

BOARD MINUTE

13 DECEMBER 2022

Highlands and Islands Enterprise



Highlands and Islands Enterprise
Iomairt na Gàidhealtachd 's nan Eilean

BOARD MEETING
COINNEAMH BÙIRD

MINUTE OF THE HIE BOARD MEETING HELD ON TUESDAY 13 DECEMBER 2022, STARTING AT 1000 IN AN LÒCHRAN, INVERNESS CAMPUS, AND BY TELECONFERENCE

PRESENT (INVERNESS) Alistair Dodds (*Chair*)
 Stuart Black (*Chief Executive*)
 Amanda Bryan
 Angus Campbell [*from item 3.2 onwards*]
 Freda Newton
 Belinda Oldfield
 Ailsa Raeburn
 Calum Ross

PRESENT (ONLINE) Donald MacRae
 Keith Nicholson
 Anna Salgado [*not present for item 3.3 and part of item 4.1*]

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
Andrew Whitehouse	Facilities Manager, item 3.1
James Gibbs	Area Manager, Inner Moray Firth, item 3.2
Gareth Roberts	Senior Development Manager, Inner Moray Firth, item 3.2
Iain Bolland	Diligence Quality Manager, item 3.2
Morven Fancey	Head of Universities, Education and Skills, item 3.3
Peter Mearns	Chair, Cairngorm Mountain (Scotland) Ltd, item 4.1
Susan Smith	Chief Executive, Cairngorm Mountain (Scotland) Ltd, item 4.1
Colin Matthew	Head of Technical Operations, Cairngorm Mountain (Scotland) Ltd, item 4.1
Dave Macleod	Head of Property and Infrastructure, item 4.1
James Palmer	Project Manager, Construction, item 4.1
Charlie Lawrence	Property Manager – Major Projects, item 3.4

IN ATTENDANCE (ONLINE)

Jessie Laurie	Head of Enterprise Sponsorship, Scottish Government
Karen McAvenue	Deputy Director, Economic Development, Scottish Government [<i>up to and including item 4.2</i>]
Greg Youngson	Property Development Manager, item 3.1

1.1 Welcome and apologies

The Chair welcomed everyone to the meeting. Apologies had been received from Paddy Crerar and Rachel Hunter. Angus Campbell had advised that he would be absent from the morning session due to another commitment.

1.2 Declarations of interest

The following interests were declared, although none was considered to present a conflict for Board members.

- Amanda Bryan: *[Item removed due to commercial sensitivity]*, included in item 1.5, *Chair and Chief Executive's update*, and item 3.4, Plot 3.1 Arnish [as chair of the Board of Crown Estate Scotland]
- Ailsa Raeburn: *[Item removed due to commercial sensitivity]*, included in item 1.5, *Chair and Chief Executive's update*, and item 3.4, Plot 3.1 Arnish [as a Board member of Crown Estate Scotland].
- Calum Ross: third party interest in item 3.1, *Inverness Campus facilities management contracts*.
- Keith Nicholson: item 3.1, *Inverness Campus facilities management contracts* due to cyber security interests.

1.3 Draft minute of Board meeting held on 25 October 2022

The minute was approved, subject to clarifying that the Board's discussion on future operating costs at Cairngorm had been in-depth and specifically highlighted the impact of rising energy costs.

1.4 Matters arising from the minute and action grid

It was agreed that a report on Scottish Land Fund pipeline projects that had been issued to Ailsa Raeburn and Amanda Bryan would be circulated to all Board members.

The Chair provided assurance that proposals for changes to the board of Cairngorm Mountain (Scotland) Ltd would be progressed in 2023 and had been deferred for operational reasons while funicular reinstatement remained ongoing and the relaunch was imminent.

The Chief Executive confirmed that he had written to Ofcom to engage on digital issues including the proposed Inverness and Highland City-Region Deal digital project. As a result, Ofcom planned to deliver a presentation at the next HIE Board meeting, on 28 February 2023.

All other matters arising from the minute and action grid were included in the meeting agenda.

1.5 Chair and Chief Executive's update

Updates were provided on the following matters:

- **Legal matters**

The Director of Business Improvement and Internal Audit (BIIA) reported that a further procedural hearing relating to **Cairngorm** court cases was due to be held on 14 December.

[Sentences removed due to commercial sensitivity].

It was noted that the Risk and Assurance Committee had received an update on **This is Remarkable Ltd**. Following legal advice, the company, jointly owned by Scottish Enterprise and HIE, had entered an insolvent wind-down process.

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

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

- **Cairngorm**

The Director of Communities and Place confirmed that funicular reinstatement works were complete apart from some minor defects that were not judged to be significant and would not affect the safety case. The control system had been installed and was being tested, with a safety inspection from the Department of Transport due to take place before Christmas. A successful outcome would mean that HIE's/CMSL's application would be put before the Minister for Transport for signoff following the UK Parliamentary recess in January 2023, as planned.

The next meeting of the Cairngorm Advisory Group was due to take place in Aviemore on 14 December.

The Board congratulated all involved in taking the funicular reinstatement project to this crucial stage, with the Chair expressing appreciation for the controlled way in which the many challenges had been addressed.

- **Green freeports**

The Director of Strategic Projects advised that a government decision on green freeports in Scotland was expected soon. The Board agreed that, whatever the outcome, HIE's messaging following an announcement should reflect the scale of opportunity across the Highlands and Islands.

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

- **Machrihanish**

The Director of Strategic Projects reported that the marketing of Machrihanish as a business location was now underway. *[Sentence removed due to commercial sensitivity].* A revised tender for upgrade works was being issued and it was noted that these works will be treated as capital.

- **HIE's workforce plan**

The Director of Human Resources reported that onboarding was well underway for graduates and modern apprentices who had recently been recruited to HIE. As discussed at the last Board meeting, HIE was looking into opportunities for short term internships with private sector companies. The workforce plan would be reviewed in the new year and would continue to be aligned with budget constraints.

- **All-staff conference**

The all-staff conference had taken place successfully as a hybrid event in November. Staff feedback had highlighted areas for review, including potential process improvements, and an action plan would be taken to Leadership Team. The Deputy Chief Executive noted that she and the Director of Service Delivery had held several meetings with heads of business growth and other managers following the event and a staff communication would be issued before the Christmas break.

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

The Director of Strategy and Regional Economy confirmed that HIE was continuing to engage with the Scottish Government to support NSET delivery and noted that a round table, in-person meeting was being arranged in January, involving enterprise agencies and other key players.

The Chair reported that the chairs of South of Scotland Enterprise (SOSE), Scottish Enterprise (SE) and HIE had met NSET Delivery Board co-chair Barry White when discussion focused on the importance of traditional sectors such as food and drink and tourism, in addition to newer industries. Energy and green jobs had also

been discussed, along with regional economic policy, and it was noted that a review of this was due to be published soon by the Scottish Government.

Members sought greater clarity on the role of the NSET delivery board and the Deputy Director, Economic Development agreed to take questions back to Scottish Government colleagues. The Director of Strategy and Regional Economy would also circulate the delivery board's terms of reference. The Chair noted that the delivery board was evolving and expressed confidence that the Deputy First Minister would ensure it was focused appropriately on actions across Scotland.

In discussion with the Scottish Government and the DFM, HIE had strongly argued for the agency's budget to be set at a level that would enable it to fulfil NSET ambitions by progressing opportunities throughout the region. HIE had also highlighted its role as a delivery body, capable of undertaking new NSET-related activity and programmes effectively.

- **Other matters**

The Chair and Chief Executive had met the Minister for Transport, Jenny Gilruth MSP. *[Part of sentence removed in the interests of the effective conduct of public affairs].*

The Chair had also had a positive meeting with the Cabinet Secretary for Rural Affairs and Islands, Mairi Gougeon MSP, focusing on regional opportunities and highlighting the benefits of existing agencies, including HIE, having the ability and experience to co-ordinate various government funds effectively and efficiently.

HIE Board engagement sessions had been held with stakeholders in the Argyll and the Islands and Inne Gall areas. These events continued to provide useful information on issues facing businesses and communities and feedback on HIE's local performance.

HIE's Director of Energy Transition and Net Zero had addressed the Board the previous evening, highlighting ScotWind opportunities and challenges in particular. The Chair confirmed that a formal presentation and discussion will be arranged for a future Board meeting. Members welcomed the opportunity for HIE to play a key role in how the Highlands and Islands responds to ScotWind, including through the Regional Economic Partnership.

The Chief Executive reported that a visit to Inverness and Moray by Louise Macdonald, the Scottish Government's Interim Director-General Economy, had been very positive, highlighting distinctive regional opportunities and HIE's effectiveness in collaborating with other public bodies. HIE had previously hosted the Interim Director-General in Argyll, and a visit to the Outer Hebrides was being scheduled for the new year.

Asked about the UK Government Levelling-up agenda, the Chief Executive noted that HIE was continuing to pursue opportunities to attract funding to the region from both the Scottish and UK Governments and other sources, including stressing the national importance of the region's natural capital.

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

2 RESOURCES AND GOVERNANCE **GOIREASAN IS RIAGHLACHAS**

2.1 Financial statement to 30 November 2022

The Director of Finance and Corporate Services summarised the financial position for the eight months of the financial year to 30 November 2022.

Gross capital spend had improved since the previous month and stood at 57% of budget, 9% behind straight line. The Director expressed confidence that a balanced outturn was achievable, although the level of over-commitment remained low and new approvals were still required.

The revenue budget stood at 61% spent (6% behind straight line). Uncertainty was a challenge and commitment and spend would be managed closely in the final third of the year to ensure a balanced outturn. *[Sentence removed due to commercial sensitivity].*

The Scottish Government's Resource Spending Review was continuing and reductions in HIE's baseline budget were anticipated over the coming four years. The Finance Secretary was due to deliver the annual budget statement in the Scottish Parliament in two days' time, following which an update would be issued to Board members. Leadership Team will develop a plan for discussion at the next scheduled Board meeting, on 28 February 2023.

Issues highlighted by the Board during discussion included the need to increase commitment in the capital budget before the financial year end. The Chief Executive provided assurance that several projects were expected to incur significant spend early in the new year, which would ease pressure. With some third parties reluctant to invest during uncertain times, HIE was taking forward several own-hand investments including property developments that would support future opportunities for growth. Effort was also going into ensuring that clients submitted their claims in timely fashion. The Director of Business Improvement and Internal Audit informed the Board that HIE was looking to ensure that the organisation's processes are designed and managed to incentivise project delivery.

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

2.2 Performance update

The Director of Strategy and Regional Economy provided a summary of HIE's performance outcomes for the year to 29 November 2022, and projected outturn. The outcomes reflected difficult economic conditions, with performance behind straight-line across all measures. Analysis of pipeline projects provided assurance that HIE had sufficient projects in hand to meet the target range across many key indicators, but further work would be required, particularly around international trade, which was a challenging issue for the whole of the UK; jobs in fragile areas, and external green investment.

The Board welcomed the update, noting that it further demonstrated the extent to which the present economic climate was affecting clients' confidence and willingness to take investment decisions. In response to questions, the Chief Executive indicated that work was under way with area teams to improve HIE's performance in supporting jobs in fragile areas, which had been strong in the previous year. Board members raised housing as an issue affecting many parts of the region, especially rural communities. The Chief Executive agreed, noting that housing, transport and labour shortages were key areas of concern that were frequently raised by stakeholders across the region and needed to be addressed by HIE, partner organisations and government.

2.3 Risk register

The Director of Business Information and Internal Audit (BIIA) presented the corporate risk register, noting that scores were largely unchanged since the register had last been considered by the Board. The Director highlighted that a new risk had been added concerning digital change projects and appropriate governance measures put in place. It was also noted that HIE was currently preparing for the introduction of the new subsidy regime that would come into effect in January 2023. As an outcome of points raised at the recent all-staff conference, HIE's processes were being reviewed to ensure proportionality.

The Board asked whether HIE had been affected by any difficulties experienced by the providers of long-term contracts as a result of the current economic climate, such as rising costs and labour shortages. The Director noted that there had been recent challenges in procuring contractors for certain areas of work and the situation would be monitored.

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

2.4 Risk and Assurance Committee – verbal update of draft action note from 6 December 2022

Donald MacRae, as Chair of the Risk and Assurance Committee, presented a verbal update on subjects that had been dealt with at the most recent meeting, held on 6 December. It was noted that the draft minute would be presented with the HIE Board papers at its next meeting, on 28 February 2023. A key area of focus had been HIE’s 2022-23 annual report and accounts.

The Committee had been pleased to receive an unqualified audit opinion from Audit Scotland and were able to recommend that the Chief Executive sign the certificate of assurance. Further to the meeting, confirmation had been received that the Deputy First Minister had approved the laying of HIE’s accounts in the Scottish Parliament.

The Chair thanked the Committee and everyone involved in completing the annual accounts.

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

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

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

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

3.4 Plot 3.1 Arnish – Moving Scale AQ's launch area RESTRICTED

Charlie Lawrence joined the meeting.

The Property Manager – Major Projects presented a paper recommending approval of an additional £85,000 HIE grant-in-aid to Stornoway Port Authority (SPA). This would enable completion of the coast haul road element of SPA’s Deep Water Port project while also allowing HIE’s tenant, Scale AQ, to continue to operate from plot 3.1 at Arnish and benefit from an improved launch area. *[Sentence removed due to commercial sensitivity].*

The Board welcomed the proposal, agreeing that it would resolve another key element required to deliver HIE’s wider aims at Arnish. In response to a question from the Chair, it was confirmed that the proposed works would have no detrimental effect on the Arnish masterplan. The recommendation was approved.

Charlie Lawrence left the meeting.

4 UPDATES **CUNNTASAN AS ÙR**

4.1 CMSL operational review and update

Peter Mearns, Susan Smith, Colin Matthew, Dave MacLeod and James Palmer joined the meeting.

The Chair and Chief Executive of Cairngorm Mountain (Scotland) Ltd (CMSL) presented a short video and delivered a presentation describing the company’s journey since its formation in 2018. This encompassed progress that had been made as well as significant challenges including operating the mountain resort business while the funicular railway was out of service and the impact of Covid on the tourism sector.

The presentation also outlined actions that had already been taken to fulfil the resort's potential to become a year-round attraction, with a strong focus on the family market. Examples included a popular new adventure playpark, campervan parking and guided walks. Efficiency savings had been made and revenue generation was currently on target, including season pass sales.

The CMSL Chair highlighted the role of the company board in supporting and challenging the Chief Executive. Noting that the terms of office of four directors were due to expire in 2023, he asked HIE to consider extending the current board membership for a further year.

It was stressed that reinstatement of the funicular railway, which was due to relaunch early in 2023, would be the beginning of a journey and not the end. Associated developments included refurbishment of the Ptarmigan restaurant, shop and exhibition, car park improvements, enhancing sense of arrival, new hill tracks and plans in place to introduce family-friendly mountain biking. *[Sentence removed in the interests of the effective conduct of public affairs].*

There was a need to increase electrical capacity, without which future development would be constrained, including masterplan proposals for a centre for the mountain environment. Other significant challenges included the condition of the 45-year-old day lodge and the impacts of the cost of living crisis. *[Sentence removed due to commercial sensitivity].* With the funicular back in service, marketing and product development would be used to increase visitor numbers and the company planned to raise the number of ski season passes in 2023/24 to 1,000.

Anna Salgado was not present for the remainder of this item.

In discussion, the CMSL Chair indicated that greater marketing experience would be beneficial to strengthen the company board in future and noted that it was important for CMSL to take a long-term view. Energy costs had multiplied this year and were a significant cause of concern. The Chief Executive confirmed that progress had been made in strengthening relations with the local community. Net zero was becoming an area of greater focus and the company was continuing to run its snow making and spreading equipment on biodiesel, despite the higher cost compared with regular diesel. It was also noted that there were plans to assess the impact of the resort on the wider area economy once the funicular was running again.

Following the comprehensive discussion, the Chair thanked the CMSL board and staff for all their hard work, dedication and professionalism in ensuring that the company was operated and managed effectively

Peter Mearns, Susan Smith, Colin Matthew, Dave MacLeod and James Palmer left the meeting.

4.2 Space update RESTRICTED

Anna Salgado had rejoined the meeting.

The Director of Strategic Projects updated the Board on progress with a range of projects in the Highlands and Islands space sector.

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

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

Karen McAvenue left the meeting at 1525

4.3 External consultation approach on HIE's new 5 year strategy

The Chief Executive outlined steps that would be taken to consult with stakeholders on HIE's forthcoming five-year strategy and assured members that the content would be subject to final review by the Board in

January 2023, prior to external consultation. It was noted that the upcoming exercise would include open consultation online as well as with targeted groups of stakeholders.

The Board raised a question on whether HIE would be required to carry out a strategic environmental assessment for the new strategy and it was agreed this would be investigated. Consideration would also be given to discussing the strategy with the co-Chairs of NSET at an appropriate time. It was agreed that an additional strategy session would be held with the Board following Leadership Team consideration in January.

The Chair thanked colleagues for the open manner in which the new strategy was being developed and for the progress made to date.

4.4 Financial transactions update

The Director of Finance and Corporate Services presented an update on financial transactions (FTs) which he described as essentially government loans that HIE could then lend on to support clients' projects as an alternative to other forms of funding. The Deputy Chief Executive observed that FTs tended to be best suited to low-risk projects and that a programme approach could be considered.

There were also complications if FTs had to be written off, as this would have an impact on HIE's revenue budget and be considered a subsidy. The paper included details of projects that were being considered for support through FTs, including one that had since been approved.

The Board welcomed the steps being taken to review and optimise HIE's use of FTs where these could benefit clients.

5 ITEMS FOR INFORMATION **CUSPAIREAN AIRSON FIOSRACHADH**

5.1 HIE publication scheme – quarterly approvals July – September 2022

The Board welcomed the latest quarterly list of HIE funding approvals, with members remarking on the high volume of community awards, which was felt to reflect business uncertainty. It was noted that the approvals list for April – June 2022 had not been submitted to the Board and that this would be remedied.

5.2 Any other business

There was no other business. The Chair offered season's greetings to all and expressed the Board's thanks to HIE staff for a productive year.

5.3 Forthcoming meeting dates

- A strategy planning session will take place on 16 February 2023 with an earlier session to be arranged.
- The HIE Board will meet in Inverness and online on 28 February 2023.
- The Risk and Assurance Committee will meet in Inverness and online on 21 March 2023.

Chris Roberts
13 December 2022