

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

**MINUTE OF THE HIE BOARD MEETING HELD ON TUESDAY 25 OCTOBER 2022, STARTING AT 1300 IN SOLARHUS, LERWICK, AND BY TELECONFERENCE**

**PRESENT (LERWICK)**

Alistair Dodds (*Chair*)  
Stuart Black (*Chief Executive*)  
Amanda Bryan  
Angus Campbell  
Paddy Crerar  
Freda Newton  
Ailsa Raeburn  
Calum Ross  
Anna Salgado

**PRESENT (ONLINE)**

Donald MacRae  
Keith Nicholson

**IN ATTENDANCE (LERWICK)**

Carroll Buxton Deputy Chief Executive  
Sandra Dunbar Director of Business Improvement and Internal Audit  
Rachel Hunter Director of Service Delivery  
Martin Johnson Director of Strategy and Regional Economy  
Nick Kenton Director of Finance and Corporate Services  
David Oxley Director of Strategic Projects  
Katrina Wiseman Area Manager, Shetland  
Adrian Kitson Head of Executive Office  
Elaine Jamieson Head of Food and Drink and Life Sciences, item 4.2

**IN ATTENDANCE (ONLINE)**

Jessie Laurie Head of Enterprise Sponsorship, Scottish Government  
Douglas Cowan Director of Communities and Place  
Chris Roberts Head of Communications  
Liz Taylor Data Protection Officer, item 2.2  
Ruairaidh MacNeil Director of Business Infrastructure 3.1  
Elaine Hanton Project Lead, Cairngorm, item 3.2  
Dave Macleod Head of Property and Infrastructure, item 3.2  
James Palmer Project Manager, Construction, item 3.2  
Andrea Rutherford Head of Policy, Digital Highlands and Islands, item 4.1  
Zoe Laird Regional Head of Communities, item 4.4  
Nicola Ewing Head of Client Products and Services, item 4.4  
Neil Ross Head of Community Growth, item 4.5  
Morag Goodfellow Area Manager, Argyll and the Islands, item 4.5

### **1.1 Welcome and apologies**

The Chair welcomed everyone to the meeting, noting that Board members had found visits to projects in Yell that morning very interesting. Business meetings on Mainland the previous day had also been productive and a Board engagement session in the evening had attracted full attendance at Shetland Museum, enabling open dialogue with businesses and communities. The Chair expressed the Board's thanks to all HIE staff involved in arranging a very worthwhile programme.

Apologies had been received from Board member Belinda Oldfield and Director of HR Karen Moncrieff. The Chair noted that Belinda Oldfield had contacted him to indicate she was content with all the papers and recommendations to be considered at today's meeting.

### **1.2 Declarations of interest**

Angus Campbell noted in interest in item 3.1, *Inverness Campus, sale of Plot 13*, as a member of the Court of the University of the Highlands and Islands. This did not present a conflict.

Alistair Dodds informed the Board that he is an associate member of Coigach Community Development Company. This was noted with reference to item 4.5, *HIE's role and activities in housing*, but was not considered a conflict of interest.

### **1.3 Draft minute of Board meeting held on 30 August 2022**

The minute was approved with some amendments, to be reviewed for sign off by the Chair. The draft note of item 3.3, *Inverness Campus – sale of plot 14b* did not reflect the Board's decision to progress the sale of this land and a payment to Scottish Vet Referrals as two distinct transactions. The wording of an update on the National Strategy for Economic Development (NSET) would be amended to convey the strength of the Board's desire to ensure the benefits of NSET delivery reached all parts of the Highlands and Islands.

### **1.4 Matters arising from the minutes and action grid**

The Director of Service Delivery confirmed that HIE was continuing to work with partner bodies to respond to the impact on businesses of rising energy costs and the position was being kept under review.

HIE's new business innovation programme, approved by the Board in June 2022, had been launched.

A new Board sub-group on Arnish had been established and would hold its first meeting on 8 November. A Cairngorm sub-group was due to be held on the same day.

All other matters arising would be addressed through items on the meeting agenda.

### **1.5 Chair and Chief Executive's update**

Updates were provided on the following matters.

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

- **Green freeports**

The Director of Strategic Projects confirmed the UK and Scottish Governments had yet to announce a decision on green freeports.

*[Paragraph removed due to commercial sensitivity].*

*[Paragraph removed due to commercial sensitivity].*

- **Machrihanish**

*[Sentences removed due to commercial sensitivity].* HIE continued to work with administrators of CS Wind to gain access to the site.

- **This is Remarkable Ltd (TIR)**

The Director of Service Delivery informed the Board that HIE was continuing to take legal advice regarding the winding down of This is Remarkable Ltd and the situation was expected to become clearer in the coming days.

- **HIE's workforce plan**

The Chief Executive provided an update on delivery of HIE's workforce plan, with a focus on young people. Eight graduates and four modern apprentices had recently been recruited to posts across the organisation, bringing in fresh talent and helping to lower HIE's overall age profile. Recruitment continued to be tightly controlled, but there were pressures remaining on HIE's resource budget.

Board members expressed a desire to see HIE attracting staff with a broad range of experience, including the business world and suggested that the graduate programme could include internships. It was agreed that this would be explored as part of work under way to develop training for new recruits.

- **HIE pay award**

The Chief Executive confirmed that a one-year pay award for HIE staff had been agreed with the Scottish Government. This would see those on lower grades receiving a higher percentage increase than more senior colleagues.

- **National Strategy for Economic Transformation (NSET) and strategic context**

The Director of Strategy and Regional Economy confirmed that a Board strategy day had been arranged for 22 November. Members welcomed this, underlining the need for open discussion on a full range of issues to enable the Board to set strategy.

- **All-staff conference**

HIE's all-staff conference would take place as a hybrid event on 9 November, with most staff attending their usual offices to take part in face-to-face workshops and connect digitally with colleagues across the organisation. Board members had been sent invitations and were encouraged to attend all or part of the conference.

- **Chair's update**

The Chair noted that the latest Convention of the Highlands and Islands in Oban had been a productive event, with the tone being set by a presentation on the key findings from HIE's recent lifestyle research, *My Life in the Highlands and Islands*. This study would also inform the upcoming Board strategy day.

The Chair had held a positive meeting with NSET Delivery Board Co-chair Barry White, including discussion on the need to maintain support for traditional sectors and businesses of all size throughout the whole

country. Board members welcomed this, stressing the need for Ministers to be well informed of the considerable growth potential within traditional sectors as well as new industries. The Chair agreed and noted he had also highlighted the need for collaboration across Government teams, as well as between public bodies, along with the importance of UHI which was currently in transition following the Principal's resignation.

A programme of meetings with local authorities was ongoing and continued to be productive.

*[Sentence removed due to data protection purposes].*

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

### **2.1 Financial statement to 30 September 2022**

The Director of Finance and Corporate Services delivered a report and presentation summarising the financial position for the six months of the financial year to 30 September 2022. The presentation included a verbal update on the Scottish Government Resource Spending Review.

Preparation of accounts was progressing well with all subsidiaries now signed off and the joint venture Orkney Research and Innovation Campus (ORIC) expected to be concluded shortly. HIE staff were continuing to work with Audit Scotland on the agency's 2021/22 annual report and accounts. A draft had been considered at the Risk and Assurance Committee in September and it was intended that final accounts would be considered by the Committee on 6 December. The Chair welcomed this, but urged staff to continue to press Audit Scotland to revert to its pre-pandemic timescale that would enable future accounts to be published in the autumn.

The Director reported that capital spend was progressing reasonably and commitment had increased. However, further approvals were required to achieve a balanced outturn by the year-end, particularly to offset gainshare income that HIE had received in relation to broadband rollout. Revenue spend was around 4.5% behind straight line, but there was pressure following a reduction in HIE's baseline budget from Scottish Government *[sentence removed in the interests of the effective conduct of public affairs]*. Commitment and spend would continue to be monitored closely.

The Board welcomed progress in getting closer to straight line expenditure at this stage in the year. In response to questions, the Chief Executive noted that HIE was both encouraging third party projects and pursuing opportunities for own-hand investments, such as property to support economic opportunity, with the aim of maintaining an even pace of spend, as far as possible.

Members highlighted a strategic reserve for fragile areas that had been included in the capital budget, noting that it had been understood this would be for additional investment in these areas rather than funding existing commitments. The Board agreed there was a continuing need to ensure support was being directed as intended towards fragile areas. Members also expressed a desire to see financial transactions being used in addition to grants and loans when appropriate as a further means of providing support to businesses and communities. These could be particularly valuable during a time of fiscal challenge across the public sector. It was agreed that the Director of Finance would provide a report on where and how financial transactions could be used productively while minimising risk.

Present economic challenges meant that many businesses were holding back on investment plans. HIE was responding to this in several ways, including careful monitoring of spend to address the risk of slippage, gearing intervention rates to provide cash when it was most needed during a project lifetime, and delivering infrastructure projects at its own hand to support future growth.

The Chair confirmed that budget discussions were ongoing with the Scottish Government, including direct contact with the Deputy First Minister, and that HIE continued to highlight the impressive scale of economic opportunity in the Highlands and Islands at present. He thanked the Director for his presentation and members for raising issues which would be discussed further at the upcoming strategy day. The Board otherwise noted the financial update.

## **2.2 Data Protection Officer report**

*Liz Taylor joined the meeting.*

HIE's Data Protection Officer reported on compliance with data protection laws, covering the period from 9 October 2021 to 5 October 2022. The Board welcomed this overview and requested a more detailed update at a future meeting, to include information on actions that had been taken and what had been achieved. It was agreed that this would be scheduled for the Board meeting in March 2023.

*Liz Taylor left the meeting.*

## **2.3 Half-year review 2022/23**

*Lorna Gregson-MacLeod joined the meeting.*

The Board considered the half-year update on progress against HIE Operating Plan commitments and targets for 2022/23.

It was noted that most measures were currently behind profile, although a healthy pipeline indicated that most targets could be met by the end of the financial year on 31 March 2023. Nonetheless, members expressed concerns that green targets and measures for fragile areas appeared the most significantly behind target.

The Chief Executive highlighted the impact that economic uncertainty and the cost of living crisis were having across the region, and especially in more remote and fragile areas. Staff in HIE area teams were alert to this situation and the organisation remained committed to supporting businesses and communities in these places, including region-wide initiatives such as the young company investment programme as well as local projects. While private sector appetite for growth had dropped in response to present economic circumstances, HIE was increasing its focus on own-hand investments that would enable ambitions to be supported in future.

The Director of Communities and Place agreed to follow up a question on the present status of the Scottish Land Fund pipeline. The Board also requested that future progress reports of this kind include more context, interpretation and analysis of key findings to inform Board discussion.

Further discussion again emphasised the importance of investing in fragile areas, both to address need and support opportunities in these places, and to continue to work towards a balanced financial out-turn by the end of 2022/23.

*Lorna Gregson-MacLeod left the meeting.*

## **2.4 Risk register**

The Board welcomed the most recent version of HIE's corporate risk register, noting that this had been considered at the previous month's meeting of the Risk and Assurance Committee. The Director of BIIA confirmed that the register would be updated in line with development of HIE's new strategy.

## **2.5 Risk appetite**

The Director of BIA presented updated risk appetite statements for HIE, highlighting changes that had been made to align with NSET, changes in the economic and fiscal environments, application of intervention levels and flexibility on use of budgets. The Board welcomed the update and endorsed the approach being taken by HIE to embed risk appetite in the culture of the organisation. In response to a question from the Chair, concerning a move towards a cautious appetite towards capital and revenue commitment, the Director explained that this reflected the need to adjust appetite to reflect specific conditions during a particular financial year rather than across financial years more generally.

## **2.6 Draft Risk and Assurance Committee minute 20 September 2022**

Donald MacRae, as Chair of the Risk and Assurance Committee, summarised discussions and outcomes from the most recent committee meeting, thanking Committee members for their engagement with a particularly busy agenda.

The agenda had included items on EU claims, This is Remarkable Ltd, sanctions, and HIE's approach to continuous improvement across the organisation. The Committee received updates from Audit Scotland and HIE staff on progress with the preparation of HIE's annual report and accounts, and an independent auditor's report on group companies ORIC, Wave Energy Scotland, HIE Ventures and Cairngorm Mountain (Scotland) Ltd. *[Sentence removed in the interests of the effective conduct of public affairs]*. The Committee had also considered its own schedule of work for 2022/23 and the 2021/22 annual report from HIE's Director of Procurement, which would be published online.

It was also noted that a development session had been held on 4 October to focus on state aid and subsidy. This had been attended by other Board members and Donald MacRae expressed his appreciation to HIE's Subsidy Control Manager, Marie Mackintosh, who had delivered an excellent presentation.

*Anna Salgado left the meeting.*

## **2.7 Review of Remuneration Committee minute, 12 September 2022**

*Carroll Buxton, Douglas Cowan, Sandra Dunbar, Rachel Hunter, Martin Johnson, Nick Kenton, David Oxley and Katrina Wiseman left the meeting when this item was discussed.*

The Board noted the minute of the HIE Remuneration Committee held on 12 September 2022. *[Sentences removed due to data protection purposes]*.

A subsequent meeting, held on 20 October, had considered and approved HIE's annual pay award for the Chief Executive and Directors. The Committee Chair informed the Board that he had asked HIE's Human Resources team to obtain clear direction from the Scottish Government as to the level of discretion that HIE may practise in determining pay and other employment matters, including managing headcount in line with changing resources and priorities. The Committee had also requested more detail from HR in future on each Director's annual performance appraisal, and not only the headline outcome which was what was currently received.

In response to a question, the Chief Executive informed the Board that annual staff turnover within HIE was typically around ten per cent.

Discussions were ongoing regarding contractual pension arrangements.

Paddy Crerar thanked the Director of HR and Committee members for their participation in these meetings and the Board otherwise noted the Chair of the Committee's summary.

*Carroll Buxton, Douglas Cowan, Sandra Dunbar, Rachel Hunter, Martin Johnson, Nick Kenton, David Oxley and Katrina Wiseman rejoined the meeting.*

### **3.1 Inverness Campus – sale of plot 13**

*Ruaraidh MacNeil joined the meeting.*

The Director of Business Infrastructure presented a paper seeking approval to sell 2.09 hectares of Plot 13, Inverness Campus, to the Highland Council for £501,225. The development would effectively implement an earlier proposal by UHI Inverness to establish an all-weather floodlit football / rugby pitch. This was in line with the Campus vision and would be operated to ensure that the wider local community would benefit from the investment.

Sport and leisure formed an important part of the UHI Inverness curriculum and student experience, and the Highland Council had confirmed that arrangements would be put in place to provide capacity for teaching, research and student access. The facilities would therefore enhance the overall attraction of UHI Inverness to students and add to the overall Campus offer.

In response to a question, the Director confirmed that the proposed sale price reflected market value, as assessed by HIE's agents. The Chief Executive also explained that HIE had supported provision of sports facilities in the past, particularly when these had been community-led projects.

In discussion, the Director explained that the sale agreement would give the council three years to begin development of the site and that it would revert to HIE if this did not happen. He also assured the Board that the proposal was for a multi-use site, combining rugby and football, and with potential to be used for other purposes such as shinty and hockey. It also complied with SportScotland criteria. The involvement of HighLife Highland would ensure use by a broad range of ages and abilities.

The recommendation was approved.

*Ruaraidh MacNeil left the meeting.*

### **3.2 Cairngorm – amendment and update**

*Elaine Hanton, Dave Macleod and James Palmer joined the meeting.*

Members of HIE's Cairngorm team updated the Board on a range of matters, including the current status of the funicular reinstatement programme, masterplan progress, the governance and operations of HIE subsidiary Cairngorm Mountain (Scotland) Ltd, and legal issues. In addition, Board approval was requested to reallocate £1,022,848 within the Cairngorm full business case capital budget to meet final costs associated with the completion of funicular strengthening works.

*Anna Salgado rejoined the meeting.*

The Board welcomed assurance that the aim to relaunch the funicular service early in 2023 remained on schedule, with the contractors responding well to weather and technical challenges that continued to arise. The Chair emphasised the need to maintain momentum, without compromising safety or HIE's relationships with contractors. Masterplan progress, including improvements to the car park and sense of arrival, would help ensure a positive visitor experience in the upcoming snowsports season, particularly once the funicular was back in service.

It was noted that CMSL had appointed a new commercial manager and was in the process of recruiting an IT analyst. The company's key performance indicators as a subsidiary of HIE had been reviewed and would be discussed further. The rising cost of electricity would have a considerable impact on the business.

The Board welcomed progress on all these matters. *[Sentences removed due to commercial sensitivity]*.

With funicular reinstatement nearing completion, the Board sought assurance on how CMSL planned to capitalise on the current programme of investment and future masterplan delivery, and focus on commercial activity to attract increasing numbers of customers to Cairngorm. It was agreed that this would be discussed with CMSL at a future Board meeting.

Proposed changes to the CMSL Board were noted and it was agreed that these would be reviewed at the upcoming Cairngorm sub-group meeting of the HIE Board on 8 November, along with an update on legal cases.

The Board thanked HIE staff for the progress they were continuing to achieve in delivering a very complex and challenging programme. The request to reallocate £1,022,848 within the Cairngorm full business case capital budget to meet final costs associated with the completion of funicular strengthening works was approved.

*Elaine Hanton, Dave Macleod and James Palmer left the meeting.*

## 4 UPDATES CUNNTASAN AS ÙR

### 4.1 Digital update: Rosemarie Nicol, Head of Delivery for Digital Connectivity Programmes in Scotland

Due to time constraints, this item was postponed until a future meeting.

#### 4.1b Update on the Inverness and Highland City-Region Deal Digital Project

*Andrea Rutherford joined the meeting.*

The Head of Policy, Digital Highlands and Islands, delivered a paper and presentation on the Inverness and Highland City-Region Deal Digital Project, which was currently at pre-procurement stage. *[Sentences removed due to commercial sensitivity]*.

*[Paragraph removed due to commercial sensitivity]*.

*[Paragraph removed due to commercial sensitivity]*.

*[Paragraph removed due to commercial sensitivity]*.

It was agreed that the Board's comments would be explored and that a revised proposal would be brought back to the HIE Board at the earliest opportunity.

*Andrea Rutherford left the meeting.*

### 4.2 Blue economy

*Elaine Jamieson joined the meeting.*

The Head of Food and Drink and Life Sciences delivered a presentation on HIE's approach to developing the blue economy, including opportunities in marine energy, aquaculture, marine biotechnology, environmental services, and ports and harbours.



The Board welcomed the presentation, noting the scale of ambition and potential growth. In discussion, however, members questioned an assertion that HIE did not have a strategic leadership role in marine tourism, although this was recognised as a significant sector that attracted support from area teams. It would also be helpful to understand barriers to growth in certain areas, including the shellfish sector, and how these could be addressed. Community benefits presented another area where the Board felt more consideration should be given.

It was agreed that opportunities and challenges arising from development of the blue economy would be included for further discussion at the upcoming Board strategy session.

*Elaine Jamieson left the meeting.*

### **4.3 Space sector**

The Director of Strategic Projects updated the Board on current activity within the space sector across the region, including launch projects that were progressing at Unst and in Sutherland.

The Director confirmed that Forres-based rocket manufacturer Orbex was expected soon to announce that it had successfully concluded a £40.5m funding round, a highly significant milestone that would enable it to sign a sub-lease with HIE for land at Melness and progress plans to build and operate a satellite launch site. *[Sentences removed in the interests of the effective conduct of public affairs].*

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

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

*Keith Nicholson left the meeting.*

### **4.4 Communities – reflecting on HIE’s role**

*Zoe Laird and Nicola Ewing joined the meeting.*

The Regional Head of Communities delivered a presentation covering the various ways in which HIE supports communities across the Highlands and Islands. These include direct engagement with clients, service delivery through area teams, policy development, and programme management, including the Scottish Land Fund.

The presentation highlighted third party social enterprise and community investment from 2013 until 2022 and the current availability of grant funds from the Scottish Government, with around £55m due to be distributed through other intermediaries in the coming year. It focused on areas of opportunity, including land and asset ownership, community and local energy, new market development in natural capital, benefits from offshore wind and aquaculture, and government funding for place-based regeneration. Significant population increases in areas that had become community-owned were noted, including Eigg (83% increase), Gigha (85%), Knoydart (73%) and West Harris (49%).

In discussion, Board members stressed the importance of quantifying the scale of opportunity that currently exists for community development across the region, with a particular emphasis on natural capital, asset ownership and the potential to attract further public funding. The Board had been impressed by the quality and ambition of projects they had visited on Yell during the morning, which had underscored the need for communities and place to continue as a prime focus for HIE as the regional development agency.

Noting the availability of potential funding, the Board recognised that there was an opportunity for HIE and South of Scotland Enterprise to work together to demonstrate to government the national benefits that can be achieved from investment in natural capital and income generating assets for communities. With

reference to earlier discussion, the potential role of financial transactions to fund valuable community initiatives was also recognised.

The Board thanked Ms Laird and Ms Ewing for the paper and their presentation.

*Zoe Laird and Nicola Ewing left the meeting.*

#### **4.5 HIE's role and activities in housing**

*Morag Goodfellow and Neil Ross joined the meeting.*

The Area Manager, Argyll, and the Head of Community Growth presented an update on HIE's role and activity around housing. This sought to clarify the importance of housing supply and affordability to businesses and communities across the region; highlight housing-related projects in which HIE has recently engaged, and show how HIE was supporting the evidence base and seeking to influence policy.

Issues associated with housing were present across the region and particularly acute in areas where tourism and second home ownership put pressure on accommodation, presenting a significant challenge for businesses trying to recruit staff. Much of the region's housing stock was older, poorly insulated and off mains gas supply, exacerbating fuel poverty, particularly during the current cost of living crisis.

Although HIE had no statutory remit to support house building, the agency was engaged in tackling housing issues, including acting as a facilitator or broker, partner or co-owner, or increasingly taking a leading role, particularly through population work. Board members were asked to endorse the approach being taken, including the establishment of a housing forum within HIE that will support activity across the organisation and ensure alignment with HIE's operating plan and NSET.

In discussion, Board members strongly supported the view that housing was a very significant factor in economic growth and community development, particularly in supporting employment, and agreed that HIE had a role to play. Issues that needed to be addressed included social housing, private housing and staff accommodation, including options to use modern, modular building techniques. It was noted that the Deputy First Minister had tasked a senior civil servant with examining solutions at the most recent CoHI meeting. Examples of HIE initiatives, including from the Shetland Area Manager, were welcomed and there was a need for new thinking and further action, particularly in collaboration with government, other partner bodies, and employers.

The Board, in thanking Ms Goodfellow, Mr Ross and Ms Wiseman, endorsed the recommended approach and the need for HIE to show regional leadership regarding housing as a key factor underpinning the growth of communities and businesses.

*Morag Goodfellow and Neil Ross left the meeting.*

## **5 ITEMS FOR INFORMATION** **CUSPAIREAN AIRSON FIOSRACHADH**

### **5.1 Any other business**

It was agreed that the next meeting of the HIE Board, on 13 December, would begin with a one-hour session for Board members only.

In response to a request for the November strategy session to be a full day, the Chair said he would explore this with the relevant Director.

There was no other business.

## **5.2 Forthcoming meeting dates**

- The Risk and Assurance Committee will meet in Inverness and online on 6 December 2022.
- The HIE Board will meet in Inverness and online on 13 December 2022.

Chris Roberts  
25 October 2022