

BOARD MEETING
COINNEAMH BÙIRD

MINUTE OF THE HIE BOARD MEETING HELD ON TUESDAY 29 OCTOBER 2019
ALEXANDRA HOTEL, FORT WILLIAM

PRESENT: Lorne Crerar (Chair)
Carroll Buxton
Alistair Dodds
Amanda Bryan
Ailsa Gray
Donald MacRae
Freda Newton
Belinda Oldfield
Calum Ross

IN ATTENDANCE:

Morven Gibson	Shadow Board Member
Nick Kenton	Director of Finance and Corporate Services
Martin Johnson	Interim Director of Strategy and Regional Economy
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
Robert Muir	Area Manager Lochaber, Skye and Wester Ross
Adrian Kitson	Head of Executive Support
Lorna Gregson-MacLeod	Head of Planning and Partnerships, items 2.2, 2.3 and 4.9
Andy Sarjeant	Head of Corporate Information, items 2.2, 2.3 and 4.9
James Gibbs	Area Manager, Inner Moray Firth, item 3.1
Gavin MacKay	Head of Energy Industries, item 3.1
Morag Goodfellow	Area Manager Argyll and the Islands, items 3.2a and 3.2b
Dave MacLeod	Head of Property and Infrastructure, item 4.1
	360 Architecture, item 4.1
	RSM, item 4.1
	RSM, item 4.1
<i>[Paragraph removed in the interests of the effective conduct of public affairs.]</i>	
David Howie	Project Lead, Space Hub Sutherland, item 4.2
Alastair Nicolson	Programme Manager – Lochaber, items 4.5, 4.5a and 4.5b
Anna Miller	Head of Tourism, item 4.7
Alison Gainsford	Head of Business Growth Lochaber, Skye and Wester Ross, item 4.7

1	STANDING ITEMS CUSPAIREAN COTHROMACH
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1.1 Welcome and apologies

The Chair welcomed everyone to the meeting. Apologies were noted for Board Members Angus Campbell, Bob McIntosh and Paddy Crerar, Douglas Cowan Director of Communities and Place and Richard Rollison Scottish Government.

1.2 Declarations of interest

It was noted that Rachel Hunter (Director of Service Delivery) is conflicted in relation to Space Hub Sutherland and will leave the room when this item is discussed.

It was also noted that Board member Belinda Oldfield has a related party interest with regards to Mott MacDonald who have been undertaking the peer review on the Cairngorm funicular railway, it was agreed that there was no conflict of interest.

Amanda Bryan has a direct interest in Crown Estates which relates to Nigg, it was agreed that there was no conflict of interest.

1.3 Minute of Board meeting held on 03 September 2019

The minute was approved with an amendment to item 1.3a – Correction to Board Minute of 12 February 2019, the agreed amended paragraph to the minute is to be included and to item 4.2 – Space Hub Sutherland where two amendments were agreed with Board Member Ailsa Gray.

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.

1.5 Chair and Chief Executive update – December 2019

The Interim Chief Executive reported that construction work has resumed on the North bridge over the railway between Inverness Campus and the Retail Park following conclusion of an agreement between HIE, Network Rail and the Highland Council. The bridge, for walkers, cyclists and buses, is expected to open in spring 2020. A lessons learned exercise is to be undertaken on 01 November 2019 from which an update will be provided to the Board at the December meeting.

Morag Goodfellow has been appointed as the Area Manager for Argyll and the vacancy for the Area Manager for Moray has been advertised with a high level of interest shown.

As recommended by Audit Scotland a review has been undertaken of in-house resources for the Finance Team. An appointment has been made to the graduate post and a new post at qualified accountant level will be advertised in early December.

Significant issues were noted in relation to CS Wind and Campbeltown Creamery. The Argyll area team continues to engage with the companies and in relation to CS Wind, the team has been working with the Scottish Government Energy team.

HIE presented oral evidence to two sessions of the Economy, Energy and Fair Work Committee. On 10 September, Rachel Hunter and Lorna Gregson-MacLeod answered questions on Regional Selective Assistance and other funding for business growth. On 24 September, Carroll Buxton, Nick Kenton and Sandra Dunbar assisted the committee with their pre-budget scrutiny.

The Interim Chief Executive also attended an Accountable Officer training event.

It was noted that the all staff event had received positive feedback and thanks were given to Board Member Alistair Dodds and Shadow Board Member Morven Gibson for participating in the event. Feedback will be shared with the Board.

The Chair provided an update noting the significant issues in relation to CS Wind and this being important for Machrihanish and a big issue for Argyll along with the issues for Campbeltown Creamery.

The Chair attended a Banking and Economy forum which covered “the role of Banks in the event of a Hard Brexit” Banks reported that in the period between 2008 to 2010 their balance sheets were weak, precipitating the financial crisis, and consequently they were not in a position to respond positively to business affected by the economic downturn. They currently have strong balance sheets and are much more prepared to support businesses through Brexit-related challenges and should be the first port of call for businesses seeking financial support.

There had been a meeting of the Strategic Board in Glasgow. The Chair met with Lord Smith and a meeting of the five Chairs is taking place on 28 November, the purpose of which is to ensure clear purpose and to collaborate and work better together. Lorne Crerar will Chair the first meeting. The HIE Interim Chief Executive will also Chair a meeting of the Chief Executive Officers.

The Chair had been a speaker at the Rural Enterprise Futures Conference noting that the term “rural” is widely used to refer to agriculture and land based industries but the rural economy is much wider. HIE should have prominence in rural strategy and needs.

The huge ongoing effort into both Cairngorm and Space was noted.

2 RESOURCES AND GOVERNANCE **GOIREASAN IS RIAGHLACHAS**

2.1 Financial Statement

The Director of Finance and Corporate Services presented a paper summarising the financial position for the six months of the financial year to 30th September 2019.

He noted a reasonably comfortable position with regard to capital, spend at the mid-point in the financial year has continued to slow. The opening capital budget agreed by the Board included a negative reserve of £10.2m, this will be eradicated during the year as slippage occurs and budgets are reduced accordingly. The negative reserve has now been reduced to almost £4.5m.

The revenue position is more complex with over commitment of £2.9m and there is little room to manage risks which are:

1) Cairngorm – Scottish Government (SG) has confirmed £2.5m revenue budget to cover CMSL operating costs in 2019/20. With the exception of the £2.5m for operating costs, the costs committed for Cairngorm are proceeding at risk until further funding is confirmed; **2) Centre for Health Science (CfHS)** – The sale is now complete and the purchase price included a profit on disposal that goes to Revenue receipts, which in effect mitigates the loss of rental income albeit for one year only; **3) Space Hub Sutherland (SHS)** – The HIE Board will make a decision in the near future whether to continue the project in its current form. If the project does not continue at all, then expenditure charged to capital will have to be moved to revenue which will create a revenue pressure; **4) EU Funding** – There is a risk of unfunded pressure if claims are rejected – the Director felt the risk was in the region of £0.3m but this was an estimate; *[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 Board also asked if the discretionary revenue overcommitment was encouraging appropriate decision making and highlighting the need to look at this to ensure that overcommitment is not detrimental.

2.2 Corporate and Performance Report – half year review

2.3 Update on Performance

Lorna Gregson-MacLeod and Andy Sarjeant joined the meeting for items 2.2, 2.3 and 4.9.

Items 2.2 and 2.3 are covered together.

The Head of Planning and Partnerships and the Head of Corporate Information delivered a presentation highlighting the out-turns achieved by HIE in the period 1 April – 30 September 2019. Noting that the new report format is based around the structure of HIE's Operating Plan for 2019/20 but importantly includes reference not only to progress made, but challenges faced, and lessons learned. These changes are in response to comments made by the HIE Board following the End Year Review 2018/19.

Significant progress has been made in the first six months of the year in terms of performance against key measures, wider delivery across the region and in relation to national collaboration with our Enterprise and Skills partner agencies. Set against the climate of economic and political uncertainty, creating successful growth businesses and identifying opportunities to accelerate growth and scale business activity across the region remains a key priority.

It was noted that HIE has responded to the increased focus on net zero and are working towards a policy to support this important agenda across the various strands of our activity. Addressing climate change is high on the agenda along with fair work practices. Uncertainty surrounding Brexit is an issue and has resulted in some business plans and investment decisions being postponed.

Most measures were on track including some new measures introduced to align with Scottish Enterprise (SE). These new measures are being piloted along with HIE specific measures using data from our ladders frameworks – some further staff training/guidance is required to ensure accurate recording.

The Board welcomed the presentation and discussed in detail. Asked if the Strategic Board alignment had any impacts for HIE, it was noted that a revised methodology (to enable consistent reporting with Scottish Enterprise when required), results in a major increase in outputs and it was agreed that maintaining the original methodology for both target setting and for trend analysis was important. By piloting the new measures, it would inform target setting for next year and provide a better understanding of any refinements and guidance training required.

The Board asked why investment was down to 5% from 13% in fragile areas, it was noted that with Brexit uncertainty, it is taking longer to get projects which are ready to proceed in fragile areas which had led to the drop. HIE will be trying to increase investment in the second half of the year. Pipeline is strong so targets should be achieved.

It was noted that it could be more challenging going forward, EU funds have provided infrastructure, pro-active support and facilitation. HIE will need to be mindful of any changes and the need for the HIE role to change.

The presentation will be circulated to the Board via Boardbooks.

2.4 Risk Register

The Director of Business Improvement and Internal Audit provided a brief update outlining that the HIE Leadership Team had a strategic session in September 2019 at which the corporate risks were reviewed. Senior managers then met in October and discussed organisation, business improvement opportunities and risk.

The Business Improvement Manager has undertaken a review of HIE risk management processes against external best practice and presented results to the HIE Leadership Team. These findings will be presented to the Risk and Assurance Committee with whom there is a scheduled development session in November and used to update the risk management processes.

All key risks remain but have been refreshed with the addition of Inverness Campus – North Bridge and People, resource, delivery and approach.

The Board noted that they were content with the register.

3 INVESTMENT DECISIONS CO-DHÙNAIDHEAN AIRGEAD-TASGAIDH

3.1 Development of Offshore Wind Supply Chain at Nigg Energy Park Stage 1 – The East Quay

James Gibbs and Gavin MacKay joined the meeting.

The Area Manager for Inner Moray Firth and the Head of Energy Industries presented a paper recommending HIE grant funding of up to £8.3M to GEG (Holdings) Limited (GEG) to develop the East Quay at Nigg Energy Park.

GEG is one of Scotland's leading energy service and contracting companies, offering a range of services from niche to turn-key solutions for the oil and gas, nuclear and renewable sectors. Nigg Energy Park (NEP) which is owned by GEG is the largest port facility in the Moray Firth offering the largest dry dock facility in Europe and over 900 meters of deep-water quayside. In addition to carrying out major capex projects, inspection, repair and maintenance (IRM) works and mobilising construction vessels for oil and gas, it has become an established hub to support the renewables industry.

The growth opportunities presented by the renewables sector are the main driver for the development of the East Quay. NEP was the first port in Scotland to successfully conduct marshalling activities for an offshore wind project with the ongoing Beatrice Development, during which time they have seen demand for quayside space exceed current infrastructure capabilities. GEG's reputation in renewables was significantly enhanced by its performance of the Beatrice contract. GEG therefore propose to build new infrastructure of 225 metres of additional quayside and adjacent laydown area at the eastern edge of NEP.

The total cost has been established at £18.9M. Staff are proposing a contribution from the public sector, through HIE, subject to the confirmation of additional funding being made available from Scottish Government, of up to a maximum of £8.3m, under GBER Article 56B (subject to final costs and compliance checks). This is 44% of the total costs and 92% of the maximum aid permitted under GBER. Scottish government have been provided with detailed spend profiles over the next 2 financial years. Staff note, securing Scottish Government funding will be extremely challenging due the tight fiscal environment and HIE staff/directors continue to liaise with Scottish Government Energy and HIE Sponsor Teams. Staff have asked GEG to explore arrangements for payment in the financial year 2021/22 (April) and indications are that bridge financing from GEG's bank may possibly be available on the basis of approval of future funding from HIE. However, discussions are at a very early stage.

GEG's rationale for additional quayside is to 1) Allow greater participation in renewables assembly, being able to carry out both the foundation stage and the Wind Turbine Generator (WTG) scope (marshalling, assembly and load out) for a project: currently it can only accommodate one or other, and; 2) Facilitate better use of the whole Nigg Yard for oil and gas and renewables as the current layout and capacity prevents further large-scale use of the yard, which would interfere in current operations and effectiveness of the site.

Whilst this project is only concerned with the East Quay, the funding requirements and benefits of the next stage should be acknowledged. GEG anticipate having to raise a minimum of £7.65M from private sources to meet the costs of the factory. The quay and factory create the ecosystem required to attract and support growth of both indigenous businesses and those locating from out with Scotland/UK. It is expected that HIE funding at this stage is key to realising around £10M - £12M of foreign direct investment through the attraction of Haizea (international market leaders in offshore wind) group to NEP. This in turn positions the Cromarty Firth as an Integrated Manufacturing Hub for UK, driving up the region's competitiveness in this growing global market and could create up to 200 jobs at Nigg.

The Board discussed this project in great detail asking if the current court case (noting the appeal) could be an issue. The Director of Business Improvement and Internal Audit confirmed that appropriate legal advice had been taken on this project and lessons learned have been built in and HIE is confident that all has been done to meet state aid requirements. The Area Manager also noted that conditions attached to the offer would include appropriate requirements relating to ongoing compliance.

The Board also asked how, if funding was able to be secured, spend would be monitored to ensure that all expenditure was related to the funding approved. The Area Manager confirmed that payments would be made on a staged basis and would be processed on the basis of claims for receipted expenditure which would be checked prior to payments being authorised.

The Board questioned the level of funding requested and the ability for the company to invest more. It was noted that for the company, acquisition was core to its business and that much equipment is purchased for Nigg and there is a need for sufficient headroom to be maintained to allow further investment.

The Board also asked whether the obligation period could be extended from 5 years to 10 years with provision built in for clawback of funding in the event of exceptional profits.

The Board were supportive of the project subject to affordability, which would require additional funding becoming available from Scottish Government, and also to some modifications to the legal agreement such as a proposed extension of the obligation period to 10 years with provision built in for clawback of funding in the event of exceptional profits. While HIE continues to explore options for securing funding, further information should be requested to understand GEG's ability to secure a bridging facility which would enable grant funding to be made available in future years.

James Gibbs and Gavin MacKay left the meeting.

3.2 European Marine Science Park (EMSP)

Morag Goodfellow joined the meeting to present two papers to the Board.

3.2a Phase 1 Construction

The Area Manager for Argyll presented a project amendment paper seeking to close the existing project at this stage as no further ERDF funding can be claimed as the programme is now closed. In August 2010 HIE Board approved a total of £7.5m for the construction of Phase 1 of the European Marine Science Park. This approval included £4.5M GIA and £3M ERDF, which was available to the eligible costs of the project at that time. Subsequently the award of a construction contract to Robertson Construction Northern Ltd (RCNL) was approved by Leadership Team (LT) in October 2011 for a contract value of £5,887,000. Within the approval of the contract, LT requested that any spend towards fit-out of the development would first require their approval. To date, the spend on the approval is £6,954,213. This has enabled fit-outs of the entire first floor, which has seven separate suites. This leaves a balance of approval totalling £545,787, of which £519,152 relates to ERDF funding no longer available to the project.

The remaining works required to undertake the final fit out of the ground floor will be brought forward as a separate appraisal project. The proposed separate appraisal paper to be brought to LT would enable the fit-out of the ground floor, Malin House where there is current interest from prospective tenants. Torrance Partnership have provided cost indications which would see this element delivered for approximately £1m, which is almost £500k over the original cost estimate for completing the fit-out. This increase in cost is reflective of the increase in the cost of fit-out over the previous 9 years since this project was originally approved. This is also in line with other similar style fit-outs that have been undertaken recently such as the ground floor of Solasta House, Inverness Campus, with 1000 square metres costing c.£1.3m.

The Board approved the project amendment to close the current project.

3.2b Phase 2

The Area Manager for Argyll presented an informal paper to provide an update to HIE Board on the progress of development at the European Marine Science Park. Phase 2 of the Park which was approved by the HIE Board in December 2018. This approval was subject to 50% of the necessary funding being sought from ERDF. This ERDF funding application has been unsuccessful which is a disappointing outcome, however the project team has re-assessed the deliverables and a phased approach is now proposed which takes into account new opportunities that have arisen since December 2018.

In moving forward, a phased approach is proposed, with access road improvements and enhanced site infrastructure works forming a re-defined Phase 2 project. This will provide development plots which can be developed in the future and/or marketed accordingly.

The access road improvements and enhanced site infrastructure works are essential prior to any additional development taking place and are a condition of the existing outline planning approval for the site.

The design works for the Phase 2 project are well underway with a planning application for road, infrastructure and Phase 2 build to be submitted in early November. Obtaining a detailed planning consent for the Phase 2 building will provide certainty for future phases of development, as well as the opportunity to market a “shovel-ready” development for potential occupiers and inward investors.

A formal detailed project amendment paper for Phase 2 will be presented to the HIE Board in due course.

The Board noted the paper and look forward to receiving the project amendment paper for phase 2 at a future meeting.

Morag Goodfellow left the meeting.

4 UPDATES CUNNTASAN AS ÙR

4.1 Cairngorm

Dave MacLeod, RSM joined the meeting. [Sentence removed in the interests of the effective conduct of public affairs.]

The Director of Business Improvement and Internal Audit provided a brief introduction on Cairngorm-related activity prior to updates being provided on 1) Procurement and the funicular by the Head of Property and Infrastructure; 2) Masterplan – outcomes and approach from 360 Architecture and 3) Business case approach from RSM UK.

1) Procurement and the funicular:

The Mott MacDonald peer review on COWI’s report on Strengthening Extents has now concluded. They are generally in agreement with COWI with a small number of items to be carried forward to the detailed design stage. An ecologist has been appointed and is progressing site work for planning application. A planner has been appointed and is engaging with Highland Council and the Cairngorms National Park Authority.

The procurement strategy is predicated on an ambition to commence works in May 2020, subject to the business plan being agreed and statutory consents. There are significant programme challenges to achieve a start in May 2020 and legal advice has been sought on procurement options. It was identified that the pre-procured public sector SCAPE frameworks were the optimal compliant options available for both procurement of detailed design team and contractor. SCAPE’s appointed delivery partners have already been through a procurement process before being appointed by SCAPE.

With regards the detailed design and project management, SCAPE have appointed Perfect Circle to deliver their Built Environment Consultancy Services framework. HIE will contract with Perfect Circle, who will then sub-contract with design and project team, the Perfect Circle team would include both COWI and Mott MacDonald.

With regards the contractor, SCAPE have appointed Balfour Beatty to deliver their Civil Engineering Framework. HIE has initiated market engagement with Balfour Beatty, which comes at no cost to HIE. Balfour Beatty will engage with HIE and the design team to deliver a feasibility study in December 2019, with estimated costs that are partially market tested.

Feasibility will be based on COWI's concept design so the business case for Scottish Government will be based on this. The feasibility enables a collaborative approach on cost, risk and design but will be progressed in parallel with detailed design. Depending on the outcome of feasibility, HIE would then move into Pre-Construction where costs are a set percentage of budget and Balfour Beatty will develop a fully tendered, open book estimate. The construction contract can then be executed once all statutory approvals and funding approvals in place.

The Board asked what the likelihood was of hitting the planned date of May 2020 for the commencement of works. The Head of Property and Infrastructure confirmed that this was challenging due to the procurement obligations and statutory consents required, however May remains the target date and provides the best opportunity to complete the works in one season.

2) Masterplan – outcomes and approach:

[Sentence removed in the interests of the effective conduct of public affairs.] from 360 Architecture provided the Board with an update on approach and outcomes expected from the planning exercise. Outlining that the main focus will be to collate, analyse, engage, inspire and to create buy in. The outcomes will be high level, clear and concise so that they are accessible by all stakeholders.

The masterplanning process is a positive opportunity to link with a wide range of stakeholders and the community to form a clear vision for the future. This will come from a vision workshop the outcome from which will allow the formation of a vision statement. This will then be published once the future of the funicular is known.

There is to be a stakeholder workshop with the Scottish Government on 08 November.

The Chair noted that HIE needs to be on the front foot re communications and marketing and outlined that the HIE Communications team are to promote all of this activity. Noting that stakeholder engagement is key and input from Cairngorm Mountain Scotland Limited has been constant.

The Board noted that this was wider than Cairngorm and impacted the wider Badenoch and Strathspey area and were keen to understand how HIE is ensuring alignment. The Director of Business Improvement and Internal Audit confirmed that there is significant communication at public body level. Community engagement is via the local area team and HIE will look to build synergies with other land owners.

3) Business case approach

Sandra Dunbar, HIE Director of Business Improvement and Internal Audit, *[Sentence removed in the interests of the effective conduct of public affairs.]* RSM provided the Board with an update on the business case approach.

Work on the outline business case (OBC) for the enabling and enhancing phase commenced at start of October. The OBC will follow a review of lessons learned and will comply with guidance in HM Treasury Green Book "Five Case Model". The project plan identifies a full draft due in December/January (OBC). The OBC will reflect

updated estimate costs for the repair of the funicular. It is estimated that the FBC will be completed in March / April 2020 when final tendered costs are available for the repair of the funicular. Significant engagement activity is ongoing including with Scottish Government, public sector partners, CMSL and the Aviemore & Glenmore Community Trust is scheduled for November and the OBC will be aligned to and inform development of the master-planning exercise. It was noted that the business case activity is being informed by lessons learned reviews.

The business case will focus on 1) Options for the future of the funicular (restore, remove, replace); 2) Options for funding strategy of CMSL (short / medium term); 3) Appraisal of other immediate opportunities for enabling and enhancement activity. Criteria has been put in place to assess these opportunities which include a. Regulatory necessity, b. Operationally essential, c. Power to enable (without compromising masterplan). The current business case would not include masterplanning activity but it was recognised that opportunities for future investment would arise as a next phase and the current business case would create the foundations for these future opportunities.

Due to the complexity of the programme and interdependencies there is a need to ensure that all tasks are understood and managed as detailed in the project plan in line with critical path.

The Board welcomed the update and thanked all those involved.

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

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

4.3 HIE Space Programme Summary

The Interim Director of Strategy and Regional Economy provided a brief update on the HIE Space Programme. HIE's Space Programme Board brings together colleagues with an active interest in Space, to provide the means to share a common understanding of pan-space matters at the regional level. This also allows relevant matters arising from the Scottish Government Space Programme Group to be discussed.

Ad hoc or project-specific space matters are routed through Martin Johnson, in accordance with HIE's space-governance arrangements. Colleagues across HIE are engaged on a spread of space-related projects, and the governance and policy arrangements in place are effective but are to be kept under review as matters mature further.

The development of a Scottish Government Space Programme Group is welcome, allowing for a join-up across key agencies and Government, including the development of a strategy, and providing a vehicle to coordinate a national and strategic engagement with key stakeholders such as UKSA, ESA and MOD.

4.4 Brexit – verbal update

The Interim Director of Strategy and Regional Economy provided an update on HIE's activity. Contact with businesses is via the Account Management route and HIE is considering what a resilience response would look like in the event of a hard Brexit.

The key message is to continue to prepare for Brexit. Bigger companies tend to be more prepared with smaller businesses taking a wait and see position.

4.5 Lochaber

Alastair Nicolson joined the meeting to present two papers to the Board.

4.5a Liberty Project update

The Programme Manager for Lochaber presented a paper setting out the progress made by Liberty British Aluminium (Liberty BA) since their purchase of the Fort William smelter in November 2016 with regard to the proposed establishment of an alloy wheel plant on an adjacent site and associated projects aimed at ensuring the business has a long-term sustainable future.

Delays to the project have been associated with uncertainty surrounding the UK's future trading relationships following our impending departure from the EU, and with the continuing turbulence in the UK automotive sector. However, staff (and Scottish Government colleagues) feel that the core reason for the delay is a lack of input from the company to ensure the project team has the resources necessary to plan and deliver a large-scale development of this nature. Their heavy reliance on consultancy support to progress critical work streams limits the expertise and knowledge accumulated within the company.

In the coming months HIE will continue to work closely with Scottish Government officials to understand the implications of any proposed changes to the company's investment plans. We will also engage at a senior level with the company to support their efforts to bring forward a viable plan which will create jobs in Fort William.

Given the delay and uncertainty related to the proposed development of a wheel plant HIE will also work to consider a range of alternative options for the site and for the estate more widely. This will include exploring added-value manufacturing options and high energy use industries that could relocate or establish themselves in Fort William.

The bulk of our efforts will continue to be targeted at supporting the implementation of the Fort William 2040 Masterplan which has the potential to transform the town into a much larger, better connected and more prosperous place to live, work, visit, study and invest.

The Board noted the update.

4.5b Lochaber Programme update

The Programme Manager for Lochaber presented a paper outlining the programme of work undertaken by HIE and partners to support the development of a masterplan for the town of Fort William, and the on-going efforts to implement the key projects contained within it.

Following the acquisition of the aluminium smelter in Fort William by Liberty BA, an extensive public-sector effort got underway to ensure the town had the necessary infrastructure and labour force in place to maximise the chances of the company's alloy wheel plant project being a success. In parallel with those efforts, Highland Council was going through the process of updating the West Highland and Islands Local Development Plan. Given the overlap between these two work streams, a steering group was formed involving key staff from Highland Council, HIE and the Scottish Government to produce an ambitious masterplan for the town over a twenty-year horizon.

Major developments underway or under consideration which meet the aspirations set out in the master plan include: 1) An alloy wheel factory; 2) A new West Highland College UHI Centre for Science, Technology, Health and Engineering; 3) A replacement for the Belford hospital; 4) Regeneration of the town centre; 5) Over 600 new houses at various sites around the town; 6) Improved transport infrastructure, including new trunk road and active travel routes; 7) Expansion of the port at Corpach and 8) Upgrade the local area energy system to tackle fuel poverty and respond to the challenge posed by the Climate Emergency.

The Board thanked the Programme Manager for the update noting the focus being on Fort William. The Programme Manager confirmed that this is proceeding on the basis of a strong town at the centre of a core which meets the needs of the wider Lochaber area including the need for housing outwith Fort William.

Alastair Nicolson left the meeting.

4.7 HIE's Approach to Tourism

Anna Miller and Alison Gainsford joined the meeting.

The Head of Tourism and the Head of Business Growth Lochaber, Skye and Wester Ross delivered a presentation to the Board outlining the vital contribution that tourism makes to the Highlands and Islands. The sector sustains communities, provides employment, creates pride in our places and promotes the Highlands and Islands to a global audience.

The presentation covered the following topic areas **1)** Scotland's new TS2030 tourism strategy and the wider policy environment setting the direction for Scotland's tourism sector; **2)** An update on HIE's approach to supporting sustainable development of the tourism sector following the launch of HIE's Strategic Plan 2019-22; **3)** Examples of tourism interventions and activity within the Lochaber, Skye and Wester Ross region as an illustration of the collaborative approach by Area Teams, the Tourism Sector Team and wider colleagues; **4)** City Region Deal Northern Innovation Hub activity specific to tourism and the Highland region; **5)** Internal HIE policy, guidelines and conditionality and how this could impact on HIE's tourism activities and **6)** Future external trends and global issues shaping the tourism sector locally, regionally and nationally.

The Board congratulated the Head of Tourism on what is being done on behalf of HIE noting that it is important that HIE and SE engage in the development a Tourism Strategy. The importance of tourism to the Highlands and Islands economy is recognised and there needs to be clarity on what HIE's role is in preparing for future challenges e.g. is there more that HIE could do with regards skills and industry attractiveness?

HIE is leading work in some areas and the Board would like to see HIE expand its leadership role and being more innovative. It was noted that although the tourism team is small, there is a large amount of expertise across HIE and which could be refocussed to become more front facing and effective via the Service Delivery directorate.

It was agreed to review the leadership role for tourism in the highlands and Islands and for this to be brought back to the Board in 6 months time (April 2010). It was also noted that sustainability of destination marketing is stalling under the current funding regime, it was agreed that Board members Calum Ross, Freda Newton and Paddy Crerar meet with the head of Tourism to discuss and start the review process.

Anna Miller and Alison Gainsford left the meeting.

4.8 North Bridge, Inverness Campus – verbal update

The Interim Chief Executive provided a brief update to confirm that work had commenced on the construction of the North Bridge and that a full update including lessons learned would be presented to the December Board meeting.

4.9 Fair Work Conditions on Financial Assistance

The Head of Planning and Partnerships presented a paper providing an update on the Fair Work agenda and HIE's commitment and potential response to the Scottish Government request for Fair Work criteria to be applied to financial assistance by the end of this financial year.

There are three criteria that will need to be applied:

1. Jobs will have to be paid the Real Living Wage to be eligible for grant support of over £100k.
2. Project jobs with inappropriate zero-hour-contracts will be ineligible for grant support.
3. With respect to the Gender Pay Gap, ensure that applicants with more than 250 employees meet the legal requirement to report on their gender pay gap.

It was noted that SE is currently applying fair work conditions to all Regional Selective Assistance grants and other grants over £100k. This conditionality only relates to jobs created/safeguarded as a direct result of the

investment, i.e. those employment impacts being claimed from the supported project. In other words, the assessment of Fair Work is at the level of the project not the wider business.

With regard to the implementation of the Fair Work agenda more broadly, HIE is currently working with SE and Skills Development Scotland (SDS) on the Business Models and Workplace Innovation mission – a key feature of this is improving productivity while at the same time improving the wellbeing and equality of the workforce. HIE is also supporting the Scottish Centre for Employment Research FITWork project and have hosted a number of workshops, webinars and events in the region on the theme of workplace innovation.

Conditionality represents a significant change for HIE and will require an implementation and communication plan. Applying a threshold of £100k is a good starting position for HIE. To turn the plan into action will require training and raising staff awareness of the benefits of Fair Work.

The Board noted that this could impact HIE targets if applying to the client as opposed to jobs only. It was also noted that it could prove difficult for some businesses to comply.

The Chair thanked the Head of Planning and Partnerships for the presentation.

5.1 COHI Regional Transformational Opportunities

The report was noted.

5.2 Housing Update

The Board noted the progress in evolving HIE's activity around enabling housing development.

5.3 Nigg Historic Funding

This paper was noted.

5.4 Marketing and PR Analytics

This paper was noted.

5.5 Any other business

There was a request for a forward plan for future papers coming to the Board, in particular a Property Strategy paper and Climate Emergency paper covering what HIE as an organisation need to do and engagement with others.

Centre for Health Science phase two. It was noted that a value engineering exercise had taken place and costs were still high. A review is ongoing, and a report will be provided to the next Board meeting.

The Chair apologised for the change of date for the December Board meeting and thanked the Board for agreeing to change this to 17 December 2019.

5.6 Forthcoming meeting dates

- 03 December – Risk and Assurance Committee, An Lòchran, Inverness
- 10 December – HIE Board Meeting, An Lòchran, Inverness

Adrian Kitson
Head of Executive Support
29 October 2019