

BOARD MINUTE

28 FEBRUARY 2023

Highlands and Islands Enterprise



BOARD MEETING
COINNEAMH BÙIRD

**MINUTE OF THE HIE BOARD MEETING HELD ON TUESDAY 28 FEBRUARY 2023, STARTING AT 0915
IN AN LÒCHRAN, INVERNESS CAMPUS, AND BY TELECONFERENCE**

PRESENT (INVERNESS) Alistair Dodds (*Chair*)
 Stuart Black (*Chief Executive*)
 Amanda Bryan [*present for items 1.1 – 4.1*]
 Angus Campbell
 Donald MacRae
 Freda Newton
 Belinda Oldfield [*present for items 1.1 – 2.2 and items 4.1 – 5.3*]
 Calum Ross

PRESENT (ONLINE) Ailsa Raeburn [*not present for item 4.4*]

IN ATTENDANCE (INVERNESS)

Carroll Buxton	Deputy Chief Executive
Douglas Cowan	Director of Communities and Place
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
Karen Moncrieff	Director of Human Resources
David Oxley	Director of Strategic Projects
Adrian Kitson	Head of Executive Office
Chris Roberts	Head of Communications
Eann Sinclair	Area Manager, Caithness and Sutherland, item 3.2
Keith Muir	Head of Business Growth, Caithness and Sutherland, item 3.2
Elaine Hanton	Senior Project Lead, Regional Infrastructure. Item 4.1
Glenn Preston	Scotland Director, Ofcom, item 4.1
Jonathan Ruff	Regulatory Affairs Manager, Ofcom, item 4.1
David Howie	Head of Strategic Projects, item 4.2a
Peter Guthrie	Senior Project Manager, Strategic Projects, item 4.2a
Audrey MacIver	Director of Energy Transition and Net Zero, item 4.3
Dave Macleod	Head of Property and Infrastructure, item 4.5
Tim Hurst	Director, Wave Energy Scotland, item 4.6

IN ATTENDANCE (ONLINE)

Andrew Carton	Team Leader, Enterprise Sponsorship, Scottish Government
Liz Taylor	Data Protection Officer, item 2.3
Greg Youngson	Property Development Manager, item 3.3
Andrea Rutherford	Head of Policy, Digital Highlands and Islands, item 4.1

1.1 Welcome and apologies

The Chair welcomed everyone to the meeting. Apologies had been received from Anna Salgado. It was noted that, due to other engagements, Belinda Oldfield would be absent from 11.00 am until 2.00 pm and Amanda Bryan would leave the meeting early in the afternoon.

1.2 Declarations of interest

Amanda Bryan and Ailsa Raeburn both declared a conflict in relation to *item 4.4* due to their roles in Crown Estate Scotland. They had not seen any documentation for this item and would be absent from the meeting when it was discussed.

For transparency, the following members noted connections with entities that were included in the latest approvals list, *item 5.1*. These were noted although none was considered to present a conflict for the members concerned:

- Ailsa Raeburn had advised Fair Isle Development Company.
- Freda Newton and Calum Ross noted interests in destination management organisations.

Angus Campbell noted that he is a member of the Court of the University of the Highlands and Islands (UHI). It was also noted that Calum Ross represents HIE on the UHI Court.

David Oxley is a Board member of Wave Energy Scotland Ltd, which was the subject of *item 4.6*.

1.3 Draft minute of Board meeting held on 13 December 2022

The Chair drew the Board's attention to points of clarification and minor amendments that had been made since the draft minute had been circulated with the other Board papers. These changes were agreed and the minute was approved as a true and accurate record.

1.4 Matters arising from the minute and action grid

It was noted that the Scottish Government's Director-General Economy had commented positively following a visit to the Outer Hebrides. All other matters arising were reported in the action grid or would be covered under agenda items at today's meeting.

1.5 Chair and Chief Executive's update

Updates were provided on the following matters:

- **Legal Issues**

[Paragraph removed due to commercial sensitivity].

[Sentence removed due to commercial sensitivity].

HIE was liaising with the Scottish Government sponsor team on a change to the **Framework Agreement**, the legal document that defines the relationship with Scottish Government. As the main focus of the agreement is governance and accountability, the Board agreed that an update would be taken to the Risk and Assurance Committee. Should there be any substantive issues arising, then the full Board would become involved.

[Sentence removed due to commercial sensitivity].

- **Sanctions**

The Director of BIIA updated the Board on HIE's approach to sanctions. Following Russia's illegal invasion of Ukraine in February 2022, the Scottish Government had asked HIE's Chief Executive, as accountable officer, to ensure that: 1) HIE was not providing assistance to any entity or individual that was subject to legal sanctions, and 2) HIE was not supporting economic activity involving any entity that was benefiting from trade with Russia. The agency had put in place processes to address these issues and was taking legal advice to consider if there were opportunities to take a proportionate and risk-aware approach to diligence. The situation was evolving still and new guidance had been issued the previous week by the UK Government. The Board noted that HIE was continuing to pay close attention to the issue of sanctions and staff would take a full update to the next Risk and Assurance Committee.

- *[Paragraph removed due to commercial sensitivity].*

- **Ross-shire Engineering**

The Deputy Chief Executive reported on plans by Ross-shire Engineering to recruit a large number of staff over the next few years. These included attracting greater numbers of women into the company and creating modern apprenticeships for young people. In response to concerns raised by the HIE Board, the company had stated it did not believe that access to housing was an issue that would affect its plans at present.

The Board welcomed the assurances received from the company, but noted a broader concern that the volume of modern apprenticeships available across the country appeared to be declining at a time when demand was rising.

- **Machrihanish**

The Director of Strategic Projects reported that a tender for site improvements with a value of £750,000 had been approved by the HIE Leadership team. *[Sentence removed due to commercial sensitivity].*

- **Arnish**

[Paragraph removed due to commercial sensitivity].

[Paragraph removed due to commercial sensitivity].

The Board agreed that a meeting of the Arnish sub-group should be arranged soon to consider these matters fully. It was noted that the Director of Communities and Place was taking on responsibility as senior responsible owner for Arnish.

- **Inverness Campus**

The Director of Communities and Place confirmed that infrastructure works to create serviced sites for small businesses at plot 14, Inverness Campus, were progressing well. The ground floor of Aurora House was being fitted out and HIE had received interest from a potential occupier. Construction of the major new Life Sciences Innovation Centre was complete and work was about to start on a phase two masterplan for the campus, which would include plans to capture benefits arising from the successful Inverness and Cromarty Firth green freeport bid.

- **Property**

Works were progressing to build new small business units in Wick and on Skye and a contractor was on-site to build a new warehouse for BASF Callanish on Lewis. There had been some slippage in project timescales and the Property team was maintaining close contact with Finance to ensure any financial implications were known and could be managed.

- **HIE's workforce plan**

The Director of Human Resources reported that Leadership Team had met in January to review HIE's workforce plan and ensure resources remained fully aligned with strategic priorities. The HR team was working with Finance on the revenue budget, particularly regarding salaries. It was noted that Scottish Government policy and guidance were yet to be received regarding HIE's 2023/24 pay deal.

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

The Director of Strategy and Regional Economy provided an overview of the current economic situation, highlighting pressures including the cost of doing business, Scottish Government forecasting a short, shallow recession, and forthcoming cabinet changes following the First Minister's resignation announcement in February.

A Board strategy session in January had been followed by input from directors and senior managers and external consultation with partners and stakeholders, both online and in person. A draft strategy and operating plan would be considered in the coming weeks by Leadership Team, then presented to the Board.

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

The Chair and the Chief Executive had held a positive meeting with the Deputy First Minister and the Minister for Business, Trade, Tourism and Enterprise in January. Matters discussed had included HIE's budget and delegated approvals required by the Scottish Government in relation to both capital and revenue. Following the meeting, the Deputy First Minister had been helpful in ensuring that the UK Transport Minister gave prompt consideration to safety certification for the Cairngorm funicular railway, which had subsequently been approved.

Along with the Chair of the Regional Economic Partnership (REP), the Chair and Chief Executive had held a productive meeting with the Cabinet Secretary for Justice, Housing and Local Government, when housing provision in the Highlands and Islands had led the agenda. *[Sentence removed due to commercial sensitivity]*. HIE was also seeking input into a new remote, rural and islands housing plan currently being developed by Scottish Government.

Recruitment of a new HIE Board member had progressed during January and February, and the closing date for applications was today (28 February).

Chairs of HIE, SE and SOSE were now meeting Barry White, Co-Chair of the NSET Delivery Board, after each Delivery Board meeting. The most recent meeting had covered topics including skills, regional economic policy, regional agency funding and delegation, new market opportunities and housing.

The Regional Economic Partnership had discussed HIE strategy, regional policy and a vision for the REP going forward.

A meeting with the Chair of Skills Development Scotland had focused on the need to ensure skills provision can match business needs across the country. The issue of addressing rising demand for modern apprenticeships, which had been highlighted in earlier discussion at today's Board meeting, had also been discussed.

The launch of *Focus North* – formerly the Caithness and Sutherland Regeneration Partnership – had been a very successful event.

Meetings with local authority leaders across the region were continuing, with current issues including budget pressures, growth deals and the forthcoming meeting of the Convention of the Highlands and Islands, due on 27 March.

A productive Board engagement session had taken place, focusing on Caithness and Sutherland, with Belinda Oldfield and Keith Nicholson participating. Discussion had been lively, with participants raising a range of issues affecting the local and regional economy.

The Chair announced Angus Campbell as the new Chair of HIE's Risk and Assurance Committee (RAC) and Freda Newton as Chair of the Remuneration Committee. Keith Nicholson will join the RAC and Anna Salgado will join the Remuneration Committee. All appointments will commence on 1 April, following the departures of present Committee Chairs Donald MacRae (RAC) and Paddy Crerar (Remuneration).

The Chair also informed the Board that he had accepted an invitation from the Deputy First Minister to serve a second three-year term as Chair of HIE, and a public announcement was expected shortly.

2 RESOURCES AND GOVERNANCE **GOIREASAN IS RIAGHLACHAS**

2.1 Financial statement to 31 January 2023

The Director of Finance and Corporate Services summarised the financial position for the ten months of the financial year to 31 January 2023.

Spend in the capital budget was 71% and the commitment level had increased to a level that gave staff confidence of achieving a balanced outturn at the year-end. A request for authorised overspend had been submitted to the Scottish Government to manage any issues that could arise from over-commitment in 2022/23.

In the revenue budget, HIE had accumulated a reserve of £1m *[part of this sentence removed due to commercial sensitivity]*. *[Sentences removed due to commercial sensitivity]*. The Director informed the Board that HMRC had agreed to HIE's proposed *partial exemption special method* for VAT recovery. This approval was already reflected in the budget, so no budgetary impact was expected.

There was a possibility of overspend in the £1m financial transactions budget, with £635,000 approved and up to £1.25m in the pipeline. Scottish Government had been alerted.

[Sentence removed due to commercial sensitivity]. In response to questions on the HIE pension scheme, it was confirmed that HIE continued to follow the agreed recovery plan. The Board asked for future financial statements to provide more detail on the financial transaction budget and this was agreed.

The Board otherwise noted the budget position as presented.

2.2 Draft opening budget 2023/24

The Director of Finance and Corporate Services set out HIE's draft opening capital, financial transaction and revenue budgets for 2023/24 which had been prepared in the context of an extremely challenging outlook for public finances. The setting of discretionary budgets had been based largely on historic levels (but with percentage reductions applied), while top-sliced budgets would support larger projects and programmes that had been prepared in line with operating plan priorities. It was noted that significant pressure from pay awards had influenced preparation of the Block B budget and that business transformation and efficiency savings were vital.

The Director highlighted several key issues, including capital income that would come to HIE from the Digital Scotland Superfast Broadband scheme. The need to fund this year's pay award on an ongoing basis created pressure on the salaries budget, and there would be an impact from HIE now having to pay operating costs for Cairngorm Mountain (Scotland) Ltd from core budget, *[part of this sentence removed due to commercial sensitivity]*. HIE would continue to seek opportunities to deliver Scottish Government programmes at

marginal cost, and to achieve efficiencies through collaboration with partner bodies and digital transformation.

The Board recognised that HIE's budget reflected severe challenges at national level, but affirmed the need to remain ambitious in setting regional strategy, particularly as there were also many significant opportunities across the region that would benefit from HIE support. It would be important to continue to work in partnership with other bodies and seek additional budget for strategic projects, as HIE had done successfully many times in the past, including the current financial year. Reputational risks were also acknowledged for HIE and would need to be addressed with clear messaging.

The Board approved the draft opening budget for 2023/24.

Belinda Oldfield had another appointment and left the meeting temporarily.

2.3 Data protection update

Liz Taylor joined the meeting.

The Data Protection Officer updated the Board on progress with implementing retention policies across HIE systems and new procedures for data protection impact assessments. The Board welcomed the progress that had been made but queried the risk of over-retention, which was still rated as 'red'. The Board confirmed that they view the tackling of this risk as a priority for Leadership Team.

Liz Taylor left the meeting.

2.4 Performance update

The Director of Strategy and Regional Economy summarised HIE's performance outcomes for the financial year to 6 February 2023. Improvements in the last quarter were noted, despite ongoing adverse economic conditions, as several additional projects had been approved. Steady progress was evident across many measures as a result of work earlier in the year to shape and bring forward new projects for approval. However, outcome measures for international sales, fragile area employment and turnover in the social economy continued to look particularly challenging, and it was noted that there was insufficient pipeline to reach targets in these areas.

Board members had particular concerns regarding HIE's impact in fragile areas, noting the importance of place-based activity in driving demand, attracting investment and sustaining and growing population. The Chief Executive responded that the outcomes reflected lower levels of activity due to challenges in the wider economy, with many businesses currently reluctant to invest. Equally, third sector organisations had been focused on survival rather than growth in the past few years. These issues were discussed regularly with area teams and would be addressed in the forthcoming strategy and operating plan. In discussion, it was also confirmed that HIE staff could track the relative impacts of revenue and capital investments in delivering outcomes.

The Board noted the current performance position

2.5 Draft minute of the Risk and Assurance Committee, 6 December 2022

The draft minute of the Risk and Assurance Committee was noted for information. Donald MacRae, as Chair of the Committee, had verbally summarised matters discussed at the previous Board meeting, on 13 December 2022.

2.6 Risk register

The Director of BIIA presented the latest HIE corporate risk register, drawing the Board's attention to reduced scores for Cairngorm and Space Hub Sutherland, and noting a new risk had been added for Inverness and Cromarty Green Freeport. Work had also been ongoing to raise awareness of risk culture and appetite within HIE, including at meetings with heads of business growth across the organisation and in an all-staff webinar.

In discussion, Board members noted potential impacts on key economic sectors arising from upcoming Scottish Government legislation including the deposit return scheme, short-term lets, transient visitor levy and ban on alcohol advertising. It was agreed that Leadership Team would consider this. The Director of BIIA also assured Board members that lessons learned were shared as appropriate with senior managers and Leadership Team, and that appropriate follow-up actions were discussed with relevant staff and implemented on a case-by-case basis. The next Risk and Assurance Committee meeting would receive a process update along with lessons learned on major projects.

The Board welcomed the update and endorsed the approach being taken to evaluate risk and maintain the register as a valuable tool to inform decision making.

3 INVESTMENT DECISIONS **CO-DHÙNAIDHEAN AIRGEAD-TASGAIDH**

3.1 AMTE Power

Eann Sinclair and Keith Muir joined the meeting.

The Caithness and Sutherland Area Manager and Head of Business Growth presented a paper recommending loan funding, *[part of this sentence removed due to commercial sensitivity]*. This would be used to fund cash flow for the company's Thurso operation and, if approved by the Board, would require HIE's Accountable Officer to request sign-off from the Scottish Government.

[Paragraph removed due to commercial sensitivity].

[Paragraph removed due to commercial sensitivity].

The Board discussed the proposal in detail, asking questions on several issues. Members had previously visited AMTE and had been impressed by the facility, its staff and the importance of the business to the local economy. *[Sentences removed due to commercial sensitivity]*.

[Paragraph removed due to commercial sensitivity].

[Sentence removed due to commercial sensitivity].

Members also highlighted recent changes to the management team in Thurso, including the appointment of a new chief executive. The Head of Business Growth indicated that this appointment had been made to bring in additional expertise as the facility made the transition from R&D into manufacturing, and that the management team as a whole was well known to HIE and highly respected. It was agreed that this point would be recorded as part of HIE's due diligence.

[Paragraph removed due to commercial sensitivity].

Eann Sinclair and Keith Muir left the meeting.

3.2 HIE property factoring

Greg Youngson joined the meeting.

The Board approved revenue funding of £2,906,107 gross (£2,002,691 net of recoveries) for property factoring to ensure the continued effective management of the HIE commercial property portfolio which supports businesses across the region (85 tenants at present) and makes an important contribution to HIE's revenue generation.

In discussion, it was noted that potential HIE investment in property improvements was not included in the factoring budget and would normally be subject to separate approval for capital expenditure. The Property Development Manager provided assurance that staff were exploring several ways to drive efficiency savings. These include seeking to reduce the costs of head leases on a number of significant properties, working with property agents to fill vacant premises as soon as possible, and consider the disposal of any properties that were unable to attract tenants.

Members stressed the need to ensure continued alignment of commercial portfolio management with HIE's property strategy.

Greg Youngson left the meeting.

4 UPDATES **CUNNTASAN AS ÙR**

4.1 Digital update

Andrea Rutherford and Elaine Hanton joined the meeting.

The Head of Policy, Digital Highlands and Islands updated the Board on HIE's proposed approach and priorities for the delivery of improved digital connections across the region. This included updates on the Inverness and Highland City Region Deal project (IHCRD) and on expected capital clawback receipts due to HIE from the now complete *Next Generation Broadband* (NGB) programme. Staff detailed the level of risk and challenges associated with the IHCRD project.

Members expressed frustration that hard to reach areas of the region were not prioritised in current plans, including IHCRD. However, it was also recognised that the project presented an opportunity to invest growth deal funding for regional benefit, and it was assuring to know that Highland councillors had backed the plan. It was agreed that clawback funding from the NGB programme should focus on addressing the needs of the most difficult to reach communities.

The Board endorsed the proposed approach to ongoing delivery of improved digital connectivity across the region, noting that a further paper would be delivered later this year. The proposal to progress the IHCRD project to submission of outline business case was noted and HIE staff will continue to work with UK and Scottish Governments to agree the governance structure, process and timescales for delivery. Finally, authority was delegated to HIE Leadership Team to agree the receipt of income from clawback from the now complete Next Generation Broadband project, and to discuss with Scottish Government its brokering of these funds for future investment by HIE. Any proposed spend against this income for projects will be considered in line with normal delegated authorities.

Belinda Oldfield rejoined the meeting.

Glenn Preston and Jonathan Ruff joined the meeting.

Glenn Preston and Jonathan Ruff delivered a presentation on the work of UK communications regulator Ofcom, covering governance and the organisation's range of responsibilities across broadcast media, telecommunications and online activity before focusing on broadband provision. Ofcom was due to publish a new strategy shortly and its four priorities for 2021/24 were: reliable internet; trusted media; a safer life online, and enabling wireless services.

In discussion, Board members emphasised the importance of digital connectivity to all parts of the region, including islands and remote and rural parts of the mainland that were currently served poorly or not at all. Like housing, connectivity was vital to the survival of communities and businesses across the Highlands and Islands and it was deeply frustrating that problems identified years ago remained unresolved, with the result that hard-to-reach areas were still being left behind. Scotland's coverage compared unfavourably with the Faroe Islands, where the government had taken an interventionist approach. Members agreed that the lack

of progress in delivering rural connectivity in the Highlands and Islands needed to be addressed urgently by all those responsible, and new ideas and solutions brought forward.

It was agreed that HIE would continue to engage in discussion and work with government, Ofcom, public partners and the telecoms industry with the aim of driving improvements. As a first step, it was also agreed that HIE staff would work with Ofcom to identify options for addressing the current challenges. An update will be provided to the HIE Board at a future meeting. In concluding, the Chair thanked the Ofcom representatives for their presentation and contribution to the discussion.

Andrea Rutherford, Elaine Hanton, Glenn Preston and Jonathan Ruff left the meeting.

4.2 Space update RESTRICTED

The Director of Strategic Projects updated the Board on space sector development in the Highlands and Islands and at national level. Of particular note were SaxaVord Spaceport in Shetland, where construction was reported to be ahead of schedule and developers expect first launch in October / November 2023.

[Sentence removed due to commercial sensitivity]. Outwith the region, satellite-enabled cloud services company Mangata Networks had chosen Prestwick as its R&D base in Scotland and was expected to create up to 575 jobs over the next few years.

The Board noted the update.

4.2a Space Hub Sutherland RESTRICTED

Peter Guthrie joined the meeting.

The Director of Strategic Projects presented an update on progress regarding Space Hub Sutherland (SHS). As previously reported, Orbex had successfully raised more than £40m from investors including the Scottish National Investment Bank. HIE had signed a lease with Melness Crofters Estate and a sub-lease with Orbex. Work to address planning conditions was progressing, with a focus on those concerning decommissioning and parking places.

RSM had concluded preparation of the full business case for SHS, including strategic, economic, commercial, financial and management cases. The Director confirmed that the Scottish Government remained sighted on the business case and were content. The business case concluded that, to maximise the economic benefits for the region, the preferred option remains for HIE to support the project through grant provision to Orbex subsidiary company Forres NewCo. Due diligence was well advanced and it was planned that a detailed appraisal paper would be presented for Board decision on 23 March.

[Paragraph removed due to commercial sensitivity].

HIE had received a draft formal offer from the Nuclear Decommissioning Authority (NDA) of grant funding of up to £3m, subject to final clarification on subsidy compliance and confirmation by NDA's Director of Socio Economics. HIE spend to date on the project was £6m.

[Paragraph removed due to commercial sensitivity].

[Paragraph removed due to commercial sensitivity].

The Chair thanked the space team for their work in progressing the project and noted that a further report for decision on investment would be submitted to a special Board meeting later in March

Peter Guthrie left the meeting.

4.3 Energy transition: offshore wind, hydrogen and green freeport

Audrey MacIver joined the meeting.

The Director of Energy Transition and Net Zero updated the HIE Board on energy transition strategy, policy and delivery. This focused on opportunities presented by offshore wind, green hydrogen and the recent success of Opportunity Cromarty Firth in achieving green freeport status.

It was noted that the Scottish Government had created a new Offshore Wind directorate and issued its draft *Energy Strategy and Just Transition Plan* for consultation. The plan included ambitions for more than 20GW of additional, low-cost renewable electricity capacity and 5GW of green hydrogen production by 2030, both of which presented transformational opportunities for the Highlands and Islands, which already accounts for 40% of Scotland's renewable energy generation.

HIE's response to the consultation would stress not only the opportunity for the Highlands and Islands, but also the region's potential to play a pivotal strategic role in achieving Scotland's ambitions for energy transition and net zero. The agency was also working with partners to shape governance models and help drive strategic investments in enabling infrastructure, secure manufacturing capacity and capability in the Scottish supply chain and prepare communities for energy transition.

In discussion, Board members recognised the need for HIE to dedicate adequate resource to optimise the potential for the whole region to benefit from a unique set of significant and time-limited opportunities. The governance and funding landscapes were complex and it was important for different government directorates, public bodies and industry to work together effectively, including communicating the scale of opportunity and actions being taken. Green freeport status had the potential to be a powerful engine of growth that would help realise HIE's vision for offshore wind and green hydrogen manufacturing activity and the Board welcomed confirmation that HIE was aiming to maximise economic benefits for the whole region by playing an active role in the Inverness and Cromarty Firth green freeport consortium.

Four recommendations from the Director were endorsed by the Board. These were that HIE will:

- support stakeholder engagement and develop HIE's response to consultation on the *Energy Strategy and Just Transition Plan*;
- contribute to the strategic direction and operation of the Strategic Investment Model, to ensure regional strengths are fully acknowledged and staff resources are in place to progress strategic investments in regional infrastructure and manufacturing;
- assist the early development and delivery of the Scottish Government's emerging Hydrogen Programme through project identification and scoping, stakeholder engagement, and supply chain support, and
- support governance arrangements and business case development for the green freeport.

The Chair thanked the Director for her presentation, and Board members for their participation in discussion.

Audrey MacIver left the meeting.

Ailsa Raeburn left the meeting.

4.4 *[Item removed due to commercial sensitivity].*

4.5 Cairngorm

Ailsa Raeburn rejoined the meeting.

Dave Macleod joined the meeting.

The Director of Communities and Place reported that, with the funicular railway service now reinstated, HIE's relationship with operating company Cairngorm Mountain (Scotland) Ltd was now being led by the Inner Moray Firth area team. Overall, the company was making good progress, with numbers of both skiing and

non-skiing visitors showing a rise from the previous year and having been chosen as the venue for the Brits freestyle skiing and snowboarding championships. Customer feedback was excellent. HIE was currently reviewing CMSL's business plan and was mindful of the revenue position, particularly in light of energy costs, which had multiplied. The ambition was to achieve a sustainable business model within three years.

The Head of Property and Infrastructure confirmed that the funicular was running well and HIE would continue to work with contractor Balfour Beatty on final works including snagging and defects. Further habitat restoration works were also planned for later this year. Regarding masterplan implementation, a local contractor had been appointed to create family-friendly mountain biking trails that were due to be completed in the summer and discussions were under way with Section 50 partners regarding the potential to update the visitor management plan.

[Paragraph removed due to commercial sensitivity].

[Paragraph removed due to commercial sensitivity].

In welcoming the reinstatement of the funicular and the benefits it brought, the Board agreed that a meeting of the advisory Cairngorm sub-group would be set up in due course, with an agenda including an update on legal cases, CMSL board recruitment and company performance.

Dave Macleod left the meeting.

4.6 Wave Energy Scotland: EuropeWave project

Tim Hurst joined the meeting.

The Wave Energy Scotland (WES) Managing Director provided an update on EuropeWave, a European Commission Horizon 2020 pre-commercial procurement project that started in January 2021 and runs for 65 months. WES is the project coordinator and Basque energy agency EVE is its partner in the procurement buyers group. It was reported that five contractors currently participating in phase two were making progress, with three of them due to be selected to carry on to the next phase to build, deploy and test a prototype wave energy device. The project was currently on schedule and on budget, with a total value of €19.6m. Phase 3 had a budget of €13.5m and WES's contribution to this phase would be €2.6m.

Due to the strict project timeline, it was imperative that project schedules were met and the Board agreed to the following recommendations to ensure contracts can commence on the scheduled date of 11 September 2023:

1. An appraisal paper will be presented to the HIE Board on 27 June to seek approval of the maximum phase value, and request delegation to the HIE Leadership Team of approval to notify contractors on the outcome of evaluations.
2. A detailed paper will be presented to HIE Leadership Team on 14 August 2023 to confirm the outcome of evaluations and request approval to commence contract preparations.
3. The detailed paper will be presented to the HIE Board on 29 August 2023.

The Board welcomed the progress being made and thanked the Managing Director for his presentation. In response to a question, the Managing Director also assured Board members that he expected WES to achieve a balanced budget out-turn by the end of the financial year.

Tim Hurst left the meeting.

5 ITEMS FOR INFORMATION **CUSPAIREAN AIRSON FIOSRACHADH**

5.1 HIE publication scheme – quarterly approvals October – December 2022

The Board welcomed the latest quarterly list of HIE funding approvals.

5.2 Any other business

The Board joined the Chair in paying tribute to outgoing Board members Paddy Crerar and Donald MacRae for their many valuable contributions which had been greatly appreciated over the years. Both Mr Crerar and Professor MacRae were attending their last scheduled Board meeting.

There was no other business.

5.3 Forthcoming meeting dates

- The Risk and Assurance Committee will meet in Inverness and online on 21 March 2023.
- The HIE Board will visit Argyll from 24 to 26 April 2023, with a meeting taking place on 25 April.

Chris Roberts
28 February 2023