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HIGHLANDS AND ISLANDS DEVELOPMENT BOARD
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Constitution, Functions, and Administration of the Highlands and
Islands Development Board

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Constitution, Functions and Administration of the Highlands and
Islands Development Board

ESTABLISHMENT OF THE BOARD

1. The Board was established under the Highlands and Islands Development (Scotland) Act 1965. The Board took office on 1st November 1965.

2. The Board was set up to assist the people of the Highlands and Islands to improve their economic and social conditions and to enable the region to play a more effective part in the economic and social development of the nation. The

Section 1(1)

Board's general function is to prepare, concert, promote, assist and undertake measures for the economic and social development of the Highlands and Islands, (i.e. the counties of Argyll, Caithness, Inverness, Orkney, Ross and Cromarty,

Section 1(2)

Sutherland and Zetland). The Board's area may be extended by Statutory Instrument.

BOARD'S DUTIES

3. The Board was charged with the following specific duties:

Section 3(1)
(a), (b), (c),
(d), (e)

- (a) to keep under review all matters relating to the economic and social well-being and development of the Highlands and Islands;
- (b) after consultation with such local authorities and other bodies as appear to the Board to have an interest, from time to time to prepare and submit to the Secretary of State for his approval proposals, whether general or specific in character, for the economic and social development of the Highlands and Islands or any part thereof;
- (c) to concert, promote, assist or undertake measures to implement any proposals so approved;
- (d) to advise the Secretary of State on such matters relating to their functions as he may refer to the Board or as the Board may think fit;

- (e) as soon as possible after the end of each calendar year to make to the Secretary of State a report as respects that year on the exercise and performance of their functions under this Act; such report shall set out any directions given to the Board under section 2(1) of this Act, a summary of any proposals submitted to the Secretary of State under paragraph (b) of this subsection, and, where he has refused to approve any such proposals, a summary of his reasons for so refusing, but shall not disclose any such information as it is referred to in section 12(1) of this Act without the consent referred to in that subsection.

Section 3(4) 4. In carrying out these functions the Board must have regard to the desirability of preserving the beauty of the scenery in the Highlands and Islands.

BOARD'S POWERS

5. (1) Land

Section 4 With the approval of the Secretary of State, the Board can acquire land by agreement or if so authorised by the Secretary of State, the Board can acquire land compulsorily. Any land acquired can be held and managed by the Board and, with the approval of the Secretary of State, disposed of or otherwise dealt with.

(2) Buildings

The Board may:

- Section 5(1)
- (a) erect building or other structures and carry out works or other operations on land;
 - (b) provide equipment and services on or in connection with land;
 - (c) hold, manage, maintain, hire, let or otherwise dispose of such works, equipment or services.

(3) Business

Section 6 With the approval of the Secretary of State and the Treasury, the Board can acquire and carry on or set up and carry on, either directly or through an agent, any

business or undertaking which in the Board's opinion will contribute to the economic and social development of the Highlands and Islands. Subject to approval from the Secretary of State and the Treasury, the Board can dispose of any such business or undertaking. On 26th July 1968, the Principal Act was extended by the Highlands and Islands Development (Scotland) Act 1968 to give the Board power, subject to the approval of the Secretary of State and the Treasury:

Section 1 -
1968 Act

- (a) to form or promote, or join with any other person in forming or promoting a company;
- (b) to subscribe for or (with the consent of the company concerned) otherwise to acquire by agreement the shares or stock or any part of the shares or stock of a company;
- (c) to hold any shares of stock so acquired;
- (d) to dispose of the whole or any part of any holding of shares or stock so acquired.

(4) Advisory and Other Services

The Board is empowered to provide or assist in the provision of advisory, training, management, technical, accountancy and other services to persons engaged in or proposing to engage in business in the Highlands and Islands. And also to promote or assist in the promotion of publicity relating to the Highlands and Islands or to the functions of the Board; and generally to engage in such other activities for the introduction, operation or development of industrial, commercial and other enterprises in the Highlands and Islands.

Section 8

(5) Grants and Loans

Under arrangements approved by the Secretary of State and the Treasury, the Board is empowered to give financial assistance by way of grant or loan, or partly by grant

Section 2 -
1968 Act

and partly by loan, to any person carrying on or proposing to carry on any activity which will contribute to the economic or social development of the region. Under the 1968 Act, assistance to businesses may also take the form of equity.

(6) Other Powers

Section 9

The Board has a number of ancillary powers the most important of which are the right to carry out or commission the carrying out of enquiries, investigations or researches which are deemed necessary for the execution of their general functions; and the power to enter on land in order to survey it for purposes in connection with the exercise of their statutory functions.

Section 10

THE BOARD'S GRANTS AND LOANS SCHEME

6. On taking office in 1965, one of the Board's first moves was to take advantage of the power to give financial assistance by agreeing a grants and loans scheme with the Scottish Office and Treasury, to which the Secretary of State gave his approval in December 1965. Up to 31st December 1971, 2,855 applications had been received; 1,812 had been approved; 407 rejected and 571 withdrawn. The amount of assistance approved was £10.2 million (£6.2 million loan and £4.0 million grant). The private investment at £11.3 million matched that of the Board's.

THE BOARD'S RELATIONSHIP WITH GOVERNMENT DEPARTMENTS AND AGENCIES, AND OTHER BODIES WORKING IN THE HIGHLANDS AND ISLANDS

7. As a statutory body, the Board is responsible to the Government through the Secretary of State for Scotland. Since November 1968 departmental responsibility for the Board has been exercised by S.D.D. (previously D.A.F.S.). The Board's grant-

in-aid is borne on the vote of the Scottish Development Department and it is through that department that the Board keep the Government informed of their activities and seek approvals and authorisations for actions requiring decision by the Secretary of State under the various provisions of the Act. The arrangement, however, does not mean that one department attempts to cope in detail with all the topics on which the Board have occasion to deal with St. Andrew's House. On specific matters the main point of contact is the department concerned.

8. There are, of course, quite separate from the Secretary of State's departments, a number of other central Government bodies and agencies working in the Highlands and Islands. The two most important from our point of view are undoubtedly the Board of Trade and the Department of Employment and Productivity.
9. The main contact between the Highland Board and the Department of Trade and Industry is on grants and loans work where both organisations are operating broadly similar schemes. Applicants have a choice of going to either organisation.
10. Effective liaison exists with the Department of Employment and Productivity, both with the Scottish H.Q. and local offices in the Highlands and Islands. We have received help and co-operation in devising and running our campaign "Operation Counterdrift" and assistance has been given in the many enquiries which we make of the department about labour availability, unemployment, training grants and so on. For our part, we try to keep the department informed about various projects and developments in which we have an interest.

11. In addition to central Government departments there are, of course, many other statutory agencies and public bodies with responsibility for aspects of life in the Highlands and Islands and with whom the Board has to consult from time to time. There are, for example, the Crofters Commission, the White Fish Authority, the Herring Industry Board, the Nature Conservancy, the Forestry Commission, the Scottish Tourist Board, the Countryside Commission for Scotland, the Red Deer Commission, the North of Scotland Hydro-Electric Board, the Gas Board, the various Water Boards and so on. Only the Crofters Commission operates exclusively within the same overall area as the Board and here liaison has taken the form of the establishment of a joint liaison committee which meets periodically throughout the year. In regard to some bodies, liaison has been helped as a result of the appointment of Board Members to these bodies, and this obtains in the case of the Hydro-Electric Board where Colonel H.A.C. MacKenzie is a part-time member of the Board, and through the membership of Sir James Mackay, a full-time Member of the Board, of the Countryside Commission and the Scottish Tourist Board.

12. Within the field of local government, there are some 96 local authorities in the Highlands and Islands, ranging from the seven county councils to the 68 district councils, and it is probably true to say that the Board has had occasion to meet, consult, or to receive representation from all of them at some time or another. It should be stressed in this connection that the Board has no physical planning powers, and this means that the realisation of many economic developments, major and minor, depends on the help and willingness of the local planning authorities to take the requisite action. In turn this entails the maintenance of close and cordial relations between the Board and these authorities.

13. Over and above, there are innumerable representative bodies at work in the region, ranging from bodies such as the National Farmers' Union, including a Highland committee of the Union and its special sub-committee dealing with Moray Firth Development, the Scottish Landowners Federation, the Federation of Crofters' Unions and their constituent Unions, the Scottish Council of Social Service and their local Councils, to numerous local development associations and committees, and cultural organisations such as An Comunn Gaidhealach.
14. There is no doubt that the multiplicity of agencies and bodies involved in tackling Highland problems has not made the Board's job any easier, and indeed it has caused, and continues to cause, a serious strain on the Board's relatively small staff.

BOARD ORGANISATION

Members

15. Members of the Board are appointed by the Secretary of State under Section 1(4) of the 1965 Act. This provides for a Chairman and six other members of which one may be appointed Deputy Chairman. Schedule 1 of the Act lays down that the majority of the members including the Chairman shall be engaged whole time. The present membership is Chairman, Deputy Chairman, two full-time members and three part-time members.

Consultative Council

16. The Highlands and Islands Consultative Council, appointed by the Secretary of State under Section 2(2) of the 1965 Act, is charged with the duty of advising the Board on the exercise and performance of their functions. The Council is composed of 36 members representing local authorities, statutory and other bodies, agriculture, education, fishing, forestry and transport. It meets quarterly in

full session. Smaller sub-committees deal with specific remits (e.g. the introduction of comprehensive education in the Highlands and Islands; industrial training; the need for new roads in the Highlands and Islands; the structure of local government; youth activities in the Highlands and Islands).

Staff

17. The Board appoints its own staff on terms and conditions broadly equivalent to the Civil Service. They have been recruited from central and local government sources and from commerce and industry. The present staff includes a large element with professional background and expertise in the Board's various fields of operations, e.g. accountancy, banking, marketing, hotel management, transport, agriculture, fisheries, regional planning and industrial management. The numbers and gradings of staff are subject to the approval of the Scottish Office and the Treasury.

Consultants

18. In addition to their own professionally qualified staff, the Board make regular use of consultants' services. These have ranged from detailed and expert planning and engineering studies to smaller surveys covering such matters as local labour availability.

Organisation

19. Membership of the Board and the allocation of general responsibilities among Members is as follows:

Chairman	Sir Andrew Gilchrist, KCMG	
Deputy Chairman	Sir James Mackay, KBE, CB	: Board administration, tourism
Full-time members	Prophet Smith	: transport, agriculture, forestry and fishing
	A. Forsyth	: industrial development, promotion, marketing

Part-time members	J. Shaw Grant	: no specific responsibilities
	Col. H.A.C. MacKenzie	: no specific responsibilities
	J.M. Raffan	: no specific responsibilities

20. The chief official is the Secretary to the Board who is responsible for submission of policy issues to the Board, co-ordination of work and implementation of Board decisions. Staff are divided into nine divisions and their broad functions are set out at Appendix I.

Procedure

21. All policy and financial decisions are taken by the Board at formally constituted meetings. These normally take place fortnightly although special meetings may be held at 24 hours notice to deal with urgent matters. The practice is for the division concerned to put before the Board a paper proposing a course of action which may or may not involve the expenditure of money. This paper will be the result of survey work and investigation carried out by Board staff supplemented where necessary by the views of consultants. Where the approval of the Scottish Office and the Treasury are required, negotiations normally take place after the Board's decision in principle to pursue a particular course of action. The circumstances in which the Board must seek statutory approval are set out in paragraph 3 to 5 of this paper; the circumstances in which they must seek approval under the financial terms of their Grant-in-Aid are dealt with in paragraph 25.

Grants and Loans Applications

22. The Board's powers to give financial help by way of grant and loan are detailed in paragraph 6.
23. Applications from businesses are examined by the Board's accountants to assess their viability in a financial sense; they are also examined by qualified staff in the appropriate Division (Tourism,

Agriculture, Fisheries, etc.) to determine their technical soundness and suitability in a development context. Thereafter they are submitted to the Board who decide whether the application should be accepted or rejected.

24. The way in which the Board operates this scheme is governed by Agreed Arrangements with the Secretary of State and the Treasury. These arrangements spell out the terms and conditions on which funds are made available to commercial enterprises and detail the circumstances in which the Board must seek the approval of the Scottish Development Department. A summary of the Arrangements is given in Appendix II.

25. The circumstances in which the Board must seek Scottish Office approval are as follows:

- (a) for projects sited wholly outside the Board's area;
- (b) for applications amounting in total to more than £75,000;
- (c) in any circumstances where the Board wish to go beyond the limited, or over-ride any of the conditions, general or detailed, applying to the Agreed Arrangements

The normal procedure for 'large' cases referred by the Board to the Scottish Office is for S.D.D. to clear cases between £75,000 and £150,000 and for cases in excess of £150,000 to be referred to Treasury and the Department of Trade and Industry (formerly Board of Trade).

FINANCE

General

26. The Board is financed by a Grant-in-Aid borne on the Vote of the Scottish Development Department. The Board's Chairman is Accounting Officer and is publicly accountable, through the usual machinery of the Comptroller and Auditor General and the Public

Accounts Committee, for the day-to-day expenditure of Board funds.

Estimates Procedure

27. In assessing the finance required for the economic and social development of the region the Board follow the usual central Government practice in the preparation of estimates of their requirements. Divisions within the Board each prepare a budget detailing the funds required to meet existing commitments and new work. These budget figures cover general administrative costs, funds required for grants and loans to industrial and commercial concerns, and expenditure on surveys; consultants; construction work; and experimental projects being run by the Board. Final figures are scrutinised and agreed at a meeting of the full Board and are thereafter submitted to the Scottish Office. After negotiation the proposed allocation of funds for the ensuing year is agreed and submitted to Parliament.
28. The Board's Estimate contains four main subheads:
- (i) Administration - covering separately salaries, travelling, general administration and the expenses of the Highlands and Islands Development Consultative Council
 - (ii) Research and Surveys and Publicity - covering the fees of specialists and consultants, industrial promotion, surveys (e.g. mineral resources) and tourist publicity
 - (iii) Grants and Loans to Industry
 - (iv) Projects and Developments - covering the bulk of development work carried out at the Board's own hand, e.g. Hotel Development Scheme, Uist Bulb Scheme, Stornoway fish processing factory, building of factories for lease

Forward Planning

29. The Board's forward estimating is carried out within the framework laid down by the Public Expenditure Survey Committee and forward estimates covering the period to 1975-76 have been submitted to S.D.D. These estimates are subject to the approval of the Scottish Office and the Treasury.

Notes on the Board's Organisation

The Board's staff is organised into nine divisions. The duties of these divisions are given below:-

1. Administration

General policy of the Board, Consultative Council, Secretariat, Personnel, Office Services and Accommodation.

2. Land Development

Advice on capability and economic use of land for agriculture and forestry. Assessment and control of land development projects. Comprehensive rural development schemes.

3. Finance Division

Financial administration including continuing after-care advice and assistance to clients. Financial and management advice to enterprise in the Board's area.

4. Fisheries

Development of fisheries potential, including provision of vessels, training of crews, assistance to processing and ancillary trades, and fish-farming.

5. Industrial Development and Marketing Division

Attracting new industries and industrial enterprises. Advice to prospective entrepreneurs, and investigating the viability of their proposals. Advice on productivity and related matters. Development of craft industries. Promotion of existing and research into, all forms of passenger and freight transport and ancillary services.

6. Information Services

Public relations including press, publications, films. Publicity and advertising.

7. Planning and Research and Community Development

Preparation of plans, both long and short-term, for the development of the region and its separate areas and growth points. Research into, and advice on related problems, including mineral and other resources, urban and rural settlements, and infrastructure. Provision of a regional intelligence service.

8. Tourism

Development of tourism, including accommodation, resources, resorts information centres, regional accommodation booking service and publicity campaigns.

9. Legal Division

All legal advice and service to the Board.

Summary of Scheme of Financial Assistance under the
Highlands and Islands Development (Scotland) Acts 1965 and 1968
(Currently under Revision)

Eligibility

1. Financial assistance by way of loan or grant (Section 8 of the 1965 Act) or the acquisition of shares (Section 2 of the 1968 Act), or any combination of these ways may be given "to any person carrying on or proposing to carry on any industrial, commercial, or other undertaking or any activity which in the opinion of the Board will contribute to the economic or social development of the Highlands and Islands". This, generally means that projects to qualify for assistance should be located wholly or partly within the Board's region. Assistance may be given either for "economic" projects (which will normally be industrial or commercial ventures) or "non-economic" projects (which will normally be for social purposes).

Financial and other Limitations

2. Normally, the Board's scheme is limited to applications where the extent of the total assistance asked for does not exceed £150,000. Applications for larger sums are intended to be submitted, as before, to the Department of Trade and Industry under the Local Employment Acts.
3. No application for a project rejected by the Highlands and Islands Development Board or the Department of Trade and Industry will be re-considered by either body for a period of twelve months.

Assistance for Economic Projects

4. Financial help is divided into normal "removal" and special "supplementary" grants, loans and the taking of shares, or any combination of these forms of assistance.

Normal assistance

5. Building Grant can be applied for at the standard Local Employment Act rate (at present 35% or 45% of approved cost according to circumstances) for new constructions or for extensions or substantial modifications to existing buildings provided there are development implications.
6. Building Loans (of up to 50% of approved cost) can be advanced, repayable normally over a period of up to twenty years for the same kind of work as is eligible for grants.
7. Plant and Equipment Loans, repayable over a period of up to ten years, can be advanced on the cost of essential approved items.
8. Working Capital Loans related to expansion, development or re-organisation and repayable over a period of up to ten years, can be given.

Special Assistance

9. All cases are considered very carefully on their merits, but generally, the Board expect that to be successful, applications for "special" grant-aid, up to a maximum of £15,000, for each project or 20% of the total cost of the project whichever is the greater, must satisfy all the following criteria - given the assistance asked for, the project shows reasonable prospects of eventual economic success; project is not likely to develop or succeed if only "normal" assistance is given; the project is needed to ensure the proper development of the area in which it is to be located. Other factors which are taken into account are whether there are any special cost features (e.g. special training needs not met from normal sources of financial help, high cost of building or equipping because of remoteness) or whether the project is of special significance and potential for the development of ancillary and other enterprises in the area where it is to be located.

Conditions Including Rate of Interest

10. Assistance by way of grant and loan is given on terms and conditions, for example as to interest, comparable with that applicable under the Department of Trade and Industry schemes.

Employment Implications

11. No applications for assistance for an "economic" project can be favourably considered by the Board unless the project results in additional employment for people living in the Highlands and Islands; or is necessary to prevent unemployment in the region. In considering applications the Board must have regard to the amount of assistance requested in relation to the number of new jobs likely to be created.

Assistance for Non-Economic Projects

12. Financial help by way of grant or loan may be made for projects which are non-economic, i.e. which are social or partly social in character.
13. These arrangements are subject to review from time to time.
14. Assistance is subject to an overall limit of £4,000 on any one project. Apart from recreational or social cases which involve S.E.D. aid the Board cannot give assistance if other Government finance is involved. Where S.E.D. assistance has been or is being obtained the Board expect the applicant to match their contribution £1 for £1.

Total Contribution from the Public Sector

15. Assistance from any part of the public sector, including Government Departments and agencies and local authorities, in any one case shall not normally exceed 50% of the overall cost of the project but in exceptional cases the Board may go up to 70% provided that the average over all the cases handled in any year by the Board shall not exceed 50%.

Expenditure

The figures for expenditure to 1970-71 are as follows:

	1965-66 (Exp.)	1966-67 (Exp.)	1967-68 (Exp.)	1968-69 (Exp.)	1969-70 (Exp.)	1970-71 (Exp.)
	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000
Administration	41	140	211	350	424	588
Research, Development & Publicity	5	27	104	211	230	417
Grants and Loans	59	584	1,140	1,603	1,663	1,203
Projects and Developments	-	5	68	143	411	541
TOTAL	105	756	1,523	2,307	2,728	2,749
Receipts		6	94	279	496	700
Grant-in-Aid	106	790	1,400	2,025	2,300	2,000

(Note: The estimated income from receipts (mainly capital and interest payments arising from loans) is taken into account by the Scottish Office in fixing the level of the Board's Grant-in-Aid).

Conditions attached to the Grant-in-Aid

The Board are required to observe conditions which are attached to the provision of their funds by the Scottish Office. These conditions have not altered substantially since the Board was set up: the main ones for the current financial year are as follows:

- (i) approval is required for the transfer of savings from one head to meet excess expenditure on another;
- (ii) approval is required for expenditure on a new service or any new long term financial commitment; and for the write-off of any losses;
- (iii) no additional increase in staff or their remuneration above that agreed may be made without prior approval;
- (iv) the Board must furnish S.D.D. with copies of their monthly account and the approved minutes of meetings of the Board;
- (v) the interest rate charged to borrowers is the prevailing D.T.I. (L.E.A.F.A.C.) rate, and assistance given by way of grant and loan must not on average exceed 50% of the total cost of the projects.