

BOARD MEETING
COINNEAMH BÙIRD

**MINUTE OF THE EXTRA HIE BOARD MEETING HELD ON 15 FEBRUARY 2022
STARTING AT 1400 BY TELECONFERENCE**

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

IN ATTENDANCE:

Carroll Buxton	Deputy Chief Executive
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
Adrian Kitson	Head of Executive Office
Michael O'Donnell	Senior Development Manager, <i>item 2</i>
Joanna Peteranna	Area Manager – Innse Gall, <i>item 3</i>
Kathleen Stewart	Head of Enterprise Support – North, <i>item 3</i>
Charlie Lawrence	Project Manager – Major Projects, <i>item 3</i>

1 Welcome and apologies

The Chair opened and thanked all in attendance for joining the extra meeting noting that there had been no apologies received.

Amanda Bryan declared an interest in relation to the Stornoway Port Authority arising from her role as Chair of Crown Estate Scotland. Papers had not been issued to Ms Bryan and it was agreed that she would be excluded from the current Board consideration and leave the meeting when this item is discussed.

Freda Newton declared an interest in relation to the Inverness Castle project due to Jacobite Cruises potentially benefitting from tourists being attracted to Inverness to visit the Castle. It was agreed that due to the stage of the project, this did not present a conflict of interest.

Inverness Castle

Michael O'Donnell joined the meeting.

The Senior Development Manager for the Strategic Projects Directorate presented a paper seeking Board approval of the allocation of a £2.0 million grant to The Highland Council for the Inverness Castle project, which is part of the Inverness and Highland City Region Deal. The project delivers on the Scottish Government Economic Strategy objective to build on our strong reputation and brand through cultural and tourism promotion. This project fits with HIE's priority of supporting regional delivery, specifically through partnership with Local Authorities and supporting growth deal catalyst projects in the region that allow the Highlands and Islands to grow.

The project, which is the flagship of the Inverness City Region Deal, is to turn Inverness Castle into a world class visitor destination. This will be done through a multi-faceted approach of a visitor exhibition, a large interpretative space showing the culture and history of the Highlands under the theme 'Spirit of the Highlands' and creating amenity space that is free to use. It is forecast to attract over half a million visitors and aims to encourage them to visit the wider Highlands and Islands through showcasing the whole region. Half of the surplus profit generated from the project will be redistributed out with Inverness in the Highland Council area by High Life Highland, who will be the operator. It will create 82 direct jobs at the castle and an additional 193 offsite, indirect and induced jobs throughout the region and generate over £13.0 million per annum of extra expenditure in the region's economy.

The total cost of the project is £35.9 million and is fully funded subject to HIE approval of £2.0m. The Scottish Government have committed £13.3 million through the City Region Deal and an additional £4.6 million through a Tourism and Economic Development Grant. The Highland Council have committed £9.8 million through their capital programme and an additional £5.7 million through borrowing. UK Government have committed £0.1 and Historic Environment Scotland £0.35m

The Board asked if the costings were fixed and that there would be no further increases and if there was a relationship between the Castle project and the follow-on projects. It was confirmed that the project costs are based on a fixed cost and are therefore accurate with a small contingency in place. The figures in the project are for phase 1 of the Castle only. Phases two and three would not begin until 2026 at the earliest and subject to the required funding being secured and will focus on the relocation of the existing museum and gallery and regenerating the retail offering on Castle and Bridge Street.

The Board also queried why HIE was being asked for funding now, and the opportunity cost related to whether the funds could be deployed to other projects or more fragile areas and if there would be any private sector investment in the project. There was also a concern as to whether the existing infrastructure could cope with the predicted number of visitors if the majority would be in July and August. It was confirmed that the original project had included indicative funding from HIE which had been noted in growth deal updates to the Board. The Highland Council has committed significant funding to the project including from a high level of borrowing. The Director of Finance and Corporate Services confirmed that the costings had been worked into forward planning and were affordable. It was also noted that 50% of income from the project will be redistributed out with Inverness and be of benefit to the wider Highland Council area. It was also confirmed that private sector investment would be sought for certain aspects of the project. To address infrastructure concerns re visitor numbers, it was noted that opening times would be extended to accommodate high visitor numbers and there were coach drop-off points in the city centre.

The Board, while noting their concerns re opportunity cost and investment in Inverness city centre were supportive of the project and approved the funding request for £2.0m.

Amanda Bryan, noting her support for the project left the meeting due to a prior engagement and before the decision being made by the Board.

Michael O'Donnell left the meeting.

2 Stornoway Port Authority

Joanna Peteranna, Kathleen Stewart and Charlie Lawrence joined the meeting.

The Director of Strategic Projects introduced the paper seeking approval of an additional £1,835,000 by Stornoway Port Authority (SPA) towards the delivery of Stornoway Deep Water Port (DWP). This will increase HIE's contribution to the project to £11,835,000.

The Head of Enterprise Support outlined that in July 2019, the Board of HIE approved £10,000,000 Grant in Aid to SPA to enable the delivery of the DWP project. The project was delayed by geotechnical investigations and impacted by the pandemic. Initial tenders for the project were returned in July 2021 and identified that the project could not be achieved within the original costs and available finance. Following a value engineering process undertaken by SPA and its consultants, the project was redesigned and retendered. SPA state the increased construction costs are primarily due to construction inflation largely resulting from Brexit and the Covid19 pandemic. The detailed value engineering exercise has identified cost savings that can be made while still delivering a facility which will bring the outlined economic and social impacts to the Inne Gall economy.

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

HIE, along with other public sector funders are being asked to share the additional costs along with SPA. The ask of HIE is an additional £1,835,000, to be matched by similar additional contributions from Comhairle nan Eilean Siar (CnES) and Marine Scotland. There is minimal change to the original base case however a subsidy assessment requires to be finalised.

The DWP will primarily serve the cruise tourism market but will also have wide ranging impact in the energy supply chain market, enabling fabrication opportunities, aquaculture and other sectors through improved port facilities. This is a long-term infrastructure project which is expected to be transformational for the area. Given the challenges facing fragile areas this is a rare opportunity to make a significant beneficial socio-economic impact on Stornoway and the wider area.

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

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

The Board, while noting that they were generally supportive of the project, agreed to defer making a decision until the Board meeting of 1 March 2022 when a paper would be presented with the following issues covered; certainty regarding the subsidy element of the project; further detail on the wider project benefits; *[line removed due to commercial sensitivity]*, and resolution of the legal agreement requirements.

Joanna Peteranna, Kathleen Stewart and Charlie Lawrence left the meeting.

3 AOB

There was no other business.

The Chair closed the meeting noting the complex projects which had been considered and his appreciation to Board members for the time taken to review the papers.

Adrian Kitson
Head of Executive Office
15 February 2022