament by the Finance Secretary later in December.

HIE staff were developing the agency's next one-year operating plan, which would be informed by strategic planning sessions conducted earlier in the year with employees across the organisation, and at a special session of the Board. An update would be provided at the next Board meeting.

The Chair and the Chief Executive had arranged to meet Cabinet Secretary for the Rural Economy and Connectivity, Fergus Ewing MSP, in Edinburgh on 17 December, for the annual strategic guidance meeting.

The Board noted that, following an independent review, and discussion with the Scottish Government over its plans to achieve 100% superfast broadband coverage (R100), it had been agreed to wind up Community Broadband Scotland (CBS), which HIE has administered since its launch in 2012. A small team would be retained within HIE's Strengthening Communities Directorate to complete CBS projects that were under way and contribute to the new R100 programme which has essentially superseded the role once taken by CBS. The Scottish Government would lead on communications concerning the change.

The future of innovative Dingwall-based life science company Inside Biometrics International Ltd was looking positive following acquisition by new owner Gluco RX Ltd, which had bought the firm out of administration.

HIE had signed a memorandum of understanding with the University of the Highlands and Islands and NHS Highland to develop new, linked initiatives at Inverness Campus, with a total value of £40m. The venture seeks to establish an elective care centre, research and innovation, and commercialisation opportunities.

Ambitious plans by Liberty British Aluminium to significantly expand employment at its Lochaber premises were progressing well. HIE was establishing a small team to coordinate its input to the project, which would be led by Alastair Nicolson, currently the agency's Head of Planning and Partnerships. The Chair requested that an update be submitted to the next meeting of the HIE Board.

Professor Crerar reported that he and Charlotte Wright had participated in a positive meeting over dinner at Westminster with Highlands and Islands MPs, hosted by Ian Blackford MP.

The Chair had also held a constructive first meeting with Rod Mackenzie, the new Convener of the Crofting Commission.

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

The Chair noted that the new Enterprise and Skills Strategic Board would meet the following day, then convene every two months. As a member, Professor Crerar had already held several productive meetings with Strategic Board Chair Nora Senior, and offered Board to Board meetings with other member organisations, including Scottish Funding Council, Skills Development Scotland, Scottish Enterprise and Scottish Natural Heritage. HIE would also be keen to engage at board level with the new South of Scotland Economic Partnership.

It was noted that Anne MacDonald, HIE's Head of Strengthening Communities Policy, was advising the South of Scotland Partnership, along with Director of Strengthening Communities Douglas Cowan.

As Co-chair of the National Council of Rural Advisers, Professor Crerar had been involved in producing a recently published report on the implications of Brexit for rural areas.

Recruitment advertising for three new HIE Board members was expected to begin early in the new year. The Chair reported that work was under way to specify the range of skills that would be required, and noted that the recruitment timetable may make it necessary to request short extensions for the current members whose terms were due to conclude at the end of March 2018. Board members encouraged the recruitment panel to reflect the particular needs and opportunities of the region, including Gaelic, and undertook to raise awareness of the upcoming vacancies among their own networks.

The Chair and the Chief Executive had been interviewed by Holyrood magazine for an article on HIE's future plans to develop the Highlands and Islands economy. This was due to be published in January 2018.

2.2 Wave Energy Scotland - progress update

Tim Hurst joined the meeting

The Director, Wave Energy Scotland (WES), presented a detailed update on the HIE subsidiary's progress over the past six months. Key activities had included a successful launch of an innovation call for control systems, following which 13 projects had been selected for development support. Three projects had been chosen to progress to stage 3 in the power take-off (PTO) programme, and four landscaping studies were under way to guide future calls.

WES had now worked with 172 companies from industry and academia on 61 projects, committing more than of £25m in funding.

WES had held its second annual conference, doubling attendance with 200 participants, and an online knowledge library, launched in July, had proven popular. Next steps would include redrafting the WES strategy, with input from the organisation's Advisory Group, selecting projects to progress to stage 2 of its Controls innovation call, and continuing to develop a project called Systems Engineering Approach to Wave Energy Engineering Design (SEAWEED), including engagement with the US Department of Energy. It was expected that the budget of £8m committed by the Scottish Government for 2017-18 would be fully invested.

In discussion, the Board welcomed WES's strong progress, and recommended that its communications strategy should aim to build reputation and influence by targeting a range of audiences beyond its core market of the energy and engineering sectors. The Director confirmed that WES was participating in the current Renewables UK review, and that he was a member of the steering group. Questioned on timescales, Mr Hurst stated that, provided budget is maintained at the current level, WES is on course to meet its aim for proof of concept testing to be carried out on two devices by 2020.

The Board looked forward to reviewing the redrafted WES strategy later in the year, and requested that Steve Thomson, Chair of the WES Advisory Board, attend when it is presented. Detail on planned PR activity should also be presented with the strategy.

Tim Hurst left the meeting

3 RESOURCES AND GOVERNANCE **GOIREASAN IS RIAGHLACHAS**

3.1 Financial statement to 30 November 2017

The Director of Finance and Corporate Services presented HIE's latest financial statement, covering the eight months from 1 April to 30 November 2017. This showed that spend was progressing satisfactorily, with arrangements in place to ensure full investment of HIE funding by the end of the financial year.

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

3.2 Corporate performance report – December 2017

Alastair Nicolson joined the meeting

The Head of Planning and Partnerships gave a presentation outlining HIE's progress towards achieving annual performance measures for 2017/18, as agreed with the Scottish Government. This described outputs as measured at 27 November, and highlighted areas of work that were on track to meet or exceed forecast alongside others where specific focus would be required to achieve the desired results.

Board members examined the results in detail and asked a range of questions, including whether HIE sought to compare actual results achieved through its interventions at a later date. Mr Nicolson confirmed that this was indeed the case, with payment of financial support normally conditional on the client providing evidence that agreed milestones were being met. He also clarified that HIE's target measure for the average wage of jobs supported by the agency's interventions (£25k) was well above the regional average (c£21k). As a general

trend, it was noted that higher levels of HIE investment and risk appetite were often being required to drive economic benefits from business growth. While this reflected the national pattern of recent years, it was observed that larger interventions tended to be required in certain priority areas, such as research and development, that were important to support long term growth and sustainability.

As well as welcoming the update, the Board asked to see a further report at another meeting that would illustrate HIE's performance in terms of outputs achieved over a longer time frame than a single year. In particular, there was great interest in understanding how HIE investment was being targeted over time to meet the needs and opportunities arising in specific economic sectors and geographic areas, and in seeing the broader strategic impacts that were being generated across the region as a result.

3.3 Strategic planning: Draft HIE Operating Plan 2018/21

The Chief Executive introduced an early outline of HIE's draft operating plan for the coming financial year, noting that this was being developed as a one-year transitional plan. This timeframe reflected both a recognition that the new, national Enterprise and Skills Strategic Board, which will encourage greater alignment and collaboration among relevant agencies, had only just been formed, and the challenges associated with planning for a post-Brexit future at this time. The Head of Planning and Partnerships then described the contents of the draft and answered questions from Board members.

In discussion, the Board emphasised the need for performance measures that would ensure HIE investment continued to match the needs and opportunities of the Highlands and Islands as well as contributing to national progress. There was agreement that alignment with other agencies was important, however HIE's purpose as a dedicated regional agency that was focused on specific actions to develop the Highlands and Islands had to remain strong. The new operating plan would need to reflect both these aspects, and to set up means of measuring performance that would enable meaningful comparisons to be made between HIE and other agencies.

Board members highlighted the importance of talent attraction, noting that several factors outwith HIE's immediate remit played vital roles in influencing people's choice of where to live and work. Health and social care provision, housing, and digital and transport connections were all recognised as significant. Community-led development was viewed as a distinctive regional characteristic that should feature clearly in the new plan, as should the role of the timber and forestry sector, particularly in more rural areas. Members expressed a desire for the plan to reflect efforts to achieve longer term growth in key sectors, and its emphasis on the pursuit of inclusive growth, often accompanied by a place-based approach, was strongly welcomed.

Work will continue to develop the plan, and a further draft will be presented to the next Board meeting, on 13 February 2018. On behalf of the Board, the Chair thanked the Head of Planning and Partnerships for his contributions over several years, and congratulated him on being appointed to lead HIE's input to developing positive outcomes from the significant investment already under way in Lochaber by Liberty British Aluminium.

Alastair Nicolson left the meeting

3.4 Risk register – December 2017

The Head of Business Improvement and Internal Audit presented the HIE Risk Register, December 2017 which focused on updating the most significant corporate risks from business

unit registers and Leadership Team discussions. Appendices detailed 22 strategic risks and 16 tactical risks, tracking how these had changed over the course of the financial year.

Sentence removed in the interests of the effective conduct of public affairs. Alistair Dodds, as Chair of the Risk and Assurance Committee, confirmed that committee members had held a productive review session with HIE staff the previous day.

3.5 Property activity report for Quarter 2, 2017-18

The Director of Regional Development presented the property activity report for the second quarter of 2017-18, including updates on progress with property sales, information on rental income and arrears, vacancy rates and construction-related activity.

Discussion focused on two specific projects: Cairngorm and Inverness Campus. On Cairngorm, the Chief Executive noted that the operator, Cairngorm Mountain Ltd, continued to be successful, generating income and meeting agreed service standards. HIE was taking a more active role in managing stakeholder relationships, led by the area team, as it was recognised that this was an area requiring greater focus. Good opportunities for positive communications would include an upcoming trial of snow making equipment, known as the Snow Factory, which HIE would also be supporting at other snowsports centres in the region, and plans to commission a review of skiing uplift infrastructure that would be used to inform future investment decisions. A local community group was considering an asset transfer request, and HIE was advising in the usual manner, through the Community Assets team.

At Inverness Campus, the Director of Regional Development confirmed that discussions were at an advanced stage with a life sciences business that was a potential tenant for Aurora House, and that HIE's Leadership Team would shortly consider tenders for construction of a second advance building for life sciences, to be called Solasta House, which had been approved by the Board in April. Progress was being made on the planned North Bridge, and SusTrans had invited HIE to re-apply for funding next year.

A new HIE property strategy was in development, with a demand study under way and a sales strategy previously presented to the Board. At the Board's request, it was agreed that the overarching strategy would be reviewed at a forthcoming Board meeting.

4 INVESTMENT DECISIONS **MOLAI DHEAN AIRGEAD-TASGAIDH**

4.1 *Item removed due to commercial sensitivity.*

4.2 Orkney Research and Innovation Campus

Graeme Harrison and Harvey Stevenson joined the meeting.

The Orkney area team provided an update on the construction tender process for the ambitious project to develop Orkney Research and Innovation Campus in Stromness, which is planned to be taken forward as a joint venture between HIE and Orkney Islands Council. An open OJEU procurement for construction of the campus had resulted in two tenders being received and evaluated.

Paragraph removed due to commercial sensitivity.

In discussion, the Board highlighted the novel nature of the joint venture model that was being established, and stressed the importance of HIE receiving independent legal advice to assess and mitigate risk to the agency. This advice should be reported to the Risk and Assurance Committee which, it was noted, had reviewed the project at its last meeting a few days earlier. Members also noted a need for clarity on the project's VAT position, and the Director of Finance and Corporate Services confirmed this was being examined.

Two sentences removed due to commercial sensitivity. An update will be given to the Board at its next meeting, on 13 February 2018, and ongoing progress reports submitted to the Risk and Assurance Committee.

Graeme Harrison and Harvey Stevenson left the meeting.

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

4.4 Creative industries support networks – contract extension (homologation) HMS 9362818

The Director of Business and Sector Development presented a paper requesting that the Board homologate the HIE Leadership Team's approval of an 11-month contract extension (from 1 November 2017 to 31 September 2018) to the IronWorks, to deliver creative industries networks and the industry's leading Scottish showcase XpoNorth.

The IronWorks had previously been responsible for management of one industry network (Music), while contracts for XpoNorth and three other networks - Screen and broadcast; Crafts/fashion/textiles, and writing/publishing - had been awarded to three other providers. Each contract had been for three years with the option to extend for one further year. However, for varying reasons, the other providers had declined an invitation to take up the option of a fourth year. As a result, it was now proposed to expand the range of services delivered by IronWorks to cover XpoNorth and the other networks for 11 months. The Director explained that an evaluation of the industry networks' performance would get under way in the new year, and be used to inform the procurement of new contracts that would take effect from 1 October 2018.

The Board examined the proposal closely and sought clarification on a number of issues. It was noted that HIE aspired both to create scale through working with leading international players, and to support local practitioners in fragile areas, and that these aims were seen as complementary. Members also stressed the value of studying the performance of other small countries, and the Director confirmed that the upcoming evaluation would do this. Assurance was sought that HIE would make certain that increasing the funding awarded to the IronWorks, and expanding the range of services it was expected to deliver, was fully compliant with procurement regulations. Provided this assurance was obtained, the Board was content to homologate the decision to amend and extend the contract as recommended.

Note: Following the Board meeting, HIE's Head of Procurement reviewed the processes that had been followed to award this contract extension. This review confirmed that the additional work to be completed by the IronWorks would link back to the original tasks and deliverables in the contract previously awarded. It also noted that the change to the IronWorks contract represented a rise of 25% of the original contract value, which was within permissible limits. The review concluded that the contract extension described in the paper was therefore compliant with procurement regulations.

5 ITEMS FOR DISCUSSION CUSPAIREAN AIRSON BEACHDACHADH

5.1 Update: Glasgow School of Art/Creative Futures Partnership MOR 2014/00051

Morven Cameron joined the meeting.

The Director of Strengthening Communities introduced a report on HIE's strategic partnership with the Glasgow School of Art (GSA), for which the Board had approved £4.25m in July 2014. This investment had aimed to extend the presence of GSA in the Highlands and Islands, creating a permanent teaching and research presence and a programme of business and community activities linked to HIE's priorities.

The Head of Universities, Education and Skills explained that a planned interim evaluation had reported in 2017, confirming achievement against activity-based targets and highlighting local, national and international reach. *[Two sentences removed in the interests of the effective conduct of public affairs]*. It was recommended that HIE and GSA should focus on developing learning and teaching provision and increasing student numbers, develop a joint monitoring and measurement framework, and consider further investment in infrastructure at the Forres campus.

In discussion, the Board noted that 23 students were now based in Forres, including several from overseas, and that this was planned to grow to 70 by 2020. Engagement between GSA and HIE had been strengthened and the art school's activities in the region were now more closely aligned with HIE's development framework for the universities sector. The Board welcomed the positive direction that the partnership was taking, while emphasising the need to continue to engage at senior level and work with GSA towards long-term sustainability.

Morven Cameron left the meeting.

5.2 Year of Young People 2018 HIEA 2017/01442

The Director of Regional Development reported on HIE's plans to maximise benefits arising from participation in the Scottish Government's designated Year of Young People 2018, celebrating the contribution of people aged from 8 to 26. Activities to date had included securing HIE representation on two national steering groups, commissioning a series of short films, producing an events calendar, and announcing sponsorship for two young entrepreneurs. Further actions were in development and progress would be reported regularly throughout the year.

Board members contributed several suggestions, including involving Highland Youth Voice and similar groups within other local authority area. The potential to connect with Highland Youth Arts Hub was also noted.

6 ITEMS FOR INFORMATION CUSPAIREAN AIRSON FIOSRACHADH

6.1 2017 survey of MSPs HIEA 2012/00771

The Board welcomed the results of the 2017 survey of MSPs, showing a marked rise in awareness of HIE's role and activities.

6.2 Broadband and digital

HIEA 2014/00005

Stuart Robertson joined the meeting.

The Director, Digital Highlands and Islands, provided an update on progress in delivering broadband and promoting digital engagement across the Highlands and Islands. This showed that, over the last four years, HIE had developed and managed a major infrastructure project to deliver next generation broadband across the Highlands and Islands, raising coverage from just 4% of homes and businesses to the present 86%. HIE had also managed Community Broadband Scotland (CBS) on behalf of the Scottish Government, and run a successful programme of activities to maximise take-up and encourage efficient business use of digital technologies. This activity was expected to come to an end during 2018-19.

The Board noted that the Scottish Government had committed to universal rollout of 30Mbps or greater broadband speeds by 2021, and to deliver this directly through its Digital Directorate. Publication of an OJEU notice to launch the procurement was imminent, and deployment expected to begin in early 2019. HIE would continue to liaise closely with the Scottish Government to represent the interests of the region and seek a continuing role in the delivery of R100 and the wider digital strategy.

Stuart Robertson left the meeting.

6.3 Economic briefing – December 2017

HIEA 2014/01290

The Board welcomed the latest economic briefing prepared by HIE's Planning and Partnerships team, and recommended that a summary should be distributed to the region's MPs and MSPs.

6.4 Any other business

There was no other business.

6.5 Forthcoming Board dates:

The next meeting of the HIE Board will be on 13 February 2017, at An Lòchran, Inverness Campus.

Chris Roberts
12 December 2017