

BOARD MINUTE

10 DECEMBER 2024

Highlands and Islands Enterprise

APPROVED



BOARD MEETING
COINNEAMH BÙIRD

**MINUTE OF THE HIE BOARD MEETING HELD ON TUESDAY 10 DECEMBER 2024, STARTING AT 09:45
IN AN LÒCHRAN, 10 INVERNESS CAMPUS, INVERNESS**

PRESENT (INVERNESS) Alistair Dodds (*Chair*)
Angus Campbell (*Deputy Chair*)
Stuart Black (*Chief Executive*)
Allan Clow
Melanie Collett
Simon Cotton
Freda Newton
Ailsa Raeburn
Calum Ross
David Wilson

PRESENT (ONLINE) Anna Salgado
Keith Nicholson

IN ATTENDANCE (INVERNESS)

Sandra Dunbar Director of Corporate Services
Rachel Hunter Director of Enterprise and Community Support
Martin Johnson Director of Strategy and Regional Economy
Karen Moncrieff Director of Human Resources
David Oxley Director of Strategic Projects
Joanna Peteranna Director of Area Operations
Chris Roberts Head of Communications
Andrew Carton Team Leader (HIE), Enterprise Agency Sponsorship, Scottish Government
James Gibbs Director of Freeport Delivery, item 2.3
Iain Bolland Diligence Quality Manager, item 2.3
Charlie Lawrence Head of Property and Infrastructure, items 2.4, 2.5, 2.8
Greg Youngson Property Development Manager, items 2.4, 2.5
Graeme Adair Construction Frameworks Manager, item 2.6
Elaine Hanton Cairngorm Project Lead, items 2.7, 3.1
James Palmer Project Manager, Construction, items 2.7, 3.1
Morven Fancey Head of Housing, Skills and Population, items 3.2, 3.3
Tim Hurst Managing Director, Wave Energy Scotland, item 3.5
Murdo Morrison Management Accountant, item 4.3
James Laraway Business Improvement Manager, item 4.3

IN ATTENDANCE (ONLINE)

Anne-Marie Martin Deputy Director, Regional Economic Development, Scottish Government (from item 1.4)
Graeme Harrison Area Manager, Orkney, items 2.1, 2.2
Harvey Stevenson Head of Strategic Projects, Orkney, item 2.2
Kathleen Stewart Area Team Leader, Innse Gall, item 2.8
[Name removed for data protection] Senior Development Manager, Energy, item 3.4

1 STANDING ITEMS
CUSPAIREAN COTHROMACH

1.1 Welcome and apologies

The Chair welcomed everyone to the meeting. There were no apologies for absence.

1.2 Declarations of interest

Ailsa Raeburn declared an interest in item 2.3 due to her role as a board member of Crown Estate Scotland. It was agreed that Ms Raeburn would leave the meeting when this item was considered.

Angus Campbell and Allan Clow declared an interest in item 2.5 as members of the Court of the University of the Highlands and Islands. It was agreed that they would both leave the meeting when this item was discussed.

As Calum Ross is HIE’s appointed representative on the UHI Court, it was agreed he could remain for discussion on item 2.5, but would leave the meeting before any decision was taken.

The following transparency statements were made in relation to other matters on the agenda. None of these was considered to present a conflict of interest.

Item	Board member / HIE employee	Transparency statement
2.1	Ailsa Raeburn	Board member, Crown Estate Scotland
2.3	Freda Newton	Noted that a fellow director of Jacobite Cruises is also a director of Global Energy Nigg Ltd
3.2	Angus Campbell Allan Clow Alistair Dodds Keith Nicholson Calum Ross	Owner of second domestic property. Owner of second domestic property. Spouse is owner of second domestic property. Owner of second domestic property. Owner of second domestic property.
3.5	David Oxley	Board member, Wave Energy Scotland (HIE appointee)
3.2	Rachel Hunter	Board member, Hjaltland Housing Association

1.3 Draft minute of Board meeting, 29 October 2024

The minute was approved as an accurate record of the meeting.

1.4 Matters arising from the minute and action grid

The Chair clarified that a reference to HIE subsidiary companies in item 4.4 *Delegated authorities* in the 29 October minute had been intended to refer to the recruitment and remuneration of board members, not employees. The following alternative wording to a sentence in paragraph 2 on page 14 was therefore recommended: ‘In addition, the process for appointment and remuneration of board members for group companies should be determined by the HIE Chief Executive in consultation with the Chair of HIE and the Chair of the Remuneration Committee.’ The Board approved this amendment.

The Chief Executive confirmed that the Argyll Growth Deal, which includes funding for Rothesay Pavilion, had been confirmed in the UK Autumn 2024 Budget.

Anne Marie Martin joined the meeting at 09:57.

The Chair informed the Board that the Scottish Government had approved HIE's submission for the Chief Executive's remuneration and thanked the Remuneration Committee, HR team and sponsor team for their contributions to a positive outcome.

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

All other matters arising would be covered under agenda items.

1.5 Chair and Chief Executive update

The Board noted a summary of significant activities and issues that were currently being dealt with by HIE employees and were not covered elsewhere on the agenda. There was discussion on the following items:

- **Legal matters**

The Director of Corporate Services reported that procurement of a legal services framework, led by Scottish Enterprise on behalf of Scotland's three enterprise agencies, had resulted in the four incumbent suppliers being reselected and was currently in the standstill period.

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

- **Scottish COVID-19 Inquiry**

The Board noted that the Scottish COVID-19 Inquiry was under way, with a reporting timeframe expected to last into 2027. HIE's engagement was being led by the Director of Corporate Services and the Director of Enterprise and Community Support, who had met the Chief Executive of the Inquiry team in November. HIE was a core participant in Portfolio 2 – Financial and welfare support to businesses and individuals – and staff were keeping a watching brief on proceedings.

- **Scottish Government commissions**

There had been an increase in the number of Scottish Government commissions linked to Public Service Reform, mostly relating to HIE's future budget requirements and efficiency.

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

- **C S Wind / Machrihanish**

The administration of CS Wind Ltd had concluded with HIE receiving £846k in receipts in the current financial year. Conclusion meant that HIE now had full access to the site and could take forward plans for Machrihanish.

- **Public bodies climate change duties – HIE annual report**

The Board noted the 2023/24 report, showing HIE's performance in meeting climate change responsibilities and planning future actions.

- **Lewis economy**

It was understood that the majority of people laid off by Bakka Frost in Stornoway had been successful in finding positive destinations, including good quality jobs. Spanish company Navantia was continuing to carry out due diligence on its potential purchase of Harland and Wolff, including operations at Arnish.

- **HIE funds – Green Grant / Young Business Capital**

The Director of Enterprise and Community informed the Board that HIE's Green Grant fund was again proving very popular, having attracted 75 expressions of interest. Thirty of these, with a combined value of around £2.2m, were currently at due diligence stage. A further 10 projects that were not eligible for Green Grant funding were being taken forward by area teams as discretionary projects, with an estimated value of £1.1m.

The recently-launched Young Business Capital Fund had generated 41 expressions of interest to date, nine of which, with a total value of around £750k, were proceeding through due diligence. Applications had been received from beyond the Highlands and Islands and these had been referred to the appropriate bodies.

In response to a question, the Director confirmed that HIE shared information on all its support programmes with other support providers, including enterprise agencies and Business Gateway.

- **Community benefit funds and subsidy**

The Director of Corporate Services had followed up on a request from the Board to check the accuracy of information provided at a previous meeting that managing community benefit funds through a public body could be classed as a subsidy. The advice was that the circumstances of each fund would need to be considered case-by-case, with key considerations being the level of control or influence that a public body would have over the use of resources and the purpose to which the fund would be put.

- **Round table on community benefit from transmission**

The Director of Enterprise and Community Support had attended a round table event on community benefit from transmission, hosted by Alasdair Allan MSP, Acting Minister for Climate Action. Communities from across Scotland were represented and representatives from SSEN Transmission took part.

A key outcome was that communities wanted to see flexibility in the availability of both capital and revenue funding over several years. Short-term, annual funding was considered ineffective. There was also a desire for communities closest to places that were generating energy to benefit tangibly from lower energy bills.

- **SSEN Transmission Regional Fund**

The Board noted that HIE had applied to the SSEN Transmission Regional Fund for additional income to support capacity building for communities. Two applications had been submitted – for HIE's *New Start Delivery Resource* and *Support For Communities Framework* programmes. The outcomes were expected early in the new year.

- **Policy update / Scottish Government**

The Director of Strategy and Regional Economy reported that quarterly engagement was ongoing between the Scottish Government and the three enterprise agencies regarding post-school skills reform as outlined in the Withers Review. Further government engagement was planned with employers, which enterprise agencies would help facilitate, and with regional economic partnerships.

HIE was also engaging with the Scottish Government on the forthcoming Rural Development Plan, which will apply to the mainland, and the National Islands Plan, *[part of sentence removed in the interests of the effective conduct of public affairs]*.

The Board welcomed the update and urged staff to continue to make a case for HIE having the skills and experience to take a leading role in the efficient and effective delivery of new government initiatives that would affect the region.

- **HIE all-staff conference and sixtieth anniversary**

Feedback from HIE's successful 2024 all-staff conference had been gathered and discussed by the Leadership Team and follow-up actions were under way. These included making adjustments to the 2025 conference agenda to enable more time for employee participation and networking, and for the Chair and Chief Executive to hold a new mid-year question and answer session via Teams. Plans to mark the sixtieth anniversary of the founding of HIE's forerunner, the Highlands and Islands Development Board were currently in development.

- **Organisational development**

The new Corporate Services directorate had taken effect on 1 December, with Sandra Dunbar as Director and comprising Business Improvement and Internal Audit; Finance, Procurement and Information Systems. Recruitment would start soon for the posts of Head of Audit and Assurance and Head of Finance. Interviews for the new post of Team Leader, Orkney, would take place on 11 December.

Pay policy guidance for 2025/26 had been received from the Scottish Government and was being reviewed by HIE's HR team. The option of a multi-year deal was included.

- **Additional paper on Orbex and space**

David Howie and Peter Guthrie joined the meeting

The Director of Strategic Projects updated the Board on matters concerning Forres-based space company Orbex, which had unexpectedly announced on 4th December that it was pausing development of Sutherland Spaceport and would be moving launch operations to SaxaVord Spaceport on Unst. Despite substantial and ongoing engagement with Orbex, this news had not been expected by HIE and had prompted a very negative reaction from Melness Crofters Estate and others in the local community. There was also significant media interest.

[Paragraph removed due to commercial sensitivity].

The cost of developing Sutherland Spaceport to date was around £9.1m, comprising in round figures: £2m that HIE had invested directly, a further £2m in HIE grant to Orbex, £2.5m from the UK Space Agency (UKSA) and £2.6m from the Nuclear Decommissioning Authority (NDA). HIE had received additional budget of £1.9m from the Scottish Government towards spaceport development costs. *[Sentence removed due to commercial sensitivity].*

HIE had also awarded £825k grant and £675k loan funding in 2020 to support and develop Orbex's manufacturing operations in Forres, where around 150 people were currently employed.

[Paragraph removed due to commercial sensitivity].

[Paragraph removed due to commercial sensitivity].

It was agreed that the Board sub-group on space would be reconvened and a meeting arranged early in the new year.

David Howie and Peter Guthrie left the meeting

- **Chair and Chief Executive engagement**

The Chair noted that two Board engagement sessions had been held, focusing on HIE’s work in Moray and the Inner Moray Firth. He thanked Simon Cotton and Allan Clow for their participation in the Moray event, and Freda Newton and Ailsa Raeburn who took part in the Inner Moray Firth session. Both meetings had generated valuable discussion and feedback had been positive.

The most recent meeting of the Highlands and Islands Regional Partnership (HIREP) had focused to a large extent on regional transformation opportunities which had the potential to generate large numbers of jobs and billions of pounds in investment. Headline figures were expected to be produced by HIE’s Planning and Partnerships team before the end of the year with a view to a report going to HIREP in February. Other matters discussed had included plans for local authorities to implement the new Visitor Levy.

The most recent meeting of the Cairngorm Advisory Group had been largely positive, despite HIE’s disappointment that delays to remediation works meant the funicular railway would not be back in service as planned for the start of the winter snowsports season on 20 December. The meeting had included presentations from Cairngorm Mountain on year-round activities, including the work of the ranger service, and an update from Cairngorms National Park Authority on transport plans in the Glenmore Corridor.

The Chair noted that two new members had been appointed to the board of Cairngorm Mountain (Scotland) Ltd. They were Jaci Douglas, Chief Executive of the Care and Learning Alliance, and Inglis Lyon, former Chief Executive of Highlands and Islands Airports Ltd.

Twelve MSPs and their representatives had attended an engagement session organised by HIE in Edinburgh, focusing on the potential impact of energy opportunities in the region.

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

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

Opportunities in the energy sector had been discussed at a meeting with the Chair and Chief Executive of Crown Estate Scotland.

2 DECISIONS **CO-DHÙNAIDHEAN**

2.1 Orkney Islands Council – Scapa Deep Water Quay – Pre-Construction Services Agreement Costs

Graeme Harrison and Harvey Stevenson joined the meeting.

The Area Manager, Orkney, presented a paper seeking Board approval to award top-sliced, capital funding of up to £5m to Orkney Islands Council for early stage design and construction works on the proposed Scapa Deep Water Quay (SDWQ) under a pre-construction services agreement (PCSA).

Located on a green field site at the eastern end of Scapa Flow, which is the largest natural harbour in the northern hemisphere, the deep water quay would service the deployment needs of the rapidly developing offshore wind sector, particularly the final assembly, marshalling and integration of wind turbines. In addition, both Scapa Flow and the Flotta Oil Terminal had been identified as potential locations for the large-scale production of green hydrogen.

It was intended that HIE’s contribution to the PCSA works, amounting to 80% of eligible costs, would be fully funded through in-year allocation in 2024/25 and 2025/26 from the Scottish Government’s Offshore Wind Investment Programme (OWIP). Key outputs would include the enabling of a major infrastructure

project, green capital investment of £7.2m and 80 job years supported during the PCSA works. An economic impact assessment for HIE had assessed that up to 172 jobs could be supported once the deep water quay was operational.

The Board expressed support for the project, recognising its strategic location and potential to meet the needs of ScotWind developers. In response to questions, the Area Manager explained that plans were in place to establish a special purpose vehicle that would attract and manage investment to meet total project costs that were expected to exceed £250m. It was also noted that, for the project to proceed, a land sale would need to be concluded and planning permission granted.

Members commented on media reports that had indicated a lack of support for the project from within Orkney Islands Council. The Area Manager believed that these related to doubts expressed by a small minority of councillors and were not representative of the local authority's overall position. The Board agreed that HIE had a role to play in encouraging the council's support for the project.

The Board approved the award of £5m grant funding to Orkney Islands Council towards the SDWQ PCSA project. HIE's funding would be covered in full by two in-year additions to HIE's grant-in-aid budget from the Scottish Government in 2024/25 and 2025/26, using the Offshore Wind Investment Programme. The Board's approval was subject to the conditions described in the appraisal paper.

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

2.3 Nigg Inner East Quay

Ailsa Raeburn left the meeting

James Gibbs and Iain Bolland joined the meeting.

The Director of Freeport Delivery presented a paper requesting approval to increase the amount of HIE grant funding awarded to Global Energy Nigg for the development of the inner east quay at Nigg. The Board had approved £7.772m towards this project on 29 October 2024. It was now requested that this award be increased by £2.228m to a new total of £10m, being 32.17% of total eligible cost of £31m.

HIE's funding would be requested from the Scottish Government's Offshore Wind Investment Programme (OWIP) and would support an ambitious project to construct 230m of quayside at the Port of Nigg and create a world-class facility able to compete with major European centres. The project's strategic importance stemmed from its role as the potential load-out and receiving quay for the new Sumitomo subsea cable factory to the east of Nigg and the importance of the Cromarty Firth as a base for offshore wind manufacturing and assembly, serving both UK and international markets.

HIE had initially proposed an intervention rate of approximately 25%, with the remaining 75% coming from the private sector. Following detailed review, however, due diligence had confirmed that £10m was the minimum level of grant support necessary to deliver the project on time and ensure that its full economic benefits were realised at the earliest opportunity. *[Sentence removed in the interests of the effective conduct of public affairs, and due to commercial sensitivity].*

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

The Board approved the request to increase HIE's investment in Nigg inner east quay to £10m, subject to the conditions detailed in the paper, to be funded from the Offshore Wind Investment Programme.

James Gibbs and Iain Bolland left the meeting.

Ailsa Raeburn rejoined the meeting

2.4 Project amendment: Property factoring 2024/25

Charlie Lawrence and Greg Youngson joined the meeting.

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

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

A set of actions to reduce HIE's future exposure to void holding costs had been prepared. These included new strategies for Machrihanish, Arnish and property disposal. The Board welcomed positive news that the planned sale of HIE's vacant property at 9 Fodderty Way, Dingwall, had concluded, and that there was a strong pipeline of transactions that were anticipated to conclude in the next financial year.

In discussion, members highlighted the high cost of insuring the portfolio, which exceeded £500,000 in the current financial year. *[Sentence removed in the interests of the effective conduct of public affairs].*

Responding to a question on HIE's recent property survey, the Head of Property and Infrastructure reported this had been particularly helpful to highlight market failure in some areas. HIE was now looking into potential land acquisition in areas of depopulation and would bring forward a policy proposal linking commercial property with housing provision.

The Board approved the request and agreed that a further meeting would be arranged in the new year, dedicated to the property portfolio.

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

David Wilson left the meeting owing to another commitment.

2.6 Small business units Wick phase 2 (construction)

Graeme Adair joined the meeting.

The Construction Frameworks Manager requested approval to award a contract for the construction of small business units at Wick Business Park at an identified capital cost of £2.25m.

This would be the second phase of small business unit development in this location and part of HIE's wider small business unit programme, which had been initiated in 2020. Phase one, completed in July 2024, had comprised four self-contained units and associated infrastructure, while phase two would create a terrace of four units, each twice the size of those in phase one and capable of being let individually or combined. The project had been included in a programme of upcoming capital projects that had been presented to the Board in August 2024.

In discussion the Board noted that two of the units in phase one currently remained vacant and were assured that a targeted marketing campaign was planned to address this. It was noted that phase two had been substantially redesigned following an exercise that HIE had carried out to learn lessons from implementation of the small business unit programme. The Construction Frameworks Manager acknowledged that there were vacant premises at other locations in the vicinity, but assured the Board that there was good demand for industrial facilities on developed sites.

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

The Board approved the request, subject to HIE's Leadership Team being satisfied that there was evidence to demonstrate market demand.

Graeme Adair left the meeting.

3.1 Cairngorm update

Note: *This update was taken out of sequence to provide context for item 2.7*

Elaine Hanton and James Palmer joined the meeting.

HIE's Cairngorm Project Lead and Project Manager, Construction, provided an update on various matters relating to Cairngorm, with a focus on: the current status of the funicular remediation programme; the return to service process: risks, and the importance of the upcoming winter snowsports season to operating company Cairngorm Mountain (Scotland) Ltd (CMSL).

Regarding the remediation works, Balfour Beatty had reported that grouting was complete and final tensioning under way. Weather on the mountain was very challenging, with the viaduct being affected by snow and ice, but teams from the contractor continued to make progress. A planned visit by Swiss funicular engineers Garaventa, who provided and maintain the funicular carriages and control system, had been postponed as the viaduct would not be ready for the trains to run.

HIE staff were impressing on all relevant parties the need to bring the service back as quickly as possible, keeping in mind the overriding importance of public safety, and HIE's Chief Executive had spoken several times with Balfour Beatty's Managing Director for Scotland, stressing the urgency of the situation and the need to improve on-site productivity.

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

Paperwork was being concluded to appoint two new board members to CMSL.

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

The Board noted progress, thanked staff for their continuing endeavours and requested a further short update before the Christmas / New Year holiday.

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

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

Anna Salgado rejoined the meeting.

Anne-Marie Martin rejoined the meeting.

3 **UPDATES** **CUNNTASAN AS ÙR**

3.2 HIE's role in housing

Morven Fancey joined the meeting.

The Head of Housing, Skills and Population presented an update and discussion paper on HIE's role in housing, which was identified as a major issue in the agency's 2023-28 strategy.

The paper reported a serious shortage of rural housing across the region that amounted to a crisis in several areas. There were multiple reasons behind this, and the solutions were challenging. HIE recognised the acute interplay between economic opportunities, housing and population and was supporting rural housing across a number of areas and projects. The agency was also leading the Highlands and Islands regional Economic Partnership (HIREP) Housing Subgroup and engaging with the Scottish Government and key stakeholders at the national level.

Housing shortages could constrain the region's ability to realise fully the wealth of economic opportunities that were currently developing in the region and risked exacerbate depopulation, particularly in remote rural and island communities. There was a strong strategic rationale for HIE to be involved in housing, acting in three roles as leader, co-owner and broker-facilitator.

It was recommended that HIE should continue to: press government for changes to funding and regulation; play a key role in the work of HIREP; and be a keen participant in community-led local housing projects. Further actions would be required, however, to make a difference in the short to medium term and the paper included an action plan, with a focus on addressing the housing problem in HIE's designated inclusive growth focus areas.

The Board expressed strong support for the recommendation that HIE should take a more significant and more proactive role in housing. In discussion, members highlighted the importance of local contractors and access to utilities, as well as the potential for the Scottish National Investment Bank to become more involved. Construction skills and training was another area that required attention.

It was agreed that HIE had been successful in its dealings with government at conveying the importance of housing's role as an economic driver and enabler, particularly in rural and island areas, and this should continue. *[Sentence removed in the interests of the effective conduct of public affairs, and due to commercial sensitivity].*

While there was some support for the idea of establishing a rural housing agency, it was agreed that urgent, meaningful actions were a more immediate priority. The issue of land banks was raised and it was noted that local authorities were playing a key role in trying to stimulate development.

The Board thanked the Head of Housing, Skills and Population for an exceptionally well-considered and innovative take on a challenging subject.

3.3 Rural and island childcare

The Board welcomed an update on HIE's approach to rural and island childcare, which was essential to support the delivery of effective economic and community development in the region.

Childcare and the care sector more broadly were discussed regularly at the Convention of the Highlands and Islands and HIREP, which had established a sub-group for childcare, chaired by Moray Council. HIE recognised national models of delivery and a more flexible approach to childcare in rural and island communities and was engaged positively on this issue with the Scottish Government and a range of other partners.

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

The Board discussed the issues raised in the paper and thanked the Head of Housing, Skills and Population for the essential work that was being taken forward to address childcare needs across the Highlands and Islands, and which was essential in developing the economy and sustaining communities.

Morven Fancey left the meeting.

3.4 Offshore wind operations and maintenance projects

[Name removed for data protection] joined the meeting.

The Senior Development Manager, Energy, provided an overview of the large-scale economic opportunity that offshore wind operations and maintenance (O&M) activity offers to the Highlands and Islands. This report followed an earlier mapping of manufacturing and marshalling opportunities arising from the offshore wind project lifecycle.

The ScotWind and Innovation and Targeted Oil and Gas (INTOG) leasing rounds presented an enormous opportunity for the Highlands and Islands, particularly for ports and harbours that will play a fundamental role in manufacturing, deployment, and maintenance. O&M activities had an important role in ensuring safety, maximising energy production, extending asset lifespan and reducing costs in offshore wind projects.

Analysis of existing ScotWind projects estimated that 63% of projects were likely to have their O&M base within the Highlands and Islands, which could lead to significant levels of investment and job numbers. Investment in ports across the region would be required to ensure they were able to capture the anticipated benefits.

The Board welcomed the update, which demonstrated the scale of the present opportunity and how benefits arising from offshore wind development could be captured in many different locations around the Highlands and Islands. In discussion, it was acknowledged that proximity to wind farm sites would be a significant factor in giving Highlands and Islands ports and harbours an edge in a highly competitive marketplace and HIE was engaging with developers to understand their needs and promote the region's advantages.

In response to a question, the Chief Executive confirmed that HIE would explore how best to ensure community benefits were delivered at an appropriate level from port investments, noting that several already operated as trusts. The Board highlighted the importance of skills provision and were assured that HIE was working with partners to address this issue.

The Board thanked the Senior Development Manager for her paper and presentation and answers to questions relating to this area of significant opportunity.

[Name removed for data protection] left the meeting.

3.5 Wave Energy Scotland (WES)

Tim Hurst joined the meeting.

The Managing Director of Wave Energy Scotland (WES) updated the Board on the HIE subsidiary's progress and delivery of projects within its technology innovation programme and other key areas.

Since being formed by HIE at the invitation of the Scottish Government in 2014, WES had revitalised Scotland's wave energy sector. Sixty-one technologies had been selected for its flagship technology innovation programme, with 15 completing. Two Scottish-based companies, Mocean Energy and AWS Ocean Energy, had demonstrated scaled versions of their devices in seas off Orkney and more public support was now needed for large-scale demonstration so that developers could progress to the point where they can attract market support and move into commercialisation.

Early findings from research commissioned by WES indicated that Scotland's wave sector had the potential to achieve around £20bn GVA and deliver 40,000 jobs by 2050, contributing to national net zero targets and energy security. *[Sentence removed in the interests of the effective conduct of public affairs, and due to commercial sensitivity].*

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

The Board expressed appreciation to the Managing Director for the significant progress that WES had made under his leadership in its first 10 years and endorsed the importance of supporting the sector in Scotland to progress into a commercial phase. *[Sentence removed in the interests of the effective conduct of public affairs, and due to commercial sensitivity].*

Tim Hurst left the meeting.

4.1 Performance update

The Director of Strategy and Regional Economy summarised HIE's performance against targets for the period 1 April to 26 November 2024.

In summary, the report demonstrated further progress since the half-year point against the majority of HIE's in-year measures, including innovation and productivity and measures relating to employment support. Taking pipeline activity into account, most targets appeared achievable by the end of the financial year, although those relating to productivity and jobs (particularly green jobs) appeared to be most at risk of falling short.

The Board thanked the Director and the Planning and Partnership team for the report.

4.2 Corporate Services directorate

The Board noted organisational changes that had been implemented following the resignation of the Director of Finance and Corporate Services. From the start of December, the former Business Improvement and Internal Audit Directorate had been renamed Corporate Services and will incorporate most of the functions that previously fell under the Finance and Corporate Services Directorate.

Preserving a strong and independent audit and assurance capability remained paramount and a Head of Audit and Assurance role had been established and advertised internally, with a view to an appointment being made during December. A new Executive grade post of Head of Finance had also been agreed, reporting to the Director of Corporate Services. This post will be advertised early in the New Year.

The Board thanked the Director of Corporate Services for the update, and for taking on this new role, and were reassured that appropriate governance arrangements had been put in place following the resignation of the Director of Finance and Corporate Services.

4.3 Financial statement to 30 November 2024

Murdo Morrison joined the meeting.

The Director of Corporate Services and the Management Accountant presented the financial statement to 30 November, which had been prepared in a new format for greater clarity.

Capital spend was 25.9%, behind the straight line target of 66.8% and approved commitment was £4.37m below target, largely due to significant income having been received from BT clawback and sale of shares. It was noted, however, that diligence required to be concluded on several complex projects and projections indicated there was capacity for HIE to spend its budget by the end of the financial year.

Revenue spend was only slightly behind straight line, at 60.8% and projections for approved and pipeline activity indicated sufficient commitment to meet budget. *[Sentences removed in the interests of the effective conduct of public affairs, and due to commercial sensitivity].*

In the final third of the financial year, increased active management of activity was required to achieve a balanced budget and a flexible approach and agile reprofiling of budgets would be applied across HIE to manage the inevitable changes that affect project activity and cashflow requirements.

The Board noted the statement and welcomed the revised format.

Murdo Morrison left the meeting.

4.4 Annual report and accounts 2023/24

The Board welcomed conclusion of HIE's Annual Report and Accounts 2023/24, noting that Audit Scotland had returned an unmodified opinion. In line with provisions in HIE's Framework Document, the report and accounts had been approved by the Risk and Assurance Committee on 19 November and signed by the HIE Accountable Officer and Audit Scotland Audit Director prior to being laid in the Scottish Parliament.

The Director of Corporate Services informed the Board that discussions were under way with Audit Scotland concerning production of the upcoming Annual Report and Accounts 2024/25, with the intention of shortening the timescale and achieving earlier completion. The Board fully endorsed this action.

4.5 Scottish Government budget 2025/26

The Director of Corporate Services provided an update on HIE's indicative budget allocation from the Scottish Government for 2025/26, noting that the final figure was dependent on the budget passing through parliament.

In summary, HIE's total allocation for the year would be £56.255m, representing an overall rise of 2.7% from 2024/25. This comprised an increase of 8.8% capital to £25.245m, a modest 0.5% rise in revenue to £28.01m, and a reduction in non-cash budget of 18.8% to £3m. This was considered a generally positive settlement in the present, highly challenging fiscal environment.

The Board noted the position and emphasised the importance of HIE and the Scottish Government continuing to work together effectively, including initiatives that required additional government funding, such as Wave Energy Scotland and local development officers.

4.6 Corporate risk register

James Laraway joined the meeting.

The Director of Corporate Services presented the latest Corporate Risk Register, highlighting that the level of risk associated *[part of 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 noted the updated corporate actions being taken in relation to risk.

James Laraway left the meeting.

4.7 Risk and Assurance Committee verbal update, 19 November 2024

Angus Campbell, as Chair of the Risk and Assurance Committee, provided a verbal report on matters discussed at the most recent meeting, held on 19 November 2024, including changes to HIE's organisational structure, the audit process, the European Regional Development Fund *[part of sentence removed in the interests of the effective conduct of public affairs]*.

4.8 Risk and Assurance Committee terms of reference

The Board approved revised terms of reference for the Risk and Assurance Committee. These had been agreed by the Committee on 19 November and were presented to the Board for approval in line with standing orders.

5 ITEMS FOR INFORMATION CUSPAIREAN AIRSON FIOSRACHADH

5.1 Marketing and Communications strategy

The Board noted progress in delivery of HIE's 2023-25 marketing and communications strategy as well as priorities for the coming six months. Members commented that it was important for communications to cover HIE's actions across all parts of the region and noted that newsletters from area teams in Caithness and Sutherland and Lochaber, Skye and Weter Ross were helpful.

5.2 Highlands and Islands regional economic strategy

The Board noted the contents of the draft 10-year Highlands and Islands Regional Economic Strategy, which had been developed collaboratively by HIREP partners.

5.3 Any other business

As this was the final Board meeting of 2024, the Chair thanked Board members, HIE's Leadership Team and Scottish Government colleagues for their endeavours throughout the year.

There was no other business.

5.4 Forthcoming meeting dates

- HIE Board meeting – An Lòchran, Inverness Campus – 25 February 2025
- Risk and Assurance Committee – 18 March 2025

Chris Roberts
Head of Communications
10 December 2024