

BOARD MINUTE

29 AUGUST 2023

Highlands and Islands Enterprise



BOARD MEETING
COINNEAMH BÙIRD

**MINUTE OF THE HIE BOARD MEETING HELD ON TUESDAY 29 AUGUST 2023, STARTING AT 09:00
IN AN LÒCHRAN, INVERNESS AND ONLINE**

PRESENT (INVERNESS)

Alistair Dodds (*Chair*)
Stuart Black (*Chief Executive*)
Amanda Bryan (items 1.1 – 3.3)
Angus Campbell
Simon Cotton
Freda Newton
Belinda Oldfield
Ailsa Raeburn
Calum Ross
David Wilson

PRESENT (ONLINE) Keith Nicholson

IN ATTENDANCE (INVERNESS)

Carroll Buxton	Deputy Chief Executive (items 1.1 – 2.5)
Douglas Cowan	Director of Communities and Place
Sandra Dunbar	Director of Business Improvement and Internal Audit
Martin Johnson	Director of Strategy and Regional Economy
Nick Kenton	Director of Finance and Corporate Services
Karen Moncrieff	Director of Human Resources
David Oxley	Director of Strategic Projects
Anne-Marie Martin	Deputy Director, Regional Economic Development, Scottish Government (items 1.1 – 2.8)
Andrew Carton	Team Leader (HIE), Enterprise Agency Sponsorship, Scottish Government
Tim Hurst	Managing Director, Wave Energy Scotland, item 2.2
Lorna Gregson-MacLeod	Head of Planning and Partnerships, items 2.3, 3.3
Neil Gray MSP	Cabinet Secretary, Wellbeing Economy, Fair Work and Energy, item 2.4
Ruaraidh MacNeil	Director of Business Infrastructure, item 2.5
Dave Macleod	Head of Property and Infrastructure, item 2.5
Audrey MacIver	Director of Energy Transition and Net Zero, item 2.7
Claire Wilson	Senior Development Manager – Energy Supply and Infrastructure, item 2.7
Greg Paterson	Development Manager, item 2.7
David Howie	Head of Strategic Projects, item 2.8
Michael O'Donnell	Senior Development Manager, item 2.8
James Laraway	Business Improvement Manager, items 3.6, 3.7

IN ATTENDANCE (ONLINE)

Rachel Hunter	Director of Enterprise Support
Adrian Kitson	Head of Executive Office
Andrea Rutherford	Head of Policy, Digital Highlands and Islands, item 2.1
Robbie McGhee	Deputy Director, Digital Connectivity, Scottish Government, item 2.1(b)

1 STANDING ITEMS CUSPAIREAN COTHROMACH

1.1 Welcome and apologies

The Chair welcomed everyone to the meeting, including Scottish Government Deputy Director, Regional Economic Development, Anne-Marie Martin, who was present at her first HIE Board meeting, and Andrew Carton, Team Leader (HIE), Enterprise Agency Sponsorship, Scottish Government – both of whom were attending in person. He noted that the Board would be joined for discussion after lunch by Neil Gray MSP, Cabinet Secretary for Wellbeing Economy, Fair Work and Energy, who would also be helping to launch HIE’s new five-year strategy, which was due to be published the following day, Wednesday 30 August. The Cabinet Secretary had joined Board members and HIE staff the previous evening for a productive discussion focusing on renewable energy opportunities.

Apologies had been received from Anna Salgado.

1.2 Declarations of interest

Ailsa Raeburn declared an interest in Sumitomo, which was referenced in item 1.3 *Draft Minute of the Board meeting of 27 June 2023* and item 1.5 *Chair and Chief Executive’s update*, due to her involvement as a board member of Crown Estate Scotland. It was agreed that she would leave the meeting when this project was discussed. The Chair informed the Board that Amanda Bryan, who had previously declared an interest in this project for a similar reason, was no longer on the board of Crown Estate Scotland.

The following Board members and HIE directors made transparency statements in relation to items on the agenda. None of these was considered to present a conflict of interest.

Board member	Item	Transparency statement
Ailsa Raeburn	4.2	Chair of Isle of Eigg Heritage Trust, included in quarterly approvals list.
Calum Ross	1.5	General interest in tourism sector including Destination Management Organisations, which are referenced in the Chair and Chief Executive’s update.
Freda Newton	-	General interest in tourism sector.
David Oxley	2.2	Board member, Wave Energy Scotland

1.3 Draft minute of Board meeting held on 27 June 2023

The Chair highlighted four sentences that required amendment. The Board agreed that the minute was otherwise a true and accurate record that could be signed off by the Chair once these changes were made.

1.4 Matters arising from the minutes and action grid

A report on economic benefit generated by Gaelic had been circulated to the Board as requested. Other matters would be addressed under item 1.5, *Chair and Chief Executive’s update*.

The Chair observed that HIE had not yet received its annual Letter of Guidance from the Scottish Government, which would inform the agency’s 2023/24 Operating Plan. The Deputy Director, Regional Economic Development, Scottish Government, agreed to pursue this matter.

1.5 Chair and Chief Executive’s update

Updates were provided on the following matters:

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

The Director of BIIA updated the Board on HIE's involvement in the Business Support Partnership (BSP), including leading on potentially transformational data solutions that could deliver improvements and make the support landscape easier for Scottish businesses to navigate. Effective collaboration would be vital to success and HIE welcomed the fact that the Scottish Government Director of Digital had joined the BSP steering group.

The Director of Enterprise Support informed the Board that HIE had led on creating a best practice guide for support services across the public sector. This was expected to be published shortly.

The Board commended HIE for its approach to business support and willingness to lead on best practice and collaboration with government and other public bodies.

- **Destination Management Organisation (DMO) funding**

The Director of Enterprise Support confirmed that a £3m support package for Destination Management Organisations (DMOs) in response to Covid impacts would conclude during 2024-25. The package had been introduced as a temporary measure and, following consultation, HIE's Leadership Team had agreed that the agency would no longer provide core funding (general running and operating costs) for these organisations.

DMOs will remain eligible to apply for HIE products and programmes such as graduate placements, innovation support and digital advice, as well as ongoing non-financial support to aid transition to sustainable, commercial business models. In addition, HIE will continue to recognise and provide input to Tourism Partnerships and the Regional Economic Partnership to engage and influence strategic tourism destination development.

Discussion focused on future business models, including the potential to tap into alternative funding sources and the scope for some existing DMOs to merge. It was noted that HIE had previously arranged a gathering of DMOs to focus on sustainability and the Board agreed that a follow-up event should be arranged.

- **Green Grant fund**

The Director of Enterprise Support reported that almost 200 expressions of interest in the Green Grant Fund had been received by the closing date of 4 August and due diligence was currently under way on eligible applications that HIE wished to take forward. While demand had been high, there was a need to ensure clients provided necessary information by an agreed cut-off date as the £2m budget would have to be spent by the end of March 2024. Given the popularity of the fund, it was possible that a request for additional funding could be brought to the Board later in the year, enabling the programme to continue into 2024/25.

The Deputy Chief Executive noted that the fund had also been useful in identifying some valuable projects that did not meet its criteria, but could be supported by HIE in other ways.

The Board welcomed the update and asked to see a geographical analysis of projects, including those that had applied for Green Grant funding but were being supported by other means. This was agreed.

- **Artificial intelligence (AI)**

The Director of Enterprise Support updated the Board on measures being taken by HIE staff to understand fully the opportunities and risks presented by the increasing role of artificial intelligence, including its potential to improve business productivity and transition to net zero, both for HIE and its clients. A report had been considered recently by Leadership Team and an action plan was being prepared for the Board.

Members welcomed HIE's approach. It was agreed that the Leadership Team paper would be circulated to Board members and the action plan presented by December 2023.

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

- **Machrihanish**

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

The Director of Communities and Place informed the Board that HIE was continuing work to ensure premises were wind- and water-tight and suitable for a range of potential users. *[Sentence removed in the interests of the effective conduct of public affairs, and due to commercial sensitivity].*

- **Food and Drink TechHUB / Science Skills Academy**

The Director of Strategic Projects updated the Board on plans for the Food and Drink TechHUB project which is part of the £10m Northern Innovation Hub in the Inverness and Highland City-Region Deal.

[Paragraph 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].

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

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

- **HIE's Gaelic plan**

The Director of Communities and Place confirmed that HIE's latest Gaelic Plan had been approved by Bòrd na Gàidhlig and was due to be published in the next fortnight.

- **Space**

The Director of Strategic Projects reported on space activities in the region. *[Sentences removed in the interests of the effective conduct of public affairs, and due to commercial sensitivity].* A spaceport licence was anticipated in the coming weeks and two companies that planned to launch from SaxaVord had already obtained their licences.

Sutherland Spaceport was also progressing well. *[Part of sentence removed in the interests of the effective conduct of public affairs, and due to commercial sensitivity],* several hundred metres of road had been built and plans were under way to install the launch pad. HIE's relationship with Orbex remained strong and the company's first claim was due shortly. HIE had also submitted a claim to the Nuclear Decommissioning Agency and expected the project to achieve a balanced financial out-turn this year.

It was noted that Orbex now planned to construct smaller buildings on site than had originally been designed, with the result that a further planning application could be required.

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

- **Skills landscape**

The Director of Strategy and Regional Economy confirmed that HIE continued to liaise with the Scottish Government and partner bodies following publication of James Withers's independent review of the skills delivery landscape. Updates would be given at future meetings.

- **HIE's workforce planning**

The Director of Human Resources reported that HIE had received the Scottish Government's pay offer and was now considering what a two-year pay deal would look like for HIE. A strict vacancy management approach had been maintained through HIE's Workforce Planning Forum, generating savings that would help to make the pay deal affordable and sustainable.

- **Housing**

The Chief Executive had chaired one meeting of the Housing sub-group of the Regional Economic Partnership and a second meeting would take place on 30 August. Participation at the first meeting had included the Scottish Government, local authorities, housing associations and the Scottish Building Federation. This had been a positive meeting, focusing on housing for employment and economic activity and exploring ways to accelerate provision, including modular construction, small scale housing development and support for communities.

Board members commented on the importance and complexity of housing as an issue that is presently constraining rural economic development. It was agreed that it would be useful to seek discussion with Scottish Government ministers across a range of portfolios and to raise this topic with the Cabinet Secretary for Wellbeing Economy, Fair Work and Energy during today's meeting.

- **Chair and Chief Executive's engagement**

The Chair had spoken with the Director of Marine Scotland regarding highly protected marine areas (HPMAs) and the role that HIE could play.

A positive meeting had taken place with the Minister for Small Business, Innovation and Trade. This had focused on HIE's performance, highlighting the role of economic development in creating jobs and breaking the cycle of deprivation in society.

The Chair and Chief Executive had discussed public service reform with the Minister for Community Wealth and Public Finance.

Initial meetings with the Cabinet Secretary for Wellbeing Economy, Fair Work and Energy had been productive and helpful in developing a positive working relationship.

Meetings with the Chair and Chief Executive of HIE subsidiary Cairngorm Mountain (Scotland) Ltd had focused on working towards a sustainable budget. The Cairngorm Advisory Group had met in Aviemore and appeared to be working well, with constructive input from HIE, CMSL, local business and community leaders, sports and environmental organisations, the national park and local authority.

The Chair had met the Chair and Chief Executive of Sumitomo at Nigg during a visit by King Charles in August.

Board appraisals were under way and members would be contacted individually thereafter to agree the formal appraisal outcomes.

Under standing orders, the Chair has the power to appoint a deputy. Angus Campbell had been asked to take on this role and had accepted. The Board welcomed this appointment, noting that it would need to be confirmed formally by the Cabinet Secretary.

2 UPDATES CUNNTASAN AS ÙR

2.1 Digital

Andrea Rutherford joined the meeting.

a) Programme update

The Head of Policy, Digital Highlands and Islands, presented an update on HIE's digital strategy including priority workstreams for the coming years.

[Paragraph 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].

Lastly, the paper outlined digital themes and workstreams that would contribute to HIE's vision for the Highlands and Islands as a leading net zero region with a dynamic wellbeing economy which benefits its growing population and makes a valued contribution to Scotland. The workstreams would focus on three areas: identification of issues and priorities; supporting innovation to reduce the digital divide, and influencing to maximise investments by others.

Board members agreed that modern digital connectivity was vital to underpin economic and community development and support delivery of HIE's new, five-year strategy. Indeed, with many public services, including healthcare, increasingly being delivered digitally, good connectivity was becoming essential for day-to-day living in rural communities. It was observed that there could be opportunities to partner with utilities providers, including Scottish Water and SSEN, to explore the potential to roll out improvements as efficiently and cost-effectively as possible. Recent initiatives by the Marine and Coastguard Agency to equip vessels with broadband should also be investigated. HIE staff agreed to pursue these recommendations.

The digital strategy's greater emphasis on rural mainland areas and islands was welcomed. The Board urged HIE staff to continue to recognise the role of mobile connectivity, particularly 4G, which could provide an effective solution in some hard-to-reach areas. An update was also requested from Ofcom, particularly to follow up on points raised Board members in discussion with Ofcom representatives in February 2023.

The Board thanked the Head of Policy, Digital Highlands and Islands, for the update and endorsed the direction of travel. It was noted that further updates would be provided by the end of the financial year, at which time the Board would require clarity on expected outcomes from any investment proposals.

b) Deputy Director, Digital Connectivity

Robbie McGhee joined the meeting virtually.

The Scottish Government Deputy Director, Digital Connectivity, delivered a presentation highlighting a range of initiatives that aim to improve infrastructure and service provision throughout Scotland.

This covered progress made in delivering broadband coverage across the country since 2016, including rollout of the R100 programme to maximise the reach of broadband and investment in subsea cabling between the mainland and islands. *[Sentence removed in the interests of the effective conduct of public affairs].*

The presentation also looked at Project Gigabit, a UK Government initiative to deliver gigabit broadband to the hardest to reach 20% of UK premises, for which the Scottish Government was leading on supplier engagement and procurement in Scotland.

Another key project was S4GI, the Scottish 4G infill programme, which was investing £28.75m, including £11.27m ERDF, to deliver infrastructure and services in 55 locations. This five-year project aimed to complete in September 2023.

In discussion, the Board asked why R100 uptake remained low and requested a breakdown showing figures for both domestic and business customers. The Deputy Director acknowledged the low level of uptake and said the factors behind this were being explored with Openreach. The government was keen to work with HIE and SOSE to understand barriers and ensure potential customers fully understood the benefits.

Board members expressed the view that IT is now a utility, essential for people in rural areas and elsewhere to access a range of public services including healthcare. Improvements that commercial providers were able to deliver in urban areas were expanding the digital divide, with landlines being switched off and modern communications systems becoming ever more reliant on faster broadband to operate effectively. While investment in infill services was welcomed, systems had to be more resilient to reduce the risk of failure. While the cost of alternatives such as low-Earth orbit satellites may be reducing, these were not wholly reliable, with service quality prone to weather disruption.

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

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

[Sentence removed in the interests of the effective conduct of public affairs]. In the meantime, the Scottish Government recognised difficulties faced by people in rural areas and was pressing to leverage greater benefits from build while also being keen to work with enterprise agencies to promote R100 vouchers.

The Chair thanked the Deputy Director for his presentation and engagement with the Board. He stressed that strong digital connectivity was paramount for all parts of the Highlands and Islands and it was essential to keep pushing into more difficult areas, including through more effective promotion of the voucher scheme HIE was already collaborating well with the Scottish Government on this issue and would continue to do so.

Andrea Rutherford and Robbie McGhee left the meeting.

2.2 Wave Energy Scotland (WES)

Tim Hurst joined the meeting.

a) Programme update

The Managing Director of Wave Energy Scotland delivered a presentation on progress achieved by the HIE subsidiary since its inception in 2014 to support the growth of Scotland's wave energy sector through research and development.

The first phase of the WES technology programme was coming to an end following completion of five technology workstreams. The programme had involved 300 organisations from industry and academia, included 132 individual R&D contracts with a total value of £50m, and delivered 15 mature technologies. Although Scottish Government funding was confirmed until the end of March 2026, this had been intended to support only one wave energy technology and the programme has produced two, led by Scottish companies AWS Ocean Energy and Mocean. WES was now in discussion with the Scottish Government to seek additional funding to 2030 to support each company to develop a commercial product.

The €22.7m EuropeWave project, funded through the European Commission's Horizon 2020 programme, was being led by WES with the Basque Energy Agency (EVE) and Ocean Energy Europe. The partners had completed phase 2 as well as phase gate evaluations for entry to phase 3 which would fund the three most promising wave technologies to design, construct and test a scaled wave device in real sea conditions.

Future WES programmes will build on progress, including examining how WES-funded technology can be integrated with other offshore renewables, such as floating wind. WES will also maintain a focus on emerging technology that could become the next generation of innovation through the support of early-stage R&D, including some technologies that had not been sufficiently mature to be taken forward earlier in the programme but had shown long-term potential.

b) EuropeWave Phase 3

The final phase of EuropeWave was due to get under way in September and run until May 2026, consisting of detailed design, fabrication and deployment and one year testing wave energy devices in open waters. Funding had been approved by the Scottish Government as part of the WES budget to 2026. The maximum WES contribution to EuropeWave was €3.78m over all three phases, with the maximum contribution for phase 3 being €2,605,950. This had been approved by the HIE Board in June 2023.

The partners, supported by independent assessors, had completed evaluations for entry to the third and final phase of the programme, with the top three bidders being CETO Wave Energy Ireland; Mocean Energy, and IDOM Consulting. As delegated by the HIE Board, on 14 August 2023 the HIE Leadership Team had approved WES's request to notify contractors and begin the contracting process.

The Board discussed several matters arising from these updates. It was impressive that WES had succeeded in taking two technologies to prototype stage and important to continue to work towards commercialisation. Ambitions to integrate wave devices with offshore wind and other technologies and the potential future role of direct generation technology were noted. On the question of budget, the WES Managing Director indicated that an update to the Scottish Government's Energy Strategy, due in December 2023, would be critical in setting direction for the sector.

The Board congratulated WES on its achievements to date, welcomed progress with EuropeWave Phase 3, and thanked the Managing Director for a clear summary of the company's current position and future ambitions.

Tim Hurst left the meeting.

2.3 HIE Strategy 2023-28

Lorna Gregson-MacLeod joined the meeting.

The Board welcomed HIE's 2023-28 strategy which had been finalised and was due to be published the following day. The Chair thanked the Director of Strategy and Regional Economy and the Head of Planning and Partnerships for their work, highlighting the high levels of input from Board members and HIE staff. External engagement, including partner organisations and young people, had also played a positive role in shaping a relevant and readable strategy that would support staff across HIE to deliver the Highlands and Islands' and the organisation's priorities.

In response to a question, the Chief Executive confirmed that measures were already being applied to track progress in delivering the strategy and reminded the Board that members were welcome to participate, in person or virtually, in the all staff conference, to be held in November.

2.4 Cabinet Secretary for Wellbeing Economy, Fair Work and Energy

Neil Gray MSP joined the meeting.

The Board welcomed the Cabinet Secretary, who was attending his first meeting of the HIE Board. This followed an informal engagement session with Board members the previous evening, focusing on matters relating to energy.

The Chair outlined HIE's strong performance in 2022/23, noting commitment to partnership and fair work results and emphasising the need for the agency to continue moving forward. He described once-in-a-generation opportunities across a range of economic sectors that would enable the region to contribute to Scotland's prosperity, while also highlighting constraints with issues that HIE was willing to play a role in tackling, including housing, transport, digital connectivity and skills.

The Chief Executive made reference to HIE's new five-year strategy, focusing on the four pillars of people, place, planet and prosperity and cross-cutting themes including population growth, fair work, and generating community and economic benefit from just transition to net zero.

The Cabinet Secretary was pleased to have the opportunity to engage with the Board and commented favourably on the new HIE strategy, which was well aligned with the principles of a wellbeing economy. Having been raised in Orkney, he stated that he was well aware of HIE's role in regional development and recognised its strong reputation as an effective organisation.

The economy would continue to be a central theme of the new Programme for Government, which was due to be published in the coming weeks, and the role of the Highlands and Islands in renewable energy was well recognised, not only in terms of resources, but in the strength of the business base, supply chain and port infrastructure.

In discussion, Board members emphasised the benefits of ministerial leadership to bring together different organisations and government departments to focus on delivering projects and programmes that would develop the regional economy, citing examples including Inverness Campus, Stornoway Port and Fort William 2040. The Cabinet Secretary agreed and was willing to act as a point of liaison across government to address key issues, noting that a strong society was dependent on a strong economy. He also stressed the importance of organisations collaborating effectively through regional economic partnerships and other arrangements.

Housing supply was recognised as a key constraint in all parts of the region and the Cabinet Secretary agreed to a request to facilitate discussion with HIE across ministerial portfolios to focus on the importance of housing in economic development. Capitalising on new economic opportunities, including those in the renewable energy sector, would require a large range of suitable housing to be available, both during construction and operational phases of these projects.

Other issues discussed included proposals for public sector reform, improving access to business support, transport infrastructure, entrepreneurship, aligning skills with economic growth opportunities, and short-term lets, including the Scottish Government's new licensing regime. On population, the Board were particularly interested in a new talent and migration service that the Cabinet Secretary noted was being established within government.

The Chair thanked the Cabinet Secretary for his time and willingness to engage openly with the Board on challenging issues, affirming that HIE was committed to maximising the use of its resources and working with the government to support economic and community development and deliver success.

Neil Gray MSP left the meeting.

Lorna Gregson-MacLeod left the meeting.

2.5 Property Strategy update – one year on

Ruaraidh MacNeil and Dave Macleod joined the meeting.

HIE's Property and Infrastructure team provided an annual update on progress with implementing HIE's five-year Property Strategy which had been approved by the Board in June 2021.

The update highlighted delivery of 10 areas of property activity, noting that the overall approach was aligned with HIE's new pillars of people, place, planet and prosperity, plans for a net zero future and new economic opportunities across a range of sectors. The geographical distribution of HIE's commercial portfolio was outlined and the Board noted that the Property team was continuing to work with HIE area teams on the provision of small business units in rural areas. This was in addition to larger scale projects such as the new Life Science Innovation Centre on Inverness Campus, improvements to Malin House at the European Marine Science Park (EMSP) near Oban and new warehousing to enhance productivity at BASF Callanish in Lewis.

[Sentence removed in the interests of the effective conduct of public affairs]. It was important to ensure that new properties were designed flexibly to appeal to the widest possible range of potential tenants and buyers. The team had identified a gap in property provision around Lochinver in north west Sutherland, and would be seeking to address this. Work was also under way to gather data to inform net zero actions, including modelling carbon dioxide emissions from premises owned and occupied by HIE and those in its wider commercial portfolio.

In discussion, the Head of Property and Infrastructure confirmed that property resilience was taken seriously as an issue, noting that valuable knowledge had been acquired in delivering the Cairngorm funicular reinstatement project and would be applied across the portfolio in the form of an asset management plan. Net zero opportunities were also being explored in respect of land holdings including the HIE-owned estates at Cairngorm and Orbst. Amanda Bryan and Ailsa Raeburn offered to support the team through their experience in net zero opportunities relating to land holdings, and it was agreed to follow this up.

The Board welcomed the excellent progress made in delivering the Property Strategy and thanked the Director of Business Infrastructure, *[part of sentence removed due data protection laws]*.

*Ruaraidh MacNeil left the meeting.
Carroll Buxton left the meeting.*

2.6 Cairngorm legal update RESTRICTED

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

2.7 Offshore Wind Opportunities: Manufacturing and infrastructure investment pipeline RESTRICTED

Audrey MacIver, Claire Wilson and Greg Paterson joined the meeting.

The Energy Transition and Net Zero team delivered a presentation describing the potential project pipeline relating to offshore wind manufacturing and infrastructure developments. The presentation also included the wider context around potential energy-related manufacturing and infrastructure investments that were emerging in response to growing offshore wind opportunities across the Highlands and Islands, and the strategic investment approach being developed by both the public and private sectors.

Scotland was gearing up to deliver over 30GW of renewable energy, leading the world in development of offshore wind. It was considered vital to ensure that the Highlands and Islands had the port infrastructure needed to service forecast demand, recognising that this would require considerable investment from HIE and the public sector as a whole over the next few years.

In response to ScotWind and Innovation and Targeted Oil and Gas (INTOG) offshore wind leasing rounds, ports and harbours across the Highlands and Islands were developing businesses cases for significant infrastructure investment and would be critical enablers in optimising economic benefit from offshore renewable development.

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

The Board welcomed the update, noting the scale of the opportunity, particularly in manufacturing. Discussion emphasised the need to ensure economic benefits were captured and shared across the region. In response to a question about potential road congestion, it was clarified that most components for the offshore wind sector would be transported by sea.

The Chair thanked the team for the presentation and emphasised the importance of keeping the Board informed of developments, particularly if there may be a future need for dialogue with senior partners or at ministerial level to maintain momentum and maximise regional benefits.

Audrey MacIver, Claire Wilson and Greg Paterson left the meeting.

2.8 Inverness and Cromarty Firth Green Freeport RESTRICTED

David Howie and Michael O'Donnell joined the meeting

The Head of Strategic Projects and Senior Development Manager provided an update on the current status of the Inverness and Cromarty Firth Green Freeport (ICGFP), including progress to date, expected benefits and HIE's current commitments to the project.

HIE had distinct roles within the green freeport: including working as an enabling partner to help develop outline and full business cases and contribute to effective governance; and as a landowner within a tax site (Inverness Campus). *[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].

[Paragraph 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 thanked HIE staff for the update.

*David Howie and Michael O'Donnell left the meeting.
Anne-Marie Martin left the meeting. [1522]*

3 RESOURCES AND GOVERNANCE **GOIREASAN IS RIAGHLACHAS**

3.1 Financial statement RESTRICTED

The Director of Finance and Corporate Services reported on HIE's financial position and forecast at 31 July 2023. Overall, the positions was judged to be satisfactory.

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

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

Looking at the overall picture for capital, the negative reserve of £5.69m was acceptable for this point in the year. Capital was just under £1m over-committed, which was a low level, but there was significant scope for new discretionary approvals and anticipation of demand for the green grant fund.

Revenue had a reserve of £0.52m, however the budget was £0.49m over-committed. Other pressures stemmed from uncertainties around: salaries turnover; confirmation of the 2023/24 pay award; the level of expected credit losses in-year; *[part of sentence removed in the interests of the effective conduct of public affairs, and due to commercial sensitivity]*, and funding support for CMSL.

On this last point, the Board commented that the company's performance in the year to date had been impressive but would be impacted by the funicular currently being withdrawn for essential snagging works. It was also noted that Cairngorm Mountain's performance remained largely dependent on a successful snowsports season and it was therefore prudent for the company's business plan to take a conservative approach to forecasting.

In response to a question from the Chair, the Chief Executive observed that external demand for HIE capital funding, including pipeline projects, had been affected negatively by increases in the cost of doing business, including high interest rates. The agency continued to explore opportunities to invest at its own hand in infrastructure projects to underpin future economic growth.

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

The Board otherwise noted the report.

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

3.3 Performance update

Lorna Gregson-MacLeod joined the meeting.

The Head of Planning and Partnerships presented a summary of HIE's performance outcomes for the year to 14 August 2023.

Economic conditions and budget constraints continued to present a significant challenge for HIE in achieving key outcomes, although recent survey work indicated that business confidence had improved. Some progress had been made towards measures including *increase in business turnover, international sales and jobs supported*.

A revised set of targets for the current financial year had been included in the update paper. Following Board discussion, these had been made more ambitious, although the levels had not yet been confirmed. Areas that looked especially challenging this year included *increase in turnover in the social economy, inward investment, jobs supported in fragile areas, and average salary of jobs supported*, although this last figure could rise due to pipeline projects, currently totalling 63.

As in previous years, investment had been slow to start, particularly third-party investment. HIE had made 85 approvals in the year to date, accounting for expenditure of £10.8m, a lower level than at the same point in the previous year. While there was headroom in HIE's capital budget, the revenue budget was under considerable pressure and a greater focus on non-financial interventions would be required to achieve key outcome targets.

In response to a question, it was clarified that only some impacts arising from the green grant fund had been included in reporting so far but clients were making good progress in new activities such as baselining carbon emissions. Concerns were expressed over an apparent lack of demand in fragile areas, and the Board were assured that area teams continued to be seek appropriate projects that could deliver community and economic growth with HIE support.

The Chief Executive asked the Board to approve the revised targets in the paper and this was agreed. The Chair thanked the Planning and Partnerships team for the work that had gone into reporting.

Amanda Bryan left the meeting

Lorna Gregson-MacLeod left the meeting.

3.4 Risk and Assurance Committee meeting, 17 August 2023 – verbal update

Angus Campbell, as Chair of the HIE Risk and Assurance Committee, provided a verbal update on matters considered at its meeting the previous week.

The Committee's primary focus had been on the draft 2022/23 annual report and accounts, and an additional meeting had been scheduled to finalise these in October. *[Sentence removed in the interests of the effective conduct of public]*.

Group companies accounts and audit reports had been reviewed for Cairngorm Mountain (Scotland) Ltd, HIE Ventures Ltd, Wave Energy Scotland and Orkney Research and Innovation Campus, with no significant issues emerging. The Committee had also welcomed assurance in a report from the BIIA team into significant HIE transactions during 2022/23 and had endorsed risk appetite statements.

3.5 Approved minute of the Risk and Assurance Committee, 6 June 2023

The Board noted the approved minute of the Risk and Assurance Committee held on 6 June 2023.

3.6 Risk register

James Laraway joined the meeting.

The Director of BIIA introduced the latest HIE corporate risk register. Changes made since the last Board meeting included the addition of an overarching statement on sectoral risks and changes in regulatory frameworks affecting tourism and hospitality. Cairngorm legacy legal cases had been removed from the register.

Risks affecting organisational delivery were highlighted, including retention of key staff *[part of sentence removed in the interests of the effective conduct of public affairs]*. *[Sentence removed in the interests of the effective conduct of public affairs]*.

As a follow-up to Board discussion, further work will be undertaken to review the risks relating to housing and to consider a dedicated risk statement on this issue. The Chair recommended that the housing risk should also include issues relating to worker accommodation. The Director agreed and will also reflect on issues raised during Board discussion of the HIE Property Strategy.

3.7 Risk appetite statements

The Director of BIIA presented revised risk appetite statements, noting that these had been updated in the context of HIE's new strategy and other factors such as the current fiscal environment.

The revised statements had been reviewed and endorsed by the Risk and Assurance Committee and would be rolled out to staff to support effective decision-making. It was proposed that the risk appetite statements would be reviewed twice a year rather than the current annual cycle. It was noted that the number of risk appetite statements had increased and would be kept under review to ensure they continued to add value to HIE's risk environment.

In discussion, it was clarified that HIE recognised opportunities that could be delivered through greater use of artificial intelligence by clients, including productivity improvements, however it was also important to examine whether cyber security risks for HIE itself could be heightened by new technology.

The Chair also asked for references to be added to HIE's role as a good partner to other organisations and it was noted that the current statements referenced the need to practise strong governance, including ensuring that rules and obligations attached to external funding were followed rigorously.

James Laraway left the meeting.

4 ITEMS FOR INFORMATION **CUSPAIREAN AIRSON FIOSRACHADH**

4.1 Board effectiveness review

The Board effectiveness review was noted.

4.2 HIE Publication Scheme – Quarterly approvals April – June 2023

The quarterly approvals list was noted.

4.3 Any other business

There was no other business.

4.4 Forthcoming meeting dates

- The Risk and Assurance Committee will meet on 3 October 2023.
- The HIE Board will visit Orkney from 30 October to 1 November. The Board meeting will take place on 31 October.

Chris Roberts
Head of Communications
29 August 2023