

BOARD MEETING
COINNEAMH BÙIRD

**MINUTE OF THE HIE BOARD MEETING HELD ON 26 OCTOBER 2021,
STARTING AT 0900 BY TELECONFERENCE**

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

IN ATTENDANCE:

David Oxley	Director of Strategic Projects
Douglas Cowan	Director of Communities and Place
Karen Moncrieff	Director of Human Resources
Martin Johnson	Director of Strategy and Regional Economy
Nick Kenton	Director of Finance and Corporate Services
Rachel Hunter	Director of Service Delivery
Sandra Dunbar	Director of Business Improvement and Internal Audit
Stuart Black	Lead Area Manager
Adrian Kitson	Head of Executive Support
Chris Roberts	Head of Communications
Jessie Laurie	Head of Enterprise Sponsorship, Scottish Government
Liz Taylor	Data Protection Officer, item 2.4
Dave MacLeod	Head of Property and Infrastructure, item 3.1
Elaine Hanton	Project Lead, Cairngorm, item 3.1
James Palmer	Project Manager – Construction, item 3.1
Claire Munro	Senior Project Manager, item 3.2
Steven Hutcheon	Head of Technology and Advance Engineering, item 3.2
Charlie Lawrence	Property Manager – Major Projects, item 3.3
Greg Youngson	Property Development Manager, items 3.4 / 4.2
Ruaraidh MacNeil	Director of Business Infrastructure, items 3.4 / 4.2 / 4.6
James Gibbs	Area Manager – Inner Moray Firth, item 4.1
David Howie	Project Lead, items 4.3 / 4.4
Nicholas Sobey	Senior Policy Manager, Transport, item 4.5
James Cameron	Head of Life Sciences, item 4.6
Zahir Fazal	Chairman, BESTrustees Limited, item 4.7

1 STANDING ITEMS CUSPAIREAN COTHROMACH

1.1 Welcome and apologies

The Chair welcomed everyone to the meeting, [*Sentence removed in the interests of Data Protection*] and to Stuart Black who is the Chief Executive designate. The Chair also congratulated Board member Angus Campbell on his appointment as the Regional Lead for Further Education by the University of the Highlands and Islands and the Further Education representative on the UHI Court.

Apologies were noted from Board member Freda Newton and the Director of Service Delivery. The Director of Strategy and Regional Economy noted that he would be stepping in and out of the meeting due to prior commitments.

1.2 Declarations of interest

The following interests were declared:

- Amanda Bryan declared a financial interest in [*Item removed in the interests of the effective conduct of public affairs*]. It was agreed that she would be excluded from the current Board consideration and leave the meeting when this item is discussed.
- Belinda Oldfield declared a related party interest in Mott MacDonald, which has involvement in engineering works affecting the Cairngorm funicular, item 3.1 Cairngorm. It was agreed that she would be excluded from the current Board consideration and leave the meeting when this item was discussed.
- Calum Ross and Paddy Crerar declared a financial interest in relation to the Graduate Programme – Covid Consequential Funding, item 3.5. It was agreed that they would be excluded from the current Board consideration and leave the meeting when this item is discussed.
- Angus Campbell declared an interest in items concerning ferries, noting that he is the Chair of the CalMac Community Board, item 4.5 Transport Update. It was agreed that HIE would benefit from Angus's knowledge and experience when discussing wider strategic issues, and he could participate in discussion. Angus also declared an interest as a member of the UHI Court.
- Alistair Dodds declared a related party interest in relation to Health Connect Highlands and Islands, item 4.6. It was agreed that this was a strategic discussion with no funding element for a decision and he could participate in the discussion.
- Nick Kenton and David Oxley declared an interest in Wave Energy Scotland as HIE-appointed directors on the Board of Wave Energy Scotland (WES). This was noted, but considered not to present a conflict which merited leaving the meeting if this item was discussed.
- All HIE staff in attendance declared an interest in relation to the Pensions Update, item 4.7. Stuart Black also declared an interest as a Trustee of the HIE Superannuation Scheme. It was agreed that all HIE staff could remain for the duration of the opening remarks from the Director of Finance and Corporate Services, the presentation from the Chair of the Trustees and for any questions from the Board. All staff would then leave the room for the Board to deliberate and arrive at a decision. HIE staff would then re-join the meeting and the Chair will update the meeting on the decision of the Board.

1.3 Draft minute of Board meeting held on 24 August 2021

The minute of the Board meeting held on 24 August 2021 was approved with one amendment to item 1.4 c HIE Investment in Tourism, to reflect that it would be useful for the Board to understand the full quantum of support that the sector had sought from HIE in response to COVID, including unfulfilled demand.

1.3.1 Draft minute of extra Board meeting held on 24 September 2021

The minute of the Board meeting held on 24 September 2021 was approved.

1.4 Matters arising from the minutes and action grid

The Board noted that the action grid was a very useful document to allow the tracking of actions from previous Board meetings. It was agreed that once actions had been closed out and reported to the Board that they should be removed from the grid.

The Chair requested that two half day Board development sessions be arranged to include topics such as Population Growth, MyHIE and Energy.

All other matters arising will be covered during the meeting.

1.5 Chair and Chief Executive update

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

The R100 contract for extending Broadband coverage has been published and businesses / residents can now find out information for their property at www.scotlandsuperfast.com. Any property that is not in the build plan can receive funding for superfast through the Scottish Broadband Voucher Scheme. There are currently two HIE staff working on the Broadband Voucher Scheme and seeking solutions. The Director of Communities and Place confirmed that coverage had caused issues and Island and remote rural coverage will be reviewed.

Apologies were provided in relation to a late paper for BALCAS that had been circulated for review and it was noted that this would be discussed at agenda item 5.3 Any Other Business.

HIE is working with partners to support Scotland's Climate Ambition Zone at COP26. The SE-led programme involves 24 seminars, panel, round table, and networking events over 11 days at The Lighthouse, Glasgow, and HIE is helping secure Highlands and Islands speakers. Recruitment is underway for a virtual expo for companies, and HIE is directly involved in the core programme, leading on marine energy, and supporting offshore wind, hydrogen, heat, green finance, transport, and Race to Zero. Our staff will chair sessions, contribute to panels, and support logistics.

The Director of Business Improvement and Internal Audit provided an update on the current court cases and the complaint and potential Judicial Review in relation to Sandstone Press related to PERF funding.

The Board raised a question in relation to the number of court cases and any lessons learned. The Interim Chief Executive and the Director of Business Improvement and Internal Audit confirmed that lessons

learned are captured highlighting that with changes to the subsidy regime, HIE could be open to more Judicial Reviews as a legal route to recourse. It was agreed that a one-off, high-level overview of legal themes over recent years be prepared for the Risk and Assurance Committee.

The Chair provided an update on the recent virtual Board engagement event that took place covering the Argyll and the Isles area with Board members Angus Campbell and Calum Ross joining the Chair for the event. The session was very good with positive discussion and many topics raised. Infrastructure, staffing and connectivity issues were to the fore. The Chair asked that the notes from this and the previous engagement event covering the Innse Gall area be circulated to Board members.

Further Local Authority leadership meetings had been held with the focus being on COHI. Good progress is being made with the establishment of a Regional Economic Partnership.

A meeting had been held with the Chair of the Scottish National Investment Bank to ensure that the two organisations continue to work effectively together.

The COHI meeting had a wide-ranging agenda which was pertinent to the Highlands and Islands including Covid, Economic Strategy, Further Education and Housing. An update on ScotWind was provided noting the need for all organisations to work together on offshore wind to ensure that the benefits are maximised. The Board asked if there could be a strategic paper on the opportunities in the renewable energy sector presented at a future meeting. It was confirmed that the Director of Energy would be presenting a paper on Hydrogen at the next Board meeting.

The Chair thanked the Board for their input to the CEO recruitment process and in particular to Donald MacRae for collating Board feedback and to Paddy Crerar who was on the recruitment panel, commenting that it was a full and thorough process.

The process for recruitment of Board members is making good progress. A case for extending both Donald MacRae and Paddy Crerar by one year has been made and is about to be put before the Cabinet Secretary for sign-off. Further extension requests have also been made and should be confirmed shortly. The recruitment panel for the Board recruitment of three additional members has been agreed with the Scottish Government with dates to be confirmed to commence the process.

Following the appointment of Angus Campbell, there is now space for a HIE representative on the UHI Court. This is an important role and Board members are asked to note if they have an interest in this by notifying the Chair.

The last Board meeting of the year is scheduled for December and all Board members are encouraged to attend in Inverness.

2 RESOURCES AND GOVERNANCE **GOIREASAN IS RIAGHLACHAS**

2.1 Financial statement

The Director of Finance and Corporate Services presented the financial statement to 30 September 2021.

Following the issues mentioned at the last Board meeting, the MyHIE financial commitment issue has been addressed. There is now access to much more information than previously with pipeline being used actively and informing discussion at Leadership Team and Investment Committee.

HIE has been informed that the 2021-2025 (£18.25m) business plan for Wave Energy Scotland (WES) has been approved by the Minister, but as yet do not have this confirmed in writing.

A further meeting was held with the HMRC regarding a revised Partial Exemption Special Method (PESM) for VAT recovery on 13 September, with Ernst and Young (EY) supporting HIE. HMRC raised several questions about the proposed methodology which have all been resolved with the exception of one material one relating to the residual recovery rate for properties. EY have submitted a further proposal and are hopeful of a resolution this calendar year. The revised PESH will be effective from 1 April 2020 and an accrual for the estimated liability has been included in the 2020/21 final accounts.

HIE has reclassified the Property Factoring budget as revenue. This follows Audit Scotland placing particular emphasis on capital accounting in the 2020/21 audit and the challenge to accounting treatments that they had previously accepted for many years. This prompted HIE to go back to first principles and review areas regarding the classification between capital and revenue. Making this switch has affected the year to date spend and forecast positions on both capital and revenue. This has helped revenue catch up, but it is still some way behind where we would expect it to be. There is still time to address this and the Finance Team continue to work closely with Area Teams and directorates.

The position is complicated by a recent SG request for organisations to free up Resource where they can. Although we are currently behind on spend, in terms of forecast we are now fully committed on revenue and we have therefore explained to SG we are not currently in a position to hand back budget. We are also showing a negative reserve of circa £400k but there is a proposed share sale that would actually resolve that.

The Factoring switch has reduced the over-commitment on capital down to around £2.0m, which is a bit low and there is scope to increase commitment. The position is complex and there are potential emerging pressures on Stornoway Port Authority and on the Cairngorm Full Business Case.

Overall, the position on capital and revenue is satisfactory and the forecast is to break-even on both.

HIE has now received more clarity on the accounting treatment for Financial Transactions (FTs) from Scottish Government and the conclusion is that FTs are not well suited to loans or equity that carry a high risk of non-payment or of loss on disposal. [sentence removed in the interests of the effective conduct of public affairs]

The Board asked the Director if he was happy with the progress with MyHIE. The Director confirmed that he was, and that this was continually improving with all required information available for financial reporting and with access to additional information that was not previously available.

2.2 Draft minute of Risk and Assurance Committee held on 23 September 2021

2.2.1 Draft Minute of Risk and Assurance Committee follow-up meeting held on 24 September 2021

The Chair of the Risk and Assurance Committee (RAC) reported on matters discussed at the meetings held on 23 September and 24 September 2021, noting that it was a full meeting with the focus being on the Annual Report and Accounts.

The papers discussed covered three areas, 1) Current and Emerging Issues, 2) Accounts Related and 3) Planned Activity.

[sentence removed in the interests of the effective conduct of public affairs]

An update on MyHIE was provided with a future demonstration and presentation of the system to be organised for the HIE Board.

Under Accounts Related, areas covered included the Annual Report and Accounts and Group Companies audit reports. A report on the disbursement of Covid funds was presented and the Committee noted that this was complimentary of the governance that was in place.

Due to the Audit Scotland report only becoming available just prior to their meeting, it was agreed to carry forward business to the following day (24 September 2021) to allow the Committee time to review the papers prior to reconvening the meeting.

The work undertaken by Audit Scotland on the 2020/21 annual report and accounts concluded that they provide a true and fair view and are able to issue an unqualified audit opinion. It was confirmed that the annual accounts could be signed-off by the Interim Chief Executive.

Concern was raised regarding the tight timetable for preparing and auditing the accounts. It was agreed that HIE and Audit Scotland would revisit this and bring back to a future Committee meeting. The Director of Finance and Corporate Services highlighted that one of the key issues was working from home and if both organisations start to return to more normal ways of working, this should assist to reduce the time taken.

The Board thanked the Committee, the Finance and Audit teams and all involved, noting that it was important to get a clean set of accounts.

It was agreed that a copy of the Covid Funds 20/21 Composite report be provided to the Board.

2.3 Annual accounts and report summary 2020/21

The Director of Finance and Corporate Services presented an update on the Annual Report and Accounts process for 2020/21 noting that they are due to be laid in Parliament on the 26th October. Outlining that it had been an incredibly complex year, not only with the impact of additional Covid funding but also the introduction of a technical change around Expected Credit Losses (ECLs) and the agreement to overspend by up to £6m on capital. The final outturn showed that the target £6m overspend was met and revenue broke even, which were excellent results.

The balance sheet was weakened due to the Retirement Benefit Obligation (pensions deficit). This figure has to be produced using methodology set by International Accounting Standards producing a forecast deficit of £57.0m on the HIE Scheme. In practical terms a more meaningful figure is the Actuarial valuation on pensions – using this methodology, the equivalent figure is a deficit of £39.0m. HIE has a legally binding guarantee from SG that underwrites the pension schemes, and the Director was content to state in the accounts that HIE remains a going concern as are the three Group Companies of Wave Energy Scotland, Cairngorm Mountain (Scotland) Limited and Orkney Research and Innovation Campus.

There are lessons to be learned from the audit and capital accounting was a real theme and steps were being taken to address that. Audit also raised comments about the process for formally writing off bad debts and this will be reviewed too.

The Interim Chief Executive highlighted the considerable effort that had gone into this, and the challenges presented by some late changes noting that the format of the report was good, as was the outturn.

The Board thanked all involved and welcomed the helpful report to clarify the accounting terms. It was agreed that a copy of the Audit Scotland Action Plan would be circulated to the Board.

2.4 Data protection report

Liz Taylor, HIE's Data Protection Officer (DPO) joined the meeting.

The Director of Finance and Corporate Services introduced this item before handing over to HIE's Data Protection Officer to present the report. The Director outlined that Data Protection law requires HIE to present a report to the highest management level of the organisation, which is usually deemed to be the Board. This is the first formal report to the Board from the DPO on compliance with data protection laws covering the period 18 January 2021 to 8 October 2021. The Board were also asked to consider whether future papers should be presented to the Risk and Assurance Committee rather than the Board.

The DPO provided a brief overview of HIE's statutory requirements with regard to the role of DPO which was introduced by the General Data Protection Regulation (GDPR) and has a number of statutory tasks defined by the legislation. These include advising on relevant legislation, monitoring compliance with both the law and organisational policies, and providing advice on data protection impact assessments. There are also requirements relating to working with the regulator.

[sentence removed in the interests of the effective conduct of public affairs]

Actions to mitigate these risks were detailed on an action plan managed by the Head of Information Governance.

There had been no reported personal data breaches and no data protection complaints that the DPO had been involved with during the reporting period.

The Board welcomed the report and the assurance that the obligations on HIE were being addressed properly. The Board discussed the reporting process in detail and agreed that a report should be provided to the HIE Leadership Team twice per annum and to the Board at least once per annum, as well as any specific issues being reported to the Risk and Assurance Committee.

Liz Taylor left the meeting.

2.5 Risk register

The Director of Business Improvement and Internal Audit presented the updated risk register at October 2021, highlighting new and amended risks and the movement of scores over time.

Since the register was last considered by the HIE Board the Budget Challenges risk has been removed and has been replaced by two new risks 1) On-going budget challenges and 2) in-year budget challenges.

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

The Board thanked the Director for the thorough report and for addressing the budget risk raised at the previous Board meeting.

The Board asked about current issues which were not on the risk register such as [Item removed due to commercial sensitivity] and how the Board would be made aware of issues relating to clients managed by Scottish Enterprise. The Director of Business Improvement and Internal Audit confirmed that any significant risks, including risk to opportunities, are identified and discussed at LT with any awareness of external issues feeding through at these meetings to the risk register.

The Board also asked if there was any “horizon scanning” undertaken to identify any issues appearing. The Director of Business Improvement and Internal Audit confirmed that this was done, as well as a comprehensive annual refresh of risks.

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

3.1 Cairngorm

Belinda Oldfield left the meeting.

Elaine Hanton, Dave MacLeod and James Palmer joined the meeting.

HIE staff presented an update on recent activities relating to Cairngorm. Subjects that were covered included: the ongoing programme of funicular reinstatement works; the Cairngorm masterplan; operating company Cairngorm Mountain (Scotland) Ltd (CMSL); stakeholder engagement and communications; operating and governance review, and legacy legal cases.

The Board welcomed confirmation that recent initiatives to broaden the resort’s appeal were proving successful, with the extended adventure playpark and new campervan facilities both generating income for CMSL. Early bird passes for the upcoming winter season had gone on sale, although capacity would again be limited owing to the funicular being out of service.

Refurbishment of the catering and retail facilities in the Ptarmigan building at the top of the funicular was progressing and would be followed next year by an upgraded exhibition space. Recruitment for a permanent chief executive for CMSL had attracted a large volume of applications and first interviews would take place on 27 October. Recruitment of seasonal staff for winter was also progressing well.

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

On engagement, the new Cairngorm Advisory Group (CAG) had held a constructive meeting in August and would meet again in December to focus on the masterplan. HIE staff had also organised briefings to update members of the Scottish and UK parliaments.

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

As reported previously, the timetable for the funicular reinstatement works had been affected by multiple factors, including technical challenges, extreme weather, and the COVID-19 pandemic, with the result that these works were now expected to conclude in autumn 2022. HIE’s professional advisers and contractors were engaged in ongoing work to fully understand and evaluate the financial impacts associated with the revised timescale.

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

Discussion focused largely on the funicular. The Board raised questions regarding installation of a new control system in addition to the viaduct strengthening works, and sought assurance that this would not impede HIE's ambition for the funicular to be ready to resume operations as planned by end-November 2022. HIE staff responded that they were working with the supplier of the current control system to assess risks and actions that may be required to meet this timetable.

Members observed that the Scottish Government regarded the funicular reinstatement and associated investments in Cairngorm as having national strategic importance. It was therefore the Board's view that additional government funding was warranted in order to achieve the economic impacts described in the full business case that had been approved in August 2020. There was concern that an alternative option of drawing substantial funding from within HIE's own budget to meet any shortfall could adversely affect the agency's ability to make a positive difference in other parts of the region.

Summing up, the Chair emphasised the need for HIE staff to present a strong case to Scottish Government for additional funding to complete the funicular reinstatement works as a national strategic project, while also working with contractors and advisers to drive efficiencies. The Board would also need to see a funding plan, including potential impacts on HIE activities if some or all of the additional budget required should have to be met from HIE's own resources. It was important to ensure that any other works that were required to bring the funicular back into operation on schedule, including actions relating to the control system, will be taken forward in parallel with viaduct strengthening works whenever possible.

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

Members thanked the HIE team for a very comprehensive update and expressed confidence that the range of complex matters was being handled professionally. Staff were also asked to convey the Board's appreciation to CMSL, whose innovative approaches were proving successful in attracting customers and generating revenue.

Elaine Hanton, Dave MacLeod and James Palmer left the meeting.

3.2 Northern Innovation Hub – Amendment paper

Belinda Oldfield rejoined the meeting.

Steven Hutcheon and Claire Munro joined the meeting.

The Board approved several amendments to the Northern Innovation Hub project, which HIE administers on behalf of the Inverness and Highland City-Region Deal. These changes had been recommended

following an interim review conducted by EKOS and aimed to apply lessons learned during early delivery of the programme in order to realise its ambitions in the remaining period.

The amendments, which would also require approval from the Scottish Government, included:

- Prioritising delivery of the *Food and Drink TechHub* project for financial year 2021-22.
- amending project targets and budgets in line with the review recommendations;
- extending some operating costs, including staffing, to align with the delivery timeframe which was now planned to conclude a year later than planned, in March 2026, and
- *[removed due to commercial sensitivity]*.

The Board also agreed to delegate to HIE Leadership Team any subsequent amendments that might be needed to extend staff contracts.

Steven Hutcheon and Claire Munro left the meeting.

3.3 Proposed option agreement with Scottish & Southern Energy/Scottish Hydro Electric Transmission for Plots 3.1/3.2 at Arnish Point Industrial Estate

Audrey MacIver and Charlie Lawrence joined the meeting.

HIE staff requested Board approval to enter into an option agreement with Scottish and Southern Energy (SSE) for plots 3.1, 3.2, Arnish Point Industrial Estate, Stornoway, as a site for a proposed islands interconnector.

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

The Board agreed that securing the Outer Hebrides interconnector had long been recognised by HIE as a transformational outcome that would deliver very substantial benefits to the islands. However, members pressed staff to ensure that the proposed deal represented best value, particularly considering current land values and previous investment made by HIE to develop these plots.

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

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

The Board acknowledged the complexities of the present situation. Supporting the potential delivery of the interconnector was of paramount importance and would deliver lasting benefits to the islands.

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

The Board also noted HIE's intention to review the agency's long-term strategy for Arnish. Members stressed the importance of the revised strategy taking a broad view to encompass opportunities across the islands, rather than focusing narrowly on Arnish alone.

Audrey Maclver and Charlie Lawrence left the meeting.

3.4 Inverness Campus: Sale of Plot 9

Ruaraidh MacNeil and Greg Youngson joined the meeting.

HIE's Property team presented a paper seeking Board approval to sell Plot 9 at Inverness Campus to Scotland's Rural College (SRUC) who intend to build a £6.97m *Rural and Veterinary Innovation Centre*. The centre will provide office and research facilities and commercial incubator space for the aquaculture, agriculture and animal health sectors. Heads of terms had been agreed for the sale, at the sum of £570,000 plus VAT.

HIE had worked closely with SRUC for many years and the college currently occupied space in An Lòchran at Inverness Campus, some of which would be retained. The innovation centre was aligned with HIE's campus development strategy and would support life sciences education, research and commercialisation.

[Paragraph removed due to commercial sensitivity].

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

It was agreed that the Property and Finance teams would consider this aspect. There was also discussion around the appropriateness of a rurally themed initiative being located in the city of Inverness. Board members observed that, while this particular project was very welcome, there was a continuing need for HIE to ensure that investments are also attracted and supported in rural locations to benefit communities across the Highlands and Islands.

The sale of Plot 9, Inverness Campus, to SRUC was approved.

Ruaraidh MacNeil and Greg Youngson left the meeting.

3.5 Graduate programme – COVID consequential funding

Calum Ross and Paddy Crerar left the meeting.

The Board agreed to homologate a decision to approve a funding increase of £250,000 for HIE's Graduate Support Programme, to a new total of £2,250,000. This decision had been made by the Chair and Interim Chief Executive on 19 October 2021 in line with HIE's policy on delegated levels of authority.

It was noted that HIE's Leadership Team had approved allocation of £1.5m from the Covid Consequentials funding stream in July 2021 to fund 80-100 graduate placements. Due to increased demand for the programme, a further £500,000 funding had been approved by Leadership Team in September. The programme currently had 114 placements approved and 14 applications pending. Because these pending applications needed to be processed urgently to meet programme timelines for placements and claims, the Chair and Interim Chief Executive had agreed to consider the project amendment in advance of the scheduled Board meeting and confirmed their approval on 19 October 2021.

The Board welcomed the success of the graduate support programme, which was having an impact across the Highlands and Islands.

4 **UPDATES** **CUNNTASAN AS ÙR**

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

4.2 Inverness Campus: Velodrome development

Ruaraidh MacNeil and Greg Youngson joined the meeting.

HIE's Property team presented a proposal to agree a potential land sale at Inverness Campus that would enable plans for a proposed velodrome to be progressed. Highland Velodrome Trust (HiVelo) wished to acquire around two hectares of land at to the north of the railway line to develop a regionally significant velodrome at an estimated cost of £8.5m.

It was noted that the development of sporting facilities was included as a key element of HIE's overall vision for Inverness Campus. The trust was currently at an early stage of design and fundraising and was seeking to establish HIE's support to sell the land for this development. HIE's agreement in principle to sell this land would enable HiVelo to approach potential funders with a proposition that identifies a specific site for the development.

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

Ruaraidh MacNeil and Greg Youngson left the meeting.

4.3 Space programme

David Howie joined the meeting.

The Director of Strategic Projects updated the HIE Board on space sectoral development in the region, focusing on plans for satellite launch sites in Shetland (SaxaVord Spaceport); the Outer Hebrides (Spaceport 1), and Argyll (Machrihanish Airbase Community Company, or MACC). Progress in developing Space Hub Sutherland was covered in a separate paper.

[Paragraph removed due to commercial sensitivity].

The Board welcomed the update.

4.4 Space Hub Sutherland

The Director of Strategic Projects and the Project Lead delivered an update on further progress of the Space Hub Sutherland project, focusing on progress made with legal cases and due diligence. He confirmed that the Scottish Land Court had approved HIE's application for the development, and that a judicial review of the Highland Council's planning approval, which had been requested by Wildland Ltd, had concluded in the council's favour. Conclusion of these processes had removed two of the largest risks affecting the project and the outcomes were very welcome.

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

HIE's Space Hub Sutherland team was now primarily focused on the full business case that was expected to be concluded in January 2022 for presentation to a Board meeting early in the new year.

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

David Howie left the meeting.

4.5 Transport update

Nicholas Sobey joined the meeting.

The Senior Policy Manager presented a briefing paper to the HIE Board on transport matters in the region relating to ferries, and updates on wider developments in transport policy including the Strategic Transport Projects Review (STPR2) and transport aspects of the Scottish Government-Greens Deal.

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

HIE staff have continued to compile evidence on the implications of ferry resilience to business and communities, building on the information that was previously discussed at HIE's June Board and have continued to engage with Transport Scotland on an ongoing basis.

In relation to the Strategic Transport Projects Review (STPR2), HIE has previously communicated concerns to Transport Scotland, via HIE's representation on STPR2 regional working groups that regarding the areas that are not included, the scope of STPR2 could limit the extent to which the review could support

accessibility and inclusive growth objectives in many rural parts of Scotland. The Phase 2 recommendation report is expected to be published by the end of this calendar year.

The Scottish Government and Scottish Green Party Shared Policy Programme, published in August, includes a number of agreed transport related policies. Further details are still to be announced, however, it is welcome that there includes an emphasis on additional investment in rail and bus services. Along with the substantial increase in funding towards active travel, these will contribute to low carbon objectives whilst improving transport options and connectivity for many communities.

The Board welcomed the update paper and the helpful discussion that followed, noting the real frustration around these issues. There was discussion on the need to gather evidence and the possible development of an index that would promote what HIE needs to do. The Chair and Chief Executive will continue to engage with Ministers and would be happy to consider other methods of engagement. The Scottish Government's 10-year Economic Strategy should include reference to Housing, Digital and Transport and these are fundamental to how HIE operates in this area, with Regional Economic Partnerships also having a role to play in pursuing better outcomes.

Nicholas Sobey left the meeting.

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

4.7 Pensions update

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

5 ITEMS FOR INFORMATION
CUSPAIREAN AIRSON FIOSRACHADH

5.1 Marketing, communications and engagement strategic plan 2021-23

It was agreed that any written comments on the strategy from Board members should be provided to Carroll Buxton, Martin Johnson and Anna Allan. Following review of any comments, the strategy will be brought back for discussion at the December Board meeting.

5.2 HIE Publication Scheme: Quarterly approvals list April – June 2021

This paper was noted with a request that the approvals be published more timeously.

5.3 Any other business
Balcas Ltd – potential sale of HIE shares and consent to sale of business

The Interim Chief Executive introduced a late paper seeking Board approval for HIE to negotiate the sale of its 1.9% shareholding in Balcas Ltd to the company's present majority owner, SHV, and to give its consent to the business and its assets being sold.

HIE had acquired Balcas shares in 2008 for £2 million in support of a large investment to establish a wood pellet manufacturing plant, which remains in operation with around 35 employees in Invergordon. SHV, HIE BOARD MEETING | 26 OCTOBER 2021 | MINUTE

which had acquired its majority shareholding of Balcas in 2014, was now looking to divest and had agreed a sale to Glennon Brothers Ltd. Under the term of the legal undertaking between HIE and Balcas, HIE's consent was required before the proposed sale could proceed. The paper noted that the Enterprise and New Towns (Scotland) Act 1991 requires HIE to seek to realise exits from investments, while maintaining the economic impact derived from those investments.

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

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

It was agreed that the Interim Chief Executive and Director of Business Improvement and Internal Audit would respond to the Board on these points following today's meeting. As a point of context, it was noted that the profitability of the timber sector in Scotland had improved greatly during that period.

Jessie Laurie left the meeting due to a prior commitment at 1659.

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

Belinda Oldfield left the meeting due to a prior commitment at 1701.

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

Amanda Bryan had to leave the meeting at 1707. Before doing so, she indicated her support for the recommendations in the paper.

The Board approved the recommendations in the paper. These were: that staff continue to negotiate to secure the best possible deal (including value secured and any relevant ongoing conditions) from selling HIE's shareholding in Balcas Ltd to SHV, and that HIE give consent to SHV to sell Balcas Ltd to Glennon Brothers Ltd. The Board also agreed to delegate authority to the Chair and the Interim Chief Executive so that matters could be concluded swiftly.

In summing up, the Chair stressed the Board's desire to ensure that HIE will seek to maximise the benefits for the region from the income HIE will receive from sale of these shares.

5.4 Forthcoming meeting dates

- Tuesday 7 December – RAC
- Tuesday 14 December – Board meeting

CLOSE DÙNADH