

BOARD MINUTE

25 APRIL 2023

Highlands and Islands Enterprise



BOARD MEETING
COINNEAMH BÙIRD

**MINUTE OF THE HIE BOARD MEETING HELD ON TUESDAY 25 APRIL 2023, STARTING AT 1330
AT THE PORTAVADIE HOTEL, ARGYLL, AND BY TELECONFERENCE**

PRESENT (PORTAVADIE)

Alistair Dodds (*Chair*)
Stuart Black (*Chief Executive*)
Angus Campbell
Simon Cotton
Freda Newton
Ailsa Raeburn
Calum Ross
Anna Salgado

PRESENT (ONLINE)

Amanda Bryan
Keith Nicholson
Belinda Oldfield

IN ATTENDANCE (PORTAVADIE)

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 Enterprise Support
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
Morag Goodfellow	Area Manager, Argyll and the Islands
Adrian Kitson	Head of Executive Office
Jessie Laurie	Head of Enterprise Sponsorship, Scottish Government

IN ATTENDANCE (ONLINE)

Chris Roberts	Head of Communications
James Gibbs	Area Manager, Inner Moray Firth, item 2.1
David Howie	Head of Strategic Projects, item 2.1
Gavin MacKay	Head of Energy Industries, item 2.1
Iain Bolland	Diligence Quality Manager, item 2.1
Marie Mackintosh	Subsidy Control Manager, item 2.1
Claire Munro	Senior Project Manager, item 2.2
Nicola Ewing	Head of Client Products and Services, item 2.2
Gareth Roberts	Senior Development Manager, Inner Moray Firth, item 2.4
Stephanie Andrew	Head of Business Growth, Inner Moray Firth, item 2.4
Mairi Buchanan	Senior Development Manager, Innse Gall, item 3.1
Amy Murray	Graduate Development Manager – Gaelic, item 3.1
Elaine Hanton	Senior Project Lead, Regional Infrastructure, item 4.1
Dave Macleod	Head of Property and Infrastructure, item 4.1
<i>[Name removed for Data protection]</i>	
<i>[Name removed for Data protection]</i>	
Lorna Gregson-MacLeod	Head of Planning and Partnerships, item 4.2

1.1 Welcome and apologies

The Chair welcomed everyone to the meeting, including Simon Cotton, who was attending his first meeting since becoming a Board member on 1 April 2023. No apologies had been received.

An excellent turnout had been welcomed to a Board engagement session the previous morning, after which members had enjoyed productive visits to HIE clients and projects in Argyll and the Islands. Further visits were planned for the following day.

1.2 Declarations of interest

Amanda Bryan and Ailsa Raeburn both declared an interest in item 2.1, due to their involvement with Crown Estate Scotland, and would leave the meeting when this item was considered.

It was agreed that businesses with which Simon Cotton, Freda Newton and Calum Ross were associated could be potential financial beneficiaries of the proposed Green Grant Fund (item 2.3) and that these members would leave the meeting when this item was considered.

1.3 Draft minute of Board meeting held on 28 February 2023

The minute was approved as a true and accurate record.

1.4 Draft minute of extra Board meeting held on 20 March 2023

The minute was approved as a true and accurate record.

1.5 Matters arising from the minutes and action grid

It was agreed that the Director of Business Improvement and Internal Audit (BIIA) would update the Board on the framework agreement between HIE and the Scottish Government under item 4.4, *Draft minute of the Risk and Assurance Committee*.

The Director of Communities and Place confirmed that HIE was continuing to pursue plans to attract external investment to support the Science Skills Academy in future. *[Sentence removed in the interests of the effective conduct of public affairs, and due to commercial sensitivity]*.

Arnish would be discussed under item 1.6, *Chair and Chief Executive's update*.

The Chair asked for an update on housing in the Highlands and Islands to be delivered for discussion at the next Board meeting.

Members continued to be concerned at a reported fall in the numbers of modern apprenticeship places in the Highlands and Islands, particularly at a time when significant economic opportunities were being developed. It was agreed that the Chief Executive would raise this issue with Skills Development Scotland.

It was confirmed that a further meeting of the Board sub-group on Cairngorm will be arranged, with a focus on the role of the operating company following successful reinstatement of the funicular railway.

1.6 Chair and Chief Executive's update

Updates were provided on the following matters:

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

- **Covid enquiry**

The Director of BIIA informed the Board that HIE was participating in the Scottish Covid-19 inquiry. Although there were no known concerns about the likely outcomes for HIE, it was expected that the exercise would prove resource-intensive.

- **Business Support Partnership**

The Director of Enterprise Support informed the Board that HIE had agreed to provide funding to enable the Business Support Partnership, comprising multiple agencies and central and local government, to further develop a 'master customer' data solution, building on an existing proof of concept initiative to share client information across the public sector in Scotland. The Board welcomed the move, which could prove transformational in helping businesses access public support.

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

- **Cairngorm Mountain**

The Director of Communities and Place presented a verbal update. Figures from Cairngorm Mountain (Scotland) Ltd showed the resort had experienced a relatively good winter season, particularly following reinstatement of the funicular railway, with around 32,000 visitors. Coverage of the funicular relaunch in print, broadcast and social media had been overwhelmingly positive and had reached millions through print, broadcast and digital media. Hosting the BRIT snowsports awards had also been beneficial for Cairngorm's profile.

The Chief Executive commented that there had been a positive impact on Aviemore and the surrounding area and confirmed that contractors were now on site to create family-friendly mountain biking trails that were scheduled to open before the 2023 school summer holiday.

- **Machrihanish**

The Director of Strategic Projects reported that HIE had received interim payment from administrators of CS Wind. The balance, which would be classed as revenue funding, was expected before the end of the current financial year. It was noted that the Board would visit the site the following day.

- **Arnish**

The Director of Strategic Projects and the Chief Executive updated the Board on discussions with SSE relating to the siting of the Western Isles interconnector. While the physical infrastructure was likely to be on Creed Business Park, SSE's requirement for a 100-metre corridor would mean sterilising a plot at Arnish and the company had informed HIE that an alternative route could not be identified without re-surveying the seabed. Board members expressed the view that it would be helpful to see independent technical advice on this point, and considered it likely that a new seabed survey would be required in any case, given that conditions would have changed in the years since the last survey was conducted.

It was agreed to arrange a meeting of the Board sub-group on Arnish at the earliest opportunity.

- **Sutherland Spaceport**

The Director of Strategic Projects reported that preliminary works were now under way by a local contractor to prepare for construction starting at Sutherland Spaceport. Orbex were now recruiting a new chief

executive and would host a VIP visit to the site on 4 May. HIE and other partners were preparing a news release to confirm start of construction and completion of the public funding package.

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

- **HIE's workforce plan**

The Director of Human Resources reported that HIE's workforce plan remained under constant review and aligned with resources and priorities. A dedicated Leadership Team session on workforce planning was scheduled for 10 May. Two further graduates were to be recruited as part of HIE's *Developing Young People* programme. The Scottish Government had published its public pay policy for 2023-24, indicating a 5% rise, and HIE was reviewing the guidance.

In response to a question, the Director confirmed that HIE was pursuing opportunities to offer appropriate, short-term company placements to graduates employed by the agency.

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

The Director of Strategy and Regional Economy confirmed that HIE's upcoming 5-year strategy and operating plan was on track for consideration at the Board meeting in June. It was intended to hold two further online Board strategy planning sessions in the coming weeks. Dates would be circulated to Board members shortly.

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

Following recent Cabinet changes, the Chair and Chief Executive were due to meet Neil Gray, the new Cabinet Secretary for Wellbeing Economy, Fair Work and Energy, on 10 May.

The most recent meeting of the Inverness Campus Partnership Forum had been chaired by Ivan McKee MSP, who was then the Business Minister.

The Convention of the Highlands and Islands had met on South Uist. This had been the last CoHI to be chaired by then-Deputy First Minister John Swinney. Matters discussed included housing and government plans for highly protected marine areas, which were proving a highly charged issue for island and coastal communities. The Chair observed that CoHI delegates experience of ferry cancellations and associated difficulties in securing late accommodation had underscored the serious challenges currently facing island communities and businesses on an ongoing basis.

While in the Outer Hebrides, the Chair and Chief Executive had visited businesses supported by HIE's area team and met representatives of Spaceport 1.

Board members Ailsa Raeburn and Calum Ross had joined the Chair and Chief Executive in an online Board engagement session, focusing on Lochaber, Skye and Wester Ross. As well as providing opportunities for local businesses and communities to discuss issues with HIE, these sessions were proving valuable in building relationships between the Board and HIE's clients and stakeholders.

The Scottish Government had concluded recruitment of a new Board member for HIE. The appointment of David Wilson had been confirmed by the Cabinet Secretary for Wellbeing Economy, Fair Work and Energy, with a starting date of 1 May.

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

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

2.2 Northern Innovation Hub: staff, communications and consultancy – project amendment **RESTRICTED**

*Claire Munro and Nicola Ewing joined the meeting.
Amanda Bryan and Ailsa Raeburn rejoined the meeting*

The Board was asked to approve a project amendment for the Northern Innovation Hub, which is funded through the Inverness and Highland City-Region Deal and had originally been approved in November 2017. The amendment was requested to ensure that staffing and operational costs were adequate to deliver fully the agreed outcomes .

Specific measures were to increase the budget by £874,638 (comprising £722,179 for staffing, £61,408 for marketing; £27,500 for consultancy costs and £36,400 contingency); extend relevant staff contracts to 31 March 2026, and extend the Senior Project Manager post to October 2026. The total City-Region Deal funding of £11m would not change and, as this was 100% conduit funding, there would be no additional cost to HIE.

Issues discussed included marketing costs and it was explained that the need to reach participants who had no previous relationship with HIE meant that a broad approach was necessary, requiring a relatively high level of marketing spend.

The Board noted that a full update on the performance of the Northern Innovation Hub was due to be delivered at the next scheduled meeting, on 27 June. Members requested that this update include case studies and outputs in order to understand fully the benefits that the programme had delivered and was seeking to achieve before it concludes.

The requested project amendment was approved.

Claire Munro and Nicola Ewing left the meeting.

2.3 Green Grant Fund

Simon Cotton, Freda Newton and Calum Ross left the meeting.

The Director of Enterprise Support described proposals for a new £2m Green Grant Fund in the Highlands and Islands, targeting SMEs in the tourism, creative industries, and food and drink processing sectors.

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

As a result, it was now proposed to establish a new Green Grant Fund to support SMEs in the tourism, creative industries and food and drink processing sectors to address both the cost of doing business and the climate crisis through measures including energy efficiency, renewables, active business travel and waste management. Social enterprises in any sector would also be eligible, and it was recommended that the fund be promoted as an open call.

The Board expressed strong support for the new fund. In discussion, it was agreed that clear output targets would be set and monitored to ensure the fund was properly targeted and would achieve positive impacts. The application and evaluation process should also be carefully planned to ensure that support was targeted appropriately to deliver optimal results for participants, their communities and the wider economy.

The Green Grant Fund was approved.

Simon Cotton, Freda Newton and Calum Ross rejoined the meeting.

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

3 UPDATES CUNNTASAN AS ÙR

3.1 HIE Gaelic Plan

Mairi Buchanan and Amy Murray joined the meeting.

HIE staff presented the annual HIE Gaelic Plan Monitoring Report for 2022-23, which the agency is required to submit to Bòrd na Gàidhlig. This was accompanied by the latest iteration of HIE's fourth Gaelic Plan which had been submitted to Bòrd na Gàidhlig earlier in April.

In discussion, the Chair noted that Gaelic had been a key feature of recent Board recruitment exercises, using the language in application documents and promotional materials, and including a Gaelic-speaking panel member. Members also noted that overall numbers of Gaelic learners had been rising, which presented further opportunities to strengthen the use and visibility of the language. These points were noted.

The Board welcomed the monitoring report and Gaelic Plan and it was agreed that an induction and awareness session be arranged for Board members.

Mairi Buchanan and Amy Murray left the meeting.

4 RESOURCES AND GOVERNANCE GOIREASAN IS RIAGHLACHAS

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

4.2 Performance update – year to date

Lorna Gregson-MacLeod joined the meeting.

The Head of Planning and Partnerships summarised HIE's performance outcomes and investment profile for 2022-23, noting that HIE had succeeded in achieving 10 of its 11 outcome targets, with only the out-turn for *increase in turnover in the social economy* falling slightly below the target range. *[Sentence removed in the interests of the effective conduct of public affairs].*

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

The Board welcomed the out-turns, noting that figures were provisional at this stage, and subject to adjustment following data quality and completeness checks. A detailed year-end report will be presented to the Board in June.

Lorna Gregson-MacLeod left the meeting.

Belinda Oldfield left the meeting.

4.3 Financial statement to 31 March 2023

The Director of Finance and Corporate Services presented the financial statement to 31 March 2023 which detailed the draft out-turn for financial year 2022/23.

It was noted that the draft capital out-turn was an underspend of £0.135m, broken down as £0.02m on business as usual (BAU), and £0.12m for Wave Energy Scotland. Financial transactions had an authorised overspend of £0.33m and the draft revenue out-turn was an authorised overspend of £3.01m. £2.5m of this was associated with Cairngorm and £0.6m related to community development officers (CDOs). CDOs were usually funded via a budget revision but the Scottish Government had omitted this due to an oversight.

The Board particularly welcomed additional income from the Scottish Government totalling £14.25m, including funding for Cairngorm, the Green Jobs Fund, Space Hub Sutherland, Fair Isle Bird Observatory and the European Marine Energy Centre.

Work was now underway to prepare the annual accounts and the Director noted that the main issues concerned: *[part of sentence removed in the interests of the effective conduct of public affairs]*; the final position on expected credit losses and other write-offs, and confirmation of the final irrecoverable VAT out-turn.

The Chair thanked the Director and HIE's Leadership Team for achieving a highly satisfactory out-turn, and the Scottish Government for continued support.

Jessie Laurie left the meeting.

Amanda Bryan left the meeting.

4.4 Draft minute of the Risk and Assurance Committee meeting, 21 March 2023

Angus Campbell, who succeeded Donald MacRae as Chair of the Risk and Assurance Committee on 1 April 2023, presented the draft minute of the most recent meeting, held on 21 March. Among other matters, the Committee had welcomed the significant reduction of risks associated with Cairngorm and Space Hub Sutherland. Audit Scotland's annual plan and fee had been a focus of discussion, with the Committee pressing for a return to pre-Covid timescales and expressing HIE's displeasure with the 30% fee increase.

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

The Board noted the report back from the Committee.

4.5 Risk register

The Director of BIIA presented the latest HIE corporate risk register. It was noted that risks relating to UK subsidy control regime and in-year financial challenges for 2022/23 had been closed, although similar risks would be included for 2023/24. Five new corporate risks had been added, relating to:

- Challenges to the tourism and hospitality sectors due to changes in government policies;
- *[Sentence removed in the interests of the effective conduct of public affairs].*
- Subsidy environment and effective implementation;
- Change in stakeholder environment, and
- *[Sentence removed in the interests of the effective conduct of public affairs].*

The Board thanked the Director and her team for ensuring that the register continued to be updated, clearly presented and monitored as a working tool.

5 ITEMS FOR INFORMATION **CUSPAIREAN AIRSON FIOSRACHADH**

5.1 Any other business

There was no other business.

5.2 Forthcoming meeting dates

- The Risk and Assurance Committee 6 June 2023.
- The HIE Board will meet in Inverness and online on 27 June 2023.

Chris Roberts
25 April 2023