

**BOARD MEETING**  
**COINNEAMH BÙIRD**

**MINUTE OF THE HIE BOARD MEETING HELD ON 14 DECEMBER 2021,  
STARTING AT 0900 BY TELECONFERENCE**

**PRESENT:** Alistair Dodds (*Chair*)  
Carroll Buxton  
Amanda Bryan  
Angus Campbell  
Belinda Oldfield  
Calum Ross  
Donald MacRae  
Freda Newton  
Robert McIntosh

**IN ATTENDANCE:**

Stuart Black	Lead Area Manager
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 Support
Chris Roberts	Head of Communications
Andrew Carton	Team Leader (HIE), Enterprise Sponsorship Team, Scottish Government
Lorna Gregson-MacLeod	Head of Planning and Partnerships
Elaine Hanton	Project Lead, Cairngorm, item 4.1
Dave Macleod	Head of Property and Infrastructure, item 4.1
David Howie	Project Lead, items 4.2 / 4.3
Anna Allan	Head of Marketing and Communications, item 4.4
Audrey MacIver	Director of Energy Transition & Net Zero, item 4.5
Catherine MacNeil	Senior Research Manager, item 4.6
Neil Ross	Head of Community Growth, item 4.7
Mairi Buchanan	Senior Development Manager, item 4.7

## **1 STANDING ITEMS**

### **CUSPAIREAN COTHROMACH**

#### **1.1 Welcome and apologies**

The Chair, who was in An Lòchran with Amanda Bryan, Freda Newton, and Carroll Buxton, welcomed everyone to the meeting. Apologies had been received from Paddy Crerar.

#### **1.2 Declarations of interest**

Freda Newton noted an interest in HighLife Highland, which was included in the latest approval list (item 5.1). However, as the reference was to a decision that had already been taken, there was no conflict.

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

Belinda Oldfield noted a related party interest concerning the Cairngorm funicular reinstatement works and it was agreed she would leave the meeting for this item.

Calum Ross noted an interest in the graduate support programme, which was mentioned in the minute of the previous meeting. This did not present a conflict.

Nick Kenton and David Oxley are directors of Wave Energy Scotland. This was noted, but did not present a conflict of interest.

#### **1.3 Minute of Board meeting held on 26 October 2021**

The minute was approved as an accurate record, with some amendments that would be addressed and verified by the Chair.

#### **1.4 Minute of extra Board meeting (Nigg) held on 25 November 2021**

The minute was approved as an accurate record.

#### **1.5 Matters arising from the minutes and Action Grid**

The Chief Executive confirmed that it was not possible to provide accurate information on the totality of demand for support from the tourism sector, as enquiries that did not progress to formal applications were not recorded. However, a further report from the Head of Tourism had been circulated.

The Chair noted that dates were being arranged for Board development sessions.

A paper on current HIE legal cases had gone to the Risk and Assurance Committee and an update had been circulated to the full Board for information.

The Chair thanked Calum Ross, who had registered an interest in being HIE's representative on the Court of the University of the Highlands and Islands. Mr Ross's appointment was being formalised.

## 1.6 Chair and Interim Chief Executive Update

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

HIE's presence at the international COP26 climate summit in Glasgow had been productive, with a great deal of positive engagement, particularly around the potential for the region to benefit from the growth of the hydrogen economy.

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

The Scottish Government's forthcoming National Strategy for Economic Transformation was expected early in the New Year. A draft had been shared with HIE and showed strong alignment with the agency's own plans.

The inaugural meeting of the Regional Economic Partnership had been very positive and Councillor Roddy Mackay of Comhairle nan Eilean Siar had been appointed as Chair. Plans were under way to expand membership, including private sector involvement. The Chair of HIE had recommended that Crown Estate Scotland should be invited to participate.

The preliminary court hearing to consider Strident Publishing's petition for a judicial review of HIE funding decisions for Sandstone Press had refused Strident's request. This decision is open to appeal.

Revised Covid-19 guidance had been issued to HIE staff following the outbreak of the Omicron variant. This included advice to cancel or postpone any planned Christmas events.

The Chair had attended the most recent meeting of the Enterprise and Skills Strategic Board, which discussed a range of matters including the government's forthcoming National Strategy for Economic Transformation, governance, skills and innovation.

The Chair had discussed Inverness Castle with Fergus Ewing MSP and advised that a request for HIE funding should be anticipated.

Board members Amanda Bryan and Angus Campbell had accompanied the Chair at a virtual engagement event with businesses and community groups in the Outer Hebrides. This had been well received, with key issues including housing, transport, labour shortages and rising cost of materials mirroring the experience of stakeholders in other areas.

The latest meeting of the Cairngorm Advisory Group had been productive, demonstrating continuing demand for HIE to be as open as possible about its plans for the mountain estate and addressing local economic impacts.

Board recruitment to fill three current vacancies was moving forward. Requests for Paddy Crerar and Donald MacRae's appointments to be extended by one year were expected to be signed off by the Cabinet Secretary shortly, and the Chair was also seeking extensions for Amanda Bryan and Belinda Oldfield.

The Chair and the Interim Chief Executive had discussed the University of the Highlands and Islands with its new Principal, who was in the process of recruiting a new team.

A range of issues had been discussed at a meeting with the Minister for Business, Trade, Tourism and Enterprise, Ivan McKee. Subjects included the National Strategy for Economic Transformation, potential investment in Nigg, Cairngorm, the space sector, Stornoway Port and green freeports.

Amanda Bryan asked how HIE was responding to the significant demand for Greening Community Assets funding, which was seriously over-subscribed. The Director of Communities and Place replied that sifting of applications according to the funding criteria had resulted in a volume that he believed would be manageable, with a potential spend of between £400,000 and £500,000 in the current financial year.

Amanda Bryan noted the considerable amount of Crown Estate Scotland (CES) revenue that was distributed to local authorities for community benefit, and it was agreed that HIE would seek alignment to maximise impact. Ms Bryan also advised that the CES board would seek to meet with HIE board members towards the end of March when the CES board was in Inverness.

<b>2 RESOURCES AND GOVERNANCE</b> <b>GOIREASAN IS RIAGHLACHAS</b>
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### **2.1 Financial statement**

The Director of Finance and Corporate Services presented the latest financial statement, detailing HIE's position to 30 November 2021.

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

In contrast, the revenue budget was under-committed, even after moving property factoring from capital. Business units' commitments would need to increase to achieve a balanced position. Block A revenue spend was markedly slower than the previous two years and there would need to be a focus on improving this position in the final third of the year.

In response to questions, the Director confirmed that the extent of revenue under-commitment was greater this year than usual. He reported that teams across HIE were being called on to provide good quality forecasts, and that Leadership Team was considering greater central management in the final quarter of the year. This assurance was welcomed by the Board.

Members asked about the position of HIE subsidiary Wave Energy Scotland (WES), which appeared significantly underspent at this time. HIE directors agreed and informed the Board that procurement timescales had had an impact, as well as Covid-related delays that had affected the open sea deployment of one prototype wave energy device in Orkney. The WES Director was confident that a balanced out-turn would be achieved and the situation was being monitored.

The Board expressed concern that discretionary revenue awarded to some area teams had been reallocated due to insufficient demand. Staff agreed there was a need to stimulate client ambition, which had been affected by the pandemic, and noted that a marketing campaign would be implemented to raise awareness of HIE support across the region.

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

## **2.2 Financial outlook**

The Director of Finance and Corporate Services presented a five-year financial outlook for both capital and revenue, covering the period 2022 – 27.

HIE was starting its three-year planning cycle in the third quarter of 2021-22, and this would be informed by the Scottish Government's Programme for Government (published in September 2021), the forthcoming National Strategy for Economic Transformation, guidance from the Enterprise and Skills Strategic Board and the Cabinet Secretary's annual letter of guidance, which was expected in March 2022. The financial outlook report would be used alongside the new HIE strategy and annual operating plan to inform the organisation's approach to prioritisation in coming years as budget headroom becomes available.

In an evolving situation, it was noted that efficiencies would be required to manage financial pressures and that HIE would pursue opportunities to attract funding from a range of sources and to work in partnership with other bodies to maximise impact. The Board also welcomed news that a workforce plan for the organisation was also being developed to optimise alignment of resources and priorities.

## **2.3 Half-year review**

## **2.4 Performance update**

*Lorna Gregson-MacLeod joined the meeting.*

The Head of Planning and Partnerships presented the half-year review and the regular performance update, reporting out-turns in relation to HIE's in-year operating plan measures.

Between April and September 2021, £24.8m had been approved for 531 projects, of which £15.8m was awarded to 479 third party projects (and to 415 clients). Grant-in-aid (GIA) approvals to the half-year point equated to just over a third (36%) of HIE's £68.2m budget, which was below the level approved for the first six months of 2019-20 (44%). Capital approvals accounted for 59% of the total GIA approved, while revenue accounted for 40% (£10m).

In terms of jobs supported, performance (268.5 full-time equivalents) was slightly behind expectations at this point in the year. However, the number of jobs supported in fragile areas (90) was well ahead of the straight-line at the half year point. It was clear that the region was in the early stages of economic recovery and comparisons with previous years were not appropriate.

Output appeared broadly on track to reach the target performance for the year, with only one measure (capital asset investment) currently behind profile. International sales had been challenging, particularly given the economic impacts of Covid-19 and Brexit. However, a recent funding award to the Scottish Salmon Company meant that progress was on track.

The Board welcomed the update, noting the difficulties faced by businesses and communities across the country at present, and the challenge of improving and measuring productivity. It was agreed that it would be helpful to see more analysis on innovation and progress towards net zero in fragile areas as the year progresses. Members asked if there was a standard definition for 'green jobs' and were assured that HIE had adopted guidance that had been accepted by all three enterprise agencies and was broadly in line with international understanding.

## **2.5 HIE three-year strategy**

The Head of Planning and Partnerships updated the Board on progress towards delivering HIE's three-year Strategic Plan 2022-25 and annual Operating Plan. The timetable had been revised to ensure HIE's plans take account of the National Strategy for Economic Transformation (NSET), which the Scottish Government is expected to publish early in the new year and guidance from the Enterprise and Skills Strategic Board.

Themes to be included in the HIE strategy had been chosen to align with the NSET and would include:

- Population and talent, people, skills
- Just transition to net zero (incorporating energy and natural capital)
- Fair work and inclusive growth
- Sectoral Perspectives – life sciences; blue economy; food and drink; creative industries; technology and advanced engineering and digital; tourism, and space
- Innovation and technology
- Business resilience, growth and entrepreneurship
- Productivity and investment
- Inward investment and international
- Infrastructure
- Community wealth building and resilience

A series of staff and Board workshops was being prepared and would be rolled out in early 2022. Partner engagement was also planned, and the new Regional Economic Partnership would provide a valuable forum to share and gain feedback on emerging priorities.

Members welcomed the update, indicating that they were looking forward to participating in workshops to develop the strategy. The Board strongly endorsed the principle of HIE taking a distinctive approach that would address the specific needs and opportunities of the Highlands and Islands while ensuring alignment with national priorities and direction.

## **2.7 Fair work conditionality and HIE's approach**

*[Item 2.6 was taken later in the meeting, as items 2.3, 2.4, 2.5 and 2.7 all involved the Head of Planning and Partnerships.]*

The Board discussed an update on the national fair work agenda, including a proposal to extend fair work conditionality that applies to financial assistance as part of HIE's contribution.

HIE had applied fair work conditionality since April 2020 on financial support of £100k and above. Since then, the Scottish Government had instructed all public sector funding bodies to extend conditionality and use of procurement to promote fair work. Data indicated that a higher proportion of HIE clients were paying the real living wage (RLW) and there was evidence that wage rates were rising. However, in certain areas, sectors and social enterprises, there were higher proportions of HIE's client base that were not paying the RLW.

The paper recommended changes to the application of conditionality, reflecting a desire for HIE to lead positive change to deliver fair work commitments. These changes would come into effect through a

phased approach from 1 April to summer 2022 and would include basing appraisal on the applicant's whole organisation, not only the jobs to be supported by HIE funding. Conditionality would also apply to any value of funding, with no minimum threshold, and include all *Fair Work First* criteria.

The Board approved the proposal, however members emphasised the need for HIE to work with its clients and support those that had not already adopted fair work practices to do so. There was a need to ensure the aims and benefits of the new approach were effectively communicated, and that clients were helped to understand the distinctions between similar sets of terminology such as living wage, fair work, minimum wage and Scottish Business Pledge. Members also expressed the view that zero hours contracts could be part of a family-friendly approach to employment, and were not always a negative feature.

*Lorna Gregson-MacLeod left the meeting.*

*Angus Campbell left the meeting.*

## **2.6 Risk register**

The Director of Business Improvement and Internal Audit presented the latest corporate risk register. It was noted that the register had, as planned, been given a wholesale refresh. However, the recent emergence of the Omicron variant of Covid-19 had impacted sectors including tourism, hospitality and creative industries and this would require a further update, underlining the importance of keeping the register as a living document.

In discussion, it was noted that horizon scanning work had been undertaken to highlight emerging and longer-term risks, including effects arising from climate change. It was agreed to review how digital risks are shown in the register, and consider consolidating these under one heading.

## **2.8 Minute of Risk and Assurance Committee meeting held on 7 December 2021 – Verbal**

Donald MacRae, as Chair of the Risk and Assurance Committee, gave a verbal update on matters discussed at the meeting of 7 December 2021. The Chair thanked the committee Chair and members for their input to effective governance throughout the year.

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

*There were no investment decisions on this meeting's agenda.*

## **4 UPDATES** **CUNNTASAN AS ÙR**

### **4.1 Cairngorm**

*Belinda Oldfield left the meeting.*

*Elaine Hanton and Dave MacLeod joined the meeting.*

The Head of Property and Infrastructure informed the Board on progress with the funicular reinstatement project and delivery of HIE's masterplan for Cairngorm. The Project Lead provided updates on matters relating to operating company Cairngorm Mountain (Scotland) Ltd (CMSL), the operating and governance review, stakeholder engagement, and legacy legal cases.

Contractor Balfour Beatty had now demobilised for winter and would resume funicular reinstatement works in spring 2022.

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

A multi-criteria assessment involving both HIE and CMSL, had concluded that a new funicular control system would be procured and ready for installation immediately following conclusion of the reinstatement works by Balfour Beatty, which was expected to be achieved in autumn 2022. A critical factor was that the current system was at the end of its design life, and it had proven impossible to source a supply of replacement parts that could be required to ensure public safety. Following legal and technical advice, it had been agreed to procure the new system through a non-competitive award to the original supplier, Garaventa.

Potential opportunities would be investigated to accelerate the remainder of the reinstatement programme, however ongoing UK-wide labour shortages would make this challenging. It was therefore now anticipated that the earliest possible date for resuming the funicular service would be January / February 2023. This was dependent on there being no further issues affecting the timelines for reinstatement and for the manufacture and supply of the new control system. The Board noted this risk and confirmed that they were content with the approach recommended by HIE staff.

Turning to operational matters, the Project Lead reported that CMSL was due to open its winter season officially on Friday 17 December, when access to the beginners' ski area would be made possible with manufactured snow. The post of CMSL chief executive had been filled, with the successful candidate being Susan Smith, who had been carrying out the job on an interim basis on secondment from HIE.

Refurbishment of the Ptarmigan building at the plateau was progressing well, but had uncovered defects that required remedial work. CMSL planned to reopen the mid-station building to provide shelter and toilet facilities until the Ptarmigan could re-open, which was expected to happen in February 2022.

On stakeholder engagement, the Cairngorm Advisory Group had now met on three occasions. These meetings had been constructive and feedback had been positive. HIE was also continuing to issue frequent progress updates through social media channels and these were well received.

Work was progressing on the operating and governance review, with a view to presentation and discussion at upcoming board meetings of both HIE and CMSL.

HIE's two legal actions – in pursuit of guarantees given by the previous operating company and its main shareholder, and against the original design and construction teams – were both now in the commercial court and would be heard by the same judge.

Members asked for a meeting of the HIE Board Cairngorm sub-group to be arranged early in the new year. It was also agreed that HIE would review CMSL's key performance indicators to ensure that these were as objectively measurable as possible. It was noted that discussions were continuing between HIE and the Scottish Government to seek additional funding for the reinstatement programme which, as had been agreed previously, had been extended as a consequence of multiple issues, including the COVID pandemic, severe weather and technical challenges.

The Chair thanked the Cairngorm team for their update and continuing focus on delivering a highly complex and challenging programme.

*Elaine Hanton and Dave MacLeod left the meeting.*

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

### **4.3 Space programme (incl. each space centre)**

The Director of Strategic Projects reported that an introductory call had taken place with Paul Bate, the new CEO of the UK Space Agency. Mr Bate had already visited Shetland and had expressed a willingness to come to Sutherland and the Orbex facility in Forres in the coming months.

Shetland Islands Council was expected to consider the planning application from SaxaVord Spaceport early in 2022, following completion of statutory consultation on a nature conservation management plan.

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

*David Howie left the meeting.*

### **4.4 HIE marketing communication strategy and plan**

*Anna Allan joined the meeting.*

The Head of Marketing presented a strategic plan for HIE's marketing, communications and engagement approach to support economic recovery across the region. Covering the period from September 2021 to March 2023, the plan reflected HIE's operating plan priorities to support progress towards economic recovery, net zero greenhouse gas emissions, green jobs, and fair work. Its delivery would be shaped to align with the efforts of Scottish Government and other partners to respond collaboratively to the national economic impacts of COVID-19, the UK's departure from the European Union and the climate emergency. An earlier draft of the paper had been presented for information to the Board on 26 October and had been updated following feedback from members.

The Board welcomed the strategic plan, noting that suggestions submitted in response to the previous draft had been included, and expressing willingness to participate in activities such as networking events when appropriate. In discussion, it was confirmed that the plan included a commitment to continue to deliver high profile announcements in Gaelic as well as English and to increase the use of Gaelic on social media channels. Members noted that a survey of Scotland's local authorities indicated relatively low awareness of HIE, although it was thought likely that this reflected the fact that only seven of Scotland's 32 local authorities operate within the region.

The Chair thanked the Head of Marketing and acknowledged the input of Board members in finalising the strategic plan.

*Anna Allan left the meeting.*

### **4.5 Renewables – Hydrogen**

*Audrey Maclver joined the meeting.*

This Director of Energy Transition and Net Zero presented HIE's position on opportunities emerging from the drive towards a hydrogen economy in Scotland.

It was emphasised that hydrogen would play a significant role in Scotland achieving net zero greenhouse gas emissions by 2045. The Scottish Government had published its *Hydrogen Policy Statement* in December 2020 and was currently consulting on its draft *Hydrogen Action Plan*. Both documents confirmed strategic intent to achieve 5GW of renewable and low carbon hydrogen production capacity by 2030, multiplying five times to 25GW by 2045. The vision was for Scotland to become a world leader in the production of reliable, competitive, sustainable hydrogen (green and blue) and to secure the country's future as a centre of international excellence through innovation, skills and supply chain development that would underpin energy transition from fossil fuels.

The move towards a hydrogen-based economy presented an excellent opportunity for the Highlands and Islands. Early investment in green hydrogen production at scale is expected to be driven by a combination of the region's large offshore wind resource, constrained route to market caused by grid limitations and high transmission charges, and existing oil and gas infrastructure. There was also potential to create value in rural and coastal communities through locating industrial activity close to natural energy resources. The potential for new jobs and redeployment of existing workforce to produce, store, distribute and use hydrogen will also support a just transition to net zero.

The Board warmly welcomed the paper and the Director's presentation, noting the very impressive scale of the opportunity presented by hydrogen, both in terms of economic value and just transition to net zero. Members commented that the impacts could be comparable to those delivered by the hydro schemes and oil boom of the last century, and encouraged HIE to commit staff and financial resource to maximise its effectiveness in influencing and leading development of the sector. The Chief Executive commented that HIE would feature the hydrogen opportunity prominently as a key element of HIE's next three-year strategy with potential to deliver significant benefits to the region and to Scotland over the longer term.

Angus Campbell rejoined the meeting towards the end of this discussion (1445) and the Director of Energy Transition and Net Zero agreed to contact him directly following the meeting to ensure his views on hydrogen were captured.

The Chair thanked the Director for an excellent presentation and noted that the subject would be revisited in detail at two upcoming Board sessions, one on energy and the other on strategy and priorities.

*Audrey MacIver left the meeting.*

#### **4.6 HIE's Business Panel survey**

*Catherine MacNeil joined the meeting.*

The Senior Research Manager presented the findings of the most recent survey of the HIE Business Panel. Field work for the survey had been conducted across all areas of the region in October / November 2021, before the emergence of the Omicron COVID-19 variant prompted new restrictions on private and public gatherings. At that time, more businesses were operating at pre-pandemic levels or beyond, achieving improved sales and turnover, and expressing greater optimism.

Rising costs emerged as a key concern, along with supply chain issues and labour shortages arising from recruitment challenges and staff absences. Net zero transition was recognised as important, with 93% of businesses taking action to reduce greenhouse gas emissions, but many were having to focus on short-

term survival rather than longer-term plans. A majority (78%) were taking measures to support fair work for staff.

In discussion, Board members commented on these issues and others, including stressing the need for access to, and uptake of, digital connectivity across the region's geography and sectors. The Chair observed that it would be helpful to gather more evidence on labour shortages in particular.

Asked to suggest areas to explore in future surveys, the Board recommended questions relating to business investment, including reasons for investing. It was noted that investment was strongly linked to innovation and productivity, so gathering such information would help inform HIE's approach to these themes.

The Board thanked the Senior Research Manager for a helpful report and excellent presentation.

*Catherine MacNeil left the meeting.*

#### **4.7 Draft Gaelic Plan**

The Board welcomed the latest draft of HIE's fourth Gaelic Plan, which is both a statutory requirement and an opportunity for the organisation to refocus its ambitions to ensure equal respect for Gaelic and English, offer services in Gaelic, and ensure opportunities for staff and customers to use Gaelic are made mainstream. Following extensive consultation, staff were now finalising the plan for submission to Bòrd na Gàidhlig (BnaG) and Scottish Ministers for approval before the current plan expires on 8 March 2022.

In discussion, the Board noted that the level of HIE staff resource for Gaelic activity could come under increased pressure as the plan is delivered. However, the accuracy of a statement in the draft that HIE currently has no dedicated Gaelic resource was questioned and this wording will be reviewed. It was confirmed that a dedicated resource exists in HIE's Communications team, delivering Gaelic media releases, social media posts and interviews.

It was agreed that an action to offer Gaelic training to HIE staff would be extended to include Board members as well. Staff will provide the Board with a final draft before submitting to BnaG, and provide annual updates on delivery.

*Mairi Buchanan and Neil Ross left the meeting.*

## **5 ITEMS FOR INFORMATION** **CUSPAIREAN AIRSON FIOSRACHADH**

### **5.1 HIE publication scheme quarterly approvals July – Sept 2021**

The latest quarterly list of financial approvals was noted.

### **5.2 R100 and digital connectivity**

The Board noted the contents of a paper outlining how the Scottish Government's R100 programme is being rolled out and what it will deliver for the Highlands and Islands. The paper also provided information on longer-term national ambitions for gigabit broadband availability and an initial assessment of coverage expected in the region.

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

### **5.3 Any other business**

There was no other business.

### **5.4 Forthcoming meeting dates:**

- HIE Board meeting – 1 March 2022
- HIE Risk and Assurance Committee meeting – March 2022, specific date TBC

Chris Roberts  
14 December 2021